

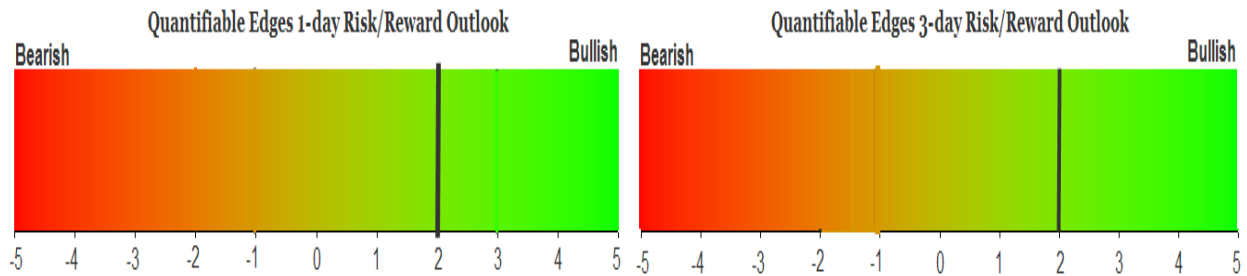
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 5, 2019

Volume 12 Issue 235

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	5

## Tonight's Research Points

- SPY's unfilled gap up and move higher happened in a way that suggests a solid probability of more upside follow-through, but perhaps not on day 1.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish, but I am content to just hang on to my existing position, rather than looking to add to it.

**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 5, 2019	Unfill up frm 10-day < 10ma > 200ma	1-5 days	Bullish	1.70%	-1.30%	-2.50%
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			
<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			

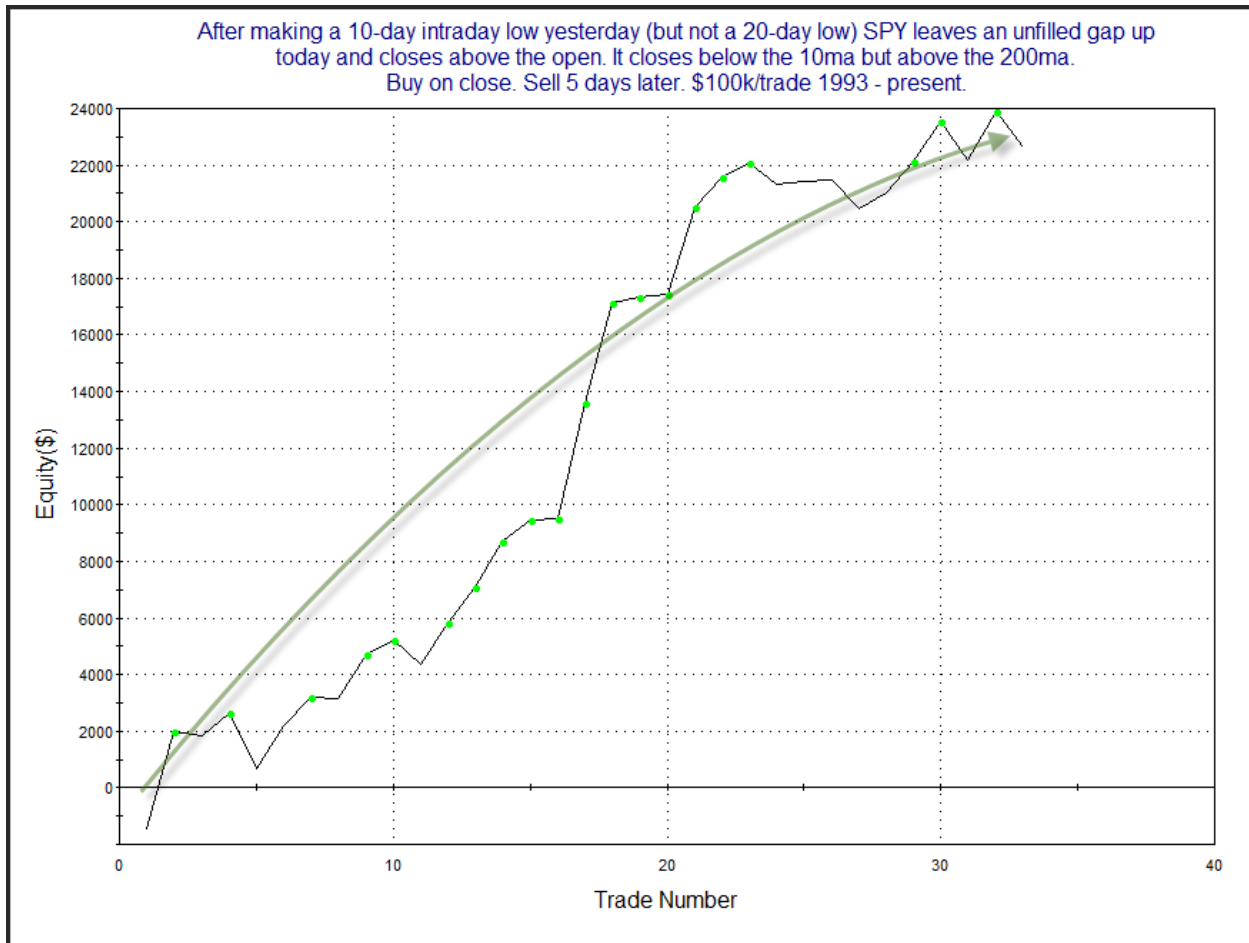
**The Evidence**

Wednesday the market bounced nicely. The SPX finished the day up 0.6%, the NASDAQ rose 0.5%, and Russell 2000 gained 0.7%. Breadth was also positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 74%. NYSE volume rose some from Tuesday's level.

Wednesday's rally was marked by the fact that it featured an unfilled gap up and a further rise after the open. I have looked at setups like this a number of times in the past. A couple of things that make this unfilled gap up appealing are that 1) it came from a short-term low, but not an intermediate-to-long-term low, and 2) it closed below the 10ma. The study below was last seen in the 10/1/19 letter. It looked at situations just like the current one. I have updated all the stats.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma. 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	22,643.31	33	24	9	72.73	4,106.63	-1,949.70	1,308.61	-973.70	1.34	3.58	686.16
4	22,249.10	33	22	11	66.67	3,904.83	-2,096.99	1,441.86	-861.08	1.67	3.35	674.22
3	13,589.92	34	21	13	61.76	3,914.92	-2,133.60	1,190.87	-878.33	1.36	2.19	399.70
2	6,182.94	34	19	15	55.88	2,828.00	-2,926.56	1,144.17	-1,037.09	1.10	1.40	181.85
1	318.68	34	17	16	50.00	1,773.46	-2,895.33	784.11	-813.20	0.96	1.02	9.37
<b>32 of 34 instances (94%) closed above the entry price at some point in the next week.</b>												

Indications here are bullish across the board. It is impressive that nearly every instance saw a continuation of the rally at some point in the next week. Below is an equity curve that assumes a 5-day holding period.



Despite a few recent failures, the strong upslope is impressive.

Also in the 10/1/19 subscriber letter I examined instances that hit not only 10-day lows, but also 20-day lows before the bounce occurred. Such bounces from 20-day lows tended to do a poor job of following through with more upside. This can be seen in the results table below. (Not updated.)

After making a 20-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma.  
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	4,175.71	35	18	17	51.43	3,178.32	-3,739.32	1,830.35	-1,692.39	1.08	1.15	119.31
4	3,884.65	37	22	15	59.46	2,950.20	-2,880.28	1,350.01	-1,721.04	0.78	1.15	104.99
3	1,236.53	39	21	18	53.85	3,306.24	-3,070.92	1,130.29	-1,249.98	0.90	1.05	31.71
2	-689.83	41	22	19	53.66	3,089.76	-2,818.42	1,067.89	-1,272.81	0.84	0.97	-16.83
1	-1,841.50	41	17	24	41.46	2,470.05	-1,777.90	879.86	-699.96	1.26	0.89	-44.91

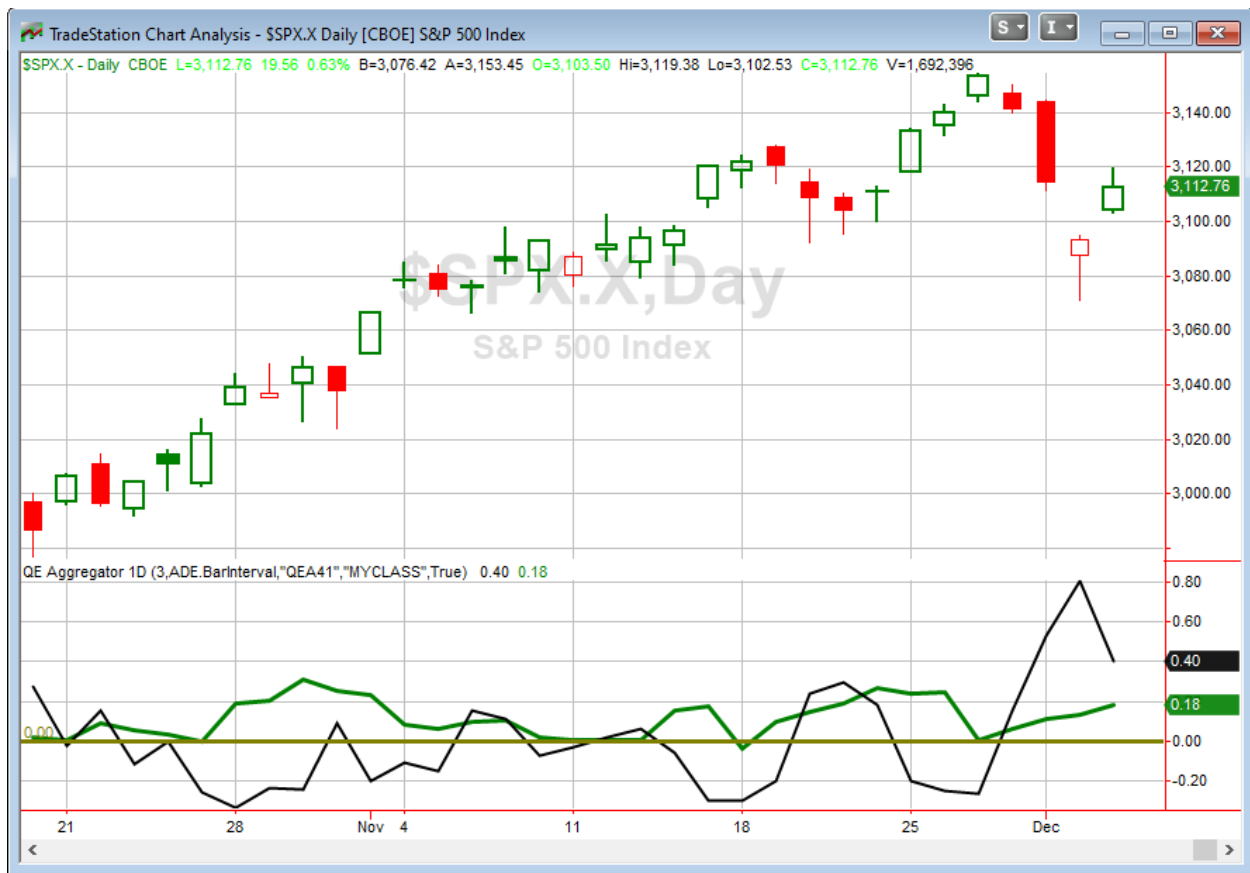
In the 10/1/19 subscriber letter I also showed the importance of closing below the 10-day moving average, as opposed to above it. To do that I took the first study I showed and simply flipped that filter. Those results can be seen below.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes **above** the 10ma and above the 200ma.  
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: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-3,899.51	21	11	10	52.38	869.86	1,753.14	-1,346.79	-3,691.98	0.65	0.71	-185.69
4	-1,323.25	21	11	10	52.38	649.26	1,903.47	-846.51	-1,788.75	0.77	0.84	-63.01
3	-4,285.02	21	10	11	47.62	642.61	1,393.05	-973.73	-2,475.20	0.66	0.60	-204.05
2	-2,630.12	21	10	11	47.62	604.06	1,325.28	-788.25	-2,293.20	0.77	0.70	-125.24
1	-5,777.61	21	8	13	38.10	465.78	949.00	-731.07	-2,591.68	0.64	0.39	-275.12

As you can clearly see, instances like this did not provide a reliable upside edge either. Part of the reason for this is likely that such strong bounces alleviate the oversold condition that may have been partially responsible for creating the upside edge. Perhaps fortunately for bulls, SPY appears to have bounced "just right" on Wednesday.

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 still high above 0. The positive Differential Line reading means SPX is solidly 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 Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 3119.32 on Thursday. That is just 0.2% above Wednesday's close. So SPX will need to close up just 0.2% on Thursday in order to flip to overbought versus expectations.

The bounce looks good so far, and some follow through to the upside appears likely. But there is not a whole lot of room to profit before SPX would become overbought. So while I will continue to hold my long index position, I am not inclined to add to it at this point. I'll see how Thursday plays out, and then re-evaluate again tomorrow night.

***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

GE – 1/3 @ \$10.99

*New*

GE – 1/3 @ \$10.90 (buy @ limit)

***Broad Market Large Cap CBI – 5(QCOM3-, GE-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.*

**GE – Buy 1/3 Catapult position @ \$10.90 LIMIT.** From the Catapult section above, this is the 2<sup>nd</sup> of up to 3 possible lots for GE.

### **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
QCOM(2/3)	11/26/2019	\$84.89	\$82.08	-3.31%		Catapult
QCOM(1/3)	11/27/2019	\$84.63	\$82.08	-3.01%		Catapult
SPY(1/4)	12/3/2019	\$308.65	\$311.46	0.91%		Aggreagator
GE(1/3)	12/4/2019	\$10.99	\$10.90	-0.82%		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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