

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 9, 2019

Volume 12 Issue 130

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce in the next few days.
- Turnaround Tuesday has not shown its typical bullish edge under similar circumstances.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is suggesting a bullish edge, and I'll look to take on some long exposure Tuesday if I can get a favorable fill.

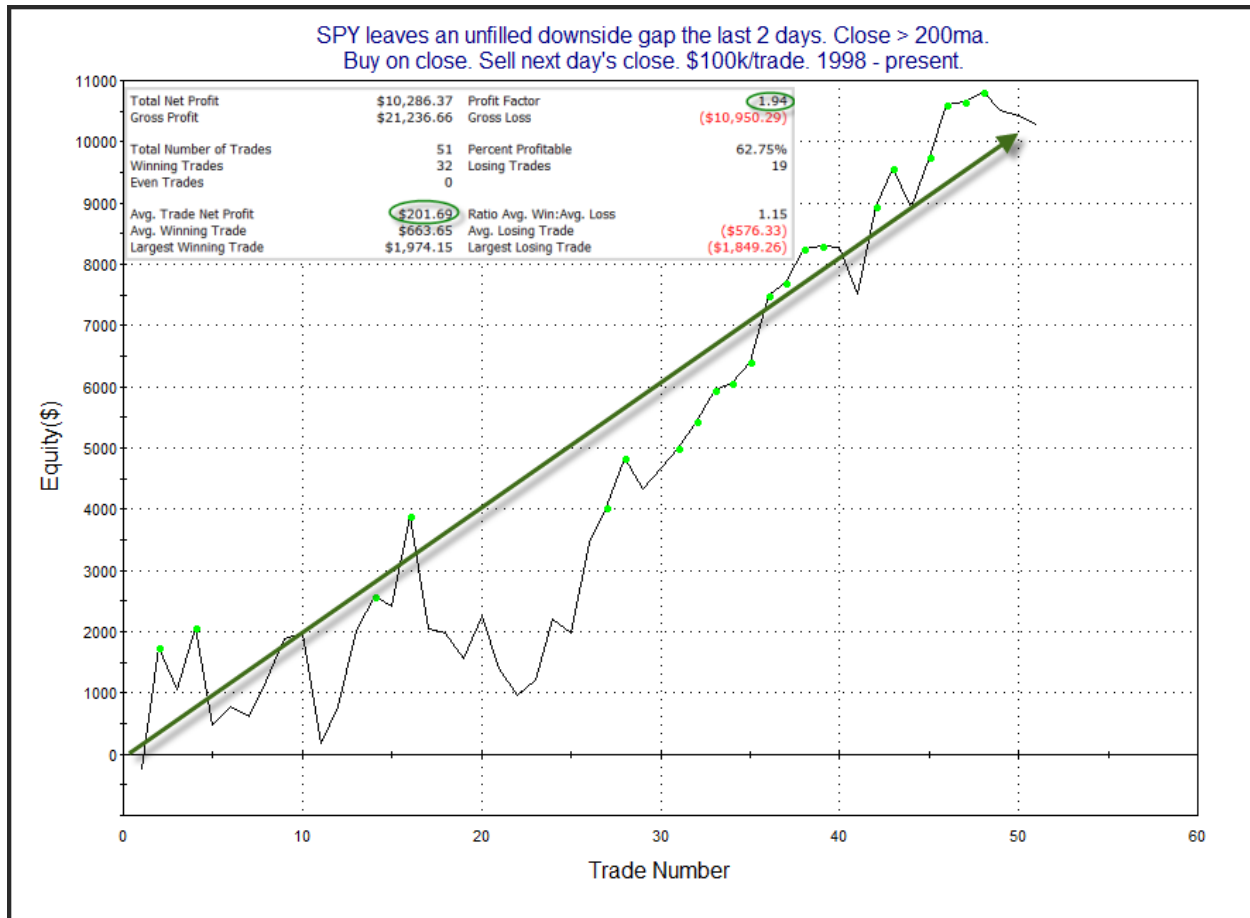
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
July 9, 2019	2 unfilled gaps down > 200ma	1 day	Bullish			
July 8, 2019	Unfill up 20-high the unfill down	1-3 days	Bearish			
July 8, 2019	5-up to 50-high and then 1 down	1-4 days	Bullish			
<b>Active - Long Term</b>						
July 8, 2019	5-up to 50-high and then 1 down	1-10 days	Bullish			
July 8, 2019	NASDAQ Leading	int term	Bullish			
June 21, 2019	SPX RSI2 crosses over 99.	1-15 days	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			
October 1, 2018	Quantitative Tightening	int term	Bearish			

***The Evidence***

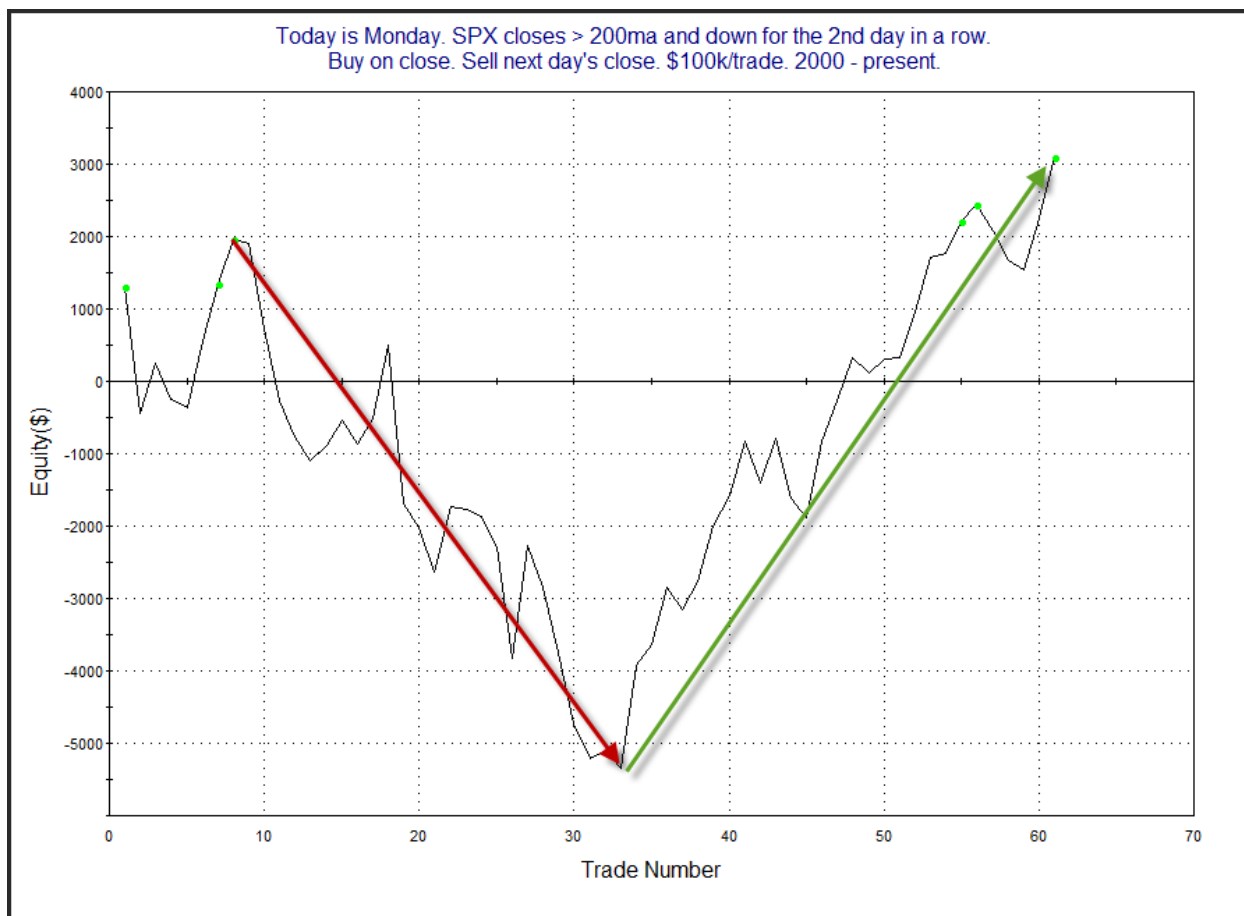
The market gapped down to open on Monday, and never managed to recover. The SPX lost 0.5%, the NASDAQ fell 0.8%, and the Russell 2000 dropped 0.9%. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % came in at 29%. NYSE volume rose some from Friday's level.

From a price action standpoint it was notable that Wednesday marked the 2nd day in a row that SPY left an unfilled gap down. In the 9/27/16 letter I showed a study that suggested bullish implications when this occurred during a long-term uptrend. I took a fresh look at that study tonight. Looking out beyond just the next day, the setup has not fared as well recently. But the 1-day results were still solid, and I have shown them below.



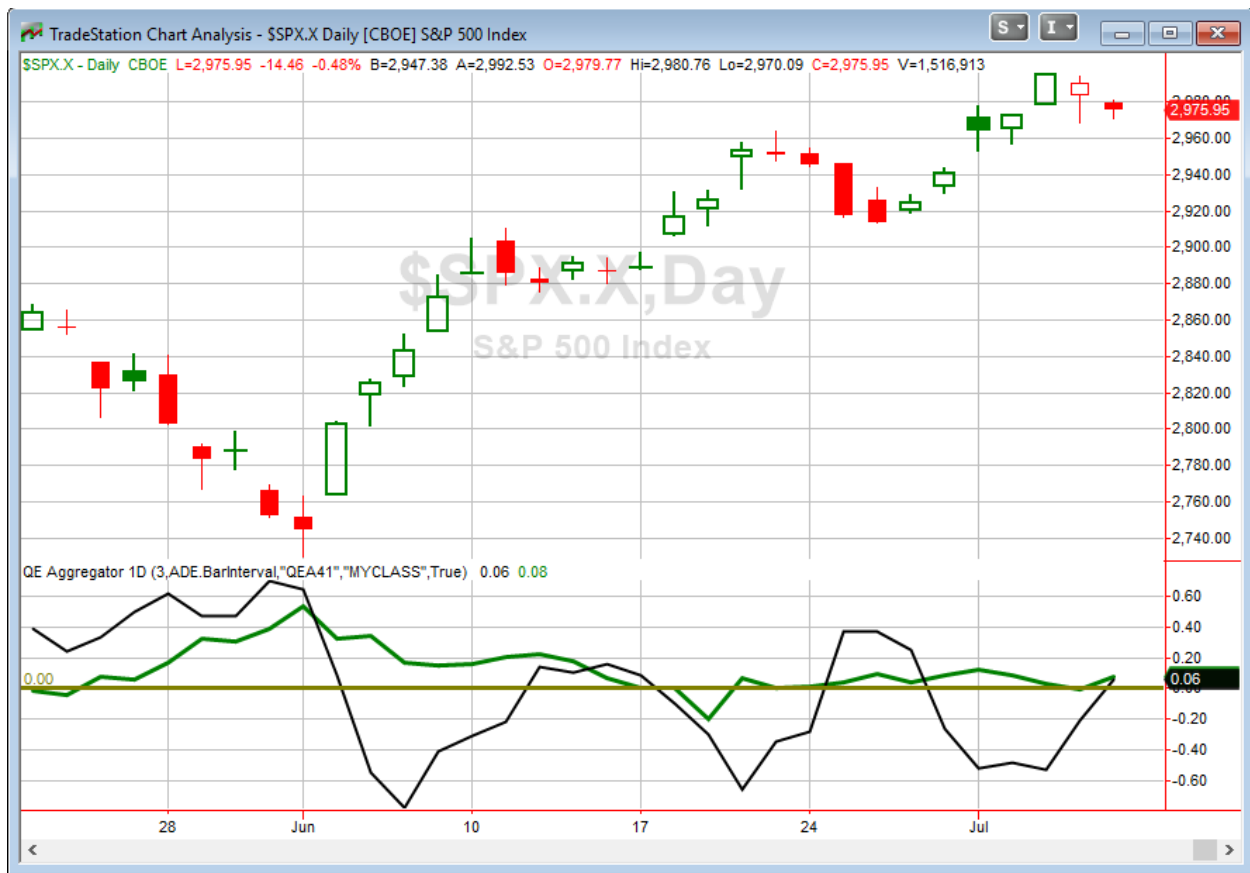
The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

I have written a substantial number of times about “Turnaround Tuesday”. Over the years Tuesday has exhibited the strongest proficiency for the market to reverse a pullback of any day of the week. But in the case of 2-day pullbacks specifically this has not necessarily been the case when SPX has been above the 200ma. This is something I last examined in the 6/25/19 letter. Below I have copied the result from that letter along with my comments (not updated).



*We see here a complete reversal. Maybe the former downside edge is now an upside edge. Or maybe there is no real edge at all under these circumstances. If I just knew about the last 25 or 30 instances, I might be convinced of an upside edge. But I know what came before it. And I have no good explanation for the sudden performance shift. So I do not feel this is a setup that's providing compelling evidence.*

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



With tonight's evidence considered, the green Aggregator Line rose back above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line also rose 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 flipped long at the close.

Based on the current Active Studies list, expectations are slated to remain bullish on Tuesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 3002.73 on Tuesday. That is 0.9% above Monday's close. Therefore SPX would need to close up at least 0.9% on Tuesday in order to flip from oversold to overbought versus expectations.

So the Aggregator is bullish. And there is a decent amount of room to the upside before SPX would flip to overbought. The bulls also have the intermediate-term trend on their side. Expectations are a little weak, but I still think there is a longside edge. If SPX closes down again on Tuesday that would likely trigger some bullish 3-day pullback studies. So I will be looking to possibly enter a small position on Tuesday if SPY opens with a large gap lower, or if it closes down any amount.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/8 – 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 @ \$295.25 LIMIT ON OPEN. If not filled on open, cancel order and look to buy at \$296.81 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to enter a small SPY position if I can get a favorable fill.

## **Current Open Trade Ideas**

*None*

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