

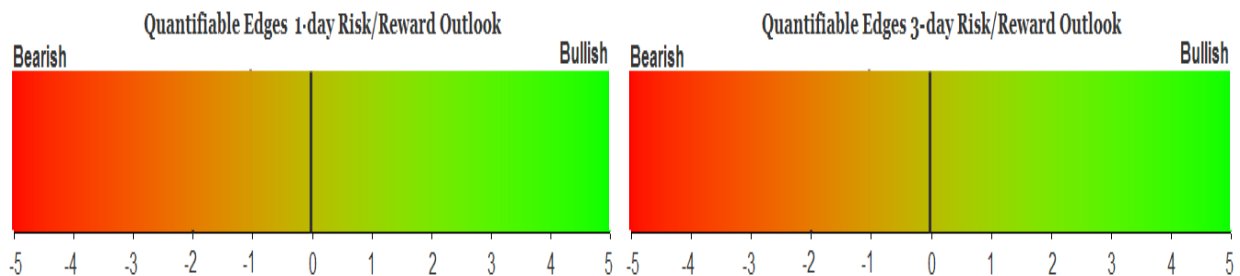
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 19, 2019

Volume 12 Issue 245

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- When SPX has posted a 20-day high and a poor close in the past it has led to short-term gains.

## *Short-term Outlook*

### *The Bottom Line*

While the Aggregator is neutral, further consolidation could quickly lead to a long-side edge.

**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 19, 2019	20-high poor close	1-3 days	Bullish	1.00%	-0.70%	-1.30%
December 19, 2019	5 up to 50-high, then down 1	1-2 days	Bullish			
December 16, 2019	December Opex bullish	1-5 days	Bullish	1.90%	-1.20%	-2.70%
<b>Active - Long Term</b>						
December 19, 2019	5 up to 50-high, then down 1	1-10 days	Bullish	1.90%	-1.00%	-2.10%
December 3, 2019	SPY 1st below 10ma in > 25 days	1-19 days	Bullish	4.20%	-0.90%	-2.20%
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			

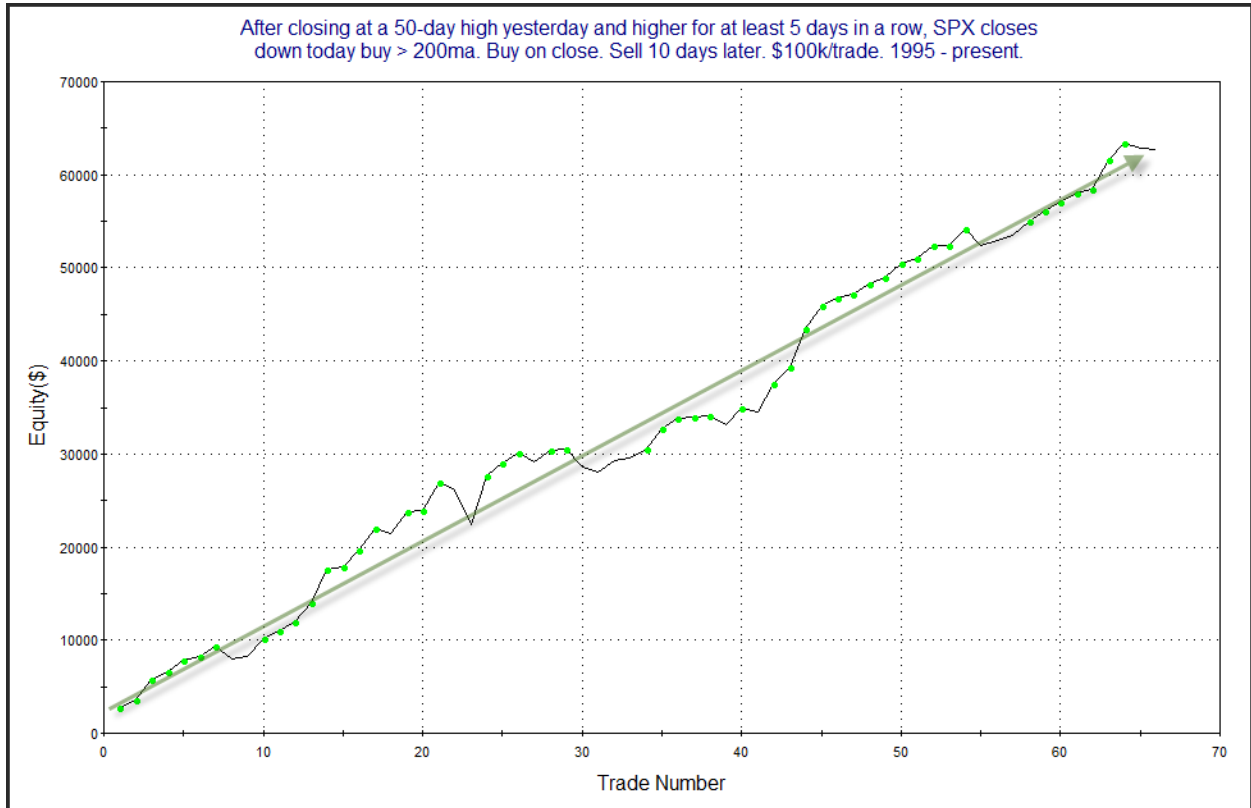
**The Evidence**

The market spent most of Wednesday moderately higher, but some selling in the last 15 minutes of trading caused the indices to finish mixed. The SPX finished down 0.04%, the NASDAQ gained 0.05%, and Russell 2000 rose 0.25%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 63%. NYSE volume rose some from Tuesday's level.

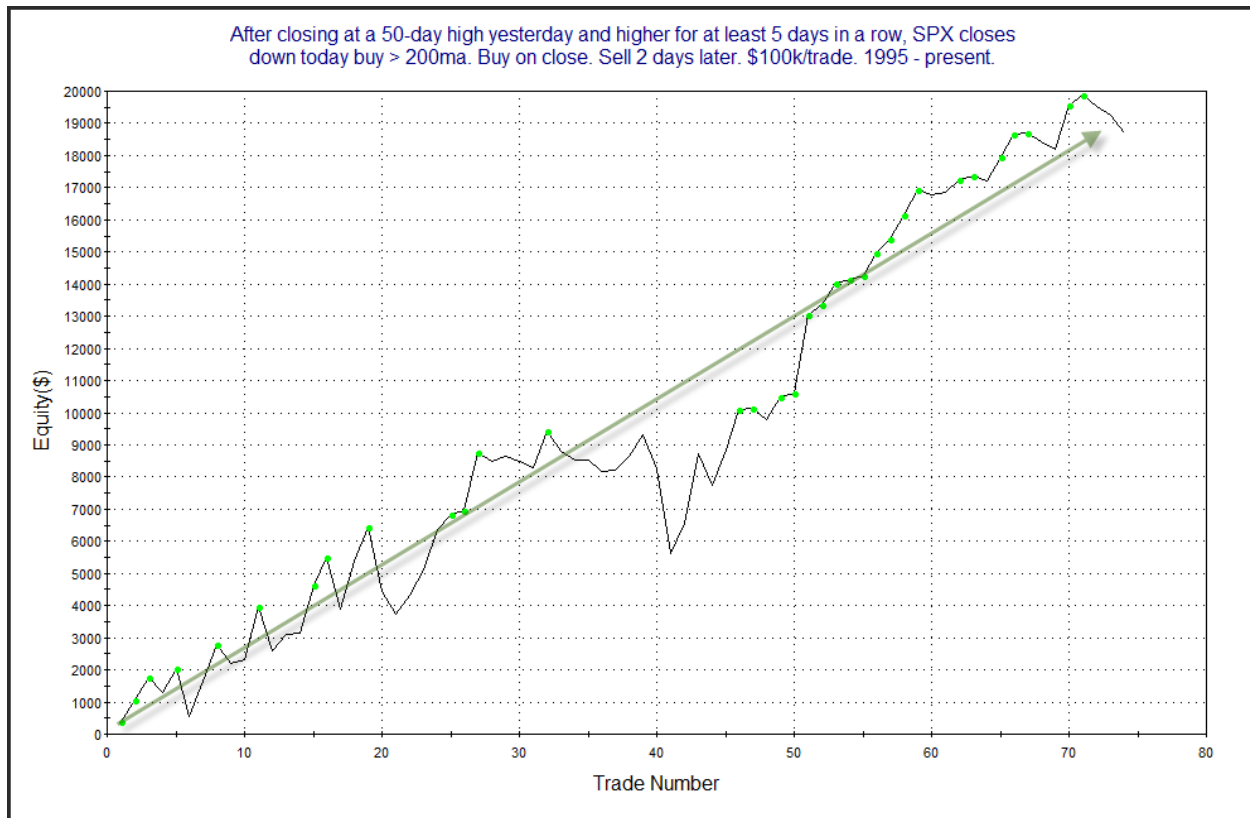
One compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen recently in the 11/20/19 Letter. I have updated the stats in the table below.

After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes down today buy > 200ma. Buy 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
10	62,643.32	66	54	12	81.82	5,131.35	-3,672.90	1,412.26	-1,134.90	1.24	5.60	949.14
9	61,356.56	69	56	13	81.16	5,023.20	-4,151.40	1,387.90	-1,258.93	1.10	4.75	889.23
8	53,375.96	70	49	21	70.00	4,878.08	-4,874.10	1,562.77	-1,104.75	1.41	3.30	762.51
7	42,964.77	72	50	22	69.44	3,874.76	-3,912.48	1,371.18	-1,163.37	1.18	2.68	596.73
6	42,769.72	74	53	21	71.62	4,307.20	-3,637.71	1,247.62	-1,112.10	1.12	2.83	577.97
5	33,436.96	74	49	25	66.22	4,252.50	-2,466.75	1,081.17	-781.62	1.38	2.71	451.85
4	34,420.83	74	48	26	64.86	3,843.00	-3,003.39	1,109.81	-725.00	1.53	2.83	465.15
3	20,514.96	74	47	27	63.51	2,472.85	-1,992.34	851.98	-723.27	1.18	2.05	277.23
2	18,715.01	74	49	25	66.22	2,437.50	-2,614.95	732.98	-688.04	1.07	2.09	252.91
1	10,309.94	74	47	26	63.51	1,751.19	-1,744.10	496.04	-500.15	0.99	1.79	139.32

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 2-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 2-day exit profit curves. First, the 10 day.



The strong upslope appears to confirm the bullish edge. Next let's look at the 2-day curve.



Results are choppy. But even with more whipsaws this one appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

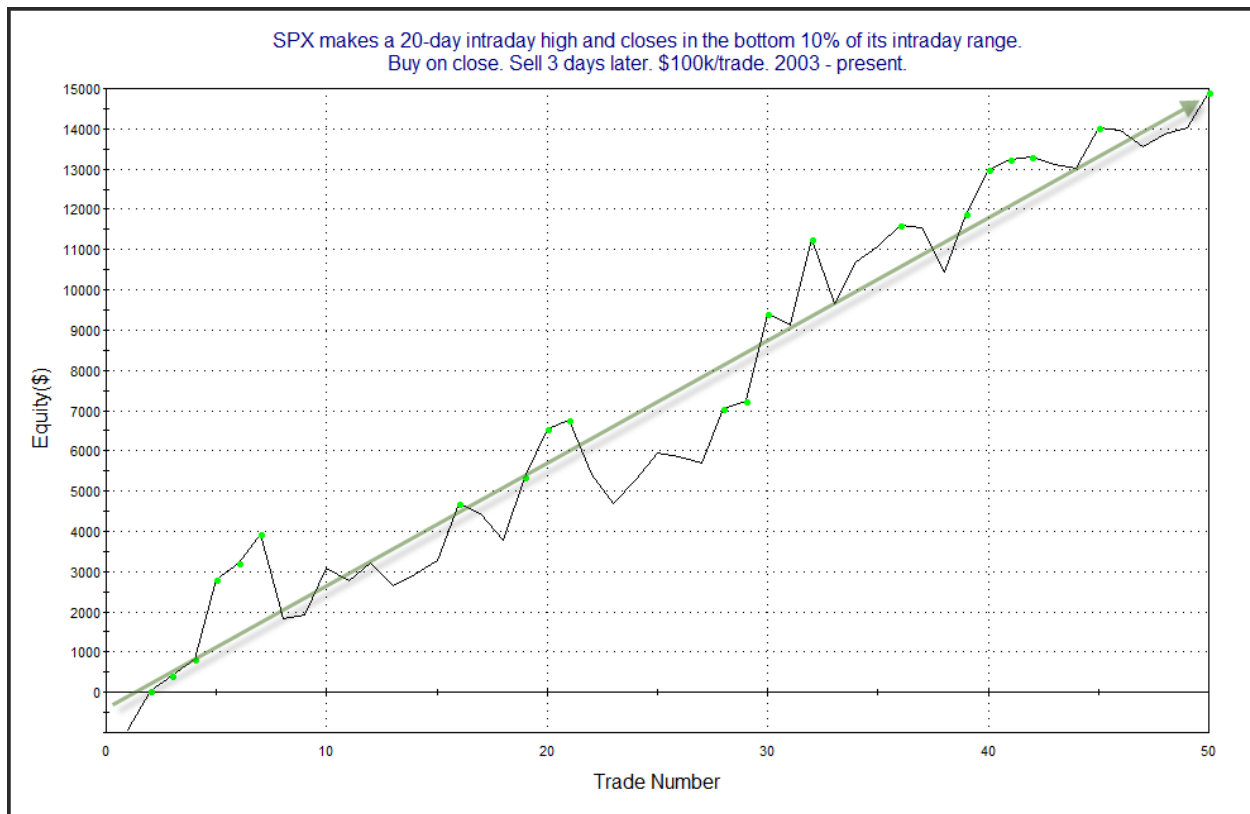
Before the dip near the end of the day, the SPX managed to make a new 20-day intraday high. The new high followed by a poor and downward close triggered the study below, which was last seen in the 10/23/19 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range.  
Buy on close. Sell X days later. \$100k/trade. 2003 - 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	39,596.79	45	32	13	71.11	4,119.18	-3,210.80	1,838.85	-1,480.49	1.24	3.06	879.93
9	37,012.94	45	33	12	73.33	3,613.36	-3,775.10	1,699.17	-1,588.31	1.07	2.94	822.51
8	35,263.78	46	34	12	73.91	4,483.84	-3,803.24	1,647.54	-1,729.38	0.95	2.70	766.60
7	29,489.20	47	35	12	74.47	3,761.94	-4,159.32	1,437.22	-1,734.47	0.83	2.42	627.43
6	27,976.26	48	36	12	75.00	3,331.38	-2,942.40	1,249.00	-1,415.65	0.88	2.65	582.84
5	16,344.88	48	33	15	68.75	2,693.34	-3,566.84	936.83	-971.36	0.96	2.12	340.52
4	12,263.23	50	33	17	66.00	2,531.61	-2,332.44	880.33	-987.52	0.89	1.73	245.26
3	14,902.95	50	32	18	64.00	2,159.82	-2,091.82	807.33	-607.32	1.33	2.36	298.06
2	9,789.50	50	28	22	56.00	3,288.48	-1,575.22	755.74	-516.87	1.46	1.86	195.79
1	5,898.32	51	32	19	62.75	1,710.72	-1,194.83	470.13	-481.35	0.98	1.64	115.65

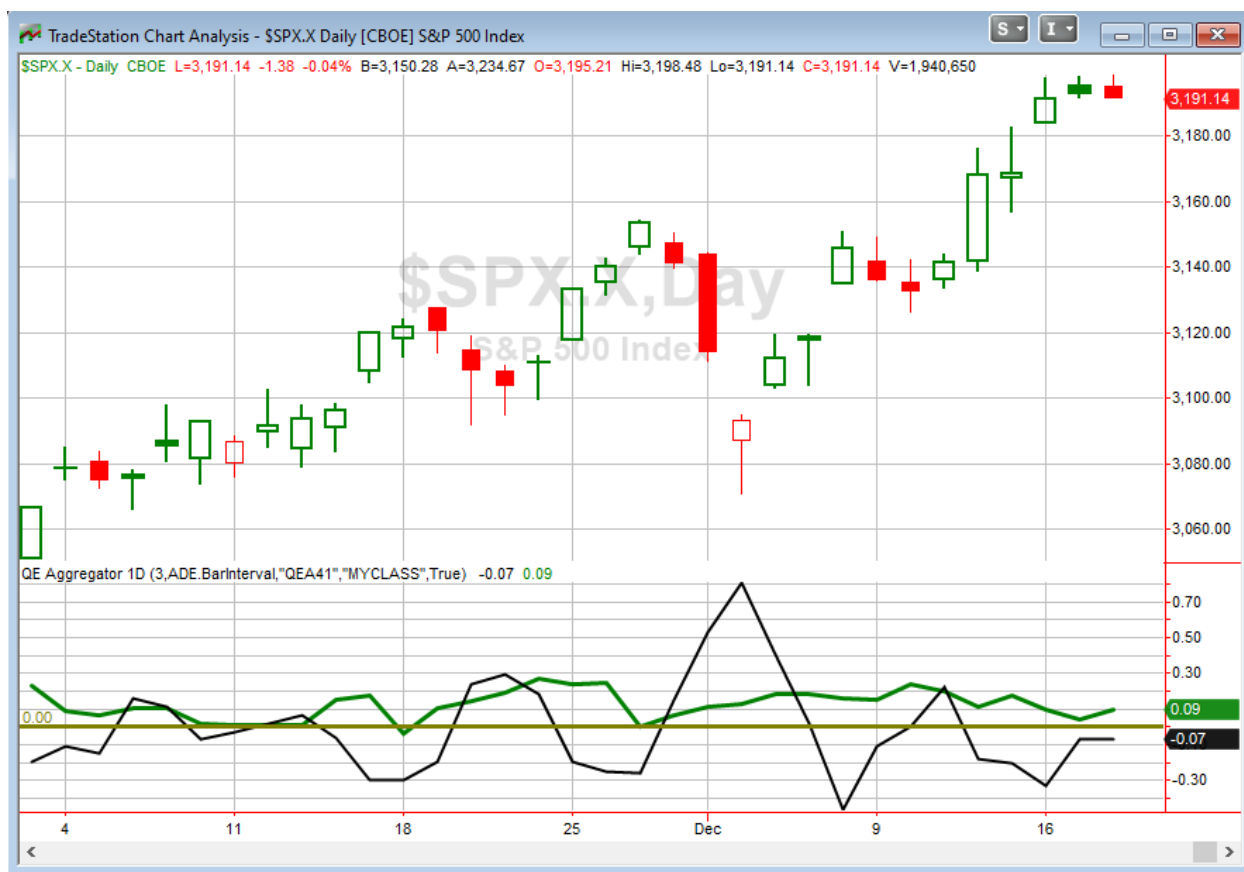
**49 of 51 instances (96%) closed above the entry price at some point in the next week. The 2 that failed triggered on 12/30 and 12/31/2004.**

Results here seem to suggest an upside edge. The 7-10 day profit curves have stumbled a little bit recently, but the 3-day remains strong and I have pasted it below.



The persistent upslope appears to confirm the upside edge suggested by the statistics. I have included this study on the Active List.

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



With tonight's new studies 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 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 slated to remain bullish on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3203.93 on Thursday. That is 0.4% *above* Wednesday'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 up over 0.4% in order to remain overbought vs

expectations. Anything less than that and it will be considered oversold vs expectations as of Thursday's close.

So the Aggregator remains neutral, but this mini-consolidation over the last couple of days has a possible long signal setting up Thursday afternoon. I am not going to anticipate too much here. So I won't be setting up any trade ideas tonight. But a pullback Thursday or Friday could be a solid buying opportunity. And knowing year-end tendencies, I will definitely be open to using IWM or QQQ if those set up better than SPY. But nothing is happening quite yet. First, I'll see how Thursday plays out.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 12/16 – bullish***

The intermediate-term outlook was last updated in the 12/16/19 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***

**None**

***Broad Market Large Cap CBI – 0***

**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**

*None*

*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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