

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 14, 2019

Volume 12 Issue 156

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	3

## Tonight's Research Points

- VXO action has been nearly unprecedented.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator formation is bullish, but I do not find reward/risk to be compelling since there is little evidence and the market is extremely reactive lately.

**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>						
None						
<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	1-18 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 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%

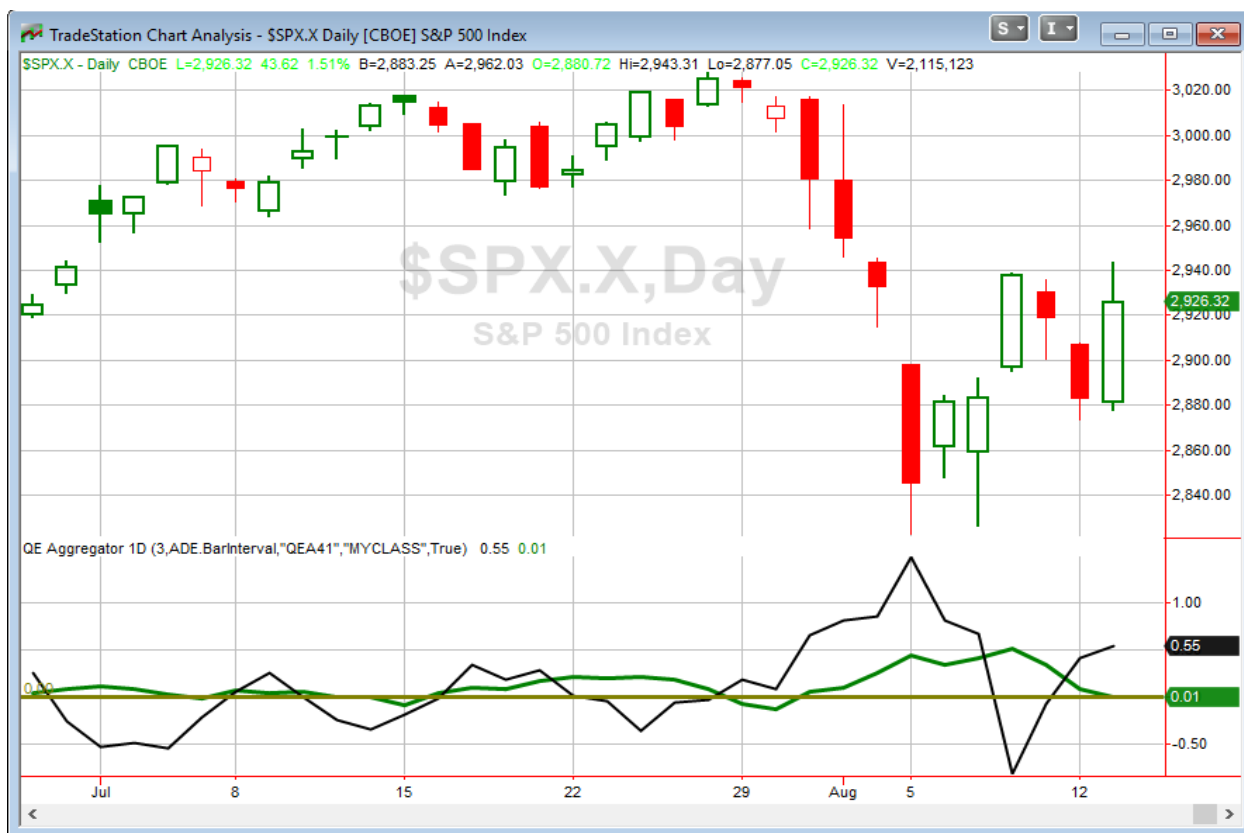
**The Evidence**

Tuesday saw the market spike higher after the open when Trump announced a tariff postponement. The SPX rose 1.5%, the NASDAQ rallied 1.95%, and the Russell 2000 gained 1.1%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 72%. NYSE volume rose a little from Monday's level.

In recent days I have discussed how the market has been volatile and very reactive to news. That was again the case on Monday. This highly reactive nature of the market can easily be seen in the action in VXO, which is the old calculation for the VIX. With the big SPX rally on Tuesday, VXO declined 15.4%. That is a large drop. But this is actually the 3<sup>rd</sup> day in the last 6 in which VXO closed down over 15%. To understand how unusual that is, consider the following: I looked back at all the times VXO had three 15% down days in a **10-day** period. (VXO history goes back to 1986.) Tuesday marked only the 3<sup>rd</sup> time ever. The other two were: 1) Just after the Feb 2018 VIXplosion, and 2) in October 1987 following the crash. That underscores just how wild the back and forth has been recently. Of course it has not just been big down days for VXO over the last 10 days. Despite the three 15% drops, VXO remains 37% above where it closed 10 days ago. This is thanks to 4 days in which it closed up > 14%, including the 42% spike on 8/5. Options traders, among many others, have seen some wild swings. And the fact that this is all occurring during an uptrend (above the 200ma), makes it all the more interesting. Most of the time, extreme moves are more prevalent in bear markets.

So despite the strong move up today for the market (and the big drop in implied volatility), there are no new studies being added to the Active List.

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



Without any compelling evidence emerging tonight, the green Aggregator Line remained just slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line held 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.

All 3 of short-term studies expired on Tuesday, so the slightly positive expectations are due to the current intermediate-term studies. With the short-term list bare, any new studies that emerge in the coming days will have a substantial impact on short-term expectations. The Differential Pivot will be 2955.44 on Wednesday. That is 1.0% above Tuesday's close. So SPX would need to rise another 1% on Wednesday in order to flip from oversold to overbought versus recent expectations.

The Aggregator formation is bullish, but the evidence is greatly lacking. Additionally, risks still appear high with the strong swings the market has undergone lately. High probability trades are tougher to determine when the market is this reactive to news. I will remain alert and open to new evidence. But I will not be looking to take on new index exposure until a more compelling reward/risk opportunity emerges.

***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 (bought 1/3 @ limit)

***New***

KHC @ \$25.96 (buy 1/3 @ limit)

***Broad Market Large Cap CBI – 3(PFE-2, KHC)***

**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.*

**KHC – Buy 1/3 Catapult position @ \$25.96 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of KHC.

## **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
PFE(1/3)	8/7/2019	\$36.65	\$35.19	-3.98%	Catapult
PFE(1/3)	8/7/2019	\$35.40	\$35.19	-0.59%	Catapult

*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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