

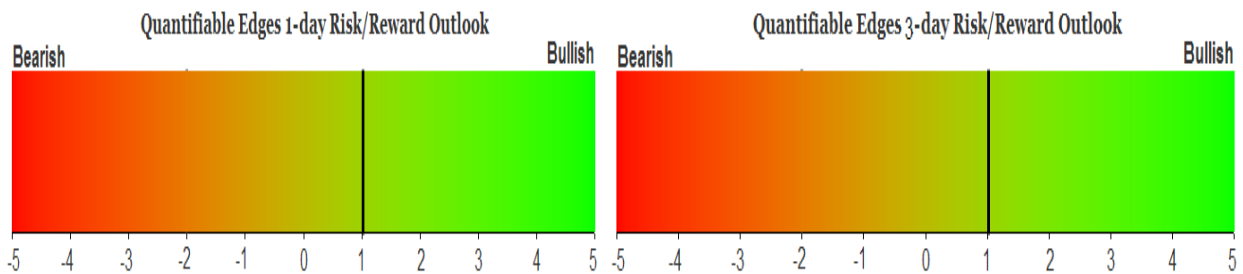
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 24, 2020

Volume 13 Issue 16

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 2 |

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.
- A 2-day rise in SPY that fails to make up the losses of the previous day has often been followed by more short-term buying when the market has been in an uptrend.

Short-term Outlook

The Bottom Line

The Aggregator is bullish but the overall setup is not compelling.

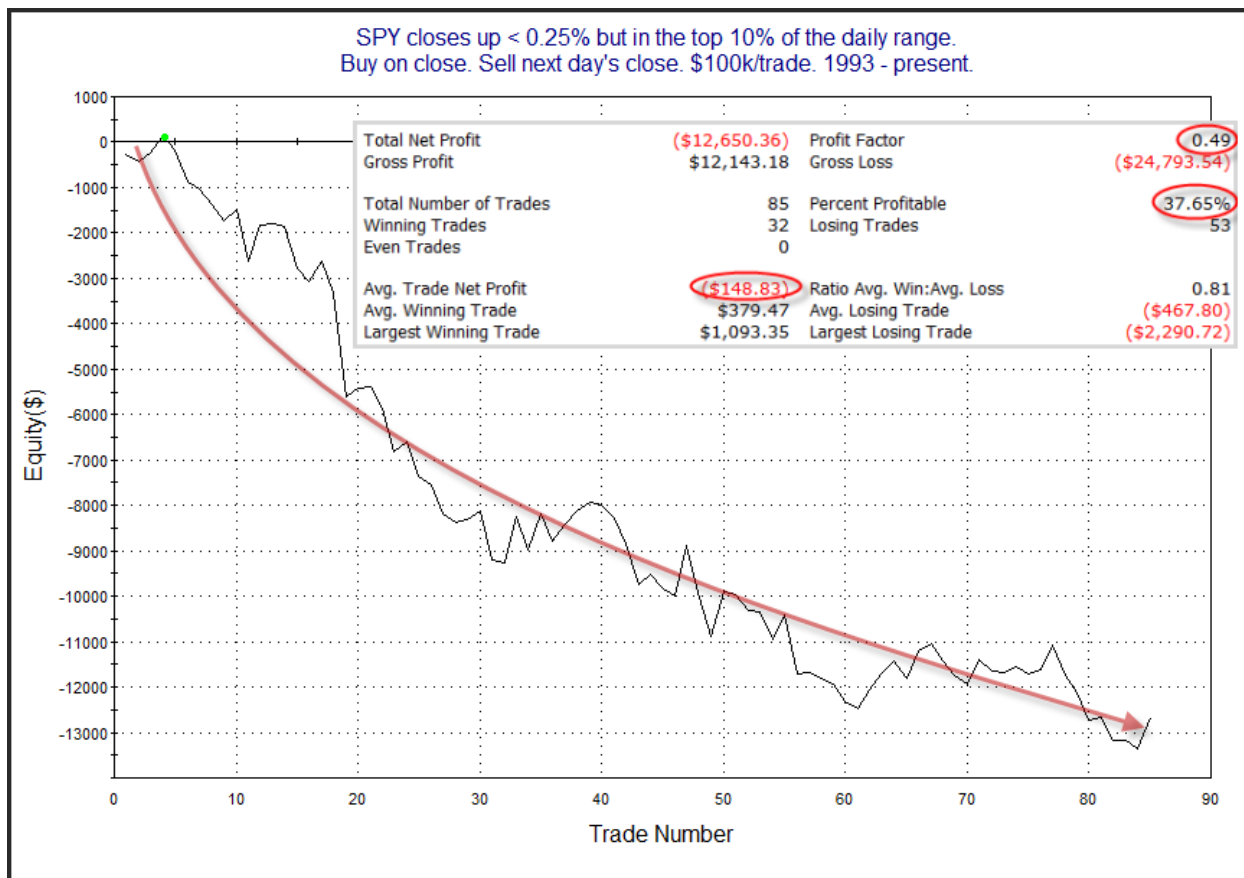
Summary of Recent Active Studies (see Letters from listed dates for details)

| 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

Thursday saw mostly mild gains. The SPX closed up 0.1%, NASDAQ gained 0.2% and Russell 2000 rose 0.03%. Breadth was negative as the NYSE Up Issues % was 49.4% and the Up Volume % came in at 47.4%. NYSE volume rose some from Wednesday's level.

After being down much of the day, the mild up close may have seemed like a win for the bulls. But the study below suggests that when SPY closes strong (in the top 10% of its intraday range) but still only manages a small gain on the day, the next day has shown a downside tendency. It last appeared in the 9/19/19 letter. I have updated the stats and the profit curve.



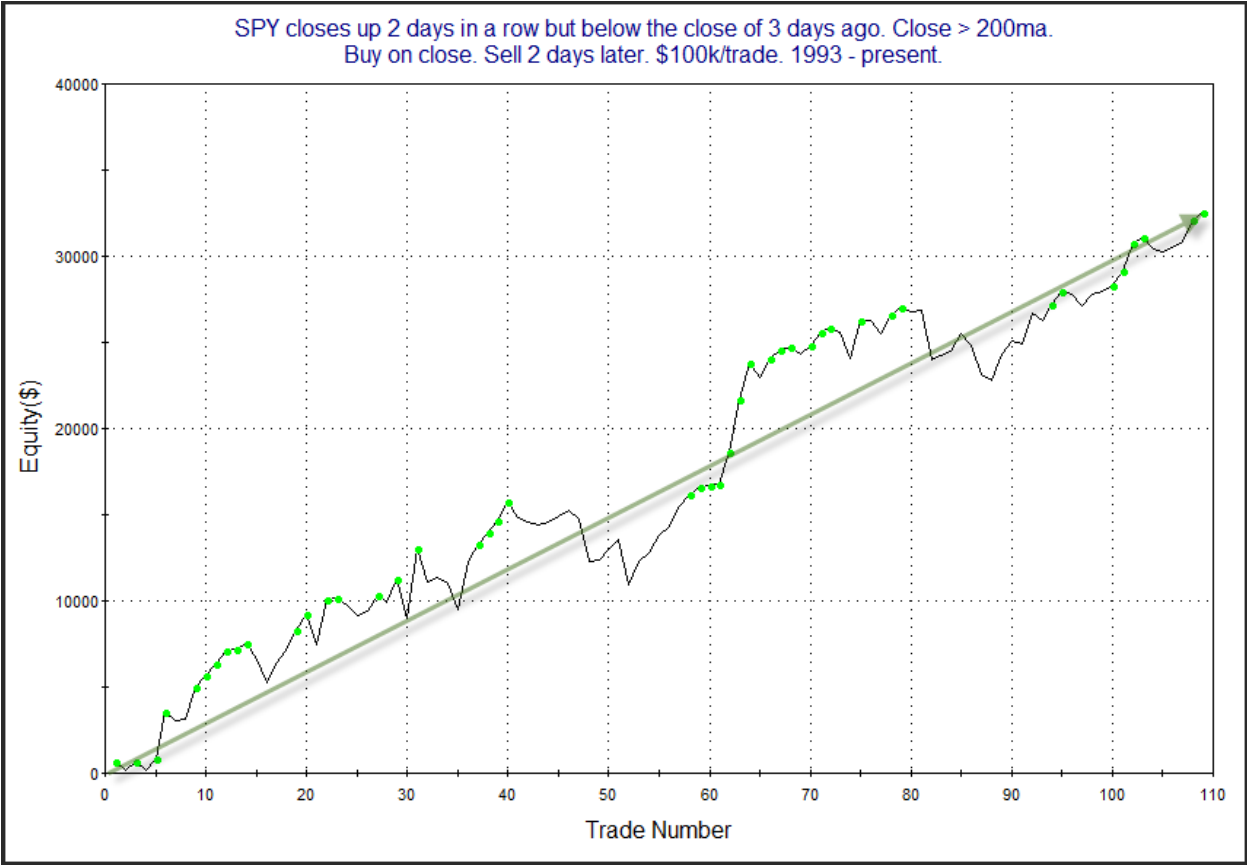
This bearish edge has persisted since the inception of SPY in 1993. It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day. I have added this study to the Active List tonight.

But there was also some bullish evidence. The study below was from the 10/1/18 letter. It looked at times that SPY rose 2 days in a row but still failed to close above the close of 3 days ago. I have updated the results.

SPY closes up 2 days in a row but below the close of 3 days ago. Close > 200ma.
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 | 21,636.35 | 106 | 61 | 44 | 57.55 | 4,717.70 | -6,549.84 | 1,470.39 | -1,546.75 | 0.95 | 1.32 | 204.12 |
| 4 | 32,568.43 | 108 | 71 | 37 | 65.74 | 4,698.60 | -4,384.89 | 1,274.19 | -1,564.85 | 0.81 | 1.56 | 301.56 |
| 3 | 26,793.27 | 109 | 70 | 39 | 64.22 | 3,000.00 | -4,092.24 | 1,111.16 | -1,307.38 | 0.85 | 1.53 | 245.81 |
| 2 | 32,505.48 | 109 | 73 | 36 | 66.97 | 4,088.25 | -2,932.22 | 884.23 | -890.10 | 0.99 | 2.01 | 298.22 |
| 1 | 15,267.62 | 109 | 64 | 43 | 58.72 | 3,732.75 | -1,777.90 | 636.63 | -592.48 | 1.07 | 1.60 | 140.07 |

The stats appear to suggest a bit of an upside edge over the 1st 2 days. Below is an equity curve using a 2-day exit strategy.



There have been a few dips in the curve but overall it has shown some nice persistency and is again at new highs. I have also included this study on the active list tonight.

So the Aggregator is suggesting a bit of a long-side edge. But it ain't exactly the one I've been looking for. Evidence is now mixed, we still have not pulled back below the 10-day moving average for the SPX or NASDAQ, and the Differential Pivot is inverted. I generally do not view inverted pivots as favorable entry opportunities anyway, because any move sideways or in the anticipated direction would mean the end of the signal. So potential reward is limited to just one day. So I am not inclined to look to take on new index exposure here. More aggressive traders could consider the Catapult trade idea listed below, or a multitude of stock and ETF triggers that appeared on the numbered systems page tonight.

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

OXY – 1/3 @ \$43.29 (bought at limit)

New

OXY – 1/3 @ \$42.52 (buy at limit)

Broad Market Large Cap CBI – 2(OXY2-2)

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.

OXY – Buy 1/3 Catapult position @ \$42.52 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of OXY.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|---------------|-------------------|--------------------|----------------------|--------------------|-------------|----------------|
| OXY(1/3) | 1/23/2020 | \$42.62 | \$42.52 | -0.23% | | bought on open |
| | | | | | | |
| | | | | | | |
| | | | | | | |

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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