

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 24, 2020

Volume 13 Issue 80

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- The Russell 2000 rising > 1% while SPX closes lower also suggests a 1-day upside edge.

Short-term Outlook

The Bottom Line

The Aggregator is short, but I don't love the setup. I am leaning more neutral.

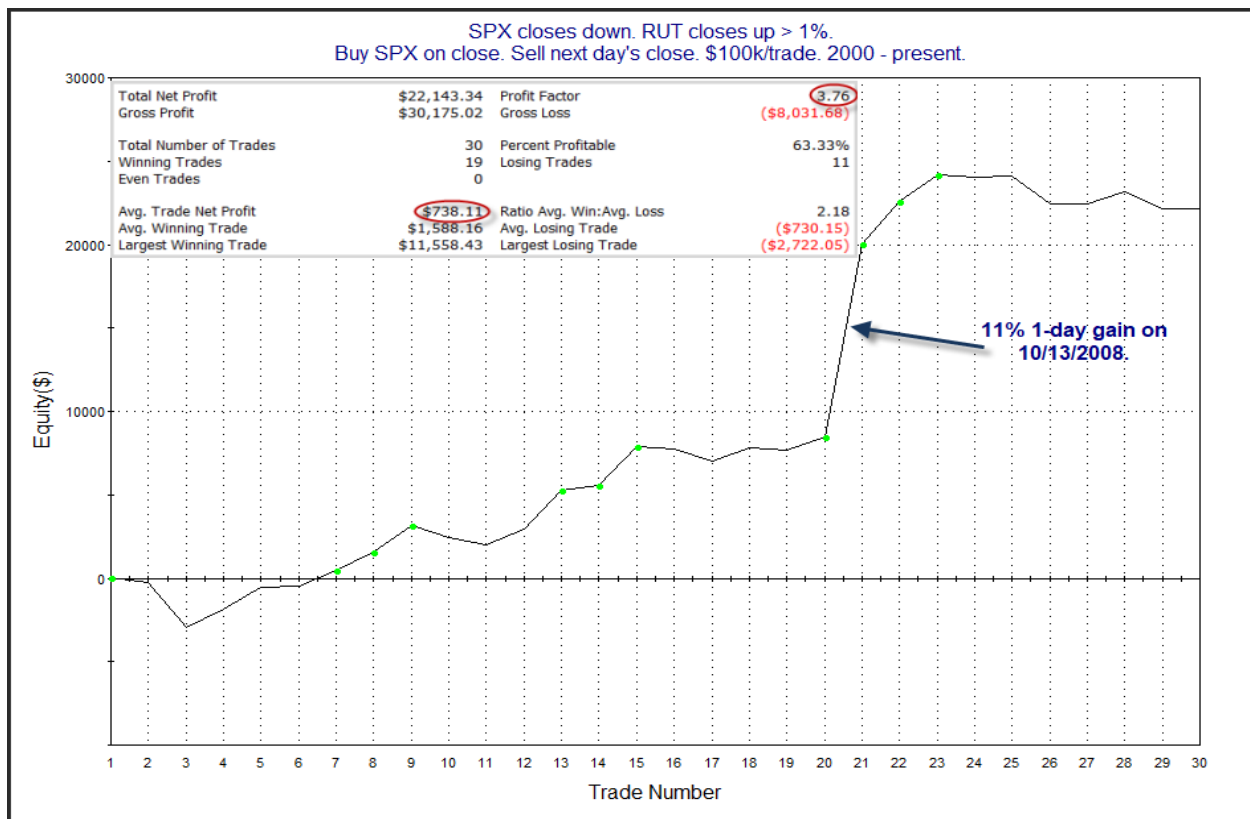
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
April 24, 2020	SPX dn. RUT up > 1%	1 day	Bullish			
April 23, 2020	SPY unfill gap up > 10 < 200. Low vol	1-3 days	Bearish	-2.75%	1.00%	1.90%
Active - Long Term						
April 13, 2020	4th consecutive 70% up day	1-21 days	Bullish			
March 27, 2020	370% 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			

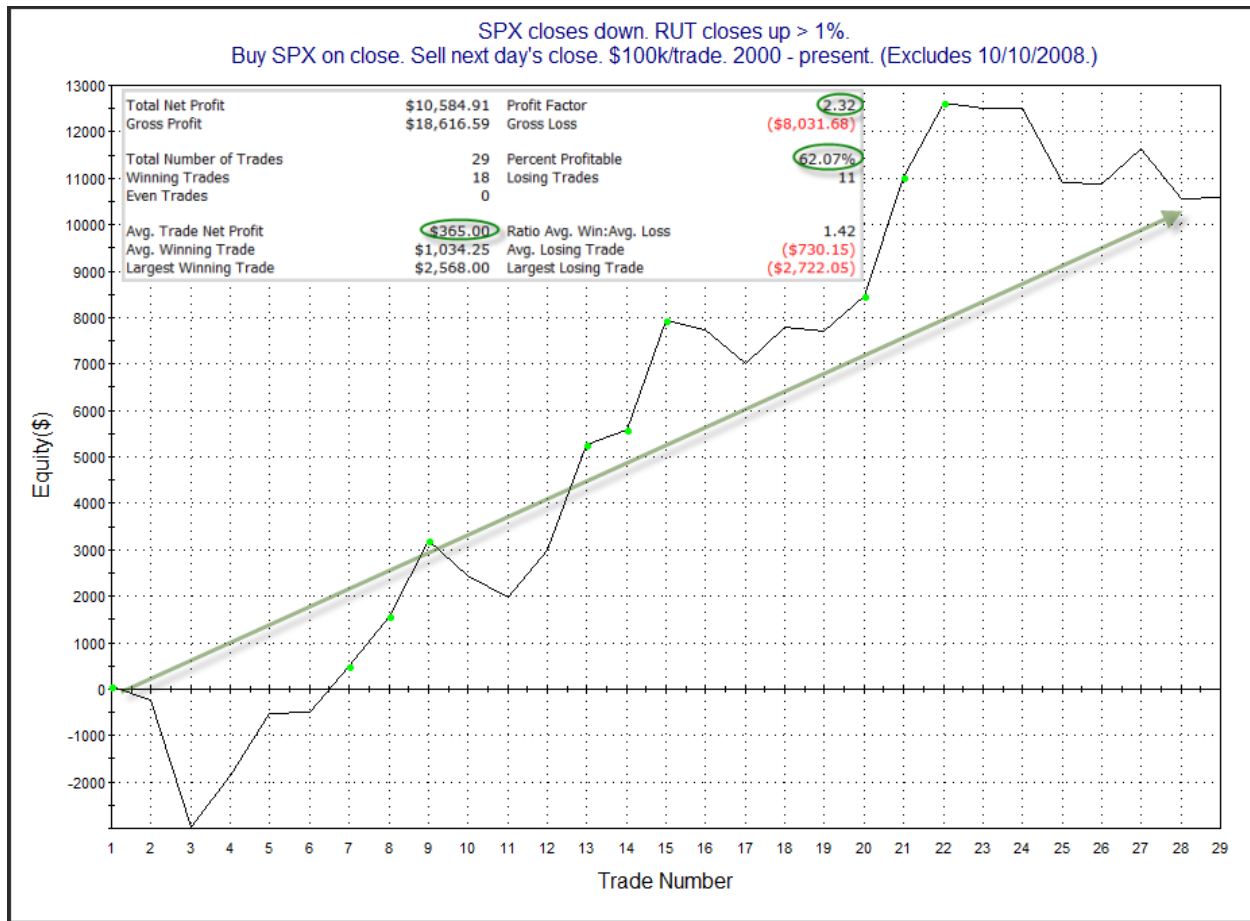
The Evidence

Thursday started strong but reversed and finished poorly. The SPX closed down 0.05%, the NASDAQ inched down 0.01%, and the Russell 2000 bucked the others with a 1.0% gain. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 74%. NYSE volume rose some from Tuesday’s level.

The split market triggered an interesting study from the 7/31/19 subscriber letter. It examined other times the SPX closed down on the same day the Russell 2000 rose at least 1%. I have updated the results below.



Stats here are very strong, but the one instance noted certainly inflates all the stats and skews the curve. So let's look at the results if we exclude that 2008 instance.



Despite some recent struggles, this still seems worth paying attention to. And the average instance has led to a \$365 gain (0.4%) the next day. I have included this on the Active List.

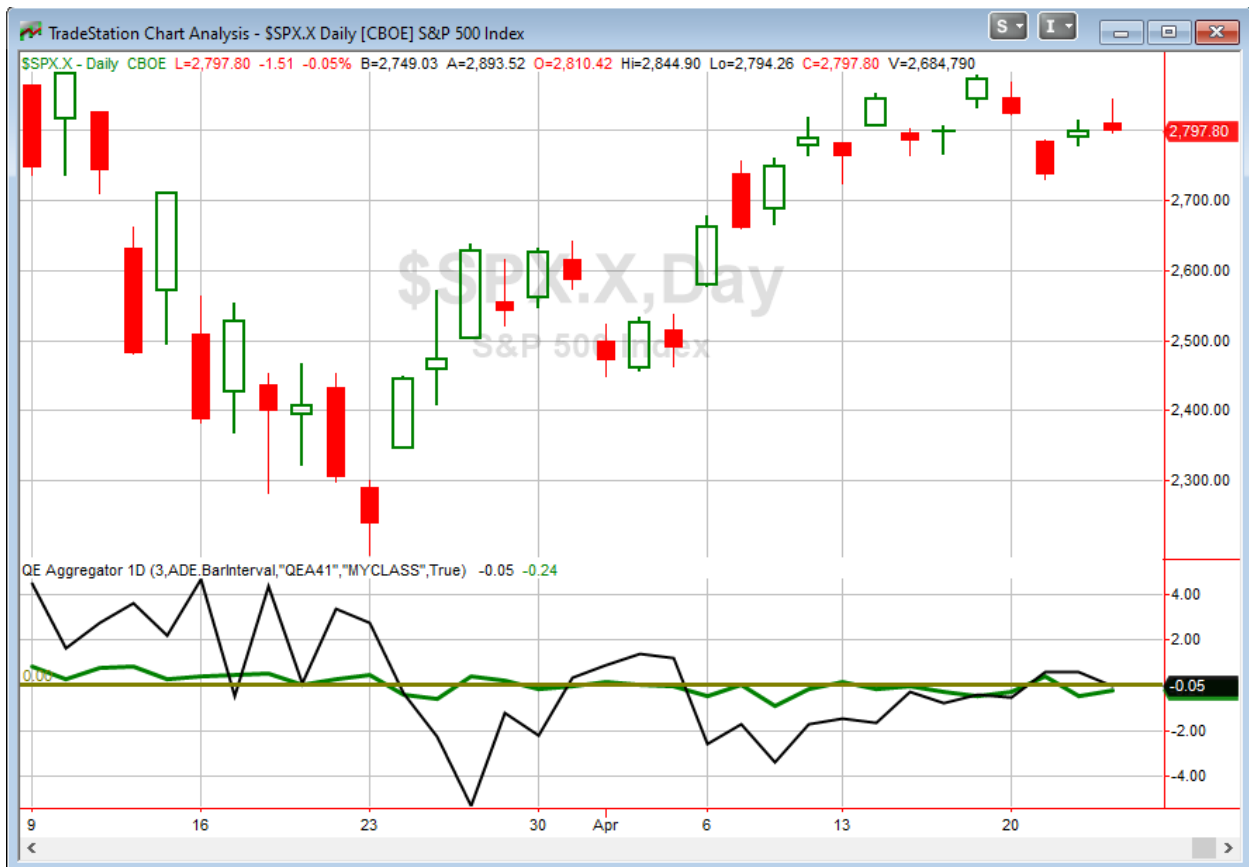
There were also a few studies in the Quantifinder that looked at the SPY gap up, move higher, and then the down close. I examined several of them, and then combined the concepts to see how such a gap up / rally / reverse has played out under similar circumstances to what we are now seeing. Sample results, shown below, were not suggestive of an edge.

SPY gaps up at least 0.25%, trades at least 0.5% above the open, and then closes down on the day and < 200ma. Close > 10-day low. 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	11,960.12	23	14	9	60.87	5,805.80	-7,437.66	3,110.65	-3,509.89	0.89	1.38	520.01
9	-6,271.95	23	16	7	69.57	7,578.50	-15,915.90	2,584.92	-6,804.39	0.38	0.87	-272.69
8	8,176.63	23	15	8	65.22	9,555.50	-12,822.81	3,186.59	-4,952.78	0.64	1.21	355.51
7	-6,735.26	23	12	11	52.17	7,367.62	-9,928.22	2,761.47	-3,624.81	0.76	0.83	-292.84
6	-12,509.40	23	14	9	60.87	6,247.32	-9,219.21	2,335.94	-5,023.61	0.46	0.72	-543.89
5	12.69	23	14	9	60.87	8,382.48	-9,016.04	2,456.68	-3,820.10	0.64	1.00	0.55
4	6,516.41	24	12	12	50.00	5,604.90	-5,142.58	2,458.53	-1,915.50	1.28	1.28	271.52
3	-1,685.91	25	12	13	48.00	4,638.60	-7,337.10	2,511.45	-2,447.95	1.03	0.95	-67.44
2	4,599.67	27	14	13	51.85	5,364.26	-6,636.44	2,609.59	-2,456.51	1.06	1.14	170.36
1	-2,020.02	27	16	11	59.26	3,057.76	-9,839.83	1,392.07	-2,208.46	0.63	0.92	-74.82

Obviously I did not include this study on the Active List.

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



With tonight's evidence considered, the green Aggregator Line remained just barely below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line dipped slightly below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

Based on the current list of studies, expectations are set to remain negative on Friday. This could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 2725.63 on Friday. That is 2.6% below Thursday's close. So SPX would need to close down 2.6% on Friday in order to flip from overbought to oversold vs recent expectations.

We do have a short Aggregator signal, but it is not a terribly strong one. Evidence today is pointing at bullish edge for Friday, the market is only moderately overbought, and though it was minor, SPX closed down on Thursday. In this chop, it is tough trying to chase a day-late move. I'm happy to stand aside and see what new evidence Friday brings.

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.

None tonight.

Current Open Trade Ideas

None

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