

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 7, 2019

Volume 12 Issue 109

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	4

Tonight's Research Points

- The strong move over the last 4 days from a 50-day low suggests more upside..

Short-term Outlook

The Bottom Line

The Aggregator remains neutral with the SPX overbought. But tonight's study suggests overbought appears likely to get more overbought in the coming days.

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 7, 2019	50-low 4 ago. RSI ₂ up 85 points.	1-4 days	Bullish			
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%
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			

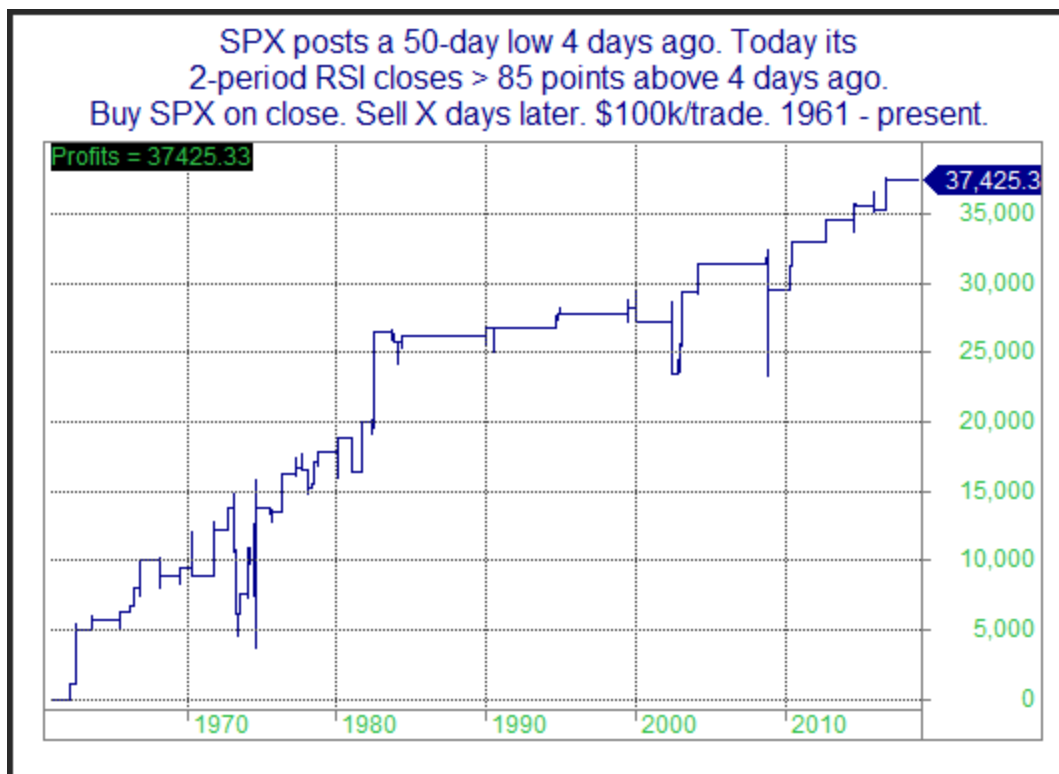
The Evidence

The bounce continued again on Thursday for the SPX and NASDAQ. The SPX gained 0.6%, the NASDAQ rose 0.5%, and the Russell 2000 fell 0.2%. Breadth was positive as the NYSE Up Issues % was 57% and the Up Volume % came in at 60%. NYSE volume declined for the 3rd day in a row.

An interesting study shown in the Quantifinder was from the 10/22/14 subscriber letter. It looked at other times that the market made a 50-day low, and then 4 days later its 2-day RSI was over 85 points higher. I have updated the results from that study below.

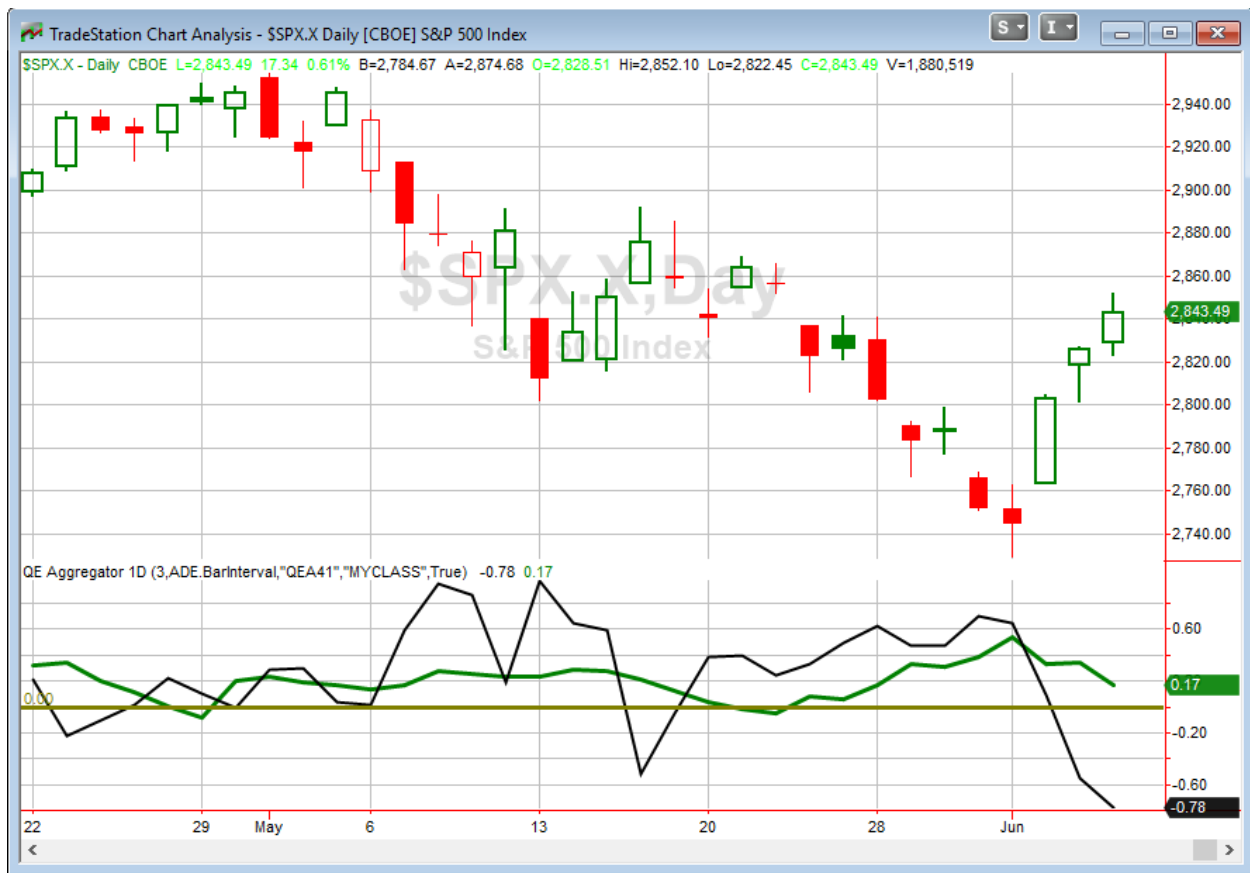
SPX posts a 50-day low 4 days ago. Today its 2-period RSI closes > 85 points above 4 days ago. Buy SPX on close. Sell X days later. \$100k/trade. 1961 - present.										
X Days	Net Profit	# Trades	# of winners	# of losers	% of Winners	W. Avg. Profit	L. Avg. Loss	Profit Factor	Avg Profit/Loss	
5	\$19,395.94	54	32	22	59.26	\$1,908.11	-\$1,893.81	1.47	\$359.18	
4	\$38,278.42	54	34	20	62.96	\$1,952.15	-\$1,404.73	2.36	\$708.86	
3	\$31,158.00	54	35	19	64.81	\$1,566.16	-\$1,245.14	2.32	\$577.00	
2	\$21,577.08	54	32	22	59.26	\$1,406.50	-\$1,065.05	1.92	\$399.58	
1	\$19,917.71	55	32	23	58.18	\$1,001.60	-\$527.55	2.64	\$362.14	

Numbers here appear bullish. Below is an equity curve using a 4-day holding period.



The strong steady upslope serves as confirmation of the bullish tendency. When strong bounces occur from oversold intermediate-term lows it can often create a short-term overbought condition that becomes even more overbought in the following days. Evidence continues to point higher.

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



With tonight's new evidence under consideration, 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 below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal stayed flat at the close.

Based on the current list of active studies, expectations are set to remain bullish on Friday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2838.60 on Friday. That is just 0.2% below Thursday's close. Therefore, SPX would only need to close down 0.2% on Friday in order to flip from overbought to oversold versus recent expectations.

The Aggregator is again neutral. But with the Differential Pivot close by and evidence pointing higher, we could easily see the Aggregator turn bullish on Friday. After spiking to 19 earlier in the week, the CBI now sits at 4, just shy of the 3 level that is considered neutral. I still have a small amount of long index exposure. With the new bullish evidence having emerged and the CBI not quite back to 3 I will hold onto that last lot at least 1 more day here.

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.*

OXY – 1/3 @ \$49.32 (bought @ limit)

Broad Market Large Cap CBI – 4(HAL, OXY-2, SLB)

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
HAL(1/3)	6/3/2019	\$21.29	\$21.55	1.22%		Catapult
OXY(1/3)	6/3/2019	\$49.77	\$49.04	-1.47%		Catapult
SPG(1/3)	6/3/2019	\$162.09	\$164.88	1.72%		<i>sold on open</i>
SPY(1/4)	6/3/2019	\$274.57	\$284.80	3.73%		Aggregator
OXY(1/3)	6/4/2019	\$49.32	\$49.04	-0.57%		Catapult
SPG(1/3)	6/4/2019	\$161.67	\$164.88	1.99%		<i>sold on open</i>

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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