

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 14, 2019

Volume 12 Issue 221

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- We see another formerly bearish study failing to perform in recent years.

Short-term Outlook

The Bottom Line

Like last night, 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			

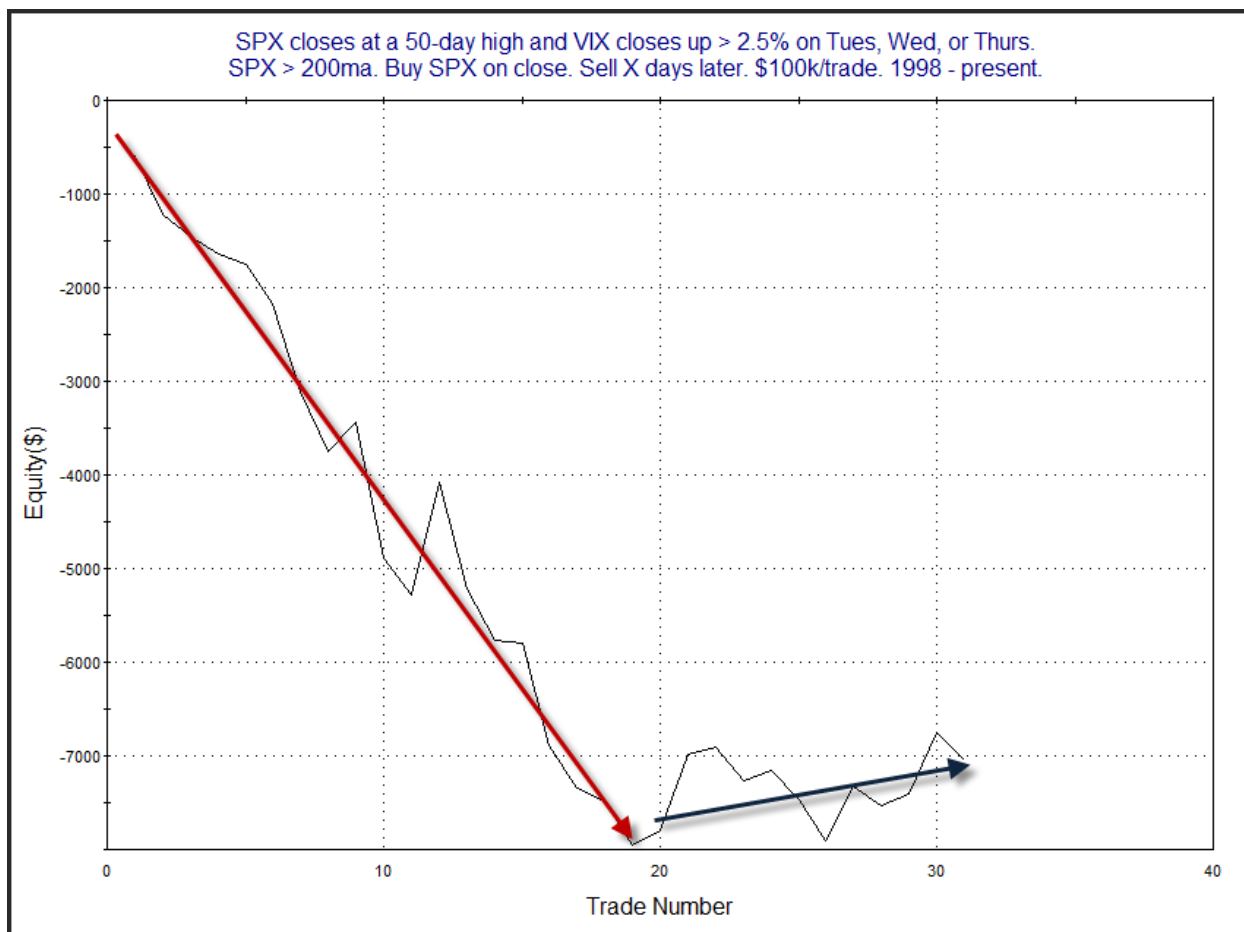
The Evidence

Wednesday was a back and forth day that saw the market finish mixed. The SPX closed up 0.1%, the NASDAQ lost 0.05%, and the Russell 2000 fell 0.4%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 41%. NYSE volume rose some from Tuesday's level.

The mixed and mild results did not inspire a lot of compelling evidence. There were a few VIX-related studies that emerged, with the one below seeming the most notable. It last appeared in the 8/29/18 letter. New readers may wonder why I use a day-of-week filter with this study. The VIX has a natural tendency to fall on Fridays and rise on Mondays. Because of this I typically separate out those days from the rest of the week when conducting VIX-based studies. This particular study looks at large mid-week rises in the VIX during times the SPX is closing at a 50-day high. All results are updated.

SPX closes at a 50-day high and VIX closes up > 2.5% on Tues, Wed, or Thurs. SPX > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1998 - 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	-10,058.26	31	14	17	45.16	2,108.40	-4,149.36	829.84	-1,275.06	0.65	0.54	-324.46
4	-10,464.73	31	13	18	41.94	1,629.60	-4,240.48	672.07	-1,066.75	0.63	0.46	-337.57
3	-7,936.30	31	16	15	51.61	1,271.55	-4,423.40	559.47	-1,125.85	0.50	0.53	-256.01
2	-7,040.21	31	9	22	29.03	1,192.71	-1,461.48	447.18	-502.95	0.89	0.36	-227.10
1	-1,954.86	35	16	19	45.71	1,108.05	-1,008.70	284.24	-342.25	0.83	0.70	-55.85

The numbers look bearish over the next few days. But like I have seen with some other bearish studies the last few nights, the profit curves did not support the bearish numbers. This can be seen in the 2-day profit curve below.



This is the third night in the past week where I have shown a study with formerly bullish implications that has failed to perform over the last few years. I believe a big part of that is simply the fact that the bull market has been so strong. But we could be seeing a categorical shift in market behavior. This happens sometimes. And it is why research needs to be constantly updated and expanded. Whatever the reason those old short studies are not working anymore is not really important. What is important is that we recognize they are no longer providing an edge and that we stop considering them – either temporarily or permanently.

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



With the lack of compelling short-term evidence we are seeing, the green Aggregator Line again remained just slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held 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 stayed long at the close.

The short-term active list is still barren. So any new studies that emerge in the coming days will have a substantial impact on expectations. If nothing new emerges on Thursday, then expectations will remain slightly positive based on the intermediate-term outlook. Meanwhile, the Differential Pivot will be *slightly inverted at 3091.16* on Thursday. That is about 0.1% *below* Wednesday'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 down about 0.1% on Thursday in order to remain oversold versus recent expectations. If it fails to do that, then it will flip to overbought as of Thursday's close.

So the story similar to the last couple of nights. The Aggregator is bullish, but evidence is weak, and "oversold" is occurring at a new high. Tonight we also have an inverted pivot to think about.

Also, SPY's all-time record streak of days remaining above without touching its 10ma is now at 24. Seems as though that streak is unlikely to persist too much longer. With all this to factor in, I again am having a hard time getting enthused about new index positions. I will continue to wait for a more favorable reward/risk setup to 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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