

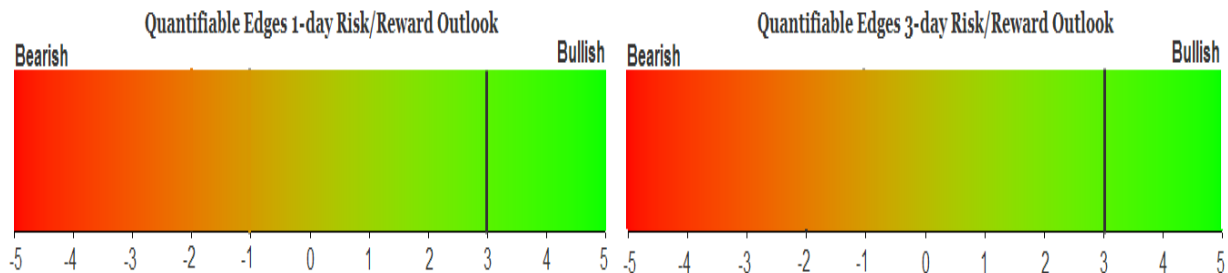
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 16, 2019

Volume 12 Issue 158

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- The weak bounce on Thursday suggests a possible downside edge.
- The high CBOE equity put/call ratio is signaling a possible rise in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator remains bullish. With evidence mixed, I believe there is a moderate upside edge over the next few days.

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 16, 2019	CBOE Equity Put/Call > 0.9. SPX>200	1-4 days	Bullish			
August 16, 2019	SPX dn 1.75% yest. Bounce < 1/4 loss	1-3 days	Bearish			
August 15, 2019	NYSE Up Vol %< 5%. SPX > 200ma	1-2 days	Bullish			
Active - Long Term						
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			

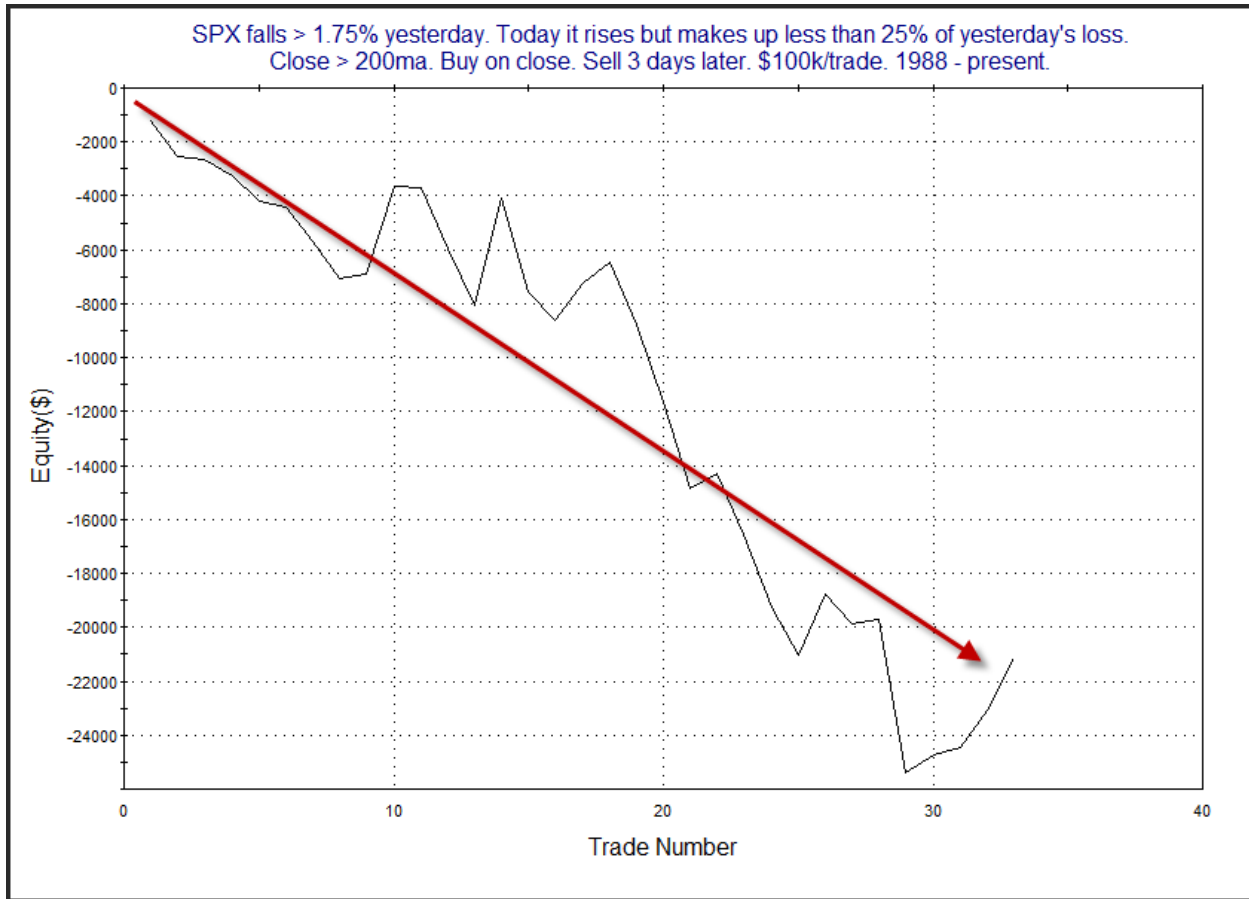
The Evidence

Thursday did not make a lot of progress in either direction. The SPX rose 0.25%, the NASDAQ dropped 0.1%, and the Russell 2000 lost 0.4%. Breadth was mixed as the NYSE Up Issues % was 51% and the Up Volume % came in at 36%. NYSE volume declined some from Wednesday's level.

Often the 1st day of a bounce can provide us clues as to the chances of the bounce following through. As a basic guideline, a strong initial bounce from an oversold condition is more likely to see follow through than a weak bounce. One study I did with regards to this was last seen in the 4/10/18 letter. I have updated the results below.

SPX falls > 1.75% yesterday. Today it rises but makes up less than 25% of yesterday's loss. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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	-12,941.41	33	14	19	42.42	4,769.00	-5,506.23	1,657.38	-1,902.36	0.87	0.64	-392.16
4	-16,100.94	33	14	19	42.42	2,587.95	-4,284.75	1,566.51	-2,001.69	0.78	0.58	-487.91
3	-21,157.66	33	12	21	36.36	3,939.79	-5,685.45	1,394.88	-1,804.58	0.77	0.44	-641.14
2	-16,126.77	34	16	18	47.06	2,794.56	-3,844.10	722.41	-1,538.07	0.47	0.42	-474.32
1	-11,635.91	34	14	20	41.18	1,669.20	-2,302.95	677.31	-1,055.91	0.64	0.45	-342.23

The numbers here look decidedly bearish. Below is a look at a 3-day profit curve.



The strong and persistent decline serves as some confirmation of the downside edge.

One notable indicator that gave an extreme reading on Thursday was the CBOE Equity-Only Put/Call Ratio, which came in at 0.98. That means that there were nearly as many puts traded as calls. It is a very high number for the ratio, especially with SPX still above its 200ma. The ratio can be viewed as a sentiment indicator, and a high ratio suggests worry on the part of traders. I looked at other times the ratio came in at 0.9 or higher and SPX closed above the 200ma. Results can be seen below.

CBOE Equity Only P/C Ratio closes ≥ 0.90 . SPX > 200ma.
Buy SPX on close. Sell X days later. \$100k/trade. 2006 - 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	12,900.49	11	8	3	72.73	3,216.85	-1,102.92	1,892.46	-746.39	2.54	6.76	1,172.77
4	13,983.99	11	9	2	81.82	3,275.60	-794.58	1,692.33	-623.49	2.71	12.21	1,271.27
3	10,208.80	11	9	2	81.82	2,272.40	-602.94	1,229.13	-426.67	2.88	12.96	928.07
2	8,656.60	14	9	5	64.29	2,124.96	-953.16	1,243.33	-506.67	2.45	4.42	618.33
1	4,186.66	15	12	3	80.00	1,599.29	-1,801.24	613.40	-1,058.04	0.58	2.32	279.11

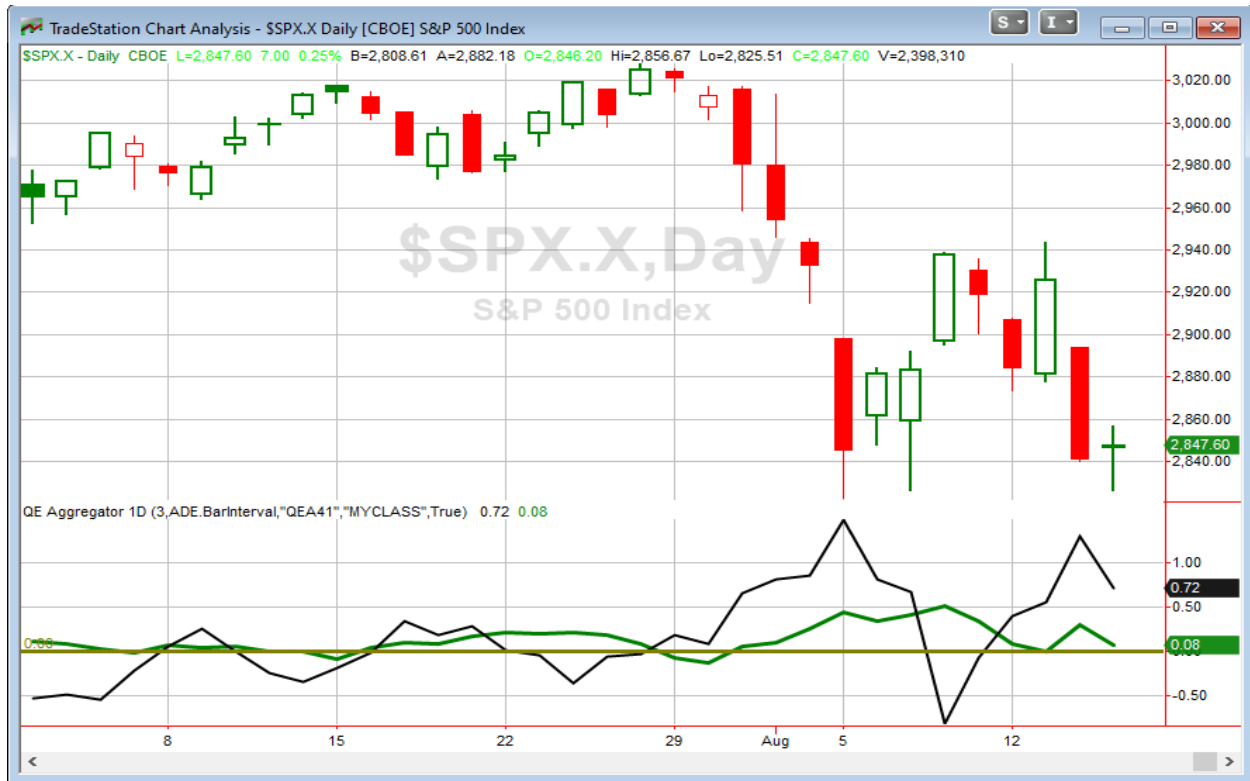
Instances are a bit low, but the odds are heavily lopsided for the bulls to this point. Below is the full list of instances assuming a 4-day hold.

CBOE Equity Only P/C Ratio closes ≥ 0.90 . SPX > 200ma.
Buy SPX on close. Sell 4 days later. \$100k/trade. 2006 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
6/8/2011	Buy	\$1,279.56	0.65%	\$1,168.44
6/14/2011	Sell	\$1,287.87		(\$1,085.76)
6/15/2011	Buy	\$1,265.42	2.38%	\$2,543.80
6/21/2011	Sell	\$1,295.52		(\$580.65)
5/18/2012	Buy	\$1,295.22	1.97%	\$2,561.79
5/24/2012	Sell	\$1,320.68		\$0.00
6/13/2012	Buy	\$1,314.88	3.28%	\$3,692.08
6/19/2012	Sell	\$1,357.98		(\$56.24)
8/1/2014	Buy	\$1,925.15	-0.81%	\$906.27
8/7/2014	Sell	\$1,909.57		(\$1,038.87)
6/29/2015	Buy	\$2,057.64	0.54%	\$1,316.16
7/6/2015	Sell	\$2,068.76		(\$63.36)
5/6/2016	Buy	\$2,057.14	0.34%	\$1,331.04
5/12/2016	Sell	\$2,064.11		(\$192.48)
6/24/2016	Buy	\$2,037.30	3.02%	\$3,020.36
6/30/2016	Sell	\$2,098.86		(\$2,235.38)
11/2/2016	Buy	\$2,097.94	1.98%	\$2,299.71
11/8/2016	Sell	\$2,139.53		(\$665.05)
4/13/2017	Buy	\$2,328.95	1.15%	\$1,361.64
4/20/2017	Sell	\$2,355.84		\$0.00
8/11/2017	Buy	\$2,441.32	-0.46%	\$1,344.40
8/17/2017	Sell	\$2,430.01		(\$452.40)

In addition to the strong win rate, I also found it interesting that every single instance posted a run-up of at least 0.9% over the next 4 days. This study seems worth some consideration and I have added it to the Active List.

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



With tonight's 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 also 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.

With the current evidence on the active list, expectations are slated to remain positive on Friday. Of course that could change if compelling new bearish evidence emerges. The Differential Pivot will be 2936.56 on Friday. That is 3.1% above Thursday's close. A 1-day rise of that magnitude is highly unlikely. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is still suggesting an upside edge. I like the bull case. But I'd be a lot more enthusiastic if not for the weak bounce on Thursday. I will continue to hold my current small SPY position for another day, and see how things play out on Friday and what new evidence emerges before determining my next move.

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)

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

PFE @ \$34.24 (bought 1/3 @ limit)

KHC @ \$25.52 (bought 1/3 @ limit)

New

KHC @ \$25.06 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 6(PFE-3, KHC-3)

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 @ \$25.06 LIMIT. From the Catapult section above, this is the 3rd and final lot of KHC.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
PFE(1/3)	8/7/2019	\$36.65	\$34.48	-5.92%	Catapult
PFE(1/3)	8/8/2019	\$35.40	\$34.48	-2.60%	Catapult
KHC(1/3)	8/14/2019	\$25.85	\$25.06	-3.06%	Catapult
PFE(1/3)	8/15/2019	\$34.24	\$34.48	0.70%	Catapult
KHC(1/3)	8/15/2019	\$25.50	\$25.06	-1.73%	Catapult
SPY(1/4)	8/15/2019	\$283.90	\$284.65	0.26%	Aggregator

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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