

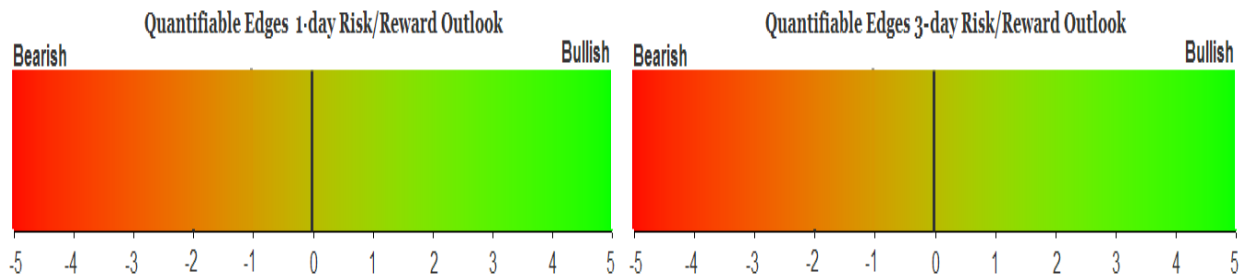
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 11, 2019

Volume 12 Issue 111

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- 5 up closes that close under a 50-day high but > 200ma suggest further buying.
- SPY gapping up, making a 20-day high, and then closing below the open has been a bullish setup historically.
- SPY leaving an unfilled gap up but closing in the bottom 10% of its daily range has been a positive for the bulls.

Short-term Outlook

The Bottom Line

The Aggregator is again neutral. Me too.

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 11, 2019	SPY bottom 10% but ++ on day	1-3 days	Bullish			
June 11, 2019	SPY 20-high then close < open > 200	1-3 days	Bullish			
June 11, 2019	Up 5 > 200 < 50-high	1-10 days	Bullish	2.15%	-1.45%	-2.90%
June 10, 2019	3 up > 2%. HV 3/10 offset < 0.25	1-6 days	Bullish	1.85%	-1.10%	-2.10%
June 7, 2019	50-low 4 ago. RSI2 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 11, 2019	Up 5 > 200 < 50-high	1-15 days	Bullish	3.00%	-1.70%	-3.20%
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

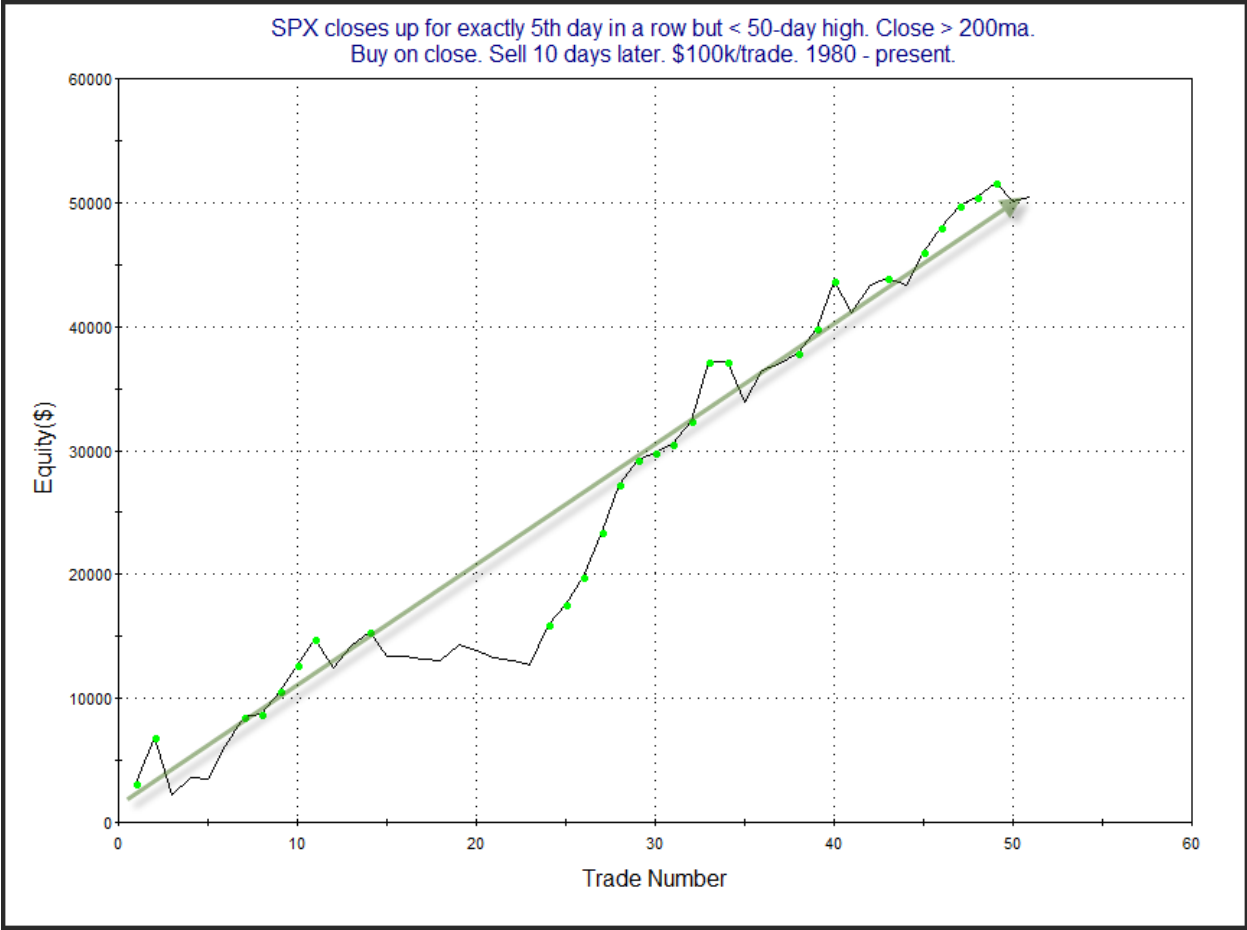
Monday marked the 5th up day in a row off the bottom a week ago. The SPX gained 0.5% on the day, the NASDAQ rose 1.05%, and the Russell 2000 climbed 0.6%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 56%. NYSE volume rose a little from Friday's level.

There were a few studies that examined the strong move we have seen over the last several days. While many measures (including our own Differential tool) will consider the market short-term overbought at this point, that does NOT mean it is primed for an immediate pullback. The study below recognized the move higher over the last few days and suggested the momentum is likely to continue. It was from the 2/16/18 letter, and it looked at 5 up days that closed above the 200ma, but failed to close at a 50-day high. I have updated the results below.

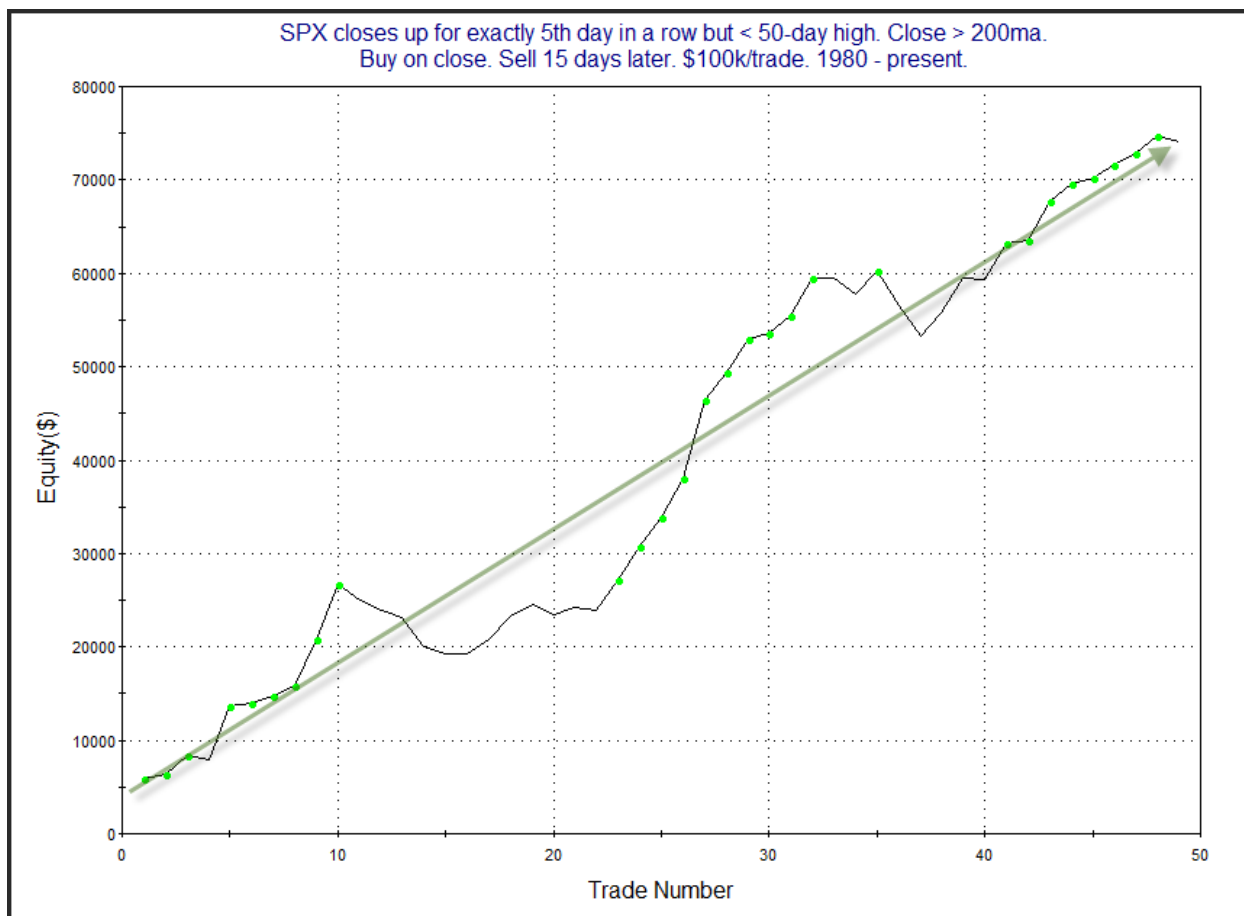
SPX closes up for exactly 5th day in a row but < 50-day high. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1980 - present.

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
15	74,116.61	49	34	15	69.39	2,740.40	8,288.00	-1,270.46	-3,766.10	2.16	4.89	1,512.58
14	66,332.43	49	34	15	69.39	2,535.38	8,272.60	-1,324.70	-4,738.50	1.91	4.34	1,353.72
13	69,315.00	49	36	13	73.47	2,499.49	6,401.50	-1,589.75	-3,773.44	1.57	4.35	1,414.59
12	62,301.16	50	36	14	72.00	2,262.92	5,925.50	-1,368.86	-2,944.80	1.65	4.25	1,246.02
11	47,433.40	51	33	18	64.71	2,112.69	3,952.96	-1,238.08	-4,894.24	1.71	3.13	930.07
10	50,433.66	51	37	14	72.55	1,871.45	4,691.28	-1,343.57	-4,684.28	1.39	3.68	988.90
9	45,372.64	51	35	16	68.63	1,940.31	4,722.08	-1,408.65	-4,910.55	1.38	3.01	889.66
8	42,189.61	51	37	14	72.55	1,661.84	3,781.36	-1,378.45	-3,376.64	1.21	3.19	827.25
7	39,305.79	51	36	15	70.59	1,698.00	4,385.01	-1,454.80	-3,500.70	1.17	2.80	770.70
6	30,576.80	51	37	14	72.55	1,445.41	3,770.55	-1,635.96	-3,366.60	0.88	2.34	599.55
5	21,703.60	51	33	18	64.71	1,347.67	3,044.37	-1,264.98	-3,496.92	1.07	1.95	425.56
4	12,613.89	51	29	22	56.86	1,213.95	3,138.08	-1,026.85	-3,330.40	1.18	1.56	247.33
3	10,916.88	51	31	20	60.78	1,021.19	2,742.08	-1,037.00	-3,359.36	0.98	1.53	214.06
2	3,789.00	51	27	24	52.94	857.28	2,205.03	-806.56	-3,748.50	1.06	1.20	74.29
1	3,971.59	51	30	21	58.82	618.28	2,211.54	-694.14	-2,200.96	0.89	1.27	77.87

These results appear to suggest a pretty consistent upside edge over the next 1-3 weeks. Below is an equity curve using the highlighted 10-day hold that shows how this edge has played out over time.



This appears to be quite a consistent curve and makes the study even more compelling. I also ran the 15-day profit curve.



Much like the 10-day curve, the 15-day shows an impressive upslope. In addition to the short-term Active List, have also added this study to the intermediate-term list since the bullish impact appears to persist for up to 3 weeks.

There were also some studies that looked at the gap up and poor close for SPY. They suggested an upside edge. In the 3/31/16 Letter I ran a test of performance following unfilled upside gaps that make a 20-day high. I broke out the results by times the SPY closed above the open versus times where it closed below the open. I updated those studies below.

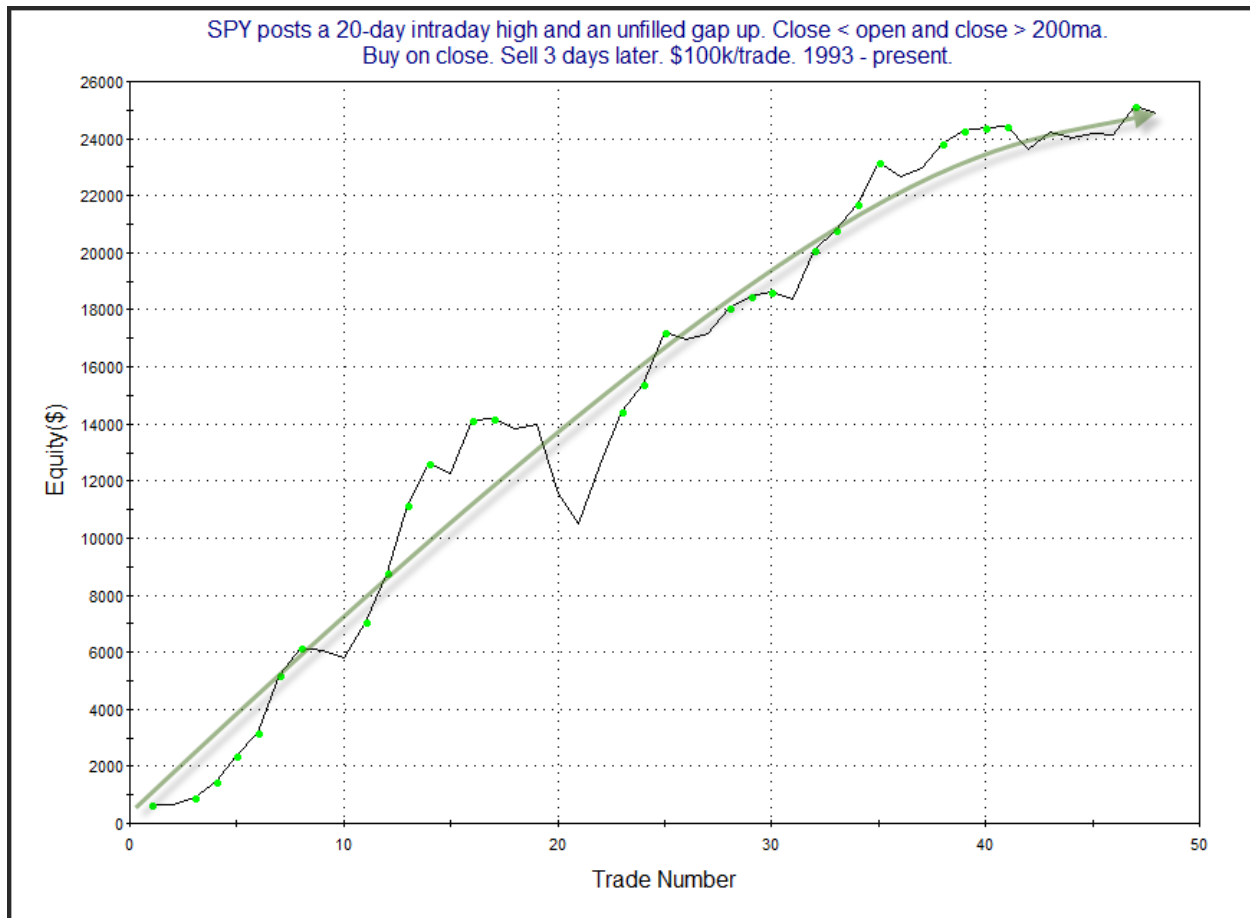
First let's look at times (unlike Monday) where the finish was relatively strong:

SPY posts a 20-day intraday high and an unfilled gap up. Close > open and 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
10	19,924.09	172	104	66	60.47	1,446.61	6,056.96	-1,977.63	-8,727.84	0.73	1.15	115.84
9	18,626.20	180	111	68	61.67	1,332.18	5,404.74	-1,900.67	-10,074.60	0.70	1.14	103.48
8	13,337.23	187	111	74	59.36	1,237.64	5,456.48	-1,676.23	-6,580.68	0.74	1.11	71.32
7	14,198.07	194	117	75	60.31	1,155.64	5,145.60	-1,613.48	-6,072.60	0.72	1.12	73.19
6	16,742.37	207	115	90	55.56	1,031.50	4,931.26	-1,132.00	-7,882.20	0.91	1.16	80.88
5	15,828.99	217	122	93	56.22	919.57	4,539.48	-1,036.11	-3,873.24	0.89	1.16	72.94
4	20,106.37	235	130	104	55.32	888.06	4,627.26	-916.75	-3,532.12	0.97	1.21	85.56
3	-3,134.60	251	140	109	55.78	652.66	2,659.03	-867.04	-5,080.34	0.75	0.97	-12.49
2	-3,564.68	277	148	126	53.43	506.93	2,545.92	-623.74	-3,016.48	0.81	0.95	-12.87
1	1,839.75	298	149	148	50.00	359.61	2,380.38	-349.61	-2,817.32	1.03	1.04	6.17

There doesn't appear to be any edge in either direction here. Now let's examine times like the present where SPY closed below the open.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and 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
10	35,797.34	42	27	15	64.29	1,938.58	4,838.35	-1,102.95	-4,810.68	1.76	3.16	852.32
9	29,333.02	43	32	11	74.42	1,421.66	3,741.10	-1,469.09	-5,564.16	0.97	2.82	682.16
8	25,463.80	43	29	13	67.44	1,468.26	3,352.48	-1,316.60	-6,021.40	1.12	2.49	592.18
7	22,625.14	44	27	17	61.36	1,542.85	3,751.55	-1,119.51	-4,952.36	1.38	2.19	514.21
6	22,155.74	44	27	17	61.36	1,513.77	4,159.10	-1,100.95	-6,414.24	1.37	2.18	503.54
5	17,895.62	44	24	20	54.55	1,305.09	3,754.17	-671.33	-4,540.20	1.94	2.33	406.72
4	20,466.22	45	32	13	71.11	916.12	3,436.02	-680.74	-2,228.24	1.35	3.31	454.80
3	24,866.81	48	34	13	70.83	935.07	2,362.10	-532.74	-2,427.88	1.76	4.59	518.06
2	19,829.49	49	32	17	65.31	853.52	1,998.70	-440.18	-926.12	1.94	3.65	404.68
1	8,534.49	50	33	17	66.00	454.52	1,708.92	-380.28	-1,015.84	1.20	2.32	170.69

These results are substantially better than earlier where the finish was above the open. The weak finish should not concern bulls, in fact it appears they should be excited by it. Below is an equity curve that shows how the edge has played out over time.



The upslope here is persistent and rather impressive. I have included this study on the Short-Term Active List.

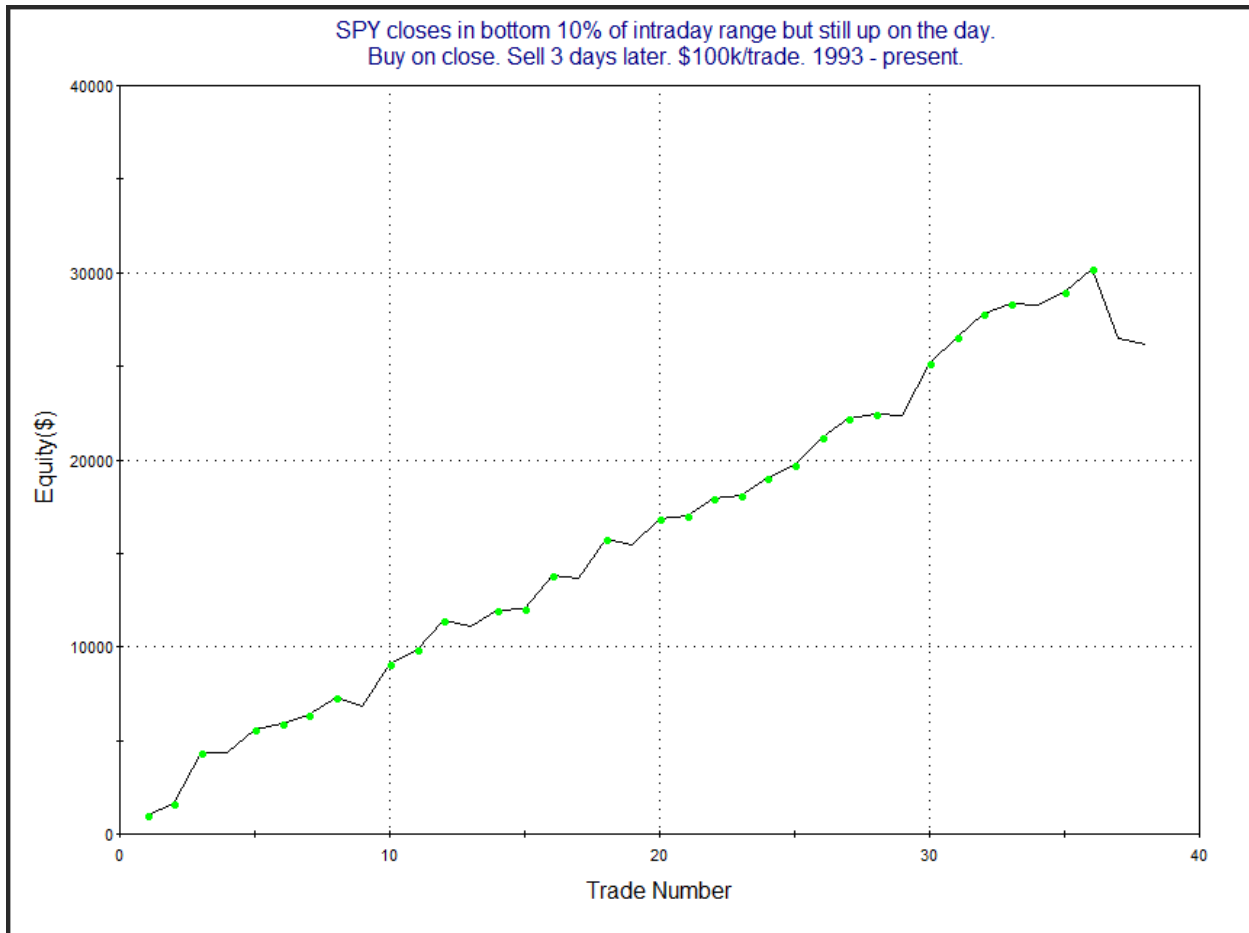
The late-day selling and weak close also triggered another study that has been very bullish over the years. SPY closing in the bottom 10% of its daily range, but still up on the day is something that doesn't occur very often. It is something I explored in the 9/21/16 letter. Results below are all updated.

SPY closes in bottom 10% of intraday range but still up on the day.
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	19,405.57	37	25	12	67.57	1,516.57	3,611.20	-1,542.39	-5,339.20	0.98	2.05	524.47
4	21,590.67	38	30	8	78.95	1,146.05	3,604.12	-1,598.86	-3,902.88	0.72	2.69	568.18
3	26,150.40	38	29	8	76.32	1,088.61	2,820.64	-677.39	-3,797.60	1.61	5.83	688.17
2	17,674.49	38	25	13	65.79	938.74	3,028.76	-445.70	-1,876.24	2.11	4.05	465.12
1	10,350.58	39	25	14	64.10	619.96	3,476.36	-367.75	-903.90	1.69	3.01	265.40

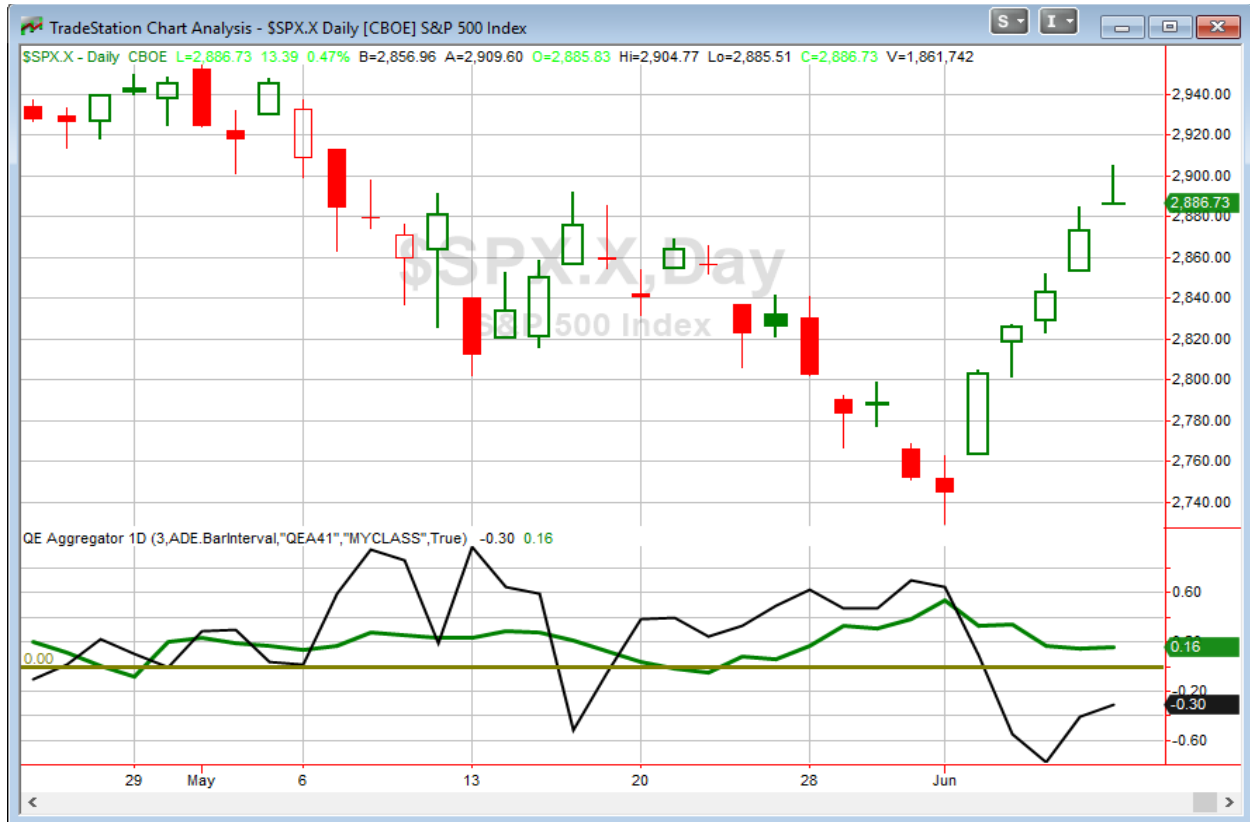
The only instance that failed to close above the entry price at some point in the next 4 days triggered on 12/12/18.

The numbers here are impressively bullish. I also ran a profit curve assuming a 3-day holding period.



This was nearly a perfect straight line until the last 2 instances. Two instances are not going to dissuade me at this point. I have also added this study to the short-term active list.

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 Tuesday. This is unlikely to change on Tuesday. The Differential Pivot will be 2867.31 on Tuesday. That is 0.7% below Monday's close. Therefore, SPX would need to close down 0.7% on Tuesday in order to flip from overbought to oversold versus recent expectations.

The strong move up over the last several days has the market short-term overbought. But evidence is not suggesting that means a high-probability pullback in this case. So the Aggregator is neutral, and I am as well. I will wait for a more compelling reward/risk opportunity before looking to take on new index exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/10– somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

OXY – 1/3 @ \$49.77 (bought @ limit)

OXY – 1/3 @ \$49.32 (bought @ limit)

Broad Market Large Cap CBI – 2(OXY-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
HAL(1/3)	6/3/2019	\$21.29	\$21.76	2.21%		<i>sell on open</i>
OXY(1/3)	6/3/2019	\$49.77	\$47.90	-3.76%		Catapult
<i>SPY(1/4)</i>	<i>6/3/2019</i>	<i>\$274.57</i>	<i>\$289.37</i>	<i>5.39%</i>		<i>sold on open</i>
OXY(1/3)	6/4/2019	\$49.32	\$47.90	-2.88%		Catapult

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

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2019 Quantifiable Edges, LLC.