

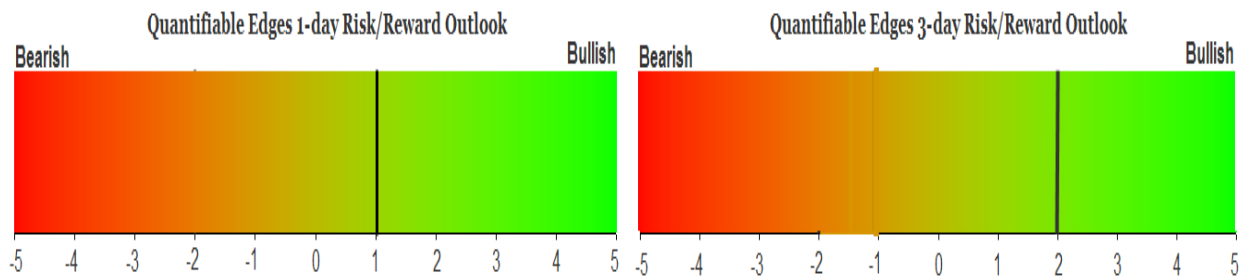
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 6, 2019

Volume 12 Issue 236

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.
- Moderate 2-day bounces from 10-day lows during uptrends usually have farther to go.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but with an inverted pivot the bullish formation could easily end on Friday. I am looking to take profits if I can get a favorable exit.

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 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			
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			

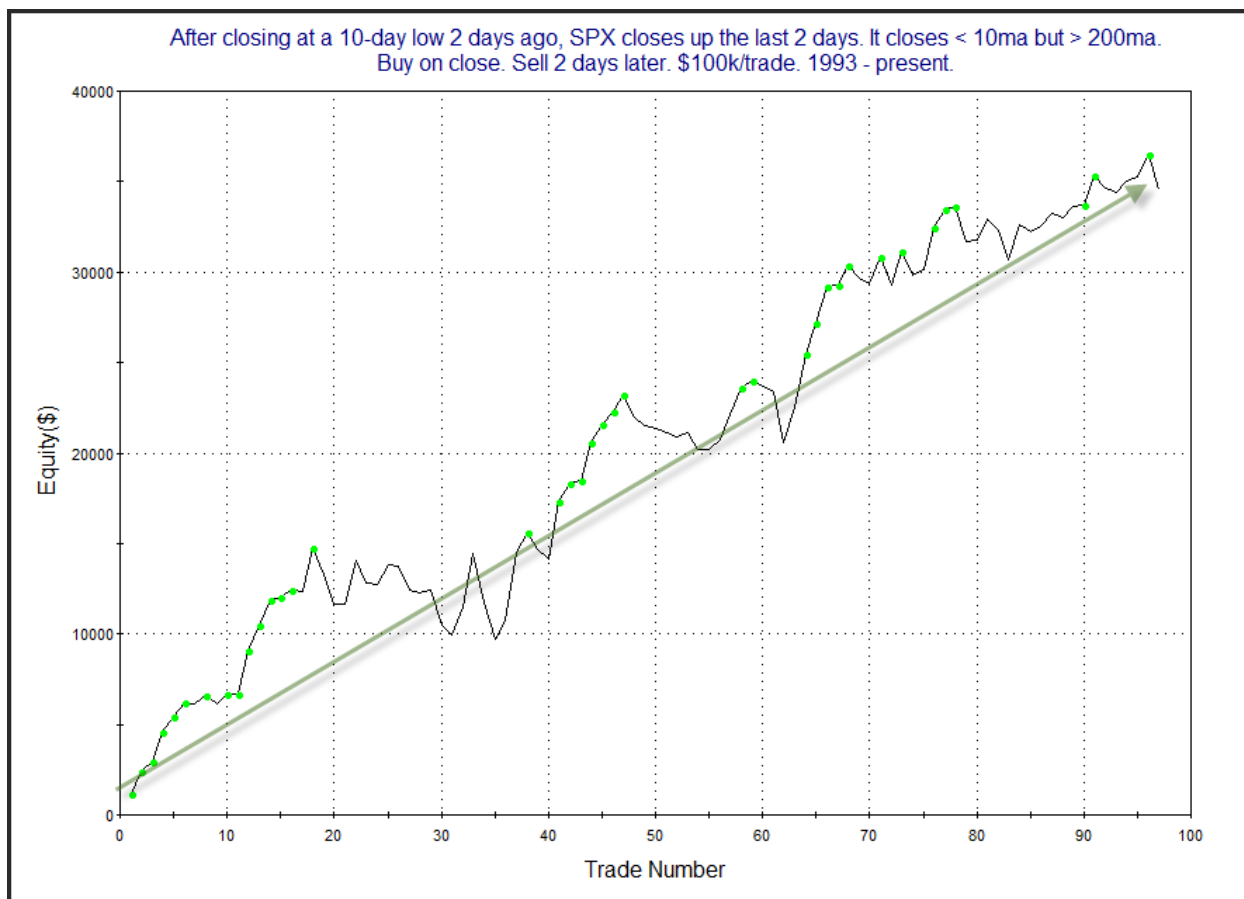
The Evidence

After some morning selling on Thursday, the market rebounded to post mild gains. The SPX finished the day up 0.15%, the NASDAQ rose 0.05%, and Russell 2000 gained 0.06%. Breadth was mixed as the NYSE Up Issues % was 53% and the Up Volume % came in at 47%. NYSE volume declined some from Wednesday's level.

In the 9/12/18 letter I took a look at moderate bounces from 10-day lows like we have seen the last couple of days. Tonight I updated that study.

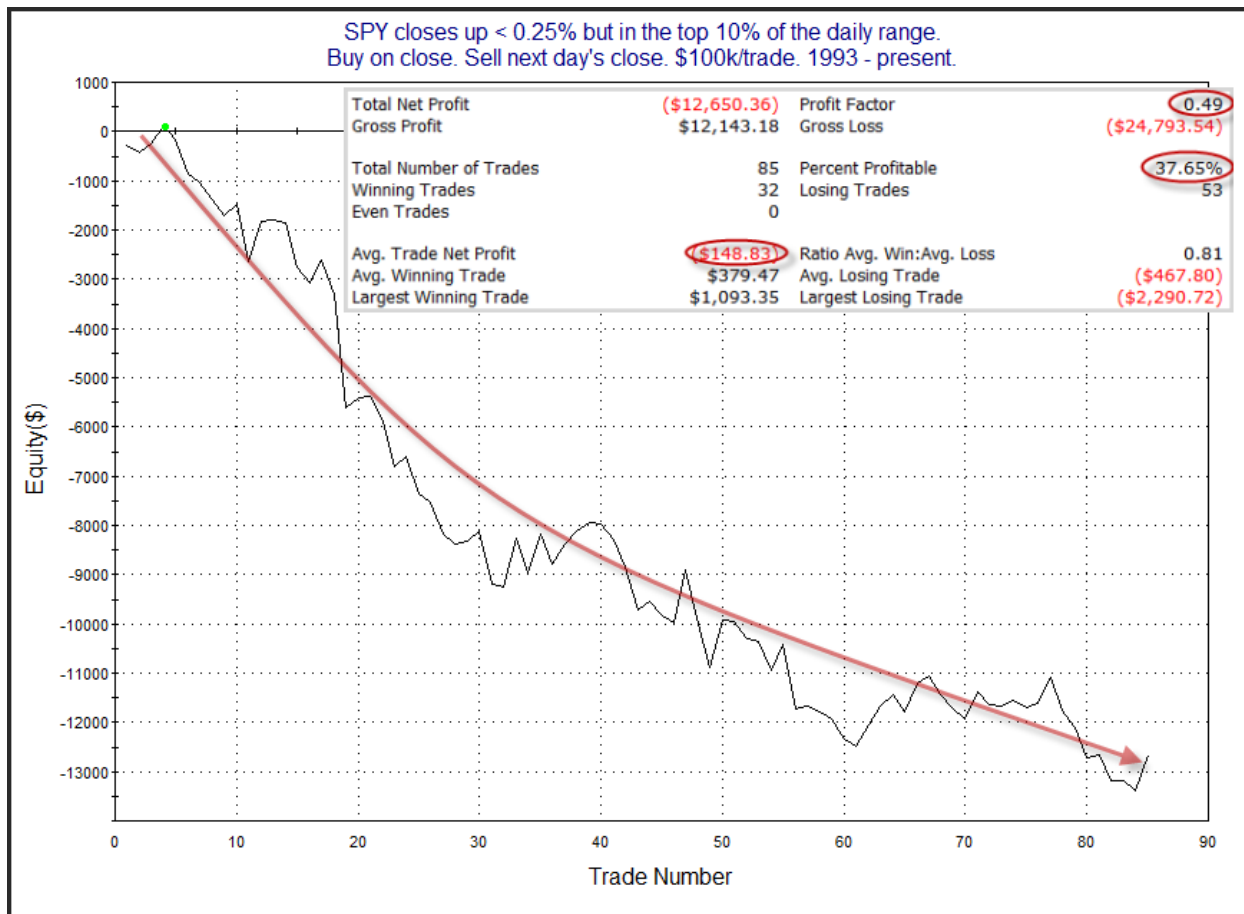
After closing at a 10-day low 2 days ago, SPX closes up the last 2 days. It closes < 10ma but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	27,594.13	94	57	37	60.64	4,522.00	-4,385.11	1,568.37	-1,670.35	0.94	1.45	293.55
4	36,352.82	95	59	36	62.11	4,528.65	-4,255.02	1,511.12	-1,466.75	1.03	1.69	382.66
3	34,768.80	97	65	32	67.01	3,167.68	-3,993.04	1,210.82	-1,372.95	0.88	1.79	358.44
2	34,526.54	97	60	37	61.86	3,844.65	-2,822.04	1,140.90	-916.95	1.24	2.02	355.94
1	15,318.95	97	58	39	59.79	2,699.42	-3,044.52	714.82	-670.28	1.07	1.59	157.93

Stats here seem to suggest a bit of an upside edge, especially over the 1st couple of days. Below is a look at a profit curve that assumes a 2-day holding period.



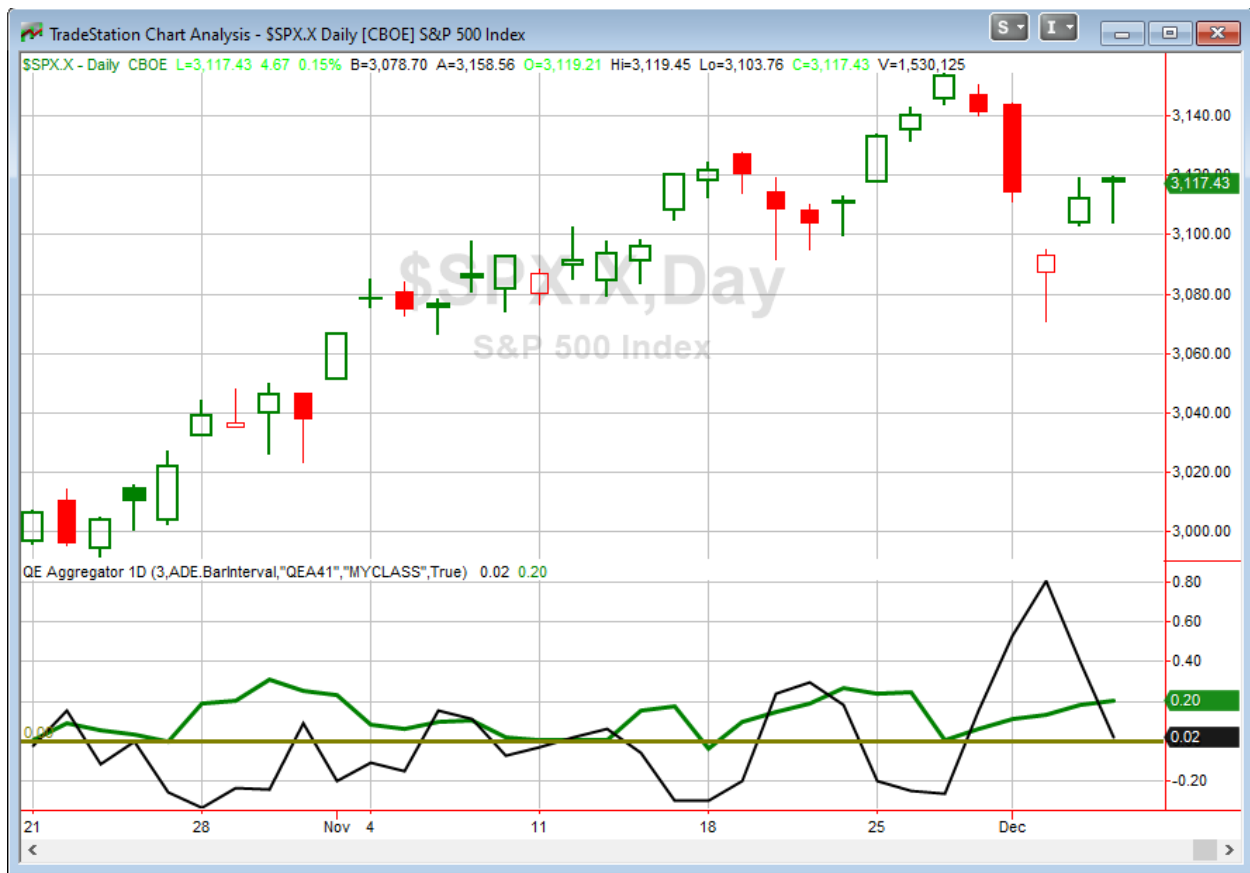
It has moved from lower left to upper right on a fairly steady basis for a very long time. This serves as some confirmation of the potential bullish edge.

But I also saw some bearish evidence emerge tonight. The study below suggests that when SPY closes strong (in the top 10% of its intraday range) but still only manages a small gain on the day, the next day has shown a downside tendency. It appeared recently in the 11/15/19 letter. I have updated the stats and the profit curve.



This bearish edge has persisted since the inception of SPY in 1993. It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day. I have added both studies to the Active List tonight.

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 just barely above 0. The positive Differential Line reading means SPX is still slightly 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 Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be *inverted* at 3102.53 on Friday. That is 0.5% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down at least 0.5% in order to remain oversold. Anything less than that, or any up close, and it will be considered overbought versus expectations as of Friday's close.

I often view inverted pivots as opportune times to take profits. This is because upside is limited to just one day. But there is no such limitation with the downside risk. There still appears to be an upside edge, but if there is a nice gap up, or an intraday rally, then I will generally view that as a good place to take profits. So I will be looking to take profits and get out of my SPY position on Friday if I can get a favorable 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

GE – 1/3 @ \$10.99

GE – 1/3 @ \$10.90

New

GE – 1/3 @ \$10.79 (buy @ limit)

Broad Market Large Cap CBI – 6(QCOM3-, GE-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.

GE – Buy 1/3 Catapult position @ \$10.79 LIMIT. From the Catapult section above, this is the last possible lot of GE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
QCOM(2/3)	11/26/2019	\$84.89	\$82.58	-2.72%		Catapult
QCOM(1/3)	11/27/2019	\$84.63	\$82.58	-2.42%		Catapult
SPY(1/4)	12/3/2019	\$308.65	\$312.02	1.09%		see note below
GE(1/3)	12/4/2019	\$10.99	\$10.79	-1.82%		Catapult
GE(1/3)	12/5/2019	\$10.89	\$10.79	-0.92%		Catapult

SPY – I will look to sell SPY @ \$312.50 LIMIT. If not filled by the end of the day I will lower the limit to \$312.00 LIMIT ON CLOSE.

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.