

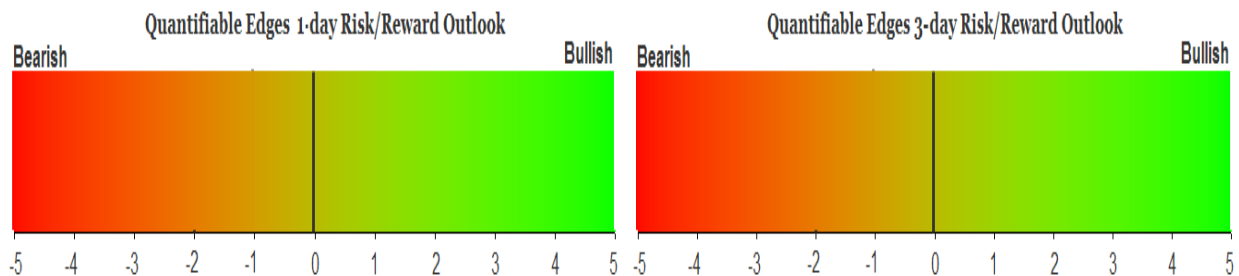
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 6, 2020

Volume 13 Issue 88

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 now neutral. But it is poised to flip to bearish on Wednesday unless bullish evidence emerges or SPX sells off a fair amount.

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						
May 6, 2020	SPY unfill up lowest vol 10. Cl > 10 < 200	1-3 days	Bearish	1.20%	-2.60%	-5.50%
May 5, 2020	SPY gap down, sell further, revs positive	1-2 days	Bearish			
May 4, 2020	SPX down 2.5% on a Friday	1-5 days	Bullish	3.70%	-2.60%	-5.55%
Active - Long Term						
April 30, 2020	370% Up Issues Days	1-85 days	Bullish	10.40%	-4.30%	-11.00%
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
April 13, 2020	4th consecutive 70% up day	1-21 days	Bullish			
March 23, 2020	QE4	int term	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			

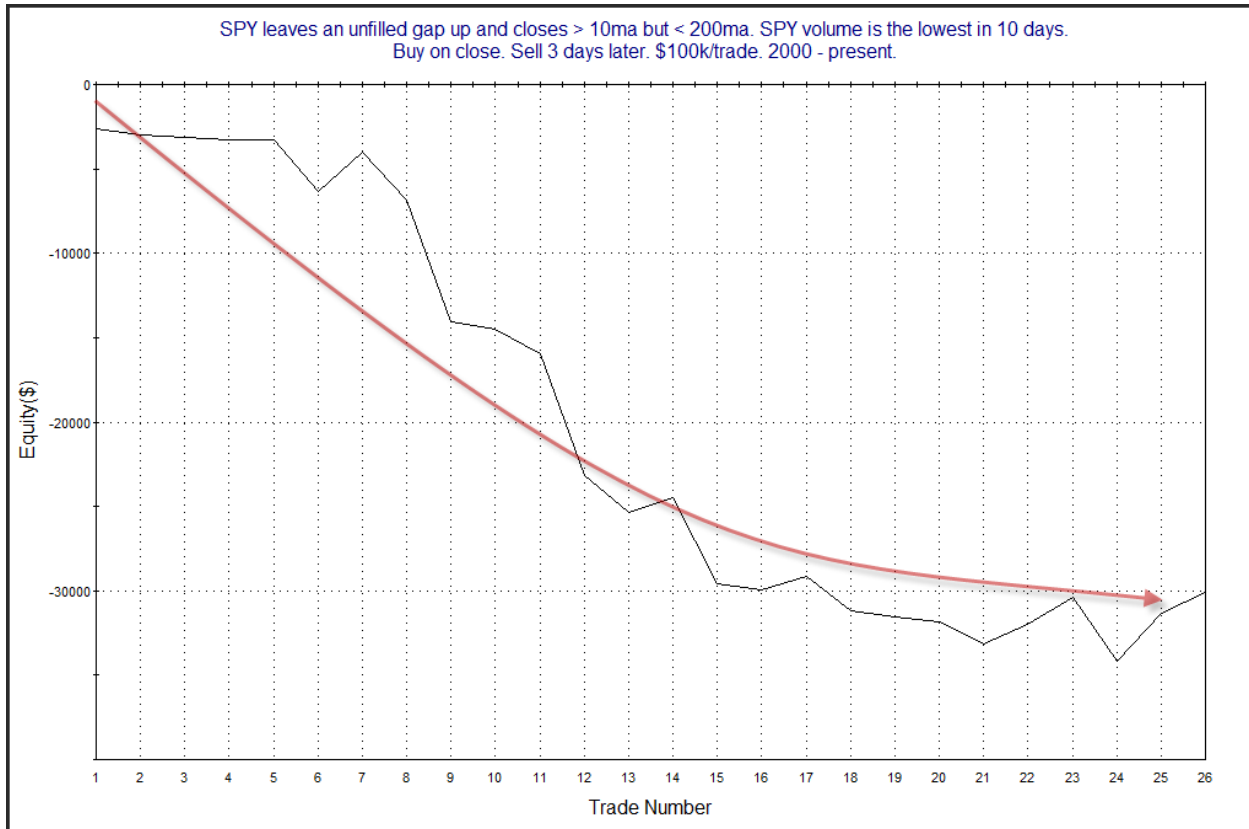
The Evidence

Tuesday looked very strong for much of the day, but some late selling left the numbers more mild. The SPX finished up 0.9%, the NASDAQ rallied 1.1%, and the Russell 2000 gained 0.75%. Breadth was mixed as the NYSE Up Issues % was 57% and the Up Volume % came in at 43%. NYSE volume declined some from Monday's level.

The action in SPY brought about an interesting study in the Quantifinder which I have shown a few times recently. It looked at the unfilled gap up, the low SPY volume and the long-term downtrend. Last seen in the 4/28 letter, I again updated the results.

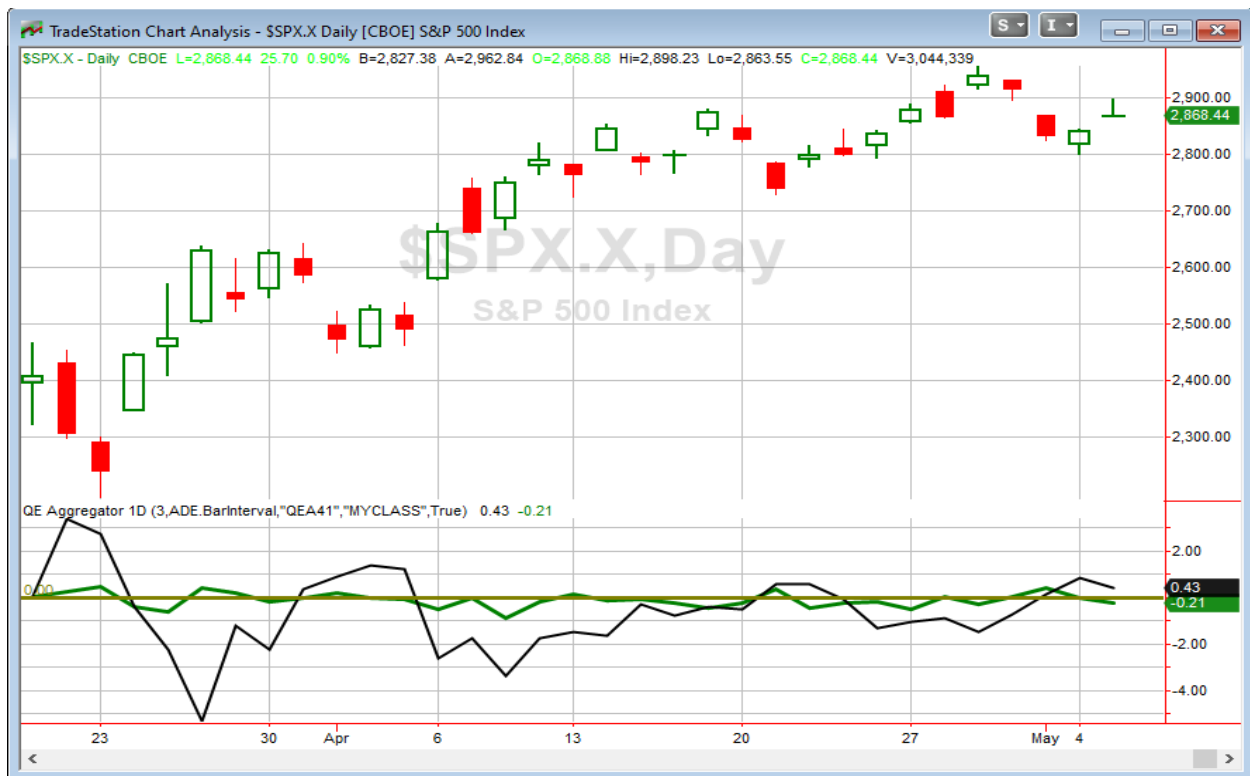
SPY leaves an unfilled gap up and closes > 10ma but < 200ma. SPY volume is the lowest in 10 days. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-34,250.33	24	14	10	58.33	5,051.38	-15,038.32	1,455.84	-5,463.21	0.27	0.37	-1,427.10
4	-38,370.16	25	11	14	44.00	2,808.81	-11,911.24	1,578.88	-3,981.27	0.40	0.31	-1,534.81
3	-30,105.34	26	7	19	26.92	2,846.10	-7,233.14	1,530.64	-2,148.41	0.71	0.26	-1,157.90
2	-19,433.02	26	10	16	38.46	2,143.68	-8,268.04	1,131.11	-1,921.51	0.59	0.37	-747.42
1	-2,540.45	26	13	13	50.00	2,178.45	-2,985.40	841.28	-1,036.70	0.81	0.81	-97.71

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



The last couple of instances have seen some strong counter-moves. But the curve was at new lows just before that. The study overall appears to be worth some consideration. I have added this to the Active List tonight.

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



With tonight's evidence considered, the green Aggregator line dipped down below 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 active list, expectations are set to remain negative on Wednesday. This could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 2835.99 on Wednesday. That is 1.1% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down at least 1.1% in order to remain oversold vs recent expectations. Anything less than that and it will be considered "overbought" as of Wednesday's close.

So the Aggregator is neutral, but it could easily turn bearish on Wednesday unless bullish evidence emerges or there is a pullback of at least 1.1%. In addition to the studies shown, we now have 2 up days in an extremely choppy environment. The last time SPX posted 3 consecutive up days was 3/26, and the last time there were 3 consecutive *down* days was 3/9. So it seems about time to swing back the other way. Between the chop and the looming potential of the Aggregator to turn bearish, I will look for a short entry on Wednesday if I can get a favorable fill near the open or the close of trading.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/4 – neutral

The intermediate-term outlook was last updated in the 5/4/20 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 – Short ¼ index position @ \$287.25 LIMIT ON OPEN. If not filled on open, cancel order and look to short at @\$286.50 LIMIT ON CLOSE. Based on the short-term outlook above, I'll be looking to take on a small amount of short exposure if I can sell into a sizable gap up open or (if not filled on the open) a moderately higher close.

Current Open Trade Ideas

None.

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