

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 10, 2020

Volume 13 Issue 7

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	4

Tonight's Research Points

- The employment report could bring some interesting action Friday, but it has not provided a consistent edge over the years.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

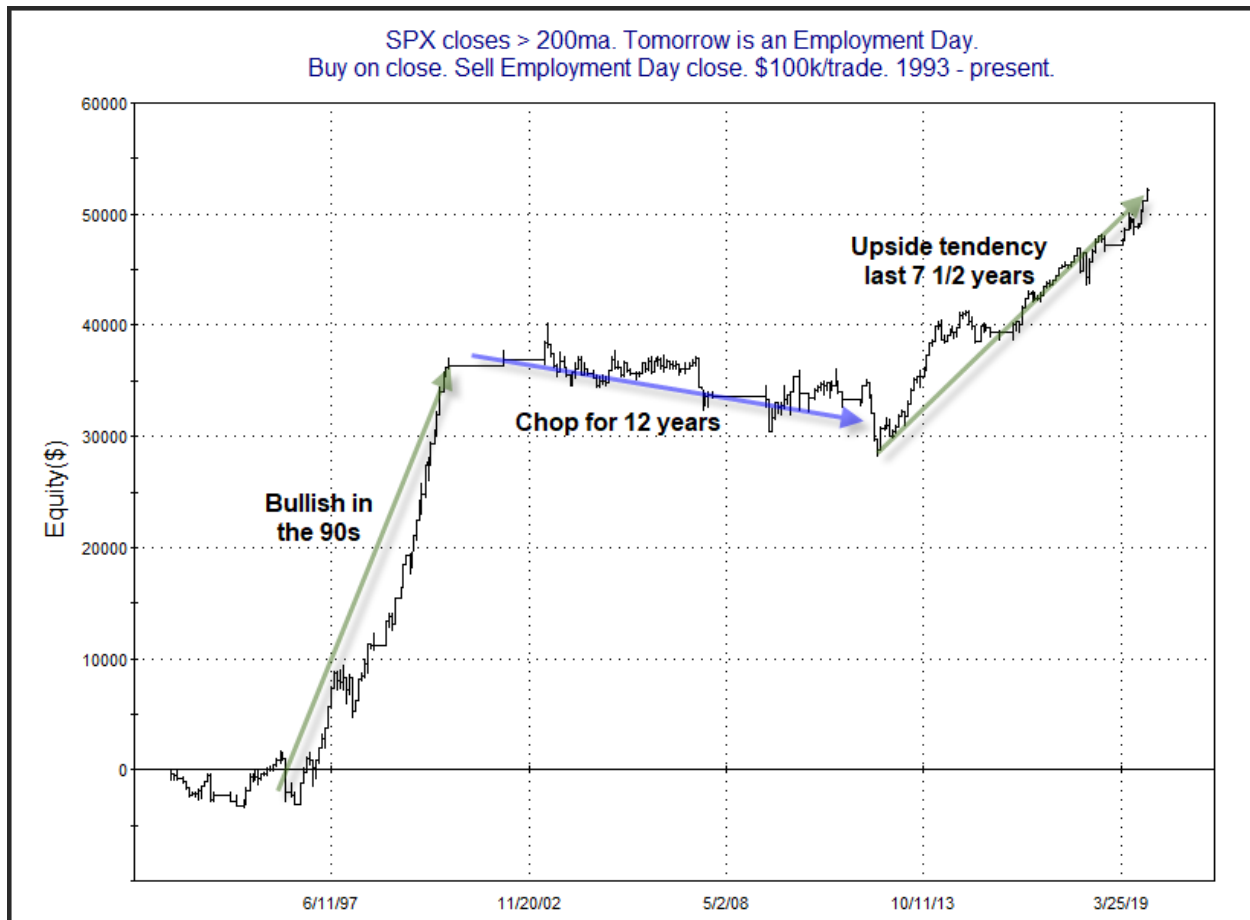
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
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

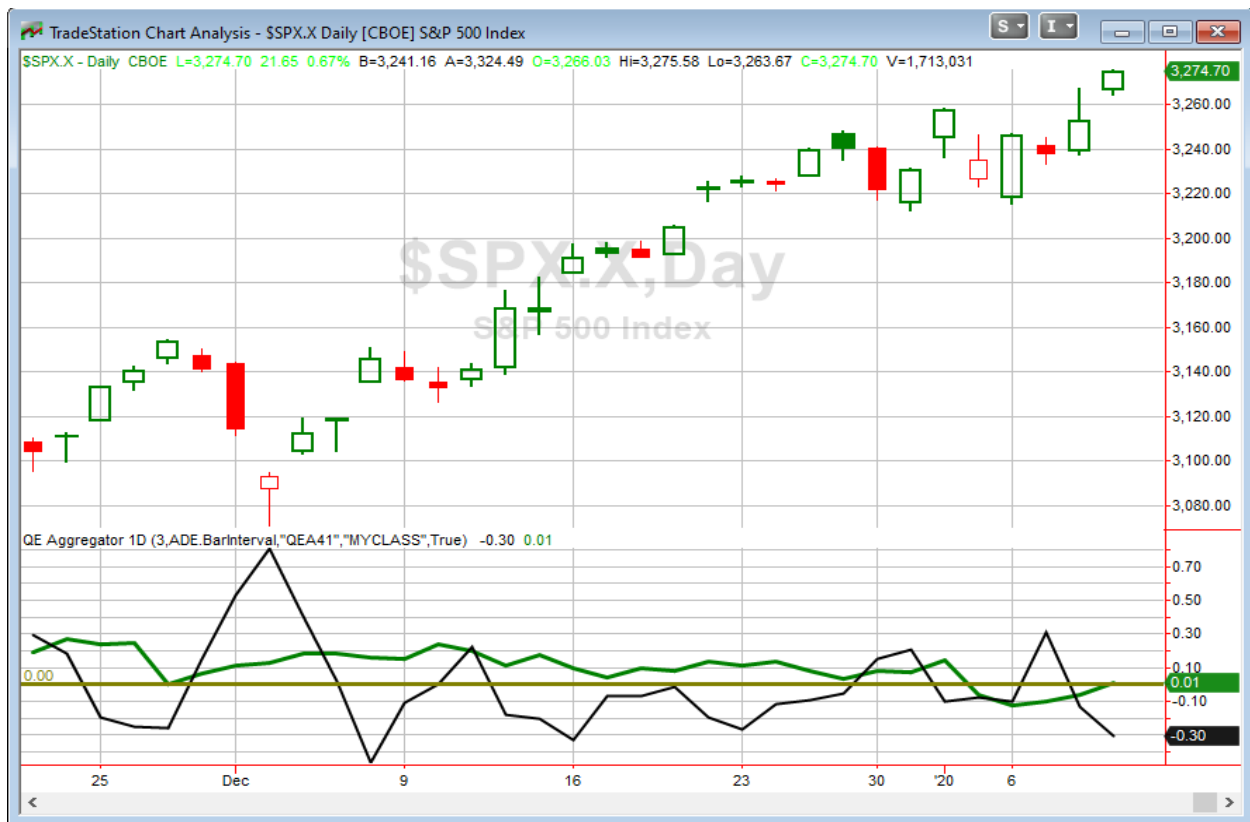
Thursday saw more new highs for several indices. The SPX finished up 0.7%, NASDAQ rose 0.8% and Russell 2000 gained 0.1%. Breadth was positive as the NYSE Up Issues % was 55% and the Up Volume % came in at 53%. NYSE volume declined some from Wednesday's level.

It is notable that Friday will be the release of the BLS Employment Report. Employment days have an interesting history and they have contributed to some worthwhile studies over the years. Below is a chart of SPX performance on Employment Days. I posted this chart in the 9/6/19 subscriber letter. For this equity curve, which is updated, I filtered to only include days where SPX was > its 200ma. Each trade was a fictional \$100k.



What I find interesting about the chart is that Employment Days in uptrends have shown such streaky performance – and the streaks lasted a long time. Friday’s employment report may be suggesting an upside edge, but the history has not been consistent enough for me to factor it into the Aggregator. While it’s a bit unusual to see such abrupt changes in market dynamics, it does serve as a nice reminder that such changes are always possible.

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



Without any new studies being added tonight, the green Aggregator Line inched 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 turned flat at the close.

With the short-term active list now barren, expectations are solely based on the intermediate-term studies. If nothing new emerges on Friday, then they will remain slightly bullish. Of course short-term expectations in the coming days will be greatly influenced by any new short-term evidence that emerges. Meanwhile, the Differential Pivot will be 3227.77 on Friday. That is a sizeable 1.4% below Thursday's close. Therefore, SPX would need to close over 1.4% in order to flip back to "oversold" versus recent expectations. That is unlikely to happen in one day. A more probable scenario for working off the overbought condition would be a multi-day pullback or consolidation.

So the Aggregator is neutral. I am too. It is hard to short a market this strong, and it is hard to buy into a market this overbought and overdue for a pullback. I will continue to wait for a more favorable reward/risk opportunity before taking on new index exposure. Perhaps a strong reaction to the employment report will generate some compelling evidence. If not, I'll continue to be patient.

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)

ACN – 1/3 @ \$203.93 (bought @ 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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
TGT(1/3)	1/6/2020	\$123.97	\$123.50	-0.38%		Catapult
TGT(1/3)	1/7/2020	\$123.00	\$123.50	0.41%		Catapult
ACN(1/3)	1/7/2020	\$203.20	\$206.15	1.45%		Catapult
ACN(1/3)	1/8/2020	\$203.93	\$206.15	1.09%		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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