

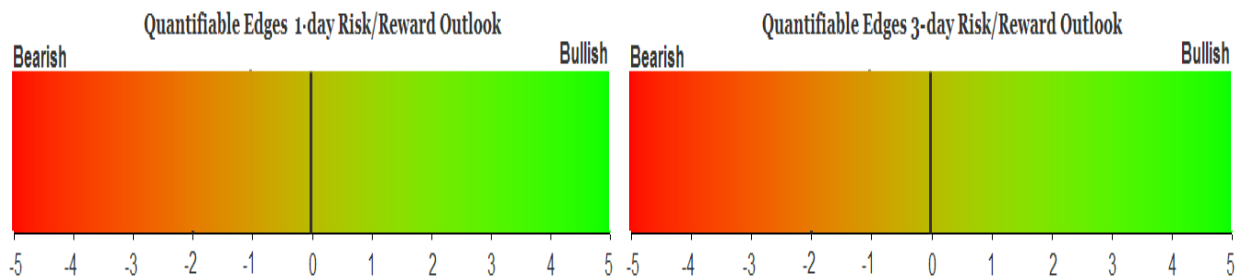
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 26, 2019

Volume 12 Issue 229

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- SPX making intermediate-term highs while VIX making intermediate-term lows means the market may be overbought and traders overly complacent. In past markets this has led to pullbacks in the following days, though not as much recently.
- A poor close on Tuesday could set up the Wed-Fri period for a bullish move.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral, and the market is too overbought for my taste. I'm hoping for another dip to get back in.

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			
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			
Dropped Tonight						
November 22, 2019	SPY system 11111	1-3 days	Bullish			
November 20, 2019	50-high then 5-day consolidation	1-4 days	Bullish			

The Evidence

Monday was a strong rally day, especially for the smaller stocks. The SPX finished the day up 0.75%, the NASDAQ rose 1.3%, and Russell 2000 gained 2.1%. Breadth was positive as the NYSE Up Issues % was 72% and the Up Volume % came in at 70%. NYSE volume rose from Friday's level, and came in fairly strong. It will likely come in light the rest of the week – especially Wednesday and Friday.

As I discussed last night, Monday has not been one of the seasonally bullish days during Thanksgiving week. Wednesday and Friday are. But black Friday sales seem to start earlier each year, so maybe bullish seasonality has as well.

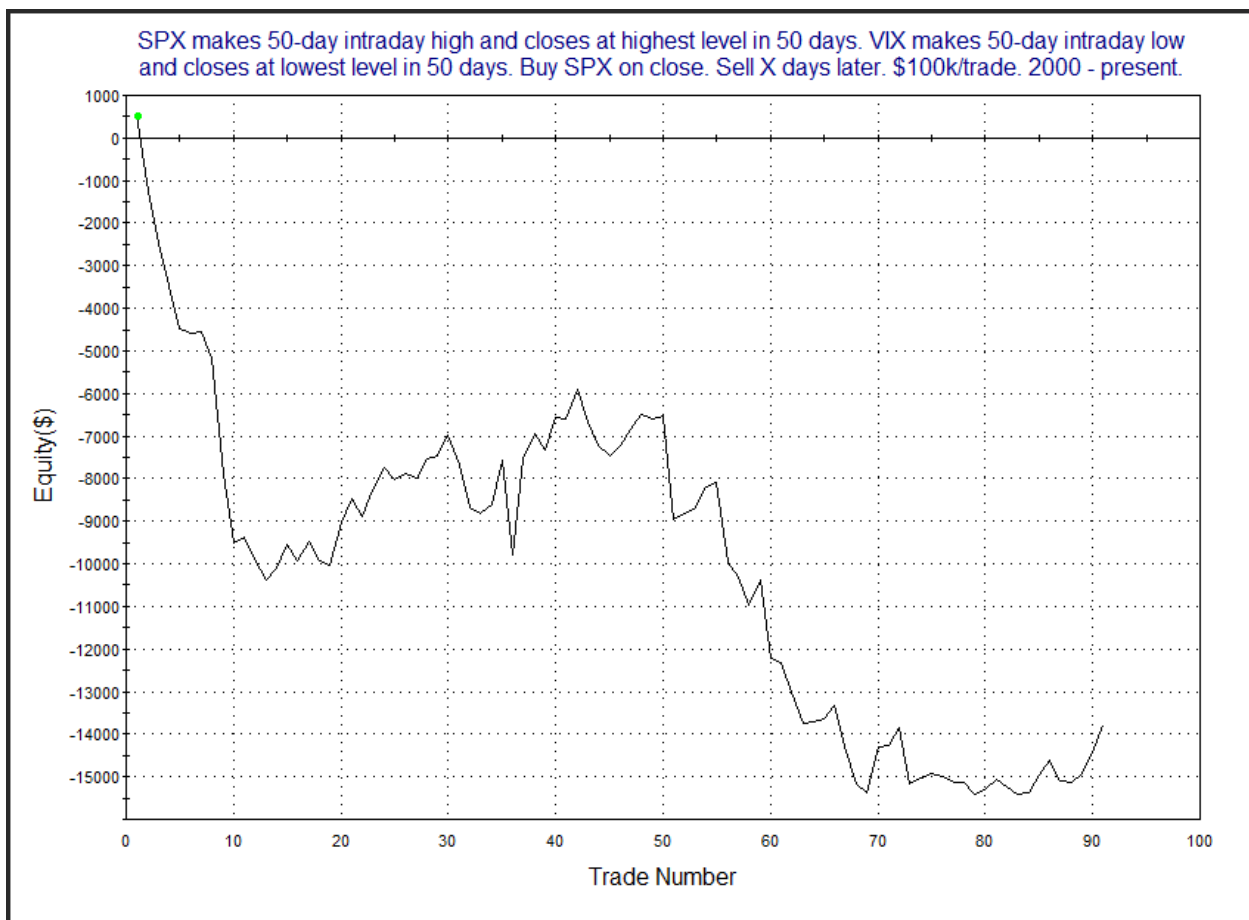
There was one VIX-based study that triggered in the Quantifinder this evening. I actually discussed it recently in the 11/18/19 letter. I have simply copied my notes from that letter below. (Stats are not updated – conclusion remains the same.)

We also saw the SPX make both a 50-day intraday and closing high while the VIX index made both a 50-day intraday and closing low. This opens up the possibility that the market is overbought while option traders are overconfident. The study below was last seen in the 2/20/19 letter. It looked at other times where this setup has occurred since 2000. Stats are all updated.

SPX makes 50-day intraday high and closes at highest level in 50 days. VIX makes 50-day intraday low and closes at lowest level in 50 days. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - 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	-24,424.73	70	34	36	48.57	2,604.16	-3,845.88	502.95	-1,153.47	0.44	0.41	-348.92
4	-14,229.97	73	35	38	47.95	2,870.40	-3,595.13	628.99	-953.80	0.66	0.61	-194.93
3	-11,795.20	81	41	40	50.62	2,566.72	-5,105.87	601.46	-911.37	0.66	0.68	-145.62
2	-13,795.02	91	46	45	50.55	2,257.84	-2,719.50	402.07	-717.56	0.56	0.57	-151.59
1	-5,788.42	105	50	55	47.62	833.85	-2,138.93	286.03	-365.27	0.78	0.71	-55.13

Results appear mildly bearish. Below is a look at a 2-day profit curve.



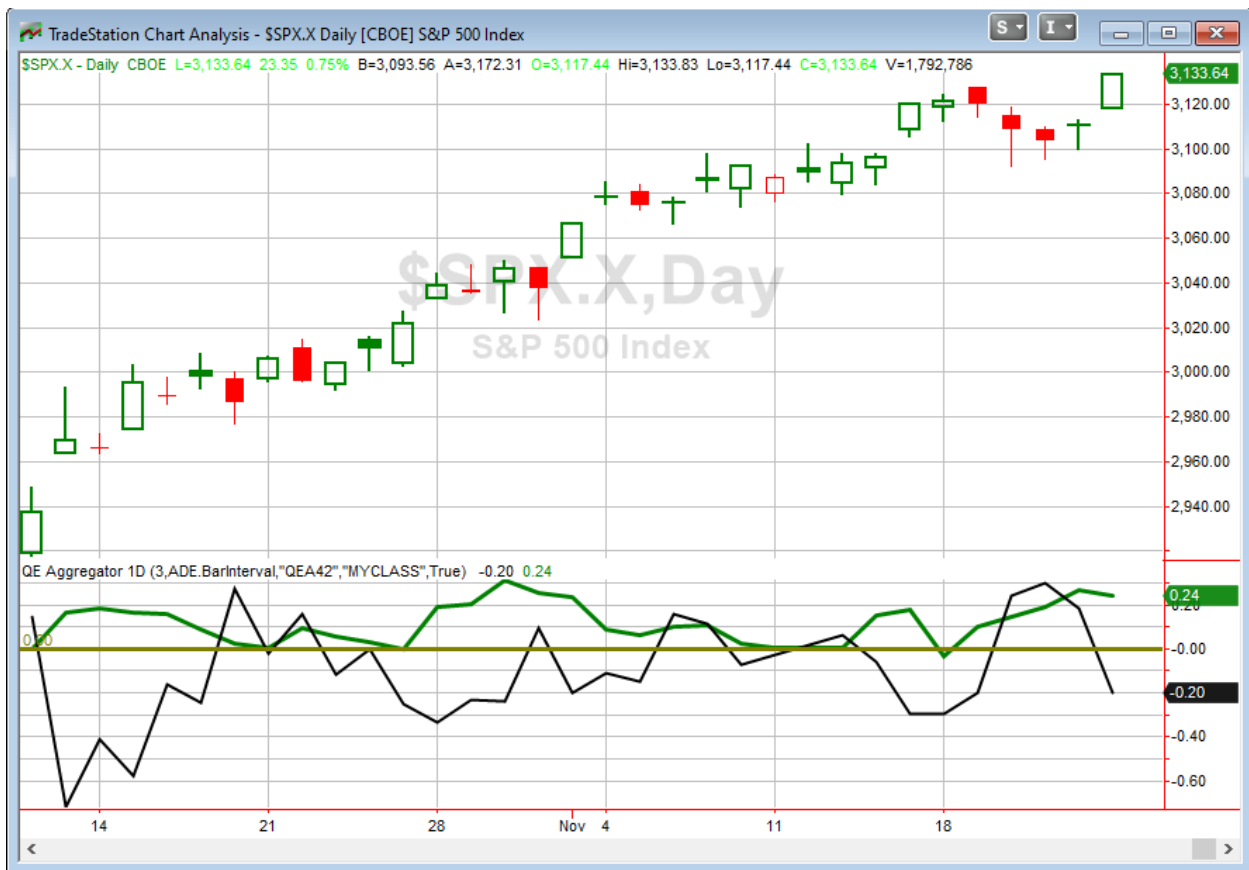
That is not a very confidence-inspiring curve, especially with it having gone flat and then curved up in recent instances. Curves for the other time frames were similarly concerning. So I decided not to include this study on the active list tonight. But I am leaving it in the Quantifinder to review in the future. This is not the only VIX-related short-biased study that has struggled recently. I have seen a good number of them showing similar tendencies. Perhaps VIX-based trading has changed how VIX readings influence market behavior in recent years. Or perhaps it is just that the bull

market over the last decade has powered through most short signals. Whatever the reason, I will continue to update the research so as not to include stale edges in my analysis.

So there are no new studies being added to the active list tonight. But bullish seasonality will be kicking in on Wednesday. Therefore, I will lastly remind you of the note I had from the weekend letter...

Since 1993, I found that years in which SPY closed in the top half of its intraday range on Thanksgiving Tuesday posted a 9-5 record from Tuesday's close to Friday's close. When SPY closed in the bottom half of its range on Tuesday the performance over Wednesday to Friday was 10-2. And the average instance posted a 0.7% gain these years versus a 0.1% average gain the other years. So Tuesday's action appears worth watching as we approach this potentially seasonally bullish period.

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



Without any new studies to consider tonight, 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 dropped 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 Tuesday. This could change if strong bearish evidence emerges. Meanwhile, the Differential Pivot will be 3117.05 on Tuesday. That is 0.5% below Monday's close. Therefore, SPX will need to close down at least 0.5% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is back to neutral. I basically am also. Though I would love to get a nice selloff on Tuesday in order to be able to make a Thanksgiving trade on Wednesday. We will see if the market sets up in a way that I prefer. It is not always agreeable.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/25 – bullish

The intermediate-term outlook was last updated in the 11/25/19 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

QCOM – 1/3 @ \$85.11

QCOM – 1/3 @ \$84.89

Broad Market Large Cap CBI – 2(QCOM-2)

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.

QCOM – Buy 2/3 Catapult position @ \$84.89 LIMIT. From the Catapult section above. I will be looking to take on 2 lots of QCOM on Tuesday. This did NOT fill on Monday. I'm going to give it another try.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)</i>	<i>11/22/2019</i>	<i>\$310.00</i>	<i>\$313.37</i>	<i>1.09%</i>		<i>sold on close</i>

A complete list of [Quantifiable Edges trade idea results since the inception of the letter in 2008](#) can be found [here](#).

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2019 Quantifiable Edges, LLC.