

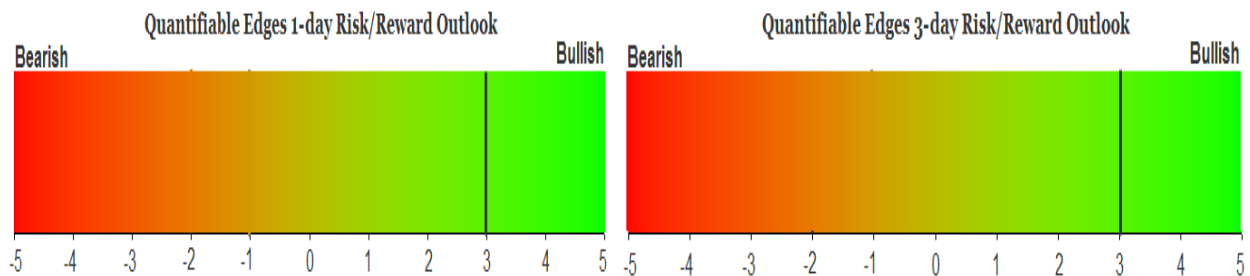
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 3, 2019

Volume 12 Issue 233

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	3

## Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce – especially heading into a “Turnaroud” Tuesday.
- The 1<sup>st</sup> dip below the 10ma for SPY after spending at least 25 days above it has typically been buyable.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Evidence suggests an upside edge and there seems to be ample profit opportunity.

**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>						
December 3, 2019	SPX close btm 10%, 5-low on Monday	1-5 days	Bullish	2.10%	-1.00%	-2.10%
December 2, 2019	Unfilled gap up to 20-high, then unfl dn	1-4 days	Bearish			
November 22, 2019	SPX < 10ma after 25+ days above	1-9 days	Bullish			
<b>Active - Long Term</b>						
December 3, 2019	SPY 1st below 10ma in > 25 days	1-19 days	Bullish	4.20%	-0.90%	-2.20%
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			
<b>Dropped Tonight</b>						
December 2, 2019	SPY weak close on last day of month	1 day	Bullish			
November 29, 2019	Thanksgiving Wed. low vol high close	1-2 days	Bearish			

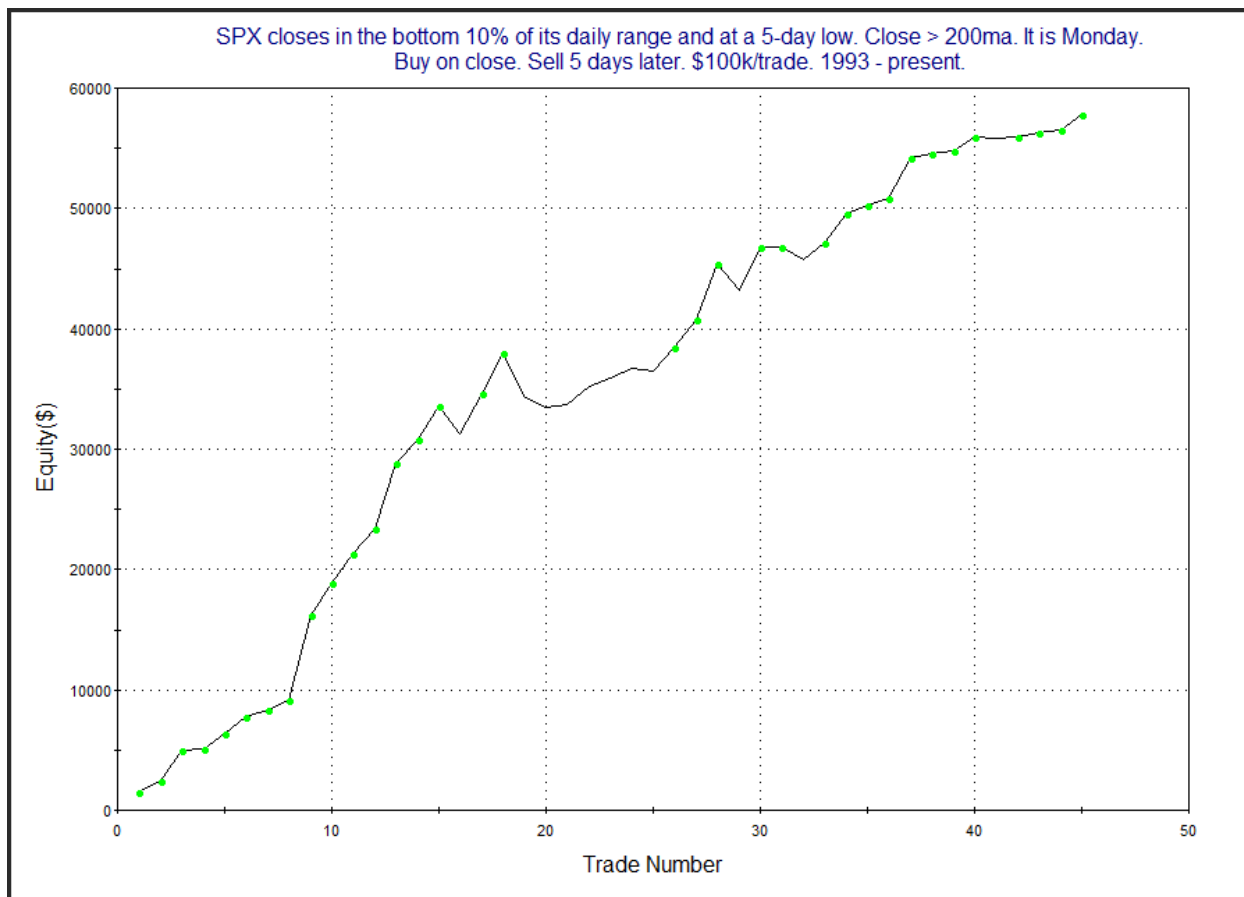
**The Evidence**

Economic numbers and tariff news took the blame on for Monday's selloff...but perhaps it being the 1<sup>st</sup> Monday after Thanksgiving had something to do with it as well. The SPX finished the day down 0.9%, the NASDAQ lost 1.1%, and Russell 2000 fell 1.0%. Breadth was also negative as the NYSE Up Issues % was 27% and the Up Volume % came in at 34%. NYSE volume rose from Friday's very light level.

There were some studies that appeared in the Quantifinder tonight that considered 1) SPX closed poorly and at a short-term low, and 2) "Turnaround" Tuesday is coming up. The study below was last seen in the 8/14/18 letter, and it combined all these concepts. Stats are all updated.

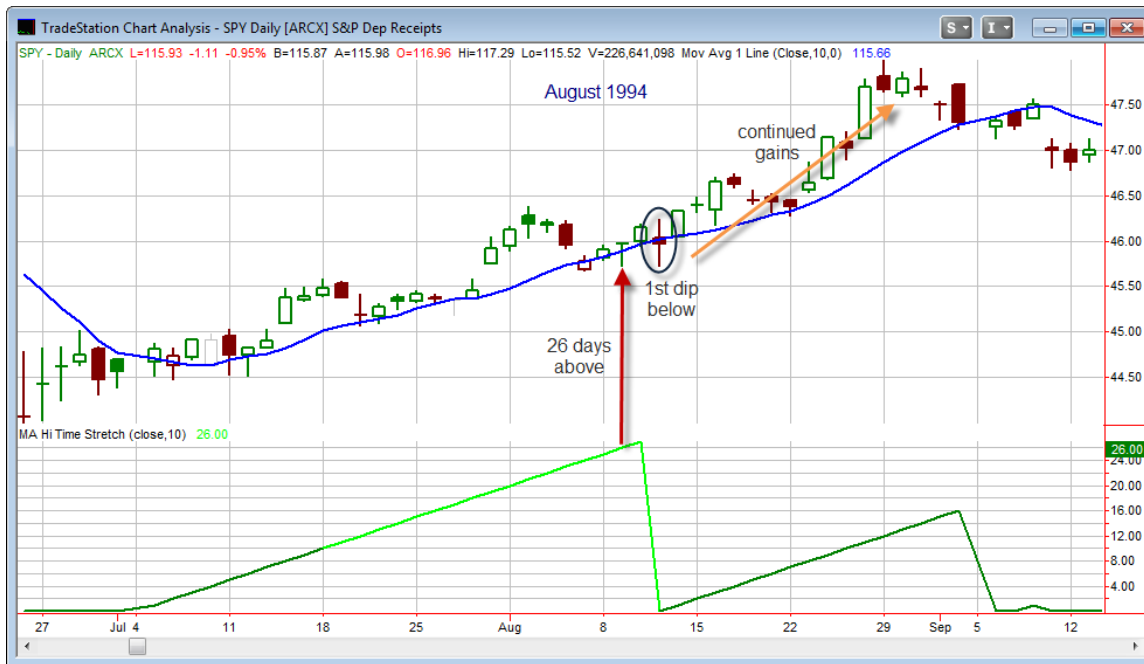
SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. It is Monday. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	57,744.12	45	38	7	84.44	7,070.28	-3,720.99	1,797.84	-1,510.56	1.19	6.46	1,283.20
4	41,534.80	45	37	8	82.22	5,187.49	-3,019.20	1,470.34	-1,608.45	0.91	4.23	923.00
3	31,685.48	45	31	14	68.89	5,339.18	-3,515.67	1,479.61	-1,013.03	1.46	3.23	704.12
2	25,215.96	45	30	15	66.67	4,809.66	-2,261.76	1,245.63	-810.20	1.54	3.07	560.35
1	25,751.64	45	34	11	75.56	5,117.46	-1,611.03	910.87	-474.37	1.92	5.94	572.26

These numbers are quite impressive from day 1. And 1 week out they are very strong. Below is a look at a profit curve that assumes a 5-day hold.

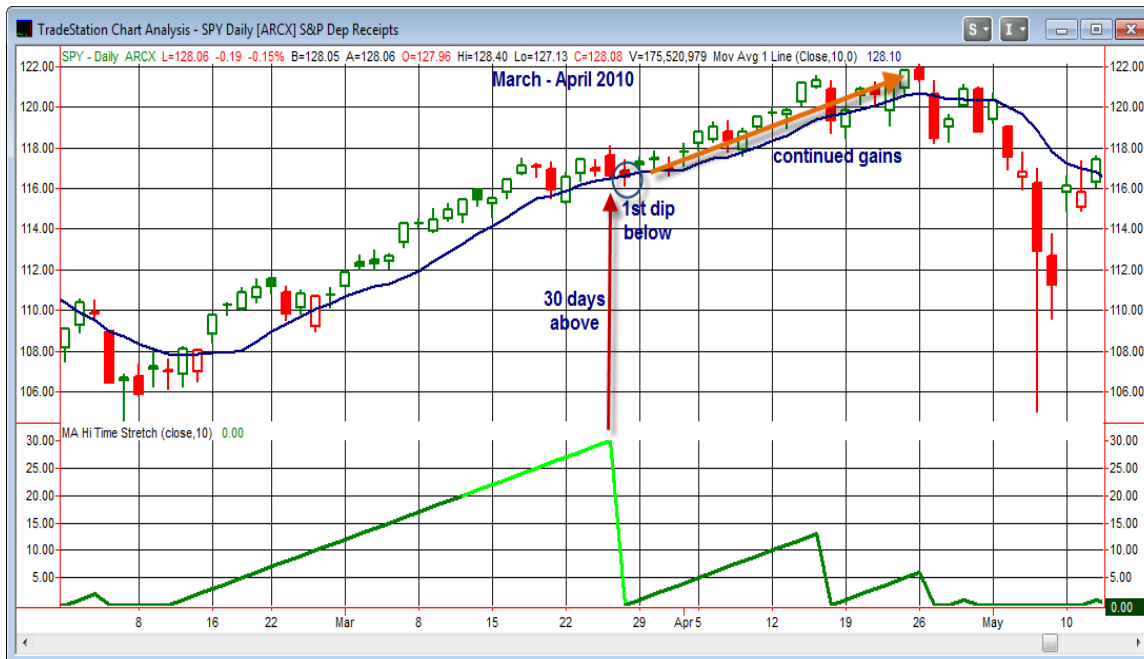


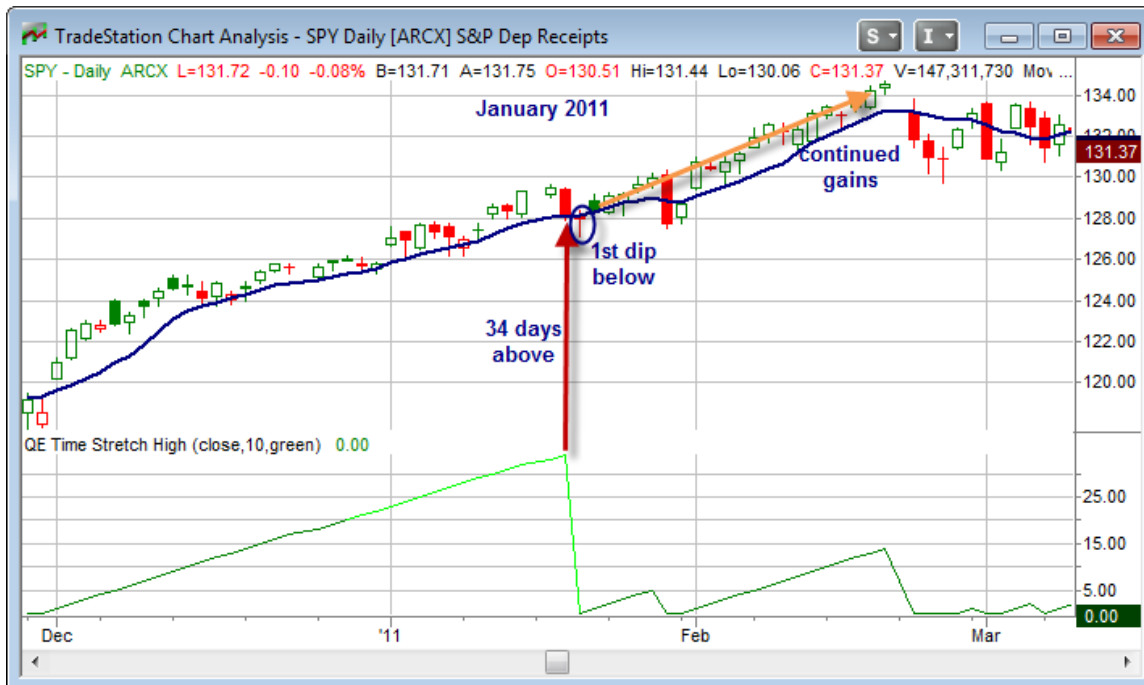
The strong upslope and persistent new highs serve as some confirmation of the bullish edge suggested by the stats table. I have included this study on the Active List tonight.

I mentioned over the weekend that SPY had gone 36 days without ever closing below its 10ma. This was the 2<sup>nd</sup> longest streak since the inception of SPY, with the longest streak of 40 days occurring in Jan/Feb of this year. My note was the perfect hex, as SPY closed down below the 10ma on Monday. In the 3/6/19 Subscriber Letter I looked at all the instances where SPY had traded above its 10ma for at least 25 days then closed below it. Since its inception in 1993 there have been only 13 other instances where SPY had a run of 25 days or more. I showed the charts of every instance and noted how the market reacted after it finally did close beneath its 10ma. Below I have republished those charts and added another one to show the most recent instance. The indicator in the bottom pane of each chart shows the number of days the SPY has closed above its 10ma.















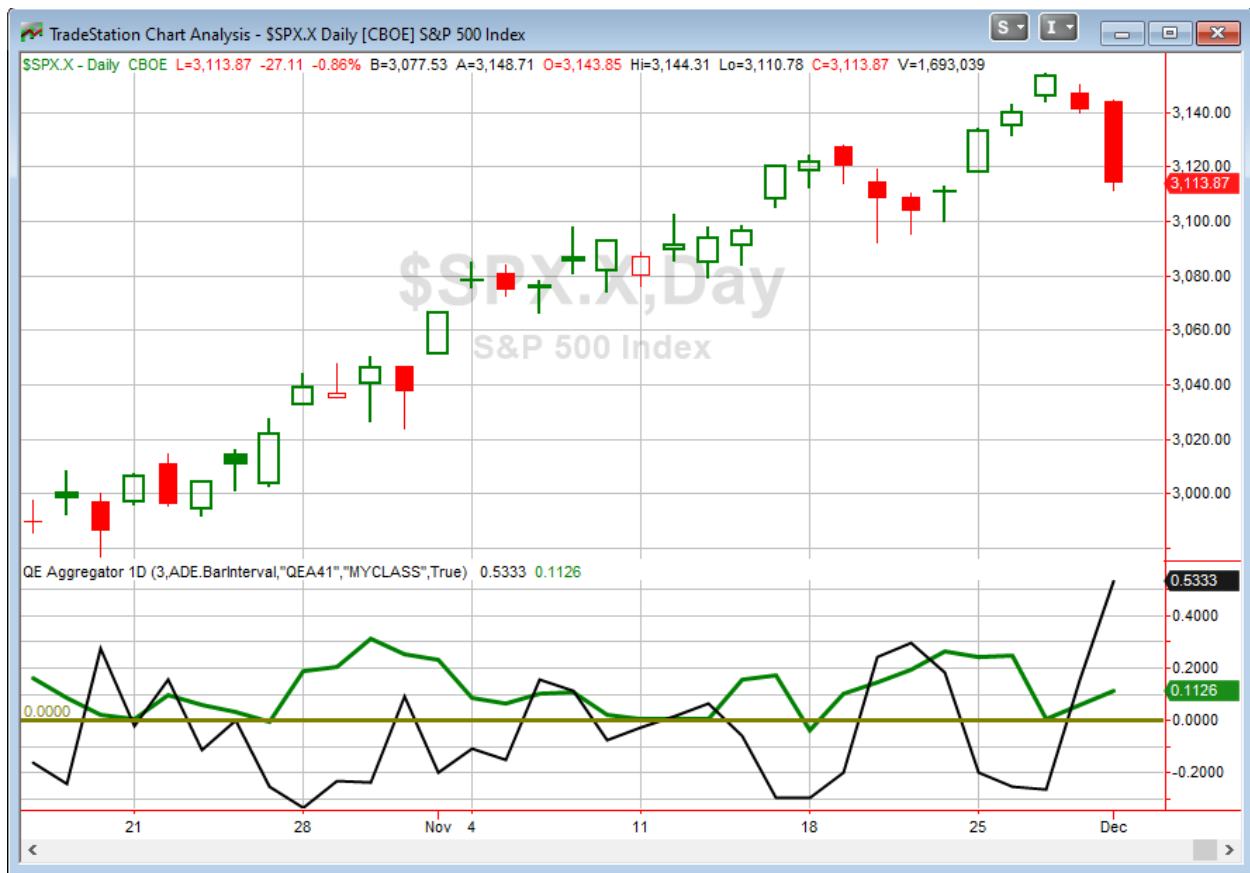
Most of these charts look quite positive. Except for the November 2015 instance, the first trip below the 10ma was a short one, and the uptrend managed to reassert itself. Of course, if you've been reading Quantifiable Edges for any period of time, you're probably used to looking at numbers. So below you will find the stats table.

After closing above the 10ma for at least 25 days in a row, SPY closes below it today.  
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
20	43,901.27	13	12	1	92.31	7,915.86	-542.40	3,703.64	-542.40	6.83	81.94	3,377.02
19	45,790.66	13	13	0	100.00	6,866.19	0.00	3,522.36	0.00	100.00	100.00	3,522.36
18	41,385.32	13	13	0	100.00	7,375.28	0.00	3,183.49	0.00	100.00	100.00	3,183.49
17	36,136.33	13	12	1	92.31	6,148.56	-1,185.60	3,110.16	-1,185.60	2.62	31.48	2,779.72
16	38,025.37	13	13	0	100.00	6,103.68	0.00	2,925.03	0.00	100.00	100.00	2,925.03
15	38,976.77	13	13	0	100.00	6,144.82	0.00	2,998.21	0.00	100.00	100.00	2,998.21
14	36,924.70	13	13	0	100.00	6,115.05	0.00	2,840.36	0.00	100.00	100.00	2,840.36
13	38,521.82	13	13	0	100.00	6,500.25	0.00	2,963.22	0.00	100.00	100.00	2,963.22
12	32,765.37	13	12	1	92.31	5,604.66	-1,929.42	2,891.23	-1,929.42	1.50	17.98	2,520.41
11	27,932.38	13	12	1	92.31	5,845.41	-3,815.10	2,645.62	-3,815.10	0.69	8.32	2,148.64
10	25,133.94	13	12	1	92.31	5,325.39	-3,037.50	2,347.62	-3,037.50	0.77	9.27	1,933.38
9	23,040.41	13	12	1	92.31	4,882.41	-2,366.82	2,117.27	-2,366.82	0.89	10.73	1,772.34
8	22,558.88	13	12	1	92.31	4,574.25	-763.02	1,943.49	-763.02	2.55	30.57	1,735.30
7	16,890.50	13	12	1	92.31	4,304.61	-1,263.60	1,512.84	-1,263.60	1.20	14.37	1,299.27
6	15,260.80	13	10	3	76.92	3,158.64	-1,252.80	1,696.20	-567.06	2.99	9.97	1,173.91
5	16,602.95	13	11	2	84.62	3,466.80	-1,180.80	1,658.40	-819.72	2.02	11.13	1,277.15
4	14,464.16	13	11	2	84.62	3,158.64	-2,659.20	1,575.55	-1,433.42	1.10	6.05	1,112.63
3	9,342.42	13	11	2	84.62	2,744.55	-1,632.48	1,139.10	-1,593.84	0.71	3.93	718.65
2	6,620.26	13	10	3	76.92	1,656.36	-1,435.58	845.26	-610.79	1.38	4.61	509.25
1	4,564.49	13	9	4	69.23	1,974.15	-605.02	596.08	-200.05	2.98	6.70	351.11

Strong and persistent upside movement like we have seen lately hasn't normally just ended and lead to an immediate correction. The 1st dip has most often been just that – a dip. New highs were typically made in short order. Of course the November 2015 instance was a big failure, and there is always a chance we could see that happen again. But the failure there was almost immediate. It did make some brief forays above the entry area, but it never moved to a new high, and the steep drop beyond the initial 10ma cross seemed to provide us a decent clue. Overall I think this study is worth consideration. Of course SPX dipped below its 10ma 6 days ago, and we saw a similar study then, which is already active. So I have listed this on the intermediate-term active list, but I'd feel a little better about the timing if the SPX and SPY had confirmed each other on the same day.

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



With today's evidence considered, 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 jumped higher above 0. The positive Differential Line reading means SPX is quite 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 Tuesday. This could change if more bearish evidence emerges. Meanwhile, the Differential Pivot will be 3168.71 on Tuesday. That is a sizable 1.8% above Monday's close. So SPX will need to close up at least 1.8% on Tuesday in order to flip to overbought versus expectations.

The bulls got more evidence pointing their way tonight. And after being extended upwards for a long time, SPX has now pulled back a bit over the last couple of days. This is all leaving the Aggregator bullish. And with the Differential Pivot 1.8% above, there is ample room for upside profits before SPX would turn overbought. This is all a lot more appealing than last night. I like the long-side odds, and I will look to begin scaling into a long position on Tuesday if I can get a decent fill.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 12/2 – bullish**

The intermediate-term outlook was last updated in the 12/2/19 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.*

**SPY – Buy ¼ index position @ \$311.64 LIMIT.** Based on the short-term outlook above, I will look to start scaling long if I can get filled at yesterday’s closing price or better.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
QCOM(2/3)	11/26/2019	\$84.89	\$83.55	-1.58%		Catapult
QCOM(1/3)	11/27/2019	\$84.63	\$83.55	-1.28%		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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