

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 13, 2019

Volume 12 Issue 155

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce in the next few days.
- SPX closed down > 1% for the 3<sup>rd</sup> time recently. Other bouts of similar volatility above the 200ma have typically been followed by short and intermediate-term gains.

## *Short-term Outlook*

### *The Bottom Line*

Expectations are somewhat positive and there is ample room to the upside before SPX would turn overbought. Reward/risk appears to favor the bulls.

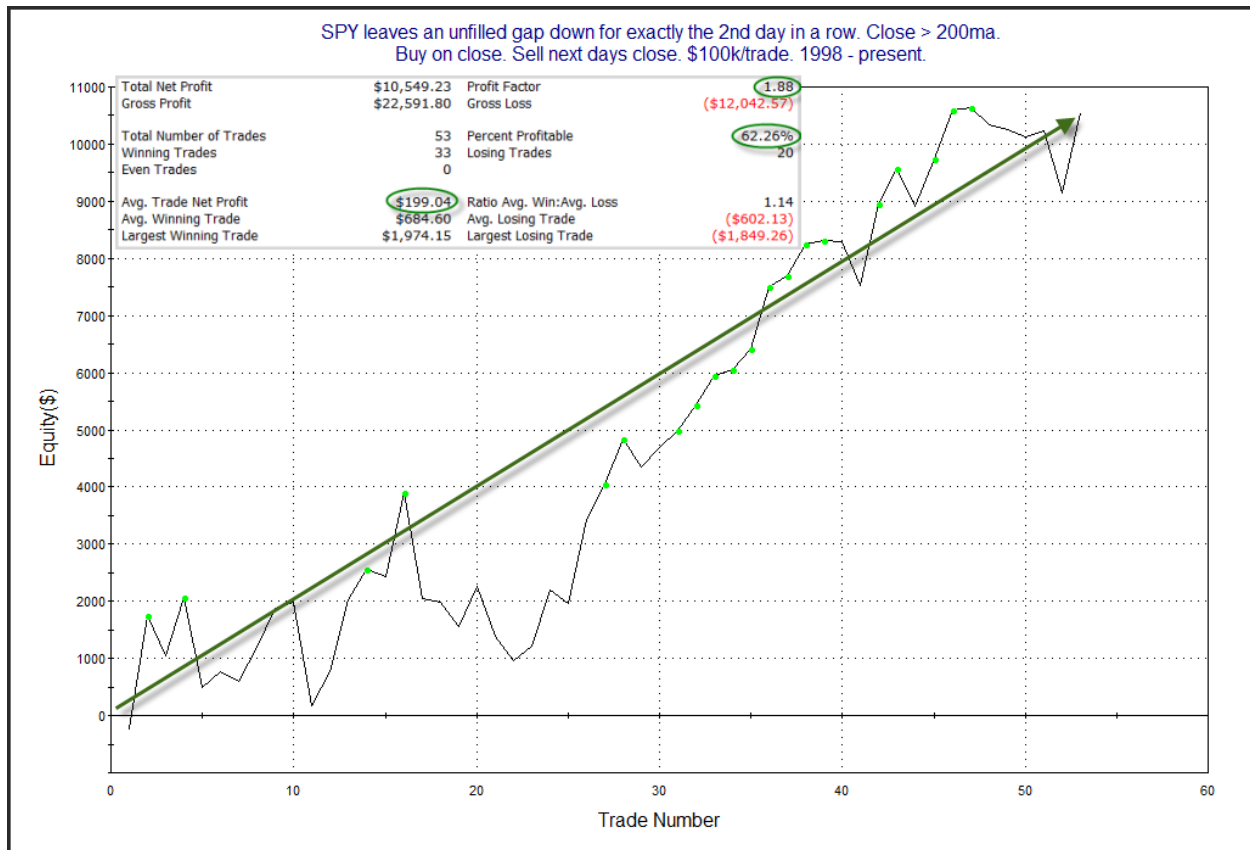
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
August 13, 2019	2 unfilled gaps down > 200ma	1 day	Bullish			
August 13, 2019	3rd 1% dn day in last 10. Close > 200ma	1 day	Bullish			
August 8, 2019	Up 2 from 20-low. Close < 3 ago > 200	1-4 days	Bullish	1.90%	-1.00%	-1.85%
<b>Active - Long Term</b>						
August 13, 2019	3rd 1% dn day in last 10. Close > 200ma	1-20 days	Bullish			
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			
<b>Dropped Tonight</b>						
August 6, 2019	Down 3% after 5-low yesterday	1-5 days	Bullish	5.30%	-3.40%	-7.00%

***The Evidence***

Monday again saw the market gap down at the open and never recover. The SPX closed down 1.2%, the NASDAQ lost 1.2%, and the Russell 2000 dropped 1.3%. Breadth was negative as the NYSE Up Issues % was 30% and the Up Volume % came in at 17%. NYSE volume declined quite a bit from Friday's level.

From a price action standpoint, it was notable that Monday marked the 2nd day in a row that SPY left an unfilled gap down. In the 7/9/19 letter I showed a study that suggested bullish implications when this occurred during a long-term uptrend. I took a fresh look at that study tonight. Looking out beyond just the next day, the setup has not fared as well recently. But the 1-day results were still solid, and I have shown them below.



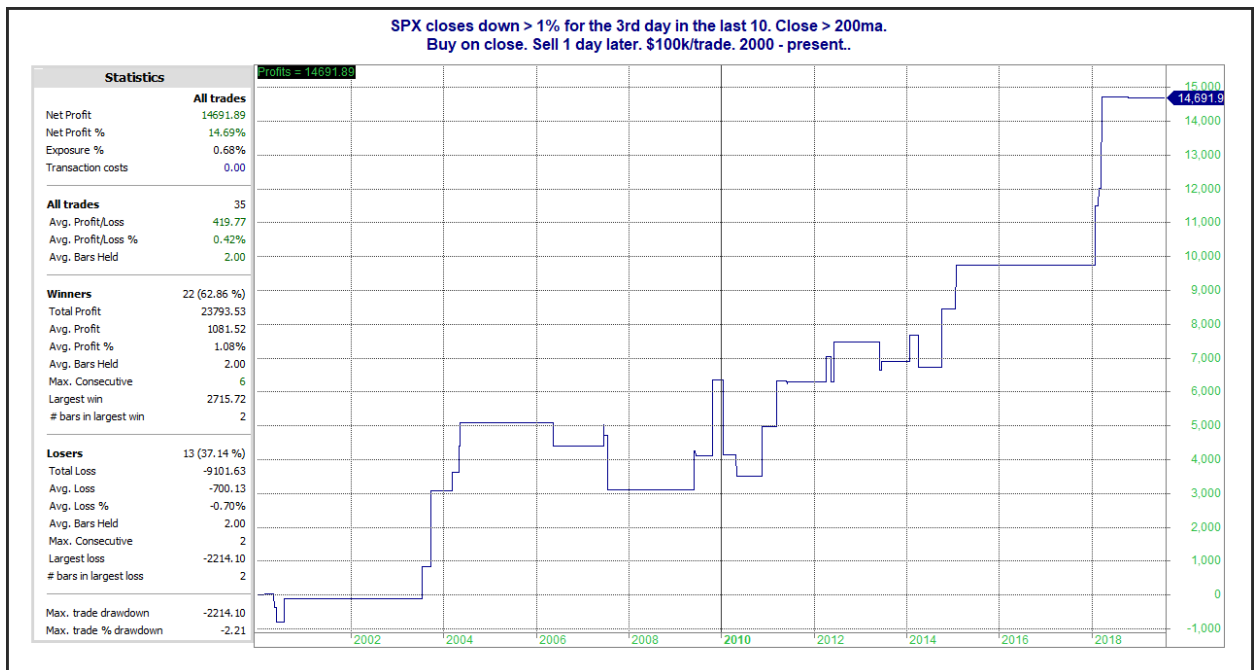
The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

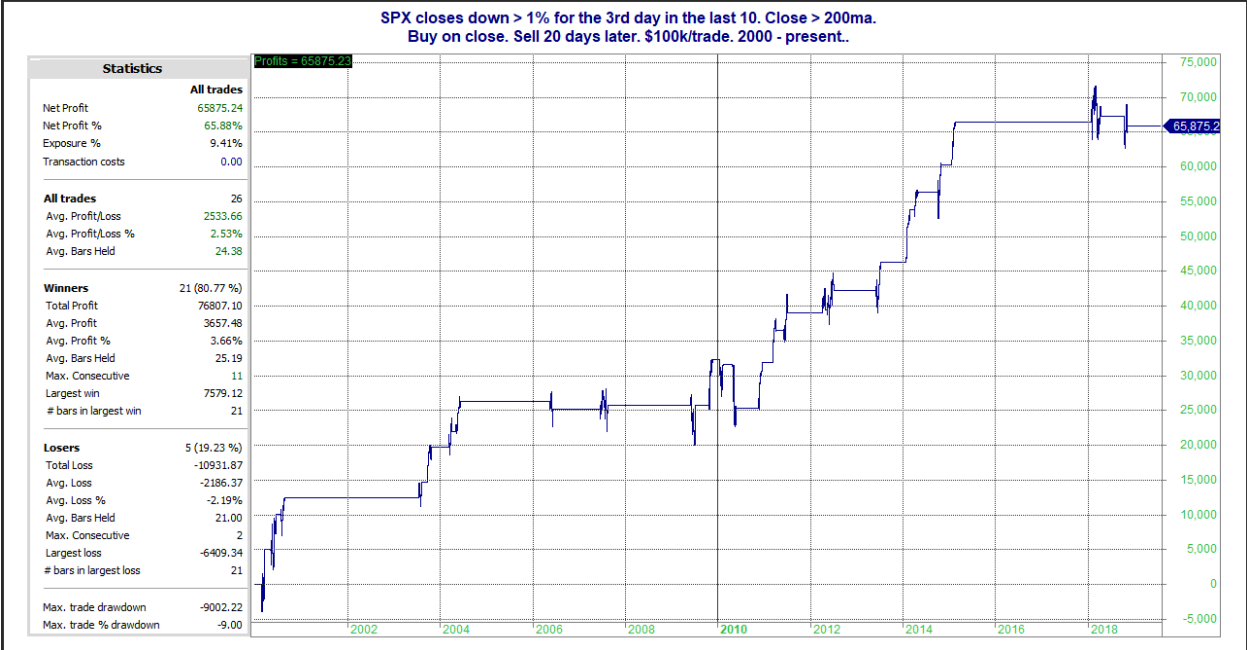
The SPX has made some substantial moves over the last couple of weeks as volatility has spiked. It is unusual to see such high volatility when the SPX is trading above its 200ma. Monday marked the 3<sup>rd</sup> day in the last 9 in which SPX closed down over 1%. I decided to look back at other times where SPX closed down more than 1% for the 3<sup>rd</sup> time in the last 10 days, but above its 200ma. Below are the results of my study.

SPX closes down > 1% for the 3rd day in the last 10. Close > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 2000 - present..

X Days	Net Profit	# Trades	# of winners	# of losers	% of Winners	Avg. Profit	Avg. Loss	Win/Loss Ratio	Profit Factor	Avg Profit/Loss
20	\$65,875.24	26	21	5	80.77	\$3,657.48	(\$2,186.37)	1.67	7.03	2533.66
19	\$48,905.66	26	20	6	76.92	\$3,408.89	(\$3,212.02)	1.06	3.54	1880.99
18	\$49,836.49	26	19	7	73.08	\$3,770.11	(\$3,113.66)	1.21	3.29	1916.79
17	\$48,561.62	26	19	7	73.08	\$3,635.60	(\$2,930.69)	1.24	3.37	1867.75
16	\$52,545.81	27	22	5	81.48	\$3,380.92	(\$4,366.88)	0.77	3.41	1946.14
15	\$56,881.92	29	23	6	79.31	\$3,540.53	(\$4,091.71)	0.87	3.32	1961.45
14	\$50,581.95	29	22	7	75.86	\$3,488.50	(\$3,737.87)	0.93	2.93	1744.21
13	\$42,148.96	29	20	9	68.97	\$3,248.59	(\$2,535.88)	1.28	2.85	1453.41
12	\$34,035.78	29	21	8	72.41	\$2,764.51	(\$3,002.37)	0.92	2.42	1173.65
11	\$39,480.49	30	20	10	66.67	\$2,897.96	(\$1,847.88)	1.57	3.14	1316.02
10	\$38,798.74	30	22	8	73.33	\$2,558.75	(\$2,186.72)	1.17	3.22	1293.29
9	\$44,318.35	30	20	10	66.67	\$2,745.04	(\$1,058.24)	2.59	5.19	1477.28
8	\$37,379.47	31	21	10	67.74	\$2,502.81	(\$1,517.96)	1.65	3.46	1205.79
7	\$30,585.34	31	22	9	70.97	\$2,282.58	(\$2,181.27)	1.05	2.56	986.62
6	\$18,738.52	32	21	11	65.63	\$2,032.77	(\$2,177.23)	0.93	1.78	585.58
5	\$8,108.56	32	17	15	53.13	\$1,897.99	(\$1,610.48)	1.18	1.34	253.39
4	\$5,872.34	33	18	15	54.55	\$1,664.01	(\$1,605.33)	1.04	1.24	177.95
3	\$3,365.82	34	21	13	61.76	\$1,114.31	(\$1,541.14)	0.72	1.17	98.99
2	\$7,112.70	34	20	14	58.82	\$1,198.39	(\$1,203.93)	1.00	1.42	209.2
1	\$14,691.89	35	22	13	62.86	\$1,081.52	(\$700.13)	1.54	2.61	419.77

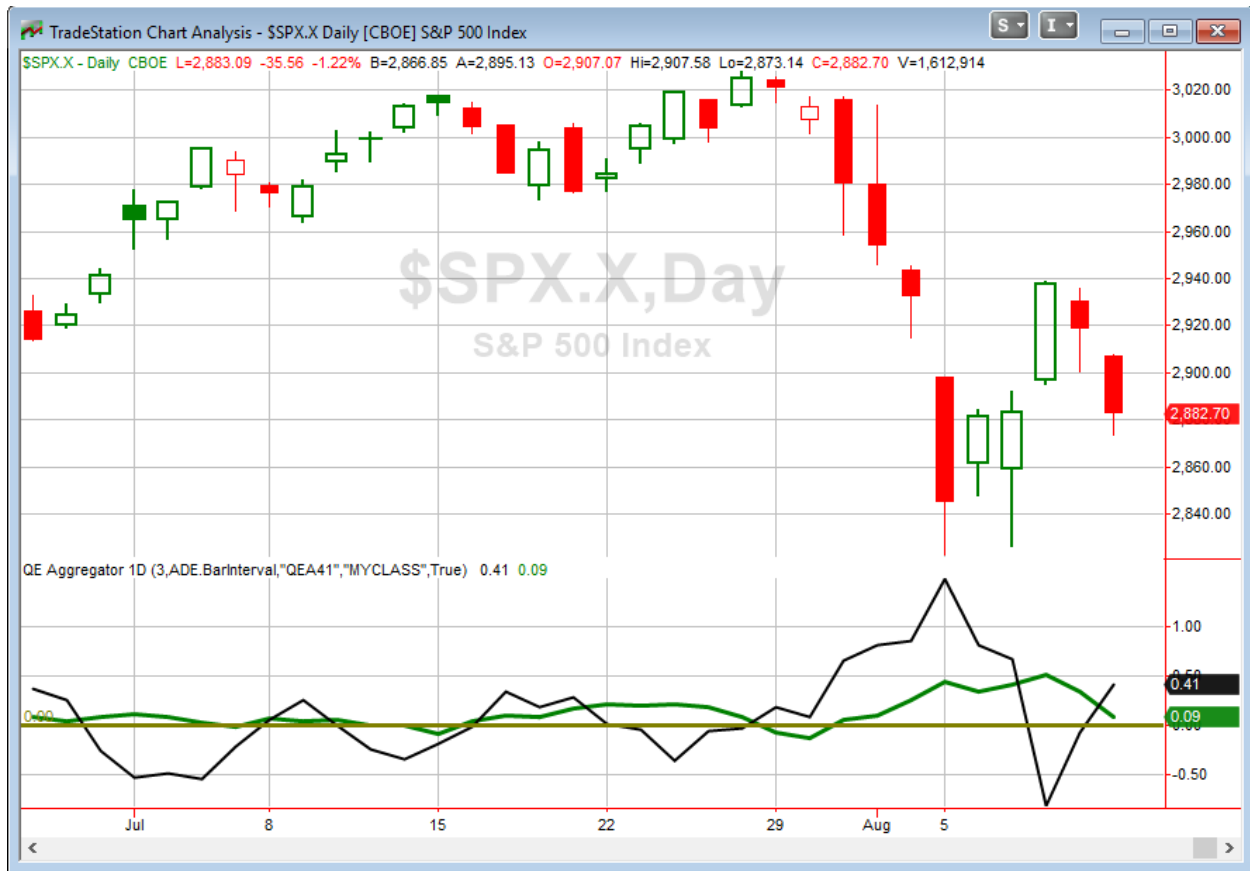
Often the next day has seen a bounce. Then chop for the next 4 days or so. And then the market has often risen for the next few weeks. The 1 and 20-day numbers appear quite bullish. I also produced the profit curves.





The curves move from lower left to upper right, and support the idea of an upside edge. I have included this study on both the short and intermediate-term active lists tonight.

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



With tonight's new evidence emerging, 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 moved 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.

All 3 of the current active short-term studies are scheduled to expire on Tuesday. If nothing new emerges, then expectations would remain positive based on the intermediate-term outlook. But new evidence that emerges will have a large impact on short-term expectations over the next few days. The Differential Pivot will be 2974.27 on Tuesday. That is a whopping 3.2% above Monday's close. I highly doubt the market will rise 3.2% on Tuesday. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So there appears to be a bit of an upside edge. A down close on Tuesday would make the 3<sup>rd</sup> down close in a row. Often 3 down days during a long-term uptrend will generate some bullish studies. So I'll look to take advantage of the apparent bullish edge if I can get a favorable entry either at the open or the close on Tuesday. I am not interested in buying into a mid-day selloff. I will only be looking to take a small index position at this point.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 8/12– slightly bullish***

The intermediate-term outlook was last updated in the 8/12/19 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

***OpenCatapult Triggers***

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

PFE @ \$36.58 (buy 1/3 @ limit) – *Not filled. Now try again.*

***Broad Market Large Cap CBI – 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.*

**SPY – Buy ¼ index position @ \$286.75 LIMIT ON OPEN. If not filled on open, cancel order and look to buy @ \$288.00 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to start scaling into an index position here. *Note: If I am filled at the open and SPY rebounds and closes positive on the day, I will exit the position at the close, because there will be a higher chance that bearish studies emerge, which could turn expectations negative.*

**PFE – Buy 1/3 Catapult position @ \$35.40 LIMIT.** From the Catapult section above, this is the 2<sup>nd</sup> of up to 3 possible lots of PFE.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>SPY(1/4)</i>	<i>8/2/2019</i>	<i>\$292.62</i>	<i>\$289.95</i>	<i>-0.91%</i>	<i>stopped out</i>
<i>ABBV(1/3)</i>	<i>8/7/2019</i>	<i>\$64.38</i>	<i>\$65.24</i>	<i>1.34%</i>	<i>sold on open</i>
PFE(1/3)	8/7/2019	\$36.65	\$35.40	-3.41%	Catapult
<i>ABBV(1/3)</i>	<i>8/7/2019</i>	<i>\$64.46</i>	<i>\$65.24</i>	<i>1.21%</i>	<i>sold on open</i>

*A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found [here](#).*

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