

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 30, 2020

Volume 13 Issue 20

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- Moderate 2-day bounces from 10-day lows during uptrends usually have farther to go.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but reward/risk potential is not great. I will wait for a more favorable opportunity.

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 30, 2020	NASDAQ up 2 from 10-low < 10ma	1-2 days	Bullish			
January 29, 2020	10-low. Unfilled gap up and close < 10	1-5 days	Bullish			
January 28, 2020	1st 10-low in 30 days	1-8 days	Bullish			
January 27, 2020	1st close < 10ma in over 25 days	1-9 days	Bullish	2.65%	-0.85%	-1.80%
January 23, 2020	20-high close in bottom 10% intraday	1-6 days	Bullish	1.50%	-1.00%	-2.00%
Active - Long Term						
January 27, 2020	1st close < 10ma in over 25 days	1-19 days	Bullish	3.90%	-1.60%	-4.20%
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			

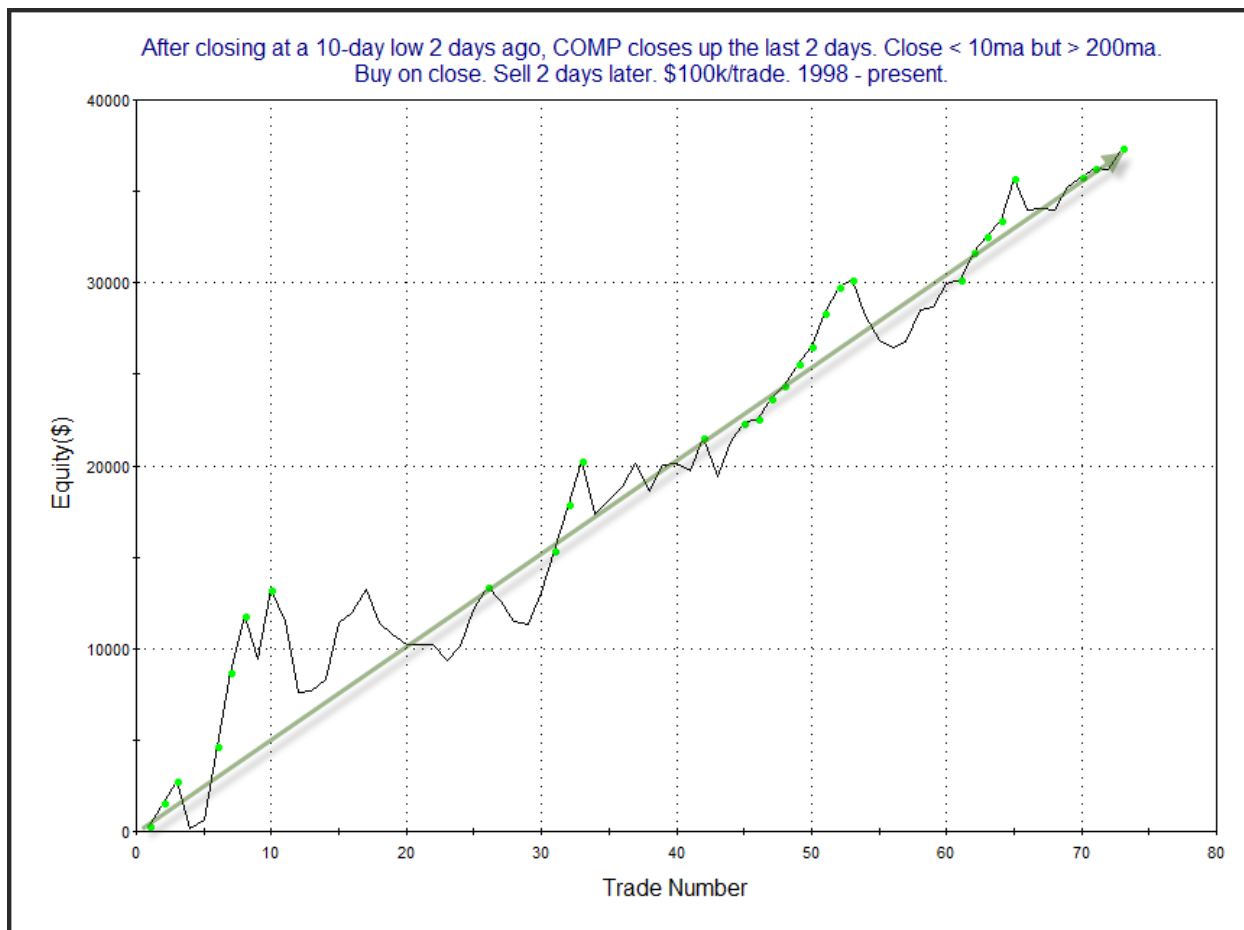
The Evidence

Wednesday was mixed and mild with a muted reaction to the Fed announcement. The SPX closed down 0.1%, the NASDAQ rose 0.1% and the Russell 2000 lost 0.55%. Breadth was mixed as the NYSE Up Issues % was 51% and the Up Volume % came in at 46%. NYSE volume rose some from Tuesday's level.

The mixed action did not generate much in the way of compelling new short-term evidence. There was one study that emerged that noted the moderate bounce we have seen in the NASDAQ composite over the last couple of days, following the 10-day low. I showed it in the 9/12/18 letter and have updated it below.

After closing at a 10-day low 2 days ago, COMP closes up the last 2 days. Close < 10ma but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1998 - 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	44,023.15	72	46	26	63.89	8,967.60	-5,970.24	1,990.84	-1,829.05	1.09	1.93	611.43
4	48,245.14	72	46	26	63.89	6,444.48	-4,986.40	1,964.30	-1,619.72	1.21	2.15	670.07
3	31,661.62	73	44	29	60.27	6,518.80	-8,084.18	1,707.29	-1,498.59	1.14	1.73	433.72
2	37,347.18	73	51	22	69.86	4,064.40	-3,891.94	1,305.98	-1,329.91	0.98	2.28	511.61
1	24,641.65	73	48	25	65.75	2,901.20	-3,682.80	921.21	-783.05	1.18	2.26	337.56

The stats are impressive over the 1st couple of days. Below is a look at the 2-day profit curve.



This has been a steady move higher and supports the idea of a short-term upside edge. Of course with SPX closing lower on Wednesday, it failed. Still, this study appears worthy of some consideration and I have included it on the Active List tonight.

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 is still above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is still oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current list of active studies, expectations are set to remain bullish on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be *inverted* at 3257.67 on Thursday. That is 0.5% *below* Wednesday's close. An inverted pivot means that the Differential Line would cross through zero if SPX closes flat. In this case, SPX will need to close down at least 0.5% in order to remain "oversold" vs recent expectations. Anything less than that and it will be considered "overbought" as of Thursday's close.

So the Aggregator is suggesting an upside edge. But I generally do not consider a setup with an inverted pivot to be an opportune time to take on new index positions. This is because reward/risk is not terribly favorable. Potential reward is limited to just 1 day. Any move in the anticipated direction (up in this case) will mean the end of the signal. Only a move against the position could see a longer holding period. So risk is elevated and reward is limited. I'll wait for a more favorable opportunity before taking on my next index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/27 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

OXY – 1/3 @ \$43.29 (bought at limit)

OXY – 1/3 @ \$42.52 (bought at limit)

OXY – 1/3 @ \$42.22 (bought at limit)

AGN – 1/3 @ \$188.19 (buy at limit) – not filled / cancel for now

C – 1/3 @ \$76.71 (buy at limit) – not filled / cancel for now

NKE – 1/3 @ \$100.24 (bought at limit)

WFC – 1/3 @ \$47.10 (buy at limit) – not filled / cancel for now

Broad Market Large Cap CBI – 8(OXY-3, AGN, C, FB, NKE, WFC)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
OXY(1/3)	1/23/2020	\$42.62	\$40.47	-5.04%		Catapult
OXY(1/3)	1/24/2020	\$42.47	\$40.47	-4.71%		Catapult
OXY(1/3)	1/27/2020	\$41.02	\$40.47	-1.34%		Catapult
<i>SPY(1/4)</i>	<i>1/27/2020</i>	<i>\$323.03</i>	<i>\$328.38</i>	<i>1.66%</i>		<i>sold on open</i>
FB(1/3)	1/28/2020	\$214.87	\$223.20	3.88%		sell on open
NKE(1/3)	1/28/2020	\$100.24	\$99.84	-0.40%		Catapult

FB reached its exit trigger, and will be closed out at the 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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