

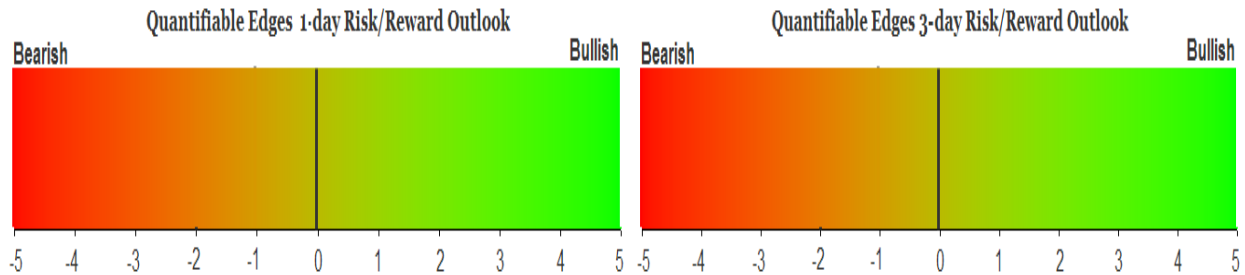
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 25, 2019

Volume 12 Issue 142

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The breakout does not appear to be providing a compelling short-term edge.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator remains neutral. Me 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 22, 2019	Bottom 10% daily 2x in 3 days <10>200	1-8 days	Bullish	2.90%	-1.30%	-2.80%
<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			
April 2, 2019	Golden Cross	int term	Bullish			
October 1, 2018	Quantitative Tightening	int term	Bearish			
<b>Dropped Tonight</b>						
July 18, 2019	Bottom 10% daily, 5-low > 200	1-4 days	Bullish			

**The Evidence**

Wednesday saw most of the indices higher, and SPX and the NASDAQ both made new highs. The SPX finished up 0.5%, the NASDAQ rose 0.85%, and the Russell 2000 climbed 1.6%. Breadth was positive as the NYSE Up Issues % was 72% and the Up Volume % came in at 74%. NYSE volume rose some from Monday's level.

Breakouts to new highs can sometimes trigger compelling studies, but this one appears lacking. One issue was the higher volume. The studies below are from the 7/2/14 letter. The only difference between the two is that the 1st one requires a rise in volume and the 2nd one requires a decline in volume. Stats are updated for both of these.

SPX closes at a 50-day high after not doing so for at least 5 days. NYSE volume is higher than yesterday. Buy SPX on close. Sell X days later. \$100k/trade. 1996 - 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	15,222.64	91	53	38	58.24	5,231.46	-4,452.84	1,165.78	-1,225.37	0.95	1.33	167.28
4	10,506.38	91	58	33	63.74	3,438.24	-4,407.48	948.49	-1,348.67	0.70	1.24	115.45
3	1,993.78	91	55	36	60.44	3,830.40	-5,137.56	809.40	-1,181.21	0.69	1.05	21.91
2	-3,876.01	91	48	43	52.75	1,998.39	-3,134.16	615.62	-777.34	0.79	0.88	-42.59
1	4,216.17	91	46	45	50.55	1,606.89	-2,279.88	395.95	-311.05	1.27	1.30	46.33

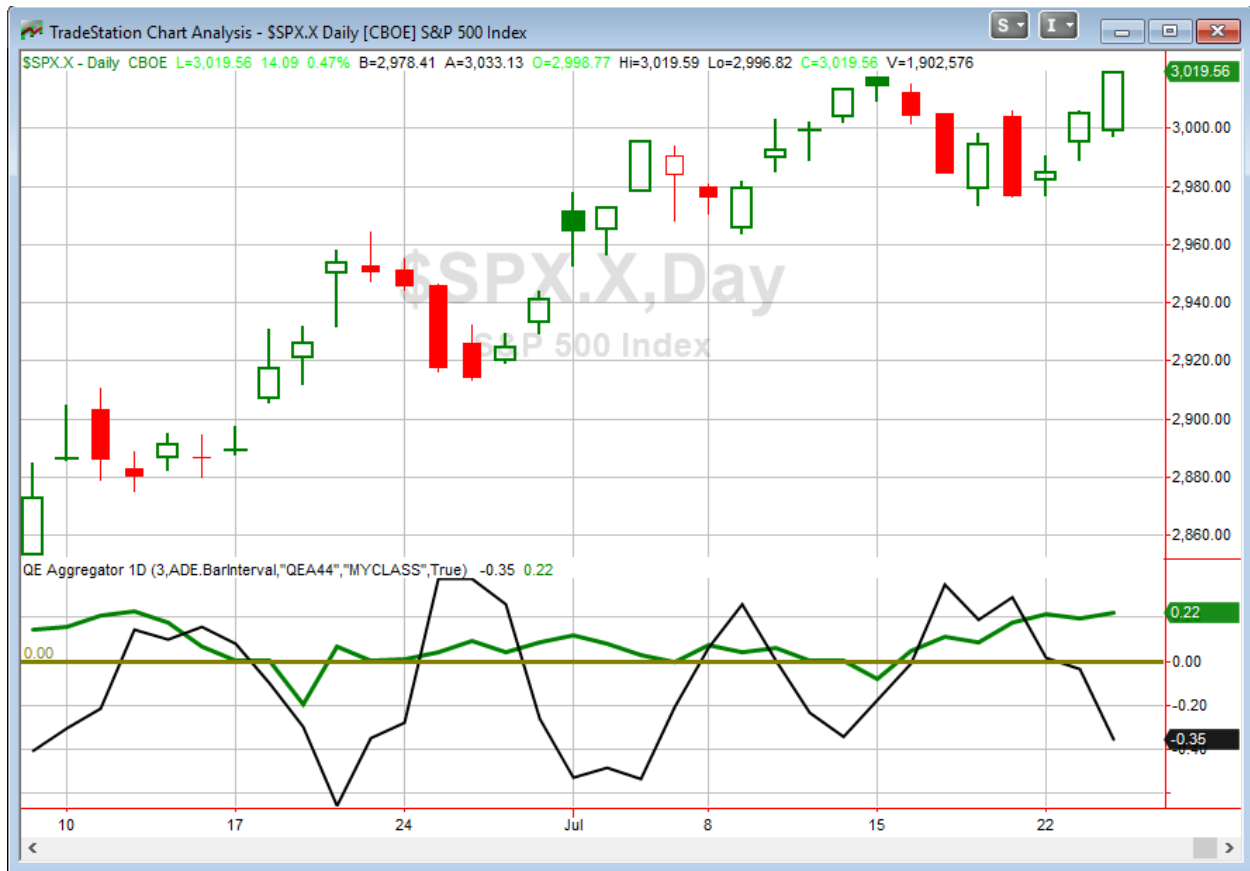
SPX closes at a 50-day high after not doing so for at least 5 days. NYSE volume is lower than yesterday. Buy SPX on close. Sell X days later. \$100k/trade. 1996 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	42,304.80	74	47	27	63.51	3,687.06	-3,070.40	1,326.33	-741.94	1.79	3.11	571.69
4	28,057.45	74	50	24	67.57	3,349.50	-2,913.85	1,012.78	-940.91	1.08	2.24	379.15
3	29,643.15	74	50	24	67.57	3,803.64	-2,125.44	980.49	-807.56	1.21	2.53	400.58
2	16,278.52	74	51	23	68.92	2,212.98	-2,752.74	635.63	-701.67	0.91	2.01	219.98
1	7,165.02	74	49	25	66.22	1,415.70	-1,921.32	367.34	-433.39	0.85	1.66	96.82

We see here that lower volume appears more favorable when a breakout occurs. And that is today's setup. We have seen similar studies many times over the years. In the past I have also shown that 1) longer bases (10+ days) were favorable, and 2) extremely high volume (20-day high) also tended to generate better odds. Of course we did not have either on Wednesday. Below are other times neither were present.

SPX closes at a 50-day high after not doing so for at least 5 days but < 10 days. NYSE volume is higher but < 20-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1996 - 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	1,293.48	32	19	13	59.38	4,090.16	-3,485.76	1,019.70	-1,390.83	0.73	1.07	40.42
4	3,769.59	32	20	12	62.50	2,951.04	-3,588.90	909.00	-1,200.87	0.76	1.26	117.80
3	-916.16	32	22	10	68.75	1,752.32	-3,456.60	564.67	-1,333.90	0.42	0.93	-28.63
2	-3,921.12	32	17	15	53.13	1,043.40	-2,222.85	425.63	-743.79	0.57	0.65	-122.53
1	1,463.18	32	16	16	50.00	638.99	-687.24	253.47	-162.02	1.56	1.56	45.72

No matter how I slice it, Wednesday's breakout does not appear to suggest a short-term edge. No new studies are being added to the Active List tonight.

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 held 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 stayed flat at the close.

Based on the current active list of studies, expectations are currently slated to remain positive on Thursday. With just 1 active short-term study, this could easily change if compelling new bearish evidence emerges. The Differential Pivot will be 2999.33 on Thursday. That is 0.7% below Wednesday's close. Therefore, SPX will need to close down about 0.7% on Thursday in order to move from overbought to oversold versus recent expectations.

This does not appear to be a compelling setup for entering new trades. Evidence is moderately bullish. But the strongly overbought market increases risk and reduces reward potential. I am not a fan of this setup. I'll continue to wait patiently and remain on the lookout for the next favorable opportunity to emerge.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 7/22 – bullish***

The intermediate-term outlook was last updated in the 7/22/19 Letter. It can be found in the [most recent weekly letter on the website](#).

**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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
ORCL(1/3)	7/18/2019	\$57.69	\$58.11	0.73%	<i>sell on open</i>
<b>LMT(1/3)</b>	<b>7/19/2019</b>	<b>\$356.21</b>	<b>\$358.20</b>	<b>0.56%</b>	<b><i>sold on open</i></b>

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