

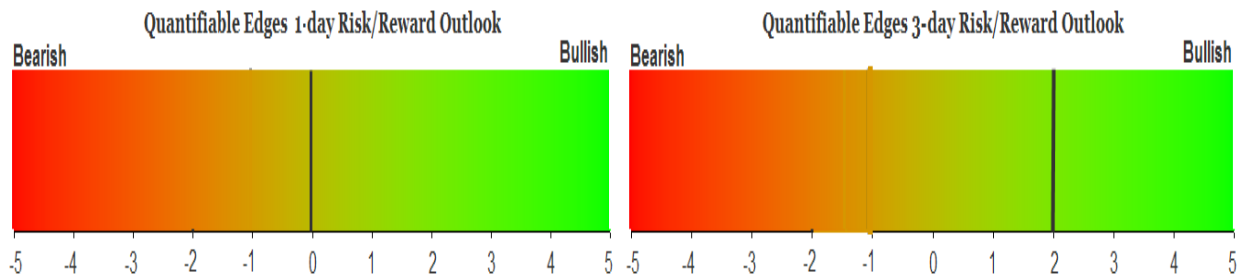
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 28, 2019

Volume 12 Issue 124

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- A potential turn-of-the-month edge shows a weak close on Friday would be highly preferable.
- Thursday's unfilled gap up along with it being an inside day suggests a 1-day bearish edge.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish, but unlikely to remain so. This appears to be a good time to take some quick profits.

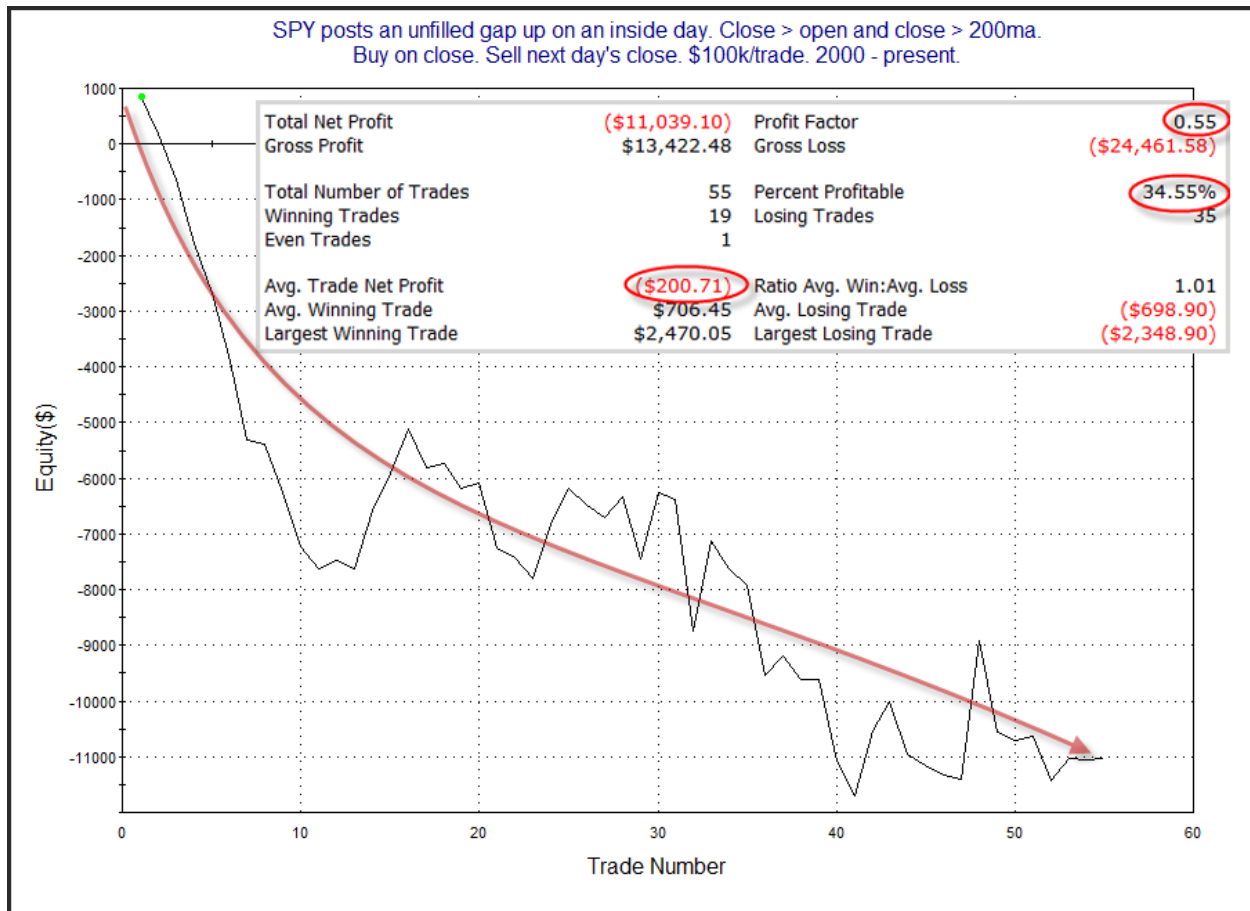
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
June 28, 2019	Unfilled gap up inside day >200	1 day	Bearish			
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%
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

Thursday was an up day. The SPX rose 0.4%, the NASDAQ gained 0.7%, and the Russell 2000 rallied 1.9%. Breadth was positive as the NYSE Up Issues % was 68.3% and the Up Volume % came in at 67.8%. NYSE volume declined from Wednesday's level.

Action triggered an interesting study from the 9/28/18 letter. The study looks at days like Thursday where the market gaps higher, never fills, and moves higher from open to close without making a higher high. Results below are updated.



Implications here appear somewhat bearish. I'd also note that 49 of 55 instances (89%) closed below the entry price at some point in the next week. The profit curve is not ideal, but it still appears to suggest a downside edge.

The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. This can be seen in the studies below, which also use a 200ma filter. They are from the 4/30/19 letter. First let's look at times the market closed in the bottom half of its range on the last day of the month.

It is the last trading day of the month. SPY closes > 200ma and in the bottom half of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

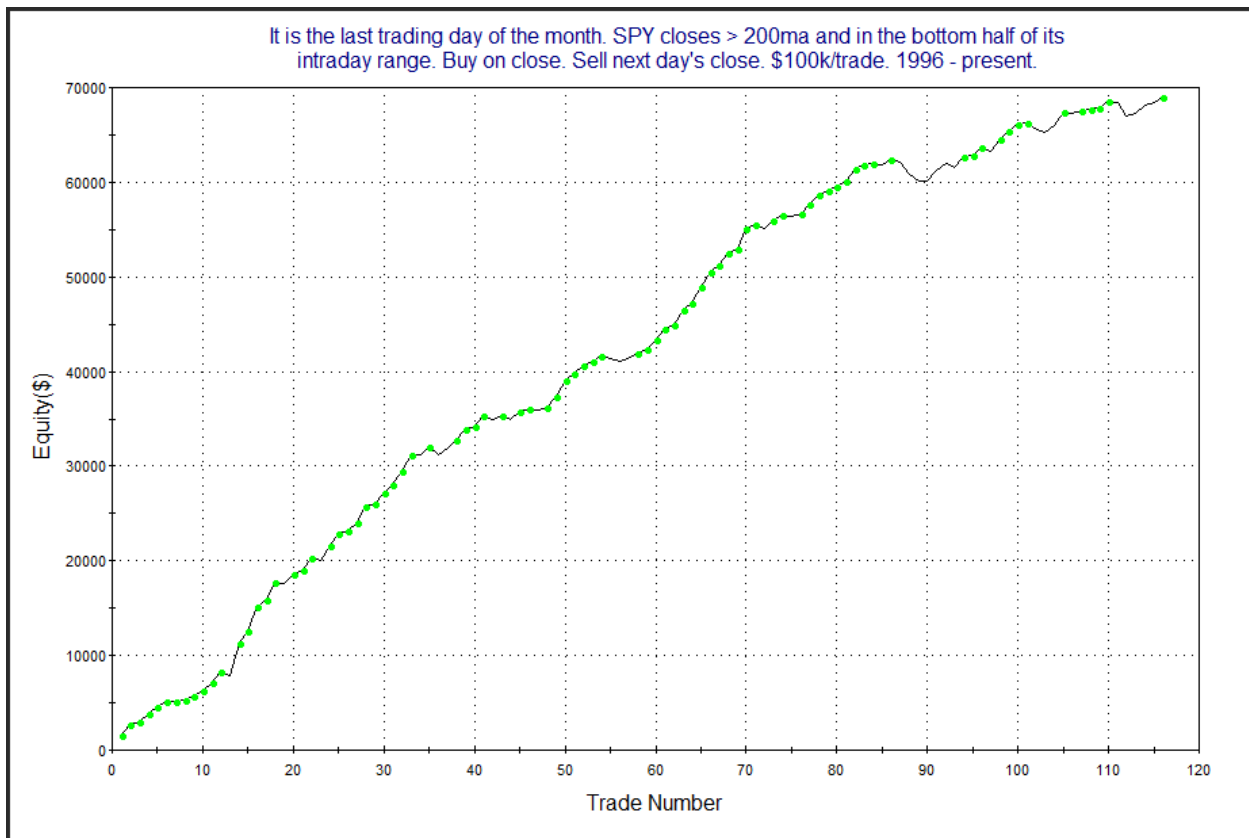
TradeStation Performance Summary

Expand ▾

All Trades

Total Net Profit	\$69,030.67	Profit Factor	7.90
Gross Profit	\$79,036.73	Gross Loss	(\$10,006.06)
Total Number of Trades	116	Percent Profitable	79.31%
Winning Trades	92	Losing Trades	24
Even Trades	0		
Avg. Trade Net Profit	\$595.09	Ratio Avg. Win:Avg. Loss	2.06
Avg. Winning Trade	\$859.09	Avg. Losing Trade	(\$416.92)
Largest Winning Trade	\$3,295.88	Largest Losing Trade	(\$1,453.60)

The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 8x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 116 instances. Below is a profit curve.

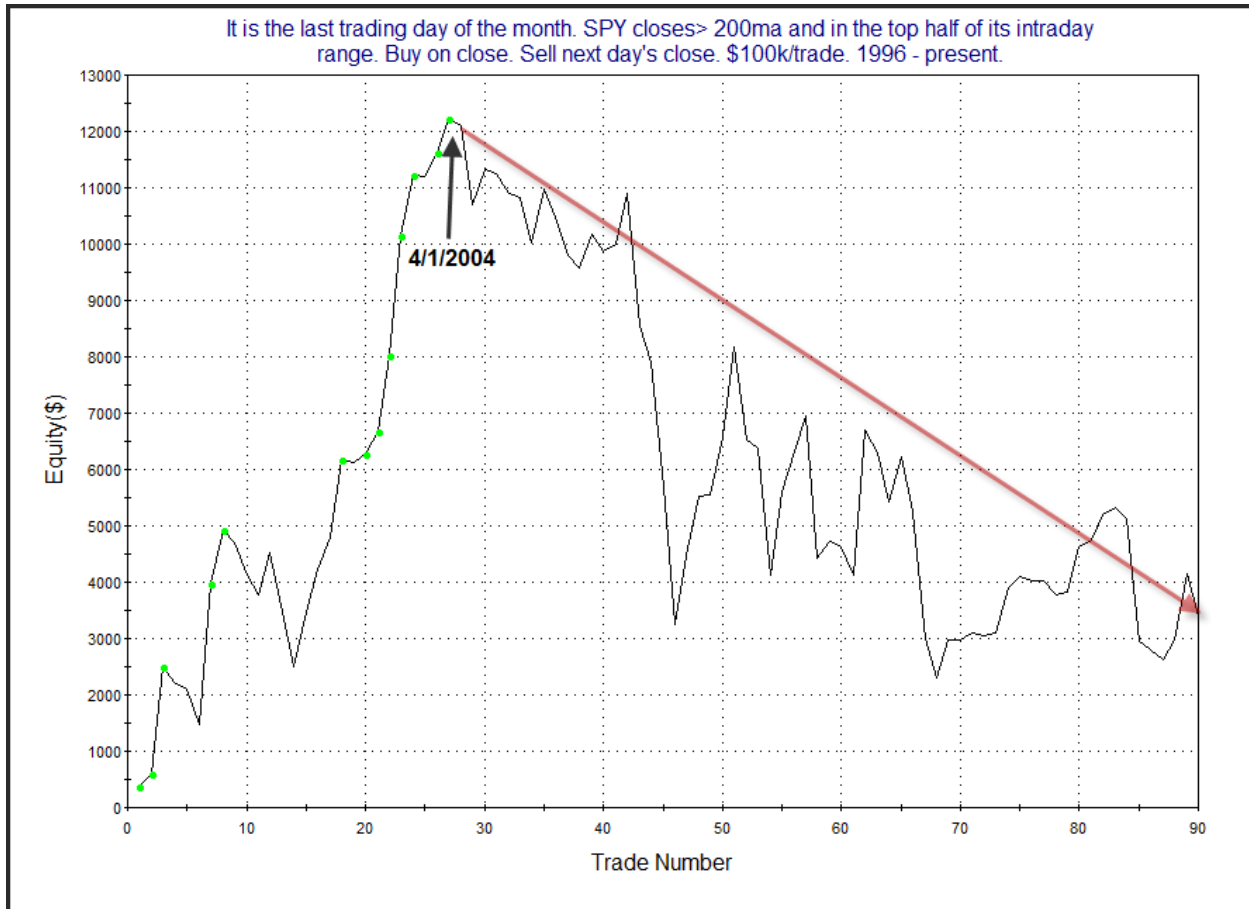


The long and persistent upslope is impressive, and serves to confirm the numbers. But what if SPY closes in the upper half of its range on Friday?

It is the last trading day of the month. SPY closes > 200ma and in the top half of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

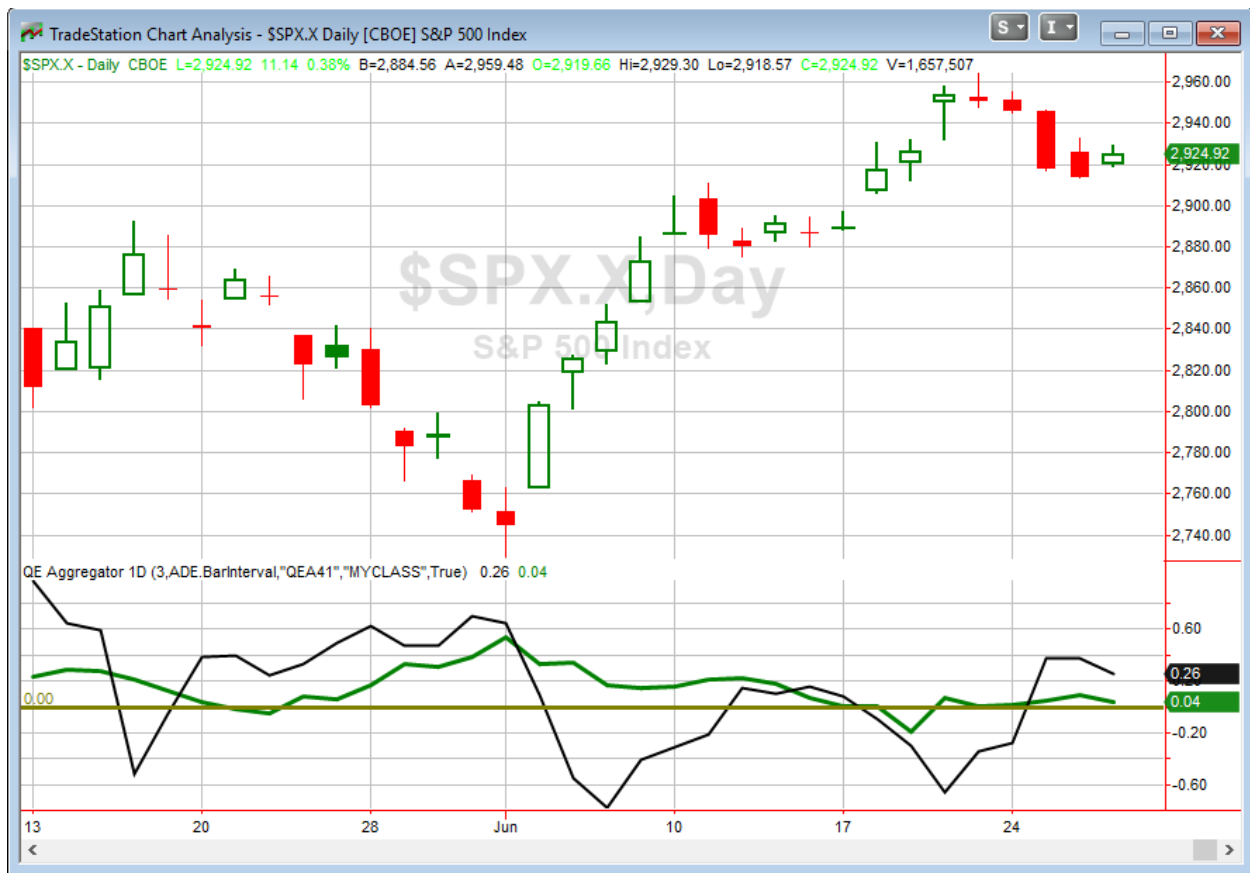
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$3,403.24	Profit Factor	1.10
Gross Profit	\$36,085.58	Gross Loss	(\$32,682.34)
Total Number of Trades	90	Percent Profitable	52.22%
Winning Trades	47	Losing Trades	43
Even Trades	0		
Avg. Trade Net Profit	\$37.81	Ratio Avg. Win:Avg. Loss	1.01
Avg. Winning Trade	\$767.78	Avg. Losing Trade	(\$760.05)
Largest Winning Trade	\$2,562.30	Largest Losing Trade	(\$2,515.60)

We see here the upside edge nearly completely wiped away. Here is the profit curve.



This paints an even bleaker picture. So it appears Friday's action may be important when considering the odds of a rally on Monday. The 1st day of the month has performed much better with some afternoon selling leading up to the day.

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 Friday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted at* 2919.11 on Friday. That is 0.2% *below* Thursday's close. An inverted pivot means that the differential line will cross through 0 if SPX close is flat. In this case, SPX will need to close down at least 0.2% in order to remain oversold. Anything less than that, and it will be considered overbought versus expectations as of Friday's close.

I will also note that while 3-day expectations are positive, one day expectations are actually slightly negative. I often view inverted pivots as opportune times to take profits. This is because further gains are limited to just one day. With reward limited, and risk not, I generally like to take profits if they are available. In this case, the negative one day expectations, which became so thanks to in the study we saw tonight, make profit taking seem like an even better idea.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

SPG @ \$159.25 (bought @ limit)

Broad Market Large Cap CBI – 1(SP)

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
SPY(1/4)	6/26/2019	\$290.47	\$291.50	0.35%	<i>Sell @ \$291.50 LIMIT</i>
SPG(1/3)	6/27/2019	\$159.27	\$159.93	0.41%	Catapult

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