

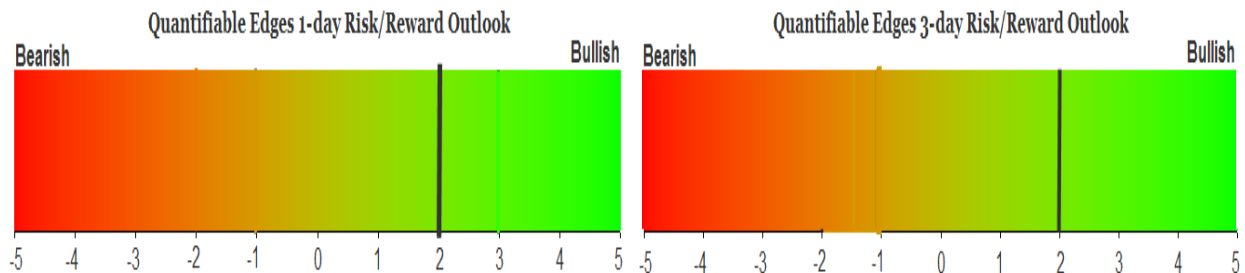
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 18, 2019

Volume 12 Issue 137

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Weak closes at short-term lows during a long-term uptrend have often seen a bounce in the following days.

Short-term Outlook

The Bottom Line

There appears to be a decent bullish edge. I will be looking to start building a long position.

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 18, 2019	Bottom 10% daily, 5-low > 200	1-4 days	Bullish			
July 17, 2019	5-up to 50-high and then 1 down	1-4 days	Bullish			
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			

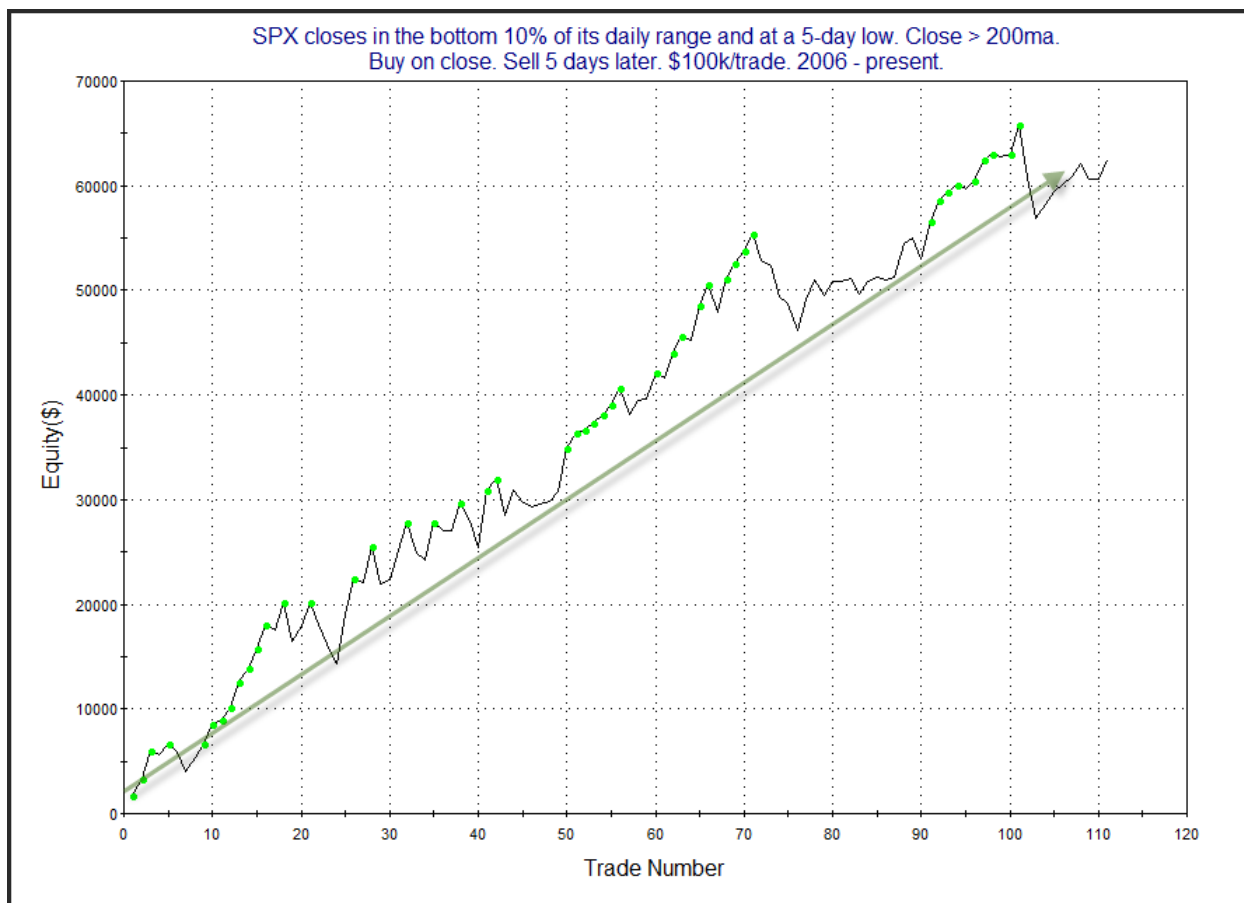
The Evidence

Wednesday saw a decent amount of selling. The SPX finished down 0.7%, and the NASDAQ lost 0.5%, and the Russell 2000 dropped 0.7%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 31%. NYSE volume declined some from Tuesday's level.

Over the last several years when SPX has closed near the bottom of its daily range and at a short-term low, it has typically been followed by a bounce in the next few days. This can be seen in the study below, from the 5/29/19 letter.

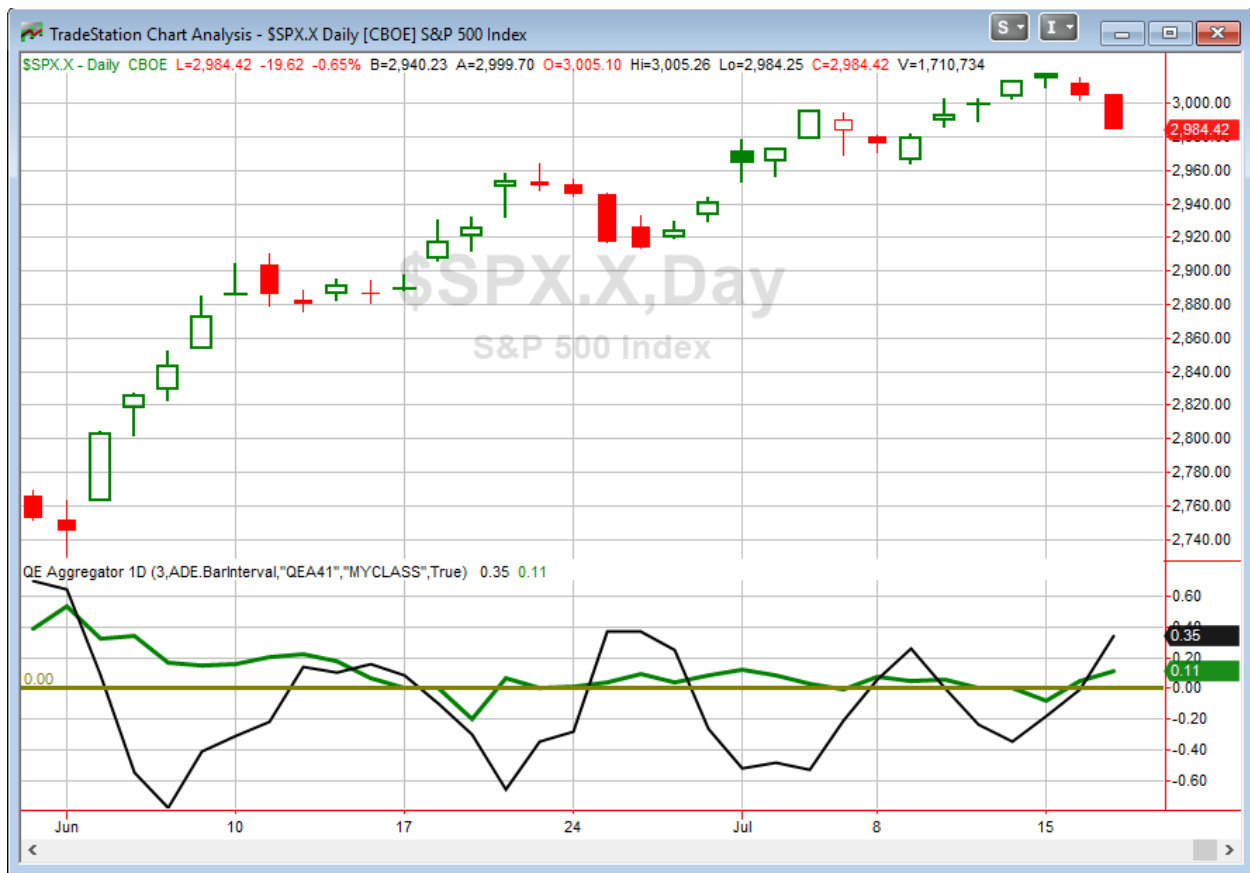
SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2006 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	62,538.08	111	74	37	66.67	5,555.16	-5,132.88	1,688.34	-1,686.47	1.00	2.00	563.41
4	49,736.80	115	75	40	65.22	5,290.00	-6,520.68	1,524.24	-1,614.52	0.94	1.77	432.49
3	41,696.94	122	79	43	64.75	4,895.50	-3,437.94	1,192.37	-1,220.93	0.98	1.79	341.78
2	31,503.93	133	76	57	57.14	4,424.50	-4,452.12	1,074.83	-880.40	1.22	1.63	236.87
1	27,771.67	146	90	56	61.64	2,671.02	-4,074.84	784.53	-764.94	1.03	1.65	190.22
90% of instances closed above the entry price at some point in the next week.												

The stats here appear to suggest a pretty solid upside tendency over the last 13 ½ years. Below is a look at the profit curve assuming a 5-day holding period.



The upslope is impressive. This serves as some confirmation of the short-term upside edge. I have included this study on the short-term active list tonight.

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



With tonight's study under consideration, 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 finished 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 turned long at the close.

Based on the current active list of studies, expectations are currently slated to remain positive on Thursday. Of course, this could change if new bearish studies emerge. The Differential Pivot will be 3011.99 on Thursday. That is 0.9% above Wednesday's close. Therefore, SPX will need to close up at least 0.9% on Thursday in order to move from oversold to overbought.

So the Aggregator is bullish. Evidence is moderate, but pointing higher. And there is ample room to the upside before SPX would turn overbought. There certainly appears to be an upside edge. But with evidence moderate and the pullback also moderate to this point, I don't love this setup. Of course in a strong uptrend you don't always get great pullbacks to buy into. So I think it is good enough to start wading in with some long index exposure. That is what I will look to do on Thursday.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

New

ORCL - \$57.99 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 1(ORCL)

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 @ \$297.74 LIMIT. Based on the short-term outlook above, I will look to start scaling in to a long trade if I can get filled at Wednesday’s closing price or better.

ORCL – Buy 1/3 Catapult position @ \$57.99 LIMIT. From the Catapult section above. This is the 1st of 3 possible lots for ORCL.

Current Open Trade Ideas

None

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