

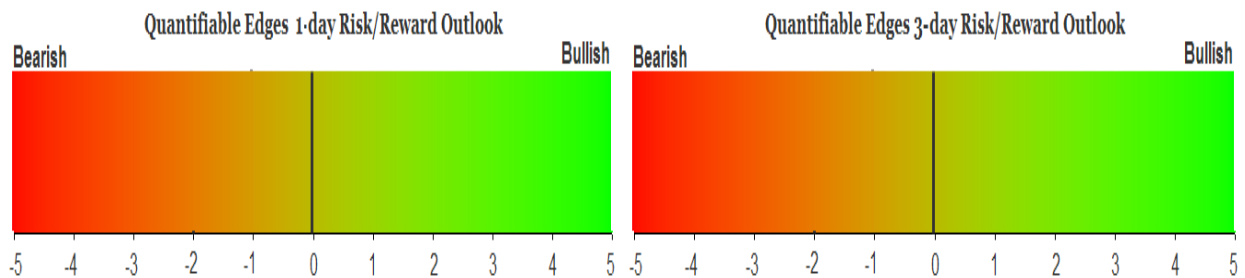
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 12, 2019

Volume 12 Issue 219

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day, but that has not been the case as much in recent years.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too.

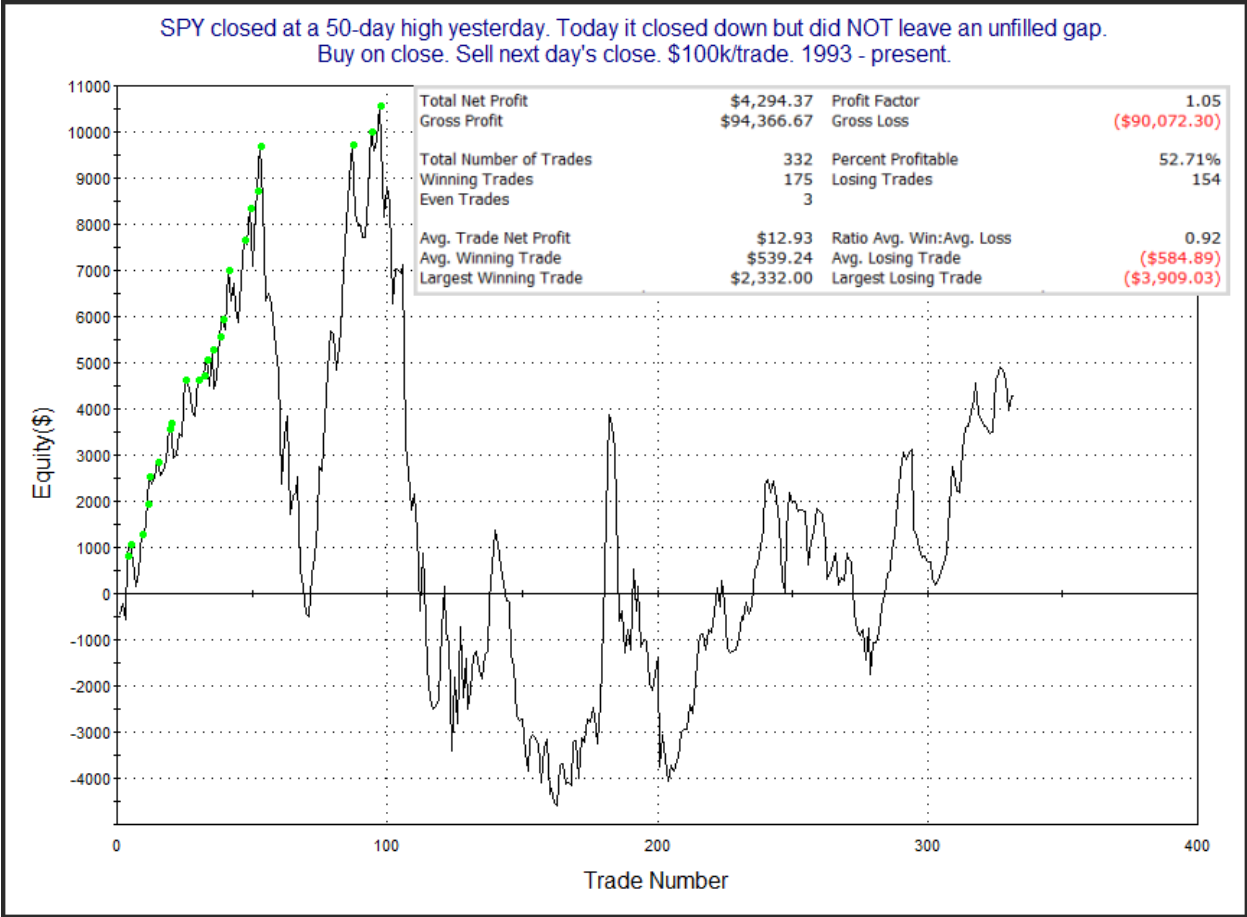
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
November 11, 2019	"not QE"	int term	Bullish			
November 5, 2019	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.20%	-7.90%
November 4, 2019	Presidential cycle + Best 6 mos bullish	6 months	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			
Dropped Tonight						
November 11, 2019	SPY up < 0.25%, but top 10% daily rng	1 day	Bearish			
November 8, 2019	20-high. Unfilled up gap. Close < open	1-2 days	Bullish			
October 31, 2019	SPX 100-day high on Fed Day	1-8 days	Bullish	1.70%	-0.95%	-1.60%

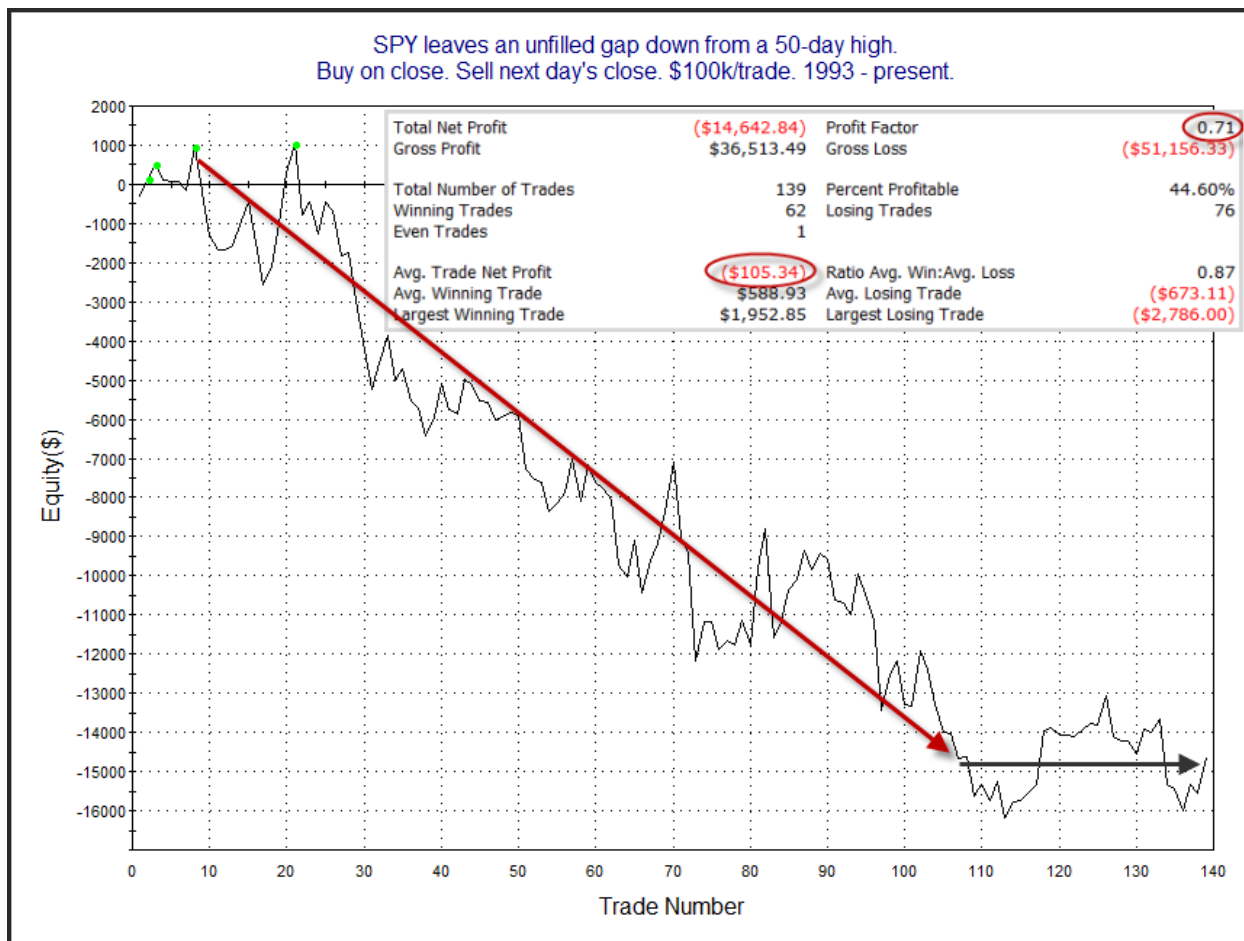
The Evidence

Monday started with a decent sized gap down And though the market put in rally attempts during the day, it never fully recovered. The SPX closed down 0.2%, the NASDAQ lost 0.1%, and the Russell 2000 fell 0.3%. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 39%. NYSE volume declined some from Friday's level.

The 1st day down from a high does not often suggest a strong edge. But when the 1st day down is accompanied by an unfilled gap, then it has more often been followed by another day of selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. The studies below demonstrate this. They are updated from the 11/1/19 letter. The 1st one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.



There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.

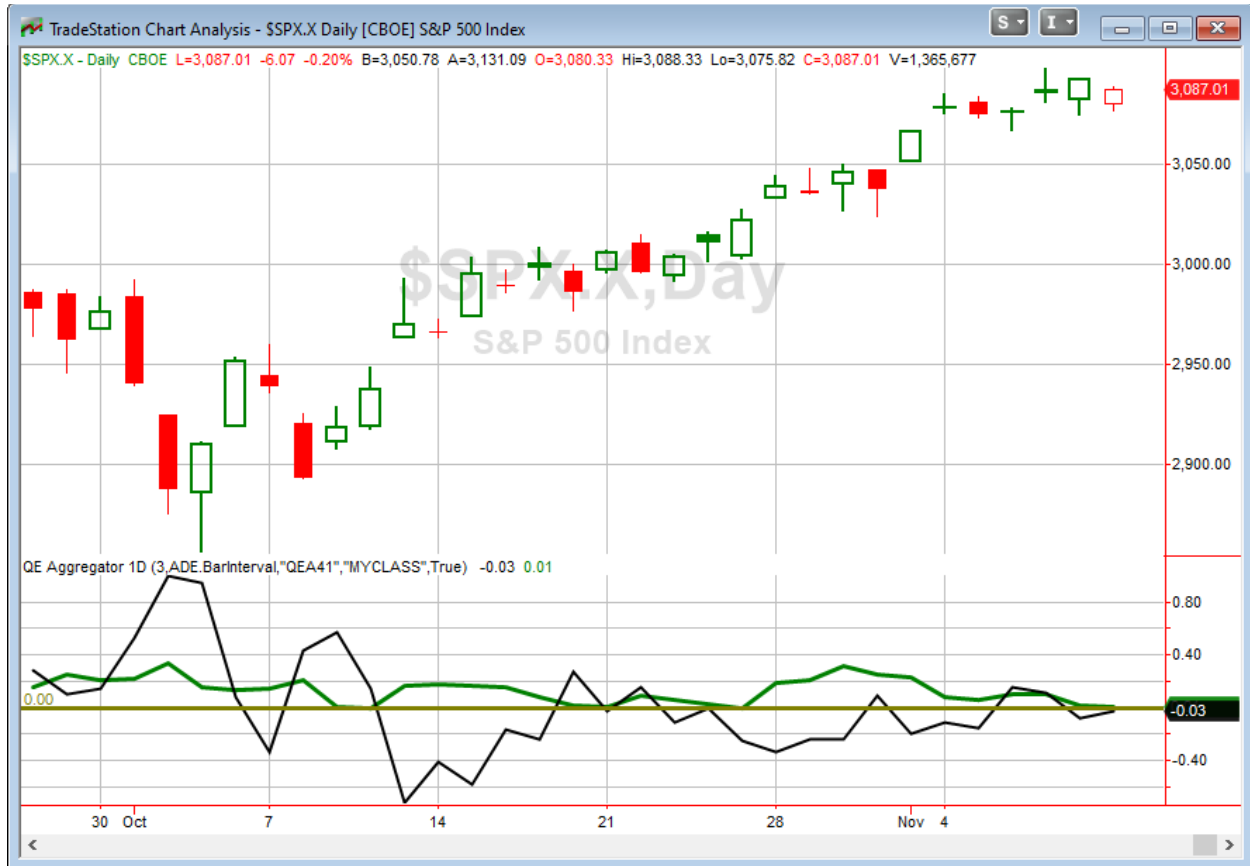


We see here that until that last few years there was a propensity for the market to put in another day of selling under these circumstances. While the curve looked like it was about to make new lows recently, it is now at a point where the last new low point was in 2016, and it is about even over the last 5 years. While I still believe this setup shows a greater chance of more selling on Tuesday than if there was NOT an unfilled gap down, I have decided to put it on hold as far as Active List inclusion.

I will also note that QQQ had the same pattern on Monday. To confirm what I was seeing in SPY, I also examined QQQ using the above tests. Results were similar in that the unfilled gap down had historically shown a greater propensity for further selling, but the tendency had not persisted in recent years. This solidified my decision to suspend the above study from inclusion at this time.

In Friday's letter I noted that SPY had gone 20 days above the 10ma without even touching it intraday. There had only been 5 other times where this occurred. It still has not happened. And if it does not tomorrow, then this will be the longest streak since SPY came into existence in 1993.

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



With the lack of compelling short-term evidence we are seeing, the green Aggregator Line remained just slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive and 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 short-term active list is now barren. So any new studies that emerge in the coming days will have a substantial impact on expectations. If nothing new emerges on Tuesday, then expectations will remain slightly positive based on the intermediate-term outlook. Meanwhile, the Differential Pivot will be *inverted* at 3093.51 on Tuesday. That is about 0.2% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up a little over 0.2% in order to remain overbought. Anything shy of that and it will flip to oversold versus expectations as of Tuesday's close.

I am feeling like a broken record, but the Aggregator is neutral, I am neutral, and I just don't see a compelling reason to get involved in new index positions right here. So I will continue to wait until a strongly favorable setup does emerge.

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

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