

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 27, 2019

Volume 12 Issue 123

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The first drop below the 10ma in quite a while will often be followed by another leg up.
- Back to back poor closes at short-term lows have typically been followed by a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish, and upside evidence is building. There appears to be a solid short-term edge for the bulls.

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 27, 2019	5-low poor close 2x > 200	1-2 days	Bullish			
June 27, 2019	1st close < 10ma in 15+ days	1-5 days	Bullish			
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			
Active - Long Term						
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

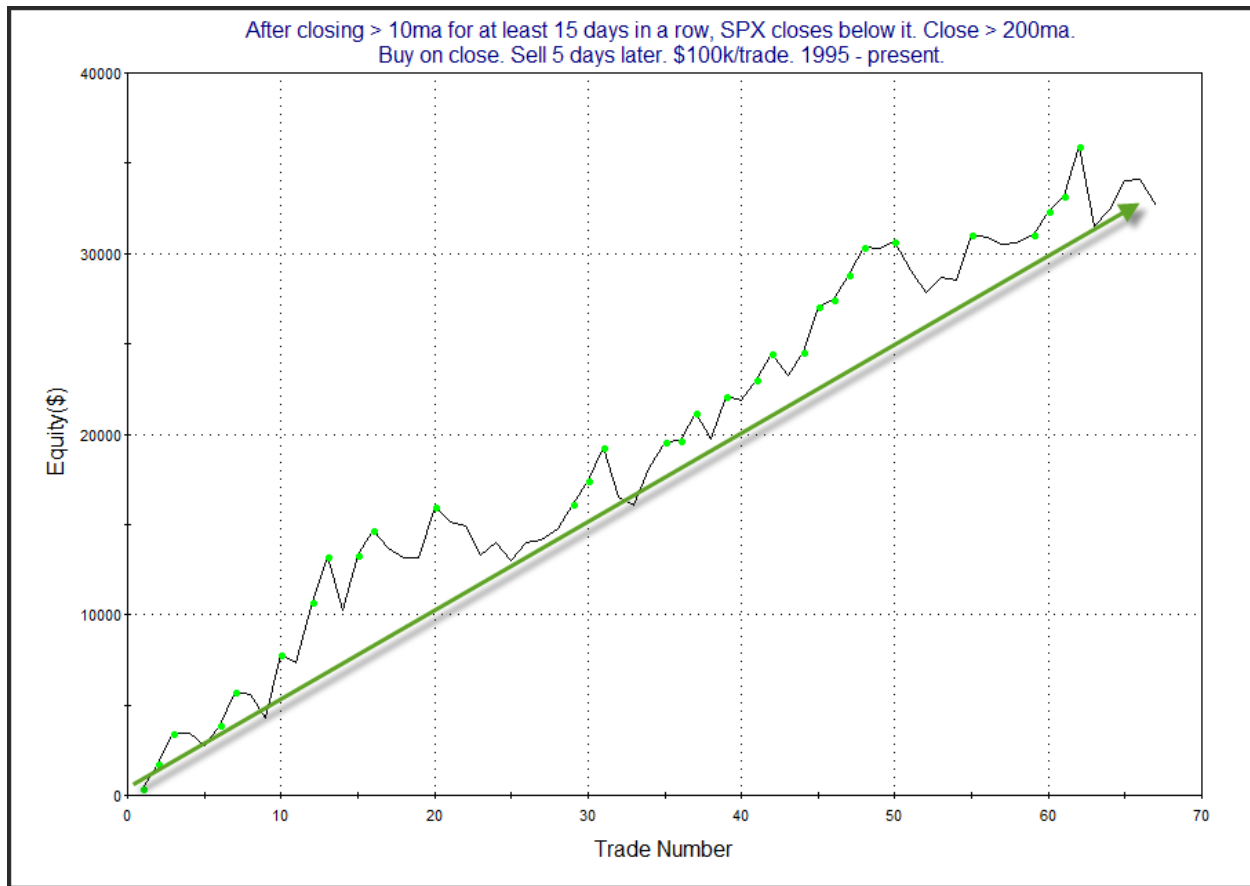
The market was quiet and mixed on Wednesday. The SPX fell 0.1%, the NASDAQ rose 0.3%, and the Russell 2000 declined 0.2%. Breadth was positive as the NYSE Up Issues % was 54% and the Up Volume % came in at 57%. NYSE volume declined from Tuesday's level.

The persistent uptrend of late has kept SPX above its short-term moving averages for an extended period. Wednesday, after 15 consecutive closes above the 10ma, SPX dipped down and closed below it. In the 5/2/19 letter I looked at performance following other instances where SPX closed below its 10ma for the first time over 15 days. Results are updated below.

After closing > 10ma for at least 15 days in a row, SPX closes below it. Close > 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: 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	32,630.04	67	41	26	61.19	3,505.74	-4,455.15	1,434.73	-1,007.45	1.42	2.25	487.02
4	27,009.20	67	43	24	64.18	3,206.40	-6,072.15	1,315.21	-1,231.04	1.07	1.91	403.12
3	22,051.47	67	45	22	67.16	2,805.12	-2,110.50	992.50	-1,027.78	0.97	1.98	329.13
2	19,234.89	67	43	24	64.18	2,682.72	-2,185.60	926.91	-859.27	1.08	1.93	287.09
1	15,466.13	67	43	24	64.18	2,097.92	-1,542.24	625.48	-476.23	1.31	2.35	230.84

61 of 67 instances (91%) closed above the entry price at some point in the next 5 days.

The numbers here all look solidly bullish over the next week. Below is the 5-day profit curve.



The strong upslope serves as some confirmation of the bullish edge.

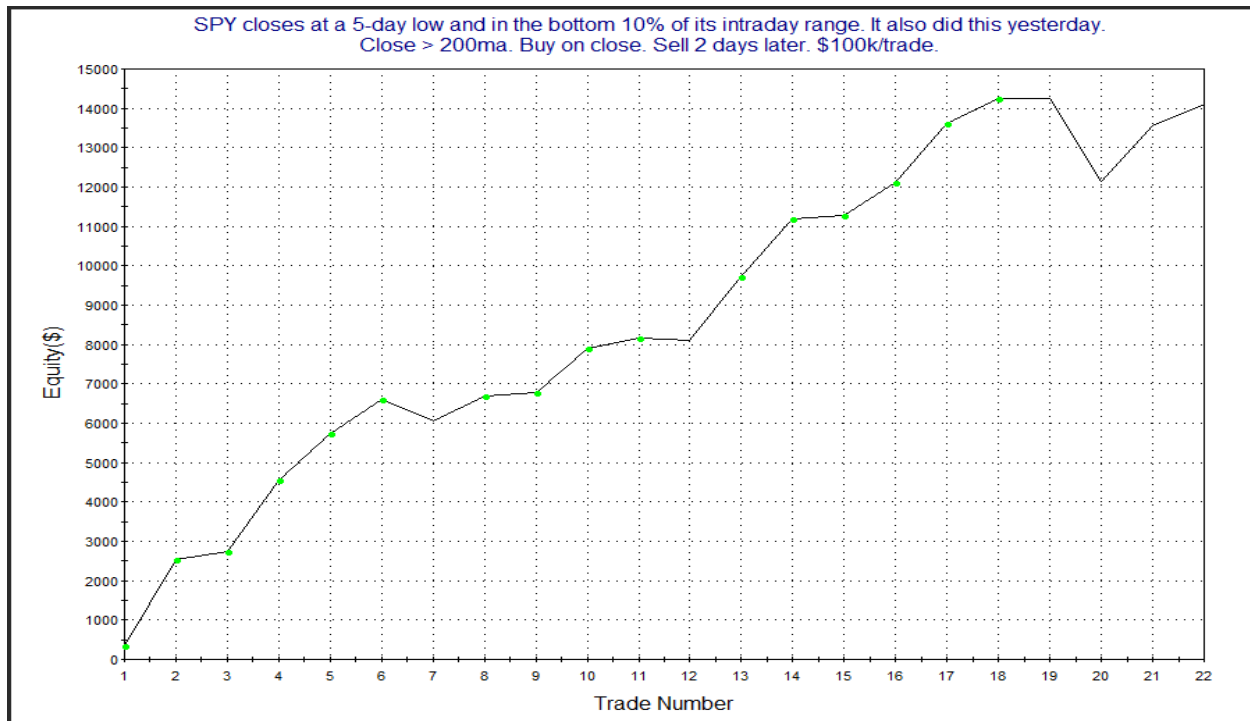
Another study in the Quantifinder that looked at times when SPY closed at a short-term low and in the bottom part of its daily range for the 2nd day in a row. The study was from the 3/12/15/ letter. I have updated it below.

SPY closes at a 5-day low and in the bottom 10% of its intraday range. It also did this yesterday.
 Close > 200ma. Buy on close. Sell X days later. \$100k/trade.

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
10	31,159.56	22	17	5	77.27	4,659.75	-2,333.25	2,252.55	-1,426.77	1.58	5.37	1,416.34
9	29,683.11	22	18	4	81.82	4,065.27	-2,534.55	2,004.74	-1,600.57	1.25	5.64	1,349.23
8	31,213.63	22	16	6	72.73	4,801.50	-2,537.08	2,337.78	-1,031.80	2.27	6.04	1,418.80
7	27,473.49	22	16	6	72.73	3,830.53	-1,484.58	2,047.19	-880.26	2.33	6.20	1,248.80
6	19,884.93	22	16	6	72.73	3,509.00	-2,349.80	1,655.21	-1,099.74	1.51	4.01	903.86
5	24,631.71	22	16	6	72.73	3,041.50	-1,927.23	1,865.94	-870.56	2.14	5.72	1,119.62
4	19,161.28	22	16	6	72.73	2,684.00	-3,187.08	1,653.93	-1,216.94	1.36	3.62	870.97
3	11,140.48	22	14	7	63.64	3,130.00	-2,381.40	1,351.94	-1,112.39	1.22	2.43	506.39
2	14,093.12	22	18	4	81.82	2,191.00	-2,113.44	934.69	-682.83	1.37	6.16	640.60
1	13,593.83	24	17	7	70.83	1,965.60	-2,129.98	1,056.23	-623.16	1.69	4.12	566.41

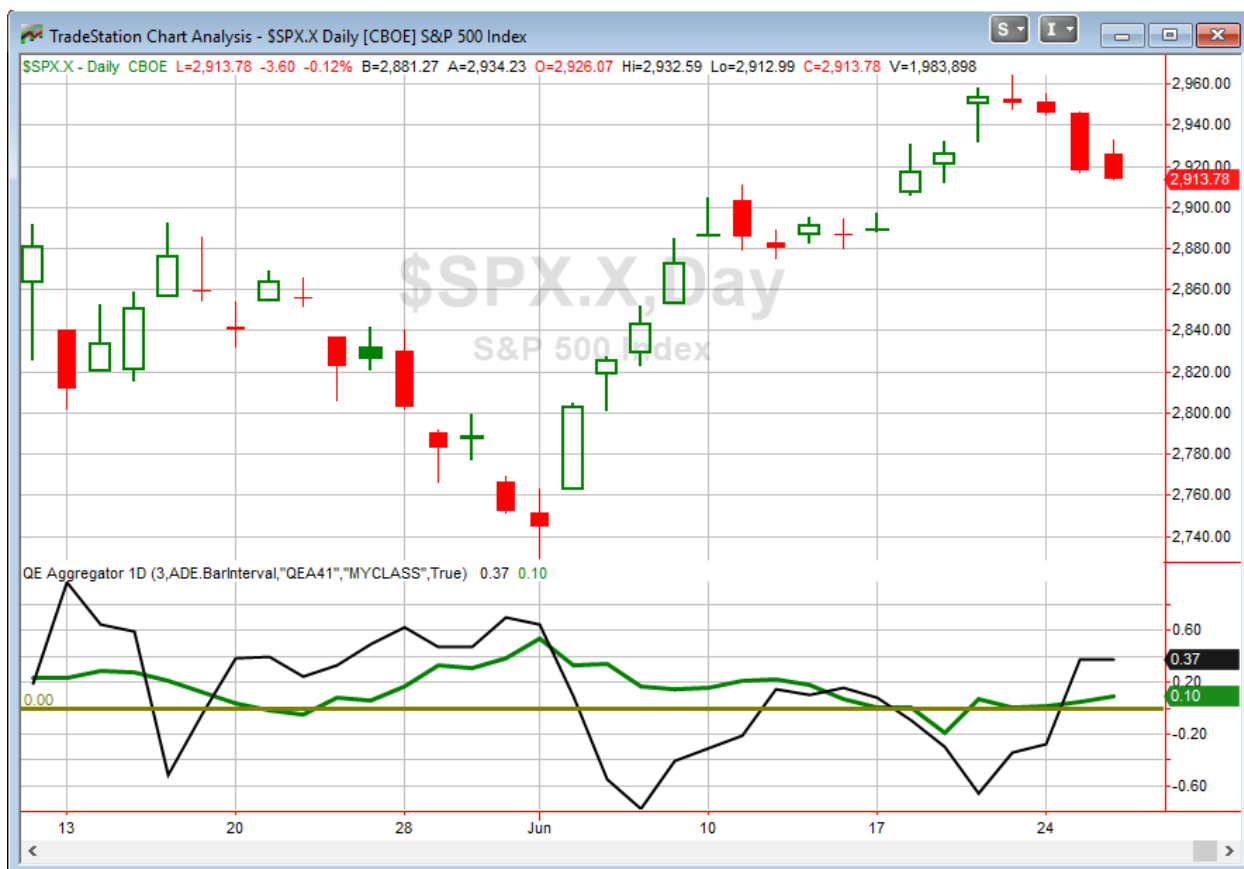
95% of instances closed above the entry price at some point in the next 3 days.

The consistency with which SPY has risen over the next few days is very impressive. Below is a profit curve that assumes a 2-day holding period.



The move from lower left to upper right serves as some confirmation of the upside edge suggested by the numbers.

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 held 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 Active Studies list, expectations are set remain positive on Thursday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2947.44 on Thursday. That is 1.2% above Wednesday's close. Therefore, SPX will need to close up at least 1.2% in order to flip from oversold to overbought.

Bullish evidence is slowly starting to build. And with the market closing down four days in a row it is now short term oversold. This is leaving the Aggregator in a bullish position. I like the long side and believe there is an upside edge. I took some long exposure near the close on Wednesday. I will hold onto that position for the time being.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/24– somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

New

SPG @ \$159.25 (buy @ limit)

Broad Market Large Cap CBI – 1(SPG)

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.

SPG – buy 1/3 Catapult position @ \$159.27 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for SPG.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	6/26/2019	\$290.47	\$290.47	0.00%	Aggregator

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.