

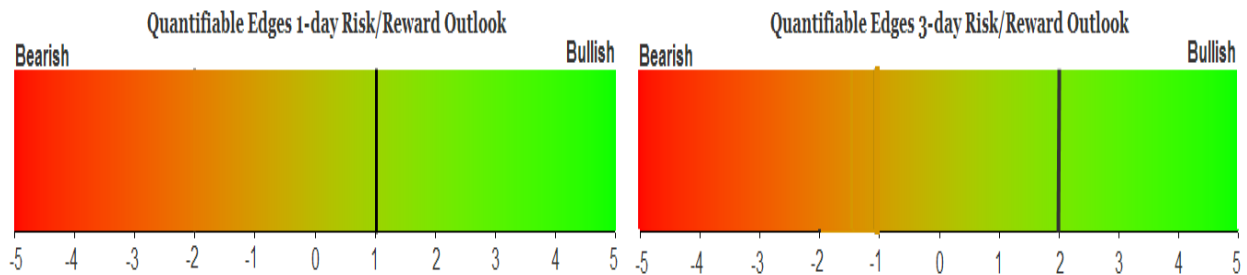
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 18, 2019

Volume 12 Issue 116

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Tuesday's action could have a large impact on the chances Wednesday's fed day odds.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I could get excited about a very short term trade if the market struggles on Tuesday.

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						
None						
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%
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 was another consolidation day. The market has basically moved sideways over the last several days. The SPX finished up 0.1%, the NASDAQ gained 0.6 %, and the Russell 2000 rose 0.7%. Breadth was positive as the NYSE Up Issues % was 55% and the Up Volume % came in at 56%. NYSE volume declined some from Friday's level.

The mild back and forth over the last several days has done nothing to generate new and compelling short term studies. One thing to watch out for on Tuesday is a possible fed day set up going into Wednesday. This is something I highlighted in Sunday's letter. I have copied my comments below.

The mild back and forth action over the last few days has failed to generate the kind of action that typically reveals strong edges. Of course the upcoming Fed meeting may be helping to quiet the market as traders avoid taking big bets in the days leading up to it. With Wednesday being a Fed Day, and little else to discuss from a short-term perspective, I thought I would review one of my favorite studies from the Quantifiable Edges Guide to Fed Days. It broke down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. I last updated the studies by quartile in the 4/30/19 letter. Below are the 4 quartiles from highest to lowest in the daily range. All are updated.

Tomorrow is a Fed Day. SPY closes in top 25% of intraday range.
Buy on close. Sell Fed day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$6,728.13	Profit Factor		1.27
Gross Profit	\$31,707.93	Gross Loss	(\$24,979.80)	
Total Number of Trades	82	Percent Profitable		47.56%
Winning Trades	39	Losing Trades		41
Even Trades	2			
Avg. Trade Net Profit	\$82.05	Ratio Avg. Win:Avg. Loss		1.33
Avg. Winning Trade	\$813.02	Avg. Losing Trade	(\$609.26)	
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,739.69)	

Tomorrow is a Fed Day. SPY closes > 50% and <= 75% of intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$15,344.96	Profit Factor		2.04
Gross Profit	\$30,036.07	Gross Loss	(\$14,691.11)	
Total Number of Trades	49	Percent Profitable		53.06%
Winning Trades	26	Losing Trades		22
Even Trades	1			
Avg. Trade Net Profit	\$313.16	Ratio Avg. Win:Avg. Loss		1.73
Avg. Winning Trade	\$1,155.23	Avg. Losing Trade	(\$667.78)	
Largest Winning Trade	\$4,704.07	Largest Losing Trade	(\$2,246.40)	

Tomorrow is a Fed Day. SPY closes > 25% and <= 50% of intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$11,652.40	Profit Factor		2.11
Gross Profit	\$22,196.43	Gross Loss	(\$10,544.03)	
Total Number of Trades	39	Percent Profitable		66.67%
Winning Trades	26	Losing Trades		13
Even Trades	0			
Avg. Trade Net Profit	\$298.78	Ratio Avg. Win:Avg. Loss		1.05
Avg. Winning Trade	\$853.71	Avg. Losing Trade	(\$811.08)	
Largest Winning Trade	\$2,943.00	Largest Losing Trade	(\$2,066.62)	

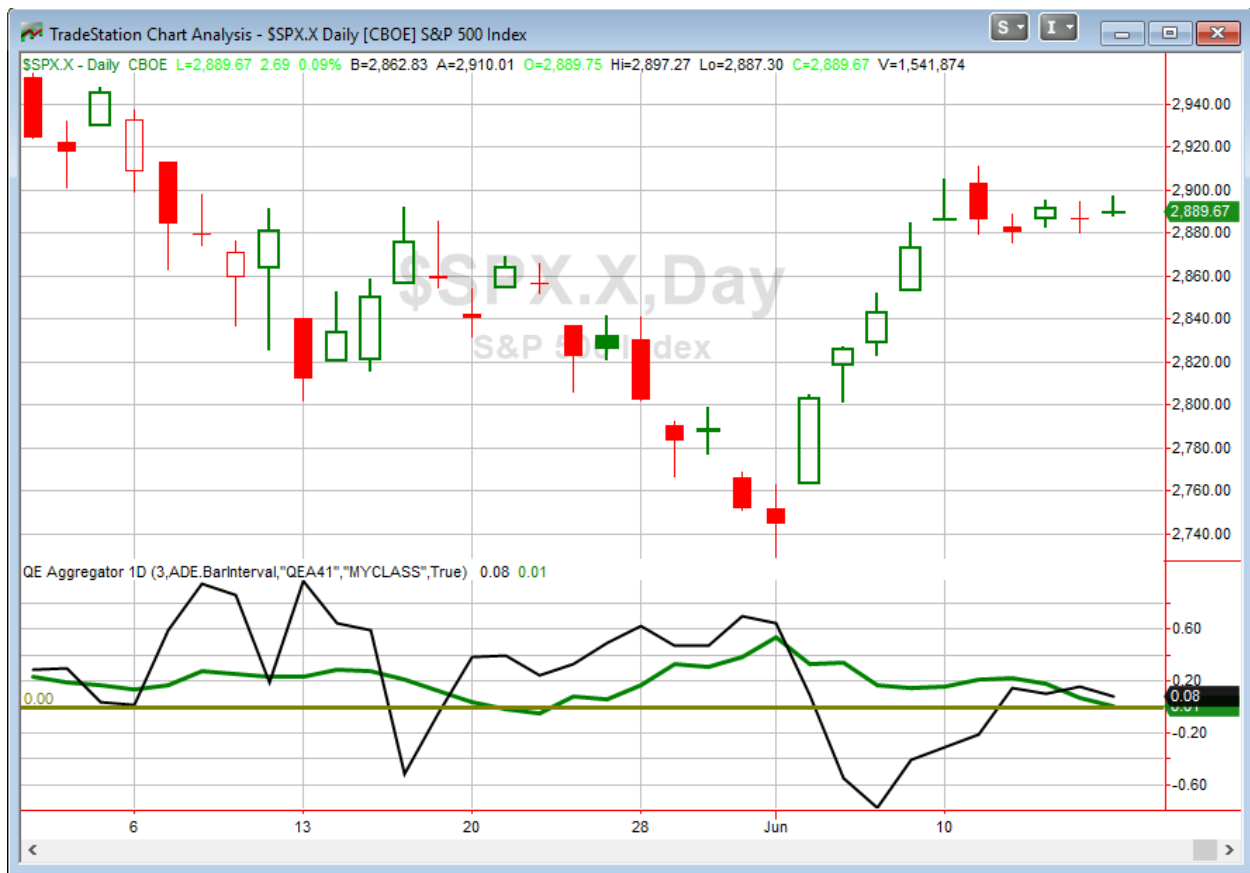
Tomorrow is a Fed Day. SPY closes in bottom 25% of intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$23,346.14	Profit Factor	4.34
Gross Profit	\$30,327.24	Gross Loss	(\$6,981.10)
Total Number of Trades	39	Percent Profitable	74.36%
Winning Trades	29	Losing Trades	10
Even Trades	0		
Avg. Trade Net Profit	\$598.62	Ratio Avg. Win:Avg. Loss	1.50
Avg. Winning Trade	\$1,045.77	Avg. Losing Trade	(\$698.11)
Largest Winning Trade	\$4,645.80	Largest Losing Trade	(\$2,945.28)

So what we see here, is that in general, the lower SPY has closed in its range the day before, the stronger the Fed day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced.

No new other short-term evidence is being added to the active list tonight.

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



Without any new evidence emerging tonight, 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 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 Tuesday. This could easily change if new bearish evidence emerges. The Differential Pivot will be 2909.47 on Tuesday. That is 0.7% above Monday's close. Therefore, SPX will need to close up at least 0.7% on Tuesday to flip from oversold to overbought vs recent expectations.

So the aggregator is again bullish, and with the fed day potential on Wednesday, it appears there may be a short term playable edge. I will not be looking to hold all the way through the Fed announcement. Anticipating the reaction to that is quite difficult. But I may look to take a small long position at Tuesday's close, and into Wednesday if the market sets up right. Details are in the trade ideas section down below.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/17– somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

None

Broad Market Large Cap CBI –0

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.

SPY – Buy ¼ index position @ \$289.36 LIMIT ON CLOSE if SPY closes in the bottom half of its intraday range. With the bullish aggregator and the upcoming fed day, I will be looking to take on some long index exposure if SPY struggles on Tuesday. I will also likely be looking to get out of this position before the Fed announcement at 2:00 PM on Wednesday.

Current Open Trade Ideas

None tonight

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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