

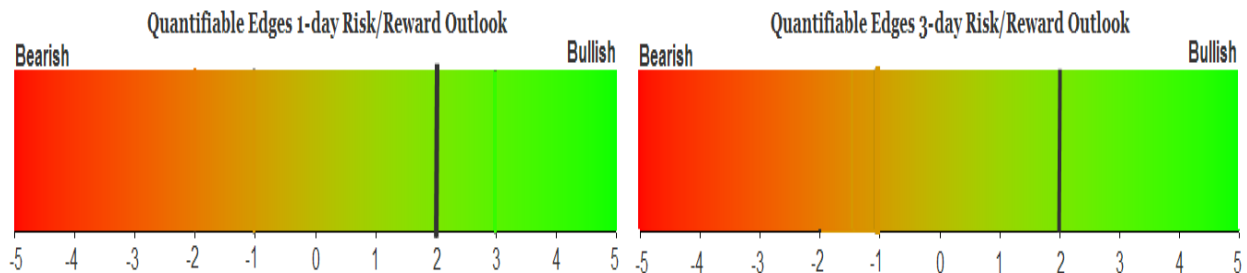
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 5, 2019

Volume 12 Issue 107

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- Move from a 20-day low to a 4-day high in 1 day often see more rallying in the days in the days and weeks that follow.
- Strong crosses upwards through the 200ma have frequently been followed by a down move the next day.

Short-term Outlook

The Bottom Line

A strong bounce arrived on Tuesday. The Aggregator will turn neutral on Wednesday unless SPX suffers a solid amount of selling. Even with a potential neutral formation looming, odds seem to favor the bulls in the coming days and weeks.

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						
June 5, 2019	1% move up through 200ma	1 day	Bearish			
June 5, 2019	20-day low to 4-day high	1-8 days	Bullish	2.20%	-1.40%	-3.00%
June 3, 2019	CBI >= 10 and SPX 50-day low	1-5 days	Bullish	4.20%	-3.60%	-7.65%
May 30, 2019	20 low. Then gap dn & close < open > 200	1-5 days	Bullish	2.70%	-1.00%	-2.05%
Active - Long Term						
June 5, 2019	20-day low to 4-day high	1-20 days	Bullish	3.70%	-2.10%	-4.40%
June 3, 2019	CBI >= 10 and SPX 50-day low	1-18 days	Bullish	7.10%	-4.30%	-8.20%
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			
October 1, 2018	Quantitative Tightening	int term	Bearish			
Dropped Tonight						
June 4, 2019	Turnaround Tuesday < 200ma	1 day	Bullish			

The Evidence

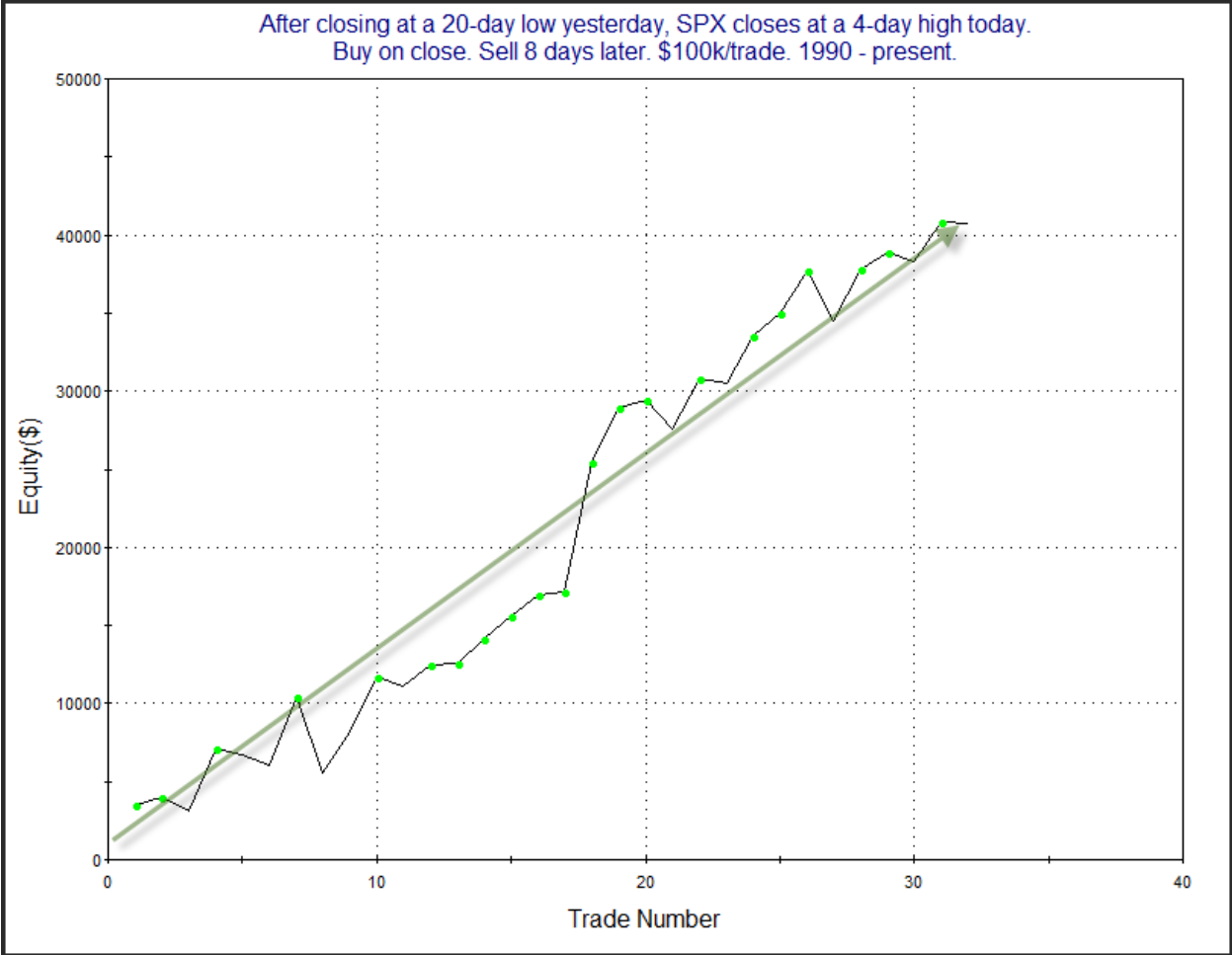
Turnaround Tuesday did not disappoint, and the market put in strong gains across the board. The SPX rallied 2.1%, the NASDAQ rose 2.65%, and the Russell 2000 gained 2.6%. Breadth was positive as the NYSE Up Issues % was 81% and the Up Volume % came in at 89.6%. NYSE volume declined some from Monday's level.

Tuesday was a strong enough move that we saw SPX go from closing at a 50-day low on Monday to closing at a 6-day high on Tuesday. In the 11/8/16 letter I looked at other times in which the market put in a strong thrust off at least a 20-day low. There I required a close of at least a 4-day high. I have updated the results below.

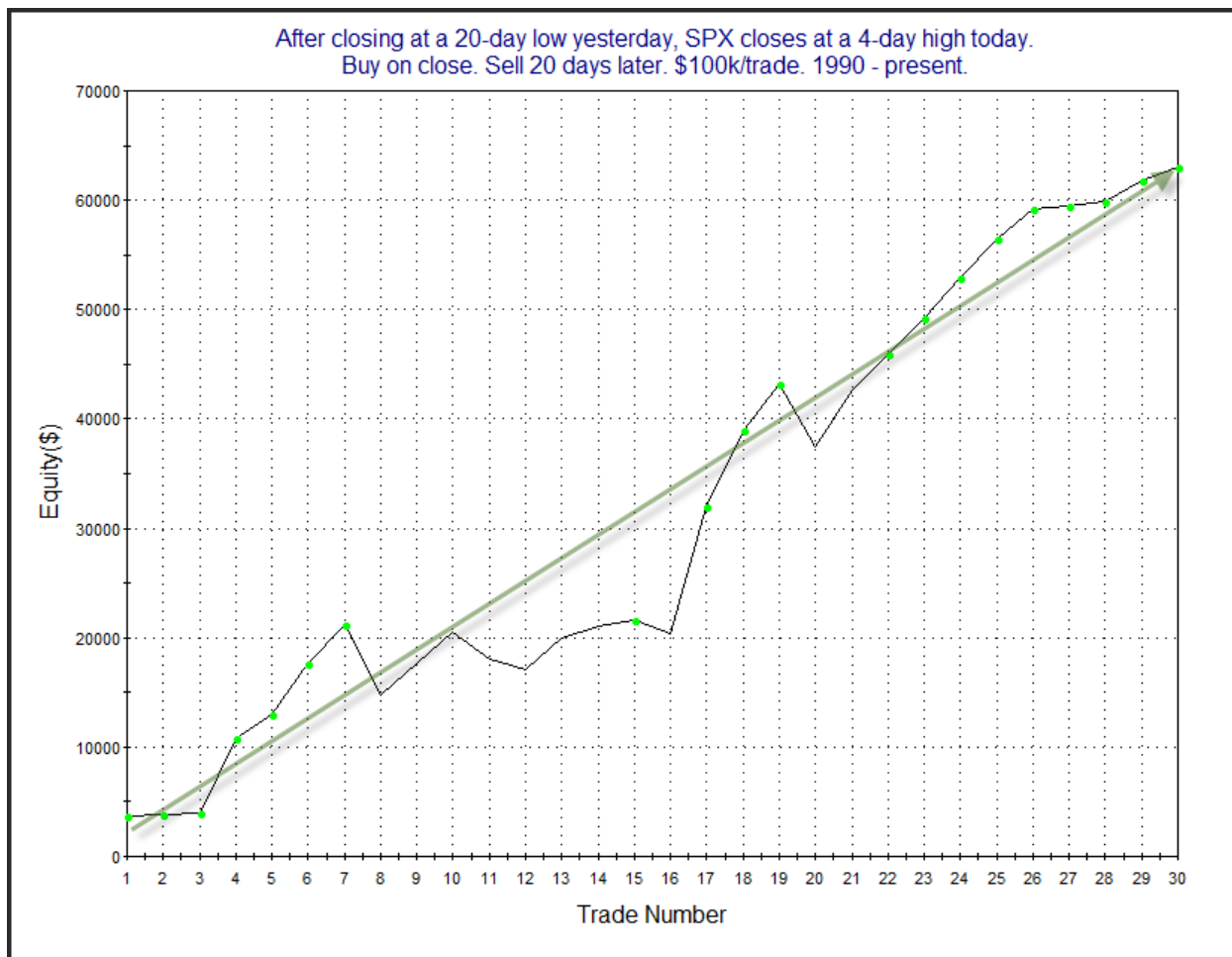
After closing at a 20-day low yesterday, SPX closes at a 4-day high today.
Buy on close. Sell X days later. \$100k/trade. 1990 - present.

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
20	62,997.74	30	25	5	83.33	3,194.48	11,665.50	-3,372.85	-6,379.08	0.95	4.74	2,099.92
19	61,349.14	30	23	7	76.67	3,443.83	12,037.30	-2,551.29	-6,347.80	1.35	4.44	2,044.97
18	55,714.98	31	25	6	80.65	2,817.80	10,563.30	-2,455.00	-4,148.97	1.15	4.78	1,797.26
17	54,893.83	31	24	7	77.42	2,963.51	11,183.70	-2,318.62	-4,247.96	1.28	4.38	1,770.77
16	52,601.58	31	23	8	74.19	2,922.12	11,506.00	-1,825.89	-4,320.78	1.60	4.60	1,696.83
15	48,352.81	31	21	10	67.74	3,027.88	11,173.80	-1,523.27	-4,723.96	1.99	4.17	1,559.77
14	49,812.15	32	24	8	75.00	2,805.13	9,507.30	-2,188.88	-7,897.52	1.28	3.84	1,556.63
13	41,018.34	32	23	9	71.88	2,597.37	9,427.00	-2,080.12	-7,363.04	1.25	3.19	1,281.82
12	39,041.04	32	21	11	65.63	2,700.31	8,151.00	-1,605.95	-5,686.84	1.68	3.21	1,220.03
11	45,979.60	32	24	8	75.00	2,488.68	8,642.70	-1,718.58	-5,722.20	1.45	4.34	1,436.86
10	42,816.10	32	23	9	71.88	2,571.26	8,924.30	-1,813.66	-8,745.48	1.42	3.62	1,338.00
9	42,110.16	32	22	10	68.75	2,452.15	8,603.10	-1,183.72	-6,371.60	2.07	4.56	1,315.94
8	40,756.74	32	22	10	68.75	2,467.30	8,276.40	-1,352.40	-4,917.08	1.82	4.01	1,273.65
7	29,917.62	32	21	11	65.63	2,253.98	5,832.20	-1,583.27	-4,106.50	1.42	2.72	934.93
6	25,213.22	32	19	13	59.38	2,199.40	5,888.30	-1,275.04	-5,306.50	1.72	2.52	787.91
5	20,388.94	32	20	12	62.50	1,807.86	5,508.80	-1,314.02	-5,320.00	1.38	2.29	637.15
4	21,812.69	33	23	10	69.70	1,620.83	4,326.30	-1,546.65	-4,559.50	1.05	2.41	660.99
3	17,743.99	33	23	10	69.70	1,446.52	4,365.90	-1,552.60	-4,707.50	0.93	2.14	537.70
2	14,833.41	34	25	9	73.53	1,088.77	3,479.30	-1,376.19	-3,138.00	0.79	2.20	436.28
1	1,055.99	34	17	17	50.00	705.05	2,536.10	-642.93	-2,034.00	1.10	1.10	31.06

Day 1 is a bit iffy, but after that there appears to be a strong and consistent edge over the next 4 weeks. This suggests a decent chance that Tuesday's rally was the beginning of a continued move higher. I produced profit curves for the 8-day and 20-day holding periods highlighted above. First, the 8 day...

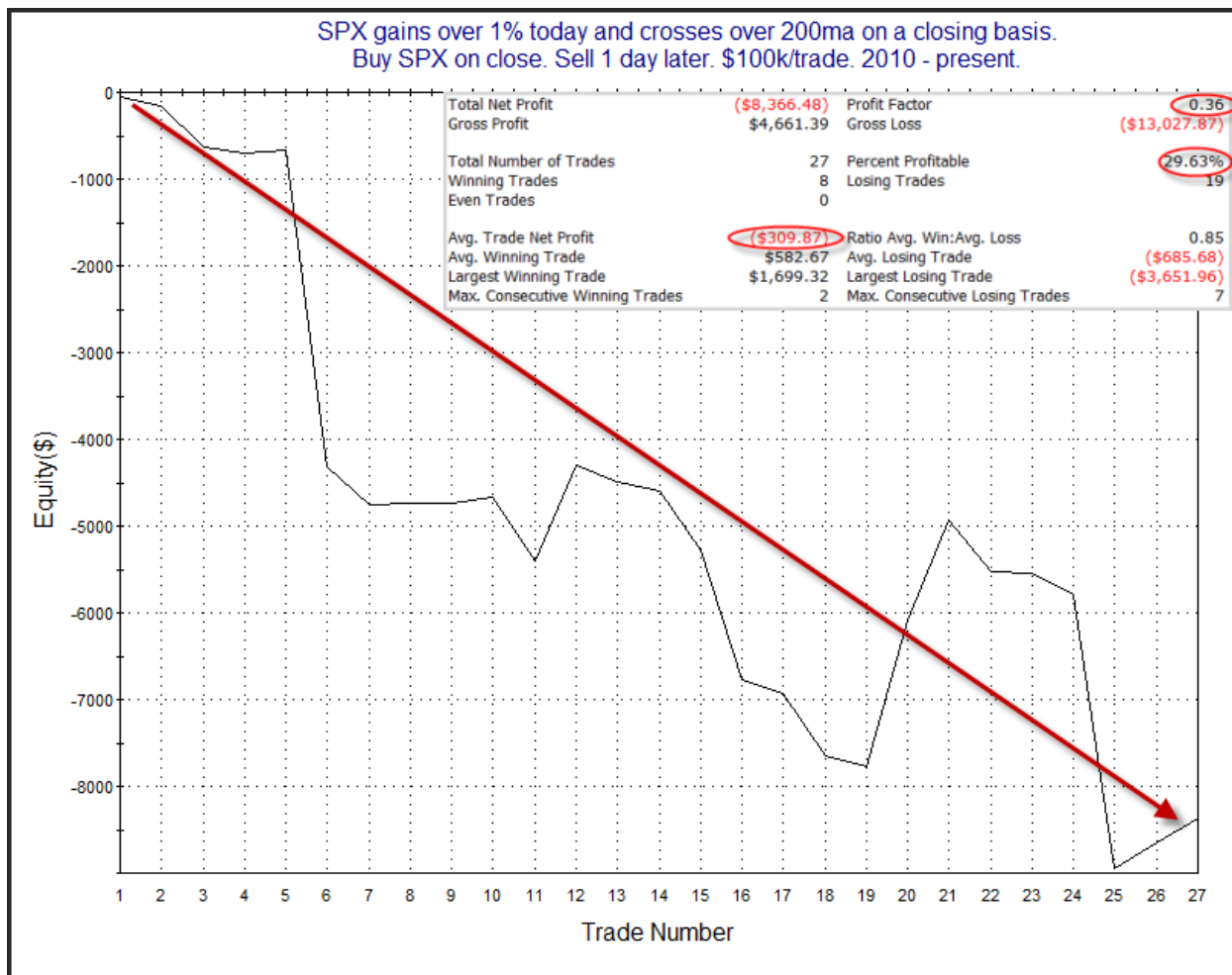


The strong, steady upslope for the 8-day period is impressive and serves as confirmation of the upside edge. Now the 20-day curve.



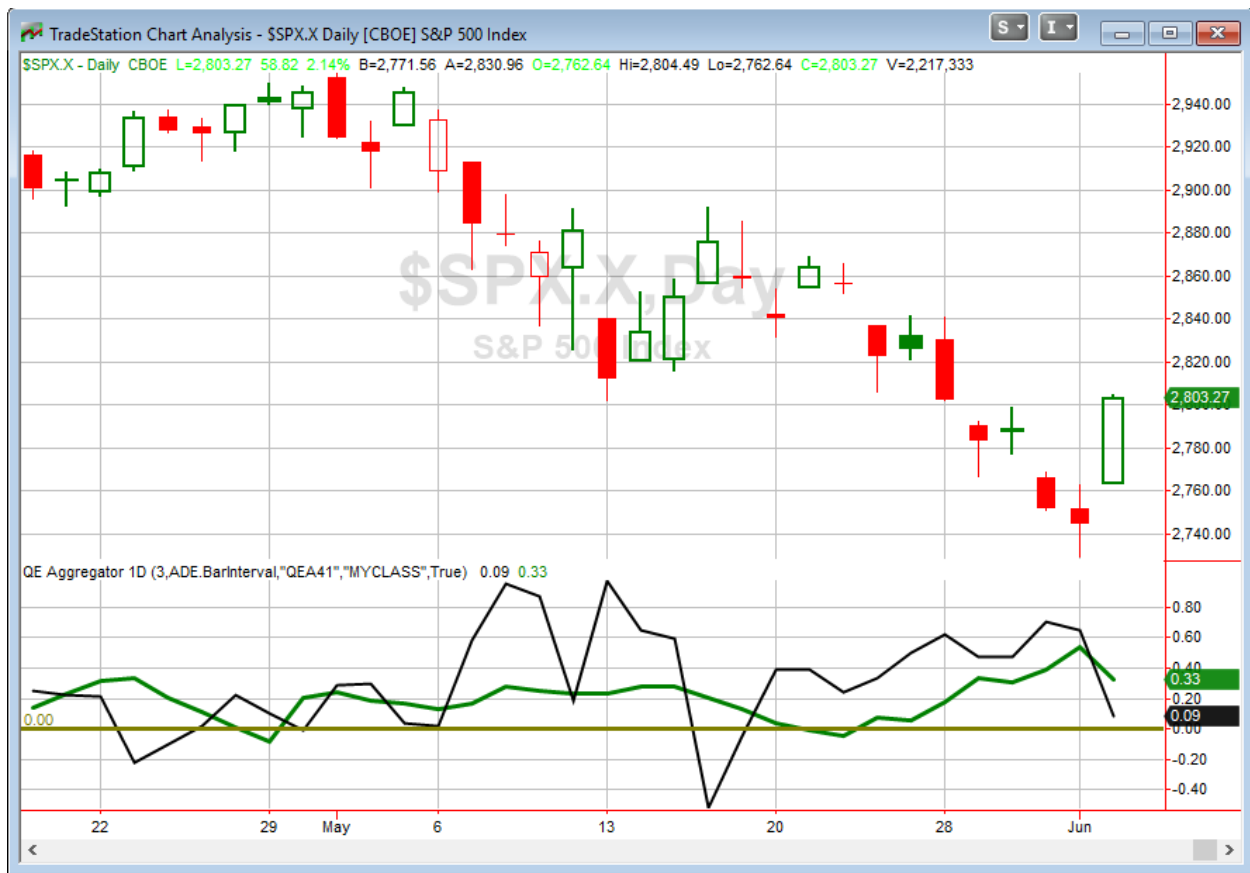
This one is a little choppier, but it sure has been strong lately, with 13 of the last 14 instances all closing higher.

While Day 1 looked “iffy” in this study, there was one study suggesting a bearish edge for Wednesday. Tuesday’s rally pushed the SPX through the 200-day moving average after spending the last few days below it. The 200ma is not a magic number, but it is a well-watched line. So price movement around it can often be volatile. 200ma breaks often get the attention of many traders. The study below looks at other times where the 200ma was broken on a sizable rally day (1% + gain). Interestingly, over the last 9+ years while the market has been in bull-market mode most of the time, this action has led to short-term reversals – especially on Day 1. This can be seen in the study below.



Both the numbers and the profit curve suggest a downside edge. It appears that the 1-day excitement that is seen on the strong break through the 200ma is often a bit overdone, and that leads to a reversal the next day.

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 is also still 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. It would take some very compelling bearish evidence in order to change this. The Differential Pivot will be *highly inverted* at 2779.73 on Wednesday. That is 0.8% *below* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down over 0.8% in order to remain oversold. Anything other than that and it will be considered overbought as of Wednesday's close.

I generally view inverted pivots as opportune times to take profits. This is because upside is basically limited to whatever happens between the open and the close tomorrow. Only a tanking market would keep the Aggregator formation in a bullish setup. Of course in this case we are coming off a very strong oversold condition. The 20-low to 4-high study from above suggests that there is a good chance of upward follow through over the next several days and weeks. And the

high CBI coming into Tuesday is also suggestive of more than just a 1-day bounce. When the CBI reaches levels of that magnitude I typically like to hold at least a portion of my index position until it returns to a more neutral 3-5. So between the Catapults and my index exposure I will be looking to take some positions off the table on Wednesday, but I will be holding onto some for a bit longer in anticipation of further gains in the coming days and weeks.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 6/3– somewhat bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

HAL – 1/3 @ \$21.29 (bought @ limit)

OXY – 1/3 @ \$49.77 (bought @ limit)

SLB – 1/3 @ \$34.69 (buy @ limit) – *Not filled. Cancel for now.*

SPG – 1/3 @ \$162.09 (bought @ limit)

OXY – 1/3 @ \$49.32 (bought @ limit)

SPG – 1/3 @ \$161.67 (bought @ limit)

Broad Market Large Cap CBI – 6(HAL, OXY-2, SLB, SPG-2)

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	\$164.29	-11.07%		<i>sell on open</i>
SPY(1/4)	5/8/2019	\$287.53	\$280.53	-2.43%		<i>sell @ \$280.53 limit ON CLOSE</i>
MMM(1/3)	5/9/2019	\$177.30	\$164.29	-7.34%		<i>sell on open</i>
MMM(1/3)	5/10/2019	\$175.02	\$164.29	-6.13%		<i>sell on open</i>
BLK(1/3)	5/29/2019	\$426.39	\$434.53	1.91%		<i>sell on open</i>
SPY(1/4)	5/29/2019	\$278.27	\$280.53	0.81%		<i>sell @ \$280.53 limit</i>
NVDA(1/3)	5/31/2019	\$137.14	\$143.00	4.27%		<i>sell on open</i>
BK(1/3)	5/31/2019	\$42.58	\$44.29	4.02%		<i>sell on open</i>
NVDA(1/3)	6/3/2019	\$135.46	\$143.00	5.57%		<i>sell on open</i>
BK(1/3)	6/3/2019	\$42.69	\$44.29	3.75%		<i>sell on open</i>
HAL(1/3)	6/3/2019	\$21.29	\$21.96	3.15%		Catapult
MS(1/3)	6/3/2019	\$40.69	\$42.48	4.40%		<i>sell on open</i>
OXY(1/3)	6/3/2019	\$49.77	\$49.69	-0.16%		Catapult
SPG(1/3)	6/3/2019	\$162.09	\$162.11	0.01%		Catapult
SPY(1/4)	6/3/2019	\$274.57	\$280.53	2.17%		Aggregator
OXY(1/3)	6/4/2019	\$49.32	\$49.69	0.75%		Catapult
SPG(1/3)	6/4/2019	\$161.67	\$162.11	0.27%		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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