

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 23, 2020

Volume 13 Issue 79

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Unfilled gaps up on low volume have seen the market struggle in the following days under similar market conditions.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral, but it will likely finish “bearish” if SPX closes up on Thursday.

**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>						
April 23, 2020	SPY unfill gap up > 10 < 200. Low vol	1-3 days	Bearish	-2.75%	1.00%	1.90%
<b>Active - Long Term</b>						
April 13, 2020	4th consecutive 70% up day	1-21 days	Bullish			
March 27, 2020	3 70% Up Issues Days	1-85 days	Bullish			
March 23, 2020	QE4	int term	Bullish			
November 4, 2019	Presidential cycle + Best 6 mos bullish	6 months	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
<b>Dropped Tonight (expired or Avg move + 1 std dev exceeded)</b>						
April 22, 2020	SPY dn 1.75% x 2. Close > 10ma < 200	1-2 days	Bullish			
April 22, 2020	1st 5 low in 2 weeks < 200ma	1-2 days	Bullish			

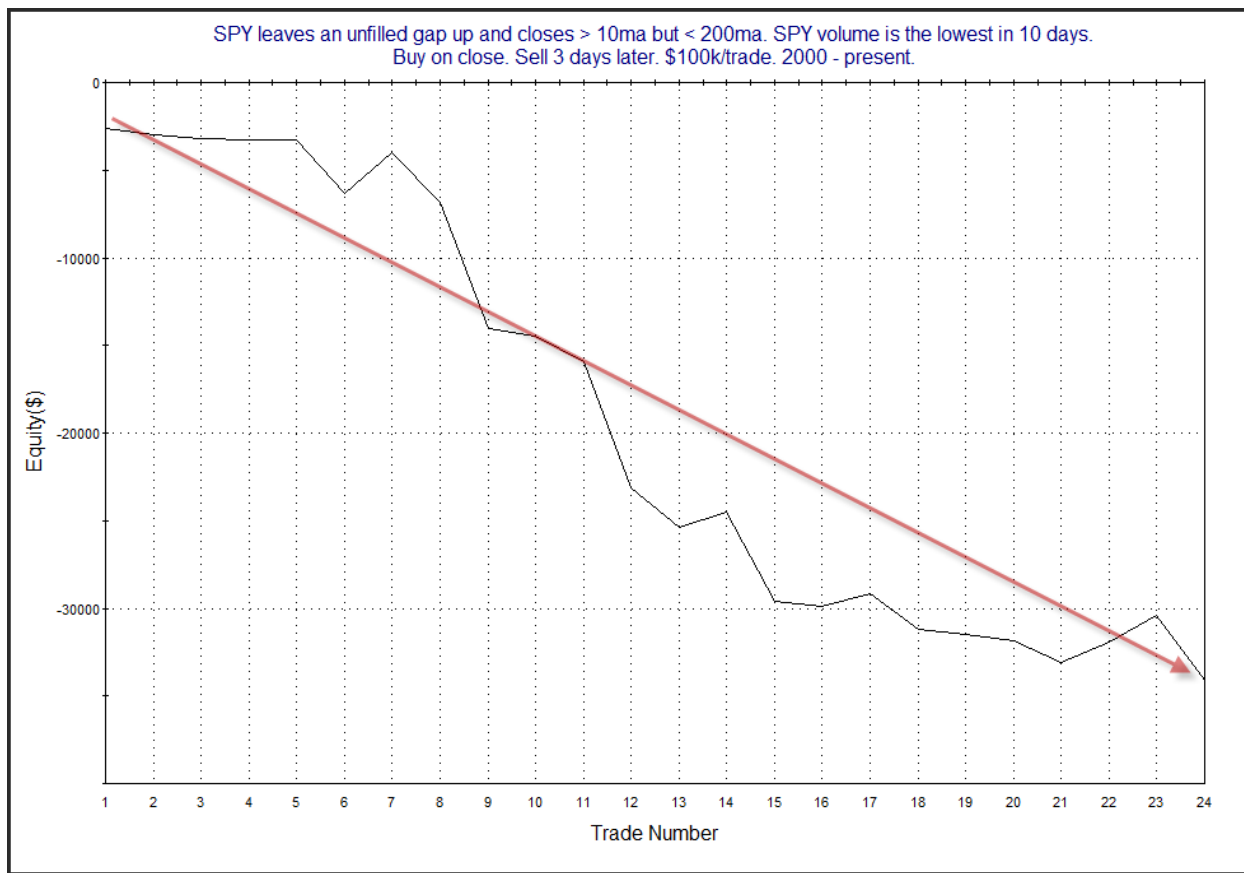
**The Evidence**

Wednesday started with a big gap up and it never looked back. The SPX finished up 2.3%, the NASDAQ rose 2.8%, and the Russell 2000 gained 1.4%. Breadth was positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 68%. NYSE volume rose some from Tuesday's level.

There were a few studies that triggered in the Quantifinder that looked at things like the unfilled gap up, the low SPY volume and the long-term downtrend. The one below, from the 2/17/16 letter, stood out as the most compelling.

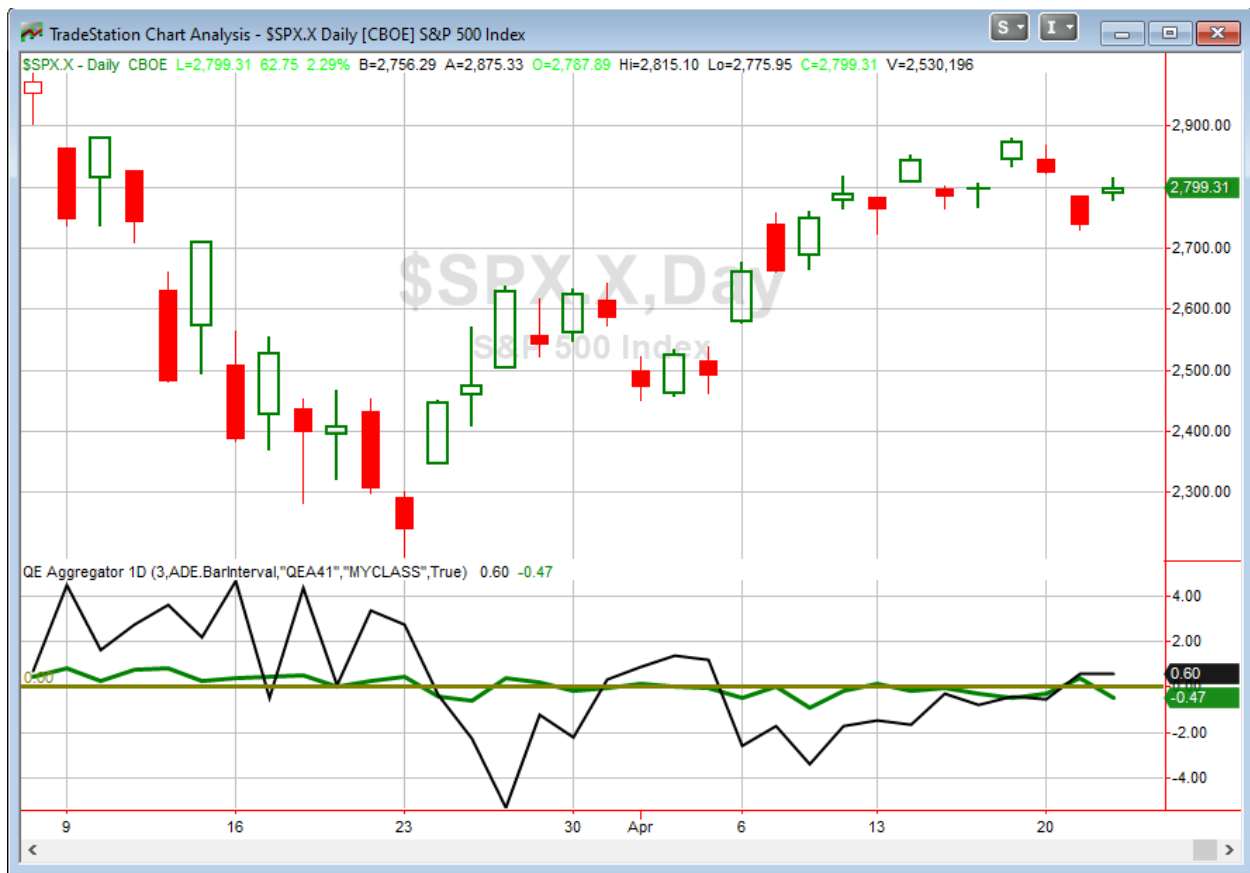
SPY leaves an unfilled gap up and closes > 10ma but < 200ma. SPY volume is the lowest in 10 days. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-39,301.71	23	13	10	56.52	3,702.72	-15,038.32	1,179.26	-5,463.21	0.22	0.28	-1,708.77
4	-40,743.70	24	10	14	41.67	2,808.81	-11,911.24	1,499.41	-3,981.27	0.38	0.27	-1,697.65
3	-34,145.08	24	5	19	20.83	2,308.23	-7,233.14	1,334.95	-2,148.41	0.62	0.16	-1,422.71
2	-22,962.16	24	8	16	33.33	1,779.84	-8,268.04	972.75	-1,921.51	0.51	0.25	-956.76
1	-2,073.93	24	13	11	54.17	2,178.45	-2,985.40	841.28	-1,182.78	0.71	0.84	-86.41

Over the first few days there certainly appears to be a downside edge. Below is a look at a 3-day profit curve.



The consistent downslope is quite impressive. I have added this to the Active List tonight. There was nothing else that suggested a real compelling edge to me. I will note that the bearish studies from last night both hit their targets on Wednesday, and have been removed from the Active List.

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



With tonight's evidence considered, the green Aggregator Line dropped down through zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line remained above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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.

Based on the current list of studies, expectations are set to remain negative on Thursday. This could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 2793.80 on Thursday. That is 0.2% below Wednesday'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 at least 0.2% in order to remain oversold. Anything other than that and it will flip to overbought as of Thursday's close.

So the Aggregator is neutral, but expectations are negative and SPX is set to turn overbought on any flat or up close. With the market this choppy, I'd be interested in a short position if SPX closes up again on Thursday. I'll look to enter one if I can get a favorable price.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 4/20 – neutral***

The intermediate-term outlook was last updated in the 4/13/20 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.*

**SPY – sell short ¼ index position @ \$279.25 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to take a small short position if SPY closes up much on Thursday.

**Current Open Trade Ideas**

None

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