

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 14, 2020

Volume 13 Issue 31

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The very light NYSE volume on the pullback Thursday could suggest more selling soon.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is lacking, and I see no reason to get involved until a more substantial edge emerges.

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						
None						
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			
Dropped Tonight						
February 5, 2020	SPY 2 unfilled gaps up from 20-low	1-7 days	Bullish	2.00%	-0.90%	-1.70%

The Evidence

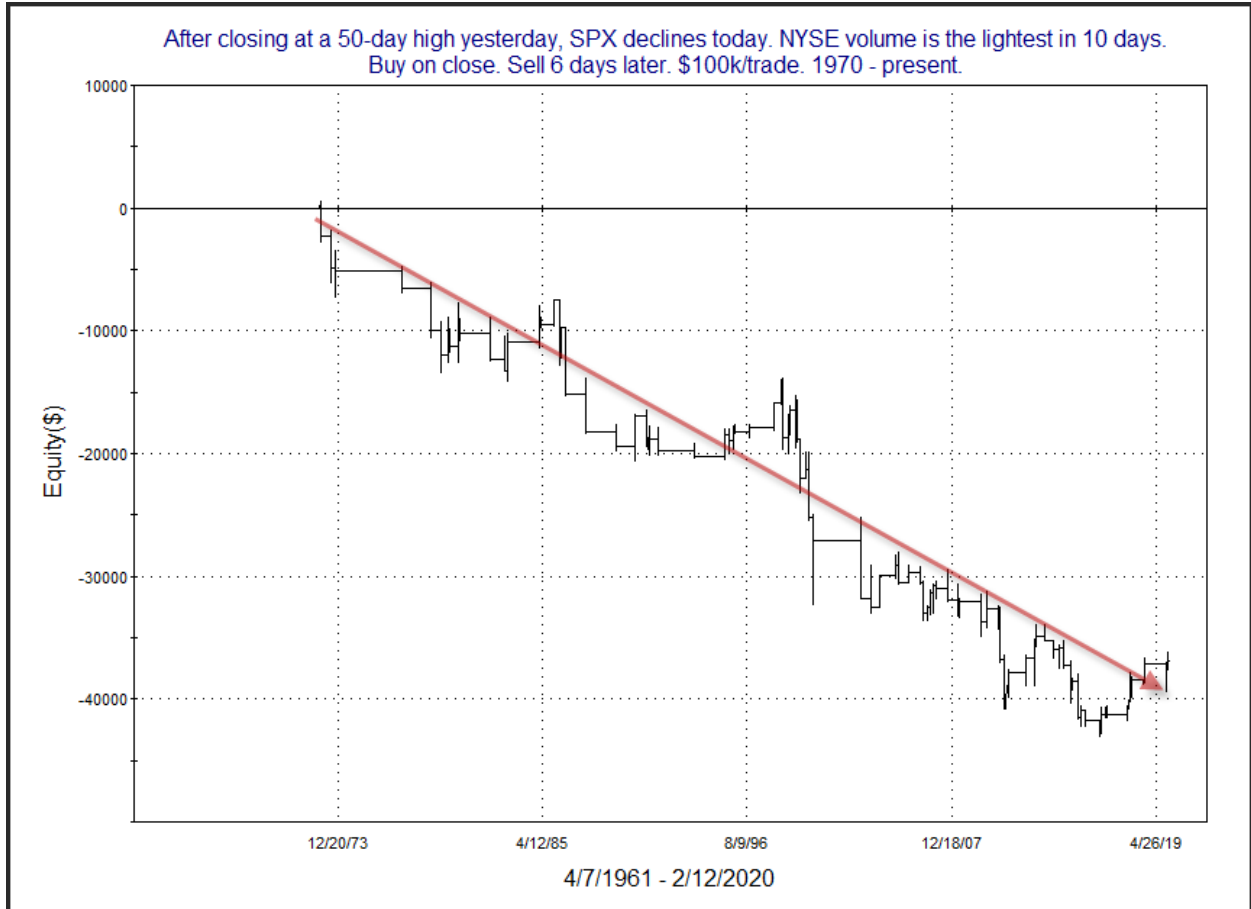
The market finished mixed and mild on Thursday. The SPX closed the day down 0.2%, the NASDAQ lost 0.1% and the Russell 2000 climbed 0.3%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 38%. NYSE volume came in at the lightest level in just over a month.

While action was moderate, there was one interesting study that emerged. It was last seen in the 8/23/18 letter. And looks at light volume occurring on down days after a 50-day high. Stats have all been updated.

After closing at a 50-day high yesterday, SPX declines today. NYSE volume is the lightest in 10 days. Buy on close. Sell X days later. \$100k/trade. 1970 - 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	-22,116.34	79	43	36	54.43	5,104.00	-6,121.74	1,580.14	-2,501.74	0.63	0.75	-279.95
9	-18,683.36	80	44	36	55.00	3,955.23	-6,236.87	1,507.55	-2,361.54	0.64	0.78	-233.54
8	-29,280.89	80	42	38	52.50	3,521.07	-6,661.66	1,296.22	-2,203.22	0.59	0.65	-366.01
7	-38,593.69	80	40	40	50.00	3,732.48	-7,193.64	1,174.44	-2,139.29	0.55	0.55	-482.42
6	-36,946.61	81	40	41	49.38	2,563.47	-5,426.99	997.48	-1,874.29	0.53	0.52	-456.13
5	-20,791.35	82	43	39	52.44	2,279.20	-4,288.68	900.02	-1,525.44	0.59	0.65	-253.55
4	-21,934.50	86	46	40	53.49	2,457.84	-4,263.60	746.55	-1,406.89	0.53	0.61	-255.05
3	-4,849.52	89	48	41	53.93	2,169.48	-3,726.24	770.43	-1,020.25	0.76	0.88	-54.49
2	-3,659.53	89	46	42	51.69	2,328.05	-4,049.40	637.15	-784.96	0.81	0.89	-41.12
1	-5,498.86	89	46	42	51.69	2,235.13	-3,068.81	456.66	-631.08	0.72	0.79	-61.78

The first few days don't show much of an edge, but once you get out 6-7 days there appears to be a possible downside inclination. To confirm this I took a look at the equity curve. In this case I

decided to show time on the x-axis rather than instances to demonstrate how consistent the edge has been over the years.



For a study without strongly lopsided statistics, the long-term steadiness is impressive. But with no progress over the last few years, and no real edge appearing for the first several days in the results table, I again decided not to include this study on the active list. Still, it may be worth keeping in mind.

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 below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. And with both lines extremely close to zero, this is about as “neutral” as you can get. Therefore, the Aggregator signal stayed flat at the close.

Action the last few days has been less than inspiring, and we have seen a dearth of new short-term studies emerge. This is leaving the short-term active list blank. It is the intermediate-term evidence that currently has expectations slightly positive. Of course, expectations over the next few days will be greatly impacted by any new evidence that emerges. Meanwhile, the Differential Pivot will be *very slightly inverted* at 3373.98 on Friday. That is *0.04 points above* Thursday’s close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX needs to close up 0.04 points on Friday to remain “overbought”. Any flat or down close will cause it to flip to “oversold” vs expectations as of Friday’s close. Basically, any up close will leave SPX overbought and a down close will leave it oversold on Friday.

Not much to say tonight. A neutral short-term environment has me basically sidelined, and I am not seeing anything that gets me excited about taking on new positions here. Another opportunity will emerge soon. And I will look to take advantage when it does.

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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