

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 16, 2019

Volume 12 Issue 135

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but I am not enthused about betting against the strong uptrend here.

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						
July 16, 2019	VIX up. SPX 50-high. Monday.	1-2 days	Bearish			
Active - Long Term						
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			

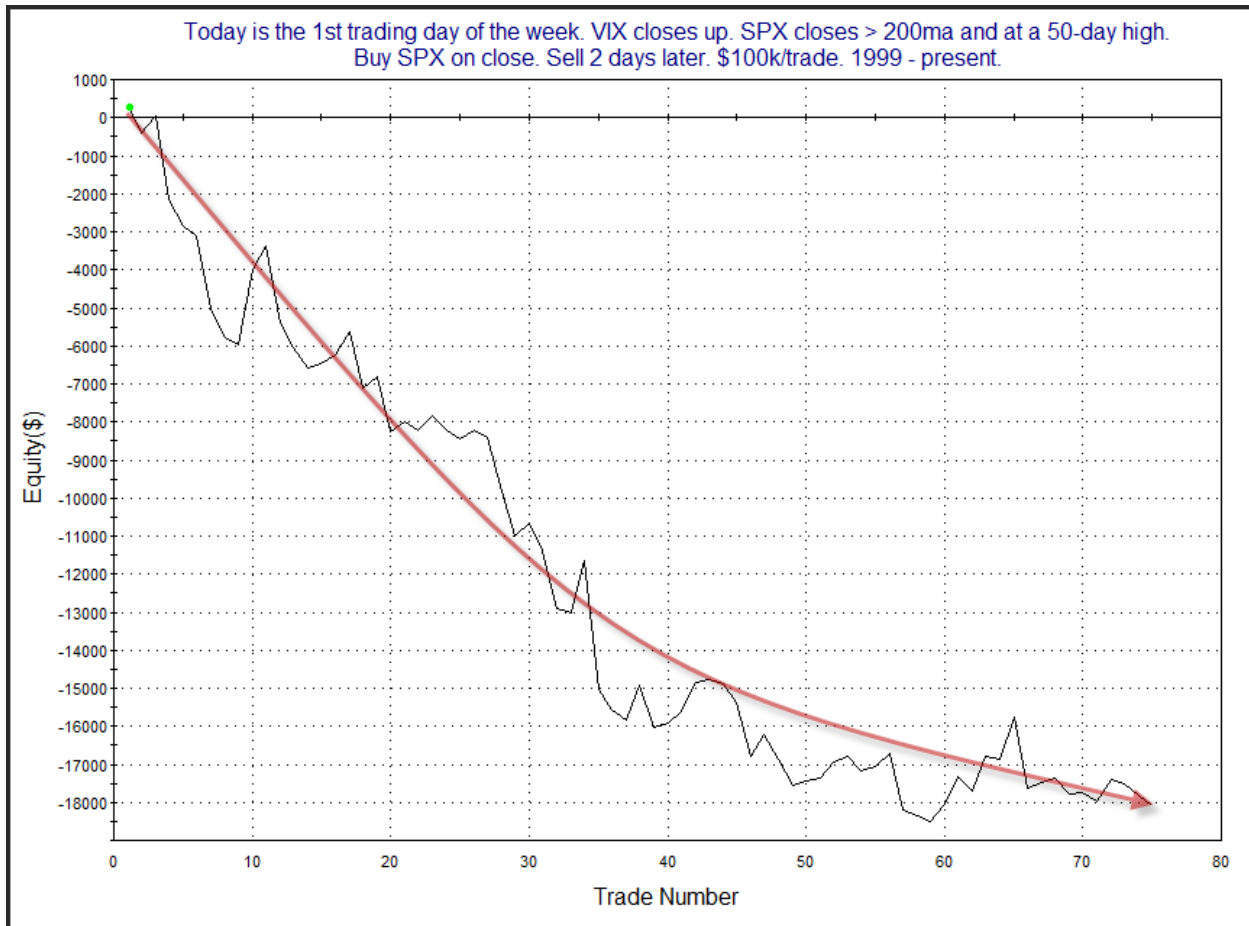
The Evidence

Monday was quiet, mixed, and mild. The SPX finished up 0.02%, the NASDAQ gained 0.2%, and the Russell 2000 lost 0.5%. Breadth was negative as the NYSE Up Issues % was 48% and the Up Volume % came in at 39%. NYSE volume came in very light.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has often been followed by a dip in the next few days. This can be seen in the study below, which was last seen in the 4/30/19 letter. Results are all updated.

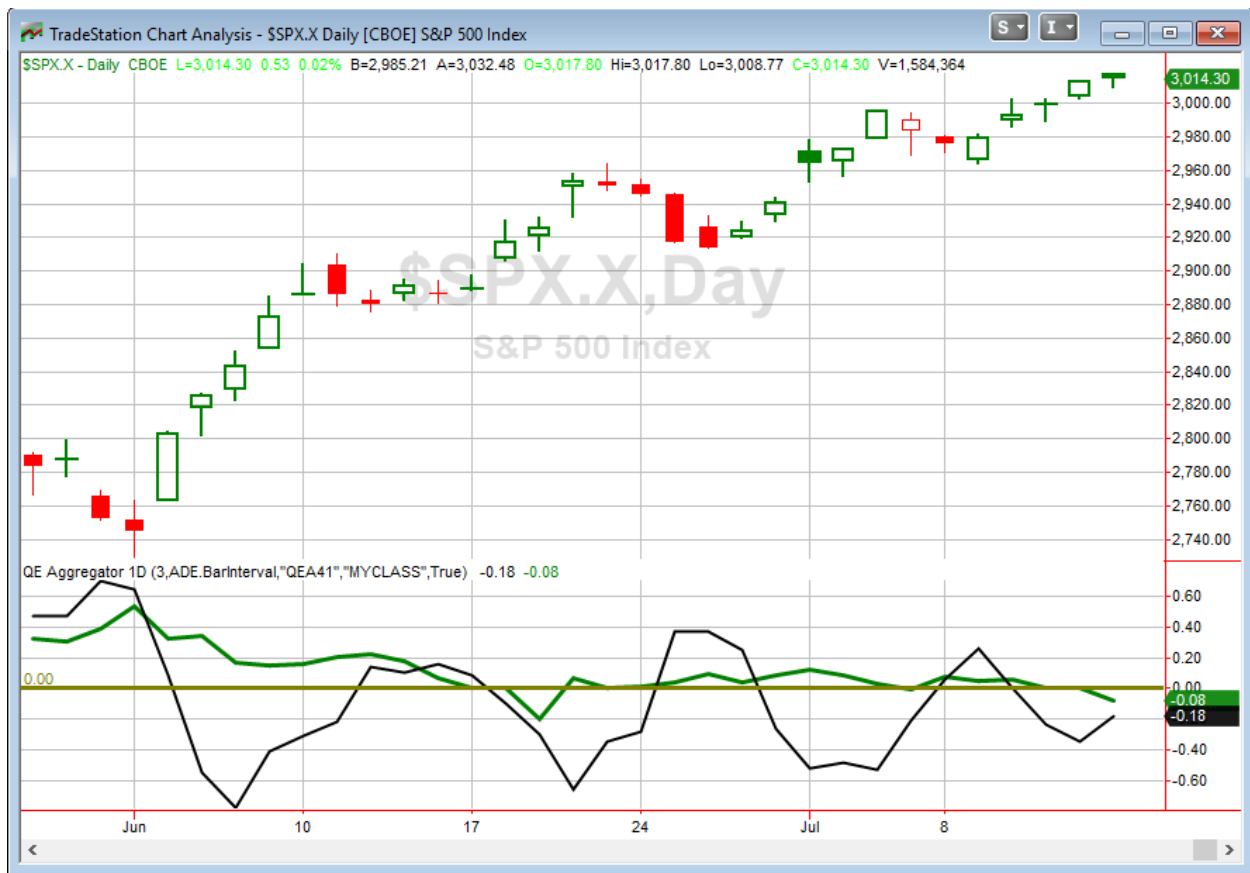
Today is the 1st trading day of the week. VIX closes up. SPX closes > 200ma and at a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-13,487.24	70	31	39	44.29	3,260.25	-5,048.68	1,043.00	-1,174.88	0.89	0.71	-192.67
4	-5,844.33	76	38	38	50.00	2,953.65	-4,271.52	851.54	-1,005.34	0.85	0.85	-76.90
3	-8,981.38	76	36	40	47.37	2,641.80	-3,887.84	675.84	-832.79	0.81	0.73	-118.18
2	-18,714.67	76	33	43	43.42	1,981.72	-3,372.16	457.26	-786.15	0.58	0.45	-246.25
1	-7,966.72	76	29	47	38.16	769.70	-1,580.04	296.25	-352.30	0.84	0.52	-104.83

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long decline. We did see a recent bump up, which has flattened out the current look of the curve some. Still, this study seems worthy of consideration and I have included it on the Active List.

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



With tonight's study under consideration, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

Based on the current active list of studies, expectations are currently slated to remain negative on Tuesday. Of course, this could easily change if new bullish studies emerge. The Differential Pivot will be 3003.20 on Tuesday. That is 0.4% below Monday's close. Therefore, SPX will need to close down at least 0.4% on Tuesday in order to flip from overbought to oversold vs recent expectations.

The Aggregator is suggesting a mild bearish edge. But I think this edge is too mild to go for a quick counter-trend trade. There is only 1 bearish short-term study at the moment, and it barely qualified today with SPX just eeking out a small gain. Additionally, this was the 5th higher close in a row. In the 7/8/19 letter last week I showed how moves up to new highs are rarely followed by sharp selling. The chart below is not updated, but it will be after the next down day...

After closing higher at least 5 days in a row and at a 50-day high yesterday, SPX closes down but > 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
10	63,336.16	64	54	10	84.38	5,131.35	-3,672.90	1,412.26	-1,292.59	1.09	5.90	989.63
9	62,064.82	67	55	12	82.09	5,023.20	-4,151.40	1,410.32	-1,291.89	1.09	5.00	926.34
8	53,775.55	68	49	19	72.06	4,878.08	-4,874.10	1,562.77	-1,200.01	1.30	3.36	790.82
7	41,861.59	69	48	21	69.57	3,874.76	-3,912.48	1,405.07	-1,218.18	1.15	2.64	606.69
6	40,398.79	71	50	21	70.42	4,307.20	-3,637.71	1,275.06	-1,112.10	1.15	2.73	569.00
5	31,968.01	71	46	25	64.79	4,252.50	-2,466.75	1,119.75	-781.62	1.43	2.64	450.25
4	34,303.95	71	46	25	64.79	3,843.00	-3,003.39	1,141.88	-728.90	1.57	2.88	483.15
3	21,648.85	71	46	25	64.79	2,472.85	-1,992.34	868.60	-732.26	1.19	2.18	304.91
2	19,897.92	71	49	22	69.01	2,437.50	-2,614.95	732.98	-728.10	1.01	2.24	280.25
1	11,809.62	71	47	23	66.20	1,751.19	-1,744.10	496.04	-500.18	0.99	2.03	166.33

So while we could see a dip here over the next day or two, the persistent move we have seen to reach this new high is unlikely to see an abrupt end. With all this in mind, I am not inclined to attempt a short trade here. I will continue to wait patiently for a more compelling setup to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/15 – 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.

None tonight.

Current Open Trade Ideas

None

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.