

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 28, 2019

Volume 12 Issue 166

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- SPY's gap and reverse pattern may be bullish, but it has not generated much upside recently.

Short-term Outlook

The Bottom Line

While the Aggregator formation is bullish, the evidence is fairly weak, and the setup is not desirable. I lean more neutral than bullish.

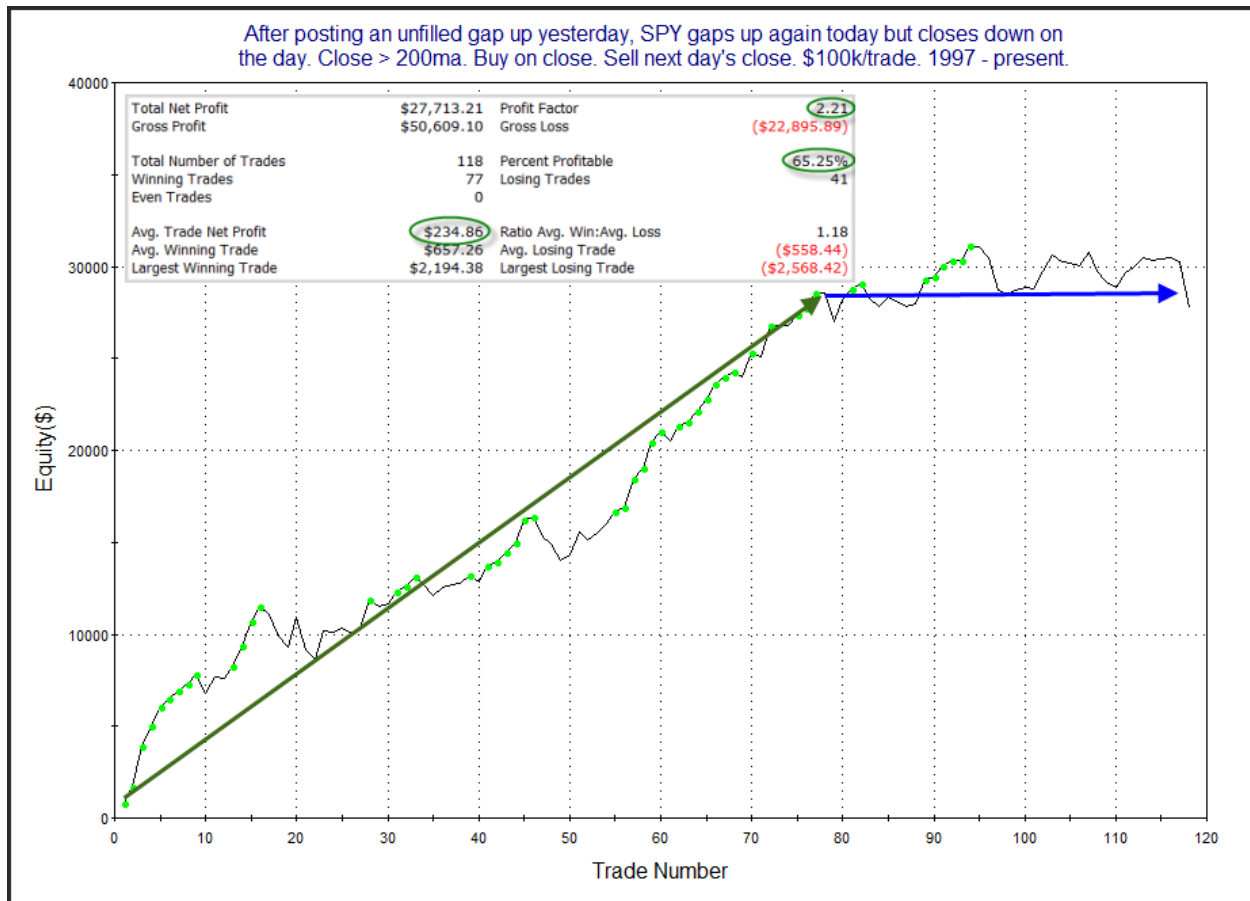
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 26, 2019	Big Friday selloff	1-6 days	Bullish			
Active - Long Term						
August 26, 2019	SPX down 4 weeks but > 40-week ma	1-10 weeks	Bullish	8.65%	-3.30%	-7.70%
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 1, 2019	QT over.	int term	Neutral			
April 2, 2019	Golden Cross	int term	Bullish			

The Evidence

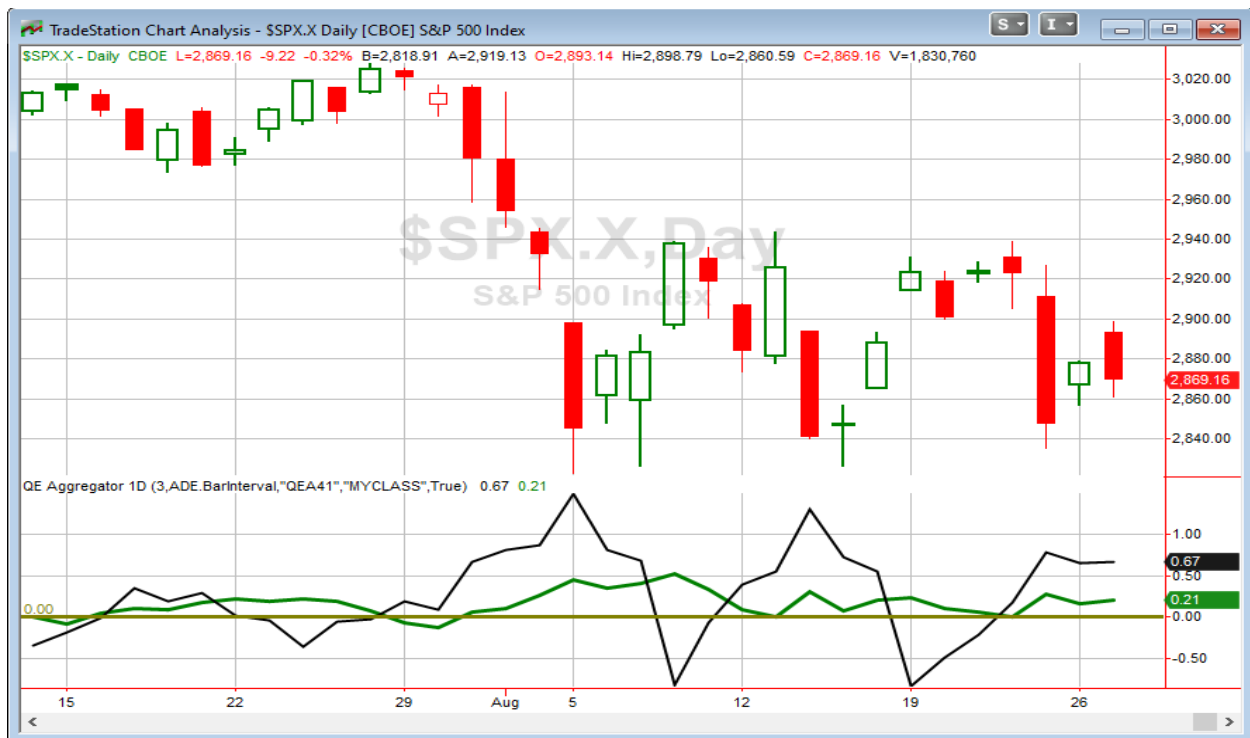
The market struggled some on Tuesday. The SPX closed down 0.3%, the NASDAQ declined 0.3%, and the Russell 2000 dropped 1.35%. Breadth was negative as the NYSE Up Issues % was 33% and the Up Volume % came in at 31%. NYSE volume rose some from Monday's level.

The wide and choppy trading range that has persisted for the last 3 ½ weeks continues. And Tuesday did nothing to generate compelling new evidence. The SPY action the last couple of days that included an unfilled gap up on Monday and a gap up and reversal lower today, did trigger the study below, which I showed just last week in the 8/23/19 letter.



This study has not made consistent upward progress in quite a while. It continues to look less and less bullish despite the overall numbers. I have decided to place this study on “double-secret probation”, and will eliminate it from the Quantifinder if it does not start producing bullish results again soon.

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



Without any new studies making the Active List tonight, 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.

Based on the current list of active studies, expectations are slated to remain bullish on Wednesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted at 2857.10* on Wednesday. That is 0.4% *below* Tuesday'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 at least 0.4% on Wednesday in order to remain oversold versus expectations. Anything less than that and it will flip to being viewed as short-term overbought.

So the Aggregator is again bullish, but we remain in this choppy and volatile environment. There has not been additional evidence to really support the bullish case in the last 2 nights. We also have an inverted pivot. I typically do not favor taking on new index positions when there is an inverted pivot, since the potential gains are limited to just 1 day. So while I favor the bullish side, I am not overly enthused about the current setup. I intend to demand a more compelling entry opportunity in this environment. Therefore, I'll sit out at least one more day to see how the market sets up and what new evidence emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/26– slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

None

Broad Market Large Cap CBI – 0

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.

None tonight.

Current Open Trade Ideas

None.

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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