

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 17, 2019

Volume 12 Issue 136

## Market Overview



## Signals Overview

<b>Aggregator</b>	<b>CBI Reading</b>
<b>Flat</b>	<b>0</b>

## Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator has turn neutral. I am too.

**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 17, 2019	5-up to 50-high and then 1 down	1-4 days	Bullish			
July 16, 2019	VIX up. SPX 50-high. Monday.	1-2 days	Bearish			
<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			

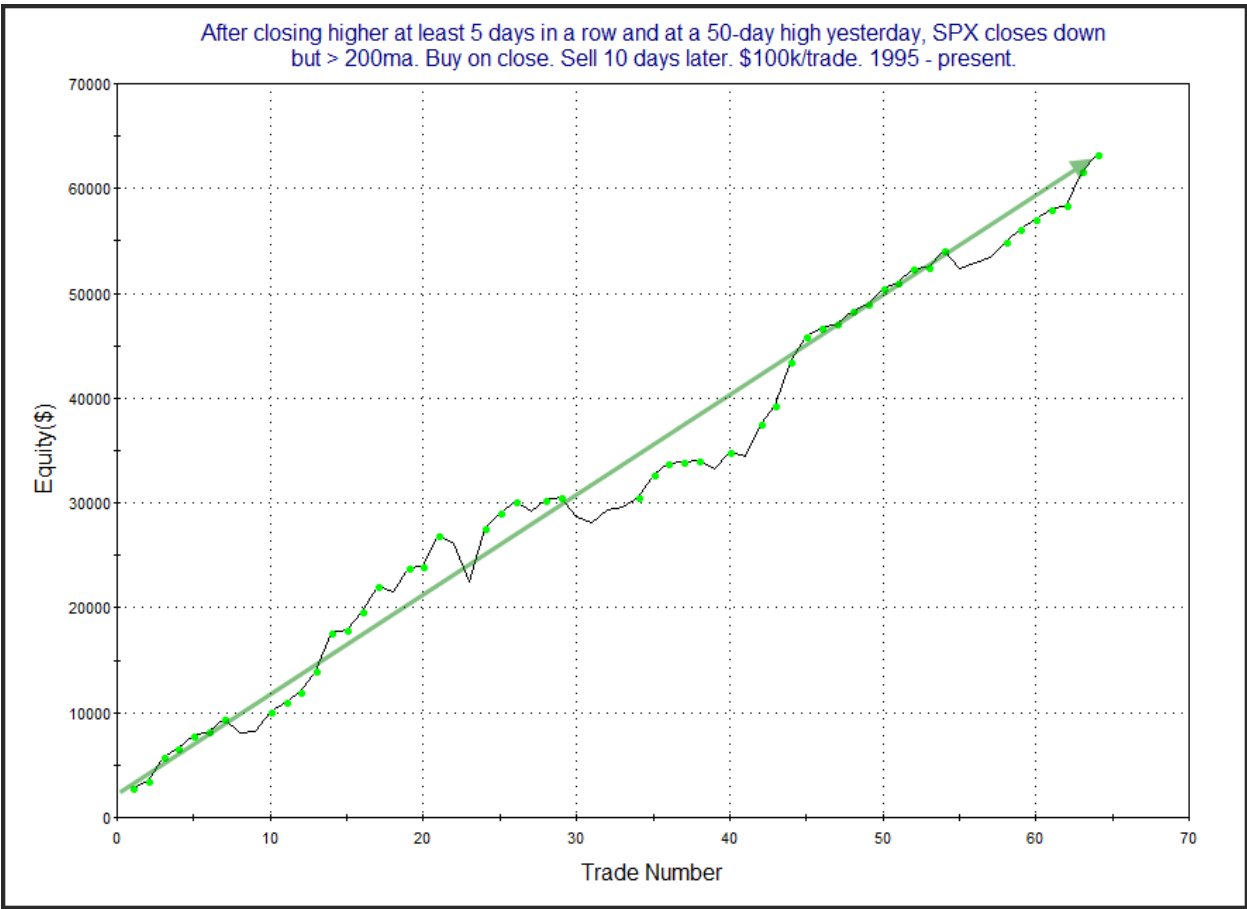
**The Evidence**

As last night's study suggested was likely, Tuesday saw a bit of a pullback. The SPX finished down 0.3%, and the NASDAQ lost 0.4%, but the Russell 2000 came in nearly even with a 0.01% gain. Breadth was negative as the NYSE Up Issues % was 49.7% and the Up Volume % came in at 39.4%. NYSE volume rose a little from Monday's level.

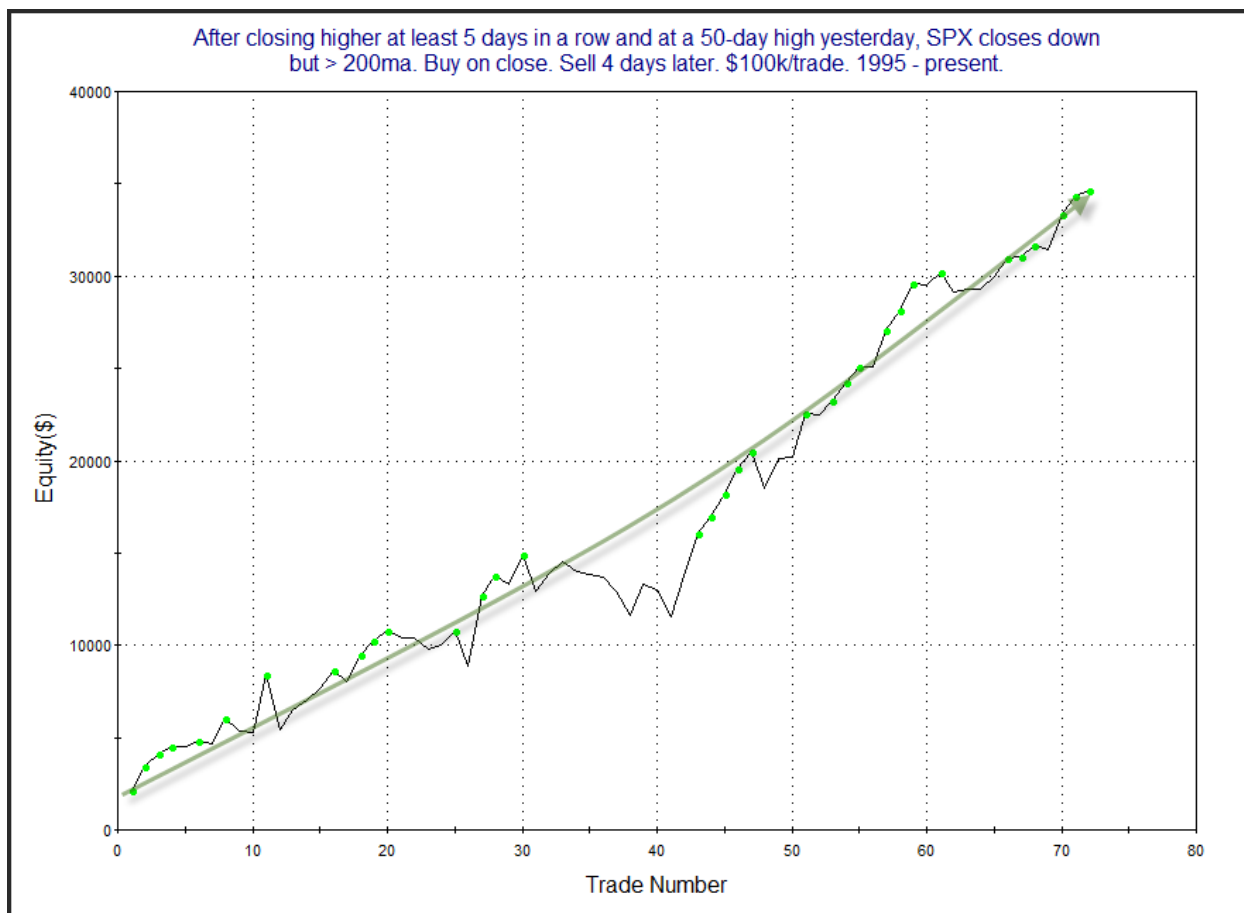
One compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 7/8/19 Letter. I have updated the stats in the table below.

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	41,187.16	72	51	21	70.83	4,307.20	-3,637.71	1,265.52	-1,112.10	1.14	2.76	572.04
5	32,738.89	72	47	25	65.28	4,252.50	-2,466.75	1,112.33	-781.62	1.42	2.68	454.71
4	34,617.45	72	47	25	65.28	3,843.00	-3,003.39	1,124.26	-728.90	1.54	2.90	480.80
3	21,736.63	72	47	25	65.28	2,472.85	-1,992.34	851.98	-732.26	1.16	2.19	301.90
2	19,542.18	72	49	23	68.06	2,437.50	-2,614.95	732.98	-711.91	1.03	2.19	271.42
1	11,332.44	72	47	24	65.28	1,751.19	-1,744.10	496.04	-499.22	0.99	1.95	157.40

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 2-4 day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.

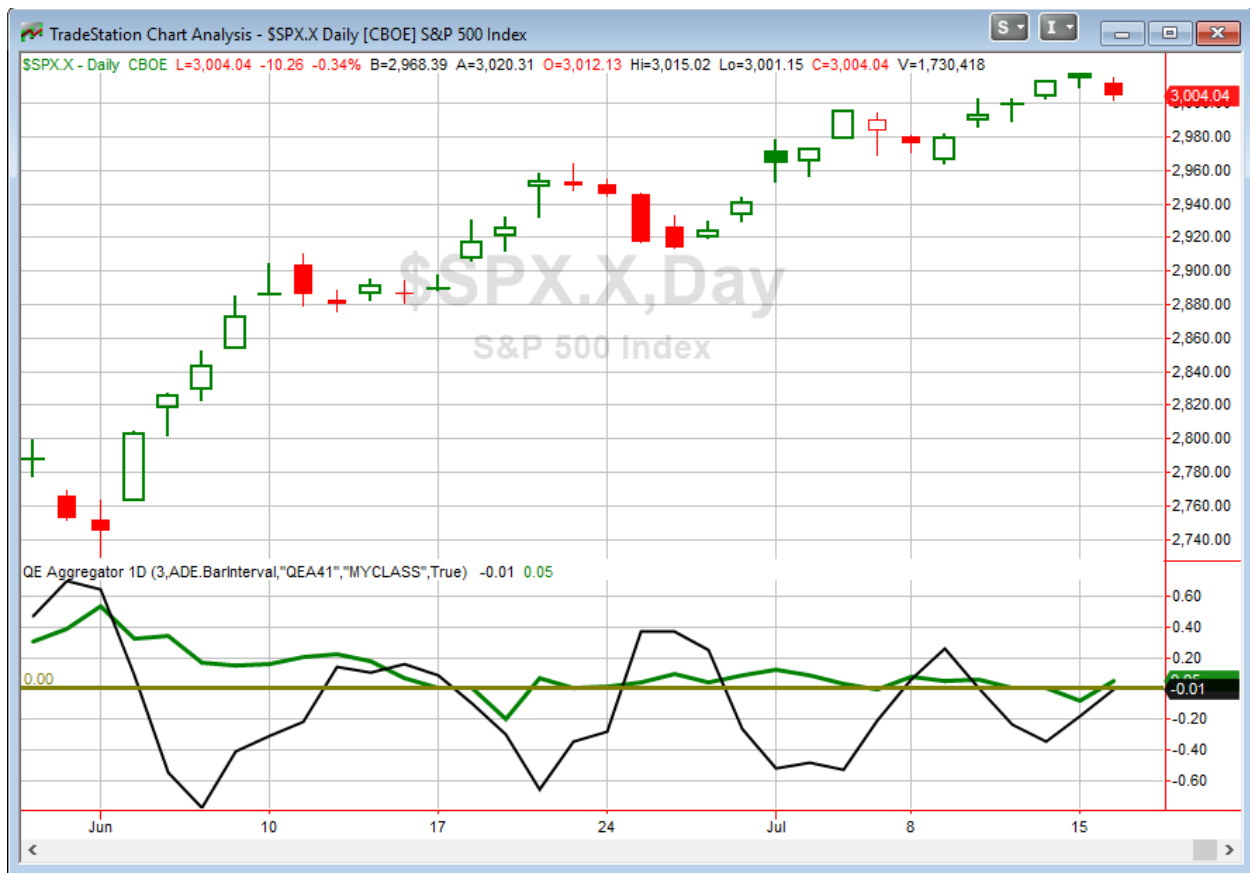


The strong upslope appears to confirm the bullish edge. Next let's look at the 4-day curve.



Results are choppy. But even with more whipsaws this one appears worthy of consideration. I have included this study on the active list.

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



With tonight's study under consideration, the green Aggregator Line moved back above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line held just barely 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 turned flat at the close.

Based on the current active list of studies, expectations are currently slated to remain positive on Wednesday. Of course, this could change if new bearish studies emerge. The Differential Pivot will be *inverted* at 3015.88 on Wednesday. That is 0.4% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX is going to need to close up at least 0.4% on Wednesday in order to remain overbought. Anything less than that and it will be considered "oversold" versus expectations as of Wednesday's close.

So the Aggregator is neutral, but it could easily turn bullish on Wednesday unless the market manages a rally. It is currently not a huge edge, so I am wary of jumping the gun before seeing how things play out on Wednesday. I suspect this pullback will be brief, but I would like more confirmation and more than just 1 down day before getting excited about a long entry.

*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*

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