

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 1, 2019

Volume 12 Issue 125

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- The intraday high, unfilled gap, and weak close imply short-term strength.

## *Short-term Outlook*

### *The Bottom Line*

Like yesterday, the Aggregator is neutral and so am I.

*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>						
July 2, 2019	20-high unfilled gap. Close < open	1-3 days	Bullish			
June 27, 2019	1st close < 10ma in 15+ days	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%
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 up day that also brought some new highs. The SPX rose 0.8%, the NASDAQ gained 1.1%, and the Russell 2000 climbed 0.2%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 62%. NYSE volume declined from Friday's level. I expect it to remain light this week with the 4<sup>th</sup> of July holiday.

Looking at price action, the 1-day SPY pattern hinted at a bullish edge. In the 3/31/16 Letter I ran a test of performance following unfilled upside gaps that make a 20-day high. I broke out the results by times the SPY closed above the open versus times where it closed below the open. I updated those studies below.

First let's look at times (unlike Monday) where the finish was relatively strong:

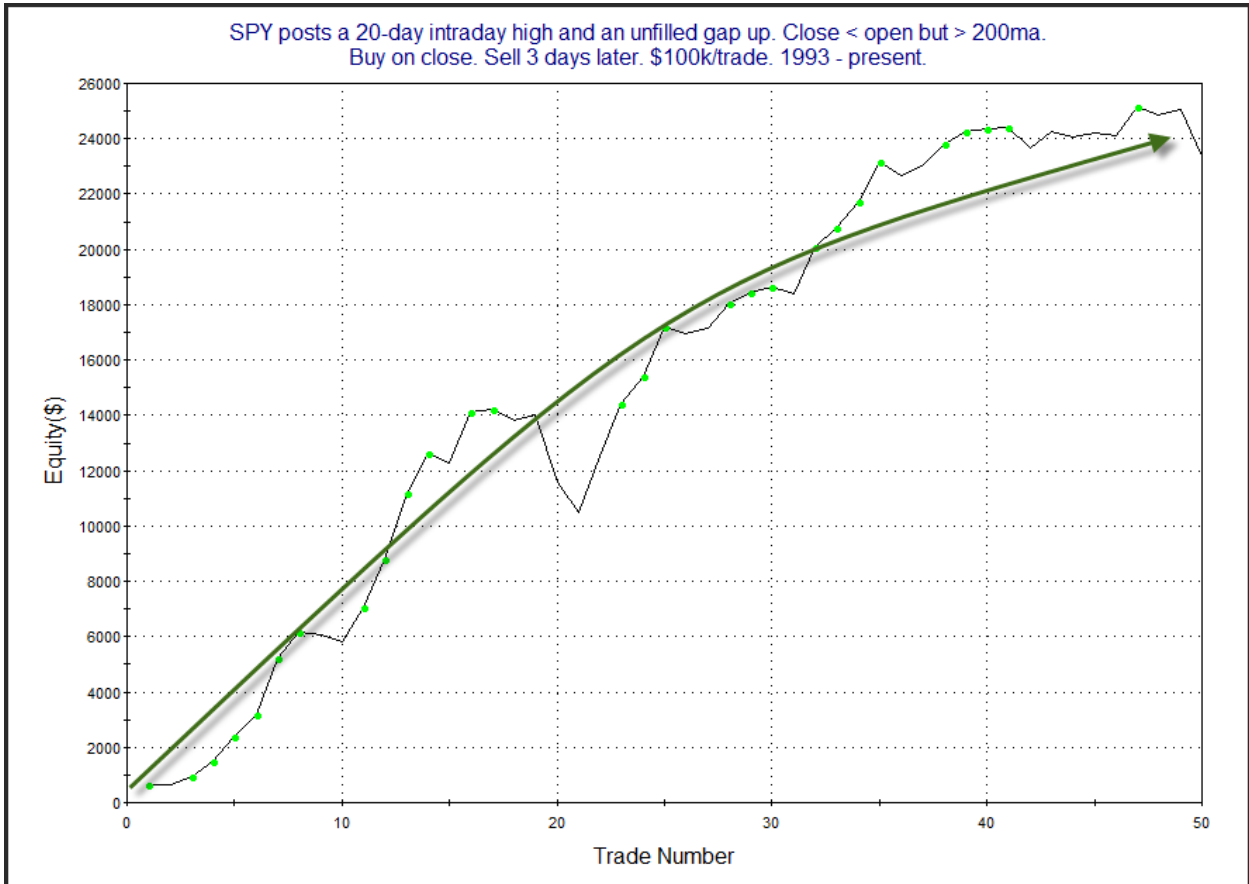
SPY posts a 20-day intraday high and an unfilled gap up. Close > open but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	19,924.09	172	104	66	60.47	6,056.96	-8,727.84	1,446.61	-1,977.63	0.73	1.15	115.84
9	19,737.85	181	112	68	61.88	5,404.74	-10,074.60	1,330.21	-1,900.67	0.70	1.15	109.05
8	13,541.82	188	112	74	59.57	5,456.48	-6,580.68	1,228.42	-1,676.23	0.73	1.11	72.03
7	13,891.17	195	117	76	60.00	5,145.60	-6,072.60	1,155.64	-1,596.29	0.72	1.11	71.24
6	16,084.23	208	115	91	55.29	4,931.26	-7,882.20	1,031.50	-1,126.79	0.92	1.16	77.33
5	15,269.75	218	122	94	55.96	4,539.48	-3,873.24	919.57	-1,031.04	0.89	1.16	70.04
4	20,529.21	236	131	104	55.51	4,627.26	-3,532.12	884.51	-916.75	0.96	1.22	86.99
3	-2,589.00	252	141	109	55.95	2,659.03	-5,080.34	651.90	-867.04	0.75	0.97	-10.27
2	-2,384.82	278	149	126	53.60	2,545.92	-3,016.48	511.45	-623.74	0.82	0.97	-8.58
1	2,064.81	299	150	148	50.17	2,380.38	-2,817.32	358.72	-349.61	1.03	1.04	6.91

There doesn't appear to be any edge in either direction here. Now let's examine times like the present where SPY closed below the open.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open but > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

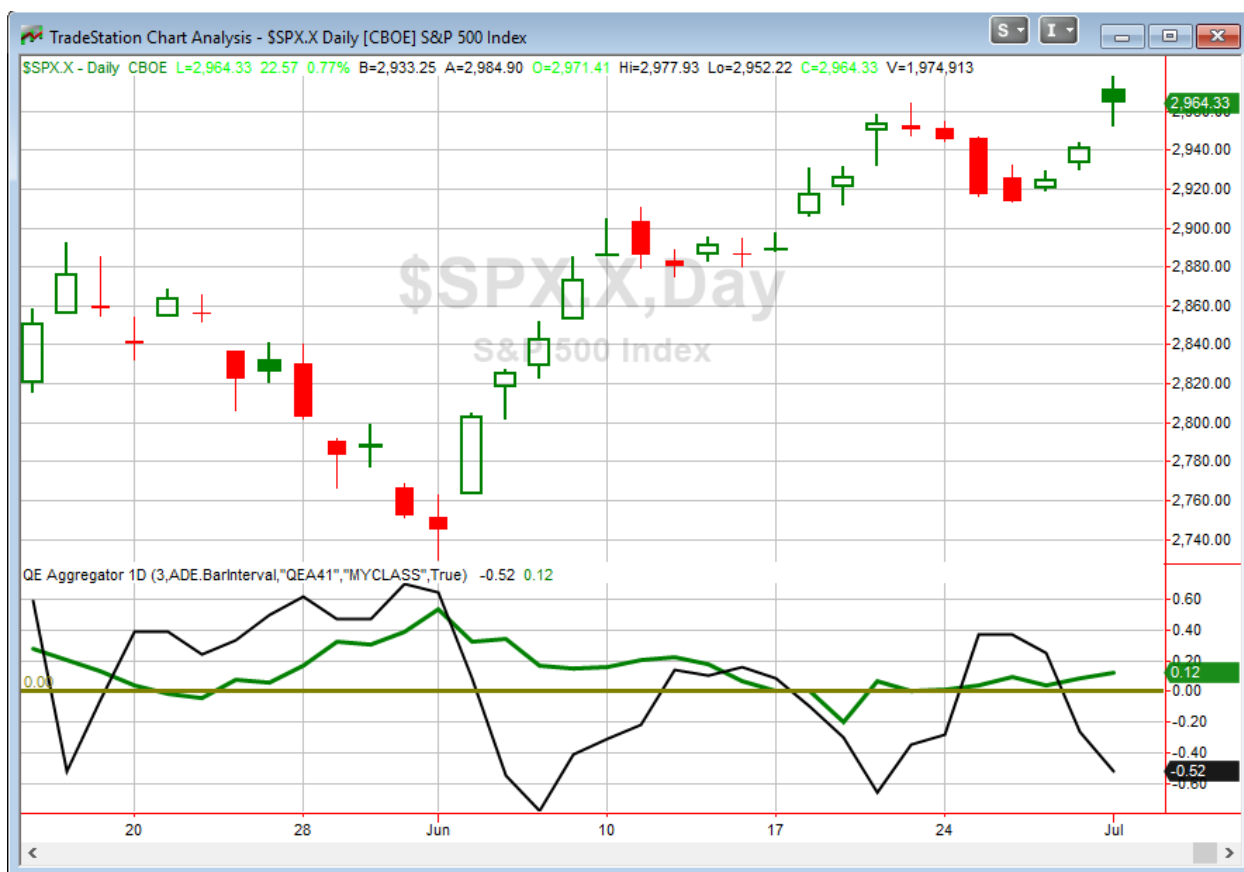
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	37,413.16	43	28	15	65.12	4,838.35	-4,810.68	1,927.05	-1,102.95	1.75	3.26	870.07
9	31,073.40	44	33	11	75.00	3,741.10	-5,564.16	1,431.32	-1,469.09	0.97	2.92	706.21
8	27,847.74	44	30	13	68.18	3,352.48	-6,021.40	1,498.79	-1,316.60	1.14	2.63	632.90
7	23,972.88	46	28	18	60.87	3,751.55	-4,952.36	1,538.29	-1,061.06	1.45	2.26	521.15
6	22,378.70	46	28	18	60.87	4,159.10	-4,414.24	1,502.09	-1,093.33	1.37	2.14	486.49
5	16,564.70	46	25	21	54.35	3,754.17	-4,540.20	1,258.42	-709.33	1.77	2.11	360.10
4	18,750.13	47	33	14	70.21	3,436.02	-2,228.24	891.40	-761.86	1.17	2.76	398.94
3	23,359.17	50	35	14	70.00	2,362.10	-2,427.88	914.38	-617.45	1.48	3.70	467.18
2	18,880.67	51	32	19	62.75	1,998.70	-926.12	853.52	-443.78	1.92	3.24	370.21
1	7,883.45	52	33	19	63.46	1,708.92	-1,015.84	454.52	-374.52	1.21	2.11	151.60

These results are substantially better than earlier where the finish was above the open. The weak finish should not concern bulls, in fact it appears they should be excited by it. Below is an equity curve that shows how the edge has played out over time.



While the last instance got whacked, the overall upslope here is impressive. I have included this study on the Short-Term Active List.

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



With tonight's evidence considered, 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 below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal stayed flat at the close.

Based on the current Active Studies list, expectations are set remain positive on Tuesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will 2930.01 on Tuesday. That is 1.15% below Monday's close. Therefore SPX would need to close down at least 1.15% on Tuesday in order to flip from overbought to oversold versus expectations.

Bullish evidence suggests it is not a good time to try and short the market. The short-term overbought nature means long entries carry extra risk. Like the Aggregator formation, I am neutral. I am not inclined to take on new index exposure until a more compelling reward/risk setup emerges.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 7/1– 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
SPG(1/3)	6/27/2019	\$159.27	\$158.64	-0.40%	Catapult

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