

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 29, 2019

Volume 12 Issue 102

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	4

## Tonight's Research Points

- Weak closes at short and intermediate-term lows during a long-term uptrend have often seen a bounce in the following days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but short-term evidence is again light. That will improve with some seasonality on Wednesday. I'll look to up my long position if we get another bad day heading into the positive seasonality.

*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
March 29, 2019	20-low > 200ma. Close bottom 10% day	1-2 days	Bullish			
<b>Active - Long Term</b>						
May 17, 2019	3 up > 2%. HV 3/10 offset < 0.25	1-19 days	Bullish			
May 14, 2019	CBI 11+	1-17 days	Bullish			
April 24, 2019	SPX closes above 50-day Bollinger Bnd	1-50 days	Bullish	5.00%	-4.30%	-8.10%
April 2, 2019	Golden Cross	int term	Bullish			
March 4, 2019	NASDAQ up 10 weeks in a row	13 weeks	Bullish	11.70%	-2.10%	-4.40%
October 1, 2018	Quantitative Tightening \$50billion/mo	int term	Bearish			

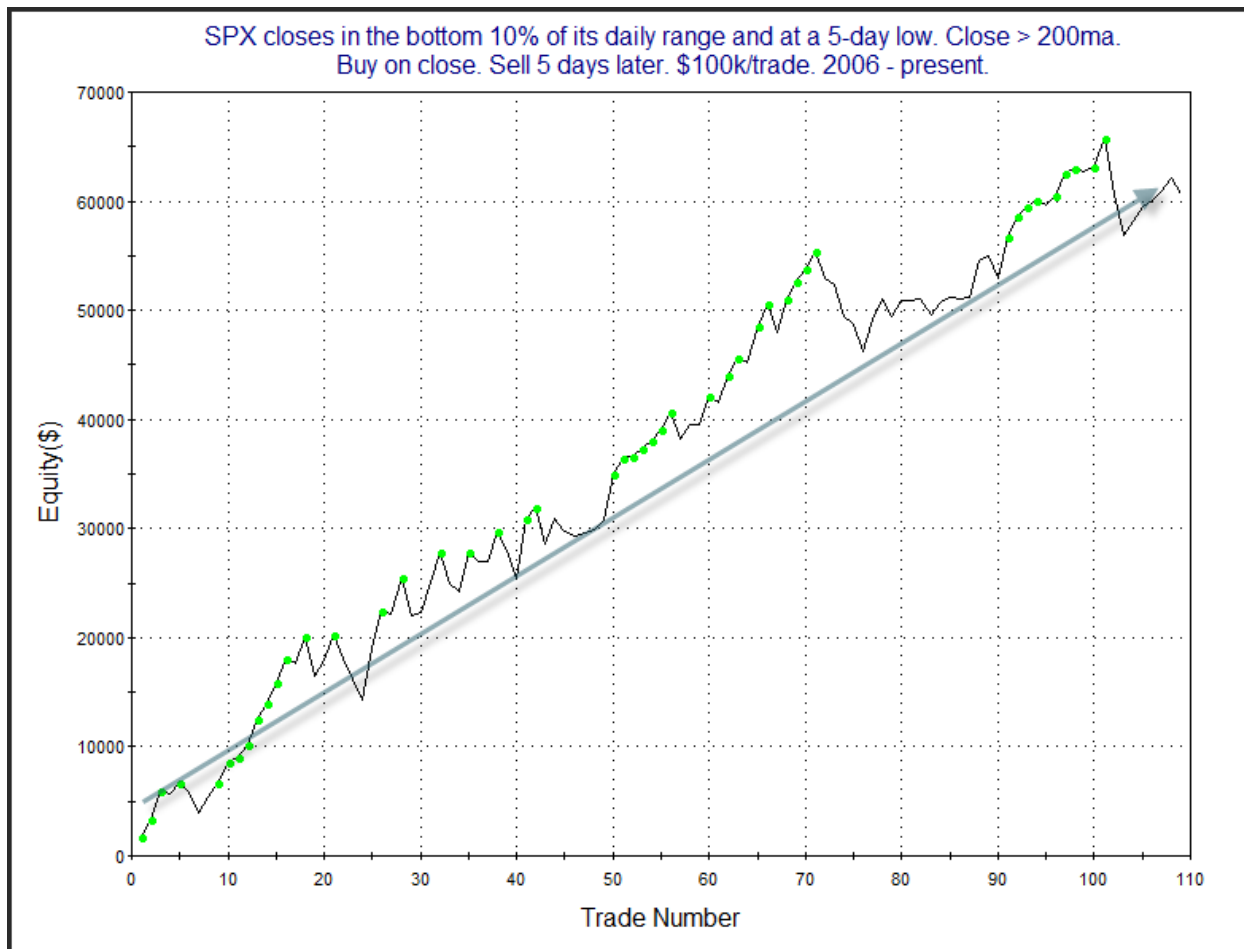
***The Evidence***

Tuesday was a down day for the market. The SPX lost 0.8%, the NASDAQ fell 0.4%, and the Russell 2000 dropped 0.7%. The SPX and NASDAQ each closed at the lowest level since late March. Breadth was negative as the NYSE Up Issues % was 33% and the Up Volume % came in at 26%. NYSE volume spiked higher on the selloff.

Over the last several years when SPX has closed near the bottom of its daily range and at a short-term low, it has typically been followed by a bounce in the next few days. This can be seen in the study below, from the 6/28/17 letter.

SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2006 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	60,615.86	109	72	37	66.06	1,708.54	5,555.16	-1,686.47	-5,132.88	1.01	1.97	556.11
4	50,168.40	113	74	39	65.49	1,523.26	5,290.00	-1,603.92	-6,520.68	0.95	1.80	443.97
3	42,629.57	120	78	42	65.00	1,197.03	4,895.50	-1,208.06	-3,437.94	0.99	1.84	355.25
2	31,721.12	131	75	56	57.25	1,085.74	4,424.50	-887.67	-4,452.12	1.22	1.64	242.15
1	28,193.26	143	89	54	62.24	789.09	2,671.02	-778.45	-4,074.84	1.01	1.67	197.16
<b>90% of instances closed above the entry price at some point in the next week.</b>												

The stats here appear to suggest a pretty solid upside tendency over the last 13 ½ years. Below is a look at the profit curve assuming a 5-day holding period.



The upslope is impressive. This serves as some confirmation of the short-term upside edge. Of course it was not just a 5-day low we saw on Tuesday. It was the lowest close in over 2 months. I also ran the above test subbing in a 20 or 40-day low. Results of those tests are below.

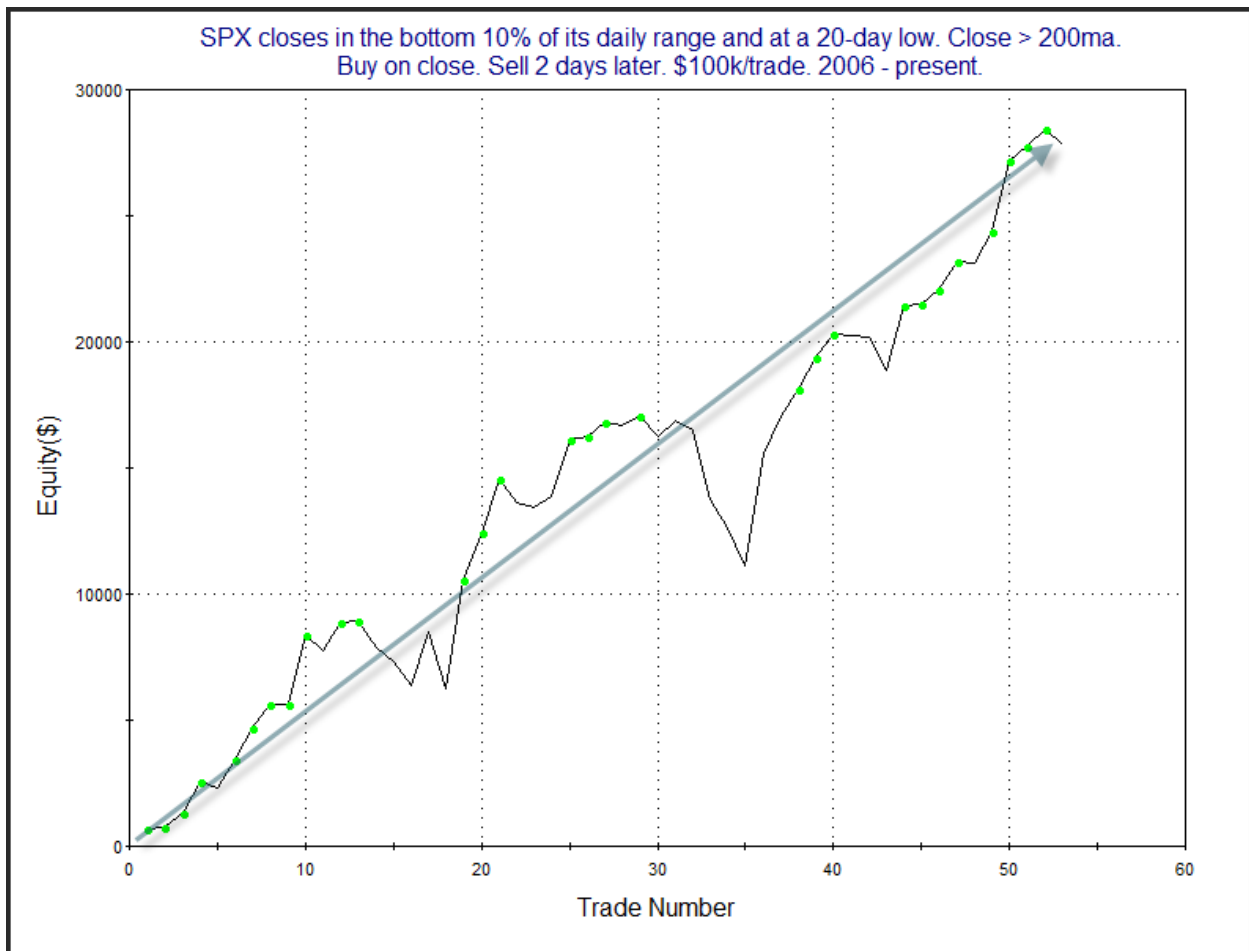
SPX closes in the bottom 10% of its daily range and at a 20-day low. Close > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 2006 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	31,056.36	44	30	14	68.18	1,644.56	4,221.66	-1,305.74	-3,385.80	1.26	2.70	705.83
4	28,069.98	47	31	16	65.96	1,667.31	5,290.00	-1,476.04	-3,863.84	1.13	2.19	597.23
3	24,492.06	49	32	17	65.31	1,369.15	4,895.50	-1,136.51	-2,513.78	1.20	2.27	499.84
2	27,798.89	53	34	19	64.15	1,275.43	4,424.50	-819.24	-2,726.97	1.56	2.79	524.51
1	20,487.18	61	41	20	67.21	908.13	2,671.02	-837.30	-2,050.91	1.08	2.22	335.86

SPX closes in the bottom 10% of its daily range and at a 40-day low. Close > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 2006 - present.

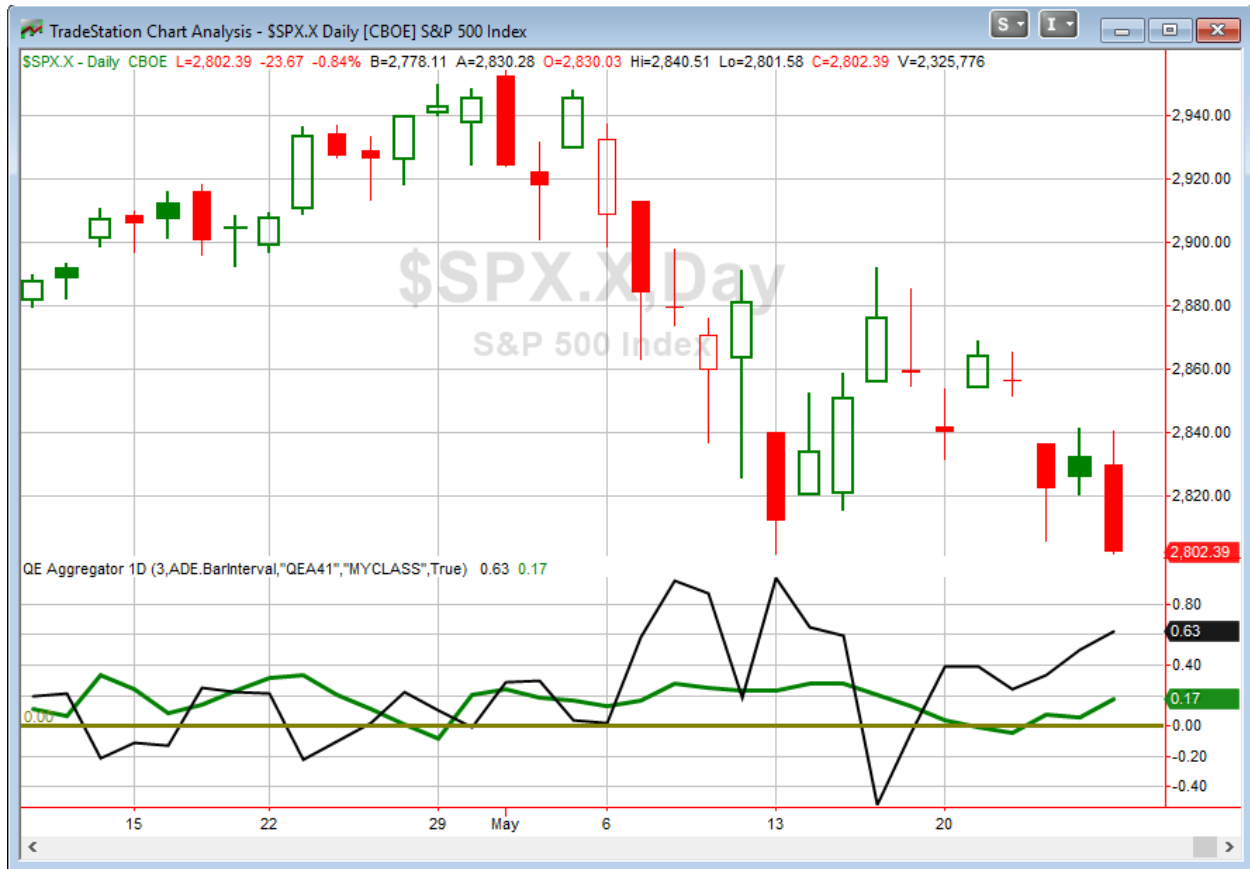
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	20,829.82	18	13	5	72.22	2,168.58	5,707.60	-1,472.34	-3,337.95	1.47	3.83	1,157.21
4	17,360.75	18	13	5	72.22	1,827.04	4,469.94	-1,278.15	-3,351.72	1.43	3.72	964.49
3	14,449.93	18	13	5	72.22	1,493.45	3,669.76	-992.98	-2,576.01	1.50	3.91	802.77
2	8,737.06	20	12	8	60.00	1,315.45	2,850.00	-881.04	-2,726.97	1.49	2.24	436.85
1	4,252.75	24	15	9	62.50	966.33	2,177.98	-1,138.02	-2,005.85	0.85	1.42	177.20

Numbers here are both improved over just looking at a 5-day low. The number of 40-day low instances are a little light, so I looked at the 2-day profit curve of the 20-day low. That can be seen below.



Though with a couple of substantial dips, this also makes a strong move higher. I have included this on the Short-Term Active List tonight.

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current list of active studies, expectations are set to remain bullish on Wednesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2822.74 on Wednesday. That is 0.7% above Monday's close. Therefore, SPX would need to close up 0.7% on Wednesday in order to flip from oversold to overbought versus expectations.

So the Aggregator is bullish. Evidence is pointing higher, but there is not a lot of it from a short-term standpoint. We do have the "Thursday After Memorial Day" seasonality coming soon, along with turn of the month next week. But evidence is a little underwhelming right now, and the

Differential Pivot is just 0.7% away. So I may look to up my long index exposure on Wednesday, but only if we get another day of selling. Details are in the Trade Ideas section lower down.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/28– somewhat bullish*

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

#### ***OpenCatapult Triggers***

MMM – 1/3 @ \$184.75 (bought @ limit)

MMM – 1/3 @ \$178.59 (bought @ limit)

MMM – 1/3 @ \$178.59 (bought @ limit)

BLK – 1/3 @ \$442.78 (buy @ limit) – *not filled – try again on Wednesday*

***Broad Market Large Cap CBI – 4(MMM-3, BLK)***

### **Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

**BLK – Buy 1/3 Catapult position @ \$429.31 LIMIT.** From the Catapult section above, BLK may give another chance at an entry. So I will try again. This would be the 1<sup>st</sup> of up to 3 possible lots for BLK.

**SPY – Buy ¼ Index position @ \$280.00 LIMIT ON CLOSE.** Based on the short-term outlook. Even a small down close on Wednesday would be enough to get me to take on a 2<sup>nd</sup> lot (of up to 4) of SPY.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>INTC(1/3)</i>	<i>4/30/2019</i>	<i>\$51.00</i>	<i>\$44.66</i>	<i>-12.43%</i>		<i>sold on open</i>
<i>INTC(1/3)</i>	<i>5/1/2019</i>	<i>\$51.04</i>	<i>\$44.66</i>	<i>-12.50%</i>		<i>sold on open</i>
<i>INTC(1/3)</i>	<i>5/2/2019</i>	<i>\$50.76</i>	<i>\$44.66</i>	<i>-12.02%</i>		<i>sold on open</i>
MMM(1/3)	5/3/2019	\$184.75	\$163.35	-11.58%		Catapult
SPY(1/4)	5/8/2019	\$287.53	\$280.15	-2.57%		Aggregator
MMM(1/3)	5/9/2019	\$177.30	\$163.35	-7.87%		Catapult
MMM(1/3)	5/10/2019	\$175.02	\$163.35	-6.67%		Catapult

*A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found [here](#).*

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