

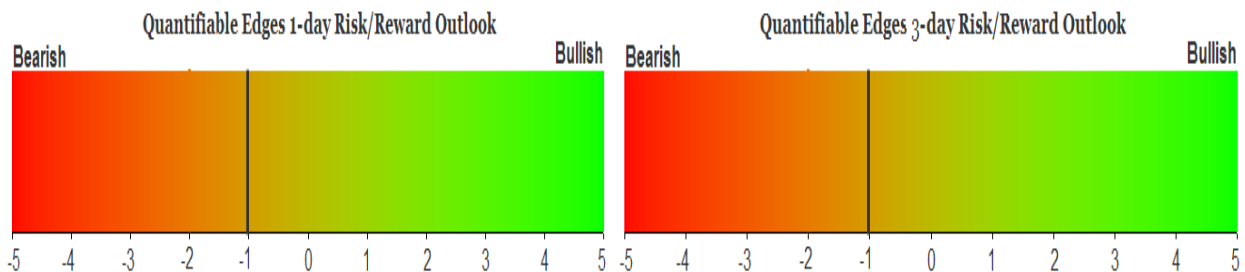
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 20, 2020

Volume 13 Issue 98

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- When SPX posts an inside day after a 50-day high breakout yesterday, it suggests further buying over the next week.
- SPY closed down a fair amount but yesterday's gap up remains unfilled. Often this has been followed by another down day.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish, but evidence is mixed and could easily flip to net positive on Wednesday. I'm not finding this a compelling short setup.

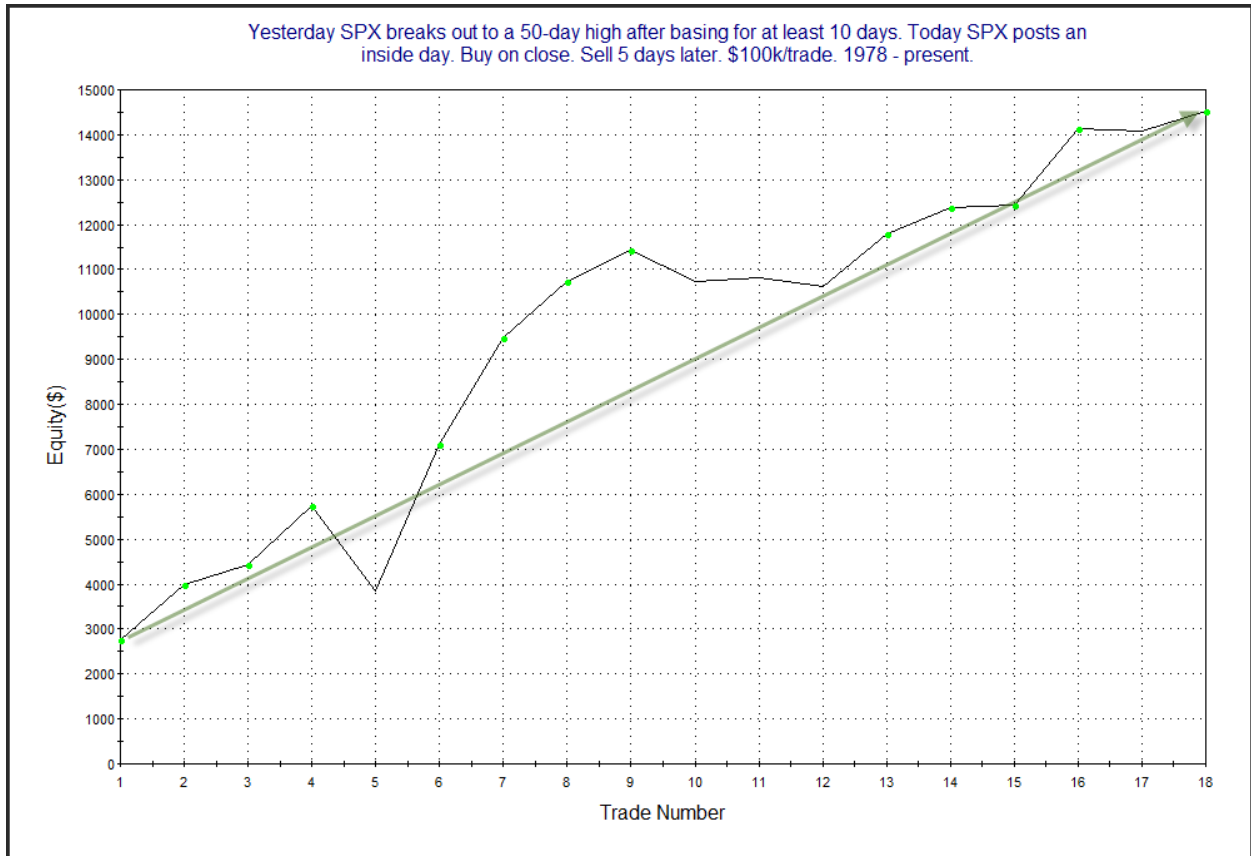
### ***The Evidence***

The market spent much of the day higher, but a selloff in the last hour put the indices all in negative territory. The SPX closed down 1.05%, the NASDAQ fell 0.5%, and the Russell 2000 dropped 1.95%. Breadth was negative as the NYSE Up Issues % was 39% and the Up Volume % came in at 25%. NYSE volume came in quite light.

Like last night, I am seeing a mix of bullish and bearish evidence. And like last night, the bullish evidence is related to the 50-day high breakout we saw on Monday. Tuesday we did not get any follow through, but we also did not revert back very far. SPX ended up posting an inside day, which is a day where the price action is fully contained by the price action of the day before. The study below was last seen in the 1/10/17 letter, and it looks at inside days that follow breakout days.

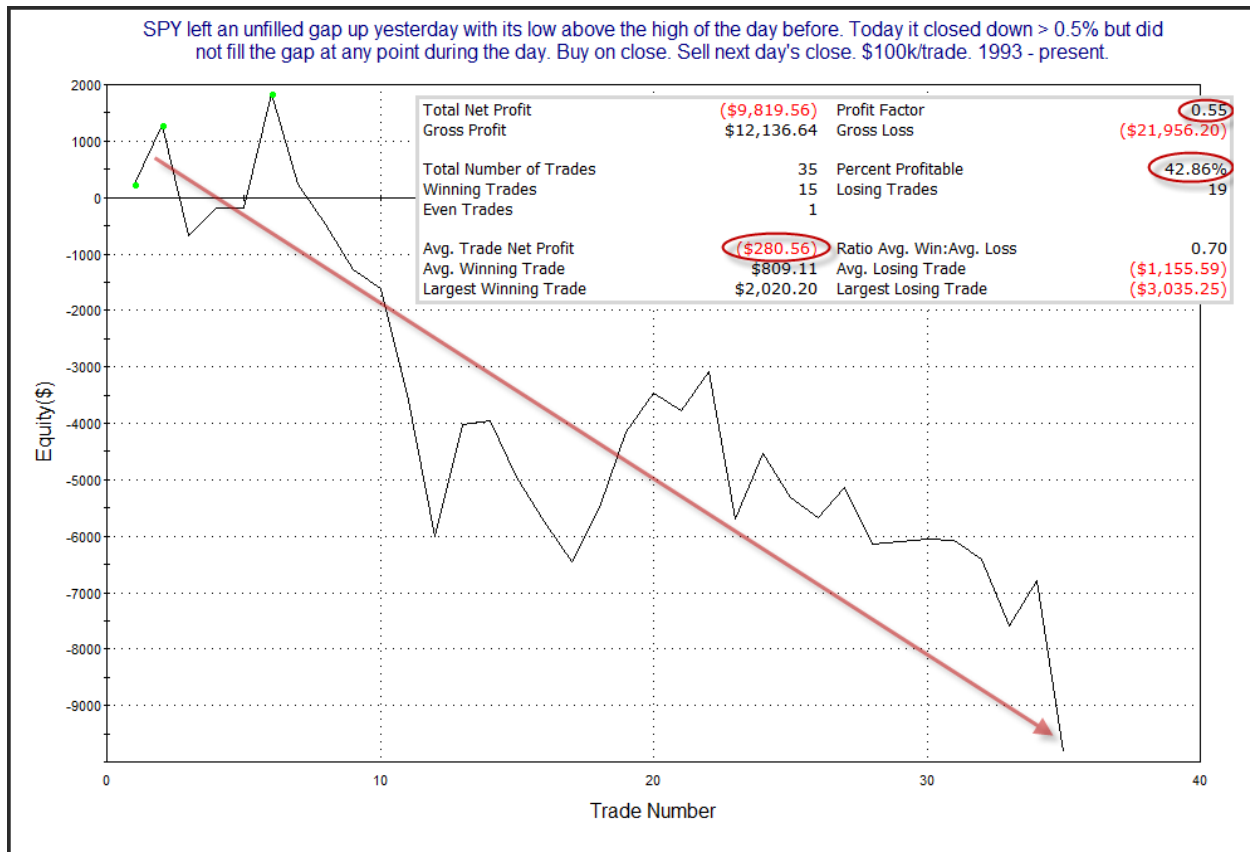
Yesterday SPX breaks out to a 50-day high after basing for at least 10 days. Today SPX posts an inside day. Buy on close. Sell X days later. \$100k/trade. 1978 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	14,520.85	18	14	4	77.78	3,281.34	-1,916.98	1,242.16	-717.34	1.73	6.06	806.71
4	9,200.79	18	12	6	66.67	3,173.92	-2,926.98	1,266.65	-999.84	1.27	2.53	511.15
3	3,884.98	18	14	4	77.78	2,715.24	-2,770.43	683.50	-1,420.99	0.48	1.68	215.83
2	3,514.70	18	9	9	50.00	2,622.42	-1,372.28	981.56	-591.04	1.66	1.66	195.26
1	-745.06	18	7	10	38.89	2,142.00	-1,699.88	862.32	-678.13	1.27	0.89	-41.39

Like a few of last night's studies, there does not appear to be much of an edge right away, but when looking out a few days, there does seem to be a bullish tendency. Below is a look at a 5-day profit curve.



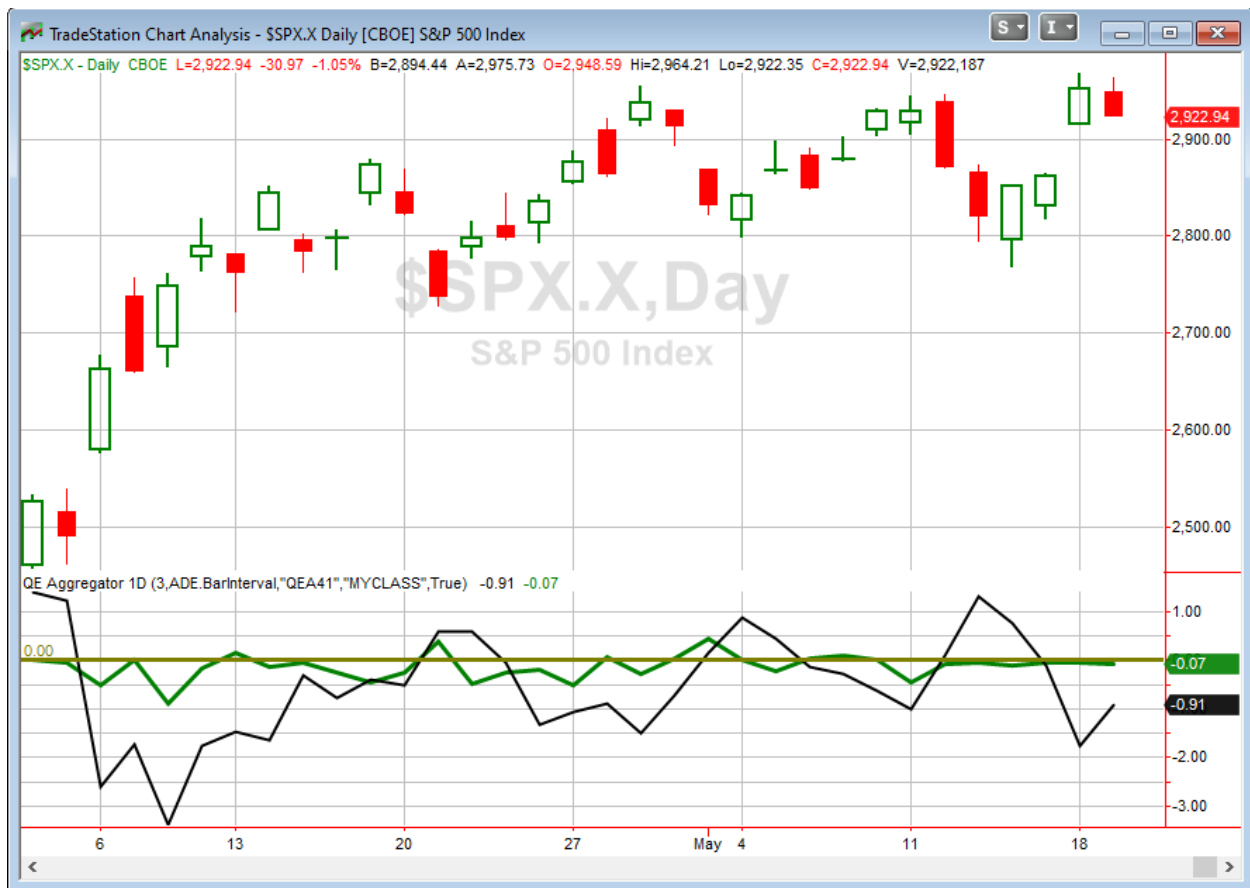
The curve is a bit choppy, but the general upslope is good enough that I believe the study is worth consideration and have included it on the Active List again tonight.

Another study looked at the action and noted that despite a decent pullback on Tuesday, it still did not fill the large gap that was left on the chart on Monday. This triggered the study below from the 8/21/19 letter.



The stats are somewhat negative. The curve has made its way from upper left to lower right, though it has certainly been a choppy ride. SPY may take another stab at filling the gap on Wednesday. I have also included this study on the Active List tonight.

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



With tonight's evidence included, the green Aggregator line again 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 flip positive on Wednesday. Of course this could change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be 2856.33 on Wednesday. That is 2.3% below Tuesday's close. Therefore, SPX will need to close down 2.3% in order to flip from overbought to oversold vs expectations on Wednesday.

So the Aggregator is leaning bearish. But there is still a real mix of evidence. We also just had a decent sized down day in a choppy market, so this is not an ideal entry point. I am still not finding the kind of reward/risk that would get me excited about a new index position. If the Aggregator is right and we do get a pullback in the next day or two, then there seems to be a decent chance a bullish setup could emerge. But I am getting ahead of myself. Right now, nothing looks great to me. So I'll remain patient.

***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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