

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 29, 2019

Volume 12 Issue 231

## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat       | 3           |

## Tonight's Research Points

- Low volume on Thanksgiving Wednesday has often been followed by a pullback in the few days...and strong momentum has not helped.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I.

*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 |
|----------------------------|---|-----------|---------|------------|------------|------------------------|
| <b>Active - Short Term</b> |   |           |         |            |            |                        |
| November 29, 2019          | Thanksgiving Wed. low vol high close    | 1-2 days  | Bearish |            |            |                        |
| November 27, 2019          | Wed-Fri Thanksgiving Bullish            | 1-2 days  | Bullish |            |            |                        |
| November 22, 2019          | SPX < 10ma after 25+ days above         | 1-9 days  | Bullish |            |            |                        |
| <b>Active - Long Term</b>  |   |           |         |            |            |                        |
| 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**

Wednesday was another positive day for the market. The SPX finished the day up 0.4%, the NASDAQ rose 0.7%, and Russell 2000 gained 0.6%. Breadth was also positive as the NYSE Up Issues % was 60% and the Up Volume % came in at 74%. NYSE volume came in light ahead of the holiday.

Low volume, especially on up days, can be a sign of complacency, so it will commonly trigger studies with bearish edges. But Wednesday's volume came one day ahead of Thanksgiving. So perhaps it wasn't so much a sign of complacency, but rather a sign of people taking off early ahead of the holiday. Often when volume comes in extremely light on or just in front of a holiday I will simply dismiss low-volume studies. But there was one low-volume study from the 11/24/17 letter that specifically examined low volume on the day before Thanksgiving. And it had interesting results. So I updated it below.

| Wednesday before Thanksgiving posts lowest NYSE volume in 20 days.<br>Buy SPX on close. Sell X days later. \$100k/trade. 1982 - 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  | -1,213.95       | 16                | 8                   | 8                  | 50.00             | 3,685.24               | -7,726.01             | 1,751.46               | -1,903.21             | 0.92                | 0.92              | -75.87         |
| 4  | 3,606.00        | 16                | 8                   | 8                  | 50.00             | 3,610.64               | -4,359.94             | 1,504.38               | -1,053.63             | 1.43                | 1.43              | 225.37         |
| 3  | -4,068.38       | 16                | 6                   | 10                 | 37.50             | 3,468.90               | -4,948.90             | 1,320.16               | -1,198.94             | 1.10                | 0.66              | -254.27        |
| 2  | -11,783.13      | 16                | 4                   | 12                 | 25.00             | 1,096.98               | -5,644.20             | 592.72                 | -1,179.50             | 0.50                | 0.17              | -736.45        |
| 1  | -3,898.37       | 16                | 7                   | 9                  | 43.75             | 746.00                 | -1,721.70             | 297.83                 | -664.79               | 0.45                | 0.35              | -243.65        |

**1982 and 2017 were the only 2 years that SPX failed to close below the entry price on either Friday or Monday.**

In the last 48 years there have been 16 instances where Wednesday marked a 20-day volume low. This isn't as common as some might suspect but it's about 3 times higher than you'd get looking at any random day. But it has now happened the last 6 years in a row – so perhaps it is the new normal. Interesting is how poorly the SPX has performed over the next 2 days. The number of instances is low, but I also took a deeper look at the results. Below are all the instances.

| Wednesday before Thanksgiving posts lowest NYSE volume in 20 days.<br>Buy SPX on close. Sell 2 days later. \$100k/trade. 1982 - present. |        |            |          |                    |
|--|--------|------------|----------|--------------------|
| Date/Time  | Signal | Price      | % Profit | Run-up<br>Drawdown |
| 11/24/1982   | Buy    | \$133.88   | 0.24%    | \$1,051.86         |
| 11/29/1982   | Sell   | \$134.20   |          | (\$141.74)         |
| 11/25/1987   | Buy    | \$244.10   | -5.65%   | \$4.09             |
| 11/30/1987   | Sell   | \$230.30   |          | (\$7,496.97)       |
| 11/23/1988   | Buy    | \$269.00   | -0.14%   | \$0.00             |
| 11/28/1988   | Sell   | \$268.63   |          | (\$942.34)         |
| 11/24/1993   | Buy    | \$462.36   | -0.10%   | \$533.52           |
| 11/29/1993   | Sell   | \$461.90   |          | (\$114.48)         |
| 11/25/1998   | Buy    | \$1,186.86 | -1.96%   | \$512.40           |
| 11/30/1998   | Sell   | \$1,163.62 |          | (\$1,952.16)       |
| 11/24/1999   | Buy    | \$1,417.08 | -0.65%   | \$571.20           |
| 11/29/1999   | Sell   | \$1,407.83 |          | (\$905.10)         |
| 11/26/2003   | Buy    | \$1,058.45 | 1.10%    | \$1,129.88         |
| 12/1/2003  | Sell   | \$1,070.12 |          | (\$157.92)         |
| 11/24/2004   | Buy    | \$1,181.76 | -0.27%   | \$435.12           |
| 11/29/2004   | Sell   | \$1,178.57 |          | (\$788.76)         |
| 11/22/2006   | Buy    | \$1,406.09 | -1.72%   | \$0.00             |
| 11/27/2006   | Sell   | \$1,381.96 |          | (\$1,750.15)       |
| 11/25/2009   | Buy    | \$1,110.63 | -1.35%   | \$0.00             |
| 11/30/2009   | Sell   | \$1,095.63 |          | (\$2,420.10)       |
| 11/24/2010   | Buy    | \$1,198.35 | -0.88%   | \$0.00             |
| 11/29/2010   | Sell   | \$1,187.76 |          | (\$2,050.93)       |
| 11/26/2014   | Buy    | \$2,072.83 | -0.94%   | \$140.64           |
| 12/1/2014  | Sell   | \$2,053.44 |          | (\$1,116.48)       |
| 11/25/2015   | Buy    | \$2,088.87 | -0.41%   | \$232.18           |
| 11/30/2015   | Sell   | \$2,080.41 |          | (\$397.62)         |
| 11/23/2016   | Buy    | \$2,204.72 | -0.14%   | \$388.35           |
| 11/28/2016   | Sell   | \$2,201.72 |          | (\$196.20)         |
| 11/22/2017   | Buy    | \$2,597.08 | 0.17%    | \$354.54           |
| 11/27/2017   | Sell   | \$2,601.42 |          | \$0.00             |
| 11/21/2018   | Buy    | \$2,649.93 | 0.89%    | \$903.54           |
| 11/26/2018   | Sell   | \$2,673.45 |          | (\$697.08)         |

I don't see any red flags here (other than the low number of instances). With the Average Drawdown over 3x the size of the Avg Run-Up, and also larger than the *largest* Run-up, reward/risk has favored the bears. Results appear skewed enough to the downside that the study seems worth some

consideration. Of course this year there is also some upward momentum heading into Thanksgiving, with SPX closing at a new high on Wednesday. I decided to look back at other times SPX closed at a 50-day high on the day before Thanksgiving.

| Wednesday before Thanksgiving SPX closes at 50-day high.<br>Buy SPX 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 |
| 5  | -6,728.80       | 7                 | 0                   | 7                  | 0.00              | 0.00                   | -3,425.92             | 0.00                   | -961.26               | 0.00                | 0.00              | -961.26        |
| 4  | -5,113.53       | 7                 | 1                   | 6                  | 14.29             | 72.00                  | -2,257.80             | 72.00                  | -864.26               | 0.08                | 0.01              | -730.50        |
| 3  | -5,066.10       | 7                 | 0                   | 7                  | 0.00              | 0.00                   | -1,920.72             | 0.00                   | -723.73               | 0.00                | 0.00              | -723.73        |
| 2  | -5,580.20       | 7                 | 0                   | 7                  | 0.00              | 0.00                   | -1,713.23             | 0.00                   | -797.17               | 0.00                | 0.00              | -797.17        |
| 1  | -2,092.15       | 7                 | 2                   | 5                  | 28.57             | 388.35                 | -1,721.70             | 298.45                 | -537.81               | 0.55                | 0.22              | -298.88        |

Results here also show a bearish inclination over the next 2 days. I will note that there were a couple instances that occurred just prior to the sample set that were mildly positive over the 2-day period. But the poor performance over the last 24 years (7 instances) is notable and interesting. Below is the list of instances.

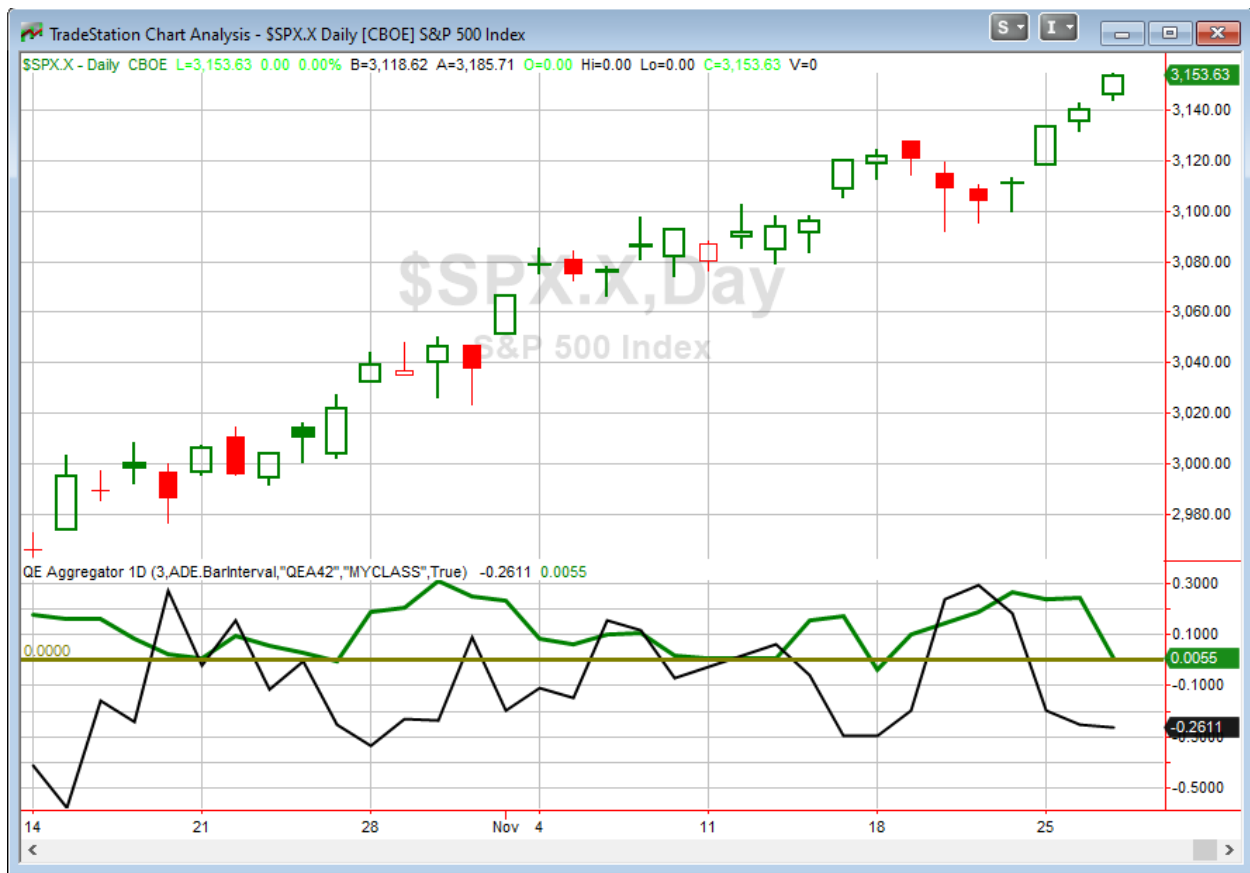
| Wednesday before Thanksgiving SPX closes at 50-day high.<br>Buy SPX on close. Sell 2 days later. \$100k/trade. 1982 - present. |        |            |          |                 |
|--|--------|------------|----------|-----------------|
| Date/Time  | Signal | Price      | % Profit | Run-up Drawdown |
| 11/27/2002   | Buy    | \$938.87   | -0.46%   | \$1,637.70      |
| 12/2/2002  | Sell   | \$934.53   |          | (\$1,180.84)    |
| 11/23/2005   | Buy    | \$1,265.61 | -0.64%   | \$250.43        |
| 11/28/2005   | Sell   | \$1,257.47 |          | (\$666.76)      |
| 11/22/2006   | Buy    | \$1,406.09 | -1.72%   | \$0.00          |
| 11/27/2006   | Sell   | \$1,381.96 |          | (\$1,750.15)    |
| 11/25/2009   | Buy    | \$1,110.63 | -1.35%   | \$0.00          |
| 11/30/2009   | Sell   | \$1,095.63 |          | (\$2,420.10)    |
| 11/27/2013   | Buy    | \$1,807.23 | -0.35%   | \$347.60        |
| 12/2/2013  | Sell   | \$1,800.90 |          | (\$474.65)      |
| 11/26/2014   | Buy    | \$2,072.83 | -0.94%   | \$140.64        |
| 12/1/2014  | Sell   | \$2,053.44 |          | (\$1,116.48)    |
| 11/23/2016   | Buy    | \$2,204.72 | -0.14%   | \$388.35        |
| 11/28/2016   | Sell   | \$2,201.72 |          | (\$196.20)      |

The momentum heading into Thanksgiving certainly has not seemed to help at all. A few of the instances shown match up with the low volume study as well. Below is the list that qualified for both.

| Wednesday before Thanksgiving posts high close in 50 days and lowest NYSE volume in 20 days. Buy SPX on close. Sell 2 days later. \$100k/trade. 1982 - present. |        |            |          |                 |
|---|--------|------------|----------|-----------------|
| Date/Time   | Signal | Price      | % Profit | Run-up Drawdown |
| 11/22/2006  | Buy    | \$1,406.09 | -1.72%   | \$0.00          |
| 11/27/2006  | Sell   | \$1,381.96 |          | (\$1,750.15)    |
| 11/25/2009  | Buy    | \$1,110.63 | -1.35%   | \$0.00          |
| 11/30/2009  | Sell   | \$1,095.63 |          | (\$2,420.10)    |
| 11/26/2014  | Buy    | \$2,072.83 | -0.94%   | \$140.64        |
| 12/1/2014   | Sell   | \$2,053.44 |          | (\$1,116.48)    |
| 11/23/2016  | Buy    | \$2,204.72 | -0.14%   | \$388.35        |
| 11/28/2016  | Sell   | \$2,201.72 |          | (\$196.20)      |

Bottom line with all of this is that we could see a dip in the next couple of days.

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



With today's evidence considered, 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 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. This could change if more bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3155.75 on Friday. That is 0.1% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX needs to close up about 0.1% in order to remain overbought versus recent expectations. If it fails to do that, it will be considered "oversold" as of Friday's close.

The Aggregator is again neutral. Evidence is mixed and we have an inverted pivot. The combination of evidence does not suggest a strong directional edge. It seems as though we could see either a long or short edge emerge in the next day or so that might be worth a trade. So it's important to remain alert. But also patient. I will continue to wait for the next high probability setup to emerge.

**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

QCOM – 1/3 @ \$84.63

***Broad Market Large Cap CBI – 3(QCOM-3)***

**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**

| Symbol    | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes    |
|-----------|------------|-------------|---------------|-------------|------|----------|
| QCOM(2/3) | 11/26/2019 | \$84.89     | \$84.80       | -0.11%      |      | Catapult |
| QCOM(1/3) | 11/27/2019 | \$84.63     | \$84.80       | 0.20%       |      | Catapult |

*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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