

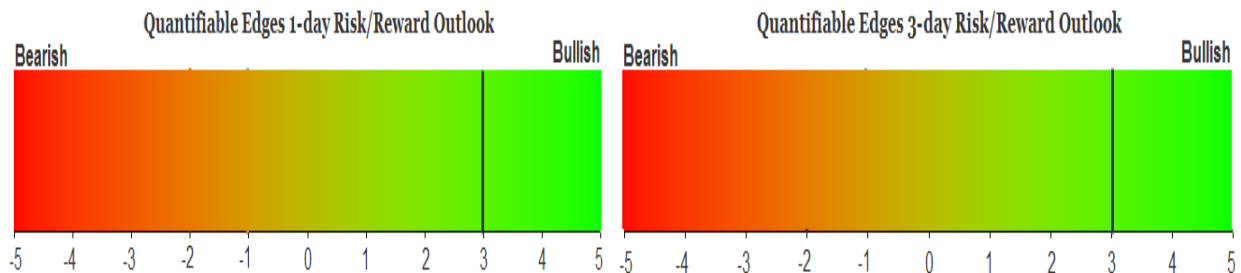
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 30, 2019

Volume 12 Issue 103

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- The gap down and weak close following a 20-day low suggest an upside edge.
- Thursday of Memorial Day Week has traditionally been bullish.

Short-term Outlook

The Bottom Line

The market is getting more oversold and bullish evidence is beginning to build. I like the long side.

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
Active - Short Term						
May 30, 2019	20 low. Then gap dn & close < open > 200	1-5 days	Bullish	2.70%	-1.00%	-2.05%
May 30, 2019	Memorial Week Thursday	1 day	Bullish			
May 29, 2019	20-low > 200ma. Close bottom 10% day	1-2 days	Bullish			
Active - Long Term						
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			

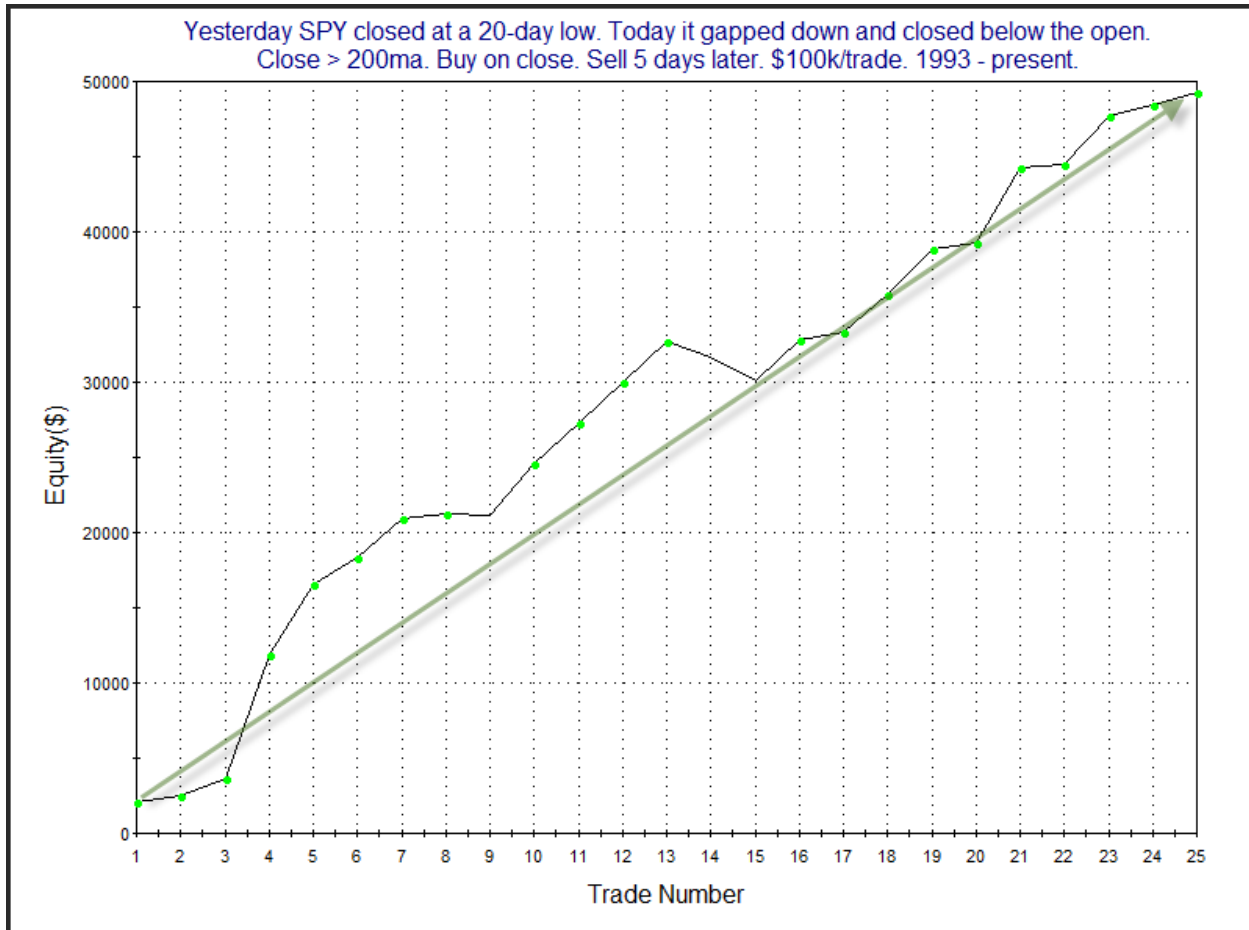
The Evidence

Wednesday started bad and did not get better. The SPX lost 0.7%, the NASDAQ fell 0.8%, and the Russell 2000 dropped 0.9%. The SPX and NASDAQ each closed at the lowest level since March. Breadth was negative as the NYSE Up Issues % was 33% and the Up Volume % came in at 32%. NYSE volume declined some from Tuesday's level.

SPY was already oversold before Wednesday's action. Wednesday saw it gap down from a 20-day low the day before and then continue the selling. This triggered the below study, from the 10/11/18 letter. Results are updated.

Yesterday SPY closed at a 20-day low. Today it gapped down and closed below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	49,225.18	25	22	3	88.00	2,358.69	8,239.74	-888.66	-1,594.30	2.65	19.46	1,969.01
4	39,356.47	25	20	5	80.00	2,231.68	5,581.02	-1,055.44	-3,255.65	2.11	8.46	1,574.26
3	31,586.78	25	18	7	72.00	2,063.58	4,348.05	-793.96	-2,421.25	2.60	6.68	1,263.47
2	23,600.51	26	15	11	57.69	1,962.21	5,477.88	-530.24	-996.00	3.70	5.05	907.71
1	19,483.80	30	20	10	66.67	1,299.39	5,764.38	-650.40	-2,200.67	2.00	4.00	649.46
The only instance NOT to close above the entry price at some point in the next week triggered on 5/14/12.												

Results here appear consistent and powerful. Below is a look at the profit curve assuming a 5-day holding period.



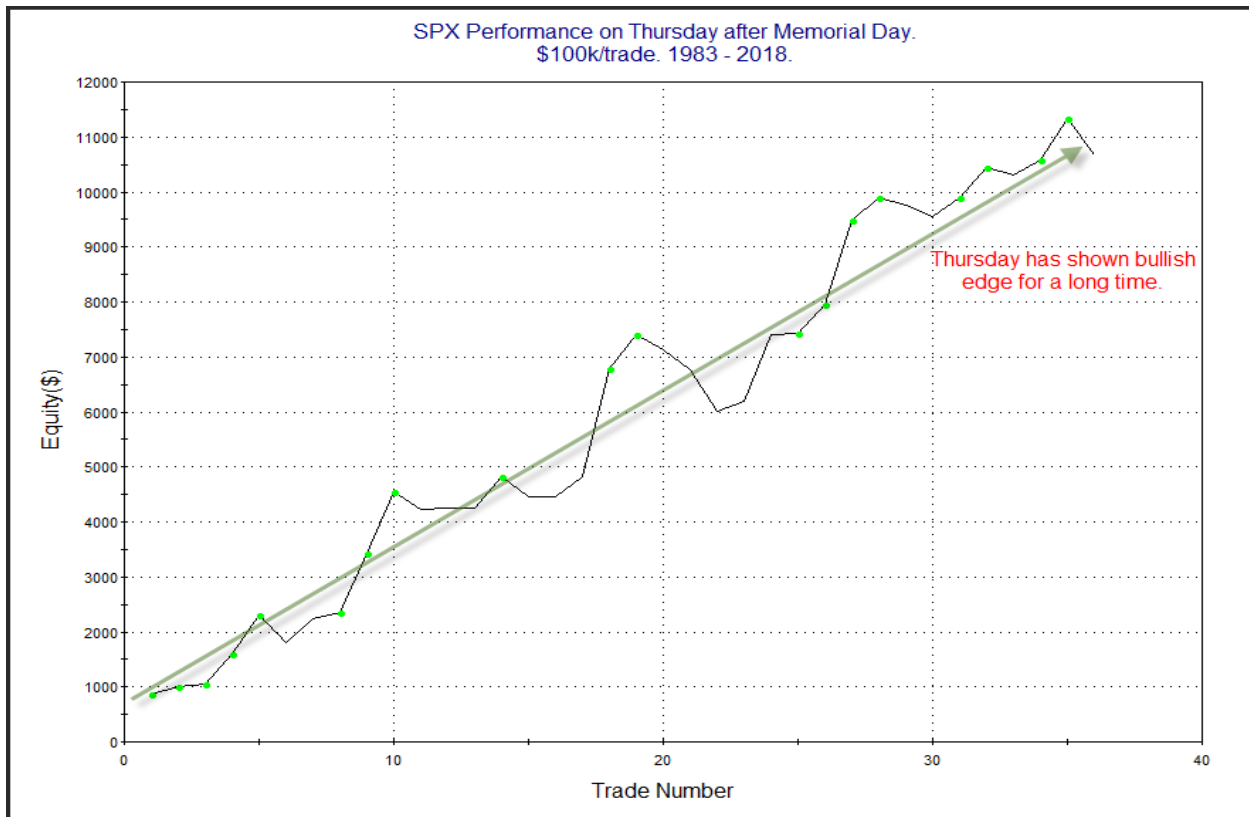
The strong, steady upslope is impressive. It serves as some confirmation of the bullish edge. I have included this study on the Active List tonight.

This past weekend when looking at Memorial Day tendencies I noted that Thursday of this week has exhibited strength. Below is an excerpt.

...Last year I took a day by day look. I decided to do that again to see where the market has struggled recently. Returns are broken down by the day of the week.

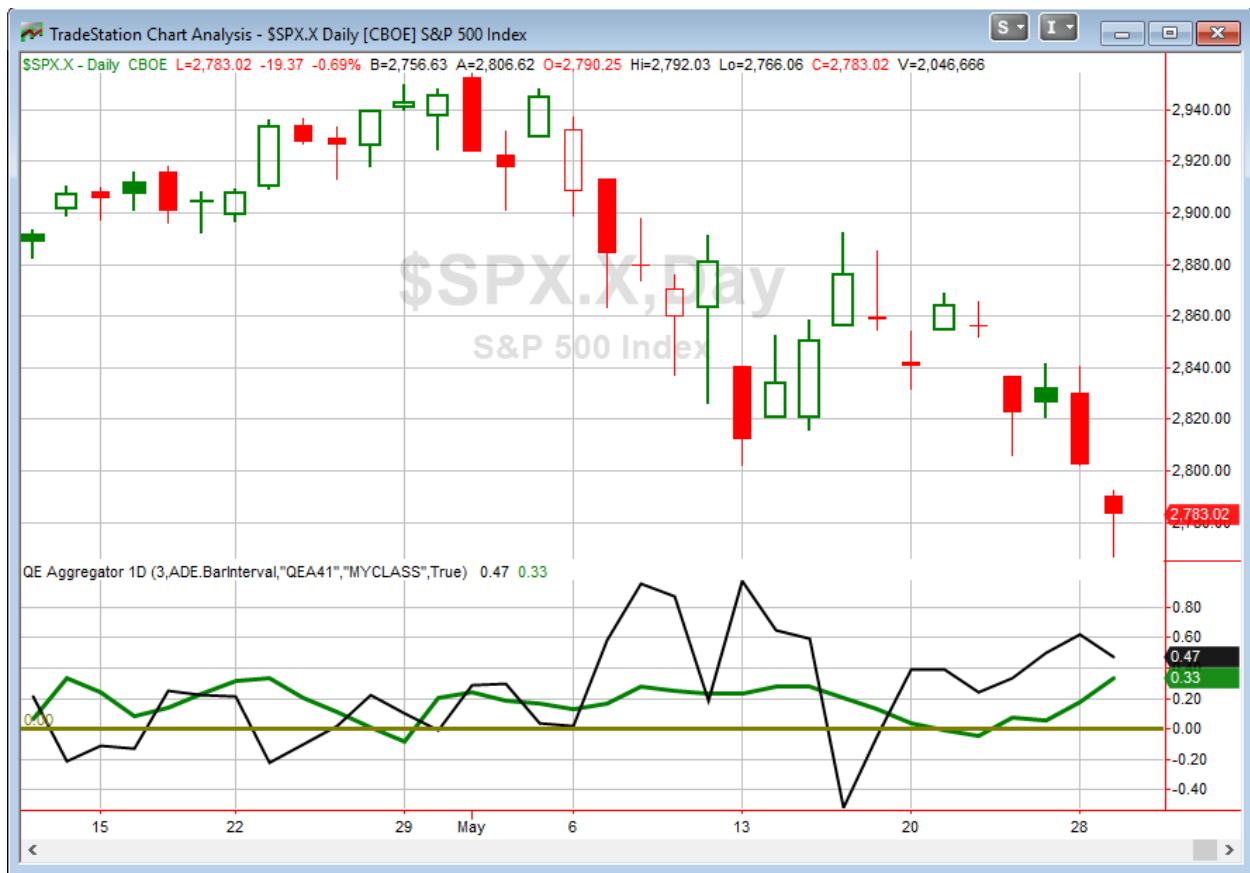
SPX performance on X day of Memorial Week. \$100k/trade. 1983 - 2018												
Day of Week	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
Fri	5,333.16	36	22	14	61.11	783.02	2,140.16	-849.52	-3,415.50	0.92	1.45	148.14
Thurs	10,665.60	36	25	10	69.44	575.07	1,970.50	-371.11	-735.68	1.55	3.87	296.27
Wed	4,091.48	36	23	13	63.89	610.94	2,573.31	-766.16	-2,268.10	0.80	1.41	113.65
Tues	8,300.14	36	17	19	47.22	1,361.16	3,443.56	-781.03	-1,701.70	1.74	1.56	230.56

The results table suggests Thursday is the most consistently bullish day.



I have also included this study on the 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 Thursday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2828.21 on Thursday. That is 1.6% above Wednesday's close. Therefore, SPX would need to close up a very strong 1.6% on Thursday in order to flip from oversold to overbought versus expectations.

Evidence is starting to build. I like the bulls' chances over the next few days. And with the Differential Pivot a ways off there is ample opportunity for profit. I already have a long index position. I won't be looking to add to it on Thursday. But I may on Friday if we head towards the new month still substantially oversold.

*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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MMM(1/3)	5/3/2019	\$184.75	\$161.40	-12.64%		Catapult
SPY(1/4)	5/8/2019	\$287.53	\$278.27	-3.22%		Aggregator
MMM(1/3)	5/9/2019	\$177.30	\$161.40	-8.97%		Catapult
MMM(1/3)	5/10/2019	\$175.02	\$161.40	-7.78%		Catapult
BLK(1/3)	5/29/2019	\$426.39	\$427.93	0.36%		Catapult
SPY(1/4)	5/29/2019	\$278.27	\$278.27	0.00%		Aggregator

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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