

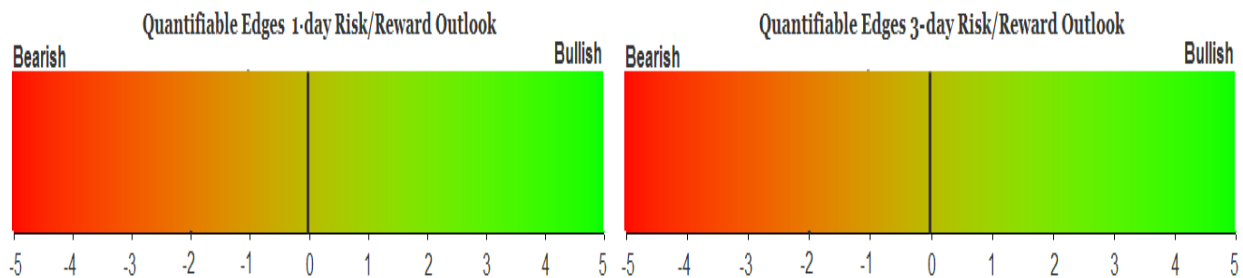
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 20, 2019

Volume 12 Issue 225

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- While SPY closed down, its series of higher highs and higher lows continued, suggesting a rally in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I. Evidence is pointing higher, but reward/risk is not great without more of a pullback.

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 20, 2019	SPX up 5 50-high, then down 1	1-2 days	Bullish			
November 20, 2019	50-high then 5-day consolidation	1-4 days	Bullish			
November 19, 2019	VIX up. SPX 50-high. Start of week/	1-2 days	Bearish			
Active - Long Term						
November 20, 2019	SPX up 5 50-high, then down 1	1-10 days	Bullish			
November 19, 2019	Hindenburg Omen cluster	1-35 days	Bearish	-5.85%	2.70%	4.40%
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 15, 2019	50-high then 5-day consolidation	1-3 days	Bullish	1.10%	-0.70%	-1.35%

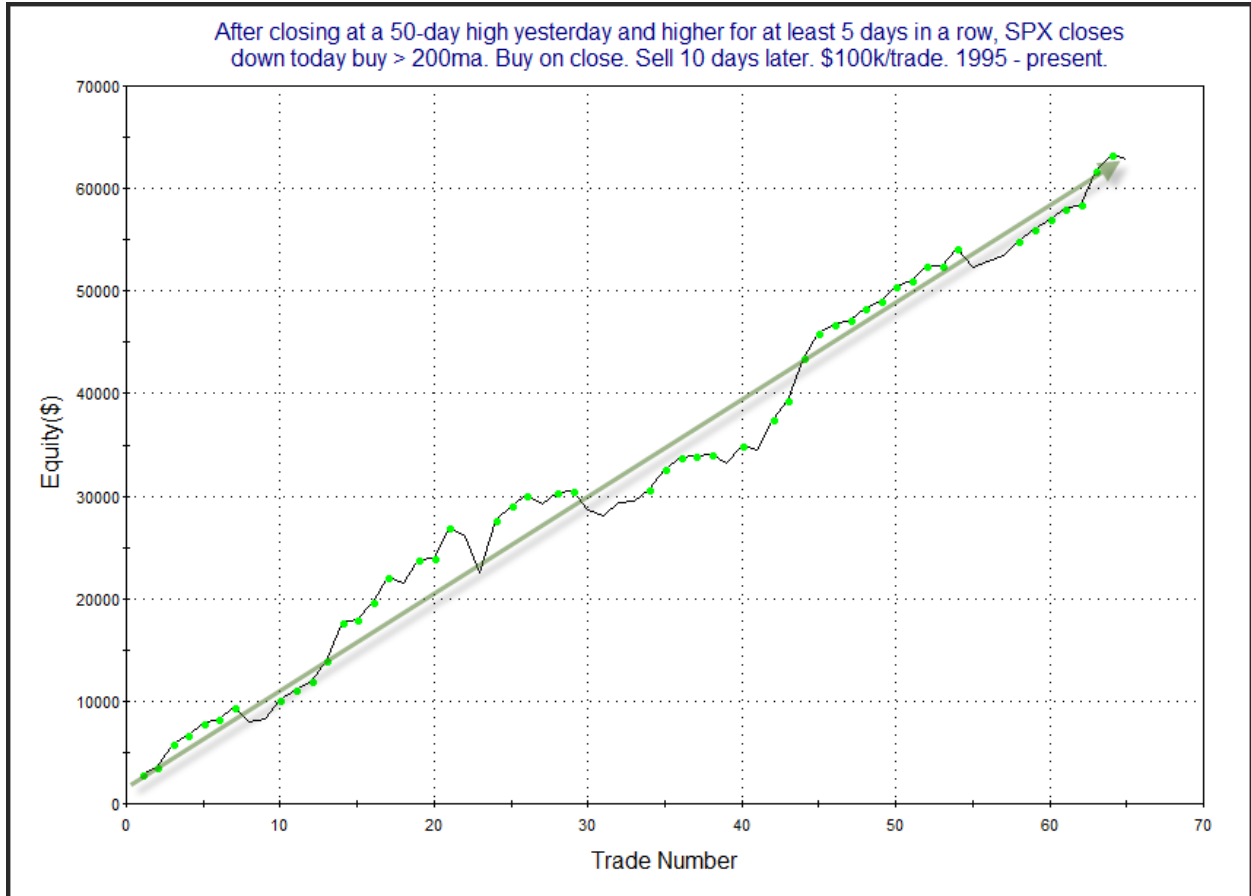
The Evidence

Tuesday was another mixed and mild day. The SPX closed down 0.06%, the NASDAQ rose 0.2%, and Russell 2000 gained 0.4%. Breadth was negative as the NYSE Up Issues % was 48% and the Up Volume % came in at 40%. NYSE volume rose some from Monday's level.

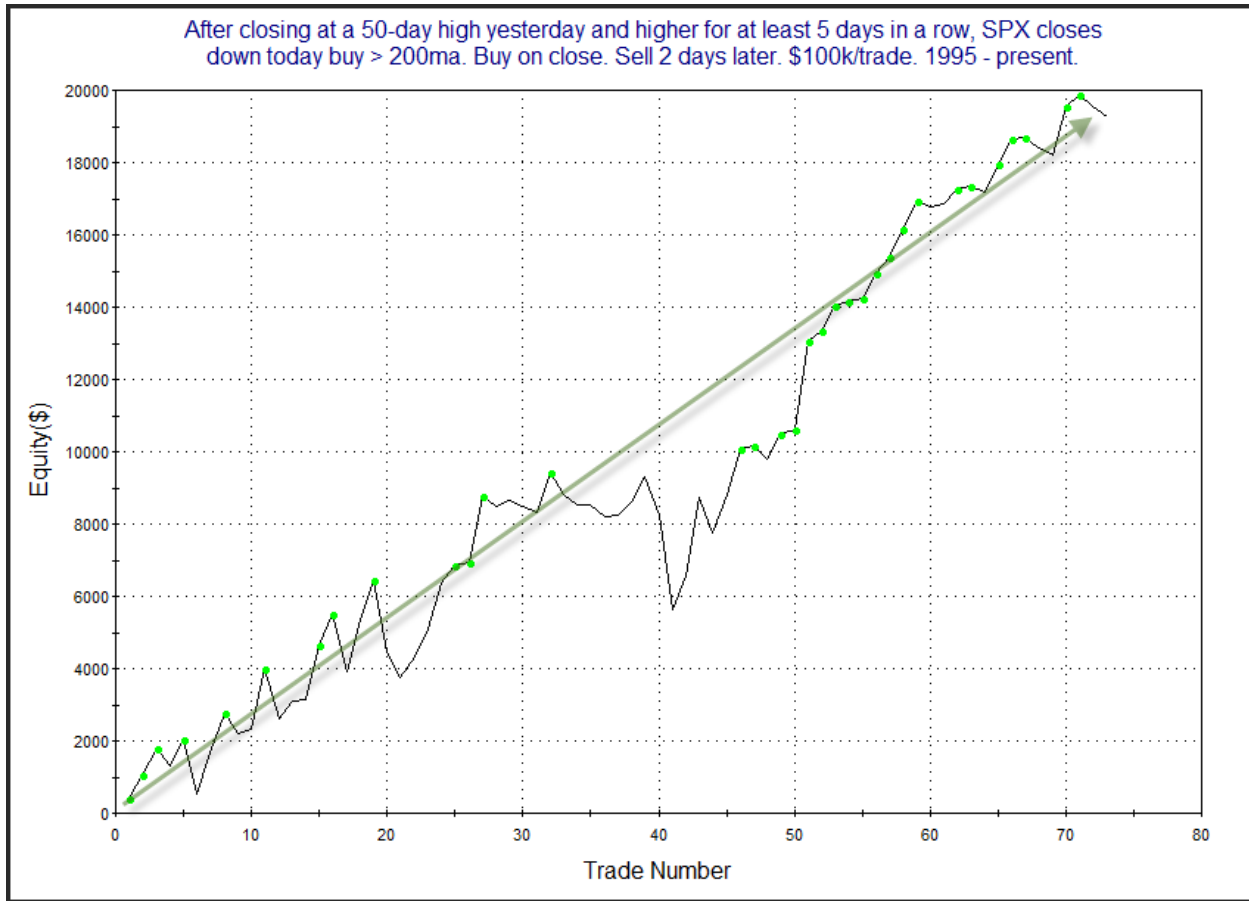
One compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 5/31/17 Letter. I have updated the stats in the table below.

After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes down today buy > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	62,880.76	65	54	11	83.08	5,131.35	-3,672.90	1,412.26	-1,216.48	1.16	5.70	967.40
9	62,219.92	68	56	12	82.35	5,023.20	-4,151.40	1,387.90	-1,291.89	1.07	5.01	915.00
8	53,577.88	69	49	20	71.01	4,878.08	-4,874.10	1,562.77	-1,149.89	1.36	3.33	776.49
7	42,299.17	71	49	22	69.01	3,874.76	-3,912.48	1,385.58	-1,163.37	1.19	2.65	595.76
6	41,699.32	73	52	21	71.23	4,307.20	-3,637.71	1,251.03	-1,112.10	1.12	2.79	571.22
5	32,786.08	73	48	25	65.75	4,252.50	-2,466.75	1,090.14	-781.62	1.39	2.68	449.12
4	33,990.12	73	47	26	64.38	3,843.00	-3,003.39	1,124.26	-725.00	1.55	2.80	465.62
3	20,831.45	73	47	26	64.38	2,472.85	-1,992.34	851.98	-738.92	1.15	2.08	285.36
2	19,247.49	73	49	24	67.12	2,437.50	-2,614.95	732.98	-694.52	1.06	2.15	263.66
1	10,684.98	73	47	25	64.38	1,751.19	-1,744.10	496.04	-505.15	0.98	1.85	146.37

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 2-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 2-day exit profit curves. First, the 10 day.



The strong upslope appears to confirm the bullish edge. Next let's look at the 2-day curve.



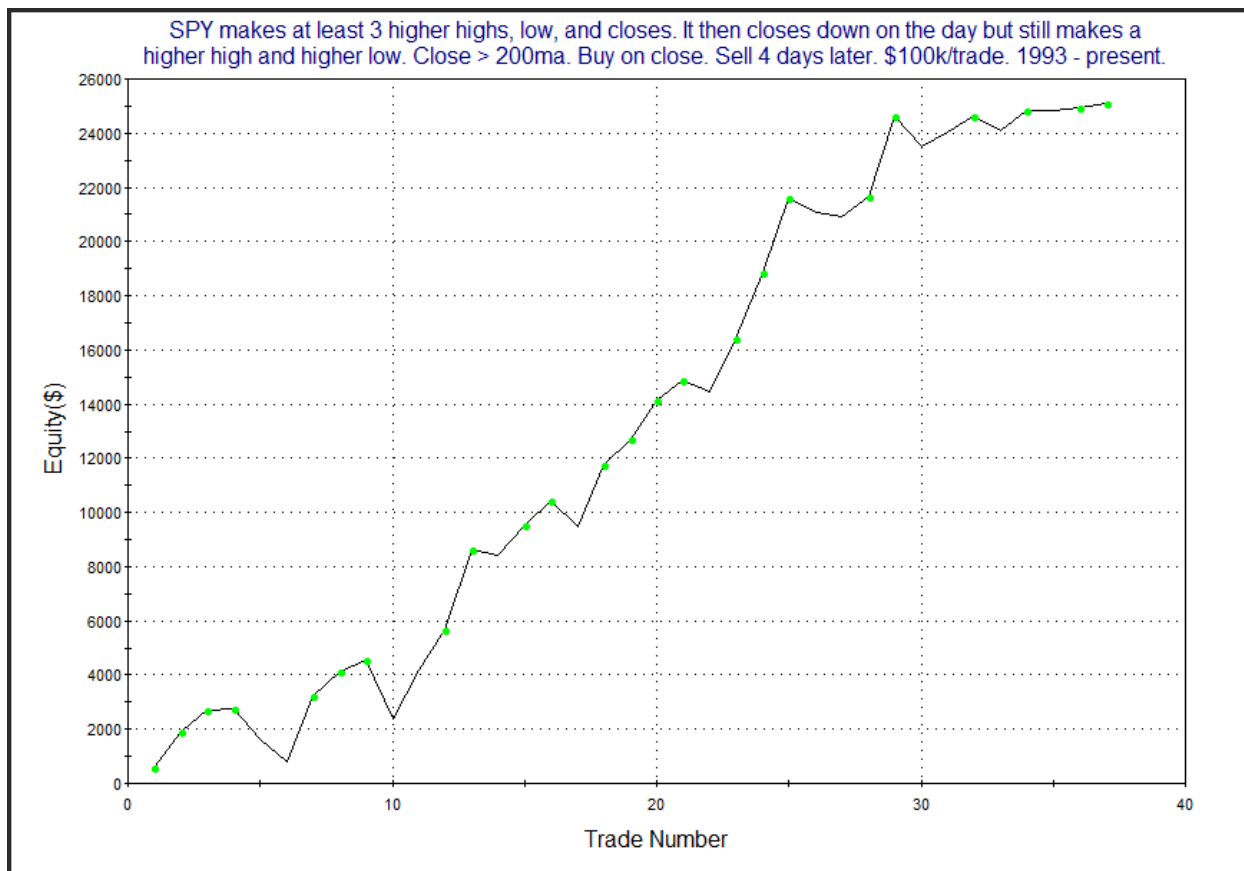
Results are choppy. But even with more whipsaws this one appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

SPY finished lower, but SPY did manage to register a higher high and a higher low. The study below was last seen in the 12/14/17 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs, low, and closes. It then closes down on the day but still makes a higher high and higher low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

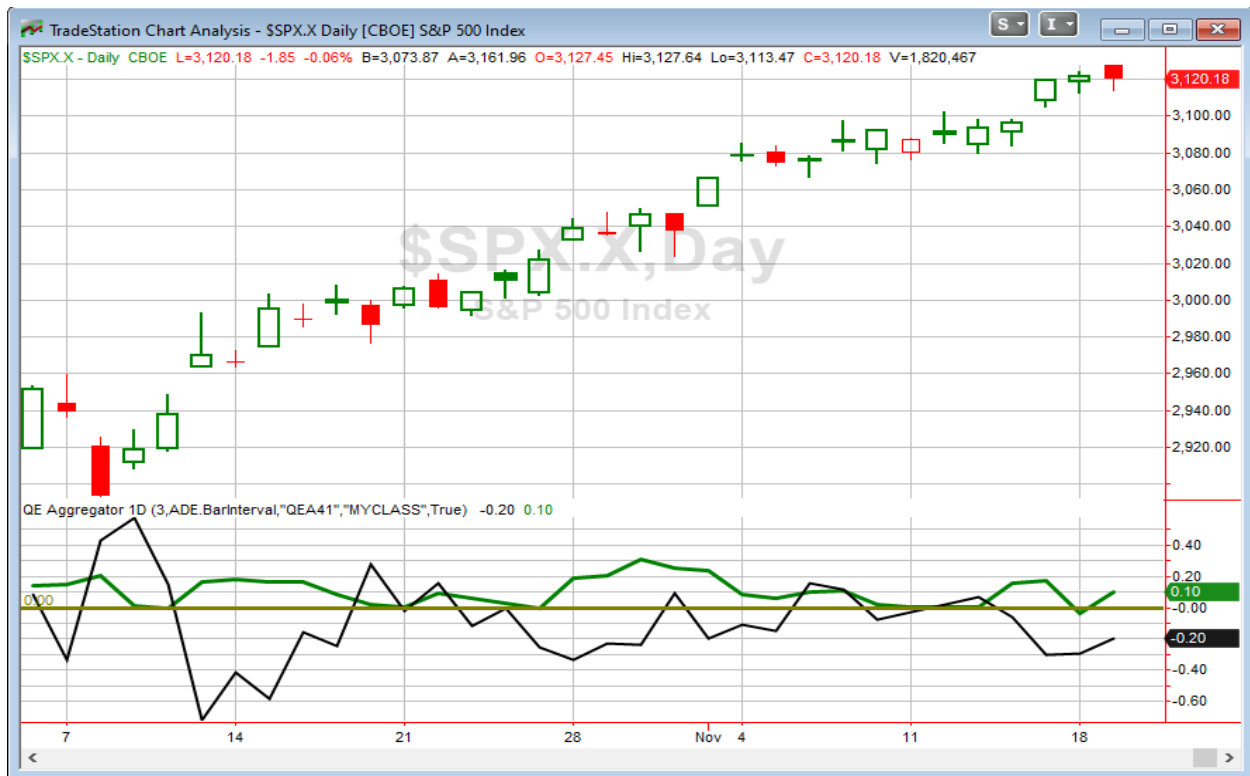
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	21,343.56	37	23	14	62.16	3,602.64	-2,800.26	1,399.00	-773.82	1.81	2.97	576.85
4	25,085.94	37	26	11	70.27	2,962.96	-2,191.22	1,277.34	-738.62	1.73	4.09	678.00
3	17,711.84	37	26	11	70.27	2,762.41	-2,640.33	954.52	-645.97	1.48	3.49	478.70
2	13,367.05	37	28	8	75.68	2,073.28	-1,804.67	689.91	-743.80	0.93	3.25	361.27
1	8,883.09	37	24	13	64.86	1,395.93	-1,137.92	526.42	-288.53	1.82	3.37	240.08

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



The persistent move higher is impressive. While some of the recent instances have not shown the same strength, this study still seems worth consideration. I have added it to the Active List tonight.

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



With tonight's research taken under consideration, the green Aggregator Line jumped 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 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3130.94 on Wednesday. That is 0.3% *above* Tuesday'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 over 0.3% in order to remain "overbought" vs expectations. Anything less than that and it will flip to oversold as of Wednesday's close.

So the Aggregator is back to neutral. And that is basically where I have been anyway. I did not take advantage of the 2 point decline in the SPX on Tuesday, and that is ok. The way things are setting up, SPX could rise slightly on Wednesday, and still flip to oversold and see the Aggregator turn bullish. Personally, it will probably take a deeper pullback to really get me interested in a long entry. I have been eyeing the 10ma for some time, and would at least like to see a move below there before looking at a long index trade. I feel like a broken record, but I am continuing to play the waiting game.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/18 – bullish

The intermediate-term outlook was last updated in the 11/18/19 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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