

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 13, 2019

Volume 12 Issue 220

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Despite being stretched to the upside, evidence suggest a pullback is imminent is weak.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence is weak and the SPX is “oversold” at an all-time high. Not the most appealing setup in my view.

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%

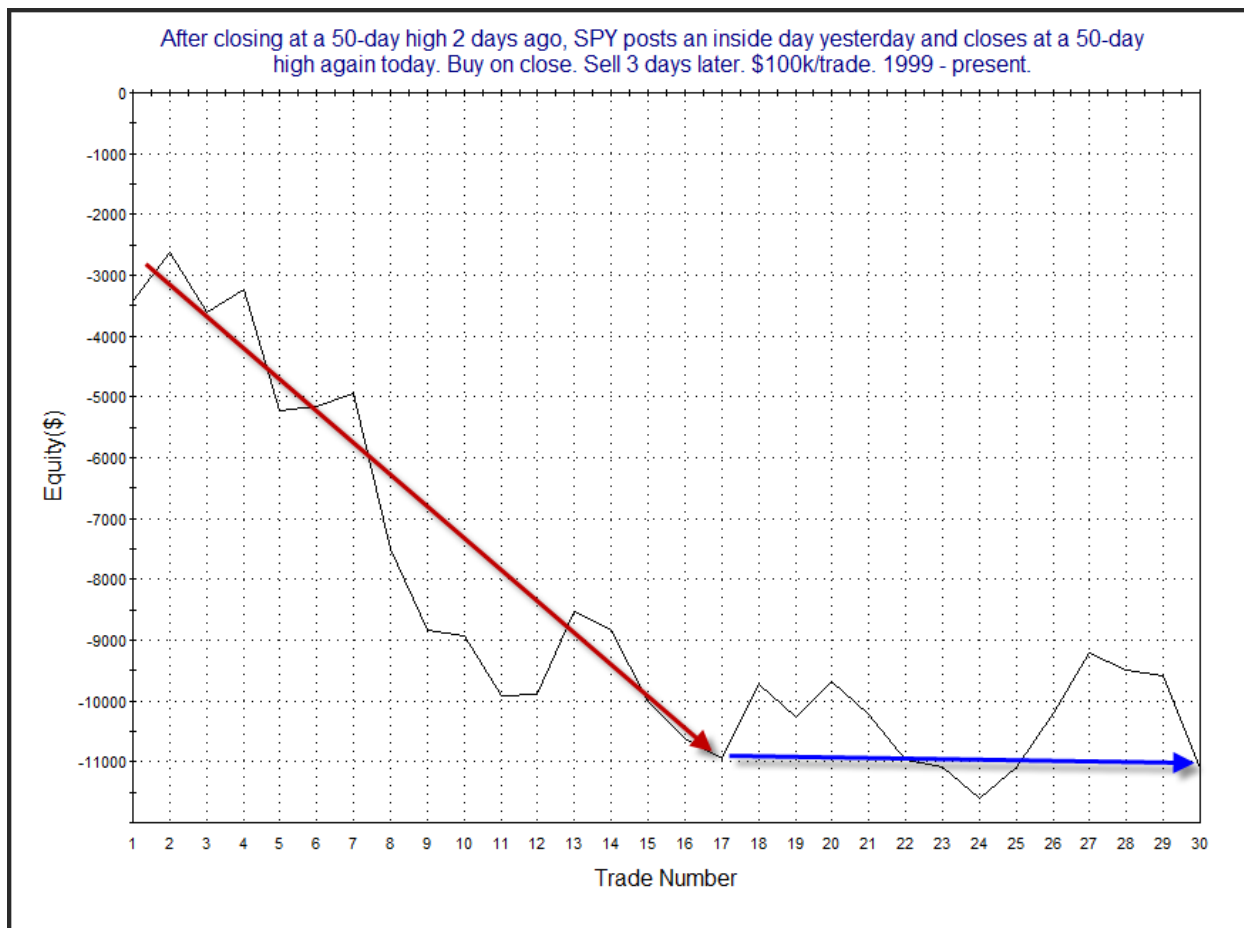
The Evidence

Tuesday had some back and forth action that finished moderately positive. The SPX finished up 0.2%, the NASDAQ gained 0.3%, and the Russell 2000 rose 0.02%. Breadth was negative as the NYSE Up Issues % was 47% and the Up Volume % came in at 41%. NYSE volume rose some from Monday's level.

The mild action on Tuesday failed to generate very compelling evidence. There was on study from the 11/28/16 letter that is worth some discussion. It looked at a 50-day closing high, an inside day, and then another 50-day closing high like we have seen the last 3 days. Below is an updated stats table.

After closing at a 50-day high 2 days ago, SPY posts an inside day yesterday and closes at a 50-day high again today. Buy on close. Sell X days later. \$100k/trade. 1999 - 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
5	-14,546.70	30	12	18	40.00	2,196.52	-3,754.10	845.34	-1,371.71	0.62	0.41	-484.89
4	-11,545.39	30	11	19	36.67	1,785.60	-5,106.46	826.53	-1,086.17	0.76	0.44	-384.85
3	-11,099.56	30	11	19	36.67	1,367.56	-3,417.34	640.84	-955.20	0.67	0.39	-369.99
2	-9,598.43	30	9	21	30.00	1,132.23	-2,737.00	722.64	-766.77	0.94	0.40	-319.95
1	-4,173.08	30	8	22	26.67	811.68	-1,405.62	430.83	-346.35	1.24	0.45	-139.10

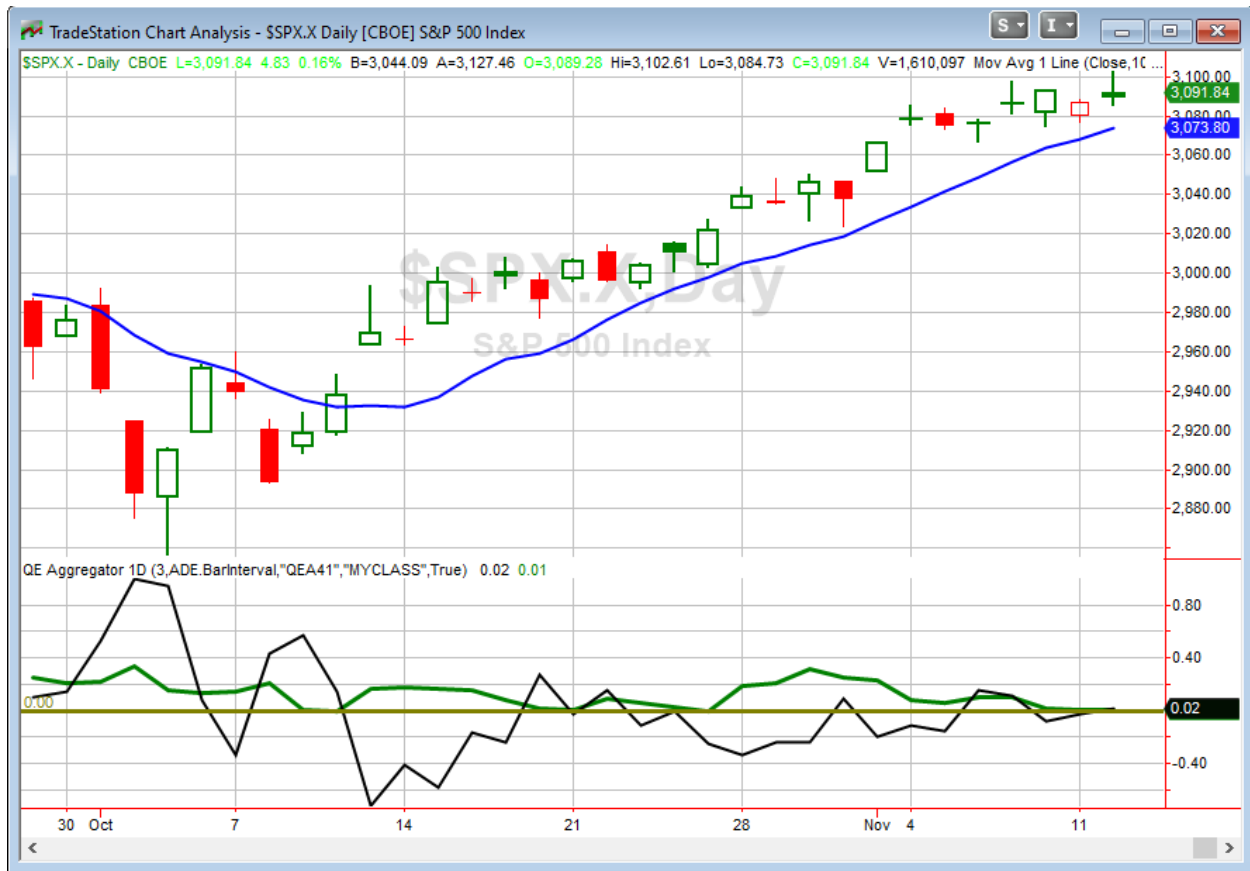
The numbers suggest a bit of a bearish edge. But the profit curves have not persisted well during the bull market of the last several years. Below is the 3-day profit curve.



There has not been any real downward progress in quite a while. I have elected NOT to include this study on the active list tonight.

The last few nights I noted that SPY has gone an extended period of time above the 10ma without ever even touching it intraday. Tuesday brought the streak to 23 days in a row, which is the longest such streak since the inception of SPY in 1993. It is tough to get very excited about the long side with a pullback historically overdue.

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 rose slightly 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.

The short-term active list is barren. So any new studies that emerge in the coming days will have a substantial impact on expectations. If nothing new emerges on Wednesday, then expectations will remain slightly positive based on the intermediate-term outlook. Meanwhile, the Differential Pivot will be 3100.15 on Wednesday. That is about 0.3% above Tuesday's close. So SPX will need to close up 0.3% on Wednesday in order to flip from oversold to overbought vs recent expectations.

Despite the bullish Aggregator, this is a sub-par setup. This happens sometimes in markets that are making new highs. The market gets overbought, but the rally is so strong that it does not matter. Pullbacks become scarce and shallow, and shorting becomes difficult. At the same time, long entries are also difficult to come by because of the lack of a pullback. I have generally found that trying to swing trade in such a market is very tricky. And much of the time I am just better off

exercising patience and waiting for the next opportunity with strong reward/risk potential. So while the Aggregator is long, evidence is weak and the “oversold” is coming at an all-time high. I will pass for now.

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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