

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 4, 2019

Volume 12 Issue 234

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- The 1st 10-day low in a while is often buyable.
- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I continue to like the long side.

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						
December 4, 2019	3 Dn to 10-low from 50-high	1-8 days	Bullish			
December 4, 2019	SPX close btm 10%, 5-low on Monday	1-6 days	Bullish			
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			
Active - Long Term						
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			

The Evidence

Tuesday suffered some additional selling as the last few days has now seen a bonafide pullback. The SPX finished the day down 0.7%, the NASDAQ lost 0.55%, and Russell 2000 fell 0.3%. Breadth was also negative as the NYSE Up Issues % was 39% and the Up Volume % came in at 36%. NYSE volume rose some from Monday's level.

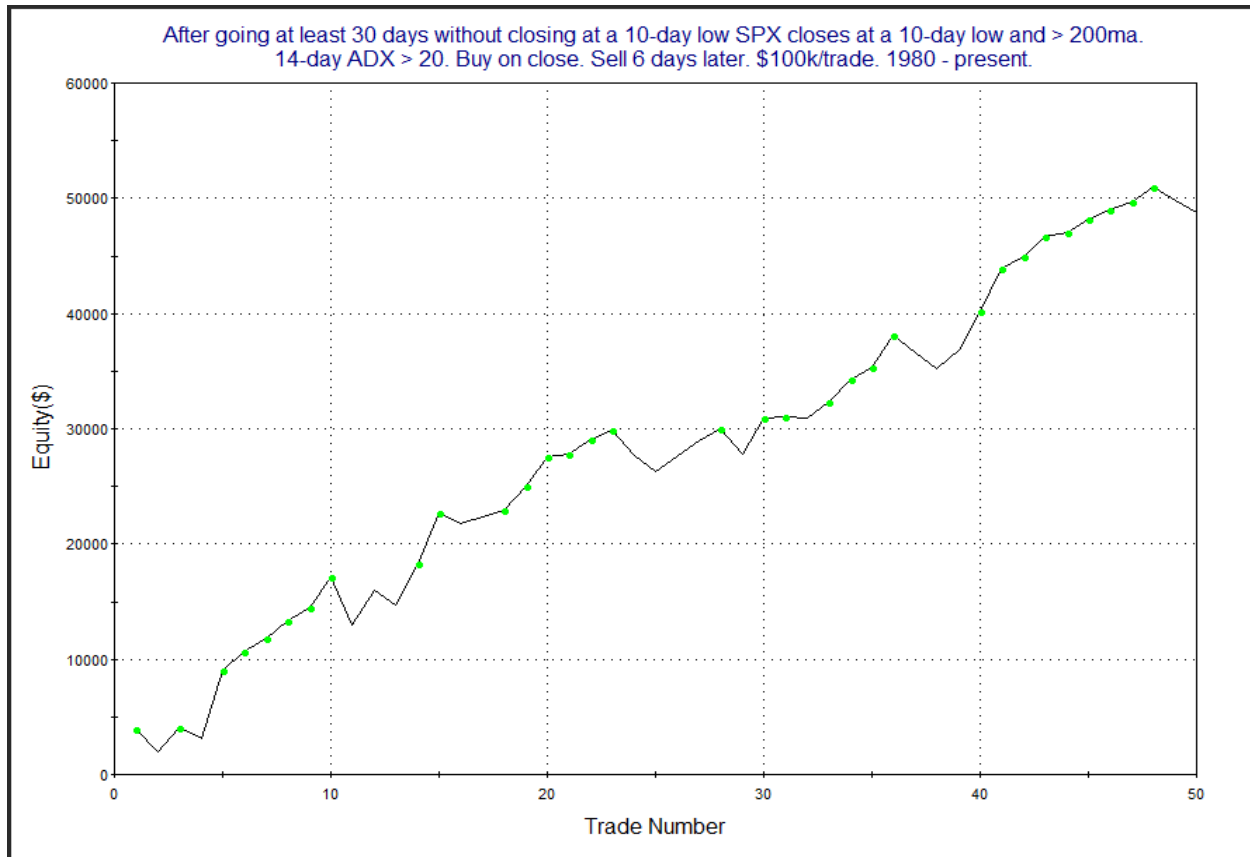
Notable about the low close on Tuesday is that it was the 1st 10-day low close since 10/2. Before Tuesday SPX had gone 42 trading days without closing at a 10-day low. That is a long time. Historically the 1st pullback to a 10-day low after a long time without one has provided a solid upside edge. In the past I also found that the edge is more prevalent when SPX has been trending than when it has been chopping sideways for an extended period. I used ADX to determine trend strength. I found that a reading of 20 or higher seemed to be a decent filter. I last shared the study below in the 8/2/19 letter. Results are updated.

After going at least 30 days without closing at a 10-day low SPX closes at a 10-day low and > 200ma.
 14-day ADX > 20. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	71,414.16	50	33	17	66.00	12,395.76	-5,362.24	2,838.13	-1,308.48	2.17	4.21	1,428.28
9	68,787.99	50	36	14	72.00	10,529.82	-3,753.36	2,504.43	-1,526.55	1.64	4.22	1,375.76
8	68,350.94	50	38	12	76.00	10,554.48	-6,117.72	2,301.48	-1,592.10	1.45	4.58	1,367.02
7	48,302.98	50	35	15	70.00	7,743.24	-8,141.12	2,240.01	-2,006.49	1.12	2.60	966.06
6	48,707.61	50	37	13	74.00	5,893.74	-4,111.40	1,870.15	-1,576.00	1.19	3.38	974.15
5	42,203.11	50	34	16	68.00	4,608.35	-3,502.11	1,804.58	-1,197.03	1.51	3.20	844.06
4	36,211.39	50	38	12	76.00	4,690.50	-2,616.60	1,493.41	-1,711.52	0.87	2.76	724.23
3	17,248.56	50	33	17	66.00	3,940.55	-4,464.88	1,163.86	-1,244.64	0.94	1.82	344.97
2	4,714.21	50	30	20	60.00	3,744.45	-7,559.56	983.40	-1,239.39	0.79	1.19	94.28
1	4,387.82	50	28	22	56.00	2,287.60	-1,922.40	679.76	-665.70	1.02	1.30	87.76

46 of 50 instances (93%) closed above the entry price at some point in the next week.

The numbers here are quite good, suggesting a short-term upside edge. Below is a 6-day profit curve.



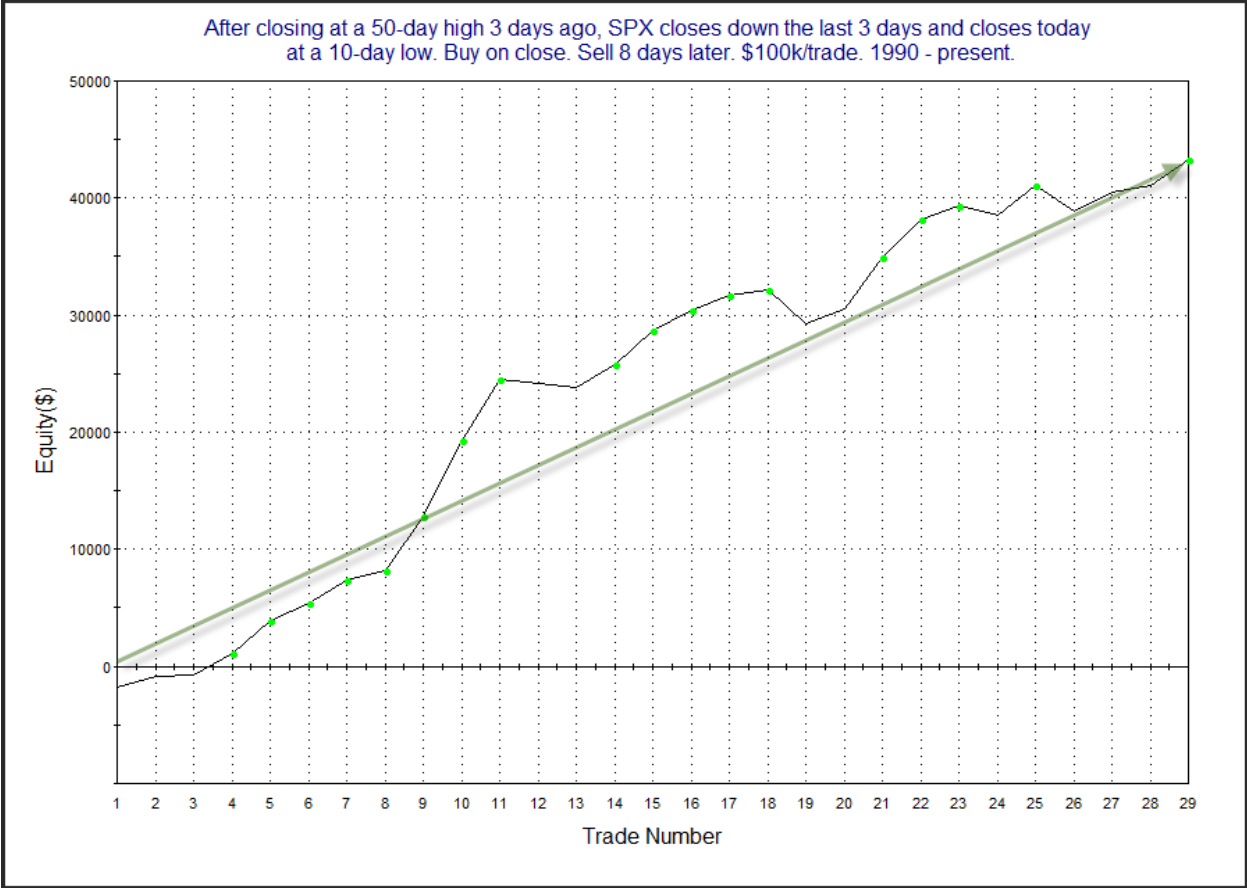
This profit curve shows a strong steady upslope. This study also confirms other we have seen in recent days that note 1st pullbacks after a long run higher are typically buyable.

The decline in SPX also meant it was the 3rd day in a row in which it closed lower. Often 3- day pullbacks will trigger some bullish studies. In the 3/7/19 letter I showed a study that noted 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. I have updated that study below.

After closing at a 50-day high 3 days ago, SPX closes down the last 3 days and closes today at a 10-day low. Buy on close. Sell X days later. \$100k/trade. 1990 - present.

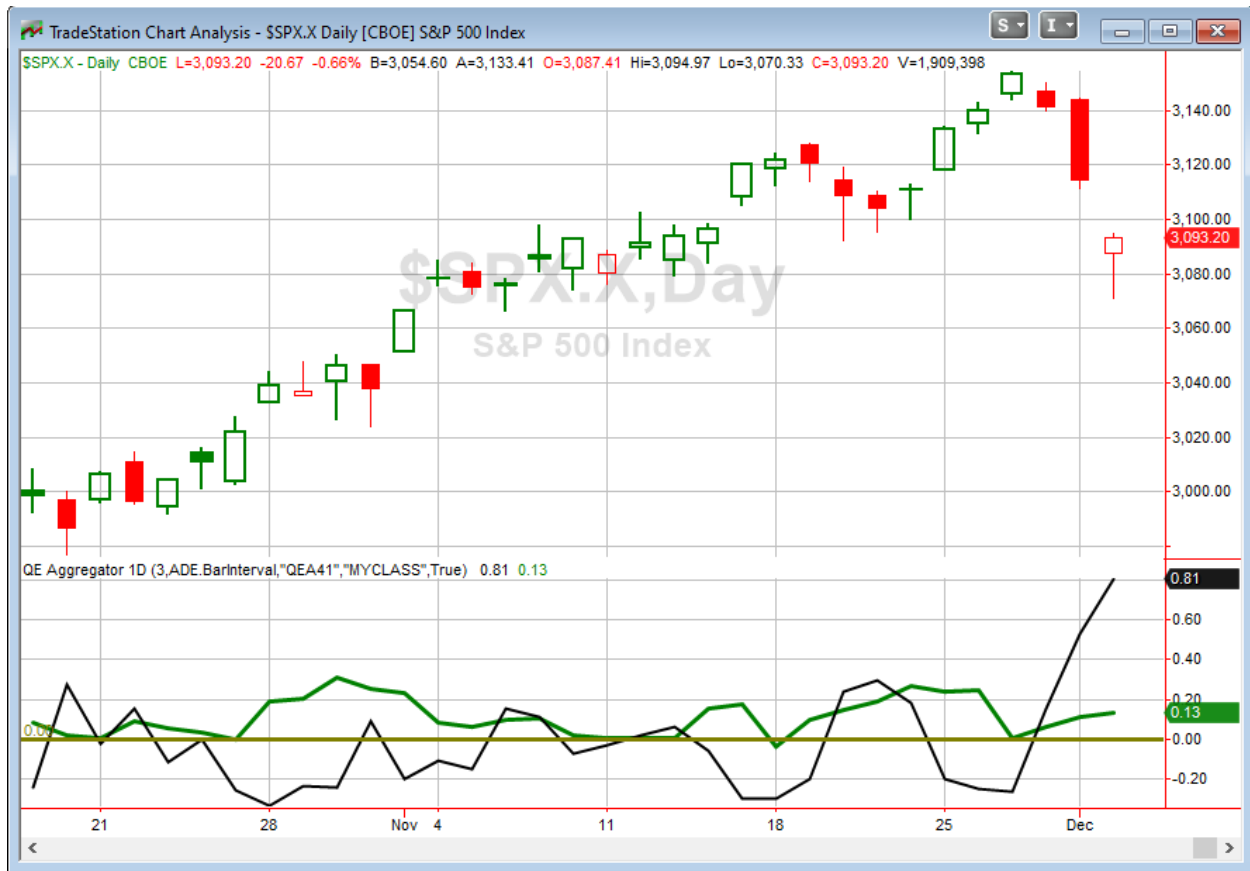
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	37,782.40	29	19	10	65.52	7,183.08	-3,768.96	2,830.39	-1,599.49	1.77	3.36	1,302.84
9	38,616.76	29	21	8	72.41	6,197.04	-3,145.44	2,481.54	-1,686.94	1.47	3.86	1,331.61
8	43,310.08	29	23	6	79.31	6,562.98	-2,920.08	2,242.54	-1,378.08	1.63	6.24	1,493.45
7	33,345.77	29	21	8	72.41	4,736.88	-2,150.55	2,004.54	-1,093.70	1.83	4.81	1,149.85
6	26,317.42	29	18	11	62.07	3,768.08	-2,649.10	1,956.64	-809.29	2.42	3.96	907.50
5	24,373.72	29	18	11	62.07	3,892.40	-1,821.15	1,916.98	-921.08	2.08	3.41	840.47
4	24,056.78	29	20	9	68.97	3,834.96	-2,616.60	1,725.32	-1,161.08	1.49	3.30	829.54
3	16,965.93	29	21	8	72.41	3,201.12	-2,280.35	1,232.46	-1,114.47	1.11	2.90	585.03
2	12,797.75	29	19	10	65.52	2,200.15	-2,668.32	1,152.99	-910.90	1.27	2.40	441.30
1	8,337.02	29	19	10	65.52	1,767.00	-1,805.76	714.70	-524.23	1.36	2.59	287.48

We see here that the odds favor a bounce, and that it has often persisted up to 8 days out. Below is a profit curve for the 8-day holding period.



Here again we see a strong, steady upslope. This study also seems worth consideration and has been added to the short-term active list.

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 is now very high above 0. The positive Differential Line reading means SPX is strongly 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 Wednesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 3150.10 on Wednesday. That is a sizable 1.8% above Tuesday's close. So SPX will need to close up at least 1.8% on Wednesday in order to flip to overbought versus expectations.

So the Aggregator is bullish. Evidence is building for the bulls, and the market is as oversold as it has been in a long time. I like the bullish case. I took some long exposure on Tuesday. If Wednesday closes down a fair amount, I may look to add to my position.

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

New

GE – 1/3 @ \$10.99 (buy @ limit)

Broad Market Large Cap CBI – 4(QCOM3-, GE)

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 @ \$308.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to add to my position if SPY closes down a decent amount on Wednesday.

GE – Buy 1/3 Catapult position @ \$10.99 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for GE.

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
SPY(1/4)	12/3/2019	\$308.65	\$309.55	0.29%		Aggreagator

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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