

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 5, 2020

Volume 13 Issue 24

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	4

## Tonight's Research Points

- Two unfilled gaps higher from a 20-day low have been rare, but have been consistently followed by more rallying.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator remains bullish, but SPX is set to turn overbought, leaving reward/risk sub-par.

**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>						
February 5, 2020	SPY 2 unfilled gaps up from 20-low	1-7 days	Bullish	2.00%	-0.90%	-1.70%
February 3, 2020	SPX down 1.5% twice in a week. 10-low	1-7 days	Bullish			
February 3, 2020	SPX dn 1.5x 20-day ATR on Friday	1-6 days	Bullish			
January 31, 2020	Higher high dn close, lower low up close	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%
<b>Active - Long Term</b>						
February 3, 2020	Hindenburg cluster 4+ (triggered Feb 3)	1-35 days	Bearish			
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**

Tuesday saw the market rally for the 2<sup>nd</sup> day in a row. The SPX rose 1.5%, the NASDAQ jumped 2.1%% and the Russell 2000 gained 1.5%. Breadth was positive as the NYSE Up Issues % was 72% and the Up Volume % came in at 82%. NYSE volume rose some from Monday's level.

Coming off the 20-day low close on Friday, we have now seen SPY leave an unfilled gap higher for two days in a row. That is quite unusual to see that kind of overnight strength hold up so well for multiple days following an intermediate-term low. It is something I examined years ago in the 6/12/15 letter. I went back and updated that study tonight.

After closing at a 20-day low 2 days ago SPY leaves an unfilled gap up the last 2 days. 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
10	11,637.60	10	7	3	70.00	4,569.18	-2,443.98	2,441.49	-1,817.60	1.34	3.13	1,163.76
9	10,745.42	10	7	3	70.00	3,989.58	-2,937.00	2,123.98	-1,374.14	1.55	3.61	1,074.54
8	11,724.96	10	7	3	70.00	4,004.07	-2,055.90	2,206.48	-1,240.14	1.78	4.15	1,172.50
7	12,328.23	10	9	1	90.00	3,255.42	-1,440.00	1,529.80	-1,440.00	1.06	9.56	1,232.82
6	10,569.62	10	7	3	70.00	2,893.17	-1,019.94	1,797.34	-670.59	2.68	6.25	1,056.96
5	8,613.23	10	8	2	80.00	2,405.00	-1,425.78	1,351.18	-1,098.09	1.23	4.92	861.32
4	6,353.65	10	7	3	70.00	2,318.42	-490.88	1,042.84	-315.41	3.31	7.71	635.37
3	4,101.66	10	8	2	80.00	1,505.53	-897.00	706.25	-774.18	0.91	3.65	410.17
2	1,244.85	10	7	3	70.00	1,574.58	-1,252.80	693.31	-1,202.78	0.58	1.34	124.49
1	1,846.75	10	6	4	60.00	1,362.06	-1,188.00	699.01	-586.83	1.19	1.79	184.68

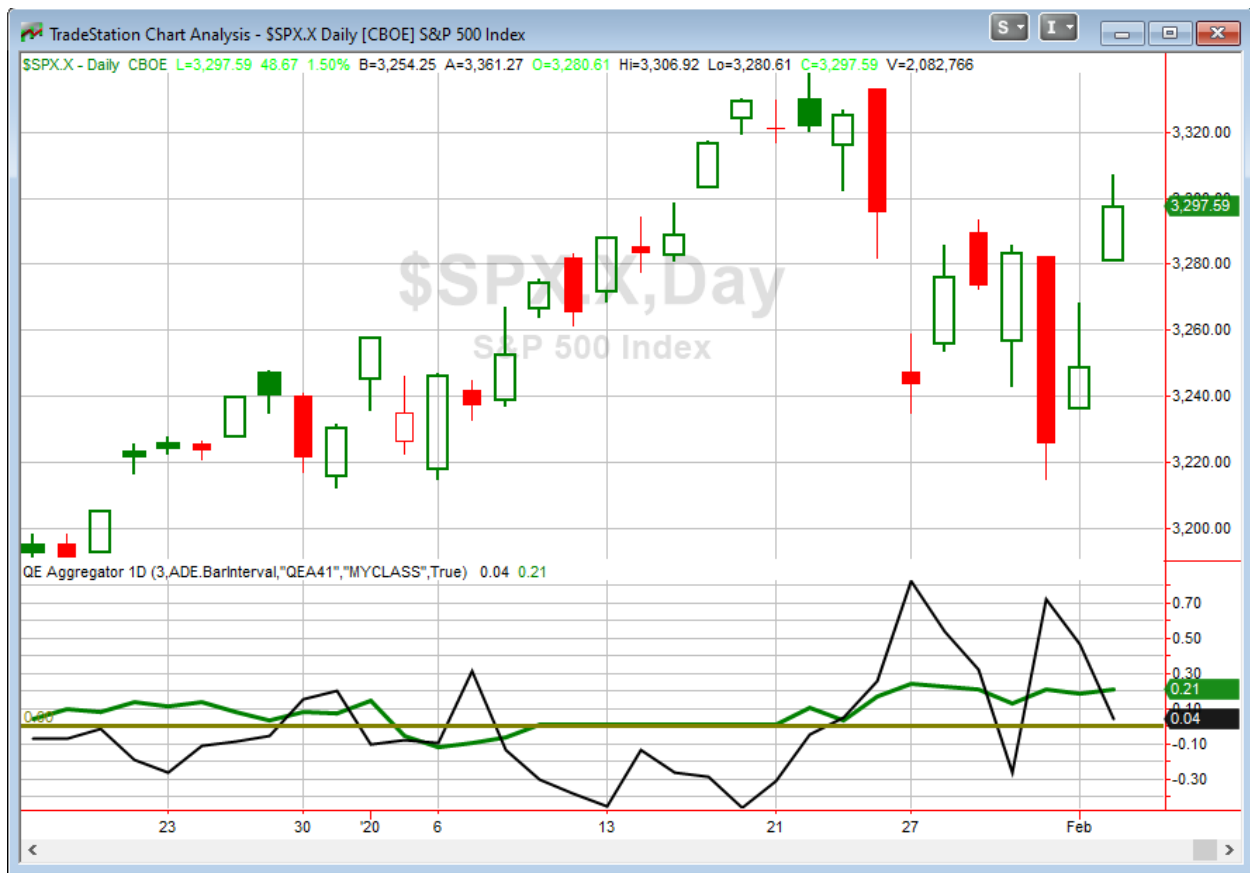
Instances remain low, but the upside consistency is quite impressive. Below is a list of all the trades along with the 7-day results.

After closing at a 20-day low 2 days ago SPY leaves an unfilled gap up the last 2 days.  
Close > 200ma. Buy on close. Sell 7 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/15/1996	Buy	\$64.25	1.17%	\$2,053.92
4/24/1996	Sell	\$65.00		(\$622.40)
6/17/1998	Buy	\$111.38	1.80%	\$2,771.73
6/26/1998	Sell	\$113.38		(\$1,569.75)
1/26/2005	Buy	\$117.23	2.56%	\$2,729.60
2/4/2005	Sell	\$120.23		(\$528.86)
4/12/2012	Buy	\$138.79	-1.44%	\$410.40
4/23/2012	Sell	\$136.79		(\$2,052.00)
6/26/2013	Buy	\$160.14	2.38%	\$2,652.00
7/8/2013	Sell	\$163.95		(\$174.72)
3/31/2014	Buy	\$187.01	0.04%	\$1,436.46
4/9/2014	Sell	\$187.09		(\$1,826.28)
12/18/2014	Buy	\$206.78	0.40%	\$1,057.77
12/30/2014	Sell	\$207.60		(\$565.11)
6/11/2015	Buy	\$211.63	0.12%	\$807.12
6/22/2015	Sell	\$211.89		(\$1,812.48)
7/10/2015	Buy	\$207.48	2.06%	\$2,741.70
7/21/2015	Sell	\$211.75		\$0.00
6/29/2016	Buy	\$206.66	3.26%	\$3,579.03
7/11/2016	Sell	\$213.40		(\$48.30)

This list is impressive, and the 3 instances since I last featured this study have all seen upside follow through. This kind of show of strength has been unusual, but the consistent gains to this point intrigue me enough to pay the study some attention and put 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 held 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 Wednesday. This is unlikely to change. Meanwhile, the Differential Pivot will be *highly inverted* at 3242.34 on Wednesday. That is 1.7% *below* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down about 1.7% in order to remain oversold versus recent expectations. Anything other than that, and it will be considered "overbought" as of Wednesday's close.

The Aggregator is still bullish. But with the inverted pivot, it is not an appealing setup. This is because potential reward is quite limited, since even a 1.5%+ *drop* on Tuesday would leave the market overbought and the Aggregator formation no longer bullish. The gaps higher the last 2 days were unfortunate in that they failed to allow for entry into the index trade ideas. But this is not the place to chase higher. I'll just wait for the next favorable reward/risk setup to emerge.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 2/3 – bullish***

The intermediate-term outlook was last updated in the 2/3/20 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***

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

BKNG – 1/3 @ \$1830.55 (bought at limit)

DD – 1/3 @ \$51.18(bought at limit)

*New*

COP – 1/3 @ \$56.49 (buy at limit)

***Broad Market Large Cap CBI – 4(C, BKNG, DD, COP)***

**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.*

**COP – Buy 1/3 Catapult position @ \$56.49 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 lots for COP.

## **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
OXY(1/3)	1/23/2020	\$42.62	\$40.50	-4.97%		sell on open
OXY(1/3)	1/24/2020	\$42.47	\$40.50	-4.64%		sell on open
OXY(1/3)	1/27/2020	\$41.02	\$40.50	-1.27%		sell on open
NKE(1/3)	1/28/2020	\$100.24	\$101.38	1.14%		sell on open
DD(1/3)	2/3/2020	\$51.18	\$52.70	2.97%		Catapult
BKNG(1/3)	2/3/2020	\$1,830.55	\$1,864.51	1.86%		Catapult

*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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