

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 22, 2020

Volume 13 Issue 14

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Despite the mild down day, the rally is historically extreme.

### *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
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
January 17, 2020	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.20%	-7.90%
November 11, 2019	"not QE"	int term	Bullish			
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 mild pullback day. The SPX declined 0.3%, NASDAQ lost 0.2% and Russell 2000 dropped 0.8%. Breadth was negative as the NYSE Up Issues % was 39% and the Up Volume % came in at 35%. NYSE volume rose some from Friday's level.

Nothing new and compelling emerged tonight. I am not terribly surprised by that. A tiny dip is not going to trigger much of an edge in a market so overbought and overdue for a pullback. Maybe this is the beginning of a pullback, or maybe we have a little longer to wait. But it is not easy finding a reliable historical edge when you are dealing with a market acting so far outside of historical norms, like this one is.

With nothing new triggering, let's update a couple of recent studies that demonstrate the historical extreme we are now witnessing. In the weekend letter I looked at all times back to the inception of the NASDAQ in 1971 in which both SPX and the NASDAQ Composite closed above their 10ma for at least 29 days in a row. Today the streak hit 30 and the list shrunk even more.

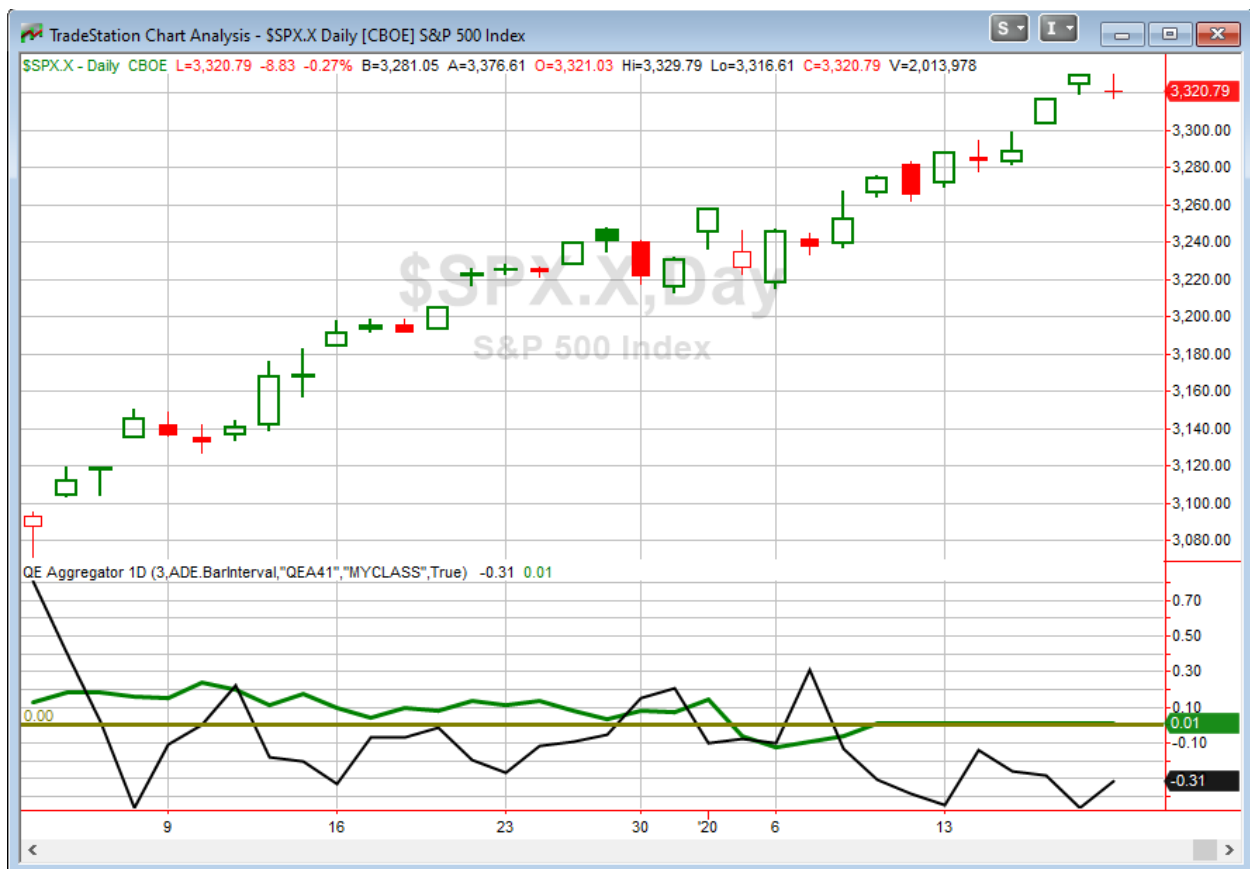
SPX and NASDAQ both close > 10ma for 30 days in a row. Buy SPX on close. Sell on close < 10ma for either index. 1971 - present.							
Symbol	Trade	Date	Price	Ex. date	Ex. Price	% chg	Days until C < 10ma
\$\$SPX	Long	1/10/1972	103.32	1/24/1972	102.57	-0.73%	10
\$\$SPX	Long	3/29/2010	1173.22	3/31/2010	1169.43	-0.32%	2
\$\$SPX	Long	11/20/2019	3108.46	11/21/2019	3103.54	-0.16%	1
\$\$SPX	Open Long	1/21/2020	3320.79	1/21/2020	3320.79	0.00%	??

Only 3 previous instances now. And one of those was in the current move higher during November. Of course another way to look at it is how I did last week, in that SPX has only seen 5 closes below the 10ma since October 10<sup>th</sup>. We have now reached the point where just 5 of the last 70 trading

days have closed below the 10ma. Other times where that has happened are 1972 (March), 1965 (Nov), and 1933 (Jul). That is it. And if it reaches 5 out of 71 days, then it is just 1972 and 1933 that you can point to.

So nothing new will be added tonight. But like I said, it is tough to find a meaningful historical edge when the market is trading so far beyond historical norms.

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



Without any new short-term 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 lacking, expectations are again solely based on the intermediate-term studies. If nothing new emerges on Wednesday, then they will remain slightly bullish. Of course expectations in the coming days will be greatly influenced by any new short-term evidence that emerges. Meanwhile, the Differential Pivot will be 3317.36 on Wednesday. That is just 0.1% below Tuesday's close. Therefore, SPX would only need to close down a small amount on Wednesday to be considered "oversold" versus recent expectations.

No change from the recent outlook. 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. Patient and alert for now.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 1/21 – bullish***

The intermediate-term outlook was last updated in the 1/21/20 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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