

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 8, 2019

Volume 13 Issue 5

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	4

Tonight's Research Points

- No compelling new evidence emerged tonight.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I. And with conflict tonight overseas, seeing how things play out Wednesday before committing to new index exposure would seem like a reasonable approach, anyway.

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

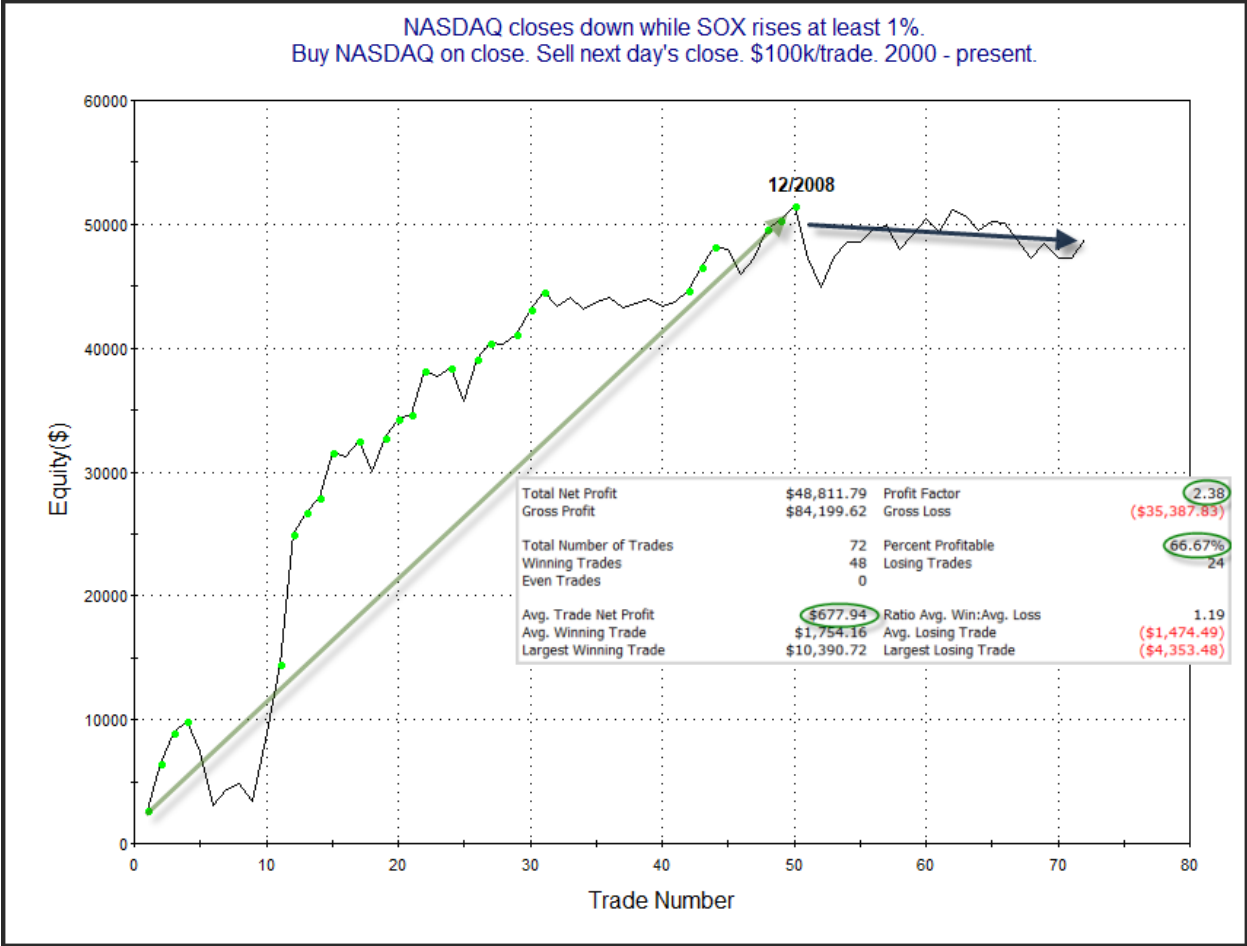
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 6, 2020	Unfill gp dn after unfill to to 20-high	1-4 days	Bearish			
Active - Long Term						
December 31, 2020	1st 5-day low > 10ma	1-10 days	Bullish	2.10%	-1.35%	-2.60%
November 11, 2019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

The Evidence

Tuesday was a pullback day for the market. The SPX finished down 0.3%, NASDAQ fell a very small 0.03% and Russell 2000 lost 0.3%. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 46%. NYSE volume declined for the 2nd day in a row.

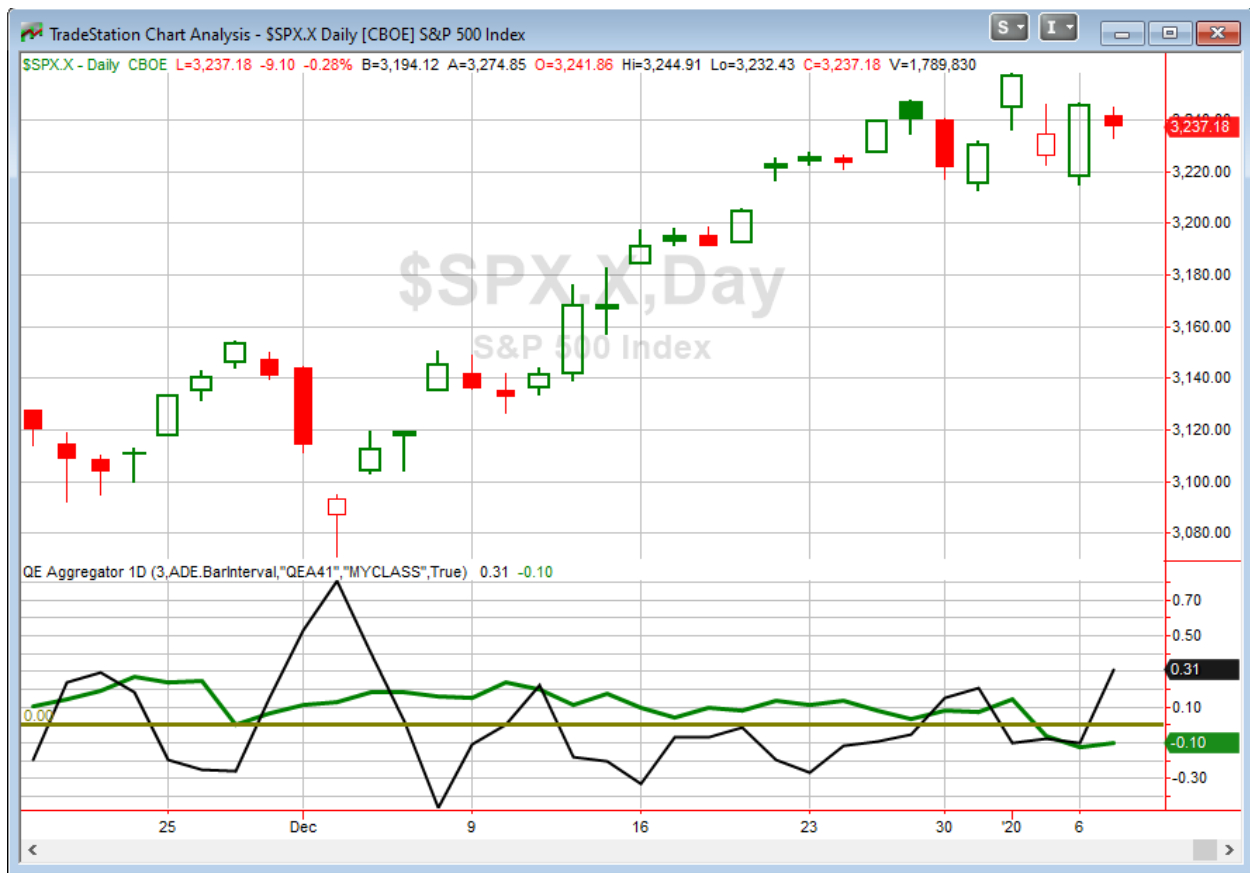
Overall action was quiet, resulting in an “inside day” for SPY. An inside day is a day where the range is contained entirely by the range of the day before. It shows a contraction in volatility, which is not unusual when the day before showed a large bar. And as often happens, Tuesday’s one-day volatility contraction does not appear to be providing a strong edge.

There was a Quantifinder study that triggered that considered the fact that the NASDAQ closed lower despite a strong day in the SOX. Formerly, this seemed to suggest a good chance of a move higher the next day for the NASDAQ (and for the SPX), but that edge has not played out in recent years. This can be seen in the chart below.



With the curve now chopping sideways for an extended period, this study no longer appears to be worth consideration. I have not included it on the active list tonight. Compelling short-term evidence remains light.

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 popped above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 limited list of active studies, expectations are slated to remain bearish on Wednesday. This could easily change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3240.00 on Wednesday. That is about 0.1% above Tuesday's close. Therefore, SPX would only need to close up about 0.1% in order to flip back to "overbought" versus recent expectations.

So the Aggregator is now neutral. Evidence is light...and missiles were flying tonight. As I am writing, ES futures are down around 10 points, which is 40 points above the lows they reached a little before 8pm EST on Tuesday. I don't know how the market will react between now and Wednesday's close. But increased volatility could generate some compelling edges, as well as some trading opportunities. I'll continue waiting for a more compelling edge to emerge before looking to take on new index positions.

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

The intermediate-term outlook was last updated in the 1/6/20 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

TGT – 1/3 @ \$124.76 (bought @ LIMIT)

TGT – 1/3 @ \$123.58 (bought @ LIMIT)

ACN – 1/3 @ \$208.43 (bought @ Limit)

New

ACN – 1/3 @ \$203.93 (buy @ Limit)

Broad Market Large Cap CBI – 4(TGT-2, ACN-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.

ACN – Buy 1/3 Catapult position @ \$203.93 LIMIT. From the Catapult section above, this is the 2nd 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	\$123.77	-0.16%		Catapult
TGT(1/3)	1/7/2020	\$123.00	\$123.77	0.63%		Catapult
ACN(1/3)	1/7/2020	\$203.20	\$203.93	0.36%		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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