

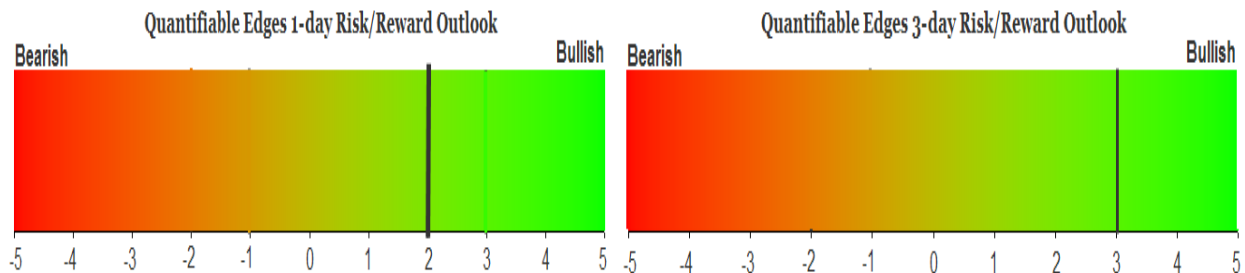
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 7, 2019

Volume 12 Issue 151

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- The unfilled gap up and higher close on an inside day suggests a 1-day downside tednecy.
- SPX closing below its lower Bollinger Band for 4 days in a row has typically led to higher prices in the short and intermediate-term.
- The CBI has reached 5.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish. I continue to favor the long side.

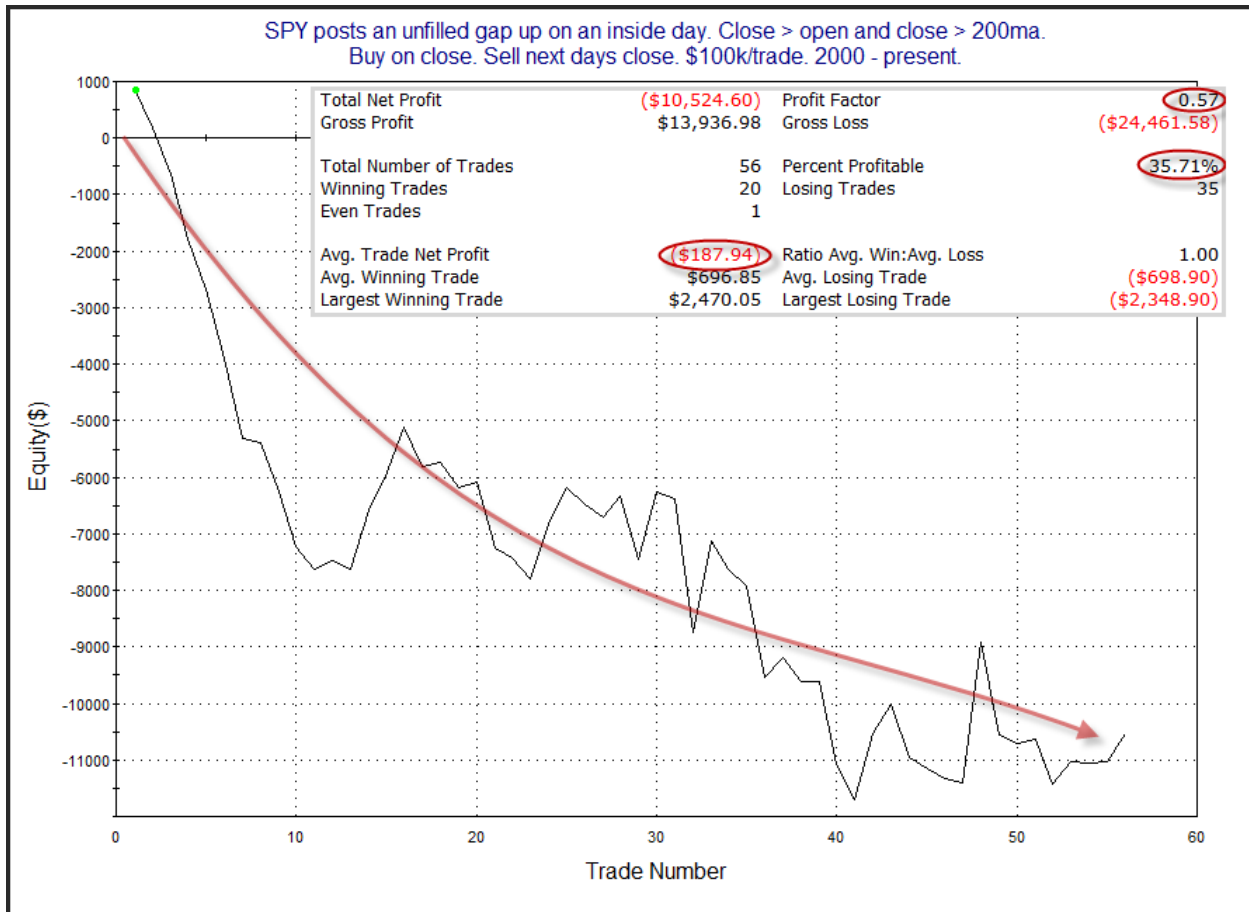
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 7, 2019	Unfill Gap up inside day. Cls > open	1 day	Bearish			
August 7, 2019	SPX < lower Bollinger Band 4 days	1-2 days	Bullish	3.10%	-2.00%	-4.60%
August 6, 2019	Down 3% after 5-low yesterday	1-5 days	Bullish			
August 6, 2019	20-low. Biggest loss in 10 days. Monday	1-5 days	Bullish			
Active - Long Term						
August 7, 2019	SPX < lower Bollinger Band 4 days	1-2 days	Bullish	6.30%	-3.80%	-7.75%
August 5, 2019	4+ Hindenburg Omen Signals	1-35 days	Bearish			
August 5, 2019	QQQ down 5. Today biggest drop.	1-20 days	Bullish	10.60%	-4.40%	-7.70%
August 2, 2019	1st 10-low close in 30+ days	1-6 days	Bullish			
August 1, 2019	QT over.	int term	Neutral			
July 8, 2019	NASDAQ Leading	int term	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			

The Evidence

Turnaround Tuesday played out with a sizable bounce. The SPX gained 1.3%, the NASDAQ rose 1.4%, and the Russell 2000 closed up 1.0%. Breadth was positive as the NYSE Up Issues % was 68% and the Up Volume % came in at 63%. NYSE volume came in lower than Monday's level.

Action triggered an interesting study from the 6/28/19 letter. The study looks at days like Tuesday where the market gaps higher, never fills, and moves higher from open to close without making a higher high. Results below are updated.



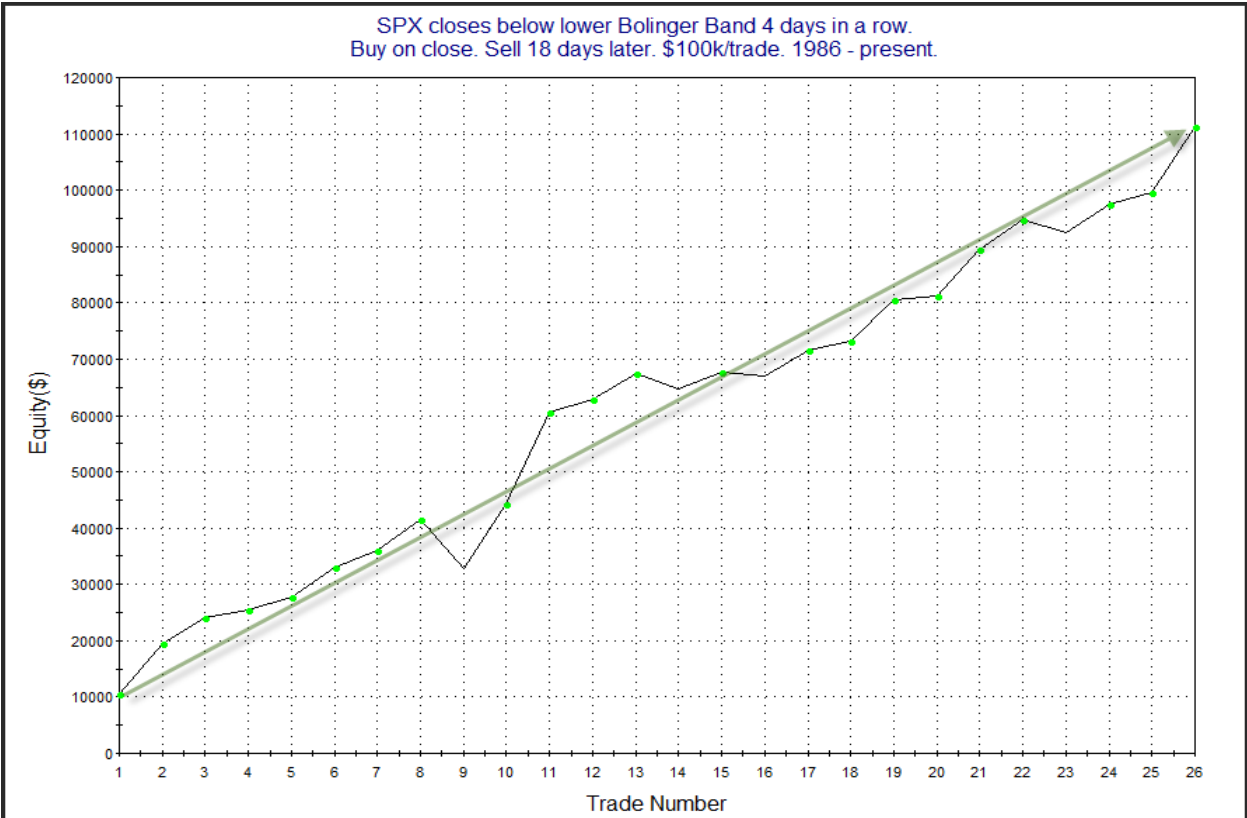
Implications here appear somewhat bearish. The profit curve is not ideal, but it still appears to suggest a downside edge.

Despite the bounce, the SPX remains oversold by most measures. One of these is the standard 2,20 Bollinger Bands. SPX closed a little under the lower band for the 4th day in a row. In the 1/12/16 letter I showed that this condition typically preceded a move higher. I have updated that study below.

SPX closes below lower Bolinger Band 4 days in a row.
Buy on close. Sell X days later. \$100k/trade. 1986 - 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
20	97,926.01	26	20	6	76.92	17,466.25	-10,725.83	6,046.08	-3,832.59	1.58	5.26	3,766.38
19	106,194.70	26	22	4	84.62	19,125.00	-10,324.51	5,783.36	-5,259.81	1.10	6.05	4,084.41
18	111,304.51	26	22	4	84.62	16,383.75	-8,701.85	5,713.86	-3,600.13	1.59	8.73	4,280.94
17	108,264.72	26	22	4	84.62	16,568.75	-6,471.68	5,477.03	-3,057.47	1.79	9.85	4,164.03
16	86,625.62	26	21	5	80.77	15,240.00	-8,074.59	5,122.97	-4,191.33	1.22	5.13	3,331.75
15	85,156.08	26	19	7	73.08	11,401.89	-6,257.59	5,475.55	-2,697.06	2.03	5.51	3,275.23
14	72,059.43	26	19	7	73.08	13,262.50	-14,731.00	5,363.98	-4,265.16	1.26	3.41	2,771.52
13	66,067.96	26	19	7	73.08	13,867.50	-11,946.00	5,019.36	-4,185.70	1.20	3.25	2,541.08
12	53,453.23	26	16	10	61.54	13,470.00	-8,812.00	5,429.38	-3,341.69	1.62	2.60	2,055.89
11	39,595.71	26	17	9	65.38	11,539.56	-12,064.08	4,673.56	-4,428.31	1.06	1.99	1,522.91
10	46,709.71	26	16	10	61.54	13,728.48	-11,180.43	4,947.40	-3,244.86	1.52	2.44	1,796.53
9	41,860.19	26	18	8	69.23	11,965.80	-11,287.50	4,007.00	-3,783.22	1.06	2.38	1,610.01
8	49,194.55	26	17	8	65.38	8,853.36	-7,376.22	3,962.07	-2,270.07	1.75	3.71	1,892.10
7	34,718.37	26	16	10	61.54	10,870.00	-9,509.88	3,834.43	-2,663.26	1.44	2.30	1,335.32
6	30,127.51	26	18	8	69.23	14,240.00	-8,930.67	3,090.03	-3,186.63	0.97	2.18	1,158.75
5	40,454.16	26	18	8	69.23	13,135.00	-4,509.84	2,881.95	-1,427.61	2.02	4.54	1,555.93
4	59,423.16	26	21	5	80.77	12,657.50	-2,221.38	3,231.14	-1,686.14	1.92	8.05	2,285.51
3	39,704.97	27	21	6	77.78	10,398.48	-9,701.00	2,825.10	-3,270.35	0.86	3.02	1,470.55
2	50,020.90	28	19	9	67.86	14,891.76	-8,631.00	3,538.89	-1,913.10	1.85	3.91	1,786.46
1	51,284.13	40	27	13	67.50	11,558.43	-7,577.02	2,932.32	-2,145.27	1.37	2.84	1,282.10

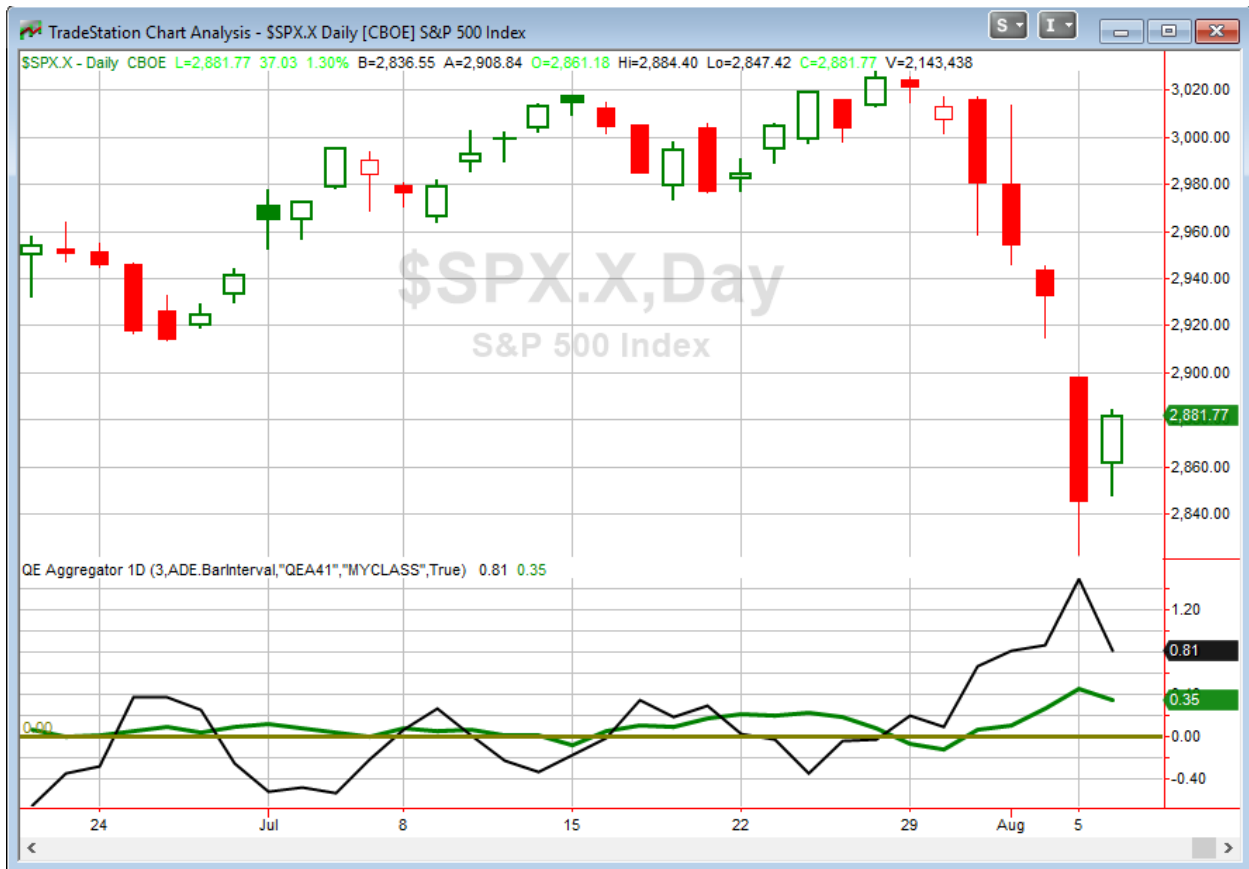
The numbers are impressive. They suggest a quick move up as well as some intermediate-term follow through. Below are the 2-day and 18-day profit curves.



Both curves show a steady tendency to rally and serve as some confirmation of the numbers. I have included this study on the short and intermediate-term active lists.

On another note, despite the rally on Tuesday, the CBI actually rose to 5, with 2 new Catapults triggering. That is a slightly bullish number, and finally moves the CBI out of neutral territory.

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



With tonight's new evidence considered, 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 is still far 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 stayed long at the close.

Based on the current active list of studies, expectations are slated to remain positive on Wednesday. This is unlikely to change. The Differential Pivot will be 2942.56 on Wednesday. That is 2.1% above Tuesday's close. So SPX will need to close up at least 2.1% on Wednesday in order to flip from oversold to overbought versus recent expectations.

I still like the long side. The studies we saw yesterday both suggest further upside is likely in the coming days. And the Bollinger Band study tonight agrees. I also like the fact that the CBI has finally reached 5. But with the market having bounced 1.3% on Tuesday, rather than chase, I will give it one more day. While most evidence is pointing higher, the SPY inside day study suggests we may yet get another retest in the next day or so before the bounce resumes. If so, I will likely up my index exposure there. On Wednesday I will be looking to add a couple more Catapult positions. This is laid out in the Trade Ideas section lower down.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/5– slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

COST @ \$272.50 (bought 1/3 @ limit)

COST @ \$265.10 (bought 1/3 @ limit)

TXN @ \$116.93(buy 1/3 @ limit) – *Not filled. Cancel for now.*

New

ABBV @ \$64.77 (buy 1/3 @ limit)

PFE @ \$36.95 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 5(COST-2, TXN, ABBV, PFE)

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.

ABBV – Buy 1/3 Catapult position @ \$64.77 LIMIT. From the Catapult section above. This is the 1st of up to 3 possible lots of ABBV. Note for Quant Edges Swing Trading Course followers, ABBV also triggered a “Dead Icarus Bounce” signal on Tuesday.

PFE – Buy 1/3 Catapult position @ \$36.95 LIMIT. From the Catapult section above. This is the 1st of up to 3 possible lots of PFE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	8/1/2019	\$297.00	\$287.80	-3.10%		Aggregator
SPY(1/4)	8/2/2019	\$292.62	\$287.80	-1.65%		Aggregator
COST(1/3)	8/5/2019	\$270.09	\$269.31	-0.29%		Catapult
COST(1/3)	8/6/2019	\$265.10	\$269.31	1.59%		Catapult

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