

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 7, 2019

Volume 13 Issue 4

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	3

Tonight's Research Points

- No compelling new evidence emerged tonight.

Short-term Outlook

The Bottom Line

Evidence suggests a pullback over the next few days. But this would be a counter-trend move and SPX could easily turn from short-term overbought to oversold vs expectations on Tuesday. The short-term edge does not appear substantial or compelling.

Summary of Recent Active Studies (see Letters from listed dates for details)

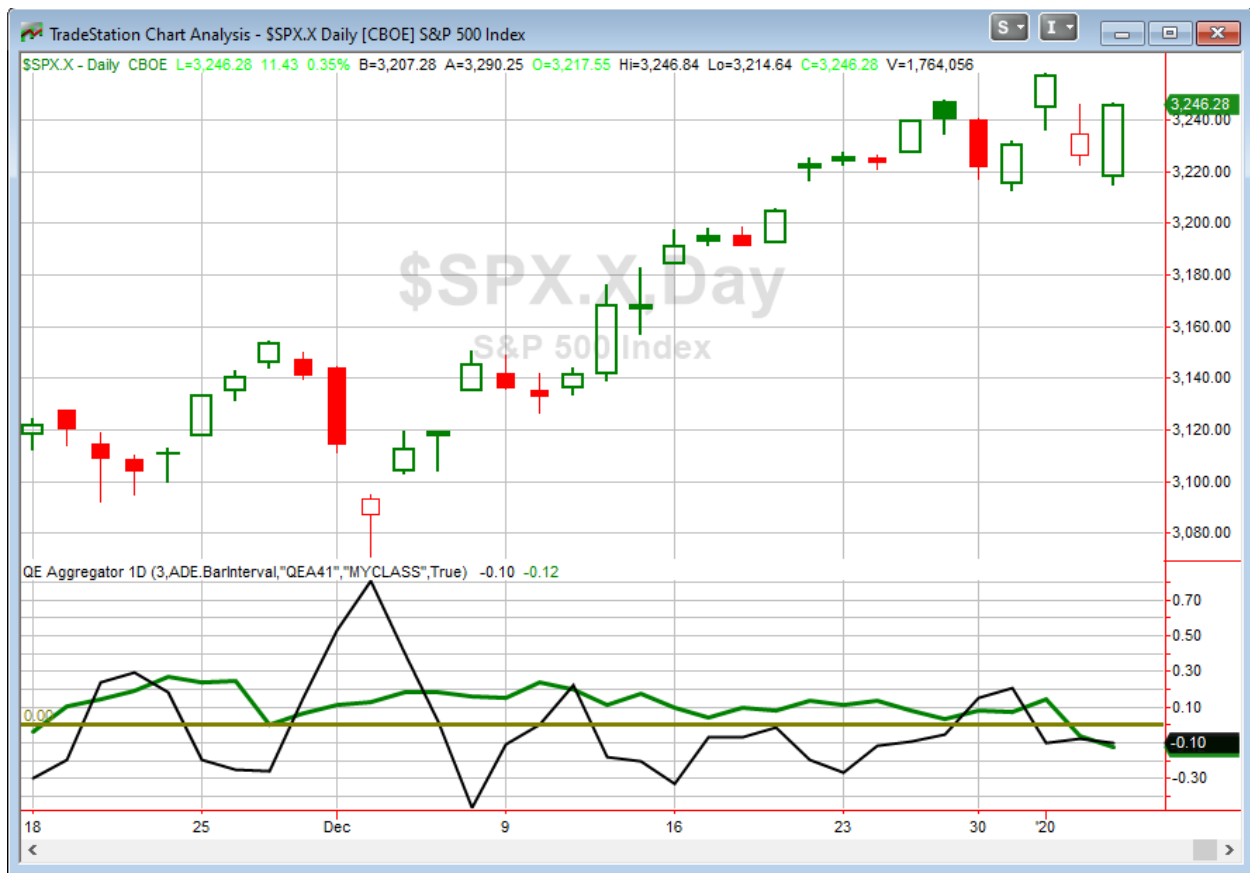
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 6, 2020	Unfill gp dn after unfill to to 20-high	1-4 days	Bearish			
Active - Long Term						
December 31, 2020	1st 5-day low > 10ma	1-10 days	Bullish	2.10%	-1.35%	-2.60%
November 11, 2019	"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			
Dropped Tonight						
January 3, 2020	SPX up on 1st day of year	1-2 days	Bullish			

The Evidence

After a sizable gap down, the market made a nice comeback on Monday. The SPX finished up 0.35%, NASDAQ rose 0.6% and Russell 2000 climbed 0.1%. Breadth was positive as the NYSE Up Issues % was 54% and the Up Volume % came in at 56%. NYSE volume rose declined some from Friday's level.

The recovery from the gap down was interesting. And so was the fact that Monday's range accounted for more than 70% of the range of the last 10 days. But the Quantifinder came up blank. And none of my observations appeared to provide a substantial edge. The market is in a trading range that seems to have gotten tighter recently. And the back and forth chop within the range has not been conducive to generating compelling new evidence. So I will keep it short tonight. I won't be adding any new studies to the active list.

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



Without any new evidence being added tonight, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal stayed short at the close.

Based on the current list of active studies, expectations are slated to remain bearish on Tuesday. This could easily change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3267.52 on Tuesday. That is about 0.6% *above* Monday'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 0.6% if it is to remain "overbought" vs recent expectations. Anything other than that and it will flip to an "oversold" status on Tuesday's close.

Nothing really changed from last night. Evidence is leaning south, a pullback is overdue, and seasonality suggests it could happen soon. But the Differential Pivot is inverted, which hurts reward/risk of any trades. And with the long-term trend higher, a counter-trend trade here just is not appealing. So I will continue to wait for a more favorable setup before considering an index trade. I will note there were a couple of new Catapults that triggered which I share lower down.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/6 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

TGT – 1/3 @ \$124.76 (bought @ LIMIT)

New

TGT – 1/3 @ \$123.58 (buy @ LIMIT)

ACN – 1/3 @ \$208.43 (buy @ Limit)

Broad Market Large Cap CBI – 3(TGT-2, ACN)

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.

TGT – Buy 1/3 Catapult position @ \$123.58 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of TGT.

ACN – Buy 1/3 Catapult position @ \$208.43 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of ACN.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
TGT(1/3)	1/6/2020	\$123.97	\$123.58	-0.31%		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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