

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 25, 2019

Volume 12 Issue 207

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPX broke out to a 50-day high for the 1st time in a while, but volume was not what we would prefer to see when looking for additional follow through.

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						
October 23, 2019	SPX 20-day high, then close btm 10%	1-3 days	Bullish			
Active - Long Term						
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

On Thursday the SPX broke its recent pattern of reversing direction every day and actually closed higher for the 2nd day in a row. But not all indices were higher. The SPX rose 0.2%, the NASDAQ gained 0.8%, but the Russell 2000 declined 0.2%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 38%. NYSE volume rose some from Wednesday's level.

Not only did SPX close up for the 2nd day in a row, it actually closed at a 50-day, and the highest level since July. Days where the market breaks out to a new high for the 1st time in a while will often give some clues as to the likely additional follow-through. One indicator that helps to give clues is the volume on the breakout. In the past I have broken down volume by time it came in 1) lower, 2) the highest in 20 days, and 3) higher, but not the highest level in 20 days. I last showed these studies in the 6/4/18 and have updated them below. First let's take a look at breakouts that came on NYSE volume that was lower than the day before.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	35,788.58	61	35	26	57.38	11,088.84	-8,157.10	2,525.68	-2,023.48	1.25	1.68	586.70
19	34,530.37	62	36	26	58.06	9,628.99	-9,056.82	2,398.95	-1,993.53	1.20	1.67	556.94
18	36,492.70	62	39	23	62.90	11,076.80	-9,094.80	2,301.89	-2,316.57	0.99	1.68	588.59
17	34,865.14	62	39	23	62.90	10,017.28	-8,682.96	2,308.57	-2,398.66	0.96	1.63	562.34
16	37,475.18	62	40	22	64.52	10,944.36	-9,243.81	2,256.38	-2,399.09	0.94	1.71	604.44
15	32,857.76	62	42	20	67.74	8,166.13	-9,354.92	2,023.56	-2,606.59	0.78	1.63	529.96
14	37,105.59	64	45	19	70.31	7,314.30	-6,525.68	1,831.20	-2,384.13	0.77	1.82	579.77
13	38,295.07	65	43	22	66.15	7,780.85	-5,160.09	1,850.10	-1,875.42	0.99	1.93	589.15
12	24,730.27	65	37	28	56.92	5,996.75	-4,539.14	1,881.92	-1,603.60	1.17	1.55	380.47
11	19,070.04	65	35	30	53.85	5,809.60	-6,029.07	1,834.05	-1,504.06	1.22	1.42	293.39
10	18,918.80	65	34	31	52.31	5,960.00	-4,324.52	1,822.27	-1,388.33	1.31	1.44	291.06
9	24,803.05	65	41	24	63.08	5,147.20	-5,812.26	1,524.97	-1,571.69	0.97	1.66	381.59
8	30,292.35	65	45	20	69.23	5,096.00	-4,186.55	1,364.71	-1,555.97	0.88	1.97	466.04
7	33,892.13	65	43	22	66.15	4,655.00	-3,211.35	1,311.11	-1,022.07	1.28	2.51	521.42
6	48,532.50	65	46	19	70.77	5,002.50	-3,563.65	1,367.94	-757.51	1.81	4.37	746.65
5	50,067.70	65	48	17	73.85	4,482.50	-3,693.73	1,385.40	-966.56	1.43	4.05	770.27
4	33,639.45	65	46	19	70.77	4,440.00	-2,913.85	1,137.38	-983.16	1.16	2.80	517.53
3	32,468.51	65	44	21	67.69	3,950.00	-1,802.37	1,081.94	-720.80	1.50	3.14	499.52
2	19,155.83	65	43	22	66.15	2,212.98	-1,912.60	765.06	-624.62	1.22	2.39	294.71
1	7,761.17	65	41	24	63.08	1,384.02	-1,921.32	441.15	-430.24	1.03	1.75	119.40

Numbers here are pretty good, and suggest a good chance at follow through over the next week. Next let's look at breakouts on very high volume.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is the highest in at least 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	13,031.24	41	22	19	53.66	8,953.20	-8,308.32	3,632.58	-3,520.30	1.03	1.19	317.84
19	9,552.80	41	23	18	56.10	8,942.40	-7,980.00	3,409.41	-3,825.76	0.89	1.14	233.00
18	20,487.18	41	23	18	56.10	9,613.50	-7,323.36	3,674.90	-3,557.53	1.03	1.32	499.69
17	14,495.33	41	24	17	58.54	9,069.84	-8,144.90	3,274.62	-3,770.32	0.87	1.23	353.54
16	20,007.40	41	23	18	56.10	8,048.82	-8,109.35	3,530.65	-3,399.87	1.04	1.33	487.99
15	13,894.74	41	23	18	56.10	7,668.00	-8,358.20	3,424.99	-3,604.45	0.95	1.21	338.90
14	16,279.91	41	23	18	56.10	8,128.38	-8,338.45	3,302.74	-3,315.73	1.00	1.27	397.07
13	23,912.30	41	24	17	58.54	7,478.64	-8,251.55	3,054.35	-2,905.42	1.05	1.48	583.23
12	20,404.52	41	23	18	56.10	7,352.31	-8,757.15	2,796.65	-2,439.91	1.15	1.46	497.67
11	26,835.40	41	26	15	63.41	6,782.40	-6,975.70	2,514.89	-2,570.12	0.98	1.70	654.52
10	30,154.41	41	24	17	58.54	6,199.20	-3,730.08	2,487.82	-1,738.42	1.43	2.02	735.47
9	27,719.41	41	24	16	58.54	6,418.16	-3,113.22	2,272.85	-1,676.82	1.36	2.03	676.08
8	29,414.70	41	24	17	58.54	6,220.34	-2,943.34	2,245.80	-1,440.27	1.56	2.20	717.43
7	30,234.26	41	25	16	60.98	5,264.21	-2,946.00	2,017.12	-1,262.11	1.60	2.50	737.42
6	33,027.27	41	28	13	68.29	4,695.76	-3,093.30	1,753.17	-1,235.50	1.42	3.06	805.54
5	29,294.27	41	26	15	63.41	4,771.60	-2,562.72	1,655.48	-916.55	1.81	3.13	714.49
4	20,358.72	41	26	15	63.41	3,165.12	-1,948.21	1,266.35	-837.76	1.51	2.62	496.55
3	17,058.61	41	26	15	63.41	2,989.36	-2,188.15	1,086.30	-745.67	1.46	2.53	416.06
2	27,121.51	41	27	13	65.85	3,813.53	-1,259.60	1,181.81	-368.26	3.21	6.67	661.50
1	15,065.40	41	29	12	70.73	2,755.52	-1,292.50	648.11	-310.81	2.09	5.04	367.45

Again good numbers over the next week suggest the very high volume can generate some follow through momentum. Lastly, let's look at just moderately higher volume.

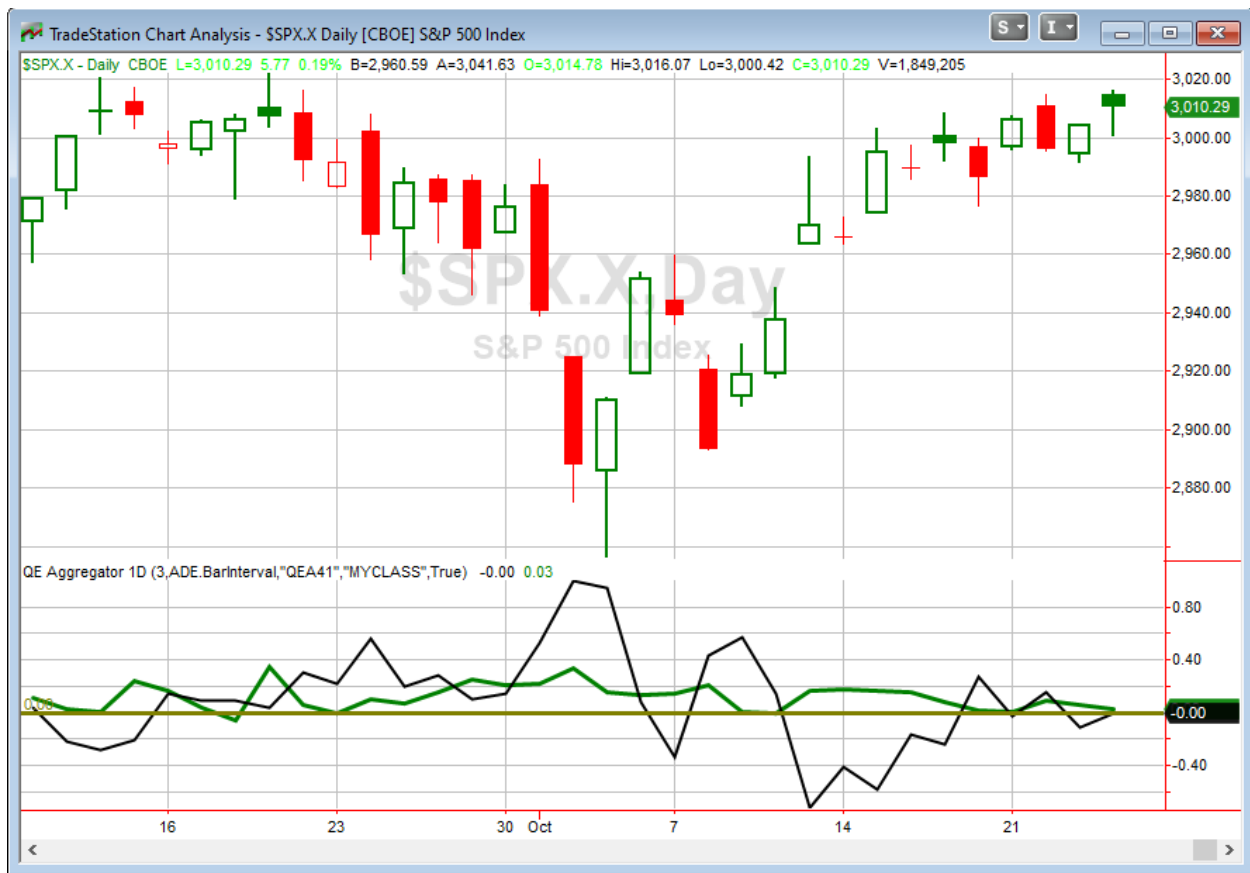
SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is > yesterday but < a 20-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - present.

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
20	7,869.48	101	50	51	49.50	13,401.70	-11,541.15	3,256.15	-3,038.00	1.07	1.05	77.92
19	17,738.31	101	53	48	52.48	9,135.36	-11,854.89	3,064.53	-3,014.20	1.02	1.12	175.63
18	22,465.02	102	56	46	54.90	9,503.00	-10,293.66	2,866.36	-3,001.11	0.96	1.16	220.25
17	14,998.64	102	56	46	54.90	9,962.68	-9,419.67	2,758.03	-3,031.54	0.91	1.11	147.05
16	9,845.59	104	57	47	54.81	8,910.72	-9,482.88	2,593.95	-2,936.38	0.88	1.07	94.67
15	16,893.67	104	56	48	53.85	8,150.48	-9,608.60	2,523.19	-2,591.77	0.97	1.14	162.44
14	929.80	104	58	46	55.77	7,702.40	-10,120.46	2,296.72	-2,875.66	0.80	1.01	8.94
13	-1,060.33	104	55	49	52.88	7,911.80	-9,725.34	2,284.84	-2,586.25	0.88	0.99	-10.20
12	-5,290.58	105	57	48	54.29	10,197.98	-9,869.02	2,132.41	-2,642.45	0.81	0.96	-50.39
11	406.01	105	55	50	52.38	10,380.37	-9,482.88	2,214.05	-2,427.34	0.91	1.00	3.87
10	-6,210.53	105	53	52	50.48	10,515.18	-8,683.66	2,102.37	-2,262.23	0.93	0.95	-59.15
9	-1,088.35	105	51	54	48.57	8,413.73	-6,878.68	2,081.61	-1,986.12	1.05	0.99	-10.37
8	-6,133.91	105	57	48	54.29	8,532.68	-7,076.24	1,644.22	-2,080.30	0.79	0.94	-58.42
7	10,924.36	105	56	49	53.33	6,337.26	-7,255.84	1,684.44	-1,702.12	0.99	1.13	104.04
6	7,786.97	105	58	47	55.24	6,819.80	-7,103.18	1,458.39	-1,634.03	0.89	1.10	74.16
5	3,256.79	105	51	54	48.57	8,516.82	-6,088.44	1,514.19	-1,369.76	1.11	1.04	31.02
4	-3,336.13	105	57	48	54.29	6,716.71	-5,585.56	1,216.41	-1,513.98	0.80	0.95	-31.77
3	8,088.64	105	60	45	57.14	6,740.50	-5,361.06	1,111.64	-1,302.44	0.85	1.14	77.03
2	2,949.56	105	62	43	59.05	4,028.44	-4,276.16	758.46	-1,025.00	0.74	1.07	28.09
1	9,204.57	105	59	46	56.19	2,731.56	-2,722.61	512.25	-456.92	1.12	1.44	87.66

These results look quite a bit different. There does not seem to be any edge suggested. And unfortunately, this is the setup that triggered on Thursday's breakout. So SPX made a 50-day high, and we may see further follow through over the next several days, but odds of that appear about breakeven.

I will also note that the "breakout" was not exactly convincing for a few other reasons. 1) While a new closing high was achieved, a new intraday high was not. 2) SPY did not make a new high (largely thanks to the September ex-div). 3) The DJI, Russell 2000 and NASDAQ composite all failed to close at a 50-day high.

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



Without any compelling 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 held just 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 stayed flat at the close.

The last of the short-term studies is set to expire on Friday. So any new studies that emerge will have a substantial impact on expectations over the next few days. Of course if nothing new emerges, then expectations will remain slightly positive based on the intermediate-term evidence. Meanwhile, the Differential Pivot will be 2999.69 on Friday. That is 0.35% below Thursday's close. So SPX will need to close down at least 0.35% on Friday in order to flip from overbought to oversold versus recent expectations.

The Aggregator is still neutral. Evidence is still underwhelming. And the SPX is neither strongly overbought nor oversold. I am still not seeing a compelling directional edge. While it feels like it has been a long time since there was a compelling edge to play from an index standpoint, it won't last forever. I'll continue to exercise patience until the next favorable opportunity emerges.

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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