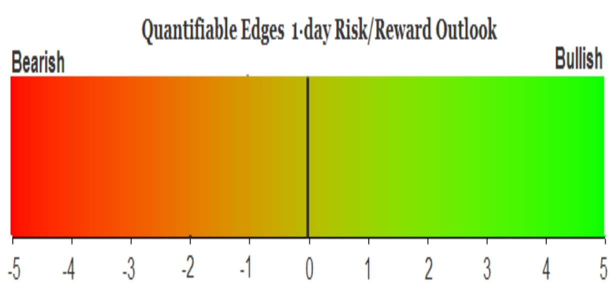
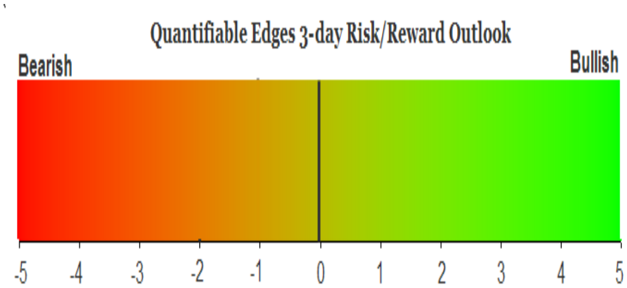
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 16, 2020 Volume 13 Issue 11

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Over the last three months, the market is has shown some of the most remarkable upwards persistence we have seen in nearly 50 years.

Short-term Outlook
The Bottom Line
Still too overbought to buy and too strong to short.

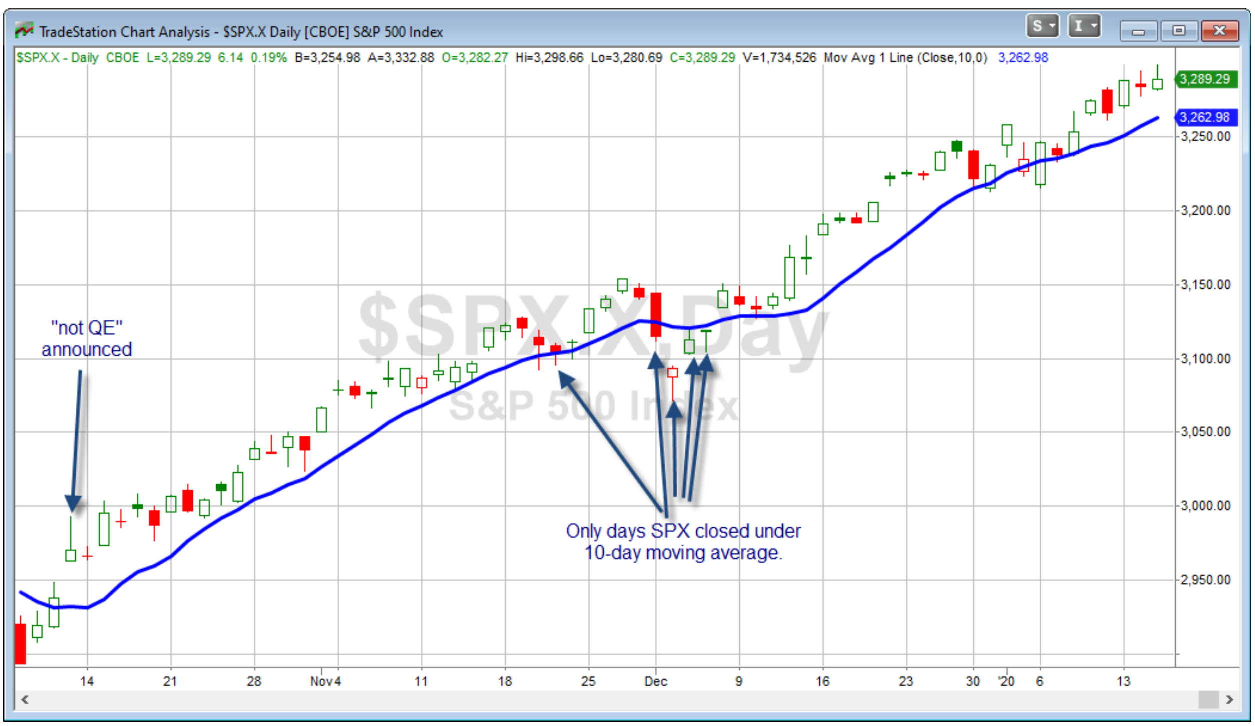
Summary of Recent Active Studies (see Letters from listed dates for details

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

Wednesday was back and forth, but a late charge left all the indices positive. The SPX rose 0.2%, NASDAQ gained 0.1% and Russell 2000 climbed 0.4%. Breadth was positive as the NYSE Up Issues % was 55% and the Up Volume % came in at 56%. NYSE volume rose some from Tuesday's level.

Nothing compelling emerged tonight from a short-term perspective. But I thought I would note just how remarkable the persistency of the rally over the last 3 months has been. The chart below is of SPX. I have marked where the Fed announced the "not QE" program back in October. The blue line is the 10-day moving average of SPX.

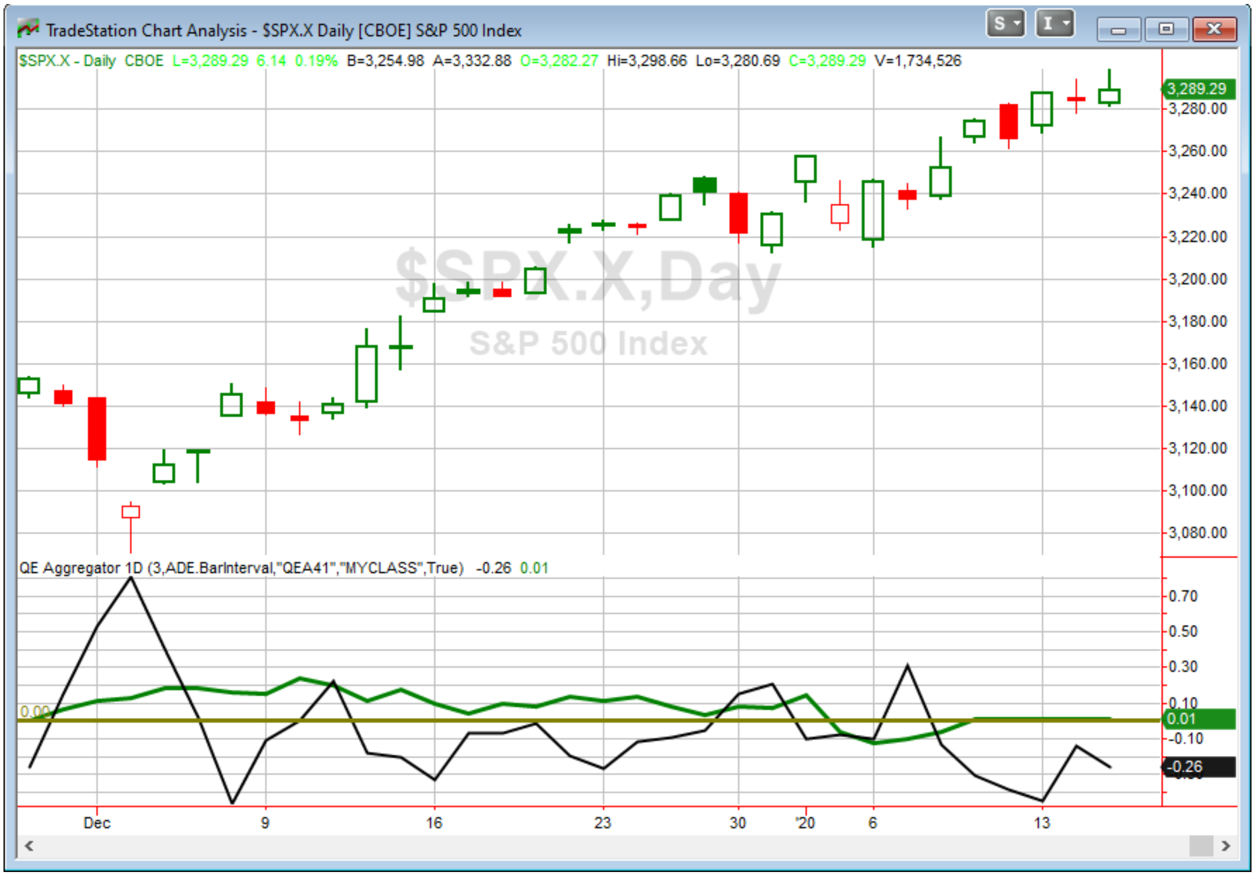


I have noted a few times lately that the market has gone an extended period without any closes below the 10ma. But what is more remarkable is how few days it has closed below the 10ma since "not QE" was announced on October 11th. In the last 67 trading days, there have only been 5 closes below the 10ma for SPX. There has not been a 67-day period with only 5 closes below the 10ma since 1972. And looking back to 1928 (when the S&P 500 was the S&P 90), there have only been 6 other instances: September 1929, July 1933, March 1943, June 1957, November 1965, and late February / early March of 1972. In other words, the persistency of this rally is extremely rare, and over the last 48 years, it is unheard of.

So a pullback is well overdue. But the market is already acting in a way that it never does. So who knows how much longer this can persist with the help of "not QE"? Shorting has been extremely difficult, and pullbacks to buy into have been basically non-existent. It has been a great several weeks for trend-following, but swing traders are lacking swings.

When the pullback does initially come, it may be sharp. But it will likely also be buyable. I have shown many studies over the years demonstrating that persistent rallies almost never end with a sharp peaked top. Instead the rally is more likely to wobble around before falling over. Patience and readiness remain key in my view. And when the next pullback does come, I suspect I will have a good number of studies emerging that all suggest the 1st dip is a short-term buying opportunity.

I have updated [the Aggregator chart] below.



Without any new studies being added tonight, the green Aggregator Line continued to skim along just 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 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 Thursday, 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 3288.71 on Thursday. That is less than 1 point below Wednesday's close. Therefore, SPX would flip to "oversold" versus recent expectations on just about any closer lower on Thursday.

The song remains the same. 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. Tonight's study exemplified that. I will continue to wait for a more favorable reward/risk opportunity before taking on new index exposure. Patient and alert for now.

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.