

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 20, 2020

Volume 13 Issue 34

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- No compelling new evidence emerged on Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral, and I am too.

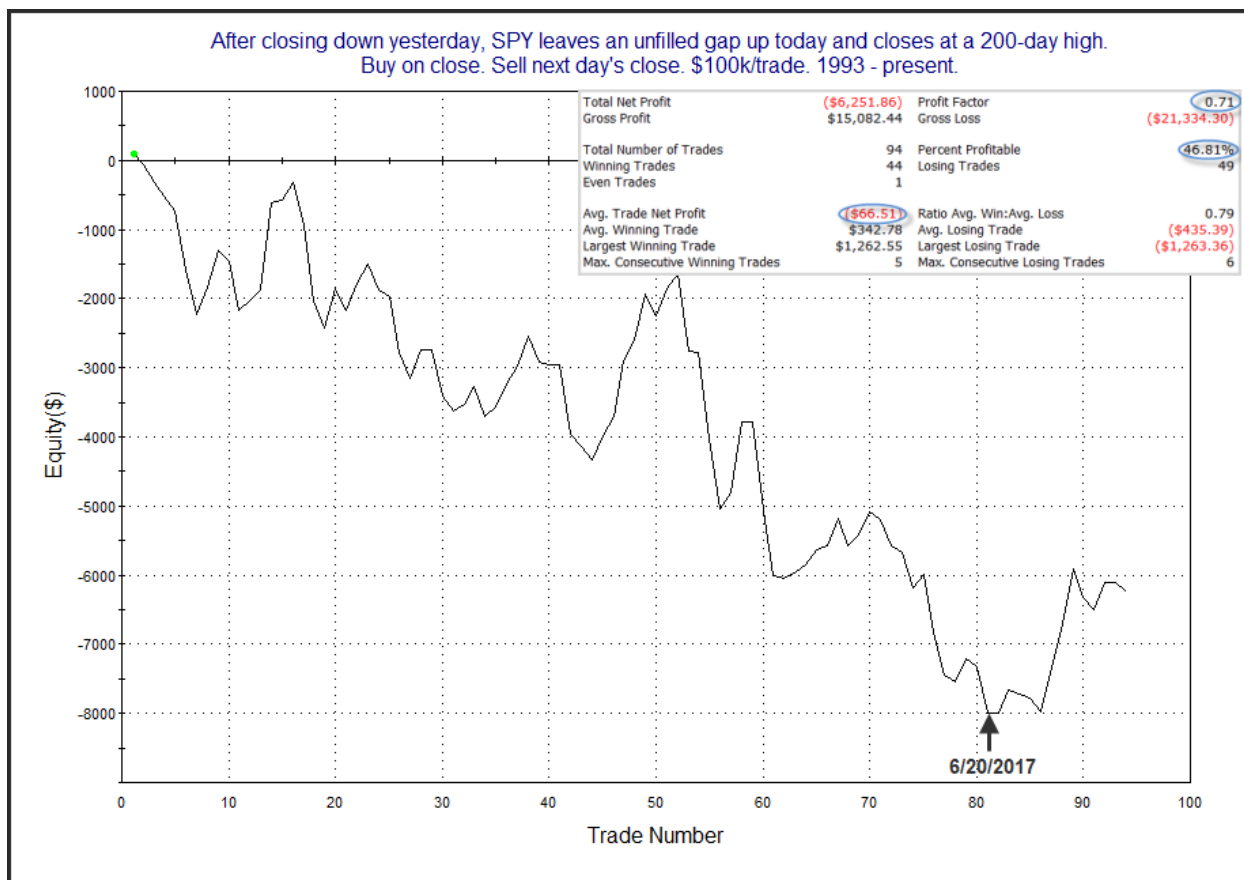
Summary of Recent Active Studies (see Letters from listed dates for details)

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			

The Evidence

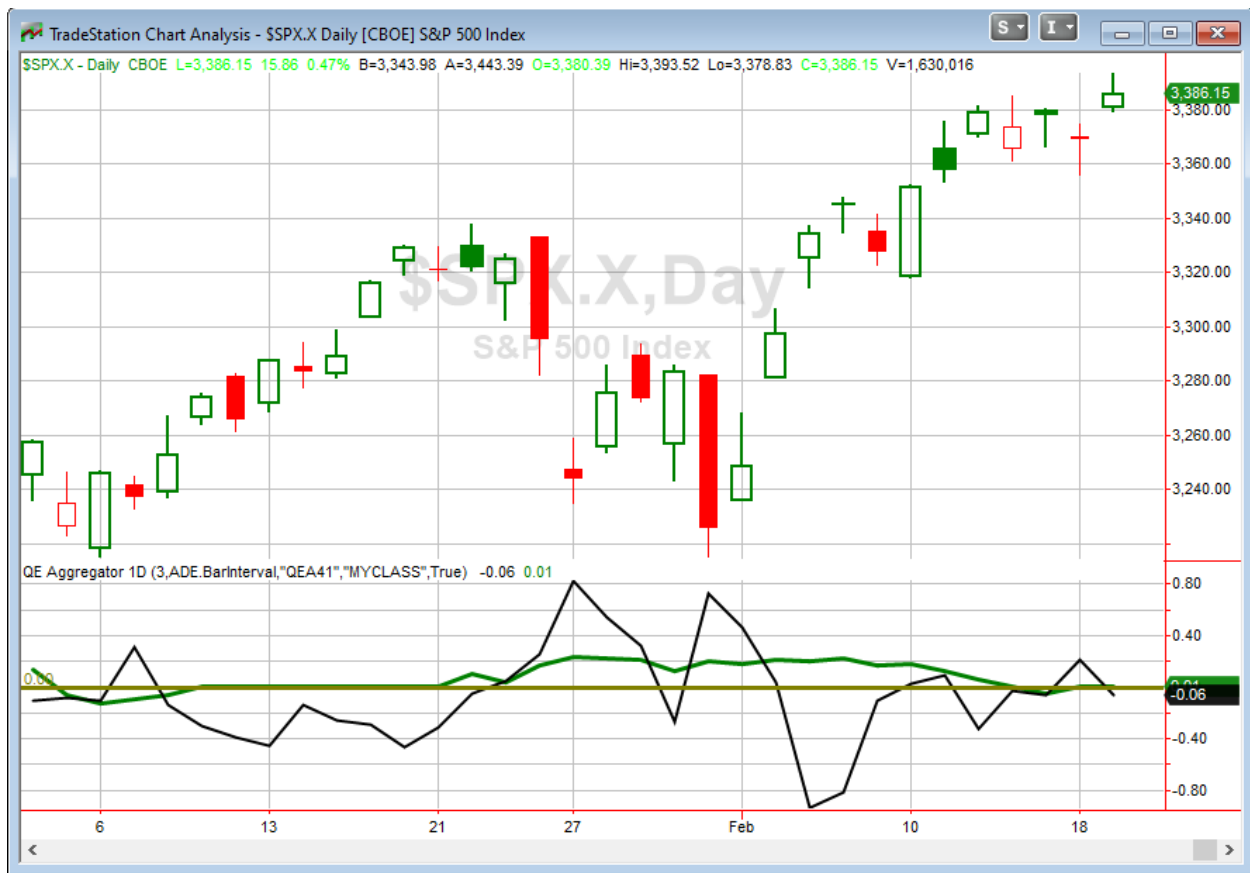
Wednesday was a rally day with more new highs for the market. The SPX closed up 0.5%, the NASDAQ rose 0.9% and the Russell 2000 gained 0.5%. Breadth was positive as the NYSE Up Issues % was 53% and the Up Volume % came in at 65%. NYSE volume declined some from Tuesday's level.

The market is continuing to grind higher. We are not looking at a fresh breakout from a base, where momentum studies will often kick in suggesting an upside edge. Nor are we seeing studies suggesting the market is overbought to a point where a pullback is likely imminent. Short-term evidence remains weak. I did look tonight at other instances of a 200-day high close occurring on a day where SPY left an unfilled gap up and had closed down the day before. The next-day returns were weak, but not weak enough for me to consider them bearish. Stats and chart can be seen below.



The curve has worked its way lower. But the average move is very small, and there has been no downward progress in nearly 3 years. So I am not inclined to view this as a compelling edge. And with the numbers so small, it would not have much impact on the Aggregator anyway.

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



Without any new evidence being added tonight, the green Aggregator Line held just a little above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line dipped a little 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. Therefore, the Aggregator signal turned flat at the close.

With the short-term active list blank, intermediate-term evidence has expectations leaning slightly bullish. Of course, expectations over the next few days will be greatly impacted by any new evidence that emerges. Meanwhile, the Differential Pivot will be 3380.62 on Thursday. That is 0.2% below Wednesday's close. So SPX will only need to close down 0.2% on Thursday in order to move back to "oversold" versus recent expectations.

The Aggregator is neutral, and short-term evidence is lacking. I still don't see a compelling reason to get involved in new index positions. I'll continue to wait for a more compelling setup to emerge. It will come along soon enough, and I will be ready when it does.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/18 – bullish

The intermediate-term outlook was last updated in the 2/18/20 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

LLY – 1/3 @ \$141.01 (bought at limit)

New

LLY – 1/3 @ \$140.83 (buy at limit)

Broad Market Large Cap CBI – 2(LLY-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.

LLY – Buy 1/3 Catapult position @ \$140.83 LIMIT. From the Catapult section above, this is the 2nd of up to 3 potential lots of LLY.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
LLY(1/3)	2/19/2020	\$141.01	\$140.83	-0.13%		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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