

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 26, 2019

Volume 12 Issue 122

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- 3-day pullbacks from 50-day highs like the current one have typically been followed by a bounce in the past.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is now bullish. I believe there is a moderate upside edge, and will look to take on some long exposure if I can get a favorable fill.

**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
<b>Active - Short Term</b>						
June 26, 2019	3-day pullback from 50-high	1-4 days	Bullish	1.50%	-0.90%	-1.90%
June 24, 2019	Week after Quad opex	1-5 days	Bearish	-2.00%	1.30%	2.90%
June 21, 2019	SPY breakaway gap	1-5 days	Bullish			
<b>Active - Long Term</b>						
June 21, 2019	SPX RSI2 crosses over 99.	1-15 days	Bullish			
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 poor seasonality has played out over the last couple of days and the market has slid. Tuesday the SPX fell 0.95%, the NASDAQ lost 1.5%, and the Russell 2000 declined 0.6%. Breadth was negative as the NYSE Up Issues % was 34% and the Up Volume % came in at 24%. NYSE volume increased from Monday's level.

Tuesday marked the 3rd lower close in a row for SPY. Three-day pullbacks will often trigger a few bullish studies. I found the one below especially compelling because it also considered the fact that the 3-day pullback was occurring right after a high was hit. Additionally, it required that the pullback was deep enough to put it below the 10ma, but *not* deep enough to see it at a 10-day closing low. It was last seen in the 6/23/17 subscriber letter, and I have updated the stats.

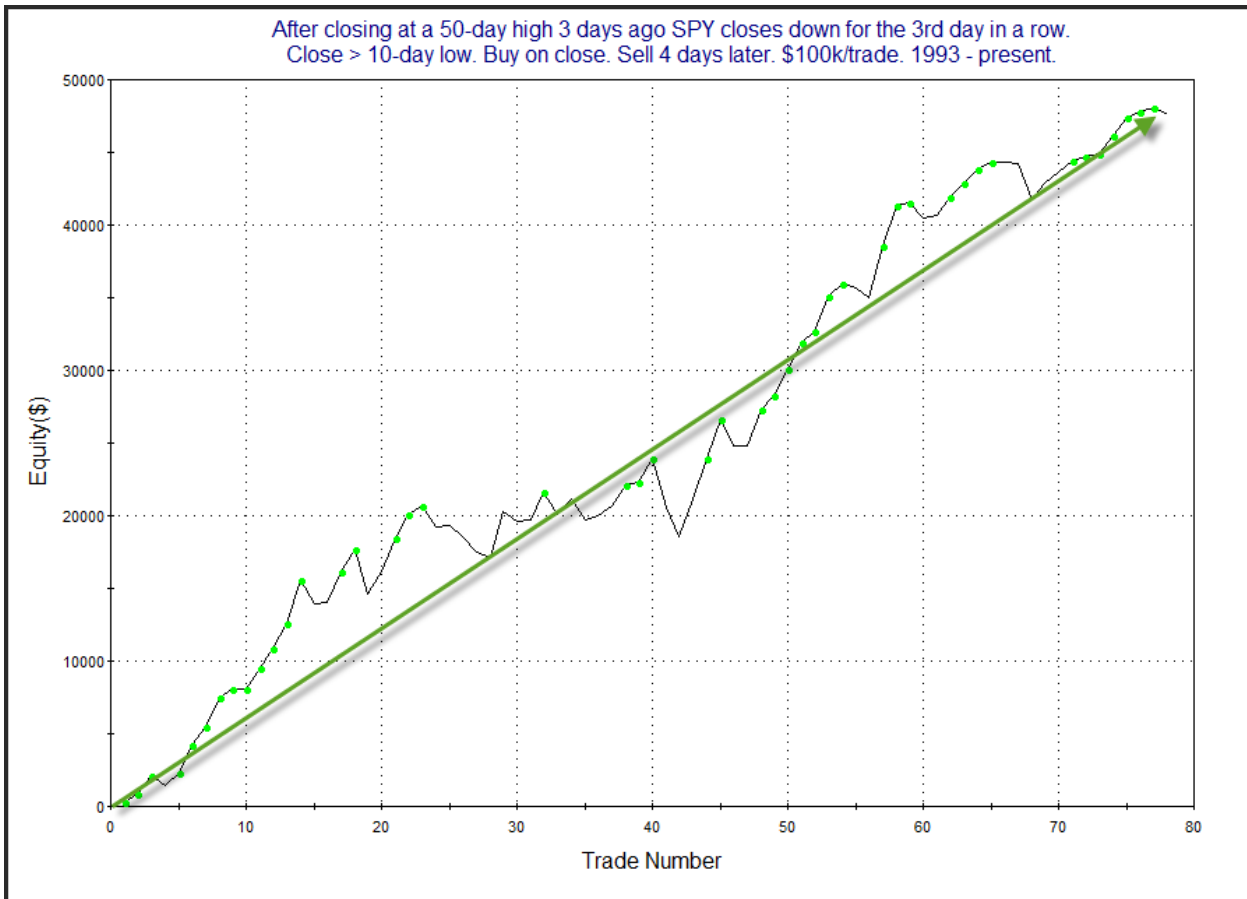
After closing at a 50-day high 3 days ago SPY closes down for the 3rd day in a row. Close < 10ma but > 10-day low. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	36,375.25	50	34	16	68.00	3,522.94	-3,453.71	1,575.40	-1,074.27	1.47	3.12	727.51
4	42,206.50	50	40	10	80.00	3,543.50	-3,076.63	1,296.96	-967.21	1.34	5.36	844.13
3	27,515.37	50	33	17	66.00	3,543.50	-2,027.68	1,270.80	-848.30	1.50	2.91	550.31
2	14,548.63	50	34	16	68.00	2,332.48	-2,781.35	892.43	-987.12	0.90	1.92	290.97
1	10,649.76	50	33	17	66.00	2,060.16	-2,031.09	712.31	-756.26	0.94	1.83	213.00

Under these circumstances, it appears bounces have been both reliable and powerful. And the profit curve is also impressive. But I am hesitant to use the filter that looks at the close below the 10ma. Because while SPY closed below its 10ma, SPX did not. And if SPY had not gone ex-div a few days ago, it likely would not have closed below its 10ma either. So here is the same study, but without that filter.

After closing at a 50-day high 3 days ago SPY closes down for the 3rd day in a row.  
Close > 10-day low. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

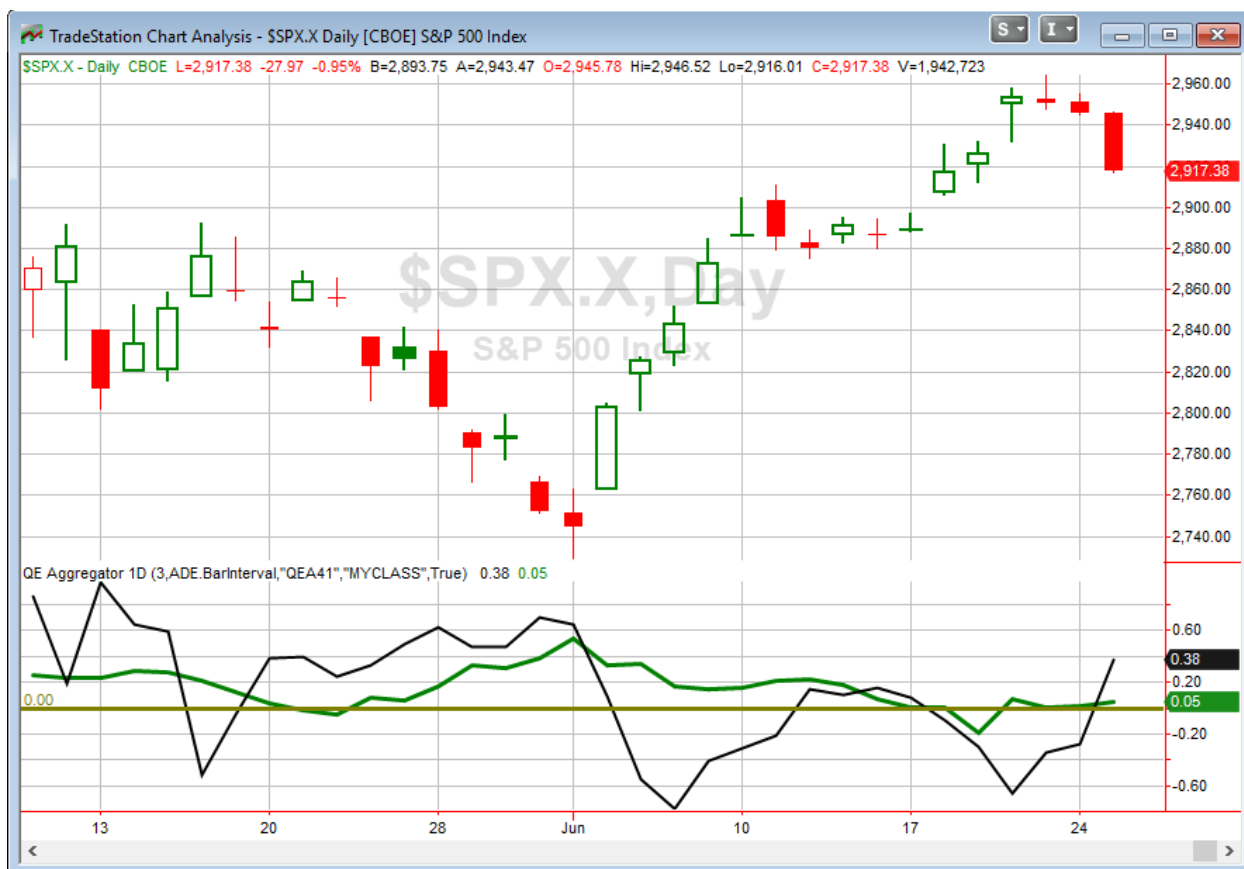
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	43,390.57	78	52	26	66.67	3,522.94	-4,561.44	1,495.23	-1,321.58	1.13	2.26	556.29
4	47,604.09	78	58	20	74.36	3,543.50	-3,295.52	1,253.93	-1,256.18	1.00	2.89	610.31
3	35,901.30	78	51	27	65.38	3,543.50	-3,006.56	1,171.57	-883.29	1.33	2.51	460.27
2	19,881.80	78	54	24	69.23	2,332.48	-3,990.40	783.96	-935.49	0.84	1.89	254.89
1	15,625.24	78	50	28	64.10	2,060.16	-2,031.09	629.40	-565.88	1.11	1.99	200.32

Odds here are not quite as strong, but they are still impressive. Below is a look at the 4-day profit curve.



The move from lower left to upper right is impressive. I have included this study on the Active List tonight.

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



With tonight's evidence included, 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 shot 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 turned long at the close.

Based on the current Active Studies list, expectations are set remain positive on Wednesday. This could easily change if new bearish evidence emerges. The Differential Pivot will be 2946.53 on Wednesday. That is 1.0% above Tuesday's close. Therefore, SPX will need to close up at least 1.0% in order to flip from oversold to overbought.

So the Aggregator is bullish, and there appears to be ample room to the upside to make potential reward appealing. But evidence is still mixed, and only leaning mildly bullish. As we know, this is a difficult seasonal week. So I will look to take on some long exposure, but I will only do so if I am able to get a favorable entry opportunity at either the open or the close. Details are in the trade ideas section down below.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/24– 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 @ \$289.25 LIMIT ON OPEN. If not filled on open, cancel order and look to enter @ \$290.75 LIMIT ON CLOSE.** Based on the short-term outlook above, I will be looking to buy into a sizable gap down, or any lower close.

## **Current Open Trade Ideas**

*None tonight*

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