

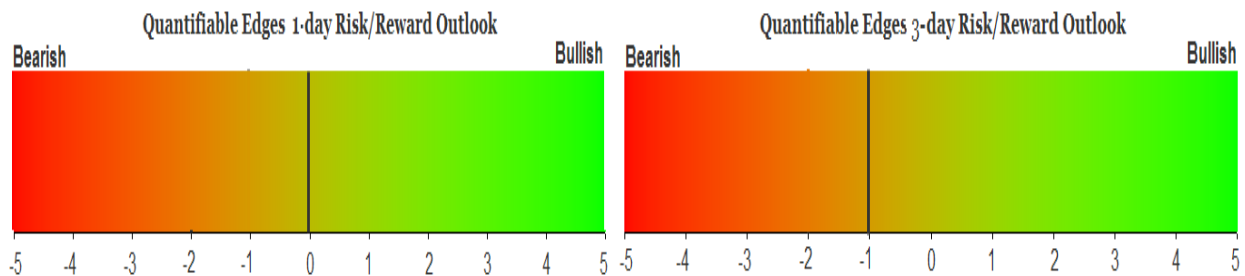
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 19, 2020

Volume 13 Issue 97

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Breakouts to new 50-day highs often lead to more buying in the short-term. This is especially true when there has been a run-up into the breakout and the breakout occurs on lower volume. Both conditions were present Monday.
- Breakouts to 50-day highs that occur with an unfilled up gap have often led to more short-term buying.
- The extremely strong breadth on the breakout is also a positive.
- The 3-day rally under the 200ma is suggesting a pullback in the next few days .
- Rising prices and dropping volume over the last few days suggest a short-term bearish edge.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but evidence is mixed and I don't find reward/risk terribly appealing. I am leaning more neutral in my view.

The Evidence

Fed support and positive vaccine news sparked a massive rally on Monday. The SPX closed up 3.2%, the NASDAQ rallied 2.4%, and the Russell 2000 jumped 6.1%. Breadth was extremely positive as the NYSE Up Issues % was 89% and the Up Volume % came in at 91%. NYSE volume declined some as it typically does after opex Friday.

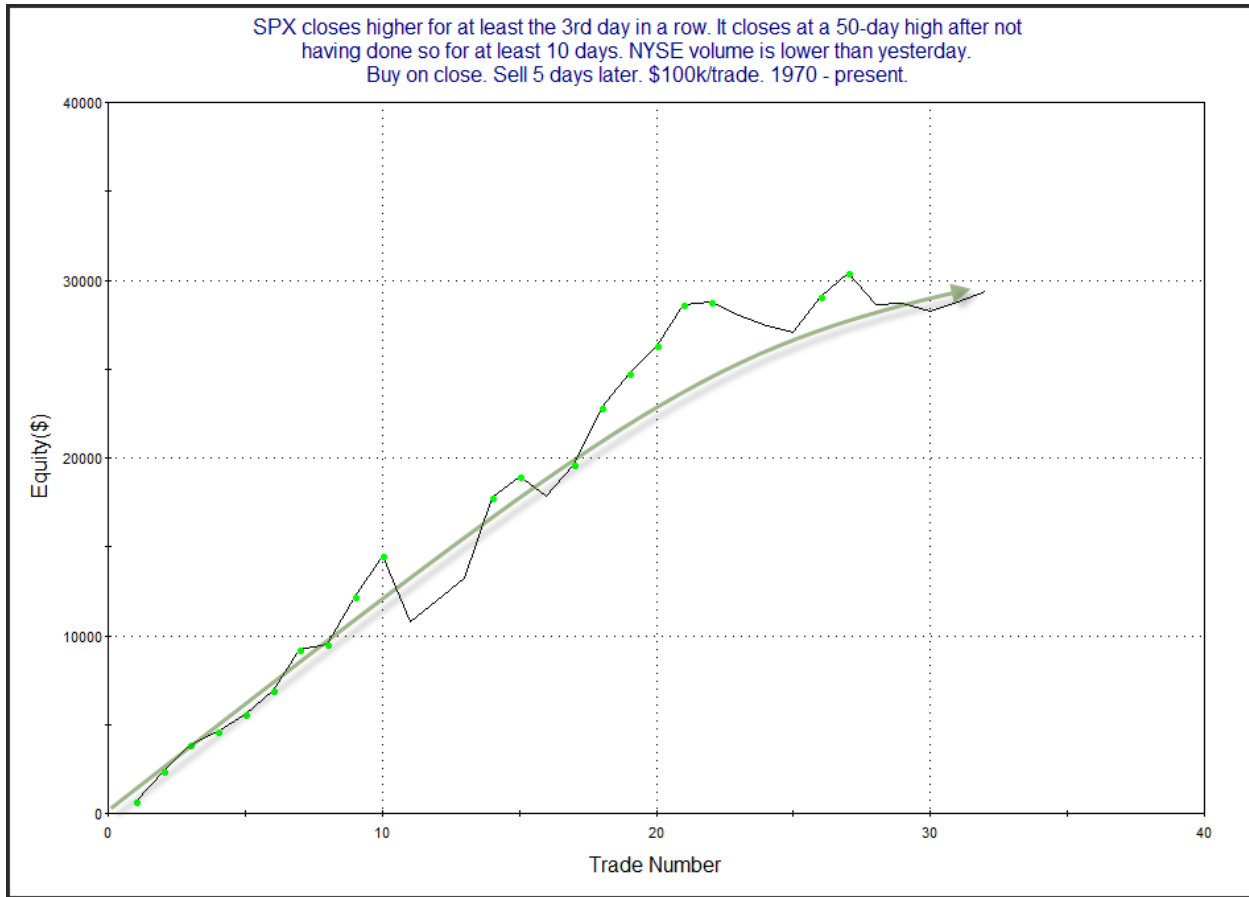
Monday saw SPX close at a 50-day high for the 1st time since the February all-time highs. The new high triggered a number of studies in the Quantifinder. I have shown numerous times before that breakouts to new highs show a better chance of following through if they are occurring after a decent basing period of at least 1-2 weeks. Some other studies that triggered showed evidence that to some people might seem counter-intuitive. One study showed that breakouts that occurred on declining volume have followed-through much better than breakouts accompanied by rising volume. Another study showed that when the breakout has come after the market had already risen for at least the past 2 days, then it has done a better job of carrying that momentum forward.

In the 7/11/18 Letter I combined these concepts and published the following study. (All stats are updated.)

SPX closes higher for at least the 3rd day in a row. It closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday. Buy on close. Sell X days later. \$100k/trade. 1970 - 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	29,346.45	32	25	7	78.13	4,482.50	-3,693.73	1,521.97	-1,243.28	1.22	4.37	917.08
4	19,702.57	32	25	7	78.13	4,440.00	-2,145.44	1,101.92	-1,120.76	0.98	3.51	615.71
3	19,134.58	32	22	10	68.75	3,950.00	-1,082.79	1,129.52	-571.48	1.98	4.35	597.96
2	13,287.09	32	24	8	75.00	2,133.10	-1,312.40	816.64	-789.04	1.03	3.10	415.22
1	7,448.24	32	21	11	65.63	1,384.02	-893.32	556.36	-385.02	1.45	2.76	232.76

29 of 32 instances (91%) closed above the entry price at some point in the next week.

Stats here are very impressive, especially with a setup where the SPX is already extended. The consistency is impressive as well. Below is a look at the profit curve assuming a 5-day holding period.



While a few recent instances have not done great, I still like the curve enough to include the study on the Active List.

To demonstrate the importance of the 3-day rise and the low volume on the breakout, I reversed both of those criteria and re-ran the study.

SPX closes at a 50-day high after not having done so for at least 10 days. It closed down either yesterday or the day before. NYSE volume is higher than yesterday. Buy on close. Sell X days later. \$100k/trade. 1970 - present.

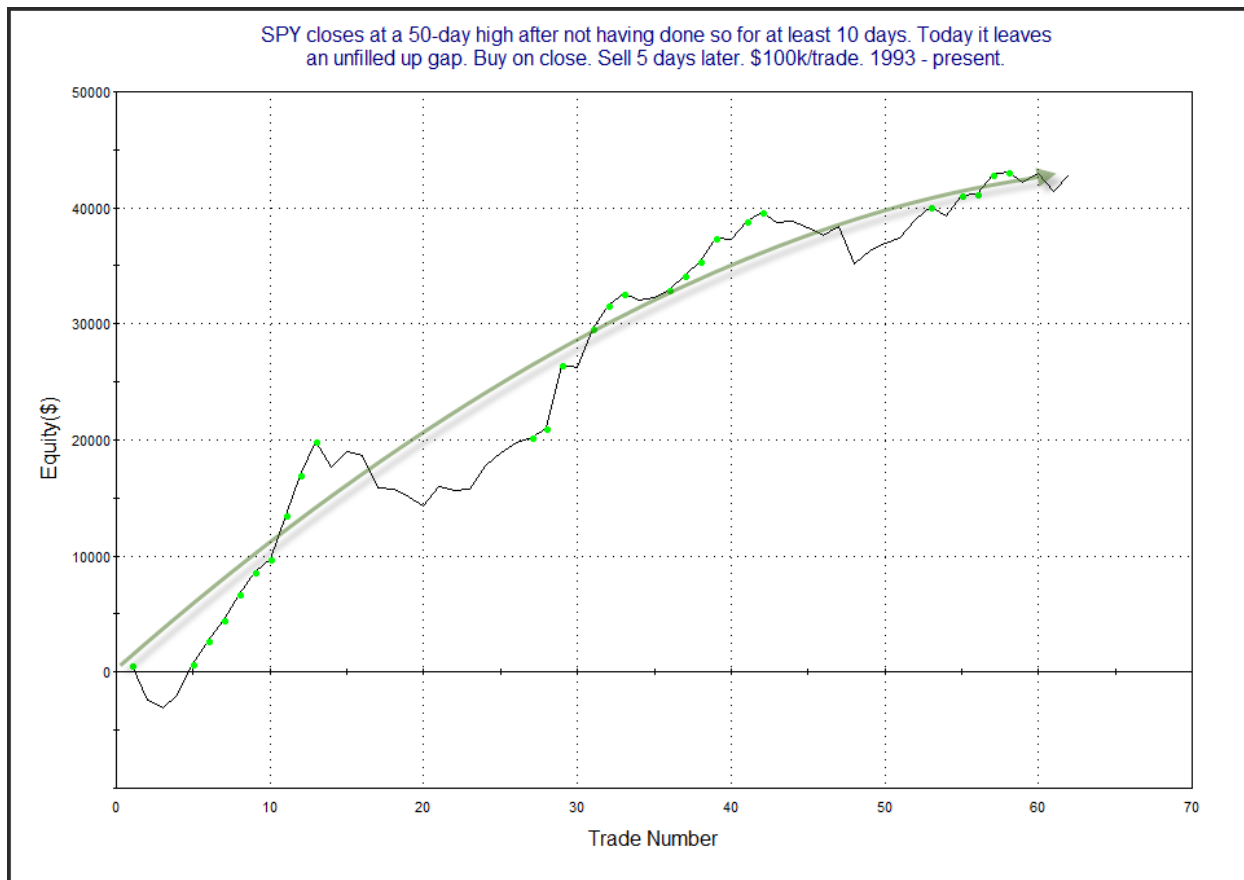
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	13,438.29	81	42	39	51.85	8,516.82	-6,088.44	1,523.46	-1,296.08	1.18	1.27	165.90
4	6,089.05	81	44	37	54.32	6,716.71	-5,585.56	1,235.51	-1,304.69	0.95	1.13	75.17
3	14,448.56	81	45	36	55.56	6,740.50	-5,361.06	1,190.66	-1,086.97	1.10	1.37	178.38
2	15,513.51	81	47	33	58.02	4,028.44	-4,166.72	917.22	-836.23	1.10	1.56	191.52
1	11,447.29	81	48	33	59.26	2,731.56	-2,722.61	549.88	-452.93	1.21	1.77	141.32

Breakouts under these conditions have seen essentially no edge over the next few days.

SPY breakout action also provided some bullish evidence. This is because the breakout came with an unfilled gap up. I last showed the importance of an unfilled gap in the 7/25/19 subscriber letter. I have updated those studies below.

SPY closes at a 50-day high after not having done so for at least 10 days. Today it leaves an unfilled up gap. 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	42,829.28	62	43	19	69.35	5,434.00	-3,218.88	1,472.86	-1,079.14	1.36	3.09	690.79
4	27,562.93	62	42	20	67.74	3,637.92	-3,267.84	1,161.23	-1,060.44	1.10	2.30	444.56
3	21,264.17	62	42	20	67.74	3,992.56	-2,538.18	985.48	-1,006.30	0.98	2.06	342.97
2	17,039.28	62	40	22	64.52	2,545.92	-2,293.20	746.41	-582.60	1.28	2.33	274.83
1	7,084.04	62	43	19	69.35	1,816.10	-2,591.68	447.40	-639.70	0.70	1.58	114.26

Results here are strong across the board. Below is an equity curve using a 5-day holding period.



The strong move from lower left to upper right is impressive.

Technicians will often use the term “breakaway gap”. This suggests the gap occurs on the same day as a base breakout. The idea is that the new high causes excitement and the gap leaves a good amount of people sidelined or stuck short. When it doesn’t immediately fill, it leads these people to chase and helps to propel the market even higher.

Now let’s look at instances where the 50-day high breakout was *not* accompanied by an unfilled gap. Interestingly, the number of instances was a bit lower here. This study also appeared in the 7/25/19 letter.

SPY closes at a 50-day high after not having done so for at least 10 days. Today it does NOT leave an unfilled up gap. 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	4,755.59	46	28	18	60.87	2,671.20	-4,285.26	1,035.78	-1,347.02	0.77	1.20	103.38
4	774.22	46	27	19	58.70	2,072.07	-4,518.34	964.12	-1,329.32	0.73	1.03	16.83
3	5,702.59	46	28	18	60.87	2,927.90	-5,133.72	988.84	-1,221.39	0.81	1.26	123.97
2	-1,598.67	46	24	22	52.17	2,324.90	-3,640.86	637.36	-767.97	0.83	0.91	-34.75
1	2,764.86	46	25	21	54.35	1,586.97	-2,448.72	480.93	-440.88	1.09	1.30	60.11

Moves to new highs that don't start with an unfilled gap are much less reliable. I have been showing this study for 11 years or so, and it never fails to amaze me how more breakouts occur with an unfilled gap up than without one.

The strong breadth was also a plus with regards to Monday's breakout. The study below is updated from the 7/11/16 subscriber letter.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE Up Volume % > 90%. Buy on close. Sell X days later. \$100k/trade. 1970 - 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
55	87,437.88	12	11	1	91.67	24,239.28	-2,289.42	8,157.03	-2,289.42	3.56	39.19	7,286.49
50	70,430.40	12	11	1	91.67	19,845.80	-3,120.87	6,686.48	-3,120.87	2.14	23.57	5,869.20
45	70,340.01	12	11	1	91.67	17,945.20	-3,596.28	6,721.48	-3,596.28	1.87	20.56	5,861.67
40	70,848.96	12	11	1	91.67	20,959.64	-1,025.34	6,534.03	-1,025.34	6.37	70.10	5,904.08
35	68,582.20	12	11	1	91.67	18,961.80	-1,321.35	6,354.87	-1,321.35	4.81	52.90	5,715.18
30	63,396.21	14	13	1	92.86	11,920.74	-418.88	4,908.85	-418.88	11.72	152.35	4,528.30
25	56,632.14	15	13	2	86.67	12,045.67	-2,993.76	4,791.81	-2,830.68	1.69	11.00	3,775.48
20	49,673.46	15	11	4	73.33	13,401.70	-6,770.72	5,505.83	-2,722.68	2.02	5.56	3,311.56
15	40,782.33	15	11	4	73.33	8,150.48	-5,148.00	4,643.58	-2,574.27	1.80	4.96	2,718.82
10	35,246.62	15	11	4	73.33	10,515.18	-4,090.24	3,817.96	-1,687.73	2.26	6.22	2,349.77
9	30,294.83	15	11	3	73.33	8,413.73	-4,101.68	3,354.66	-2,202.16	1.52	5.59	2,019.66
8	27,035.85	15	11	4	73.33	8,532.68	-3,923.40	3,289.91	-2,288.29	1.44	3.95	1,802.39
7	27,284.91	15	12	3	80.00	6,026.80	-3,954.60	3,002.04	-2,913.21	1.03	4.12	1,818.99
6	26,308.99	15	12	3	80.00	6,819.80	-4,106.70	2,682.39	-1,959.92	1.37	5.47	1,753.93
5	28,245.43	15	11	4	73.33	8,516.82	-3,295.50	2,905.78	-929.55	3.13	8.60	1,883.03
4	19,104.33	15	11	4	73.33	6,716.71	-4,894.50	2,302.14	-1,554.80	1.48	4.07	1,273.62
3	21,269.71	15	11	4	73.33	6,740.50	-1,555.56	2,094.39	-442.14	4.74	13.03	1,417.98
2	18,317.36	15	13	2	86.67	4,028.44	-733.41	1,481.58	-471.58	3.14	20.42	1,221.16
1	12,002.58	15	11	4	73.33	2,755.52	-475.20	1,182.00	-249.86	4.73	13.01	800.17

While such breakout action has been unusual, both short and long-term performance has been impressive. Below I have listed all instances for both 2 and 40-day periods.

SPX closes at a 50-day high after not having done so for at least 10 days.
 NYSE Up Volume % > 90%. Buy on close. Sell 2 days later. \$100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/30/1970	Buy	\$87.20	1.47%	\$1,867.98
12/2/1970	Sell	\$88.48		(\$1,249.14)
1/27/1975	Buy	\$75.37	2.51%	\$3,527.16
1/29/1975	Sell	\$77.26		(\$185.64)
1/5/1976	Buy	\$92.58	1.48%	\$2,775.60
1/7/1976	Sell	\$93.95		(\$226.80)
8/20/1982	Buy	\$113.02	2.06%	\$2,979.08
8/24/1982	Sell	\$115.35		(\$327.08)
10/6/1982	Buy	\$125.97	4.03%	\$4,076.02
10/8/1982	Sell	\$131.05		\$0.00
1/6/1983	Buy	\$145.27	1.04%	\$1,362.24
1/10/1983	Sell	\$146.78		(\$474.72)
8/2/1984	Buy	\$157.99	2.92%	\$4,600.96
8/6/1984	Sell	\$162.60		\$0.00
9/13/1984	Buy	\$167.94	0.55%	\$1,017.45
9/17/1984	Sell	\$168.87		\$0.00
1/4/1988	Buy	\$255.94	1.15%	\$2,277.60
1/6/1988	Sell	\$258.88		\$0.00
5/11/1990	Buy	\$352.00	0.65%	\$1,817.60
5/15/1990	Sell	\$354.28		(\$17.04)
8/2/2010	Buy	\$1,125.86	0.12%	\$254.32
8/4/2010	Sell	\$1,127.24		(\$800.80)
9/20/2010	Buy	\$1,142.71	-0.74%	\$511.56
9/22/2010	Sell	\$1,134.28		(\$968.31)
9/6/2012	Buy	\$1,432.12	-0.21%	\$456.78
9/10/2012	Sell	\$1,429.08		(\$216.66)
1/2/2013	Buy	\$1,462.42	0.28%	\$375.36
1/4/2013	Sell	\$1,466.47		(\$468.52)
7/8/2016	Buy	\$2,129.90	1.04%	\$1,173.00
7/12/2016	Sell	\$2,152.14		\$0.00

September 2010 and September 2012 were the two failures. All the non-September instances saw follow-through over the next 2 days.

Here are the 40-day results.

SPX closes at a 50-day high after not having done so for at least 10 days.
 NYSE Up Volume % > 90%. Buy on close. Sell 40 days later. \$100k/trade. 1970 - present

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/30/1970	Buy	\$87.20	8.82%	\$10,497.36
1/27/1971	Sell	\$94.89		(\$1,249.14)
1/27/1975	Buy	\$75.37	8.88%	\$15,527.46
3/25/1975	Sell	\$82.06		(\$185.64)
1/5/1976	Buy	\$92.58	8.64%	\$11,329.20
3/2/1976	Sell	\$100.58		(\$226.80)
8/20/1982	Buy	\$113.02	20.98%	\$22,055.80
10/18/1982	Sell	\$136.73		(\$327.08)
1/6/1983	Buy	\$145.27	5.78%	\$6,116.32
3/4/1983	Sell	\$153.67		(\$4,244.96)
8/2/1984	Buy	\$157.99	5.13%	\$7,369.12
9/28/1984	Sell	\$166.10		\$0.00
1/4/1988	Buy	\$255.94	4.40%	\$4,680.00
3/1/1988	Sell	\$267.21		(\$6,154.20)
5/11/1990	Buy	\$352.00	1.27%	\$4,765.52
7/10/1990	Sell	\$356.48		(\$221.52)
8/2/2010	Buy	\$1,125.86	1.94%	\$2,124.32
9/28/2010	Sell	\$1,147.70		(\$7,582.08)
9/6/2012	Buy	\$1,432.12	-1.04%	\$2,924.91
11/5/2012	Sell	\$1,417.26		(\$1,989.96)
1/2/2013	Buy	\$1,462.42	3.81%	\$4,659.36
3/1/2013	Sell	\$1,518.20		(\$733.04)
7/8/2016	Buy	\$2,129.90	2.35%	\$2,939.86
9/2/2016	Sell	\$2,179.98		\$0.00

Again here it was the September 2012 instance that struggled. But even that instance saw greater run-up during those 40 days than it saw drawdown. The 1st four instances saw outsized gains versus everything else. Most years posted solid gains. The average run-up was 7.9% and the average drawdown was just 1.9%. Overall, there seems to be a strong inclination for the market to rally after similar setups in the past.

And even if we ignore the fresh breakouts, and simply look at instances of SPX hitting a 50-day high on 90% up volume, the stats are still strong. The study below was also seen in the 7/11/16 subscriber letter and has been updated.

SPX closes at a 50-day high. NYSE Up Volume % > 90%.
Buy on close. Sell X days later. \$100k/trade. 1970 - 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
50	99,323.31	20	19	1	95.00	19,845.80	-5,474.10	5,515.65	-5,474.10	1.01	19.14	4,966.17
45	96,759.34	21	19	2	90.48	17,945.20	-5,052.36	5,518.76	-4,048.58	1.36	12.95	4,607.59
40	94,540.18	22	18	4	81.82	20,959.64	-2,937.98	5,614.86	-1,631.82	3.44	15.48	4,297.28
35	97,439.54	22	19	3	86.36	18,961.80	-2,201.85	5,366.70	-1,509.22	3.56	22.52	4,429.07
30	83,808.80	22	20	2	90.91	11,920.74	-418.88	4,230.09	-396.52	10.67	106.68	3,809.49
25	70,487.57	24	19	5	79.17	12,045.67	-3,024.54	4,235.84	-1,998.68	2.12	8.05	2,936.98
20	65,689.66	25	19	6	76.00	13,401.70	-6,770.72	4,281.37	-2,609.40	1.64	5.20	2,627.59
15	55,376.86	25	20	5	80.00	8,150.48	-6,284.01	3,597.90	-3,316.22	1.08	4.34	2,215.07
10	38,118.53	27	18	9	66.67	10,515.18	-4,090.24	2,981.79	-1,728.18	1.73	3.45	1,411.80
9	32,725.30	27	19	7	70.37	8,413.73	-5,207.55	2,620.89	-2,438.81	1.07	2.92	1,212.05
8	32,867.64	27	19	8	70.37	8,532.68	-4,082.16	2,710.65	-2,329.33	1.16	2.76	1,217.32
7	30,424.88	28	19	9	67.86	6,026.80	-3,954.60	2,621.21	-2,153.13	1.22	2.57	1,086.60
6	31,239.90	28	20	8	71.43	6,819.80	-4,106.70	2,130.32	-1,420.81	1.50	3.75	1,115.71
5	33,908.91	30	23	7	76.67	8,516.82	-3,295.50	1,812.89	-1,112.49	1.63	5.35	1,130.30
4	24,250.98	31	23	8	74.19	6,716.71	-4,894.50	1,646.96	-1,703.63	0.97	2.78	782.29
3	16,733.64	31	20	11	64.52	6,740.50	-5,105.87	1,441.32	-1,099.34	1.31	2.38	539.79
2	18,587.70	31	22	9	70.97	4,028.44	-2,409.33	1,095.76	-613.22	1.79	4.37	599.60
1	11,567.50	32	18	14	56.25	2,755.52	-1,255.50	926.46	-364.91	2.54	3.26	361.48

No matter how you look at it, the extremely strong breadth in conjunction with the 50-day high appears to suggest an upside edge.

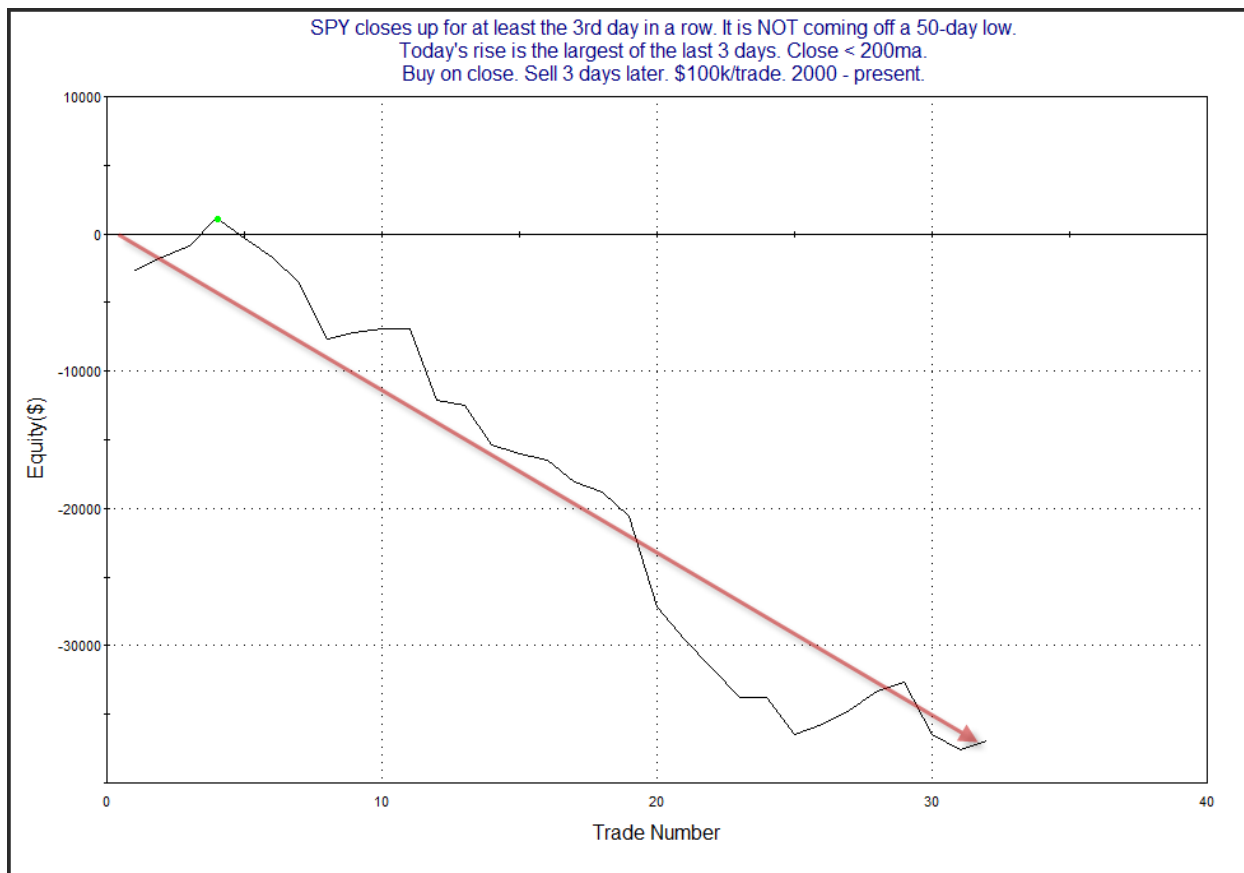
But not everything from Monday looked bullish. While bulls can point to the move as a breakout to a 50-day high, bears could view it as overextended and still below the 200-day moving average. Monday was the 3rd day higher day in a row for SPY. And it was also saw the strongest rise of the last 3 days. There were a few studies that appeared in the Quantifinder tonight that looked at 3-day rallies while under the 200ma. The one below also considered the strength of the most recent day. It was last seen in the 1/28/19 letter. Stats are updated.

SPY closes up for at least the 3rd day in a row. It is NOT coming off a 50-day low.
 Today's rise is the largest of the last 3 days. Close < 200ma.
 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
10	-52,622.48	27	9	18	33.33	4,372.70	-13,263.35	1,836.76	-3,841.85	0.48	0.24	-1,948.98
9	-53,064.93	27	10	17	37.04	3,677.86	-14,865.30	1,944.17	-4,265.09	0.46	0.27	-1,965.37
8	-51,807.05	27	10	17	37.04	2,898.35	-13,721.05	1,637.02	-4,010.43	0.41	0.24	-1,918.78
7	-50,937.64	28	10	18	35.71	2,195.83	-9,309.76	764.62	-3,254.66	0.23	0.13	-1,819.20
6	-55,927.10	29	10	19	34.48	2,964.38	-14,517.05	1,306.46	-3,631.14	0.36	0.19	-1,928.52
5	-38,328.34	29	10	19	34.48	3,702.72	-10,586.80	1,511.06	-2,812.57	0.54	0.28	-1,321.67
4	-37,089.82	31	10	21	32.26	2,310.00	-7,741.10	1,402.12	-2,433.86	0.58	0.27	-1,196.45
3	-36,887.27	32	10	22	31.25	2,092.50	-6,517.25	906.68	-2,088.82	0.43	0.20	-1,152.73
2	-27,035.42	32	13	19	40.63	1,799.55	-9,502.25	596.23	-1,830.86	0.33	0.22	-844.86
1	-17,190.73	35	10	25	28.57	3,383.38	-4,198.90	873.67	-1,037.10	0.84	0.34	-491.16

97% of instances closed below the entry price at some point in the next week.

The numbers all point lower. And the consistency of a decline at some point in the following days has been especially impressive. Below is a look at a 3-day profit curve.



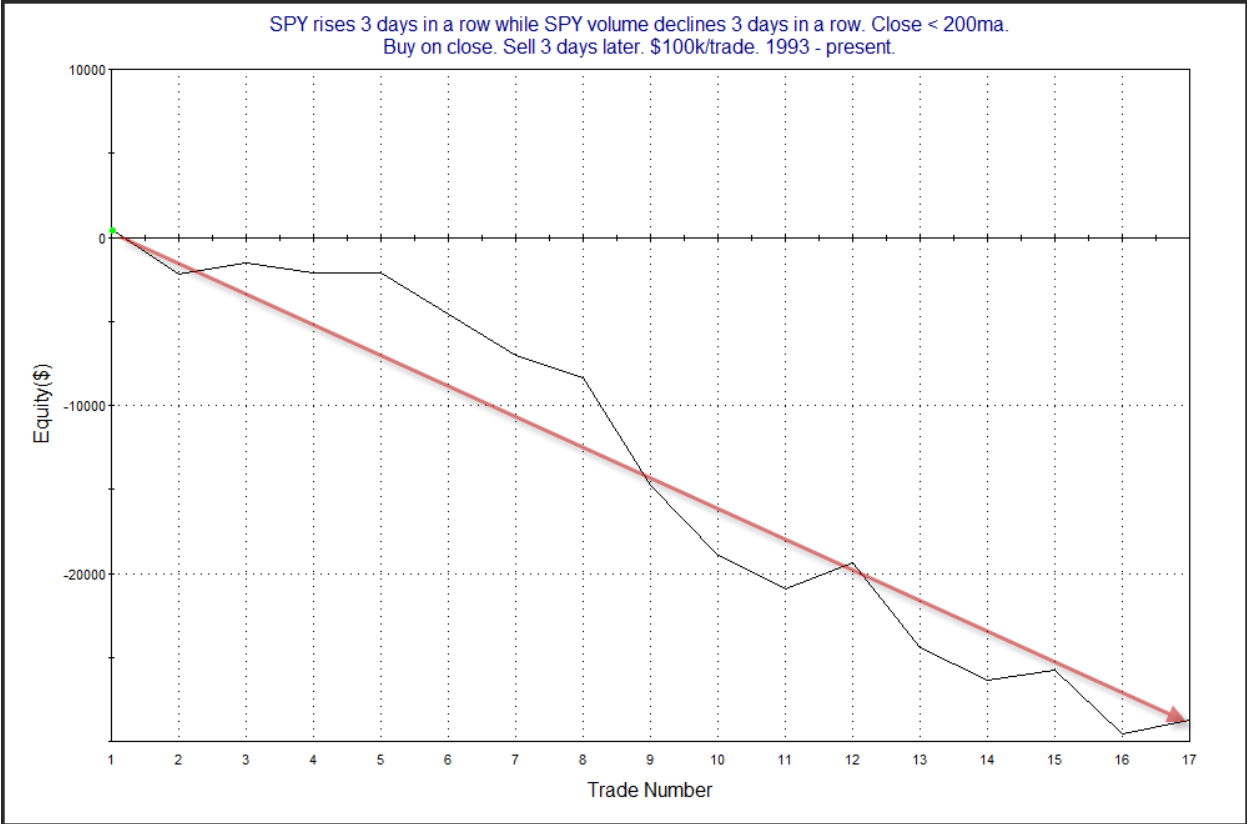
That curve has been headed lower for a long time and is again near new lows. The strong, steady downslope serves as some confirmation of the bearish edge.

A few studies also appeared in the Quantifinder related to SPY volume. The one below I found to be especially appealing, and worth showing again because it seems to suggest not just a short-term edge, but perhaps an intermediate-term one as well. It is updated from the 12/13/18 letter.

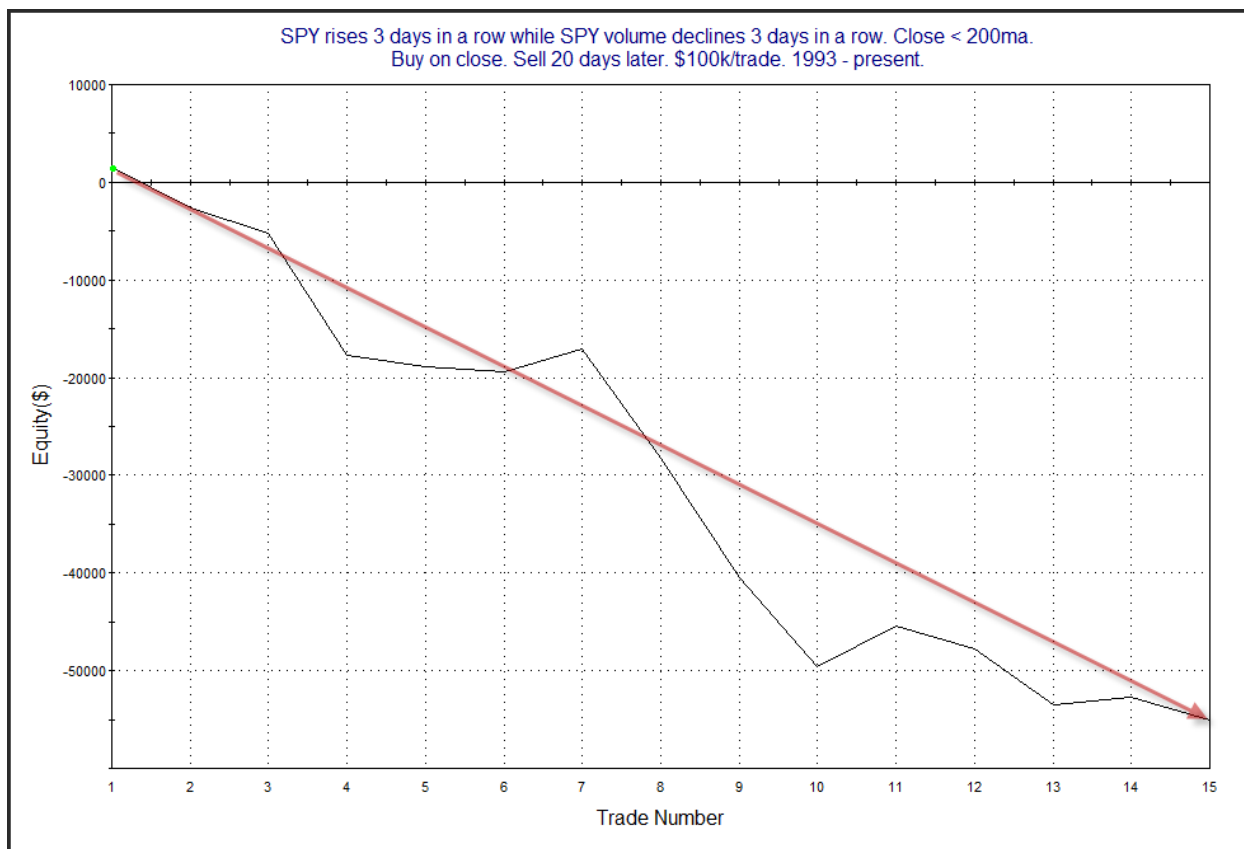
SPY rises 3 days in a row while SPY volume declines 3 days in a row. Close < 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

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
20	-55,118.56	15	4	11	26.67	4,102.18	-12,586.76	2,166.56	-5,798.62	0.37	0.14	-3,674.57
19	-49,589.85	15	5	10	33.33	4,528.14	-15,435.00	1,842.16	-5,880.06	0.31	0.16	-3,305.99
18	-41,778.20	17	7	10	41.18	5,855.31	-11,688.04	2,161.88	-5,691.14	0.38	0.27	-2,457.54
17	-37,422.29	17	5	12	29.41	5,169.81	-8,411.13	2,387.13	-4,113.16	0.58	0.24	-2,201.31
16	-31,479.51	17	5	12	29.41	5,119.24	-11,782.05	3,293.62	-3,995.63	0.82	0.34	-1,851.74
15	-38,908.13	17	5	12	29.41	6,220.11	-12,430.32	2,914.85	-4,456.86	0.65	0.27	-2,288.71
14	-46,931.65	17	5	12	29.41	7,258.74	-18,100.11	2,713.21	-5,041.48	0.54	0.22	-2,760.69
13	-41,058.26	17	7	10	41.18	2,719.11	-22,288.14	1,462.52	-5,129.59	0.29	0.20	-2,415.19
12	-24,837.61	17	9	8	52.94	3,886.11	-16,062.69	1,671.30	-4,984.91	0.34	0.38	-1,461.04
11	-16,653.39	17	9	8	52.94	3,333.60	-10,320.87	1,799.58	-4,106.20	0.44	0.49	-979.61
10	-18,905.97	17	8	9	47.06	5,193.15	-11,977.56	2,159.36	-4,020.10	0.54	0.48	-1,112.12
9	-20,482.27	17	8	9	47.06	4,481.28	-10,794.21	2,084.70	-4,128.88	0.50	0.45	-1,204.84
8	-23,900.84	17	6	11	35.29	6,231.78	-11,701.12	2,866.23	-3,736.20	0.77	0.42	-1,405.93
7	-24,815.69	17	8	9	47.06	2,649.09	-11,617.41	1,324.29	-3,934.44	0.34	0.30	-1,459.75
6	-22,835.24	17	6	11	35.29	1,720.62	-7,552.86	1,441.06	-2,861.96	0.50	0.27	-1,343.25
5	-23,506.60	17	6	10	35.29	2,551.35	-6,540.81	1,311.16	-3,137.35	0.42	0.25	-1,382.74
4	-26,130.91	17	4	13	23.53	2,737.50	-6,615.42	1,308.52	-2,412.69	0.54	0.17	-1,537.11
3	-28,726.50	17	5	12	29.41	1,564.94	-6,431.25	836.92	-2,742.59	0.31	0.13	-1,689.79
2	-12,000.31	18	6	12	33.33	5,169.81	-5,350.20	1,454.85	-1,727.45	0.84	0.42	-666.68
1	2,311.47	21	11	10	52.38	3,862.77	-8,857.80	1,513.29	-1,433.47	1.06	1.16	110.07

Here we see what appears to be a strong downside inclination. Below is the 3-day profit curve.



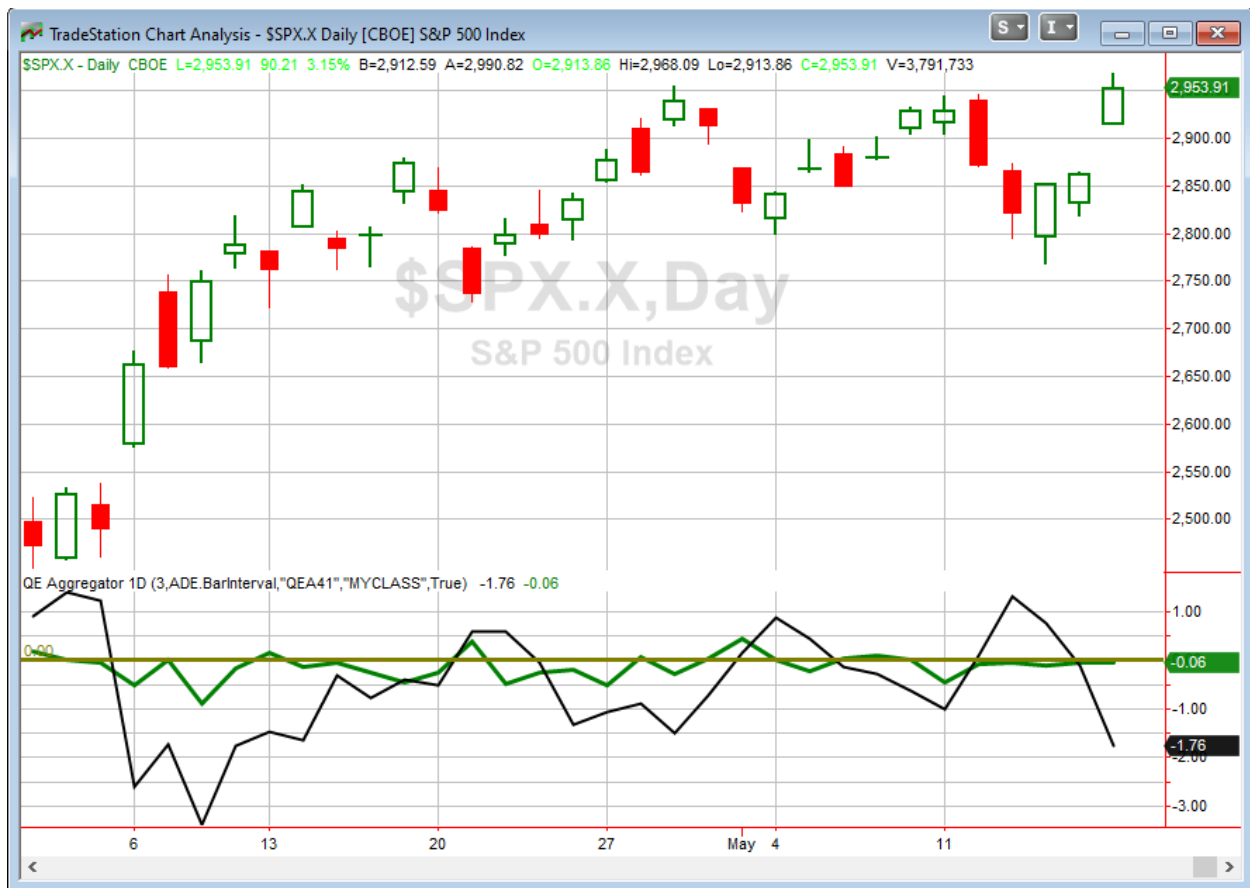
The persistent downslope is impressive. I also ran the 20-day curve.



That is a steady move from upper left to lower right. I have included this study on the short and intermediate-term Active Lists tonight.

So the evidence tonight may really depend on your long-term view. New high breakout & uptrend = good, or overextended in a long-term downtrend = bad. I do not see a clear answer, so I'm taking all of this evidence into account.

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



Without tonight's evidence included, 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 also 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 stayed short at the close.

Based on the current list of active studies, expectations are set to remain negative on Tuesday (and then flip bullish on Wednesday). Of course this could all change depending on what new evidence emerges. Meanwhile, the Differential Pivot will be 2842.36 on Tuesday. That is 3.8% below Monday's close. Therefore, SPX will need to close down a very sizable 3.8% in order to flip from overbought to oversold vs expectations on Tuesday.

So the Aggregator is now leaning bearish. But there is a real mix of evidence. And to make it more confusing, 1-day expectations are actually slightly positive. I don't see the current setup as a strong reward/risk opportunity for longs or shorts. I believe the most likely scenario is we see a brief pause or pullback in the next 1-3 days, and then perhaps a move back up. But I'll wait for more clarity and a more substantial edge before jumping into a new long or short index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/18 – neutral

The intermediate-term outlook was last updated in the 5/18 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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