

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 15, 2020

Volume 13 Issue 10

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 5 higher highs is not indicative of a rally in need of a pullback when it is at an intermediate-term high.

Short-term Outlook

The Bottom Line

Still too overbought to buy and too strong to short.

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

Tuesday saw some back and forth trading that finished with mixed results. The SPX lost 0.15%, NASDAQ declined 0.2% and Russell 2000 climbed 0.4%. Breadth was positive as the NYSE Up Issues % was 53% and the Up Volume % came in at 58%. NYSE volume rose some from Monday's level.

While the SPX closed down, it did manage to make another intraday high. An interesting study from the Quantifinder looked at the possible impact of 5 higher highs occurring. I last looked at this in the 6/8/18 letter. The studies examined the impact of the position of the market when the 5 higher highs occurred. I broke it down again tonight. I wanted to see all times the 5 higher highs were accompanied by a 50-day high versus times they weren't. First let's look at times where 5 higher highs occur without a 50-day high.

SPY makes a higher high for the 5th day in a row but not a 50-day intraday high. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
5	-20,332.46	75	40	35	53.33	8,382.48	-6,714.00	1,318.70	-2,088.02	0.63	0.72	-271.10
4	-39,940.89	75	35	40	46.67	3,317.60	-7,879.83	1,020.39	-1,891.37	0.54	0.47	-532.55
3	-9,846.60	75	42	33	56.00	4,059.44	-4,560.85	994.76	-1,564.44	0.64	0.81	-131.29
2	1,190.97	75	40	35	53.33	5,364.26	-2,399.36	897.71	-991.93	0.91	1.03	15.88
1	320.79	75	36	39	48.00	3,057.76	-2,245.23	598.13	-543.90	1.10	1.02	4.28

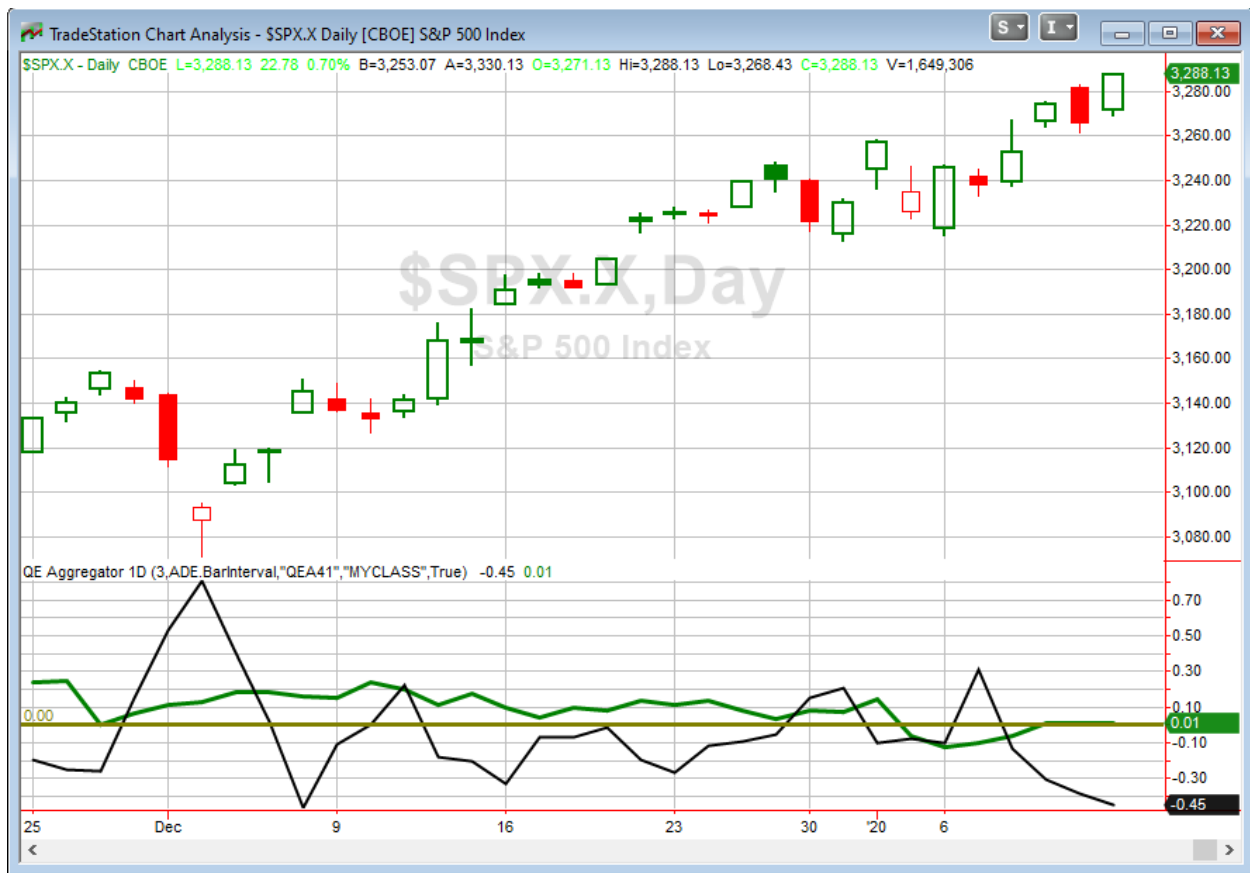
Stats over the 1st few days suggest a possible mild downside edge. After 5 higher highs the market will sometimes need a breather.

But what of times (like now) when a strong uptrend exists, and the market is also making a 50-day high? Those stats can be found below.

SPY makes a higher high for the 5th day in a row and makes a 50-day intraday high. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
5	2,996.63	80	40	40	50.00	3,452.80	-3,514.00	1,053.23	-978.32	1.08	1.08	37.46
4	2,076.63	80	45	35	56.25	2,413.62	-3,646.08	811.78	-984.38	0.82	1.06	25.96
3	-1,628.74	80	44	35	55.00	2,362.10	-3,561.68	694.50	-919.62	0.76	0.95	-20.36
2	1,000.75	80	47	32	58.75	2,545.92	-2,585.46	531.13	-748.82	0.71	1.04	12.51
1	-3,874.71	80	36	44	45.00	1,495.81	-1,745.63	340.20	-366.41	0.93	0.76	-48.43

Interestingly, the number of instances has been nearly the same. But with an intermediate-term rally also occurring the tendency to pull back no longer exists. So the 5 higher highs are really of no concern in situations like the current one. Without strong evidence emerging, no new studies are being added to the Active List tonight.

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



Without any new studies being added tonight, the green Aggregator Line remained slightly 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 still quite 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.

With the short-term active list still barren, expectations are again solely based on the intermediate-term studies. If nothing new emerges on Wednesday, 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 3263.64 on Wednesday. That is 0.6% below Tuesday's close. Therefore, SPX would need to close 0.6% lower in order to change to "oversold" versus recent expectations.

Nothing really has changed since last night. The Aggregator is again neutral. I am too. As I have been saying, the market is too overbought to buy and too strong to short. I will continue to wait for a more favorable reward/risk opportunity before taking on new index exposure. The market rarely goes very long without tipping its hand in some way. I'll be ready when it does.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/13 – bullish

The intermediate-term outlook was last updated in the 1/13/20 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

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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