

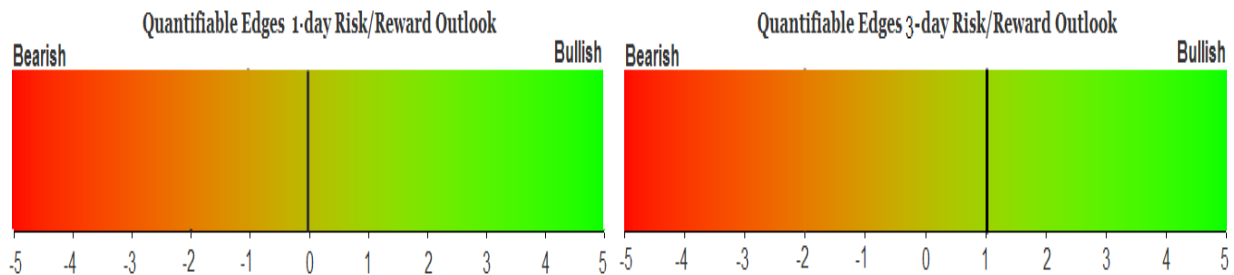
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 10, 2019

Volume 12 Issue 131

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The small bounce on Thursday does not appear to be a positive for the SPX.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but the setup does not appear compelling. I intend to remain sidelined.

**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 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**

A tough start was recovered on Tuesday for small gains. The SPX rose 0.1%, the NASDAQ gained 0.5%, and the Russell 2000 climbed 0.1%. Breadth was positive as the NYSE Up Issues % was 51% and the Up Volume % came in at 56%. NYSE volume declined some from Monday's level.

In the 12/22/17 letter I looked to see whether there was a substantial difference in performance following a small move down after two down days versus a small move up after two down days. Below I have updated that study.

First let's consider what happens after two down days are followed by a third lower close, but that third close is a drop of less than 0.2%.

SPX declines for the 3rd day in a row. Today's loss is < 0.2%.  
Buy on close. Sell next day's close. \$100k/trade. 1999 - present.

TradeStation Performance Summary				Expand
All Trades				
Total Net Profit	\$9,180.07	Profit Factor	1.54	
Gross Profit	\$26,037.48	Gross Loss	(\$16,857.41)	
Total Number of Trades	53	Percent Profitable	66.04%	
Winning Trades	35	Losing Trades	18	
Even Trades	0			
Avg. Trade Net Profit	\$173.21	Ratio Avg. Win:Avg. Loss	0.79	
Avg. Winning Trade	\$743.93	Avg. Losing Trade	(\$936.52)	
Largest Winning Trade	\$2,286.08	Largest Losing Trade	(\$2,452.26)	

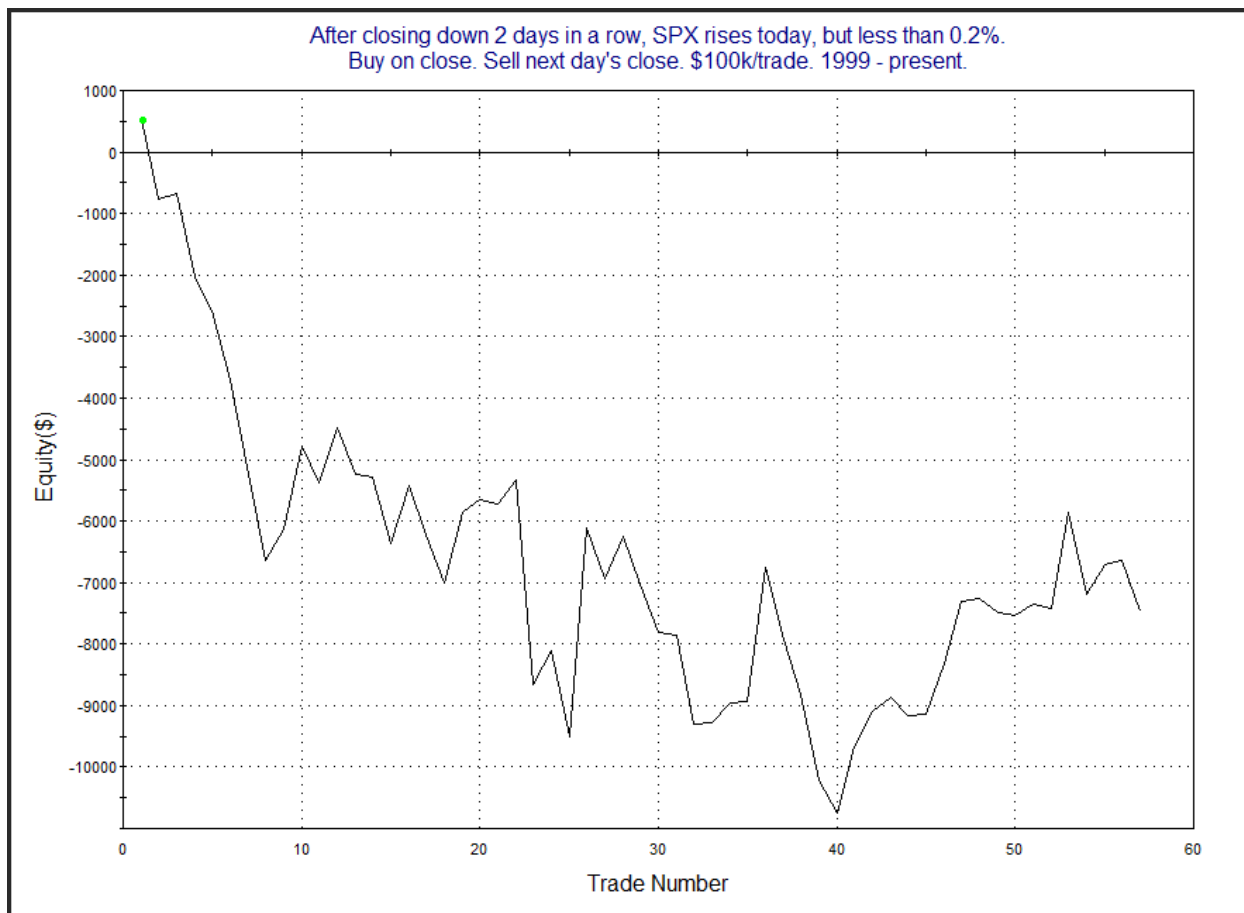
Results here suggest a possible bullish edge for the next day.

Now let's look at times like the present where two down days were followed by an up day, but that up day rose less than 0.2%.

After closing down 2 days in a row, SPX rises today, but less than 0.2%.  
Buy on close. Sell next day's close. \$100k/trade. 1999 - present.

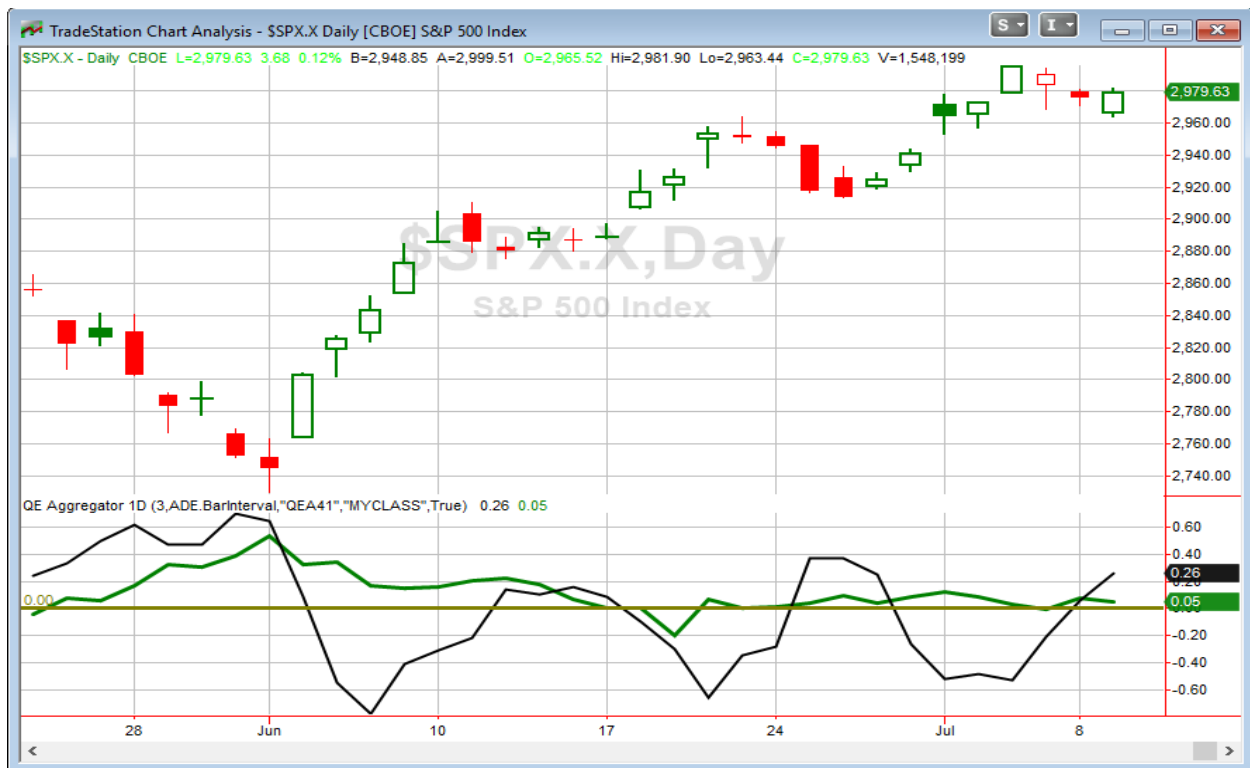
TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
All Trades			
Total Net Profit	(\$7,475.57)	Profit Factor	0.72
Gross Profit	\$19,311.50	Gross Loss	(\$26,787.07)
Total Number of Trades	57	Percent Profitable	47.37%
Winning Trades	27	Losing Trades	30
Even Trades	0		
Avg. Trade Net Profit	(\$131.15)	Ratio Avg. Win:Avg. Loss	0.80
Avg. Winning Trade	\$715.24	Avg. Losing Trade	(\$892.90)
Largest Winning Trade	\$3,390.64	Largest Losing Trade	(\$3,325.38)

As you can see, results here suggest a small down day is substantially different than a small up day. While not overwhelming, the edge in this case would appear to be for more downside. Below is a profit curve.



The curve here is very choppy. And with really no downside progress over the 2<sup>nd</sup> half of the curve, I do not feel this merits inclusion on the Active List. But I still find the contrast between the small up close and the small down close to be worth noting. No other studies emerged on Tuesday with compelling odds.

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



Without any new studies being added tonight, 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 also 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 slated to remain bullish on Wednesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2993.68 on Wednesday. That is 0.5% above Tuesday's close. Therefore SPX would need to close up at least 0.5% on Wednesday in order to flip from oversold to overbought versus expectations.

So the Aggregator is bullish. Up still appears to be the more likely direction. I barely missed out on both the potential opening entry and the potential closing entry with the SPY trade idea from last night. Perhaps I am being a bit too conservative, but I am not inclined to enter on Wednesday. While 3-day expectations are bullish, the Wednesday expectations are actually slightly negative. And while the study tonight is not strong enough to merit consideration in the Aggregator, it too hints at a potential down day. Additionally, with SPX having both closed up on Tuesday, and above its 10-day moving average, this is not an ideal entry point. So I will sit out Wednesday, and see if new evidence emerges that would encourage me to enter on Thursday or Friday.

*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.*

**Non tonight.**

### **Current Open Trade Ideas**

*None*

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