

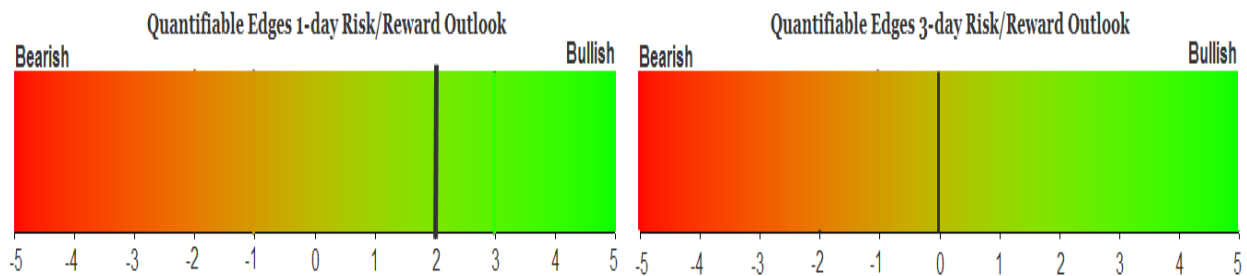
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 14, 2020

Volume 13 Issue 94

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The two days of very weak breadth have set the market up for a likely 1-day bounce.
- A close down on Thursday would create the 1st 3-day pullback for SPX in over 2 months.
- Unemployment claims due out before the open could create more volatility.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. There does appear to be an upside edge for Thursday, but not beyond that. My 3-day outlook is neutral.

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

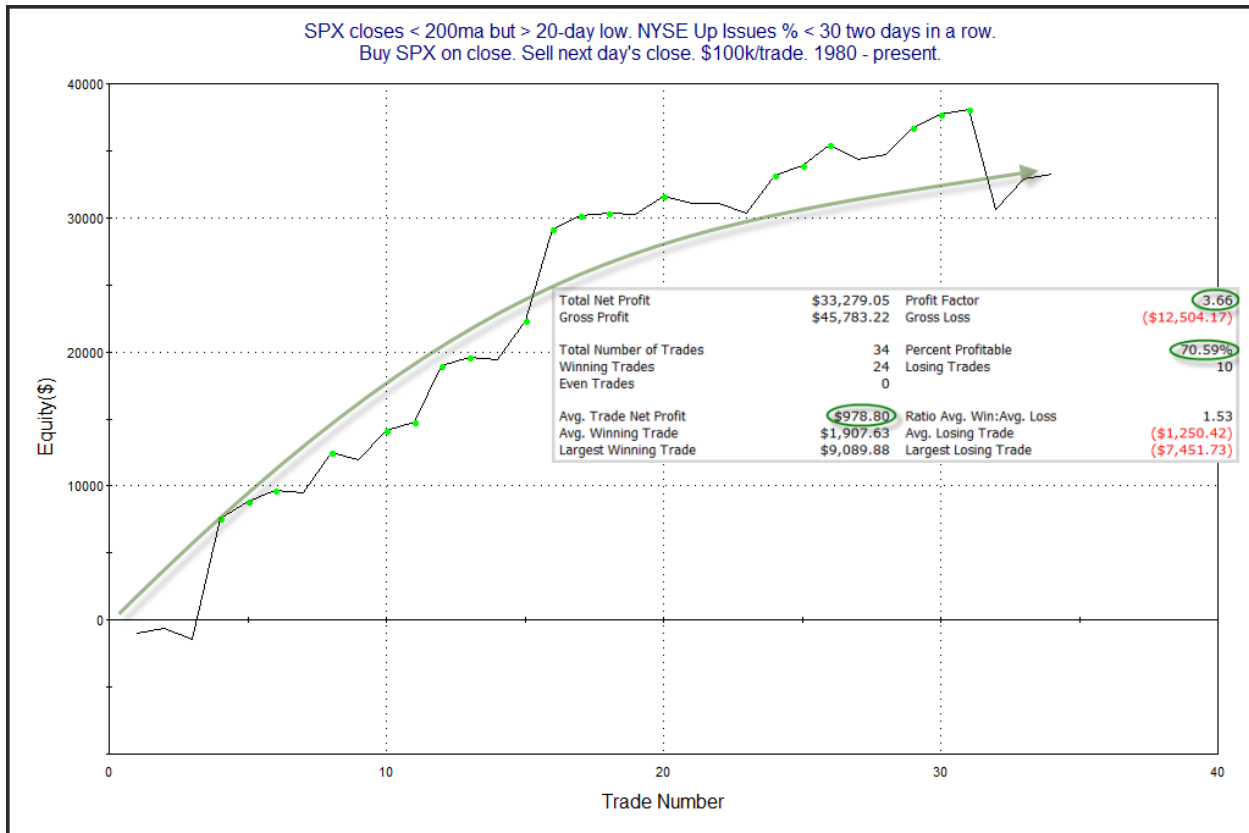
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 14, 2020	Two days Up Iss% < 30. SP > 20-low.	1 day	Bullish			
May 13, 2020	1% drop to 4-low. No 20-high. 2:1 neg.	1-5 days	Bullish	2.30%	-2.10%	-4.60%
May 13, 2020	2% drop from 5-high. No 5-low	1-4 days	Bearish	-3.30%	2.30%	3.90%
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			
Dropped Tonight (expired or Avg move + 1 std dev exceeded)						
May 12, 2020	Up 3 < 200. Today small. Not frm 5	1-3 days	Bearish	-2.55%	0.90%	1.70%

The Evidence

Wednesday was a 2nd day of selling. The SPX closed down 1.7%, the NASDAQ lost 1.5%, and the Russell 2000 tumbled 3.3%. Breadth was negative as the NYSE Up Issues % was 11% and the Up Volume % came in at 13%. NYSE volume increased from Tuesday's level.

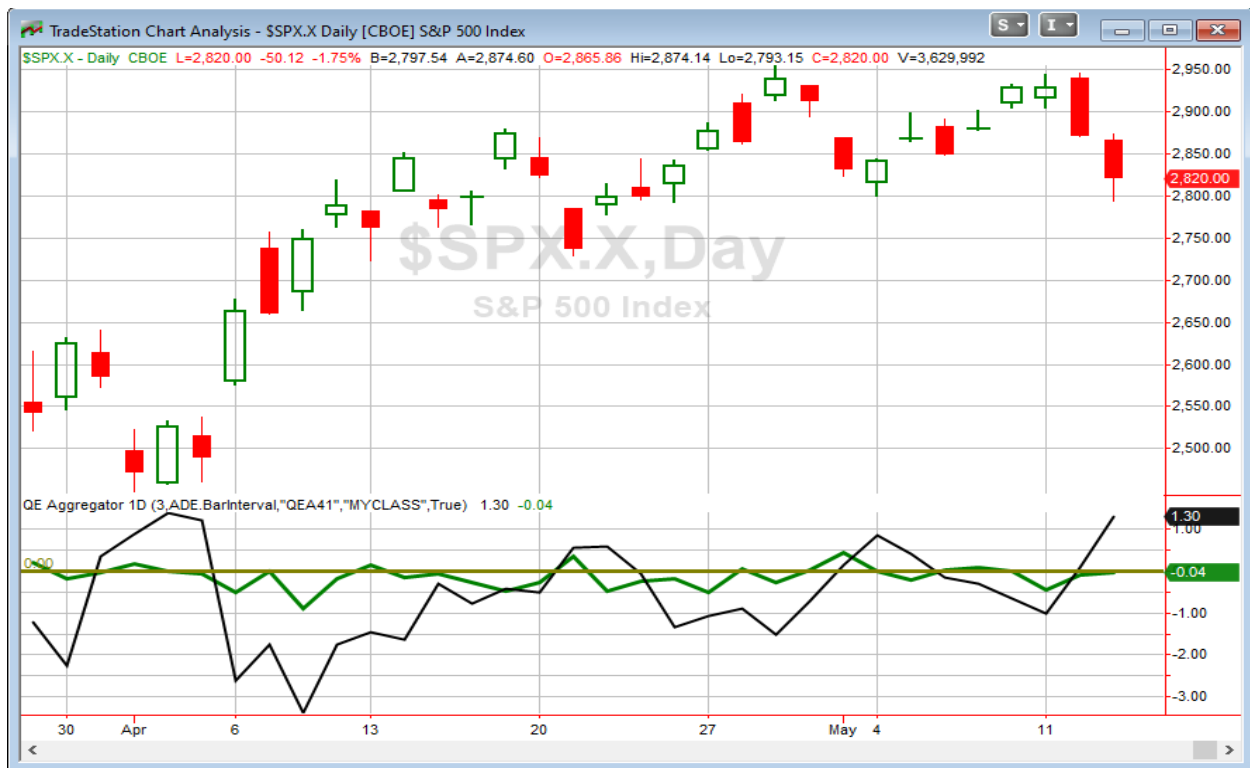
Surprisingly, the selloff on Wednesday did not trigger a whole lot of studies in the Quantifinder. There were a few ideas that I explored outside of the Quantifinder, including 2 strong down days after a recent run-up, and a pullback while 20-HV has been contracting. But most of what I looked at I did not find very robust. It was a lot of noise and some seemingly random streaks.

There was one study I decided was worth some consideration, though. I have not discussed it in a very long time, but I updated it below. It looks at 2 days of strongly negative breadth during a long-term downtrend where the market avoids closing at an intermediate-term low.



The one-day results have been strong, and aside from the 1 big loser (which occurred in March), the curve has been quite persistent. I have included this study on the Active List tonight.

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



Even with tonight's evidence considered, the green Aggregator line remained slightly below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line is now far above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are slightly negative but SPX is strongly 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain negative on Thursday. Of course this could change if compelling new bullish evidence emerges. (And that could easily happen with a 3rd down day.) Meanwhile, the Differential Pivot will be 2917.23 on Thursday. That is 3.4% above Wednesday's close. Therefore, SPX will need to close up a sizable 3.4% in order to flip from oversold to overbought vs expectations on Thursday.

So the Aggregator is still flat. But we do see some evidence that there is a 1-day upside edge. Additionally, 2 days down in this choppy period have led to reliable reversals. The last 3-day pullback for SPX completed way back on March 9th. So there appears to be a bit of an upside edge for Thursday despite the 3-day outlook being less appealing. This is reflected in the 1-day risk/reward at the top of the letter. So very nimble traders could possibly look to take advantage of this on Thursday. I will note that weekly jobless claims are due out an hour before the NYSE open, and that has become a number that fosters volatility lately. In a newsletter format, such a

short-term edge is somewhat difficult to execute. So I will stand aside another day, and see what Thursday brings.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/11 – neutral

The intermediate-term outlook was last updated in the 5/11/20 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

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Hanna Capital Management, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2020 Quantifiable Edges, LLC.