

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 23, 2019

Volume 12 Issue 205

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- When SPX has posted a 20-day high and a poor close in the past it has led to short-term gains.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish, but the market remains choppy and reward/risk is underwhelming. I am not viewing this as a great buying opportunity.

*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>						
October 23, 2019	SPX 20-day high, then close btm 10%	1-3 days	Bullish			
<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			

**The Evidence**

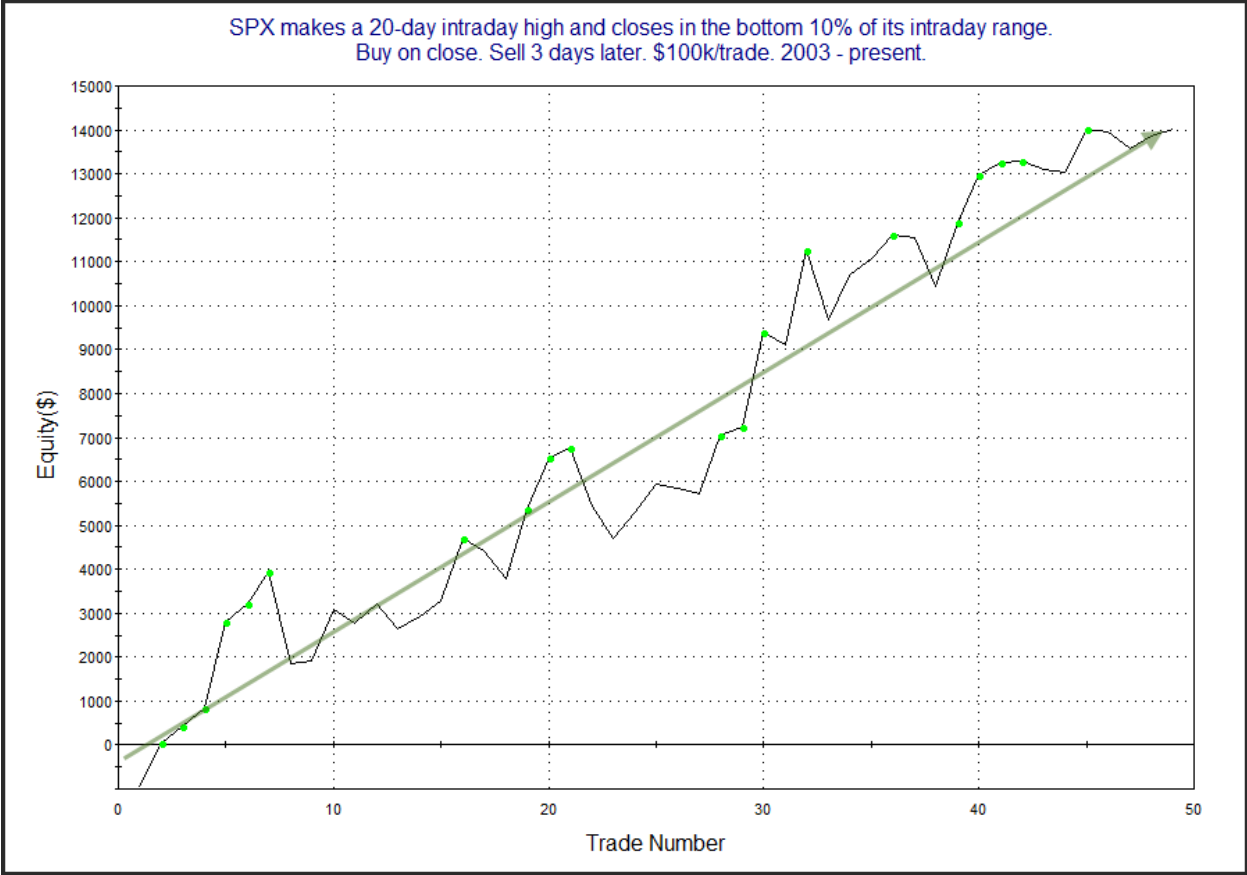
The chop continued on Tuesday, with SPX reversing direction for the 7<sup>th</sup> day in a row – this time down. The SPX declined 0.4%, the NASDAQ fell 0.7%, and the Russell 2000 managed to hold onto a small 0.05%. Breadth was positive as the NYSE Up Issues % was 58% and the Up Volume % came in at 60%. NYSE volume declined some from Monday’s level.

Before tanking in the afternoon, the SPX managed to make a new 20-day intraday high. The new high followed by a poor and downward close triggered the study below, which was last seen in the 12/5/17 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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
10	37,002.00	44	31	13	70.45	4,119.18	-3,210.80	1,814.46	-1,480.49	1.23	2.92	840.95
9	34,297.70	44	32	12	72.73	3,613.36	-3,775.10	1,667.42	-1,588.31	1.05	2.80	779.49
8	32,923.42	45	33	12	73.33	4,483.84	-3,803.24	1,626.54	-1,729.38	0.94	2.59	731.63
7	28,117.39	46	34	12	73.91	3,761.94	-4,159.32	1,439.15	-1,734.47	0.83	2.35	611.25
6	26,300.52	47	35	12	74.47	3,331.38	-2,942.40	1,236.81	-1,415.65	0.87	2.55	559.59
5	14,995.18	47	32	15	68.09	2,693.34	-3,566.84	923.93	-971.36	0.95	2.03	319.05
4	10,830.04	49	32	17	65.31	2,531.61	-2,332.44	863.06	-987.52	0.87	1.65	221.02
3	14,026.47	49	31	18	63.27	2,159.82	-2,091.82	805.10	-607.32	1.33	2.28	286.25
2	9,317.60	49	27	22	55.10	3,288.48	-1,575.22	766.25	-516.87	1.48	1.82	190.16
1	5,616.83	50	31	19	62.00	1,710.72	-1,194.83	476.21	-481.35	0.99	1.61	112.34

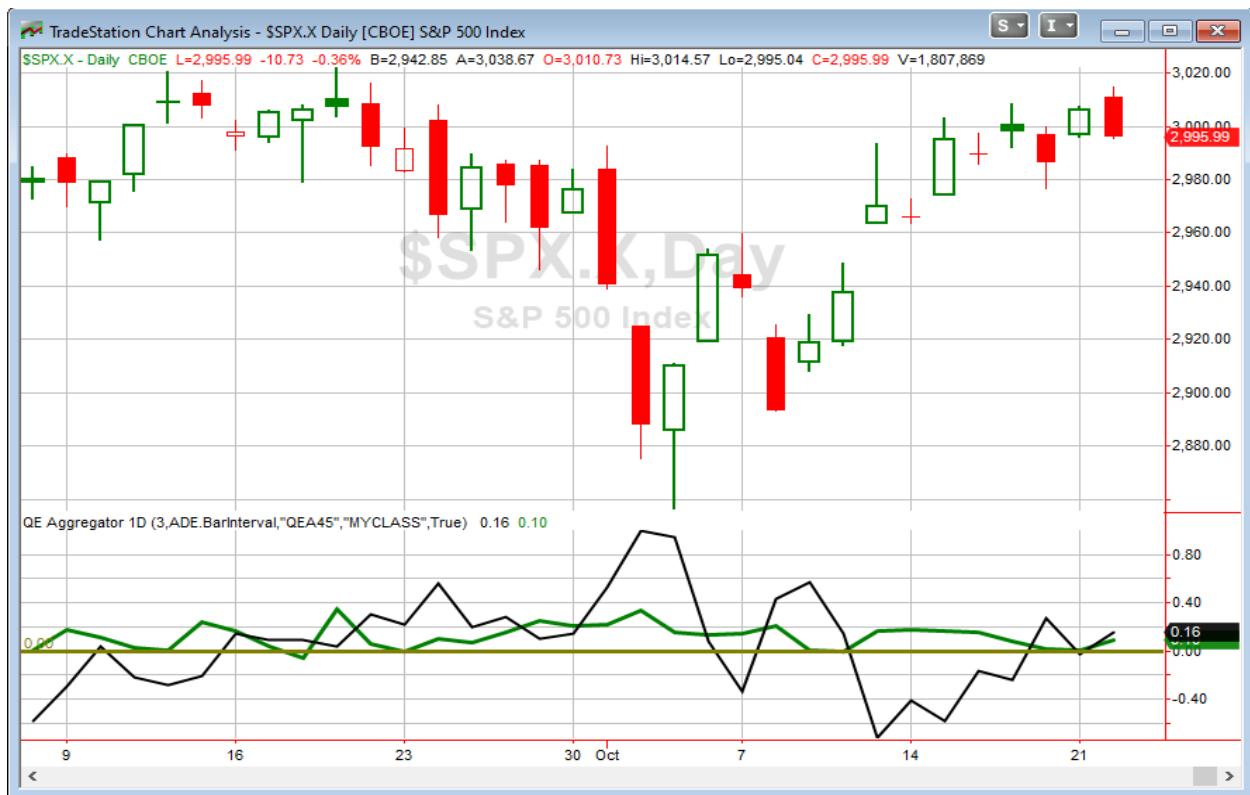
**48 of 50 instances (96%) closes above the entry price at some point in the next week. The 2 that failed triggered on 12/30 and 12/31/2004.**

Results here seem to suggest an upside edge. The 7-10 day profit curves have stumbled a little bit recently, but the 3-day remains strong and I have pasted it below.



The persistent upslope appears to confirm the upside edge suggested by the statistics. I have included this study on 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 rose back 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 Active Study List, expectations are slated to remain positive on Wednesday. Of course, this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 2994.23 on Wednesday. That is a little less than 0.1% *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 about 0.1% in order to remain oversold. If it fails to do so, it will be considered "overbought" vs expectations as of Wednesday's close.

So the Aggregator is now bullish. Unfortunately, it still does not look like a great reward/risk setup. I say this due to the inverted Differential Pivot. Generally I view inverted pivots as opportune times to take profits on trades. I do not view them as opportune times to take on new positions. This is because upside is so limited. With an inverted pivot, any close in the direction of expectations will mean the end of the signal. So profit potential is limited to less than 1 day. I

prefer looking for multi-day opportunities. So as I typically do under similar circumstances, I will stand aside and see if an opportunity arises with more substantial profit potential.

***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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