

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 26, 2019

Volume 12 Issue 143

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- Unfilled gaps down from 50-day highs will often be followed by more selling the next day.

Short-term Outlook

The Bottom Line

The Aggregator remains neutral. Me too.

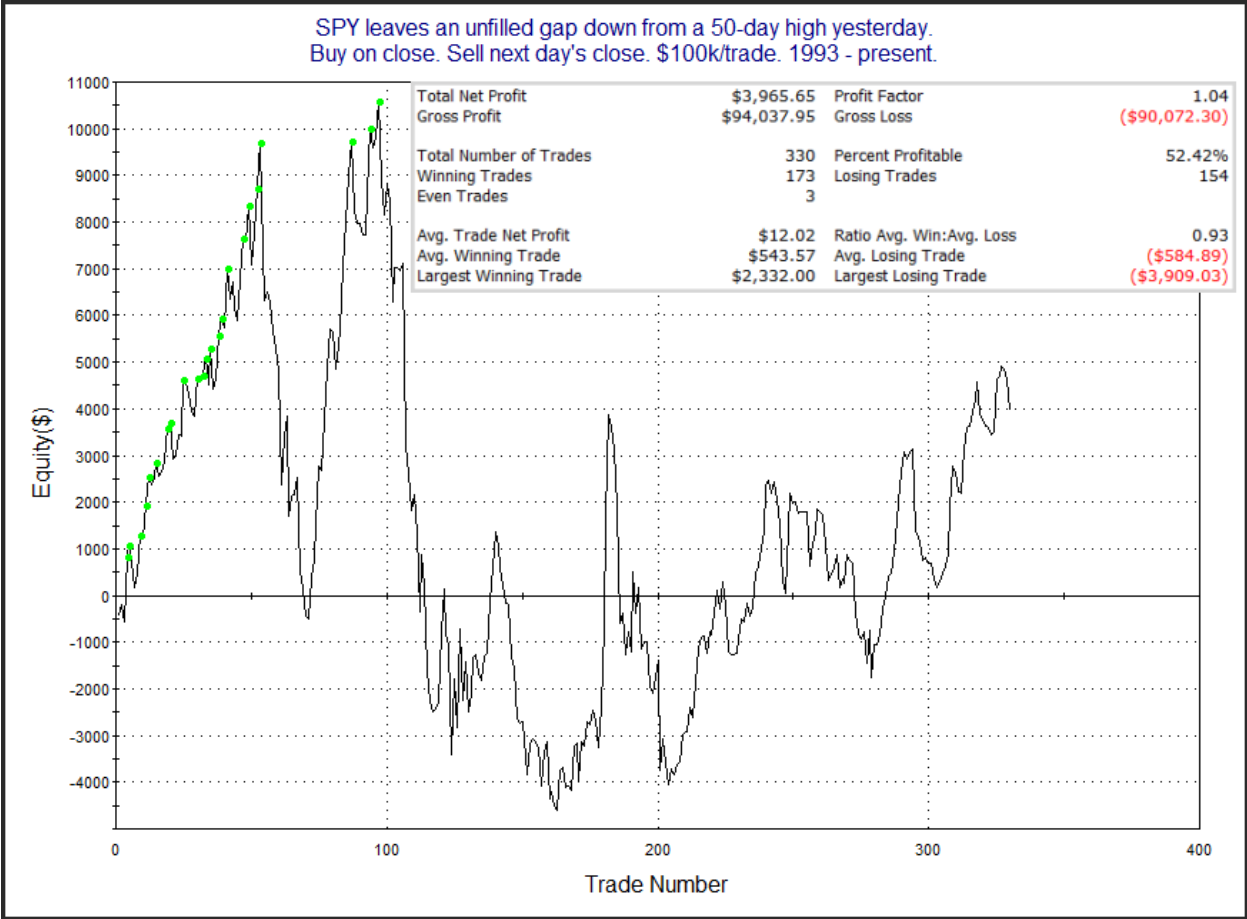
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 26, 2019	Unfilled gap down from 50-high	1 day	Bearish			
July 22, 2019	Bottom 10% daily 2x in 3 days <10>200	1-8 days	Bullish	2.90%	-1.30%	-2.80%
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			
April 2, 2019	Golden Cross	int term	Bullish			
October 1, 2018	Quantitative Tightening	int term	Bearish			

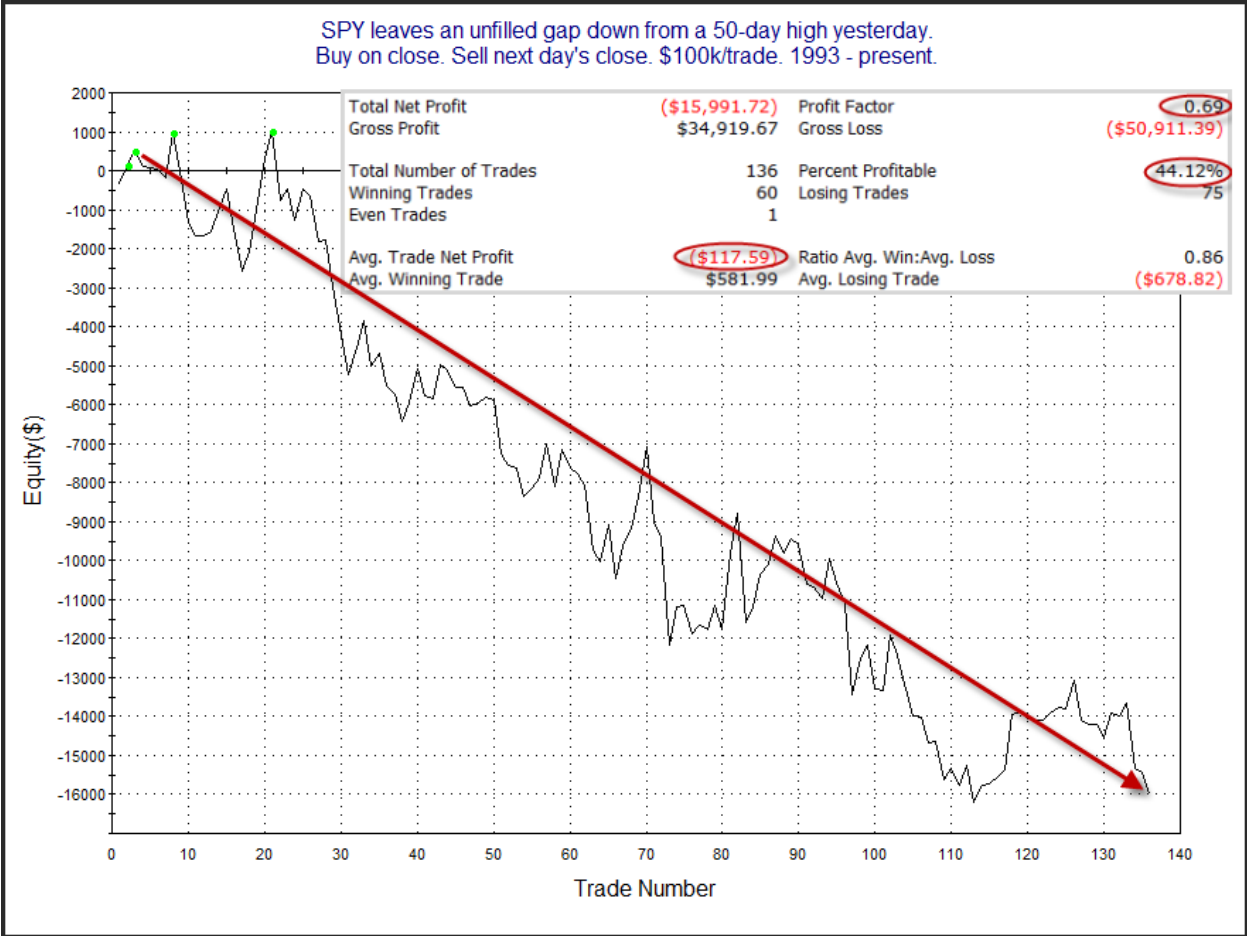
The Evidence

Thursday saw the market pull back from Wednesday's highs. The SPX finished down 0.5%, the NASDAQ lost 1.0%, and the Russell 2000 fell 1.2%. Breadth was negative as the NYSE Up Issues % was 28% and the Up Volume % came in at 27%. NYSE volume rose some from Monday's level.

The 1st day down from a high does not often suggest a strong edge. But when the 1st day down is accompanied by an unfilled gap, then it will often be followed by another day of selling. The unfilled gap will leave buyers from the day before with losing positions where they had no opportunity to exit. The studies below demonstrate this. The 1st one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.

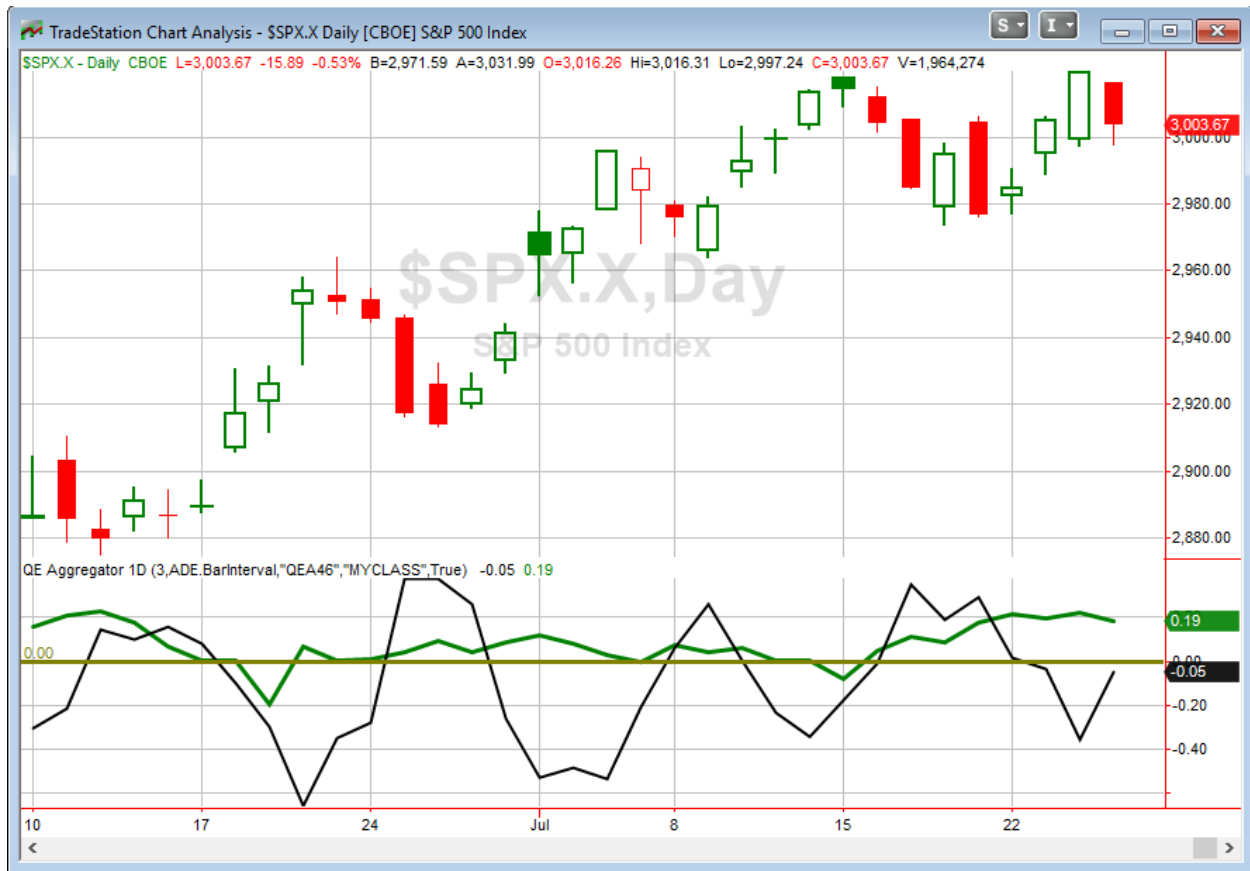


There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



We see here that there has been a steady propensity for the market to put in another day of selling under these circumstances. I have included this study on the short-term active list tonight.

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



Even with tonight's bearish study included, 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 Friday. This could easily change if compelling new bearish evidence emerges. The Differential Pivot will be *highly inverted* at 3023.13 on Friday. That is 0.65% *above* Thursday'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 rise at least 0.65% on Friday in order to remain overbought versus expectations. Anything other than that at it will be considered oversold as of Friday's close.

So there appears to be a pretty good chance that SPX will flip to oversold on Friday. But evidence is scant, and new studies that emerge could easily sway expectations to either bullish or bearish. Therefore, I do not intend to try and anticipate a compelling entry opportunity on Friday. Instead, I'll see how Friday plays out, and what new evidence emerges before looking to perhaps make my next move next week.

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

WMT – 1/3 @ \$112.00 (buy @ limit) – *Note: WMT triggered on Wednesday but I somehow missed it. So I will be looking to enter on Friday at the original trigger price.*

New

ABBV – 1/3 @ \$66.66 (buy @ limit)

Broad Market Large Cap CBI – 2(WMT, ABBV)

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.

WMT – buy 1/3 Catapult position @ \$112.00 LIMIT. From the Catapult section above, I will be looking to enter this trade that I missed on Thursday.

ABBV – buy 1/3 Catapult position @ \$66.66 LIMIT. From the Catapult section above. This is the 1st of up to 3 possible triggers for ABBV.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>ORCL(1/3)</i>	<i>7/18/2019</i>	<i>\$57.69</i>	<i>\$58.37</i>	<i>1.18%</i>	<i>sold on open</i>

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