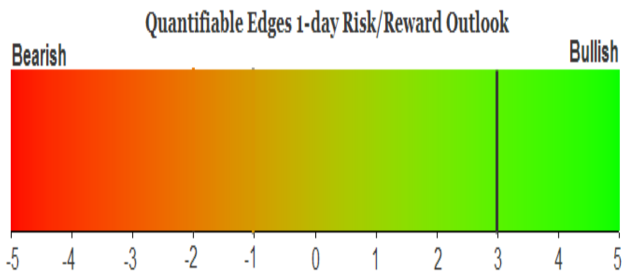
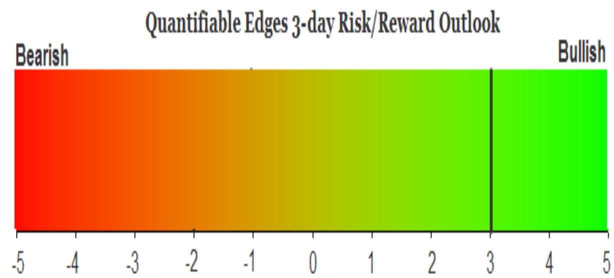
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 22, 2019 Volume 12 Issue 227

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Several bullish studies triggered.

Short-term Outlook
The Bottom Line
The Aggregator is bullish. SPX has pulled back a decent amount, and I like the long side.

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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 22, 2019	SPX < 10ma after 25+ days above	1-9 days	Bullish			
November 22, 2019	1st 5 low in 10 days. Close > 10ma	1-3 days	Bullish			
November 22, 2019	SPY system 11111	1-3 days	Bullish			
November 20, 2019	50-high then 5-day consolidation	1-4 days	Bullish			
Active - Long Term						
November 22, 2019	1st 5 low in 10 days. Close > 10ma	1-10 days	Bullish			
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			

The Evidence

Thursday was a day of moderate selling. The SPX finished the day down 0.2%, the NASDAQ also lost 0.2%, and Russell 2000 fell 0.5%. Breadth was mixed as the NYSE Up Issues % was 39% and the Up Volume % came in at 60%. NYSE volume declined some from Wednesday's level.

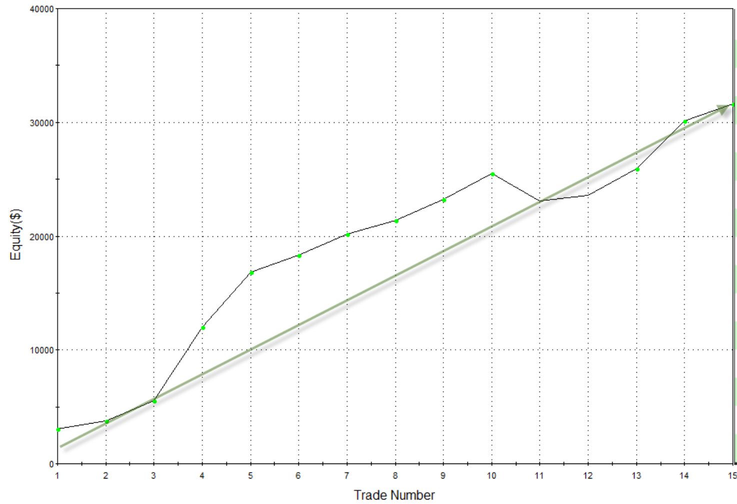
I showed a study a couple of nights ago that indicated that persistent moves higher rarely end abruptly. Another study with the same theme appeared tonight. It looked at times SPX closed above the 10ma for at least 25 days in a row, and then closed below it. The study was last seen in the 4/6/16 letter. I took another look at it tonight. The table below shows results back to 1990.

After closing above the 10ma for at least 25 days in a row, SPX closes below it but > 200ma.
Buy on close. Sell X days later. $100k/trade. 1990 - 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
20	41,651.65	15	13	2	86.67	8,155.20	-4,685.35	3,619.73	-2,702.44	1.34	8.71	2,776.78
19	43,198.87	15	13	2	86.67	7,014.72	-2,879.27	3,550.05	-1,475.88	2.41	15.64	2,879.92
18	39,551.33	15	14	1	93.33	7,372.62	-1,698.18	2,946.39	-1,698.18	1.74	24.29	2,636.76
17	34,476.55	15	13	2	86.67	6,128.68	-3,016.22	2,990.99	-2,203.15	1.36	8.82	2,298.44
16	38,097.25	15	14	1	93.33	6,065.41	-2,689.20	2,913.32	-2,689.20	1.08	15.17	2,539.82
15	36,122.73	15	14	1	93.33	6,311.04	-6,743.75	3,061.89	-6,743.75	0.45	6.36	2,408.18
14	36,277.93	15	14	1	93.33	6,691.37	-5,310.34	2,970.59	-5,310.34	0.56	7.83	2,418.53
13	33,132.19	15	14	1	93.33	5,807.04	-2,179.58	2,522.27	-2,179.58	1.16	16.20	2,208.81
12	33,602.28	15	13	2	86.67	6,972.21	-1,946.40	2,852.82	-1,742.19	1.64	10.64	2,240.15
11	34,635.89	15	14	1	93.33	6,887.72	-3,873.60	2,750.68	-3,873.60	0.71	9.94	2,309.06
10	31,256.47	15	13	2	86.67	5,825.05	-3,062.88	2,674.68	-1,757.20	1.52	9.89	2,083.76
9	31,615.37	15	14	1	93.33	6,462.89	-2,453.28	2,433.47	-2,453.28	0.99	13.89	2,107.69
8	29,302.18	15	13	2	86.67	6,404.58	-869.28	2,325.80	-466.60	4.98	32.40	1,953.48
7	23,073.54	15	13	2	86.67	6,326.04	-1,310.40	1,929.45	-1,004.63	1.92	12.48	1,538.24
6	21,516.67	15	13	2	86.67	5,157.46	-1,350.72	1,782.55	-828.24	2.15	13.99	1,434.44
5	19,000.18	15	13	2	86.67	3,505.74	-1,218.72	1,568.50	-695.16	2.26	14.67	1,266.68
4	17,161.85	15	12	3	80.00	3,206.40	-2,665.92	1,683.56	-1,013.60	1.66	6.64	1,144.12
3	10,660.94	15	12	3	80.00	2,805.12	-1,630.30	1,203.80	-1,261.56	0.95	3.82	710.73
2	8,640.34	15	10	5	66.67	2,130.10	-1,425.20	1,066.58	-405.10	2.63	5.27	576.02
1	5,717.69	15	11	4	73.33	1,975.68	-637.00	593.16	-201.77	2.94	8.08	381.18

Instances are fairly low, but the numbers are heavily lopsided in favor of the bullish case. The edge seems to persist up to 4 weeks, but ¾ of the gains were realized in the 1st nine trading days. Below is a look at the individual instances and profit curve.

After closing above the 10ma for at least 25 days in a row, SPX closes below it but > 200ma. Buy on close. Sell 9 days later. $100k/trade. 1990 - present.



Date/Time	Signal	Price	% Profit	Run-up Drawdown
2/21/1991	Buy	$364.96	3.07%	$4,025.06
3/6/1991	Sell	$376.16		($761.72)
2/17/1995	Buy	$481.97	0.72%	$1,494.54
3/3/1995	Sell	$485.42		($6.21)
4/18/1995	Buy	$505.37	1.76%	$2,015.31
5/1/1995	Sell	$514.26		($823.46)
6/4/1997	Buy	$840.11	6.46%	$6,841.31
6/17/1997	Sell	$894.42		$0.00
3/5/1998	Buy	$1,035.06	4.87%	$4,843.20
3/18/1998	Sell	$1,085.51		($0.96)
1/28/2004	Buy	$1,128.48	1.51%	$1,631.52
2/10/2004	Sell	$1,145.54		($536.80)
11/1/2006	Buy	$1,367.81	1.86%	$1,947.64
11/14/2006	Sell	$1,393.22		($498.59)
4/16/2010	Buy	$1,192.13	1.23%	$2,296.61
4/29/2010	Sell	$1,206.78		($872.33)
1/20/2011	Buy	$1,280.26	1.86%	$2,230.80
2/2/2011	Sell	$1,304.03		($402.48)
1/30/2012	Buy	$1,313.02	2.26%	$3,138.80
2/10/2012	Sell	$1,342.64		($481.08)
12/1/2014	Buy	$2,053.44	-2.49%	$1,249.44
12/12/2014	Sell	$2,002.33		($2,453.28)
11/9/2015	Buy	$2,078.58	0.51%	$887.04
11/20/2015	Sell	$2,089.17		($2,841.12)
4/5/2016	Buy	$2,045.17	2.40%	$2,375.52
4/18/2016	Sell	$2,094.34		($545.76)
12/29/2017	Buy	$2,673.61	4.21%	$4,226.88
1/12/2018	Sell	$2,786.24		$0.00
3/5/2019	Buy	$2,789.65	1.55%	$1,601.60
3/18/2019	Sell	$2,832.94		($2,358.30)

The curve and the trade list are as impressive as the stats. I have added this study to the Active List tonight.

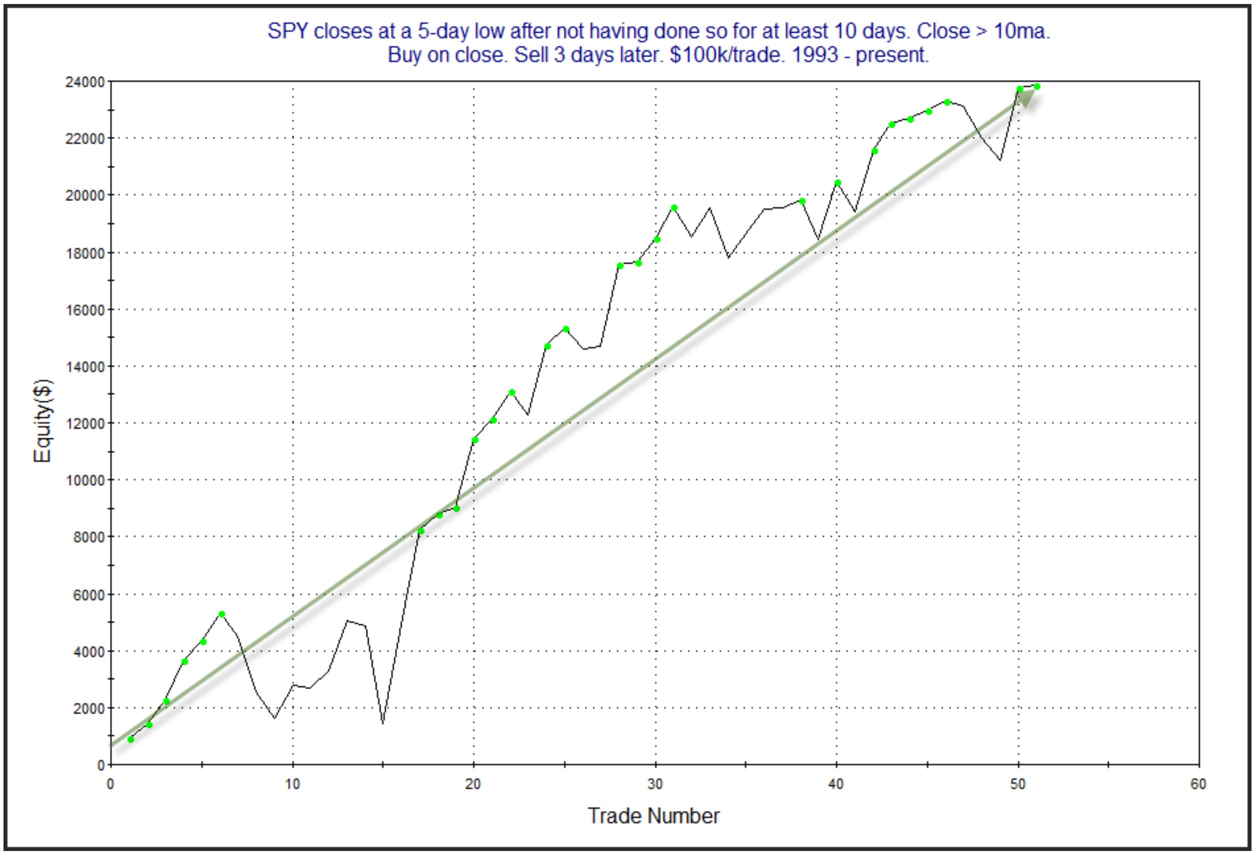
But while SPX closed below its 10ma, SPY did not. As a researcher, this can drive me a little nuts. I prefer market position to be established. Still, when look at the study below from the 4/23/18 letter, it appears that even with a close above the 10ma, action in SPY has it setting up for a bounce. Results are updated.

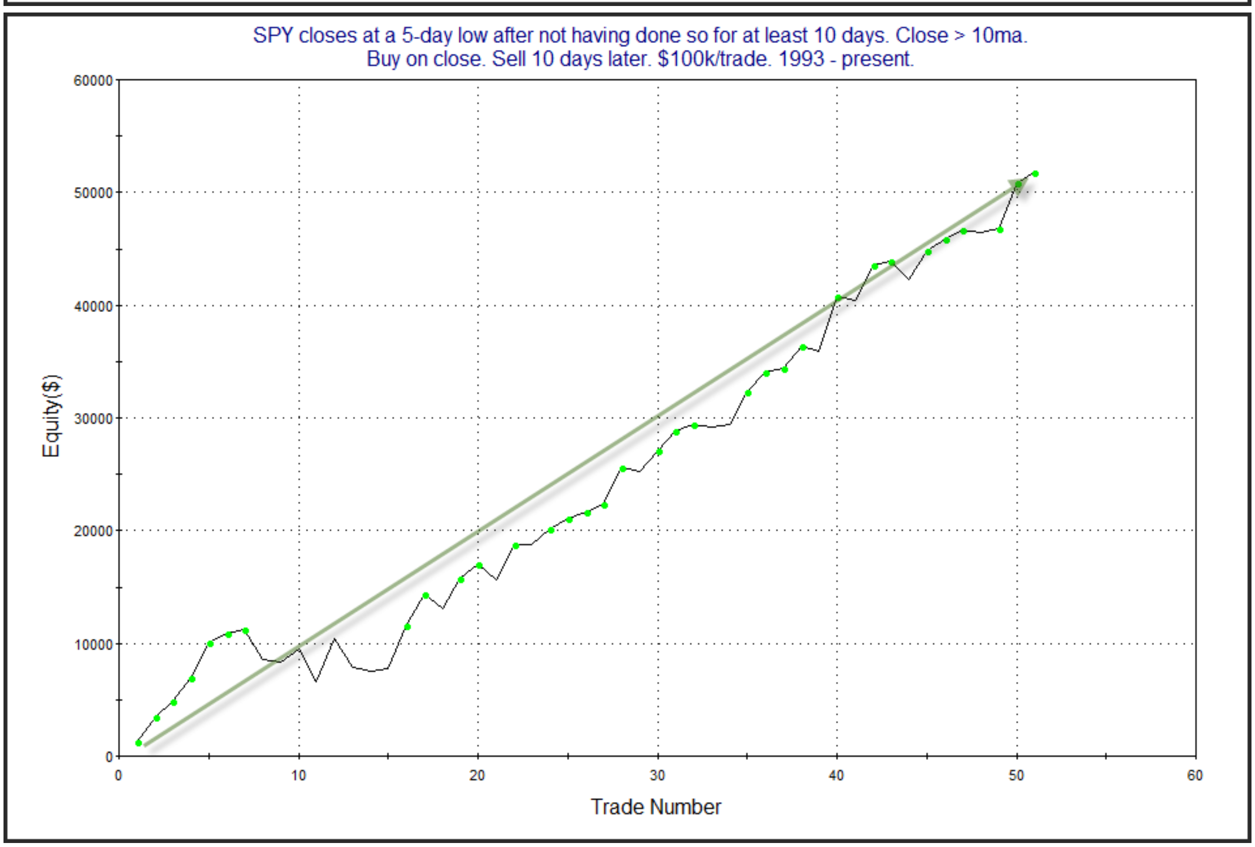
SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma.
Buy on close. Sell X days later. $100k/trade. 1993 - present.

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	51,763.58	51	37	14	72.55	4,839.66	-2,972.16	1,790.88	-1,035.64	1.73	4.57	1,014.97
9	46,176.13	51	38	13	74.51	5,293.08	-3,319.71	1,645.77	-1,258.71	1.31	3.82	905.41
8	42,188.33	51	38	13	74.51	4,734.72	-2,602.71	1,518.45	-1,193.29	1.27	3.72	827.22
7	37,888.44	51	37	14	72.55	4,118.22	-3,472.29	1,551.42	-1,393.85	1.11	2.94	742.91
6	33,063.30	51	33	18	64.71	4,307.28	-2,992.38	1,503.98	-920.44	1.63	3.00	648.30
5	30,955.17	51	33	18	64.71	4,496.34	-3,570.00	1,427.69	-897.69	1.59	2.92	606.96
4	26,581.42	51	33	18	64.71	3,240.45	-2,475.20	1,282.07	-873.72	1.47	2.69	521.20
3	23,882.19	51	36	15	70.59	3,452.40	-3,393.78	1,117.19	-1,089.11	1.03	2.46	468.28
2	13,973.14	51	32	19	62.75	3,809.72	-3,737.28	973.19	-903.62	1.08	1.81	273.98
1	6,802.99	51	28	23	54.90	2,225.48	-3,909.03	753.33	-621.31	1.21	1.48	133.39

46 of 51 instances (90%) closed above the entry price
at some point in the next week.

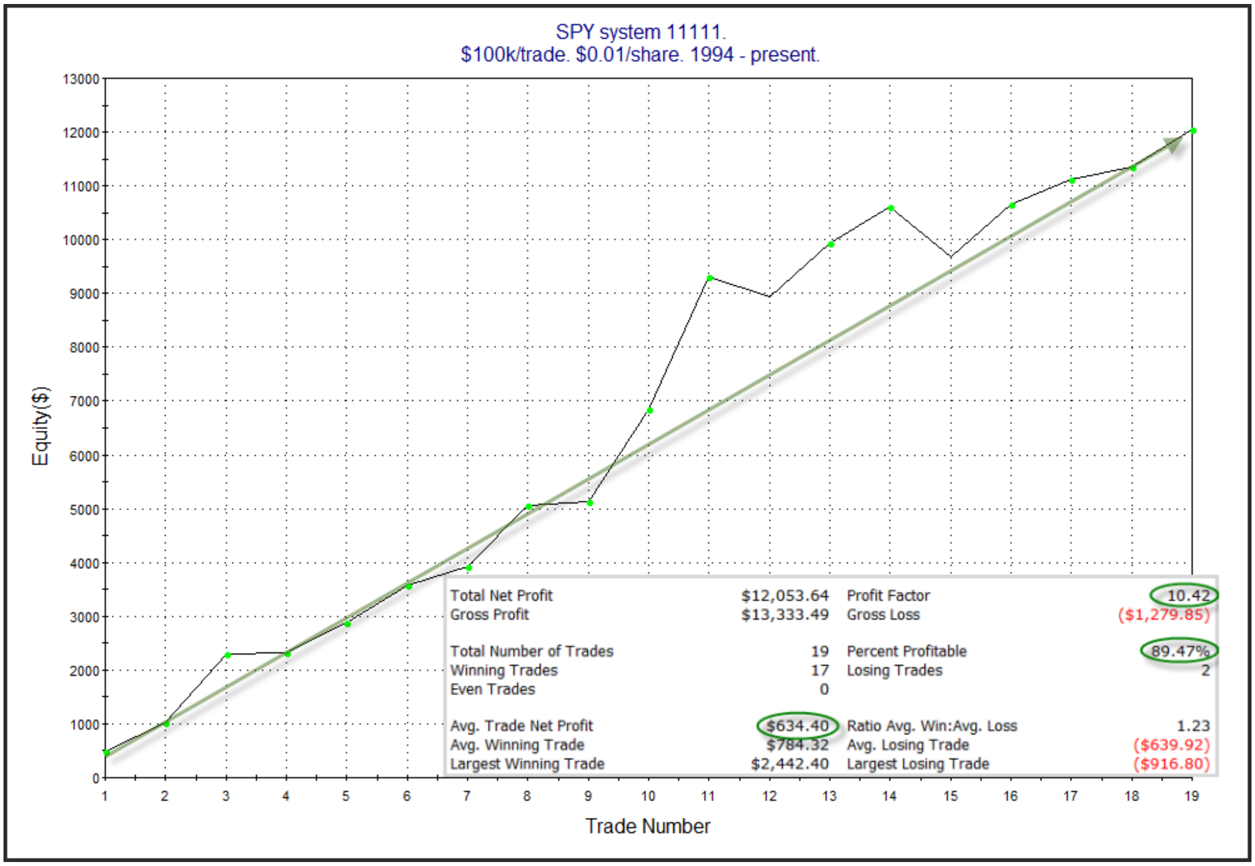
Results here suggest a solid edge over the next 1-10 days. And nearly half of the gains have been realized in just the 1st 3 days. Below are profit curves for both the 3 and 10-day timeframes.


SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma.
Buy on close. Sell 3 days later. $100k/trade. 1993 - present.
Equity($)
Trade Number
24000
22000
20000
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
0
10
20
30
40
50
60


SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma.
Buy on close. Sell 10 days later. $100k/trade. 1993 - present.
Equity($)
Trade Number
60000
50000
40000
30000
20000
10000
0
0
10
20
30
40
50
60

The strong, steady upslopes are impressive and serve as some confirmation of the bullish edge. I have added this study to both the short-term and intermediate-term active lists.

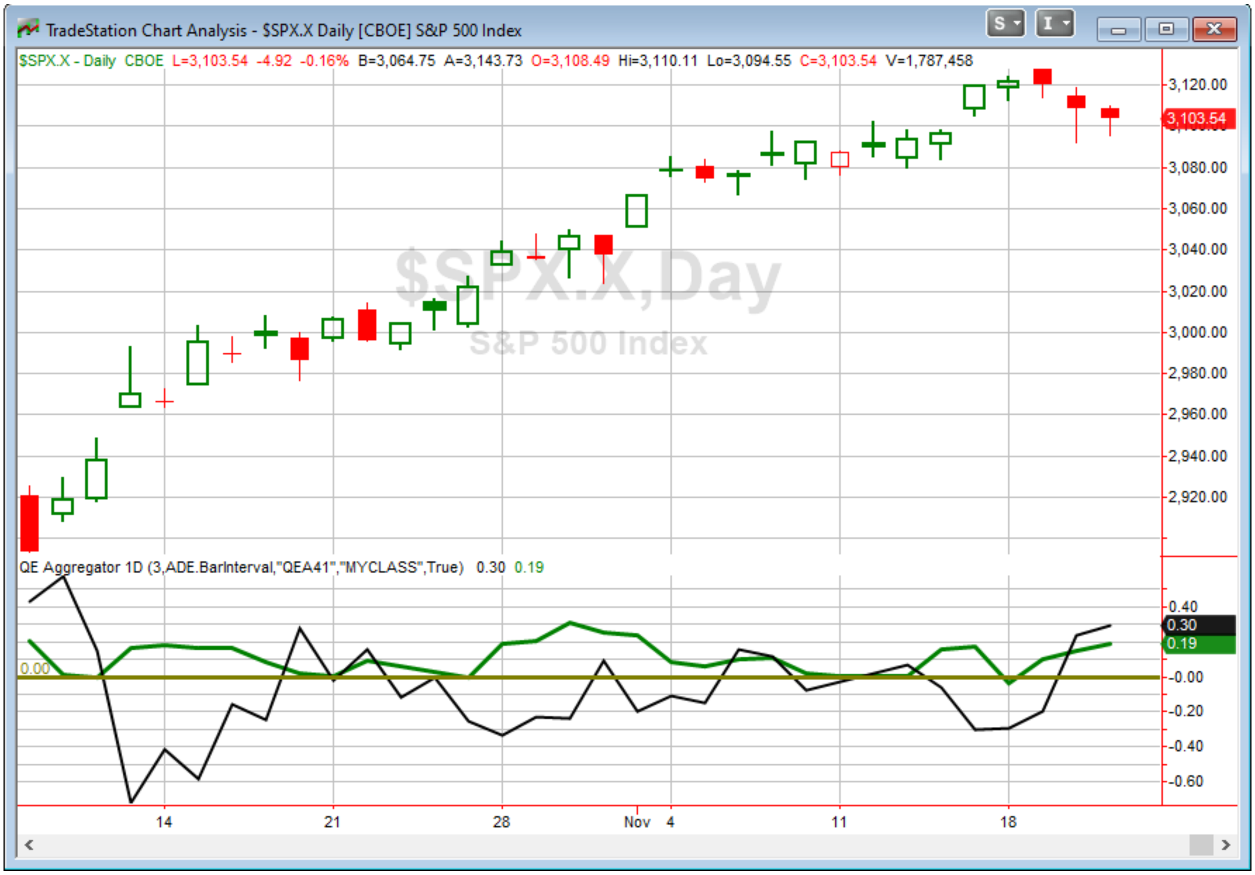
Lastly, I'll also note that SPY is now set up to trigger QE numbered system 11111 on Friday. A trade at or below SPY's closing price would mean an entry for this system. System 11111 has done fairly well over the years. With SPY, it has done very well. I last noted this in the 9/7/18 Letter. Below are the updated stats.



There have not been a whole lot of instances but the stats are extremely lopsided in favor of the bulls. And the profit curve is impressive as well. Also notable (but not shown) is that the average trade only lasted about 3 ½ days. The short time in these trades and the high percent that end up profitable speaks to the probability of a quick bounce here. I have incorporated this setup into the Aggregator as well. Subscribers may find a link to the system 11111 page below:

http://quantifiableedges.com/system-11111/

I have updated the Aggregator chart below.



With tonight's new studies 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.

Based on the current list of active studies, expectations are set to remain positive on Friday. This is unlikely to change with the strength of the bullish evidence we are seeing. Meanwhile, the Differential Pivot will be 3127.63 on Friday. That is 0.8% above Thursday's close. Therefore, SPX will need to close up 0.8% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is again bullish. Evidence continues to mount favoring the long side. And the SPX has pulled back over the last few days. In addition, we are heading into Thanksgiving week next week. I'll discuss Thanksgiving seasonality in the weekend letter, but it has typically been a bullish week. I had an order to get long SPY @ $210.15 LIMIT ON CLOSE in last night's letter, and that just barely missed happening. But I still like the long side, and will look to get long on Friday if I can get a decent fill either intraday or at the close (or both).

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.

SPY – Buy ¼ index position @ $310.00 LIMIT. Based on the short-term outlook above, I will start scaling into a long SPY position if we see even a small dip on Friday.

SPY – Buy ¼ index position @ $310.26 LIMIT ON CLOSE. Based on the short-term outlook above, I will take a long SPY position at the close on Friday if it closes down again.

Note: both of the above orders could fill, leaving me with 2 lots of SPY at the close on Friday.

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.]