

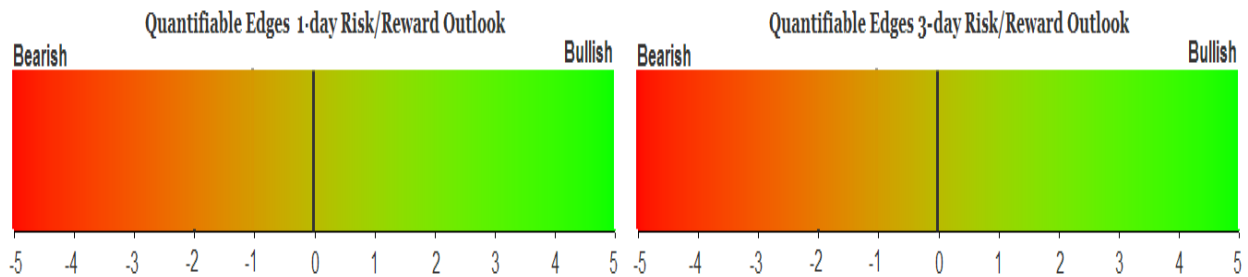
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 29, 2019

Volume 12 Issue 167

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The SPX price pattern the last 2 days suggests a failure by the bears. Bulls have a chance to take charge over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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 29, 2019	Reverse dn. Reverse up. Close >200 <10	1-5 days	Bullish	1.80%	-1.10%	-2.30%
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			

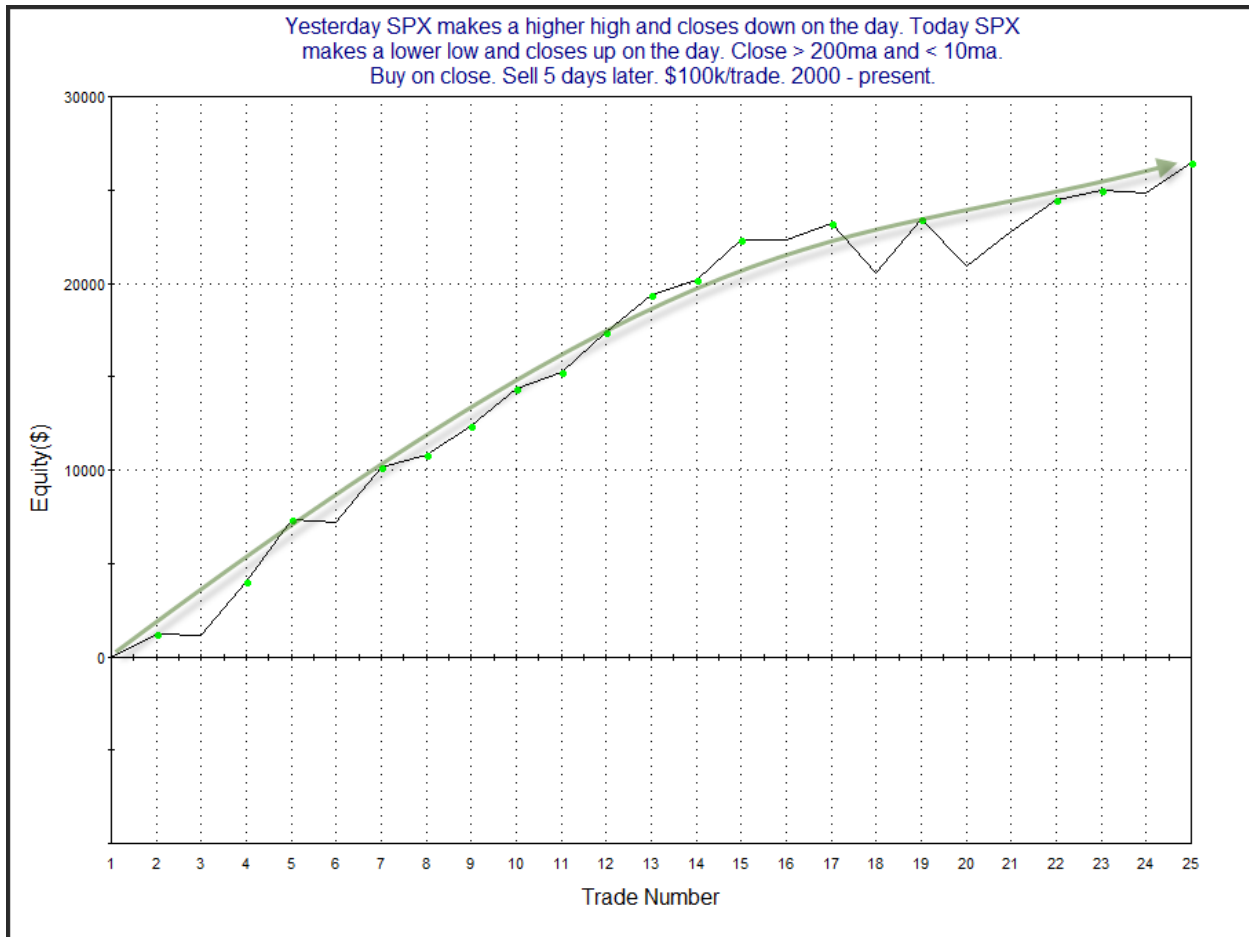
The Evidence

The market changed direction again on Wednesday. The SPX closed up 0.65%, the NASDAQ rose 0.4%, and the Russell 2000 rallied 1.15%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 83%. NYSE volume declined some from Tuesday's level.

On Tuesday the bulls tried to make a move higher and failed, making for a higher high and a lower close. On Wednesday the opposite happened. The bears failed in their attempt at a move lower. In the 4/26/18 Subscriber Letter I looked at two-day moves like this. I found results to be substantially different based on whether the market is near the top or the bottom of its short-term range. When the pattern occurs in the lower end of the short-term range it has been consistently bullish over the next 4-5 days. This can be seen in the below test, which I have updated.

Yesterday SPX makes a higher high and closes down on the day. Today SPX makes a lower low and closes up on the day. Close > 200ma and < 10ma. 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	26,422.92	25	18	7	72.00	3,344.64	-2,608.20	1,771.99	-781.83	2.27	5.83	1,056.92
4	19,726.78	26	22	4	84.62	2,345.07	-2,618.70	1,218.08	-1,767.73	0.69	3.79	758.72
3	7,635.39	26	17	9	65.38	2,224.32	-3,490.90	1,068.17	-1,169.27	0.91	1.73	293.67
2	4,248.88	26	16	10	61.54	2,967.00	-2,246.00	1,028.67	-1,220.98	0.84	1.35	163.42
1	3,517.85	26	14	12	53.85	1,712.28	-1,970.00	792.58	-631.52	1.26	1.46	135.30
24 of 26 instances (92%) closed above the entry price at some point in the next week.												

Odds strongly favor a move higher and the profit factors are very impressive over the next 4-5 days. Below is an equity curve using a 5-day exit strategy to see how the edge has played out over time.



There have been a couple of negative instances lately, but the overall edge still appears intact. The failure of the bears to take control when the market pressed downward and made a lower low on Wednesday has potentially opened the door for the bulls. But while SPX closed below its 10ma on Wednesday, it was just by the smallest of amounts.

Below are the results when the pattern occurred and the SPX closed above the 10ma. This table is updated from the 4/26/18 letter as well.

Yesterday SPX makes a higher high and closes down on the day. Today SPX makes a lower low and closes up on the day. Close > 200ma and > 10ma.
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	-2,446.82	51	29	22	56.86	2,143.70	-3,770.60	919.97	-1,323.90	0.69	0.92	-47.98
4	-5,537.78	57	32	25	56.14	1,984.54	-4,575.48	750.11	-1,181.65	0.63	0.81	-97.15
3	-5,229.05	57	30	27	52.63	1,918.21	-2,726.23	775.24	-1,055.04	0.73	0.82	-91.74
2	3,850.90	58	33	25	56.90	2,723.04	-2,362.36	653.50	-708.58	0.92	1.22	66.39
1	1,182.62	58	29	29	50.00	1,560.24	-1,275.95	511.58	-470.80	1.09	1.09	20.39

We see here that performance moving forward has been a tossup. The 1st setup is the one that triggered, and I have added it to the Active List. But the close proximity to the 10ma may mean the edge is not quite as strong as the study would otherwise suggest.

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 dropped down below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal turned flat at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Thursday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted at 2891.50* on Thursday. That is 0.1% *above* 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 up at least 0.1% on Thursday in order to remain overbought versus expectations. Anything less than that and it will flip to being viewed as short-term oversold.

The wide, choppy range continues, and Wednesday was the 3rd day in a row that SPX changed direction. The Aggregator formation is neutral, and I do not see a good reason to get involved right here. Until a more substantial reward/risk setup emerges, I will remain sidelined.

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

The intermediate-term outlook was last updated in the 8/26/19 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

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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