

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 12, 2019

Volume 12 Issue 112

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- After 5 days higher the market pulled back Monday. When the market has been in a similar position in the past, the 1-2 week timeframe has been strong.
- When an overbought market has pulled back as little as it did Wednesday, it may not want to pullback at all, and has often continued higher over the next 1 to 2 days.

Short-term Outlook

The Bottom Line

The Aggregator is again neutral, but it could easily turn bullish as early as Wednesday.

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 12, 2019	SPX dn. RSI(2) > 90	1-2 days	Bullish			
June 12, 2019	Up 5 > 200 < 50-high then dn 1	1-4 days	Bullish	1.40%	-1.00%	-2.00%
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 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			

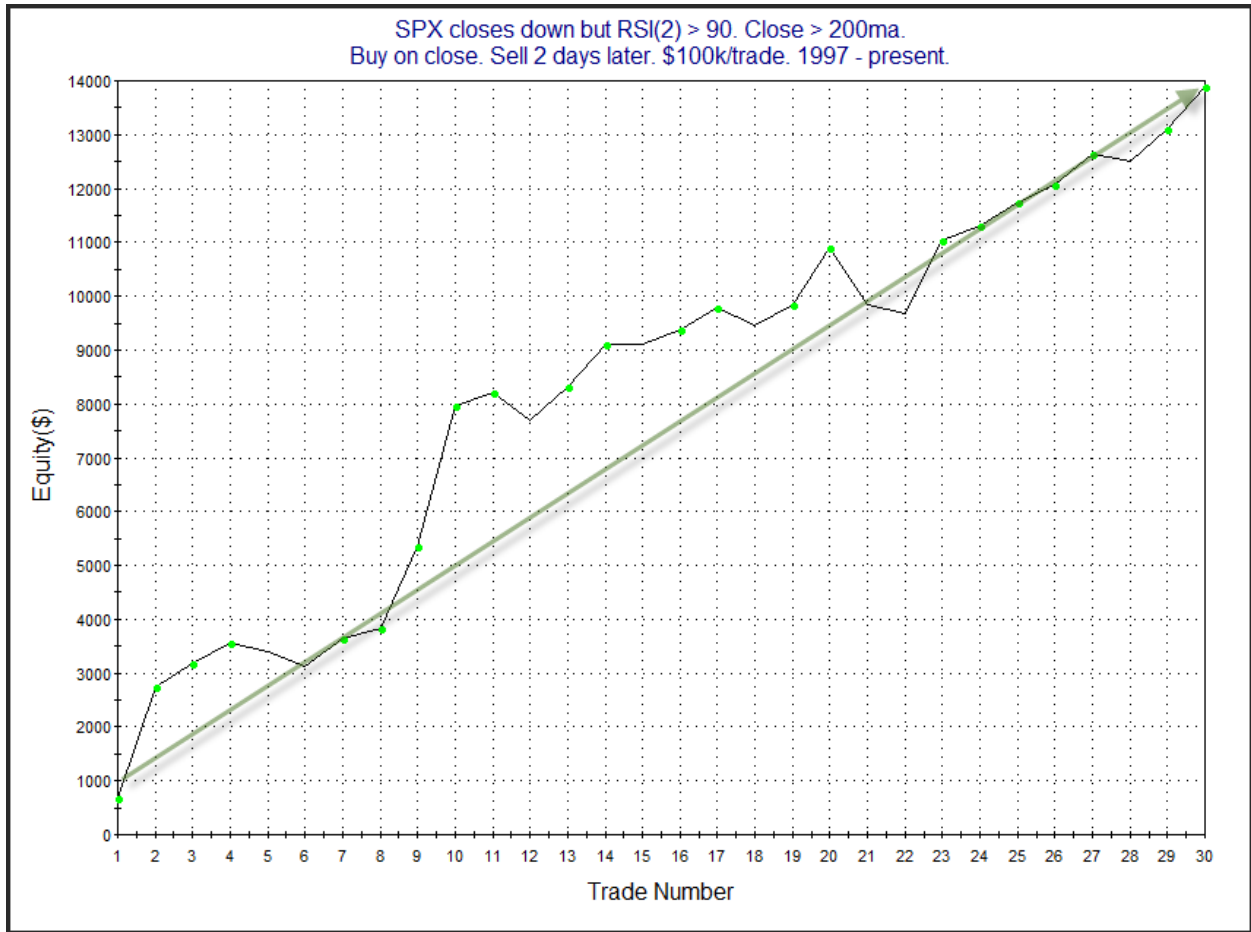
The Evidence

Tuesday was a very slight down day. The SPX declined 0.03%, the NASDAQ fell 0.01%, and the Russell 2000 dropped 0.3%. Breadth was positive as the NYSE Up Issues % was 50.5% and the Up Volume % came in at 69%. NYSE volume rose a little from Monday's level.

The recent move higher has many oscillators strongly overbought short-term. With such a small SPX decline on Tuesday, it is still strongly overbought as measured by the 2-day RSI. The 2-day RSI is a sensitive indicator so it would take a very small decline from a very overbought position in order for it to remain above 90 on a down day. This is what happened on Tuesday. It triggered the study below from the 3/20/19 letter, which I have updated.

SPX closes down but RSI(2) > 90. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - 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	4,717.95	27	12	15	44.44	1,284.77	4,121.28	-713.28	-2,008.73	1.80	1.44	174.74
4	5,626.11	28	15	13	53.57	1,024.08	3,806.46	-748.85	-1,717.70	1.37	1.58	200.93
3	12,303.64	30	18	12	60.00	978.34	2,923.44	-442.20	-1,123.50	2.21	3.32	410.12
2	13,896.89	30	22	8	73.33	751.64	2,619.76	-329.91	-1,054.68	2.28	6.27	463.23
1	6,299.29	30	20	10	66.67	474.94	2,310.88	-319.95	-704.76	1.48	2.97	209.98

The stats here are all appealing over the 1-2 day period. Winning %, win/loss ratio, and profit factor all strongly favor the bulls. Below is a profit curve assuming a 2-day holding period.



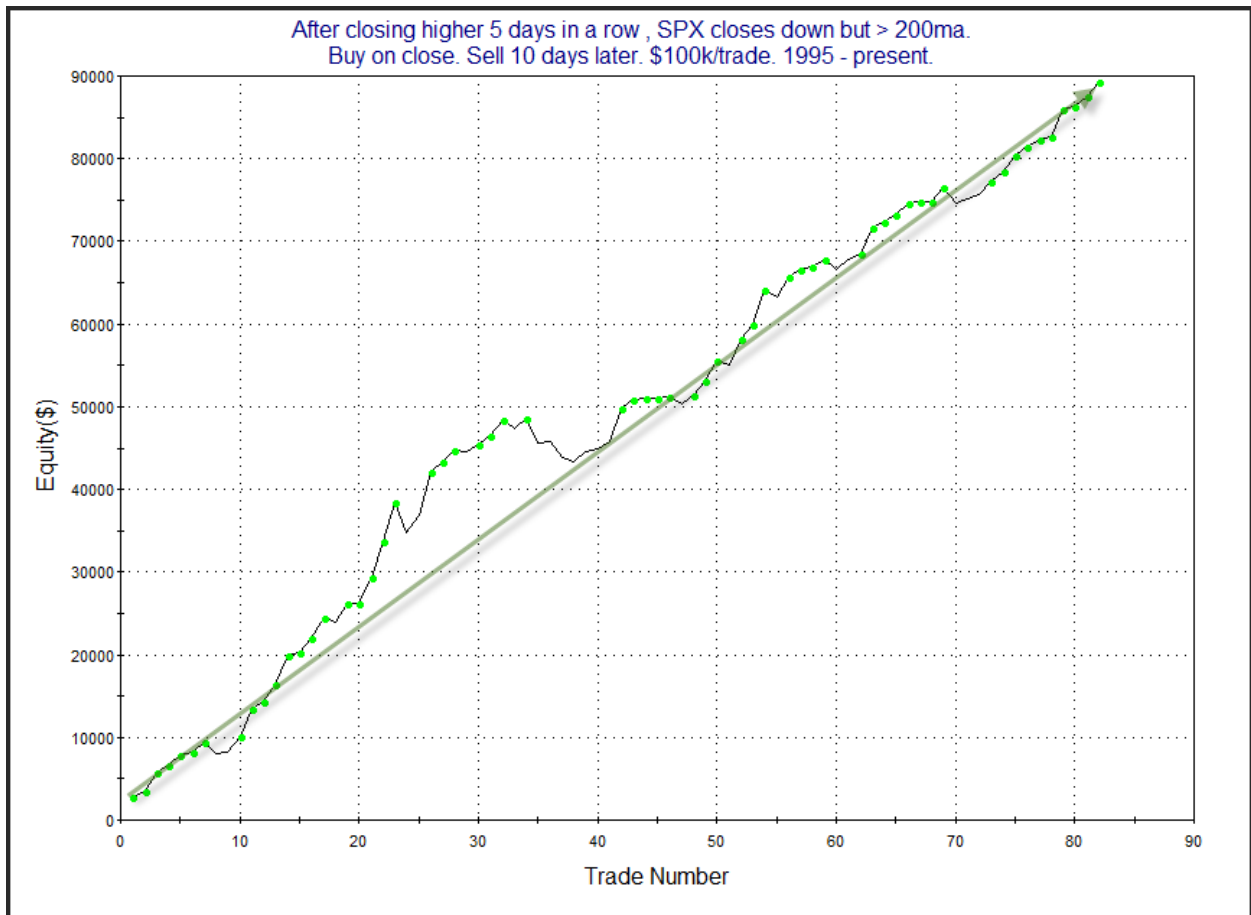
The profit curve shows a strong upslope. I have added this study to the Active List.

Monday's decline triggered some bullish studies that looked at pullbacks after at least 5 consecutive up days. The studies below were last seen in the 9/18/18 Subscriber Letter. I have updated the results.

After closing higher 5 days in a row, SPX closes down but > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1995 - 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	89,251.67	82	69	13	84.15	1,546.28	5,131.35	-1,341.68	-3,672.90	1.15	6.12	1,088.43
9	87,131.24	88	72	16	81.82	1,510.94	5,196.49	-1,353.52	-4,151.40	1.12	5.02	990.13
8	78,818.59	89	66	23	74.16	1,641.14	4,878.08	-1,282.45	-4,874.10	1.28	3.67	885.60
7	59,760.93	90	66	24	73.33	1,406.81	3,874.76	-1,378.69	-3,970.62	1.02	2.81	664.01
6	59,940.92	93	68	25	73.12	1,331.52	4,307.20	-1,224.09	-3,637.71	1.09	2.96	644.53
5	51,746.80	93	65	28	69.89	1,181.74	4,252.50	-895.23	-3,188.16	1.32	3.06	556.42
4	52,523.10	93	64	29	68.82	1,171.60	3,843.00	-774.45	-3,003.39	1.51	3.34	564.76
3	32,590.53	93	62	31	66.67	928.46	2,797.08	-805.60	-2,852.01	1.15	2.30	350.44
2	21,198.66	93	62	31	66.67	747.58	2,480.28	-811.33	-2,614.95	0.92	1.84	227.94
1	10,694.90	93	61	31	65.59	467.44	1,751.19	-574.81	-2,531.86	0.81	1.60	115.00

Initially there appears to be a moderate inclination for a move higher. Once you get out 9-10 days the upside edge appears very substantial. Below is an equity curve using a 10-day exit strategy.

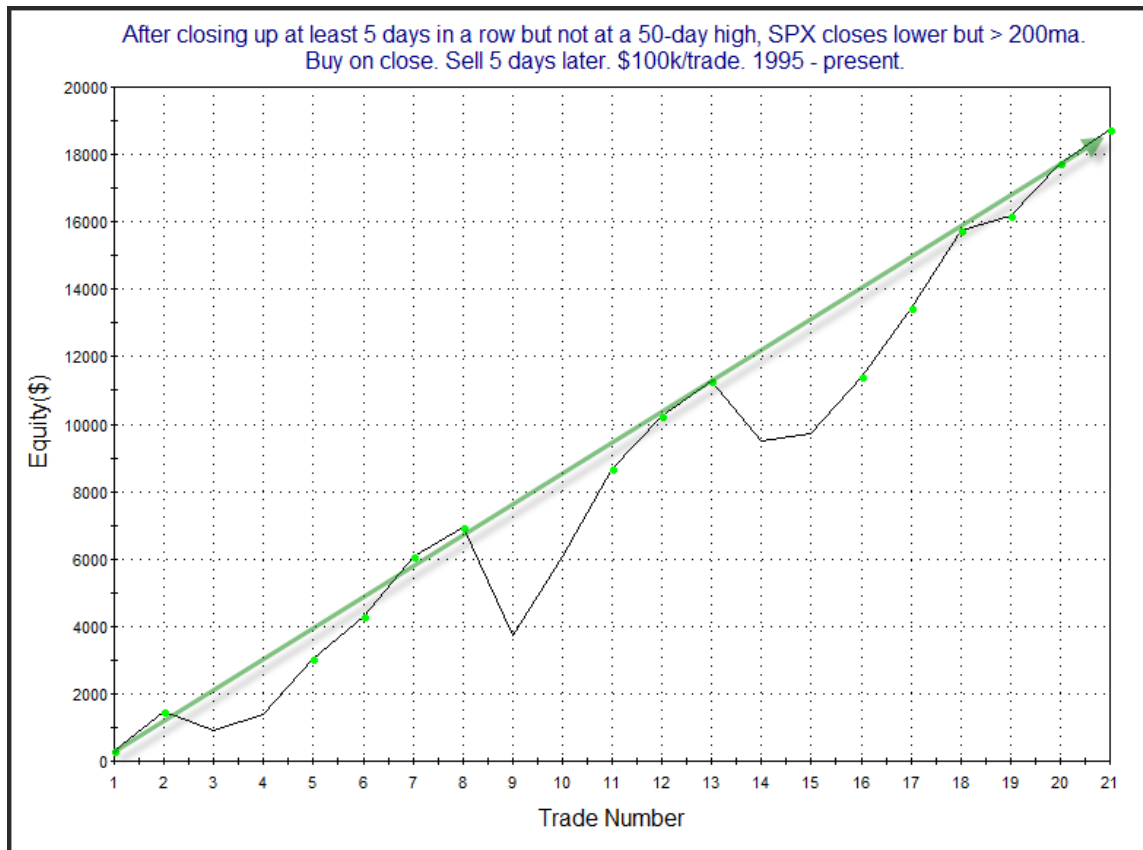


There's some wiggle here but the periods of pullback have been short and mild. This appears to confirm the bullish edge.

In that 9/18/18 letter I also filtered out times where the SPX had closed a 50-day high the day before. I applied that filter again tonight and updated those stats.

After closing higher 5 days in a row but not at a 50-day high, SPX closes down but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	40,801.10	21	15	6	71.43	3,170.47	9,409.63	-1,125.99	-3,620.10	2.82	7.04	1,942.91
14	40,305.54	21	17	4	80.95	2,744.38	9,676.59	-1,587.22	-3,815.91	1.73	7.35	1,919.31
13	40,941.76	22	19	3	86.36	2,554.44	9,660.97	-2,530.84	-3,960.90	1.01	6.39	1,860.99
12	39,171.06	22	17	5	77.27	2,600.28	7,763.14	-1,006.75	-2,506.14	2.58	8.78	1,780.50
11	36,595.29	22	19	3	86.36	2,180.03	7,280.34	-1,608.43	-3,933.36	1.36	8.58	1,663.42
10	29,639.52	22	18	4	81.82	1,941.61	4,644.11	-1,327.35	-2,964.60	1.46	6.58	1,347.25
9	26,754.14	22	18	4	81.82	1,828.21	5,196.49	-1,538.40	-3,251.34	1.19	5.35	1,216.10
8	26,086.23	22	18	4	81.82	1,821.24	4,770.49	-1,674.03	-4,038.66	1.09	4.90	1,185.74
7	18,679.24	22	19	3	86.36	1,378.20	3,335.92	-2,502.20	-3,970.62	0.55	3.49	849.06
6	19,542.13	22	18	4	81.82	1,488.34	2,736.52	-1,812.02	-3,388.23	0.82	3.70	888.28
5	19,778.79	22	19	3	86.36	1,331.82	2,590.50	-1,841.93	-3,188.16	0.72	4.58	899.04
4	18,219.16	22	18	4	81.82	1,247.54	2,600.40	-1,059.13	-2,494.80	1.18	5.30	828.14
3	10,941.68	22	16	6	72.73	1,100.55	2,797.08	-1,111.18	-2,852.01	0.99	2.64	497.35
2	1,300.73	22	13	9	59.09	802.60	2,480.28	-1,014.79	-2,455.11	0.79	1.14	59.12
1	-1,114.72	22	14	8	63.64	371.44	716.31	-789.35	-2,531.86	0.47	0.82	-50.67

The 1st day or so is iffy, but after that the upside edge appears even stronger than without the filter applied. The idea behind this study is that strong moves higher tend to weaken before they roll over. The five days up suggest the move is strong. Since they rarely turn on a dime, this 1st dip is not likely the end of the up move. And here is a look at the equity curve assuming a 4-day holding period.



Of course this test is very similar to the study last night that simply looked at a 5th up day in a row that closed above the 200ma but below a 50-day high. Numbers are similar with this updated look, though even perhaps a little stronger. I have replaced last night's study on the short-term active list with this study.

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 Wednesday. This is unlikely to change. The Differential Pivot will be *inverted* at 2892.39 on Wednesday. That is 0.2% above 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 up over 0.2% in order to remain overbought versus recent expectations. Anything less than that and it will be considered oversold as of Wednesday's close.

The Aggregator is neutral. But the bullish expectations and inverted pivot mean that the formation could easily turn bullish on Wednesday or Thursday. I am not going to jump the gun here. But I am poised and ready to re-enter the market if a favorable reward/risk opportunity emerges.

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	Notes
<i>HAL(1/3)</i>	<i>6/3/2019</i>	<i>\$21.29</i>	<i>\$22.03</i>	<i>3.48%</i>	<i>sold on open</i>
OXY(1/3)	6/3/2019	\$49.77	\$49.05	-1.45%	Catapult
OXY(1/3)	6/4/2019	\$49.32	\$49.05	-0.55%	Catapult

OXY is very close to its exit target, and should reach it with just about any close higher on Wednesday.

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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