

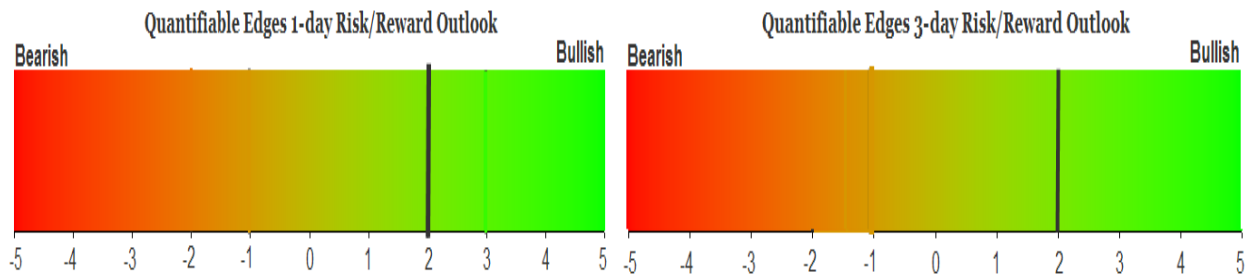
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 8, 2019

Volume 12 Issue 152

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

Short-term Outlook

The Bottom Line

The Aggregator is still bullish, but that could easily turn to neutral on Thursday unless SPX sells off.

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 8, 2019	Up 2 from 20-low. Close < 3 ago > 200	1-4 days	Bullish			
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			

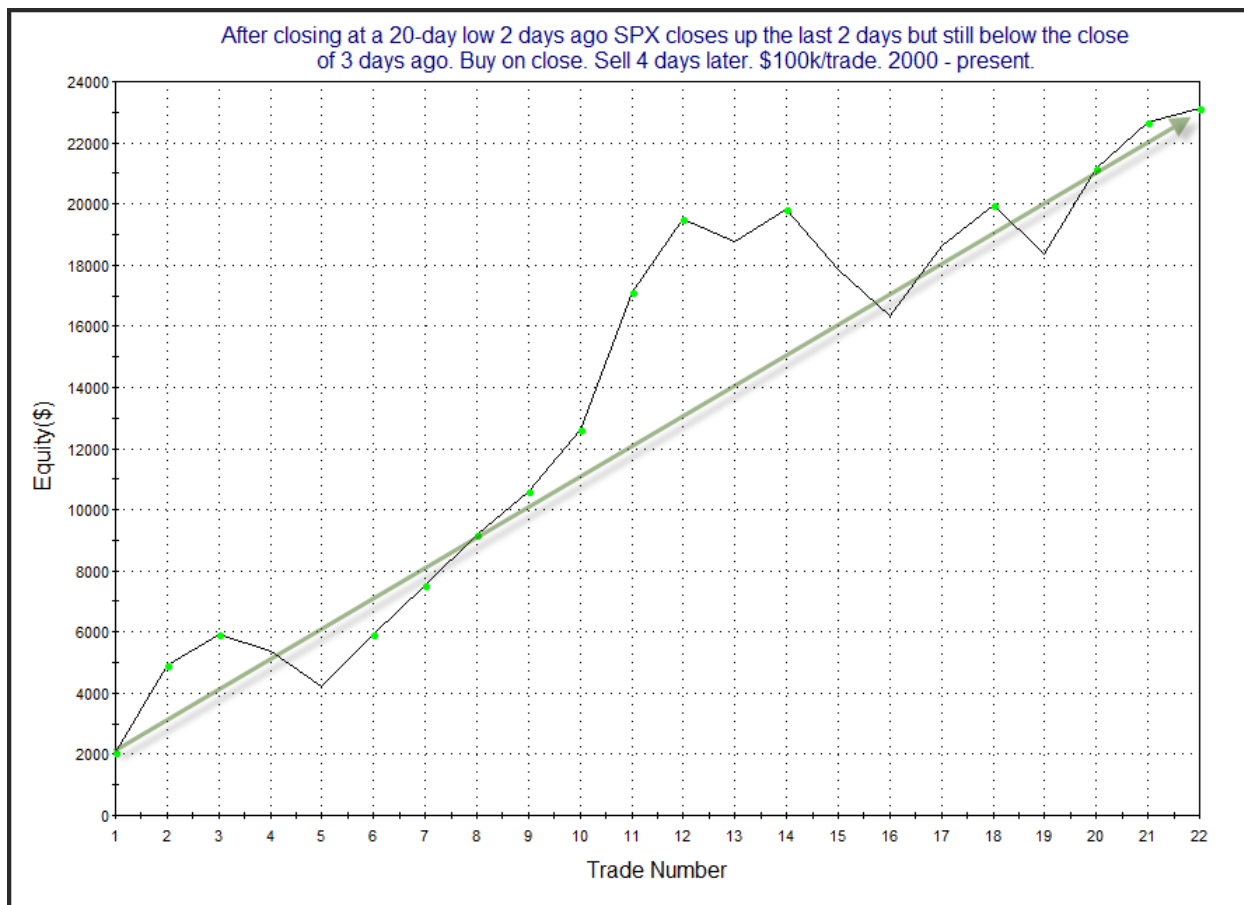
The Evidence

It was a rough start to the day, but by the end the numbers were mixed and mild. The SPX gained 0.1%, the NASDAQ rose 0.4%, and the Russell 2000 lost 0.1%. Breadth was negative as the NYSE Up Issues % was 46.0% and the Up Volume % came in at 45.9%. NYSE volume rose some from Tuesday's level.

There were a few similar Quantifinder studies that noted the 2-day rally that failed to make up for the loss of 3 days ago. I found the one below to be the most relevant and compelling. It was last seen in the 2/13/18 letter. The stats are all updated.

After closing at a 20-day low 2 days ago SPX closes up the last 2 days but still below the close of 3 days ago. Buy on close. Sell X days later. \$100k/trade. 2000 - 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	22,631.30	22	16	6	72.73	4,522.00	-3,088.50	1,983.13	-1,516.47	1.31	3.49	1,028.70
4	23,117.21	22	16	6	72.73	4,528.65	-1,984.50	1,912.89	-1,248.16	1.53	4.09	1,050.78
3	19,461.52	23	18	5	78.26	2,891.90	-1,433.20	1,356.22	-990.07	1.37	4.93	846.15
2	13,786.77	23	15	8	65.22	3,844.65	-1,640.00	1,241.93	-605.28	2.05	3.85	599.42
1	3,325.64	23	12	11	52.17	2,699.42	-2,621.71	831.04	-604.26	1.38	1.50	144.59

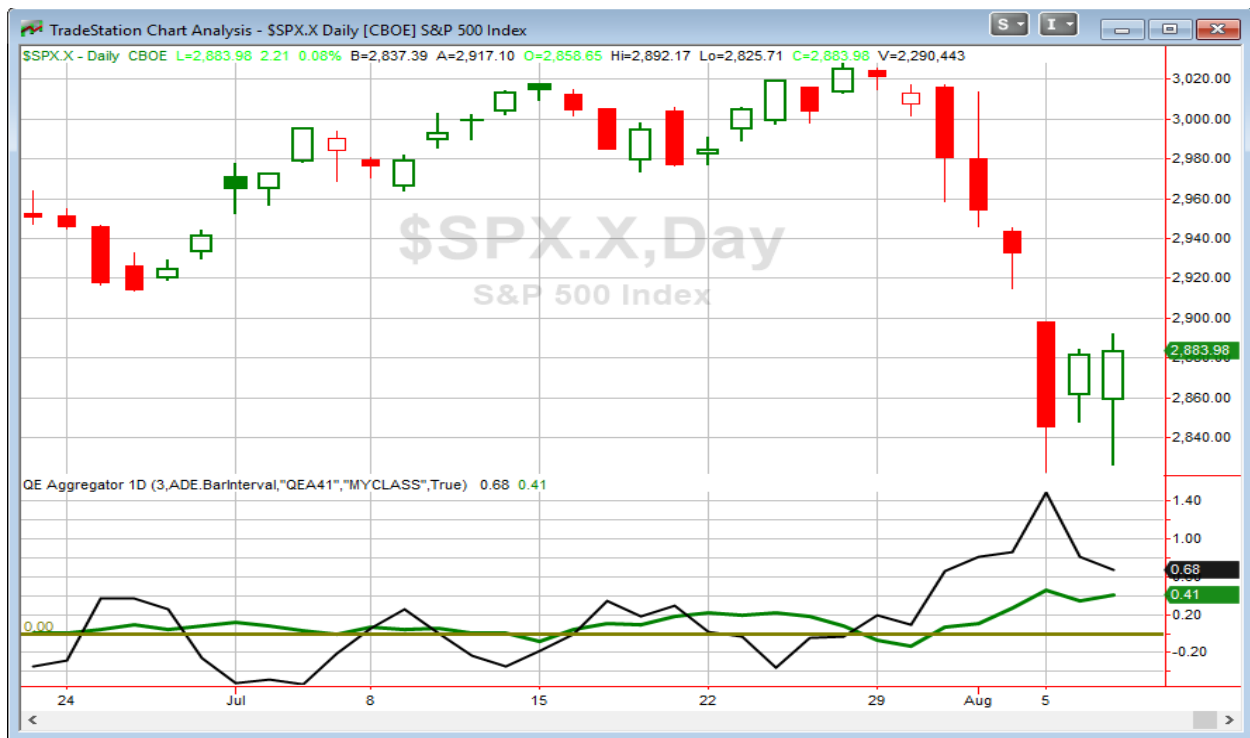
The stats suggest a short-term bullish edge. Below is a look at the 4-day profit curve.



That is an impressive curve that is again hitting new highs. This supports the bullish case. I have added this study to the Active List tonight.

There were also a few studies that examined the strong reversal after a gap down and further selling in the morning. Several of them showed bearish inclinations. But those inclinations were not evident at times the SPX was trading above its 200ma. So I have not included any of them tonight.

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 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 Thursday. This is unlikely to change. The Differential Pivot will be *inverted* at 2867.95 on Thursday. That is 0.6% *below* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down 0.6% in order to remain oversold versus expectations. Anything other than that and it will flip to short-term overbought as of Thursday's close.

So there still appears to be a bullish edge. But time may be running out for the long Aggregator signal. I will sometimes look to reduce exposure a little more aggressively when I am faced with an inverted pivot. On the other hand, when the market is recovering from an extremely oversold condition, I will often look to hold my position a bit longer than usual. This is because such oversold bounces have a greater tendency to persist. And tonight's study provides a nice example of this concept. So I am a bit torn. But I will definitely reduce my long exposure on Thursday if SPX closes up for a 3rd day. And then I will evaluate what I want to do with my last lot on Thursday night.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

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

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

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

New

ABBV @ \$64.46 (buy 1/3 @ limit)

PFE @ \$36.58 (buy 1/3 @ limit)

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

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 @ \$64.46 LIMIT. From the Catapult section above. This is the 2nd of up to 3 possible lots of ABBV.

PFE – Buy 1/3 Catapult position @ \$36.58 LIMIT. From the Catapult section above. This is the 2nd of up to 3 possible lots of PFE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	8/1/2019	\$297.00	\$287.97	-3.04%	sell @ \$288.00 Limit on Close
SPY(1/4)	8/2/2019	\$292.62	\$287.97	-1.59%	Aggregator
COST(1/3)	8/5/2019	\$270.09	\$274.30	1.56%	sell on open
COST(1/3)	8/6/2019	\$265.10	\$274.30	3.47%	sell on open
ABBV(1/3)	8/7/2019	\$64.38	\$64.46	0.12%	Catapult
PFE(1/3)	8/7/2019	\$36.65	\$36.58	-0.19%	Catapult

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