

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 8, 2019

Volume 12 Issue 217

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The intraday high, unfilled gap, and weak close imply short-term strength.

Short-term Outlook

The Bottom Line

Like last night, the Aggregator is bullish. But with SPX long-extended without a pullback, I am inclined to wait for a more favorable 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
Active - Short Term						
November 5, 2019	2 unfilled gaps up & 50-day high	1-3 days	Bullish			
October 31, 2019	SPX 100-day high on Fed Day	1-8 days	Bullish	1.70%	-0.95%	-1.60%
Active - Long Term						
November 5, 2019	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.20%	-7.90%
October 28, 2019	NASDAQ Leading	int term	Bullish			
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

Thursday saw a big start to the day, but the market lost steam late in the day and finished near its low. That finish was still positive, though. The SPX, NASDAQ, and the Russell 2000 all closed up about 0.3%. Breadth was mixed as the NYSE Up Issues % was 46% and the Up Volume % came in at 56%. NYSE volume dipped from Wednesday's high level.

Earlier this week, in the 11/5/19 Letter, I ran a test of performance following unfilled upside gaps that make a 20-day high. I broke out the results by times the SPY closed above the open versus times where it closed below the open. I updated those studies below.

First let's look at times (unlike Thursday) where the finish was relatively strong:

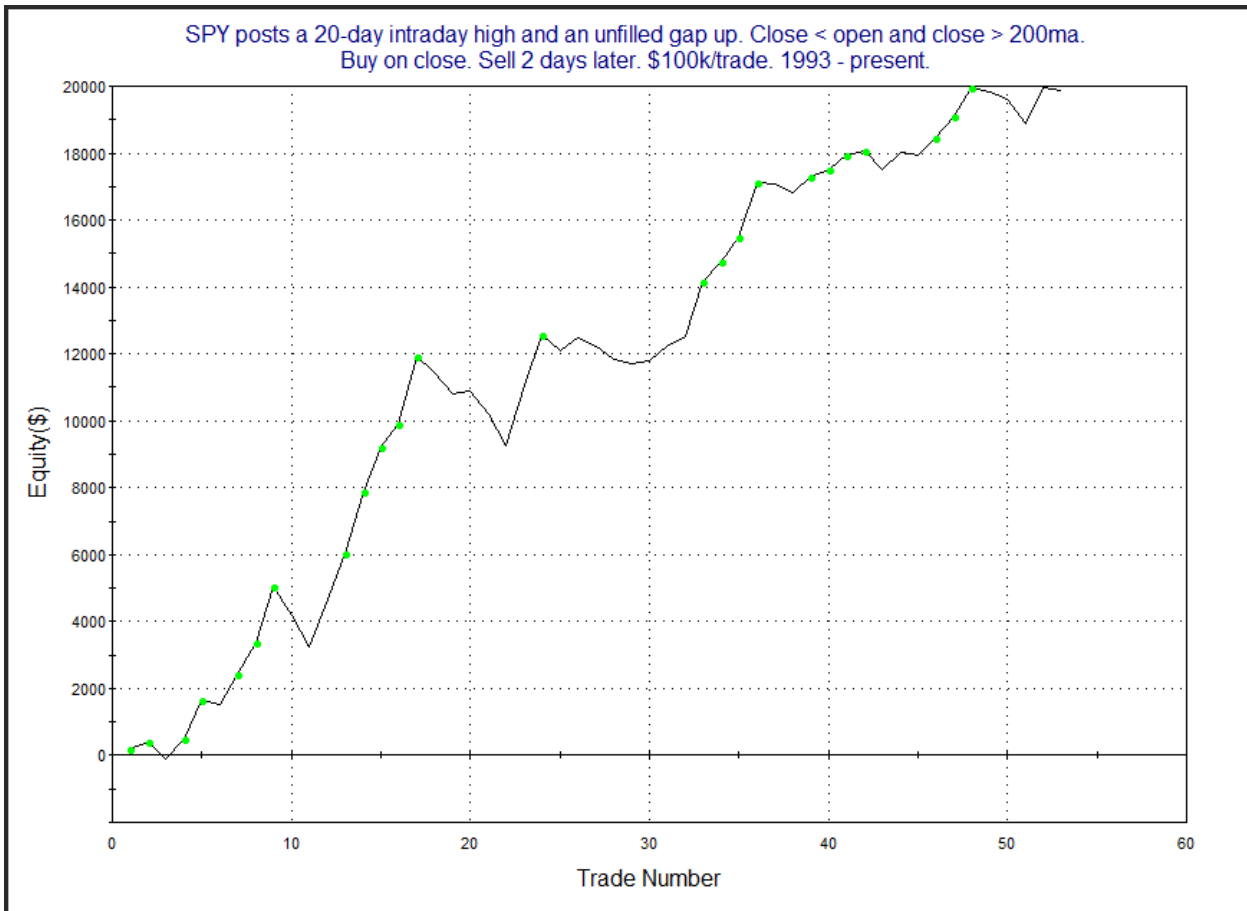
SPY posts a 20-day intraday high and an unfilled gap up. Close > open and close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	18,961.34	176	107	67	60.80	6,056.96	-8,727.84	1,429.19	-1,999.44	0.71	1.14	107.73
9	17,705.52	184	113	70	61.41	5,404.74	-10,074.60	1,328.16	-1,891.10	0.70	1.13	96.23
8	10,237.02	191	114	75	59.69	5,456.48	-6,580.68	1,218.64	-1,715.84	0.71	1.08	53.60
7	10,622.87	198	119	77	60.10	5,145.60	-6,072.60	1,148.27	-1,636.64	0.70	1.08	53.65
6	10,863.70	212	117	93	55.19	4,931.26	-7,882.20	1,028.51	-1,177.12	0.87	1.10	51.24
5	13,608.62	224	125	97	55.80	4,539.48	-3,873.24	918.87	-1,043.82	0.88	1.13	60.75
4	20,145.39	242	134	107	55.37	4,627.26	-3,532.12	880.50	-914.41	0.96	1.21	83.25
3	-3,936.71	258	144	112	55.81	2,659.03	-5,080.34	644.07	-863.24	0.75	0.96	-15.26
2	-3,074.23	285	152	130	53.33	2,545.92	-3,016.48	508.49	-618.19	0.82	0.96	-10.79
1	2,418.43	307	154	152	50.16	2,380.38	-2,817.32	354.24	-342.99	1.03	1.05	7.88

There doesn't appear to be any edge in either direction here. Now let's examine times like the present where SPY closed below the open.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - 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	38,782.06	44	29	15	65.91	4,838.35	-4,810.68	1,907.80	-1,102.95	1.73	3.34	881.41
9	32,793.82	45	34	11	75.56	3,741.10	-5,564.16	1,439.82	-1,469.09	0.98	3.03	728.75
8	28,039.83	45	31	13	68.89	3,352.48	-6,021.40	1,456.63	-1,316.60	1.11	2.64	623.11
7	25,206.58	47	29	18	61.70	3,751.55	-4,952.36	1,527.78	-1,061.06	1.44	2.32	536.31
6	23,375.80	47	29	18	61.70	4,159.10	-6,414.24	1,484.68	-1,093.33	1.36	2.19	497.36
5	17,081.84	47	26	21	55.32	3,754.17	-4,540.20	1,229.91	-709.33	1.73	2.15	363.44
4	19,142.21	48	34	14	70.83	3,436.02	-2,228.24	876.71	-761.86	1.15	2.79	398.80
3	24,305.57	51	36	14	70.59	2,362.10	-2,427.88	915.27	-617.45	1.48	3.81	476.58
2	19,854.24	53	33	20	62.26	1,998.70	-926.12	859.81	-425.98	2.02	3.33	374.61
1	8,033.21	54	34	20	62.96	1,708.92	-1,015.84	448.81	-361.31	1.24	2.11	148.76

These results are substantially better than earlier where the finish was above the open. The weak finish should not concern bulls, in fact it appears they should be excited by it. Below is an equity curve that shows how the edge has played out over time.



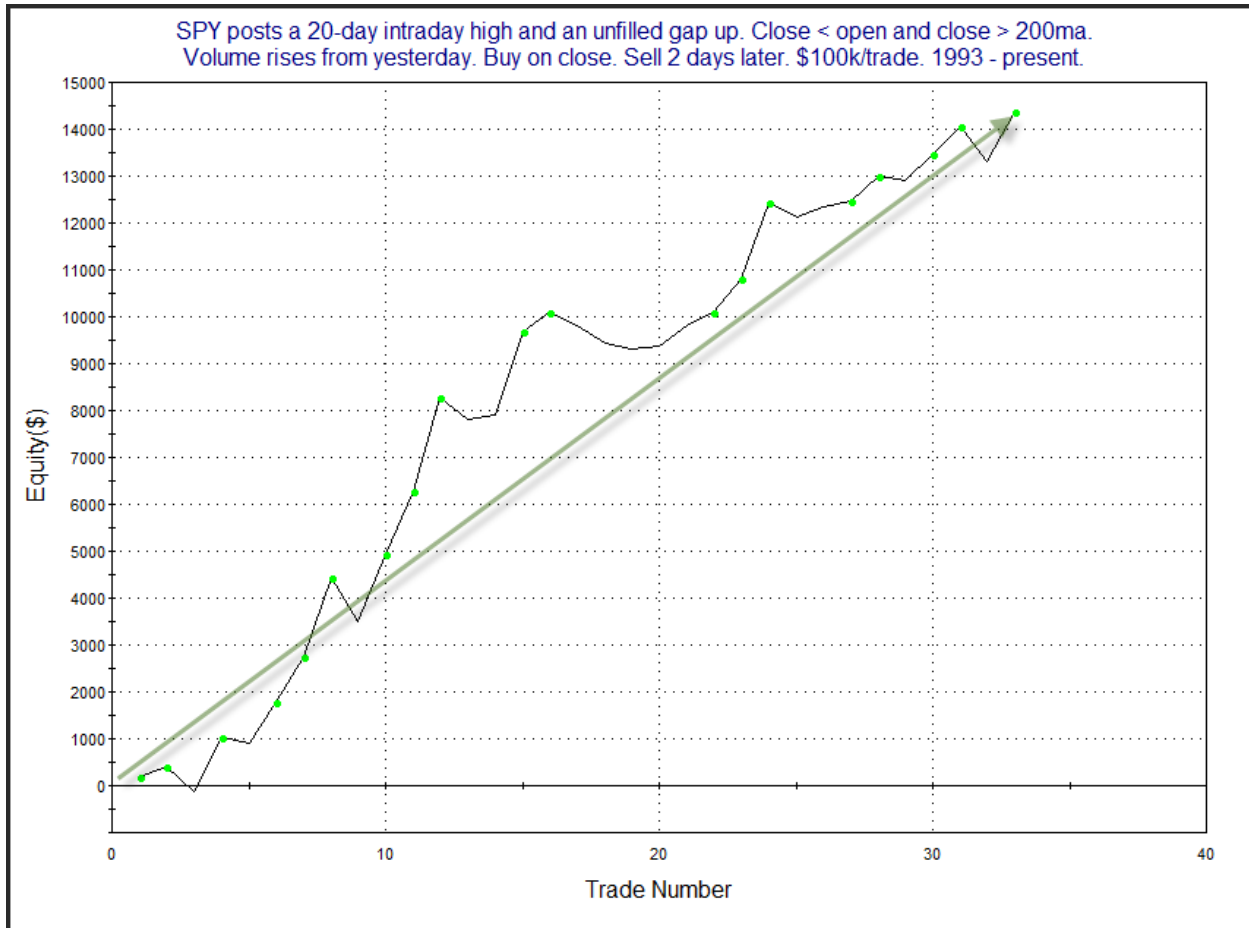
The upslope here is persistent and rather impressive.

In the 7/25/18 letter I looked at a very similar study. This one simply added a filter saying that the SPY volume came in higher than the day before.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and close > 200ma. Volume rises from yesterday. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	31,043.07	29	19	10	65.52	3,751.11	-2,117.20	2,060.90	-811.40	2.54	4.83	1,070.45
9	25,022.33	29	23	6	79.31	3,393.26	-1,837.44	1,374.90	-1,100.05	1.25	4.79	862.84
8	21,505.45	29	21	7	72.41	3,352.48	-1,581.20	1,328.96	-914.66	1.45	4.36	741.57
7	21,820.31	30	20	10	66.67	3,310.89	-1,451.12	1,478.21	-774.39	1.91	3.82	727.34
6	20,261.61	30	20	10	66.67	3,008.79	-2,000.96	1,406.26	-786.36	1.79	3.58	675.39
5	14,137.49	31	16	15	51.61	3,754.17	-1,879.20	1,305.52	-450.06	2.90	3.09	456.05
4	15,990.74	31	24	7	77.42	3,436.02	-1,816.43	835.05	-578.64	1.44	4.95	515.83
3	18,158.25	32	25	6	78.13	2,056.39	-1,718.70	834.83	-452.10	1.85	7.69	567.45
2	14,381.47	33	23	10	69.70	1,998.70	-926.12	796.16	-393.02	2.03	4.66	435.80
1	9,528.19	33	26	7	78.79	1,708.92	-626.82	449.20	-307.30	1.46	5.43	288.73

31 of 33 instances (94%) closed above the entry price at some point in the next 3 trading days.

These numbers are even stronger than the ones we saw earlier without the volume filter. Below I have included the 2-day equity curve.



The strong steady upslope appears to confirm the bullish edge. I have added this study to the active list tonight.

Last night I mentioned that SPX (and SPY) had closed above the 10ma for 20 consecutive days. Today I'll note something even more remarkable. SPY has now gone 20 days without ever even touching its 10ma. Not even a single intraday dip to probe below the 10ma in about a month. That's quite rare. I was able to find only 5 other instances looking back to the inception of SPY in 1993. I have listed them below along with stats on how long it took to finally touch the 10ma.

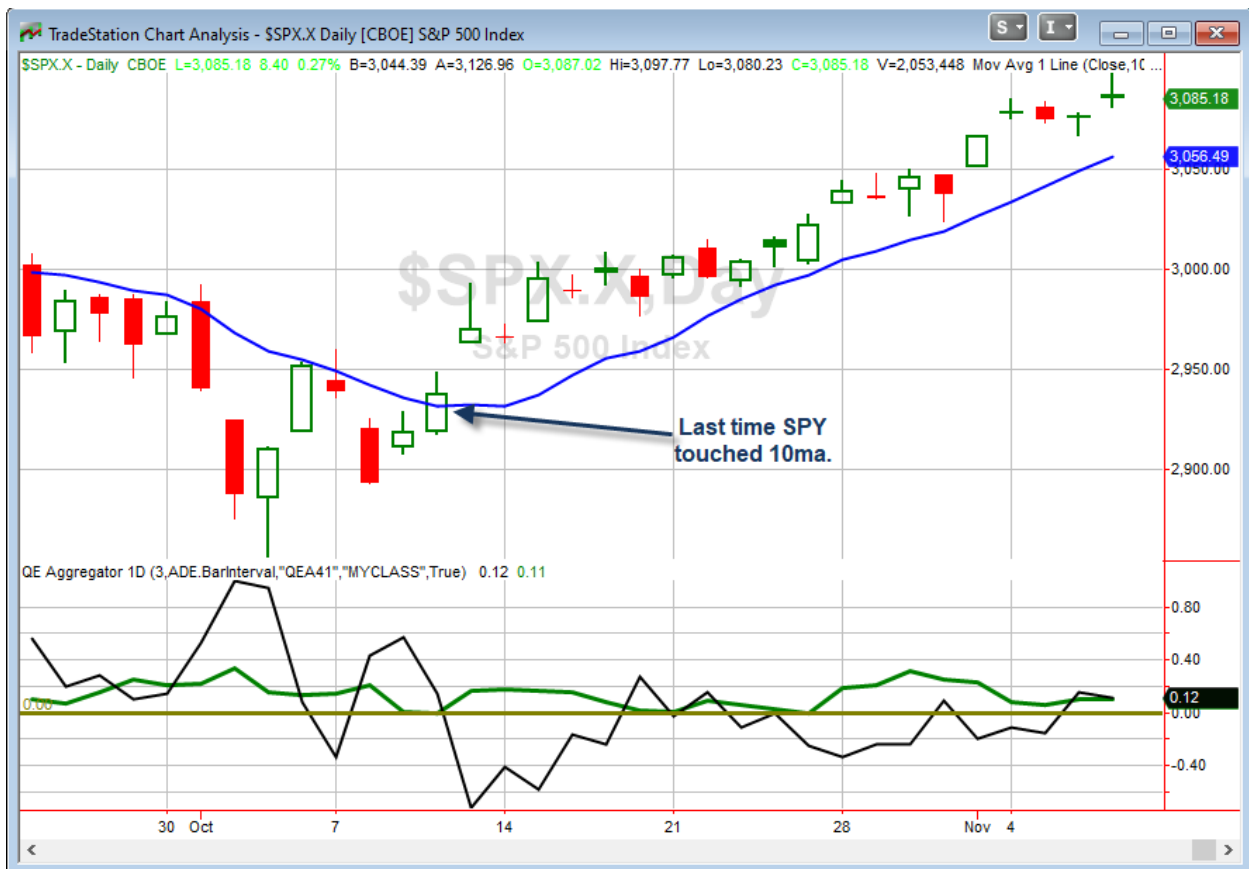
SPY spends 20 days above the 10ma without ever touching it. Enter on close.
Exit on intraday touch of 10ma.

Date	Ex. date	# bars	% chg
12/2/1996	12/3/1996	1	-0.75%
11/28/2005	11/30/2005	2	-0.38%
8/10/2009	8/11/2009	1	-1.12%
5/21/2013	5/22/2013	1	-1.13%
11/17/2014	11/20/2014	3	-0.02%
11/7/2019	??	??	0.00%

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Too few instances to make anything out of, but it does drive home the point that the market is overdue some kind of pullback.

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



With tonight's new evidence to consider, 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.

With the current list of studies, expectations are slated to remain positive on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3086.40 on Friday. That is less than 0.1% above Thursday's close. Therefore, SPX will only need to close up 0.1% on Friday in order to flip from "oversold" to "overbought" versus recent expectations.

So the Aggregator remains bullish. But just about any up close will mean the end of that signal. And as I showed above, the market is overdue some kind of a dip. So I'm still inclined to wait for a better setup before putting on a new index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/4 – bullish

The intermediate-term outlook was last updated in the 11/4/19 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

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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