

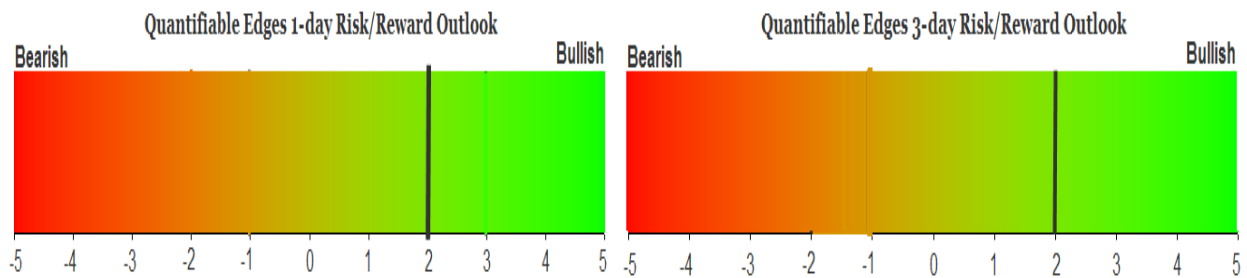
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 26, 2019

Volume 12 Issue 186

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	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 still bullish. I am long and will remain so, though I may take profits Thursday near 4pm EST if there is a strong close higher.

**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 26, 2019	HigherThnDn. Lower then Up. < 10ma	1-5 days	Bullish			
September 25, 2019	Down3.Big today. 10-low not frm 20-hi	1-5 days	Bullish			
September 23, 2019	Weakest week seasonality	1-4 days	Bearish			
September 23, 2019	SPX < 10ma after 15 days above	1-5 days	Bullish			
<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			

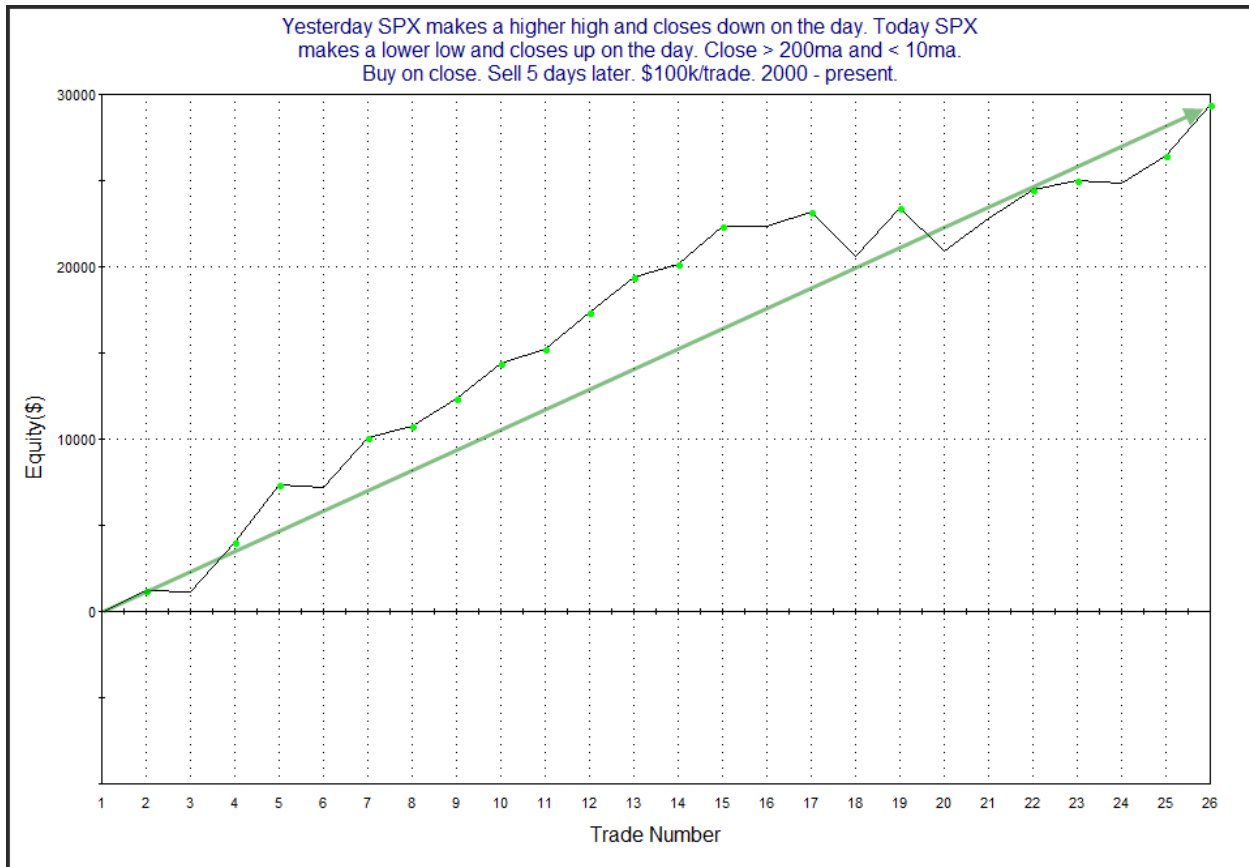
**The Evidence**

Wednesday was a bounce day. The SPX rose 0.6%, the NASDAQ gained 1.05%, and the Russell 2000 climbed 1.11%. Breadth was positive as the NYSE Up Issues % was 63% and the Up Volume % came in at 62%. NYSE volume dipped a little 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 8/29/19 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	29,416.96	26	19	7	73.08	3,344.64	-2,608.20	1,836.30	-781.83	2.35	6.38	1,131.42
4	21,421.34	27	23	4	85.19	2,345.07	-2,618.70	1,238.79	-1,767.73	0.70	4.03	793.38
3	8,258.61	27	18	9	66.67	2,224.32	-3,490.90	1,043.45	-1,169.27	0.89	1.78	305.87
2	5,558.56	27	17	10	62.96	2,967.00	-2,246.00	1,045.20	-1,220.98	0.86	1.46	205.87
1	4,763.61	27	15	12	55.56	1,712.28	-1,970.00	822.79	-631.52	1.30	1.63	176.43
<b>25 of 27 instances (93%) closed above the entry price at some point in the next week.</b>												

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.



The persistent upslope is impressive. 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.

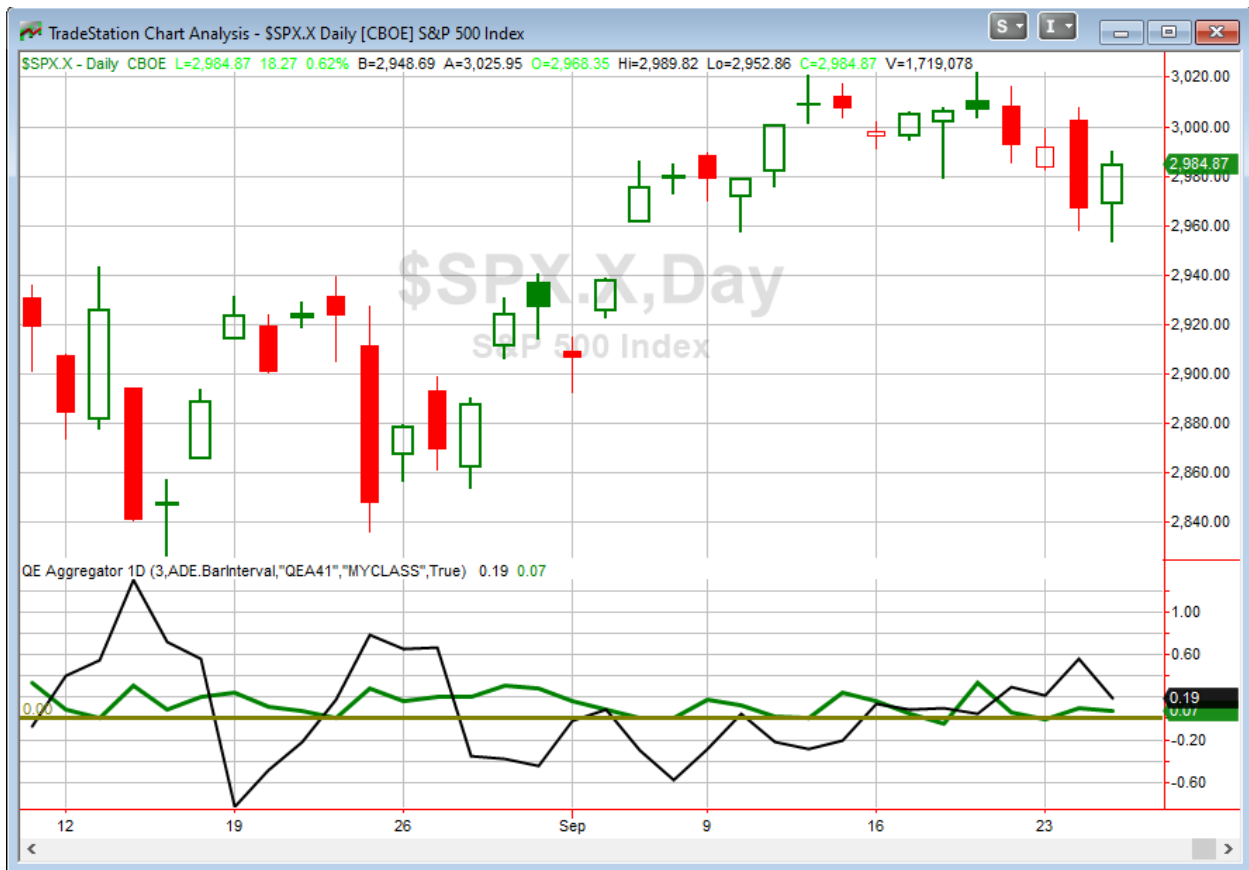
Also below are the results when the pattern occurred and the SPX closed above the 10ma. This table is updated from the 8/29/19 letter as well.

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	-1,578.59	52	30	22	57.69	2,143.70	-3,770.60	918.24	-1,323.90	0.69	0.95	-30.36
4	-4,924.97	58	33	25	56.90	1,984.54	-4,575.48	745.95	-1,181.65	0.63	0.83	-84.91
3	-4,305.05	58	31	27	53.45	1,918.21	-2,726.23	780.04	-1,055.04	0.74	0.85	-74.23
2	4,846.84	59	34	25	57.63	2,723.04	-2,362.36	663.57	-708.58	0.94	1.27	82.15
1	1,893.44	59	30	29	50.85	1,560.24	-1,275.95	518.22	-470.80	1.10	1.14	32.09

We see here that performance moving forward has been a tossup. The 1<sup>st</sup> setup is the one that triggered, 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.

Based on the current list of active studies, expectations are set to remain bullish on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3003.40 on Thursday. That is 0.6% above Wednesday's close. Therefore, SPX would need to close up at least 0.6% on Thursday in order to flip from oversold to overbought vs expectations at the close.

So the Aggregator is again bullish and there appears to be more bounce to likely in the next few days. Tonight's evidence provides further confirmation of the upside edge suggested last night. I took a partial long position on Wednesday, and I will look to hold onto it Thursday. I will take profits at the close if SPX finishes above the Differential Pivot, since that would change the Aggregator formation to neutral or bearish.

***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.*

**None tonight.**

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	9/25/2019	\$295.87	\$297.62	0.59%	see note below

*I will look to sell my SPY position at the close if SPX closes  $\geq$  3003.40, which is the Differential Pivot.*

*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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