

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 23, 2020

Volume 13 Issue 15

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- When SPX has posted a 20-day high and a poor close in the past it has led to short-term gains.

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						
January 23, 2020	20-high close in bottom 10% intraday	1-6 days	Bullish	1.50%	-1.00%	-2.00%
Active - Long Term						
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			

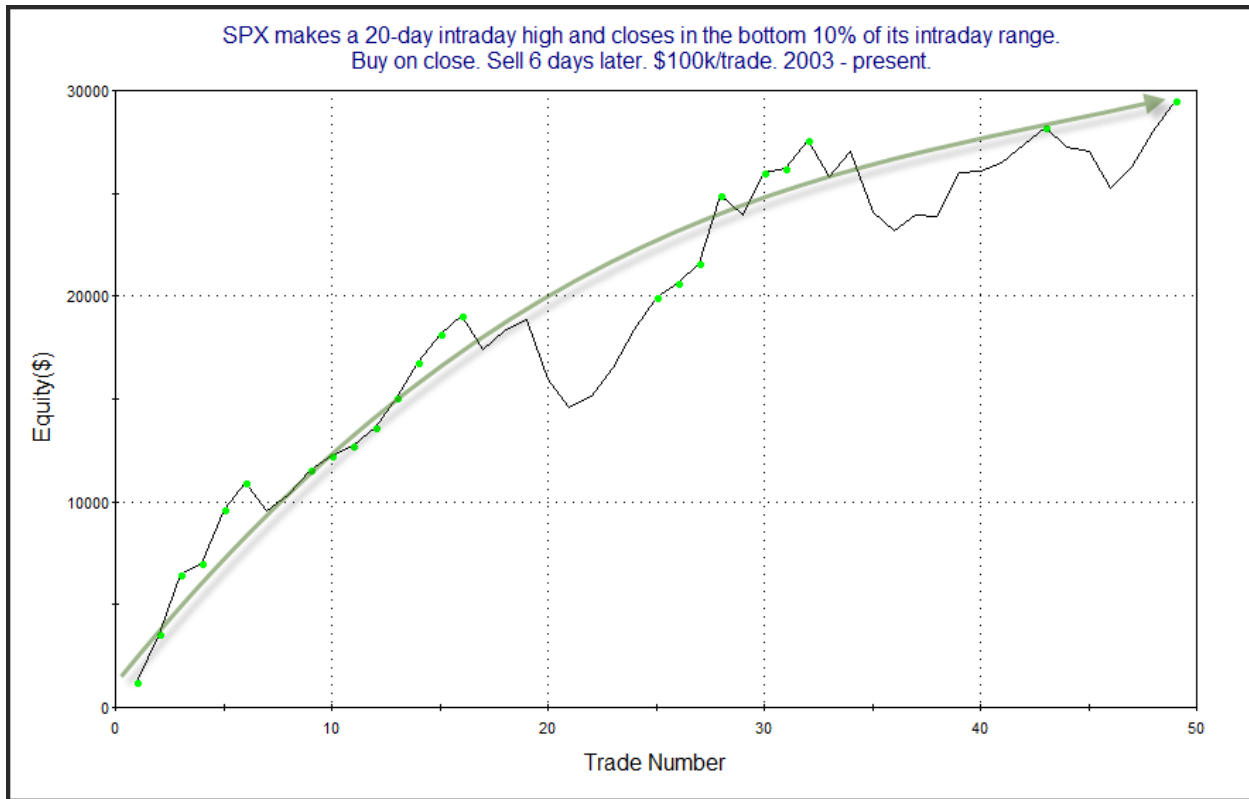
The Evidence

Wednesday started strong but did not finish so hot. The SPX closed up 0.03%, NASDAQ gained 0.14% and Russell 2000 dropped 0.09%. Breadth was negative as the NYSE Up Issues % was just under 50% and the Up Volume % came in at 42%. NYSE volume declined some from Tuesday's level.

Before selling off in the afternoon and finishing poorly, the SPX managed to make a new intraday all-time high. The new high followed by a poor close triggered the study below, which was last featured in the 12/5/17 subscriber letter. Results are all updated.

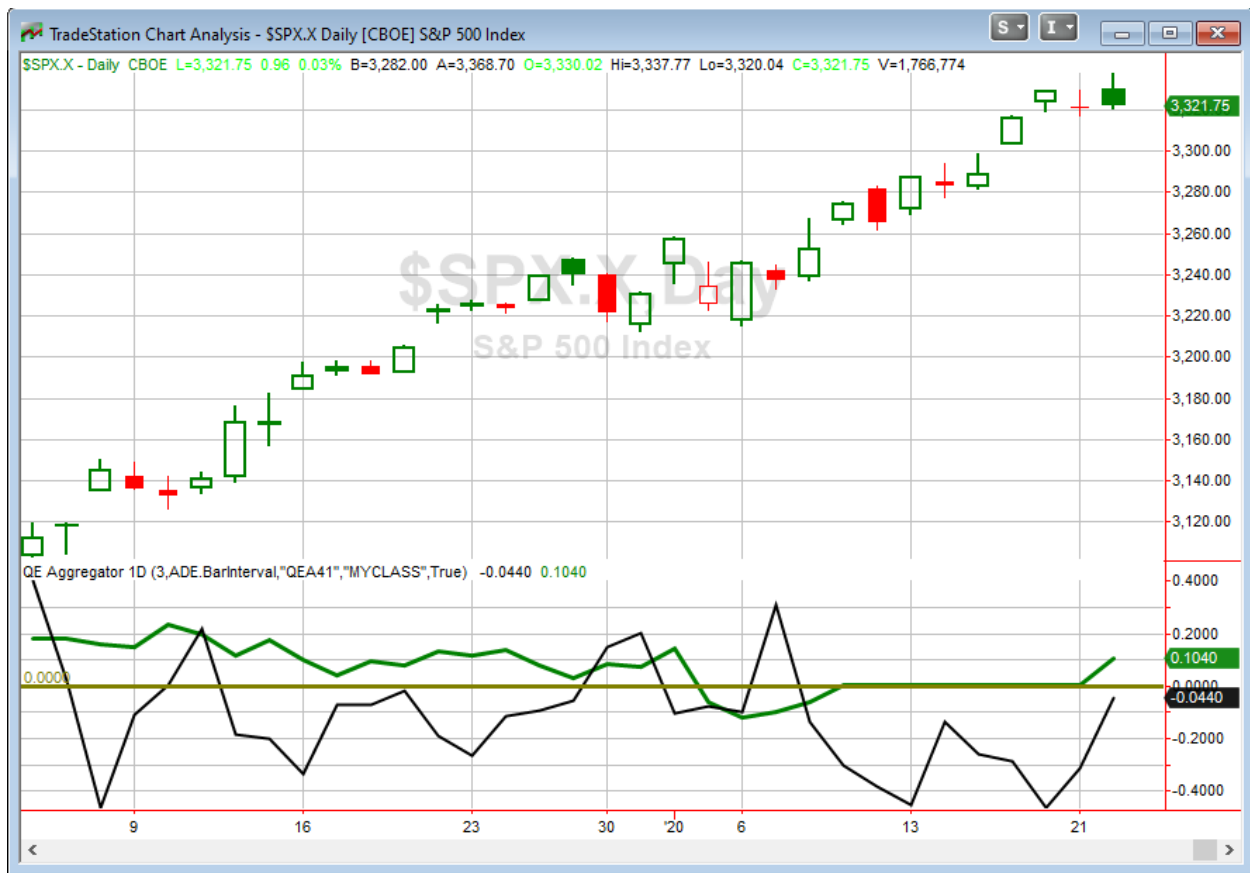
SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	40,951.80	46	33	13	71.74	4,119.18	-3,210.80	1,824.19	-1,480.49	1.23	3.13	890.26
9	39,080.95	46	34	12	73.91	3,613.36	-3,775.10	1,710.02	-1,588.31	1.08	3.05	849.59
8	36,492.62	47	35	12	74.47	4,483.84	-3,803.24	1,635.58	-1,729.38	0.95	2.76	776.44
7	30,423.85	48	36	12	75.00	3,761.94	-4,159.32	1,423.26	-1,734.47	0.82	2.46	633.83
6	29,491.54	49	37	12	75.51	3,331.38	-2,942.40	1,256.20	-1,415.65	0.89	2.74	601.87
5	17,856.75	49	34	15	69.39	2,693.34	-3,566.84	953.74	-971.36	0.98	2.23	364.42
4	13,262.67	51	34	17	66.67	2,531.61	-2,332.44	883.84	-987.52	0.90	1.79	260.05
3	15,921.92	51	33	18	64.71	2,159.82	-2,091.82	813.75	-607.32	1.34	2.46	312.19
2	10,721.98	51	29	22	56.86	3,288.48	-1,575.22	761.83	-516.87	1.47	1.94	210.23
1	6,339.45	52	33	19	63.46	1,710.72	-1,194.83	469.25	-481.35	0.97	1.69	121.91
<p>50 of 52 instances (96%) closed above the entry price at some point in the next week. The 2 that failed triggered on 12/30/04 and 12/31/04.</p>												

Results here seem to suggest an upside edge over the next 1-2 weeks. Below is a profit curve assuming a 6-day holding period.



The persistent move higher appears to confirm the upside edge suggested by the statistics. I have added this study to the Active List.

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



With tonight's evidence considered, the green Aggregator Line remained 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.

Based on the current list of active studies, expectations are set to remain bullish on Thursday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3330.19 on Thursday. That is 0.25% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up over 0.25% in order to remain overbought versus recent expectations. Anything shy of that and it will flip to "oversold" as of Thursday's close.

So we got a little more evidence. But we are still looking at a neutral Aggregator. A failure to rally could easily turn the Aggregator signal bullish on Thursday. But with the market having gone such an extended period of time without a pullback, its unlikely I'd start to get interested in taking on long exposure until SPX posts a close below its 10ma. I will continue to remain patient and alert.

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

New

KMI – 1/3 @ \$20.96 (buy at limit)

OXY – 1/3 @ \$43.29 (buy at limit)

Broad Market Large Cap CBI – 2(KMI, OXY)

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.

KMI – Buy 1/3 Catapult position @ \$20.96 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of KMI.

OXY – Buy 1/3 Catapult position @ \$43.29 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of OXY.

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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