

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 25, 2019

Volume 12 Issue 185

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The 3-day pullback has characteristics that suggest a bounce.
- The extremely weak closing TICK suggests an up day on Wednesday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, and I believe there is an upside edge and a good probability of a bounce in the coming 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
<b>Active - Short Term</b>						
September 23, 2019	Weakest week seasonality	1-4 days	Bearish			
September 23, 2019	SPX < 10ma after 15 days above	1-5 days	Bullish			
September 20, 2019	RUT down 3. SPX 3-day high.	1-4 days	Bullish	2.20%	-0.60%	-1.30%
<b>Active - Long Term</b>						
September 20, 2019	RUT down 3. SPX 3-day high.	1-10 days	Bullish	3.60%	-0.90%	-1.95%
September 13, 2019	DJI up 7 days in a row	1-19 days	Bullish			
September 13, 2019	SPX RSI(2) > 99	1-15 days	Bullish			
September 9, 2019	NYSE Advance/Decline Line breakout	1-40 days	Bullish			
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 5, 2019	4+ Hindenburg Omen Signals	1-35 days	Bearish			
August 1, 2019	QT over.	int term	Neutral			
April 2, 2019	Golden Cross	int term	Bullish			

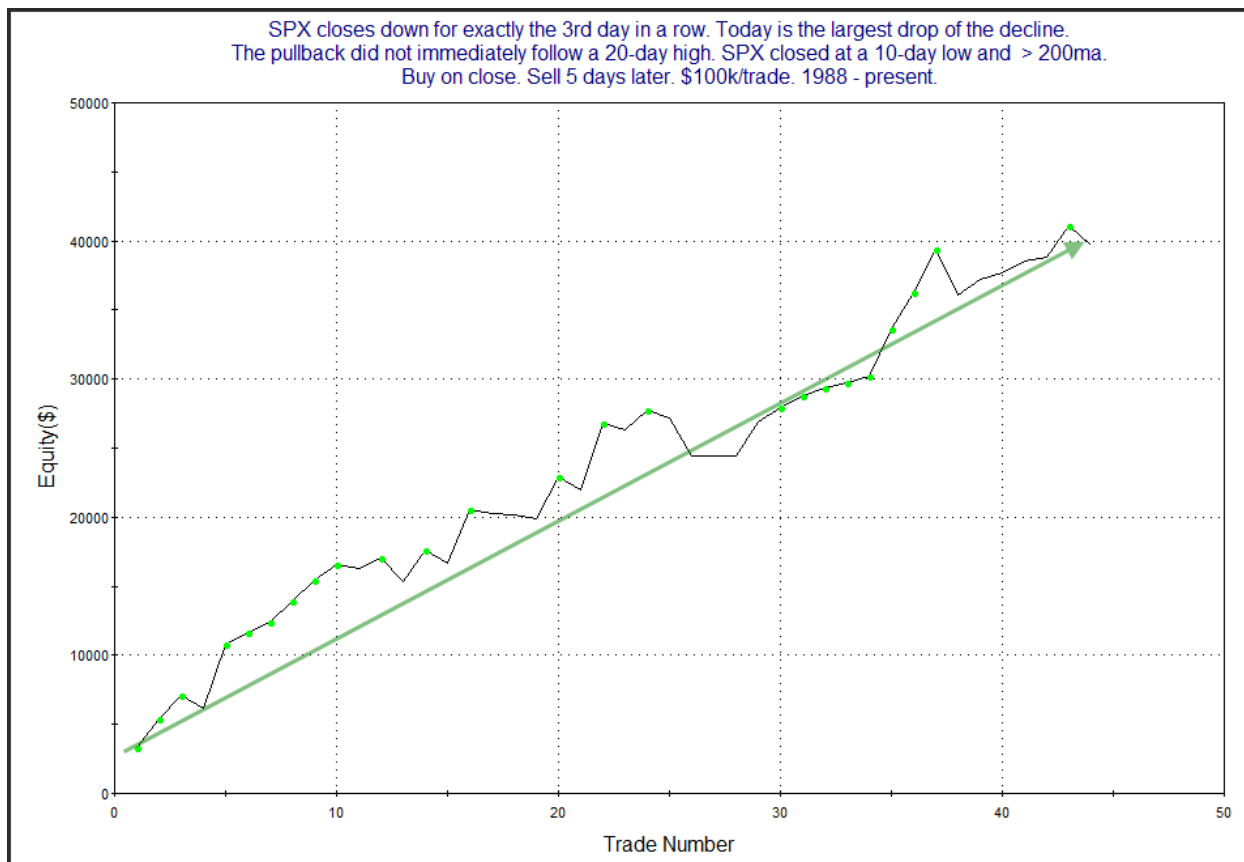
**The Evidence**

The “weakest week” kicked in to high gear on Tuesday. The SPX fell 0.8%, the NASDAQ lost 1.5%, and the Russell 2000 declined 1.6%. Breadth was negative as the NYSE Up Issues % was 31% and the Up Volume % came in at 20%. NYSE volume rose some from Monday’s level.

The fact that Tuesday was the 3rd down day in a row was notable. I’ve discussed 3-day pullbacks many times before and a few studies associated with them came up tonight. They tend to provide a nice upside edge under the right conditions. The study below is a combination of a few studies from the Quantifinder. It considers 1) the fact that today's drop was especially large compared to the previous 2 days, 2) the 10-day low close, and 3) that the pullback did not originate from a 20-day closing high.

SPX closes down for exactly the 3rd day in a row. Today is the largest drop of the decline. The pullback did not immediately follow a 20-day high. SPX closed at a 10-day low and > 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	39,667.27	44	29	15	65.91	4,892.94	-3,385.80	1,851.78	-935.62	1.98	3.83	901.53
4	31,787.15	45	30	15	66.67	4,731.13	-3,863.84	1,692.16	-1,265.17	1.34	2.67	706.38
3	28,627.31	45	29	16	64.44	3,940.55	-4,464.88	1,562.30	-1,042.46	1.50	2.72	636.16
2	26,156.21	45	29	16	64.44	3,744.45	-7,559.56	1,343.42	-800.19	1.68	3.04	581.25
1	13,033.27	45	31	14	68.89	2,503.90	-1,814.24	735.59	-697.86	1.05	2.33	289.63

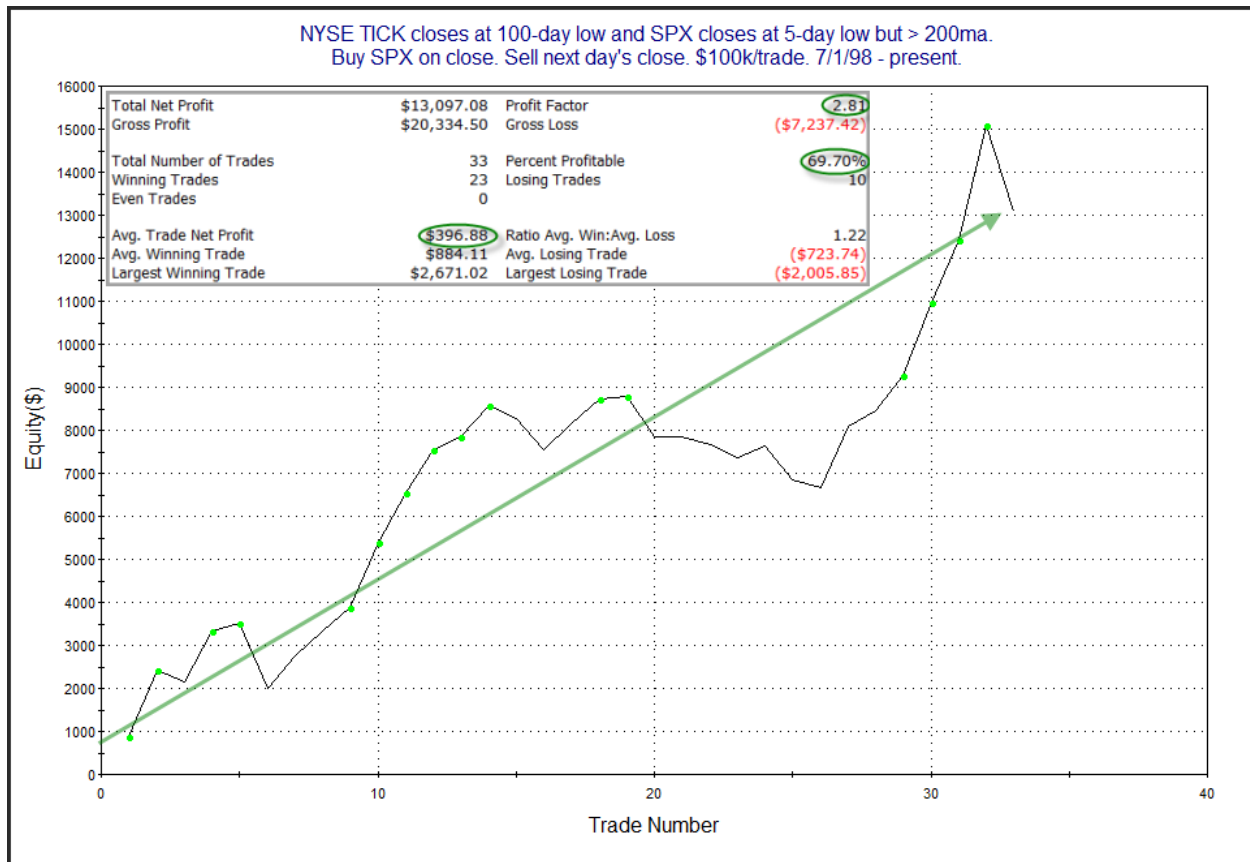
The stats suggest an upside edge over the next week. Below is a look at a 5-day profit curve.



That is a nice, steady move from lower left to upper right. This serves as some confirmation of the edge suggested by the numbers. I have added this study to the Active List tonight.

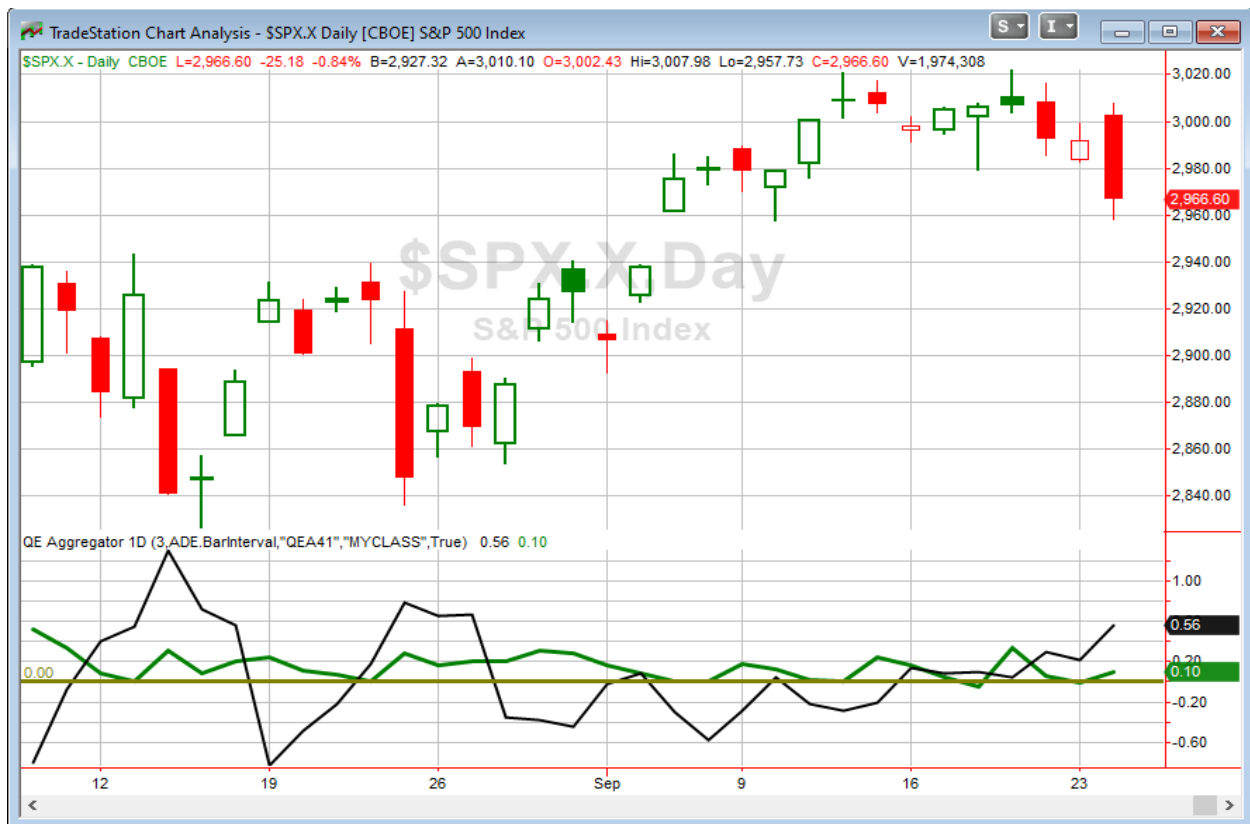
My friend and colleague, Tom McClellan ( <http://www.mcoscillator.com/> ), taught me a while back that closing TICK values can be used as a valuable indicator. Closing TICK values tend to do a good job of representing end of day order imbalances. When the closing TICK is very weak that means there are a lot of sell orders at the end of the day. A strong closing TICK would indicate lots of buy orders coming in at the end of the day. The final flurry of buying or selling, and market participants' willingness to hold positions overnight, can act as a good sentiment gauge.

On Tuesday the NYSE closing TICK was -617. This is an extremely low closing reading and it represents the lowest TICK close since 10/10/18. The study below was last featured back in the 3/11/15 Subscriber Letter. It looks at short-term SPX lows in conjunction with long-term closing TICK lows. Results have been updated.



The numbers are impressive, but the chart is quite choppy. Of course it is not too surprising that results following a scary finish have been volatile. I believe this study is worth some consideration and I have added it to the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line moved back 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain bullish on Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3002.22 on Wednesday. That is 1.2% above Tuesday's close. Therefore, SPX would need to post a sizable 1.2%+ rally on Wednesday in order to flip from oversold to overbought vs expectations at the close.

So the Aggregator is now bullish. Pullbacks in uptrends will often offer favorable opportunities. This looks like one to me. While the "Weakest Week" may not have played itself out yet, we are seeing other evidence suggesting a bounce is likely. With SPX at a 10-day low it is oversold using numerous metrics. And there is ample room to the upside before it would turn overbought. That helps with profit potential. We are still in a weak seasonal period and this could be the beginning of a larger decline. So I am not going to dive in head first here. But I will dip my toe and look to take on a small amount of index exposure on Wednesday with an SPX position.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/23– moderately bullish***

The intermediate-term outlook was last updated in the 9/23/19 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.*

**SPY – buy ¼ index position @ \$295.87 LIMIT.** Based on the short-term outlook above, I will look to start building a long index position on Wednesday if I can get filled at a price <= Tuesday's close.

**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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