

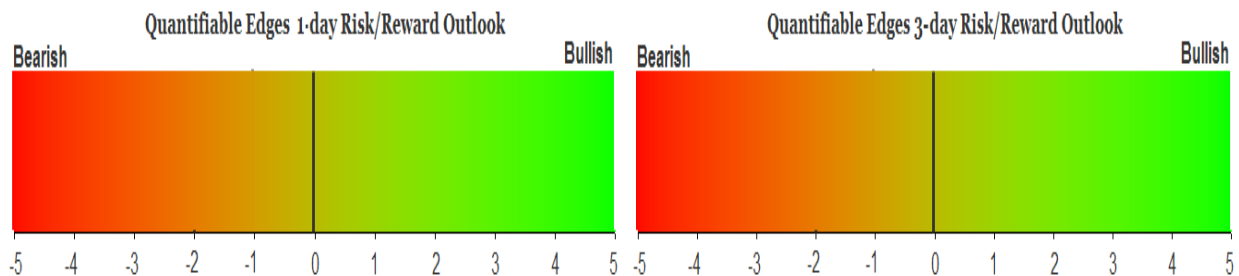
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 7, 2020

Volume 13 Issue 89

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The SPY pattern on Wednesday looks like it suggests an upside edge for the next couple of days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am too, and I am looking to cover my short index position and get flat.

*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>						
May 7, 2020	Gap up 0.5%. Close down lower vol < 200	1-2 days	Bullish			
May 6, 2020	SPY unfill up lowet vol 10. Cl > 10 < 200	1-3 days	Bearish	1.20%	-2.60%	-5.50%
May 4, 2020	SPX down 2.5% on a Friday	1-5 days	Bullish	3.70%	-2.60%	-5.55%
<b>Active - Long Term</b>						
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***

Wednesday started with a gap up, but it could not hold, and some late day selling left the indices mostly lower. The SPX finished down 0.7%, the NASDAQ gained 0.5%, and the Russell 2000 fell 0.8%. Breadth was negative as the NYSE Up Issues % was 31% and the Up Volume % came in at 20%. NYSE volume declined some from Tuesday's level.

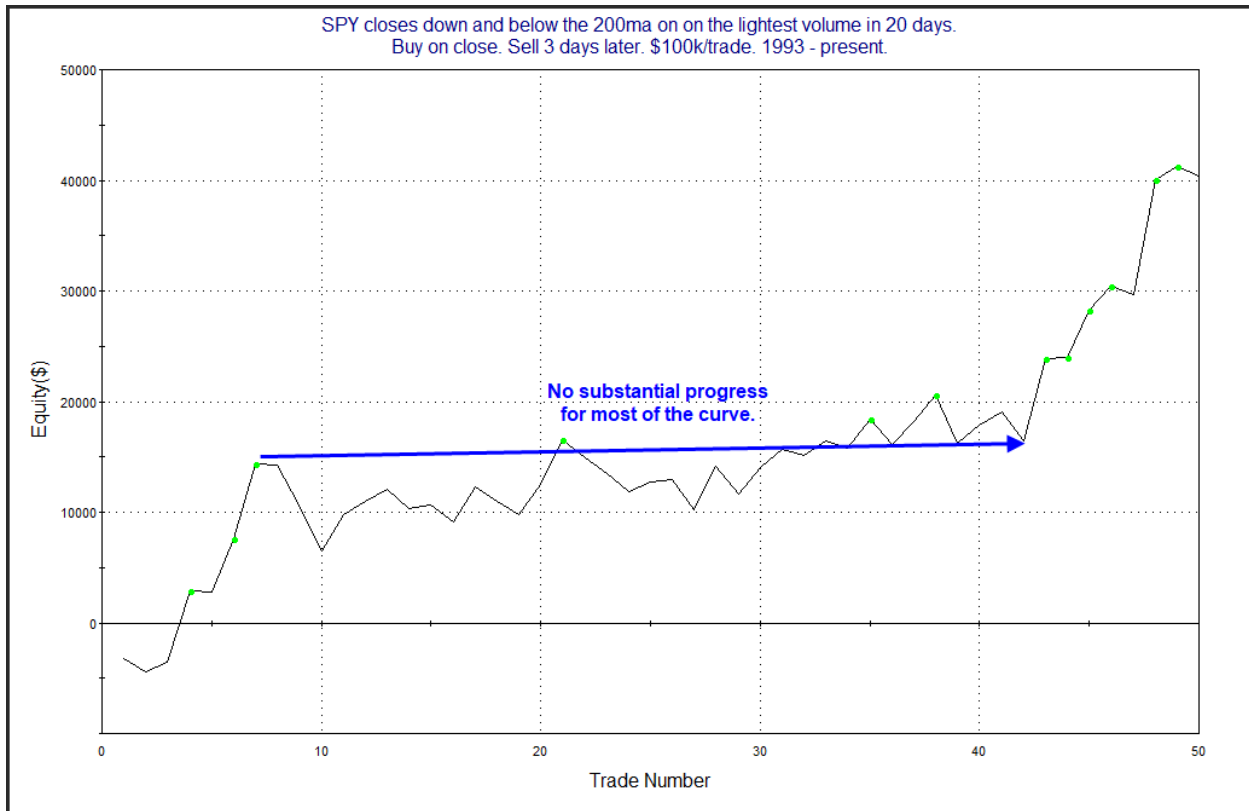
I can't believe I am about to say this, but this market is getting almost boring. A few weeks ago I was up most of the night every night going through incredible amounts of evidence and tons of studies. But the last few nights SPX has just been chopping back and forth and generally staying near the middle of its recent range.

SPY volume came in at the lowest level since February. That seemed potentially important. Volume in large index ETFs like SPY and QQQ can sometimes be seen as a sentiment indicator. In volatile markets they tend to see much higher volume, since they are highly liquid and traders can adjust market exposure very quickly, often using them as a hedge within a larger portfolio. So I looked at the extremely low SPY volume a few ways, and did not find anything particularly compelling about the current setup. An example is below.

SPY closes down and below the 200ma on on the lightest volume in 20 days.  
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	46,248.64	41	27	14	65.85	13,426.80	-11,838.45	3,523.69	-3,492.21	1.01	1.95	1,128.02
9	47,389.02	41	28	13	68.29	15,456.90	-9,675.54	3,363.07	-3,598.22	0.93	2.01	1,155.83
8	65,799.29	42	30	12	71.43	12,425.82	-8,194.59	3,733.70	-3,850.97	0.97	2.42	1,566.65
7	58,524.77	43	29	14	67.44	11,887.14	-7,437.66	3,398.26	-2,858.91	1.19	2.46	1,361.04
6	46,534.02	44	27	17	61.36	14,311.20	-7,053.71	3,168.34	-2,294.78	1.38	2.19	1,057.59
5	39,984.22	46	29	17	63.04	11,042.94	-4,622.60	3,006.77	-2,777.18	1.08	1.85	869.22
4	41,520.11	47	28	19	59.57	12,064.02	-4,951.57	3,060.85	-2,325.45	1.32	1.94	883.41
3	40,376.25	50	28	22	56.00	10,387.68	-4,431.33	2,885.97	-1,837.77	1.57	2.00	807.53
2	22,471.34	50	27	23	54.00	6,809.88	-4,065.25	2,093.30	-1,480.33	1.41	1.66	449.43
1	8,793.22	54	28	26	51.85	6,701.34	-3,454.50	1,456.43	-1,230.26	1.18	1.27	162.84

The numbers here appear fairly encouraging. But I found the profit curves to be less appealing. Below is the 3-day curve.



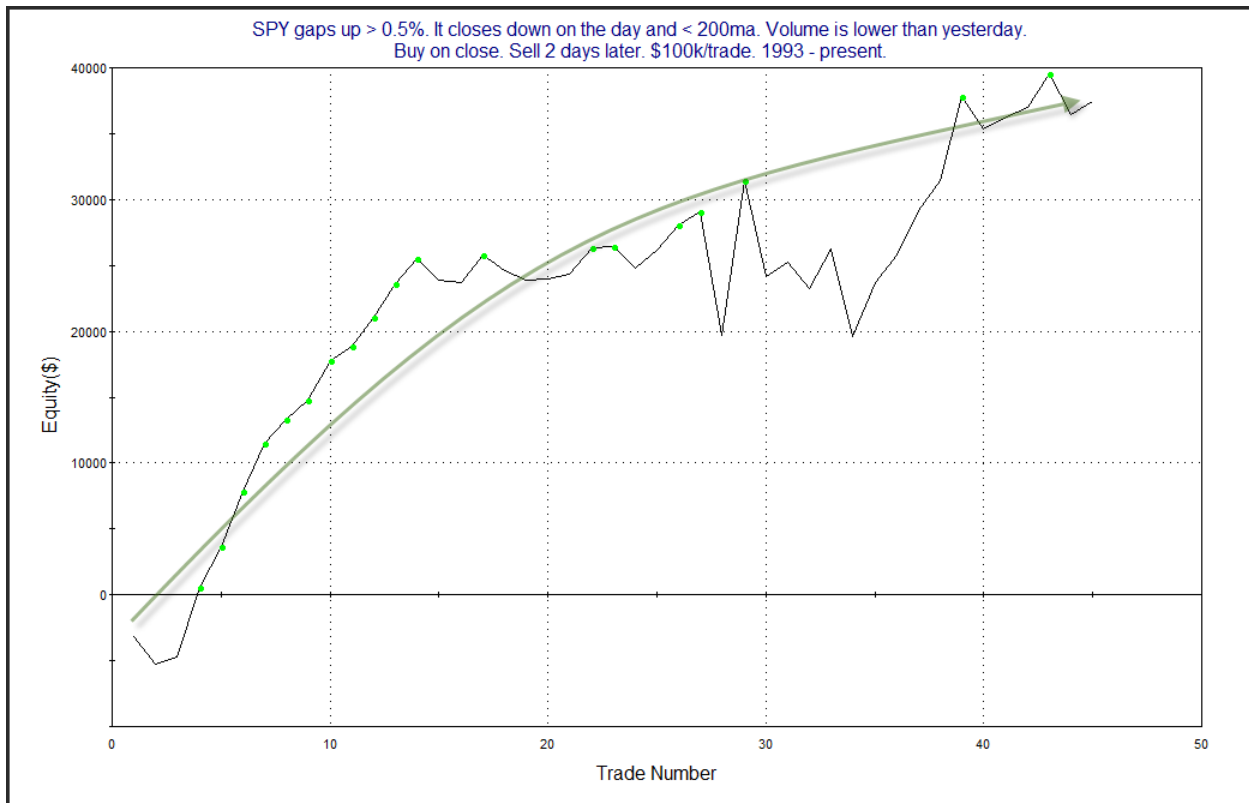
As you can see, the upside edge just has not shown the kind of consistency I would like to see when considering a study for the Active List.

But there was one study from the Aggregator that I did find appealing. It looked at the gap up and reversal in SPY. I have updated the results below.

SPY gaps up > 0.5%. It closes down on the day and < 200ma. Volume is lower than yesterday.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

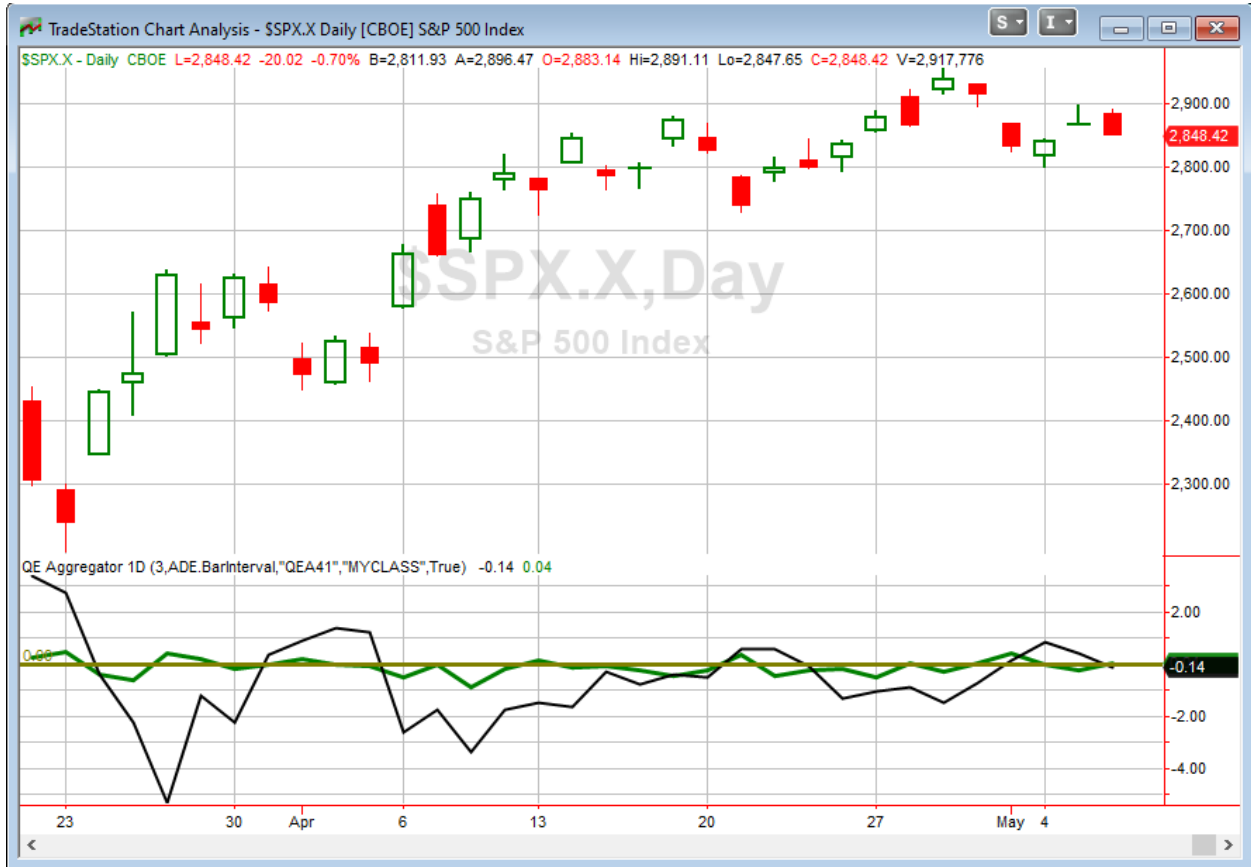
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	27,253.03	42	27	15	64.29	5,876.56	-9,016.04	2,921.22	-3,441.32	0.85	1.53	648.88
4	25,795.19	42	28	14	66.67	6,060.50	-8,130.08	2,461.13	-3,079.76	0.80	1.60	614.17
3	14,330.82	44	28	16	63.64	7,186.58	-11,518.47	2,217.83	-2,985.53	0.74	1.30	325.70
2	37,454.59	45	32	13	71.11	11,736.30	-9,320.67	2,464.14	-3,184.45	0.77	1.90	832.32
1	5,347.20	46	27	19	58.70	4,803.44	-7,436.23	1,523.38	-1,883.38	0.81	1.15	116.24

Numbers here look strong over the first 1-2 days. Below is a look at the 2-day profit curve.



There is some real chop in this curve as well, but the dips have recovered fairly quickly, and it was making a new high just 2 instances ago. I have included this on the Active List tonight.

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



With tonight's evidence considered, the green Aggregator line inched above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line moved 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 stayed flat at the close.

Based on the current active list, expectations are set to remain positive on Thursday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 2856.02 on Thursday. That is 0.3% *above* Wednesday'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 up

at least 0.3% in order to remain overbought vs recent expectations. Anything less than that and it will be considered “oversold” as of Thursday’s close.

So the Aggregator is neutral, but it could easily turn bullish on Thursday unless bearish evidence emerges or SPX closes up at least 0.3%. Overall, there does not appear to be a strong directional edge at the moment. So my outlook is neutral as well. I have some short exposure from the open on Wednesday. I will look to close that out on Thursday and get flat. (With this choppy environment I probably should have set it up to exit that on a down close on Wednesday similar to the trade idea from last week where it was in and out in the same day.) Lastly, I will note that Thursday morning at 8:30 will be the new unemployment claims, and Friday morning we’ll see the monthly jobs report. Both of these could spark strong reactions from the market. This increases risk some the next couple of days.

***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.*

**None tonight.**

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(s)	5/6/2020	\$288.04	\$284.25	1.32%		<i>see note below</i>

*I will look to cover my SPY position @ \$286.00 LIMIT. If not filled in 1<sup>st</sup> 30 minutes of trading, I will raise the limit price to \$287.00.*

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