

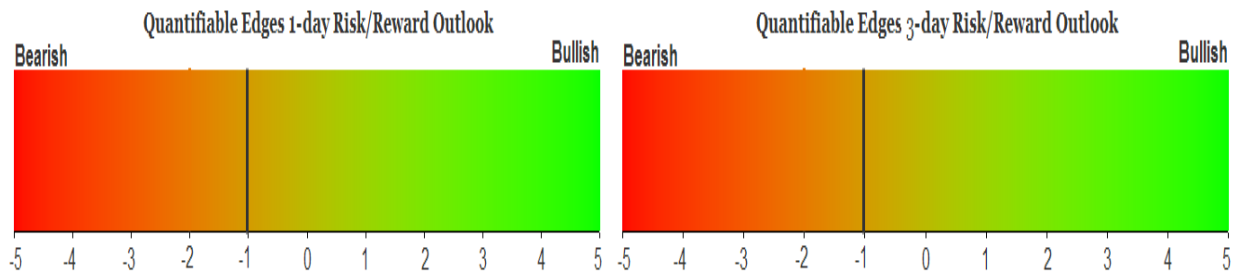
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 20, 2019

Volume 12 Issue 118

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Short-term highs on a Fed Day are often met by a pullback over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is suggesting a downside edge, but I am a little wary of taking a counter-trend trade with just a small amount of evidence.

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 20, 2019	10-high not 100-high on Fed Day	1-2 days	Bearish			
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

The Fed's statement on Wednesday was enough to spark a mild rally. The SPX finished up 0.3%, the NASDAQ gained 0.4%, and the Russell 2000 rose 0.35%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 58%. NYSE volume declined from Tuesday's level.

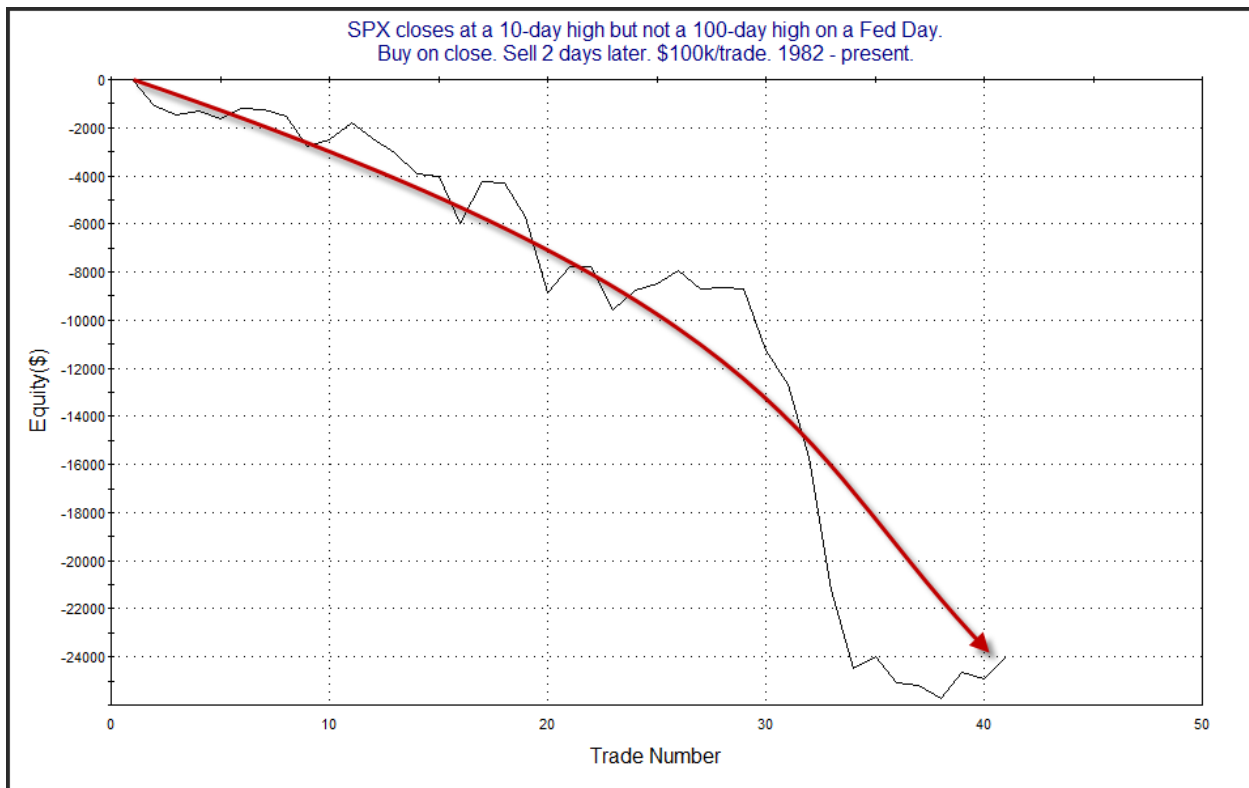
The timing of Trump's tweets has been poor for my trading. I took a long position a little ahead of the Mexican tariff tweet. Ultimately, that trade worked out, but a bit later would have been much better. And now on a day where I was looking to hopefully get in at the end of the day, Trump tweets positive news and sends the market much higher and out of my entry range. So it has been a bit frustrating, but that happens sometimes when you're a trader.

Of course a big reason that the market rallied on Wednesday was the positive reaction to the Fed announcement. Historically, rallies on Fed Days that lead to new short-term highs, but not long-term highs, have been susceptible to pullbacks in the following days. This can be seen in the updated study below, from the 1/31/19 letter.

SPX closes at a 10-day high but not a 100-day high on a Fed Day.
Buy on close. Sell X days later. \$100k/trade. 1982 - present.

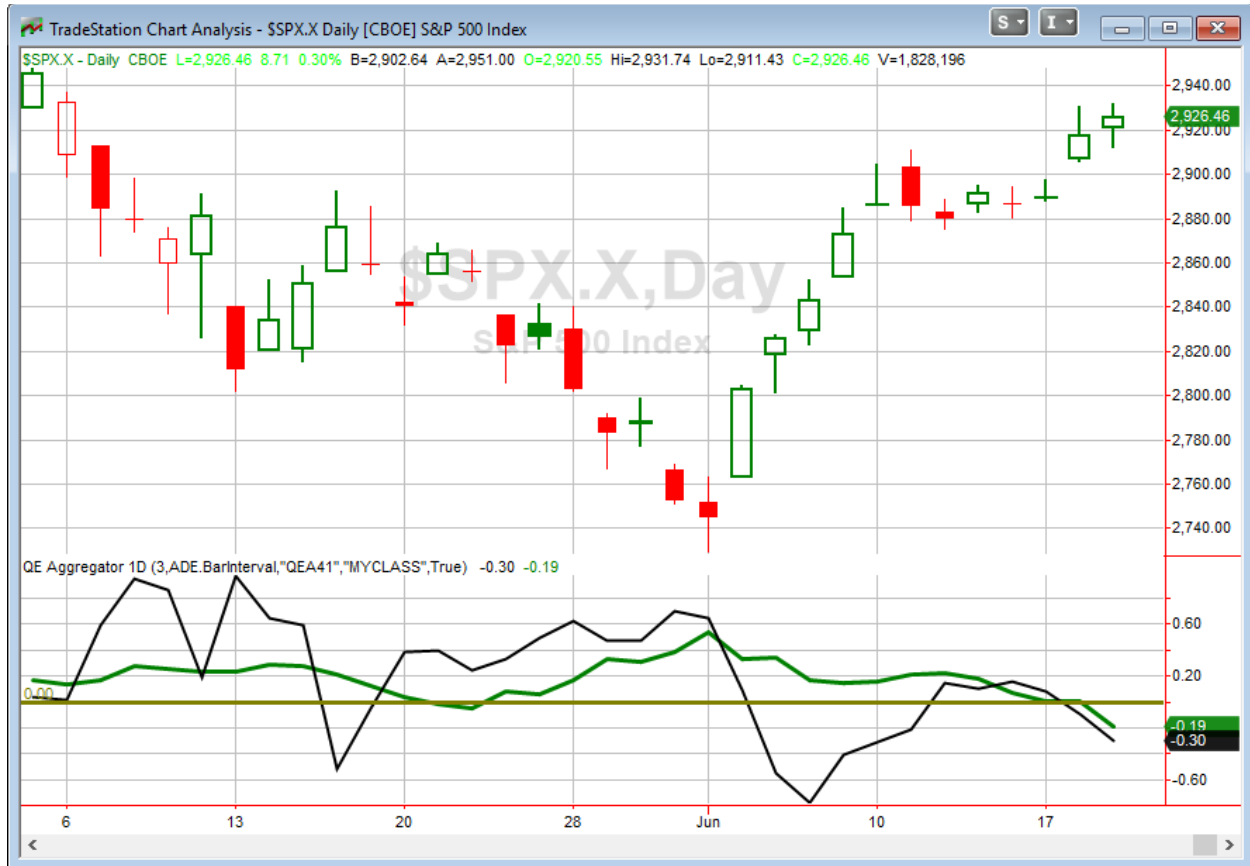
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-25,587.21	41	18	23	43.90	1,578.78	4,389.95	-2,348.06	-9,625.50	0.67	0.53	-624.08
9	-28,587.70	41	17	24	41.46	1,625.95	3,956.94	-2,342.87	-12,928.50	0.69	0.49	-697.26
8	-22,945.46	41	17	24	41.46	1,337.13	4,058.40	-1,903.19	-7,050.88	0.70	0.50	-559.65
7	-13,166.42	41	19	22	46.34	1,495.49	6,337.26	-1,890.03	-6,122.88	0.79	0.68	-321.13
6	-12,640.69	41	21	20	51.22	1,298.19	4,813.75	-1,995.14	-4,908.27	0.65	0.68	-308.31
5	-22,235.82	41	19	22	46.34	1,297.54	5,231.46	-2,131.32	-6,268.92	0.61	0.53	-542.34
4	-22,359.92	41	18	23	43.90	1,140.60	3,438.24	-1,864.82	-4,528.95	0.61	0.48	-545.36
3	-17,642.35	41	19	22	46.34	1,088.53	3,830.40	-1,742.02	-5,547.24	0.62	0.54	-430.30
2	-23,969.03	41	14	27	34.15	612.44	1,737.55	-1,205.30	-5,495.94	0.51	0.26	-584.61
1	-14,984.19	41	11	30	26.83	755.17	1,990.25	-776.37	-3,300.30	0.97	0.36	-365.47

The numbers here all point to a downside edge, primarily over the 1st 2 days. Below is a profit curve showing how the edge has played out over time.



Not the smoothest curve, but it still appears to suggest a bearish edge. I found this study compelling enough to include on the Active List.

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



With tonight's research included, the green Aggregator Line fell below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile, the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

Based on the current Active Studies list, expectations are set to remain negative on Thursday. Of course this could change if new bullish evidence emerges. The Differential Pivot will be 2896.65 on Thursday. That is 1.0% below Wednesday's close. Therefore, SPX will need to close down at least 1.0% on Thursday to flip from overbought to oversold vs recent expectations.

So the aggregator is bearish, and there is ample room to the downside before SPX would turn oversold. But the trend is up and the intermediate term outlook is somewhat bullish. So this would be considered a counter trend trade. If I am going to take a counter-trend to trade, I am normally

going to want a bit more evidence supporting the bearish hypothesis. There is only one bearish short term study active at the moment. Therefore, I am not inclined to try and take advantage of the apparent bearish edge just yet. I'll see how Thursday plays out and what new evidence emerges before looking for a possible index position.

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.

None tonight.

Current Open Trade Ideas

None tonight

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