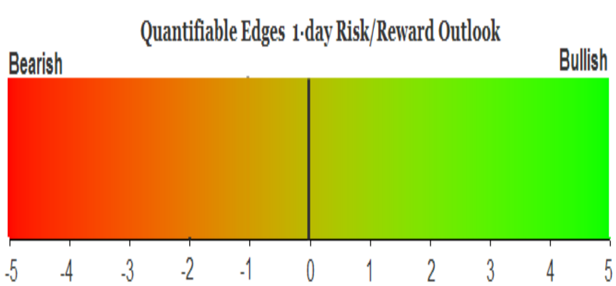
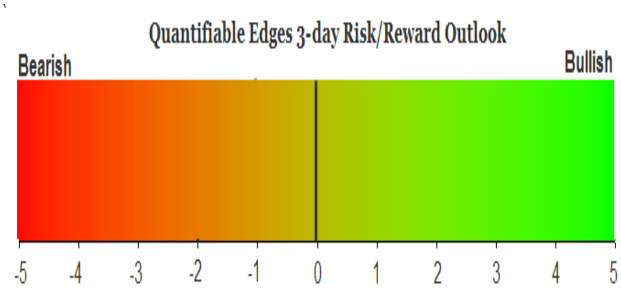
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 3, 2019 Volume 13 Issue 2

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- A move higher on the first day of the year is often followed by another day or two of strength before the market undergoes a pullback.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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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						
January 3, 2020	SPX up on 1st day of year	1-2 days	Bullish			
December 31, 2020	1st 5-day low > 10ma	1-3 days	Bullish			
December 30, 2019	NASDAQ up 10+ then dn 1	1-4 days	Bullish			
December 30, 2019	VIX up SPX 50-day high on a Friday	1-4 days	Bearish			
Active - Long Term						
December 31, 2020	1st 5-day low > 10ma	1-10 days	Bullish	2.10%	-1.35%	-2.60%
December 19, 2019	5 up to 50-high, then down 1	1-10 days	Bullish	1.90%	-1.00%	-2.10%
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			

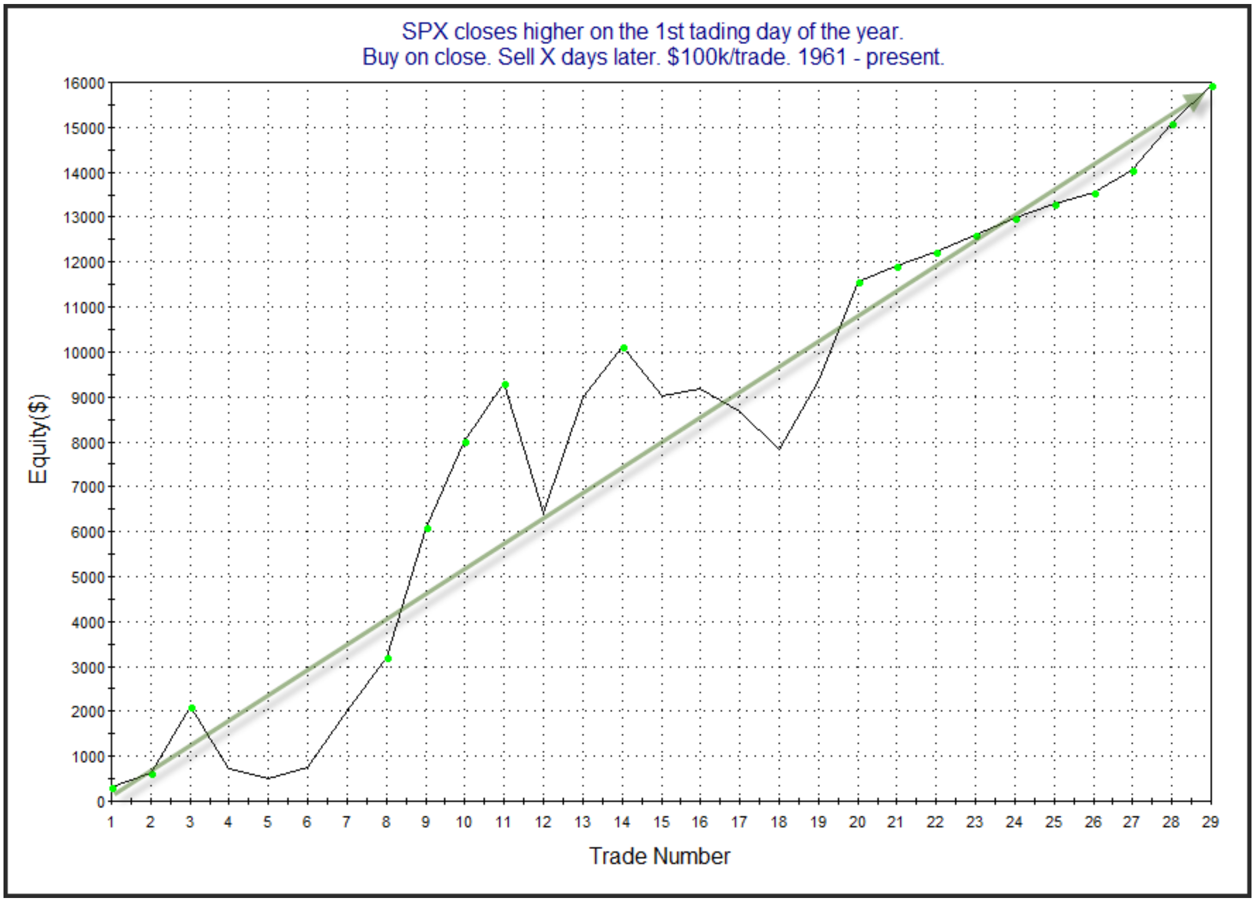
The Evidence

The market started the decade mostly higher. The SPX rose 0.8%, NASDAQ gained 1.3% and Russell 2000 declined 0.1%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 57%. NYSE volume rose some from Tuesday's level.

In the 1/3/19 Subscriber Letter I examined early-January following a positive 1st day to the year. Results were intriguing and I have updated those results below.

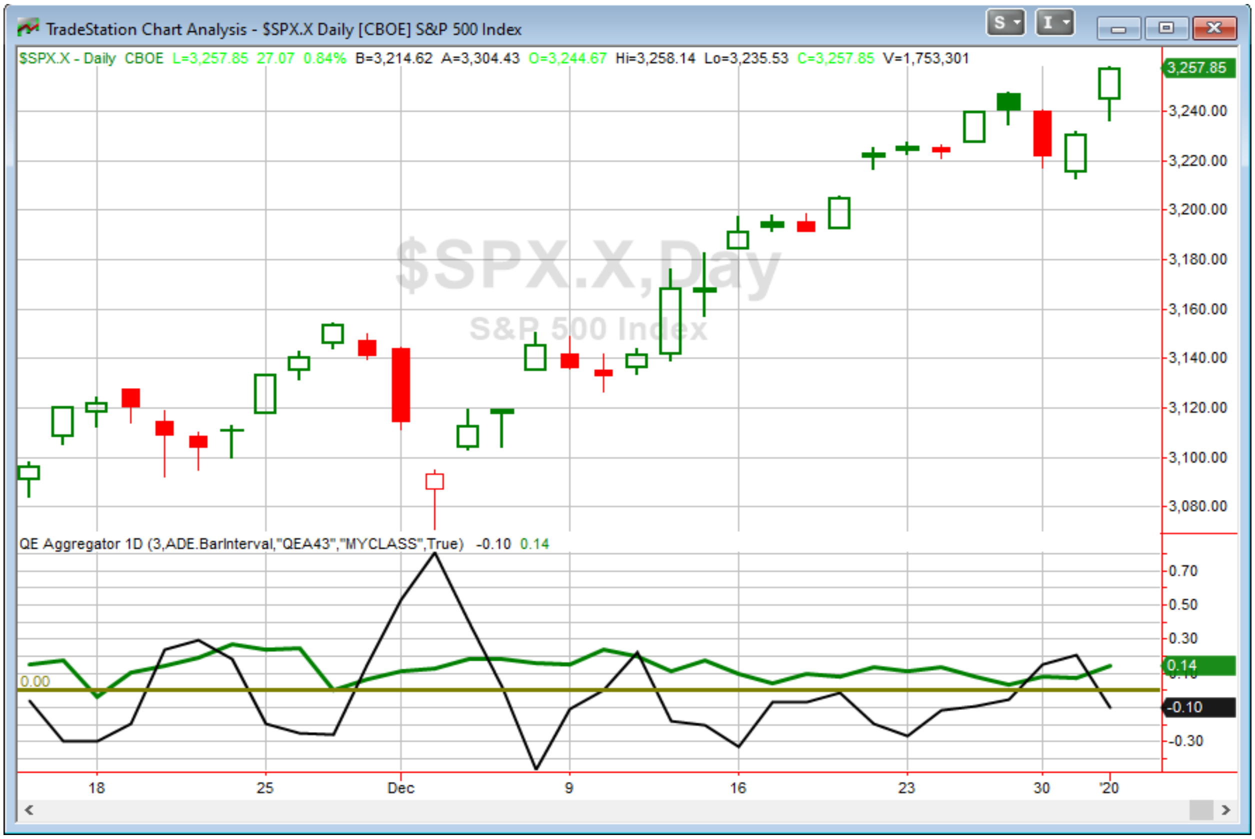
SPX closes higher on the 1st tading day of the year. Buy on close. Sell X days later. $100k/trade. 1961 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
20	15,101.63	29	15	14	51.72	11,194.20	-11,381.59	4,817.09	-4,082.48	1.18	1.26	520.75
19	10,874.27	29	16	13	55.17	11,254.95	-11,333.44	4,242.25	-4,384.75	0.97	1.19	374.97
18	8,946.88	29	16	13	55.17	11,724.75	-9,418.64	4,059.80	-4,308.46	0.94	1.16	308.51
17	14,871.77	29	16	13	55.17	11,060.55	-9,340.80	4,078.25	-3,875.40	1.05	1.30	512.82
16	4,705.35	29	14	15	48.28	9,658.00	-9,211.63	4,180.51	-3,588.12	1.17	1.09	162.25
15	5,511.83	29	13	16	44.83	9,582.30	-10,189.61	4,278.28	-3,131.61	1.37	1.11	190.06
14	174.87	29	13	16	44.83	11,121.30	-10,683.95	3,977.43	-3,220.73	1.23	1.00	6.03
13	-6,809.30	29	13	16	44.83	8,667.00	-11,160.10	3,502.96	-3,271.74	1.07	0.87	-234.80
12	-2,317.21	29	12	17	41.38	9,153.00	-9,796.92	3,844.33	-2,849.95	1.35	0.95	-79.90
11	6,267.10	29	17	12	58.62	9,274.50	-13,544.06	2,698.97	-3,301.28	0.82	1.16	216.11
10	10,777.59	29	17	12	58.62	8,035.20	-8,739.76	2,635.71	-2,835.79	0.93	1.32	371.64
9	5,745.02	29	17	12	58.62	7,711.20	-9,422.42	2,509.98	-3,077.06	0.82	1.16	198.10
8	522.95	29	18	11	62.07	6,853.00	-9,542.26	2,340.79	-3,782.85	0.62	1.01	18.03
7	710.17	29	17	12	58.62	5,475.75	-6,421.07	2,244.97	-3,121.20	0.72	1.02	24.49
6	-1,762.21	29	18	11	62.07	5,973.00	-6,584.78	2,062.40	-3,535.04	0.58	0.95	-60.77
5	-1,204.16	29	17	12	58.62	4,973.40	-4,851.44	1,810.87	-2,665.75	0.68	0.96	-41.52
4	3,038.17	29	16	13	55.17	4,390.20	-4,894.50	1,552.63	-1,677.22	0.93	1.14	104.76
3	12,397.84	29	20	9	68.97	3,600.45	-3,101.34	1,300.14	-1,511.67	0.86	1.91	427.51
2	15,946.69	29	23	6	79.31	2,893.00	-2,897.84	995.95	-1,160.02	0.86	3.29	549.89
1	10,244.00	29	22	7	75.86	2,328.75	-2,423.46	725.65	-817.20	0.89	2.79	353.24

27 of the 29 instances (93%) closed higher than the entry price on either day 1 or day 2. Interestingly, the 2 instances that didn't also didn't manage to post a profitable close at any point during the rest of the month. The basic pattern suggested by the number is that immediate follow through is often followed by weakness. What is not obvious above is that the 1-2 day strength has continued over recent instances, but the mid-month dip has ***not*** happened recently as the last 6 instances (2011, 12, 13, 17, 18 & 19) managed to avoid it. All six of those instances showed gains from the entry for every time period between 6-20 days out. Below is a look at the 2-day profit curve.



The curve supports the numbers. It also illustrates the recent hot streak. I have included the 2-day study on the Active List tonight.

I have updated [the Aggregator chart] below.



With tonight'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 dipped 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 turned flat at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3227.18 on Friday. That is 0.9% below Thursday's close. Therefore, SPX will need to close down over 0.9% on Friday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is back to neutral. Evidence tonight is suggesting we could get a few more days of New Years bullishness, but then the market is at risk of a potential pullback. From a timing perspective, several indices are starting to get stretched as well, with no substantial pullbacks since early December. So I will continue to exercise patience, see how things play out in the next couple of days, and remain alert to any new edges that emerge based on that action. (Late note – US airstrikes in Iran have futures dropping hard, so we could see some volatile action in the next few days.)

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/30 – bullish

The intermediate-term outlook was last updated in the 12/30/19 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.