

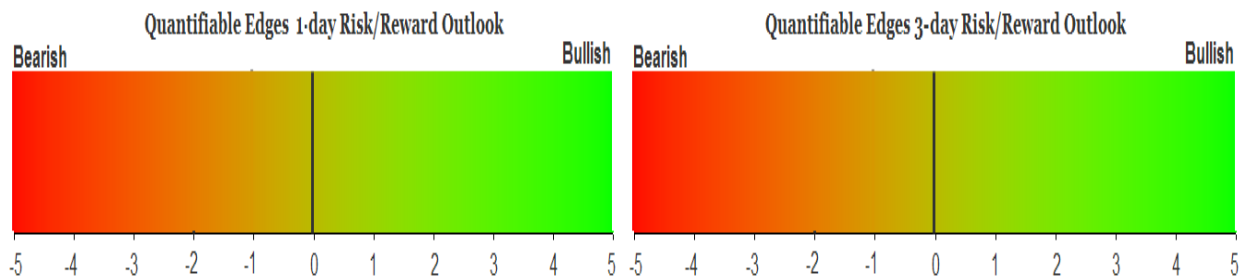
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 22, 2019

Volume 12 Issue 204

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- SPX is chopping back and forth and VXO has been stretched to the downside for an extended period, but neither of those things have proven predictable in the past.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is lacking and the Aggregator is neutral. I am too.

*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>						
None						
<b>Active - Long Term</b>						
October 9, 2019	3rd 1% Drop in 10 days > 200ma	1-20 days	Bullish	3.85%	-3.00%	-5.70%
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 1, 2019	QT over.	int term	Neutral			
April 2, 2019	Golden Cross	int term	Bullish			
<b>Dropped Tonight</b>						
October 14, 2019	Up 2% in 3 days. 3/10 Ofst HV < 0.25	1-6 days	Bullish			

**The Evidence**

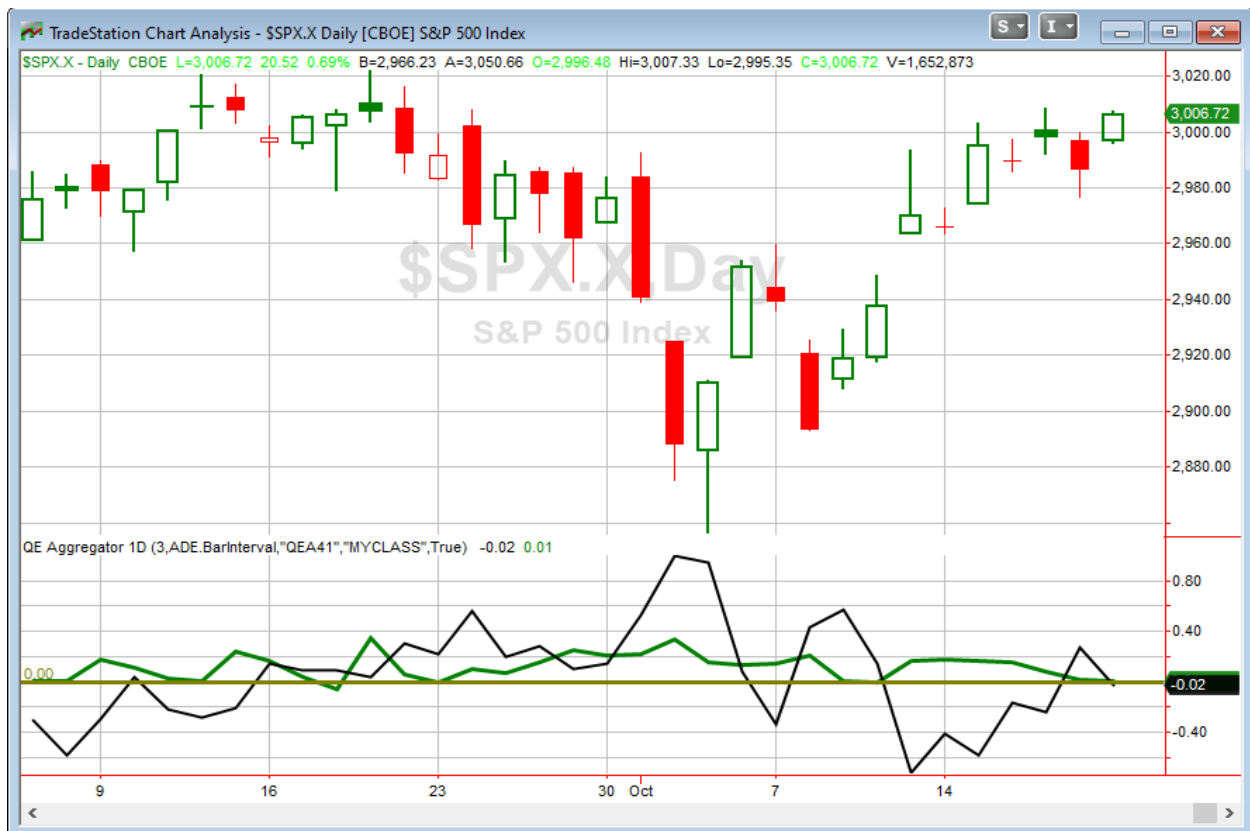
Monday was a rally day for the market. The SPX rose 0.7%, the NASDAQ gained 0.9%, and the Russell 2000 rallied 0.95%. Breadth was also positive as the NYSE Up Issues % was 66% and the Up Volume % came in at 67.5%. NYSE volume declined from Friday's typically high opex level.

As a newsletter writer sometimes the most challenging markets for me are ones like now, where the market is continuing to chop back and forth and strong edges simply are not emerging. That is because it leaves me with little to talk about. Monday was the 6<sup>th</sup> day in a row in which SPX closed in the opposite direction of the day before. It also marked the 7<sup>th</sup> day in a row in which VXO (the old calculation for the VIX) closed at least 10% below its 10-day moving average. That brought about an old Quantifinder study the last few days. So I decided tonight to look at other such 7-day streaks. What I found was not inspiring.

<p style="text-align: center;"><b>\$VXO closes more than 10% below its 10ma for exactly the 7th day in a row.</b>                      Buy SPX on close. Sell X days later. \$100k/trade. 1990 - present.</p>												
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	1,316.42	17	11	6	64.71	2,443.20	-4,134.12	1,071.59	-1,745.19	0.61	1.13	77.44
4	1,375.80	17	12	5	70.59	2,331.45	-3,289.53	873.29	-1,820.74	0.48	1.15	80.93
3	1,938.54	17	11	6	64.71	1,650.00	-3,516.39	945.90	-1,411.05	0.67	1.23	114.03
2	-841.48	17	9	8	52.94	2,723.04	-2,182.68	748.99	-947.80	0.79	0.89	-49.50
1	-1,047.95	17	6	11	35.29	1,560.24	-1,592.21	628.53	-438.10	1.43	0.78	-61.64

It is quite unusual that VXO remains stretched to the downside for such an extended period. But past occurrences have not seen a consistent tendency over the next several days. So much to my chagrin, there is little interesting to discuss tonight, and nothing to add to the Active List.

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



Without any new evidence being added tonight, the green Aggregator Line remained slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line dipped slightly 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. And they don't get more neutral than this with both lines sitting almost on zero. Therefore, the Aggregator signal turned flat at the close.

With the intermediate-term evidence pointing higher and short-term evidence completely lacking, expectations are set to remain slightly bullish on Tuesday. Of course expectations over the next few days will be highly dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be *inverted* at 3010.21 on Tuesday. That is 0.1% *above* Monday'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 over 0.1% in order to remain overbought. If it fails to do so, it will be considered "oversold" vs expectations as of Tuesday's close.

So the Aggregator is neutral, short-term evidence is lacking, and the Differential Pivot is inverted. There are no compelling directional studies suggesting a strong short-term edge. I simply do not see a good reason to get involved in a new short-term position right here. So I will continue to wait until a compelling reward/risk opportunity does emerge.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 10/21 – bullish***

The intermediate-term outlook was last updated in the 10/21/19 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.**

**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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