

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 12, 2020

Volume 13 Issue 29

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- NDX is as extended as it has been in over 10 years, but that has not been a bad thing historically.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But with the market at new highs and the Differential Pivot inverted I am not enthused about taking on new index exposure. The upside edge appears quite small.

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						
February 6, 2020	SPY unfilled gap to fresh breakout	1-5 days	Bullish	1.40%	-0.90%	-1.90%
February 5, 2020	SPY 2 unfilled gaps up from 20-low	1-7 days	Bullish	2.00%	-0.90%	-1.70%
Active - Long Term						
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 started strong, but much of the gains were given up by the end of the day. The SPX finished up 0.2%, the NASDAQ gained 0.1% and the Russell 2000 climbed 0.6%. Breadth was also positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 51%. NYSE volume declined some for the 3rd day in a row.

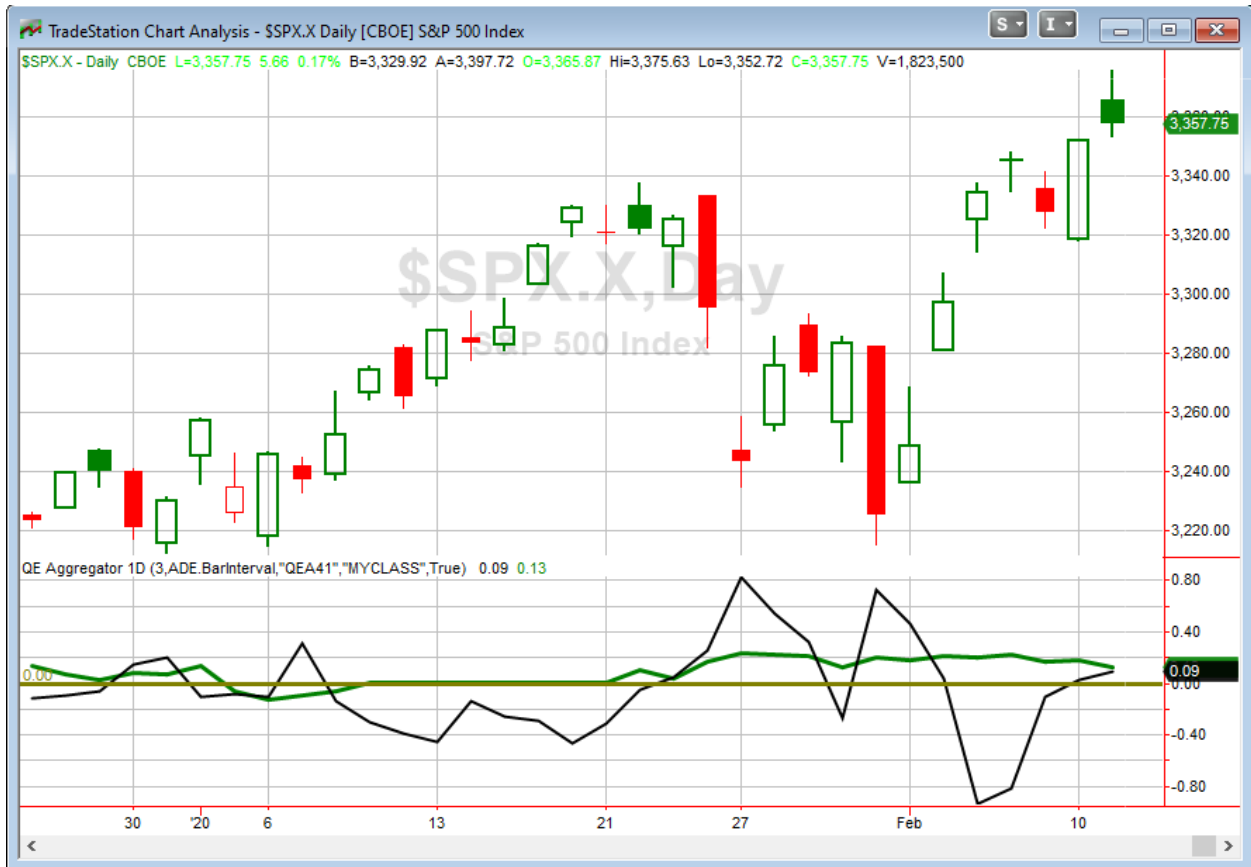
It was pointed out to me just how stretched the NDX (NASDAQ 100) now is above its 200ma. In fact, on Monday it closed over 18.4% above its 200ma. (That shrunk to 18.3% on Tuesday.) The 18.4% stretch is the largest since 2009. So, yeah, the market is quite extended. But here is a look at how it has performed in the past when it has gotten extended like this.

NDX crosses more than 18% above its 200m. Buy on close. Sell X days later. \$100k/trade. 1986 - 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
100	188,024.38	21	14	7	66.67	74,857.66	-24,143.30	16,666.01	-6,471.39	2.58	5.15	8,953.54
90	209,444.48	22	17	5	77.27	58,767.00	-26,660.45	15,121.52	-9,524.27	1.59	5.40	9,520.20
80	165,885.30	22	15	7	68.18	46,441.20	-33,013.95	15,531.33	-9,583.51	1.62	3.47	7,540.24
70	89,187.09	24	14	10	58.33	33,320.04	-30,288.25	12,949.63	-9,210.78	1.41	1.97	3,716.13
60	90,801.30	24	14	10	58.33	24,847.68	-28,561.65	10,828.12	-6,079.24	1.78	2.49	3,783.39
50	91,276.95	25	20	5	80.00	37,210.80	-30,103.95	7,721.66	-12,631.27	0.61	2.45	3,651.08
40	140,743.68	27	18	9	66.67	34,242.12	-8,358.70	9,773.87	-3,909.56	2.50	5.00	5,212.73
30	103,147.46	34	22	12	64.71	22,407.00	-7,996.63	6,882.60	-4,022.47	1.71	3.14	3,033.75
20	46,868.30	39	21	18	53.85	15,754.23	-10,811.06	5,495.11	-3,807.16	1.44	1.68	1,201.75
10	-5,728.32	51	26	25	50.98	9,304.39	-13,218.78	3,068.77	-3,420.66	0.90	0.93	-112.32

The overextended conditions have not necessarily been a negative in the past. There were some terrible plunges, such as the Crash of '87. But there was also massive runups during much of the late 90s under these conditions. The market is extended. And that is a condition that will be worked

off at some point. But it is not reliable sell signal at this point. There were no new compelling short-term studies that emerged on Tuesday.

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



Without any new studies being added tonight, 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 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 could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3347.32 on Wednesday. That is 0.3% *below* Tuesday's close. An inverted pivot means that the Differential Line would cross through zero if SPX closes flat. In this case, SPX is going to need to close down over 0.3% in order to remain oversold vs recent expectations. Anything other than that and it will be considered "overbought" as of Wednesday's close.

So the Aggregator is still bullish. And there appears to be a mild upside edge based on recent short-term evidence. But it is not being confirmed with nay new evidence tonight. And a setup with an inverted pivot is rarely one that I would get excited about, because reward/risk simply is not very favorable. Any move up would be the end of the signal. So with limited upside, I will continue to stand aside. I'll wait for a more substantial reward/risk opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/10 – bullish

The intermediate-term outlook was last updated in the 2/10/20 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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