

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 27, 2020

Volume 13 Issue 102

## Market Overview



## Signals Overview

Aggregator	CBI Reading
<b>Short</b>	<b>0</b>

## Tonight's Research Points

- SPY closing at a 20-day high but under the 200ma has often been followed by a down day. And the recent string of trades have all seen the 1-day edge play out.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish, but set to turn neutral. I would prefer more evidence before getting too excited.

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

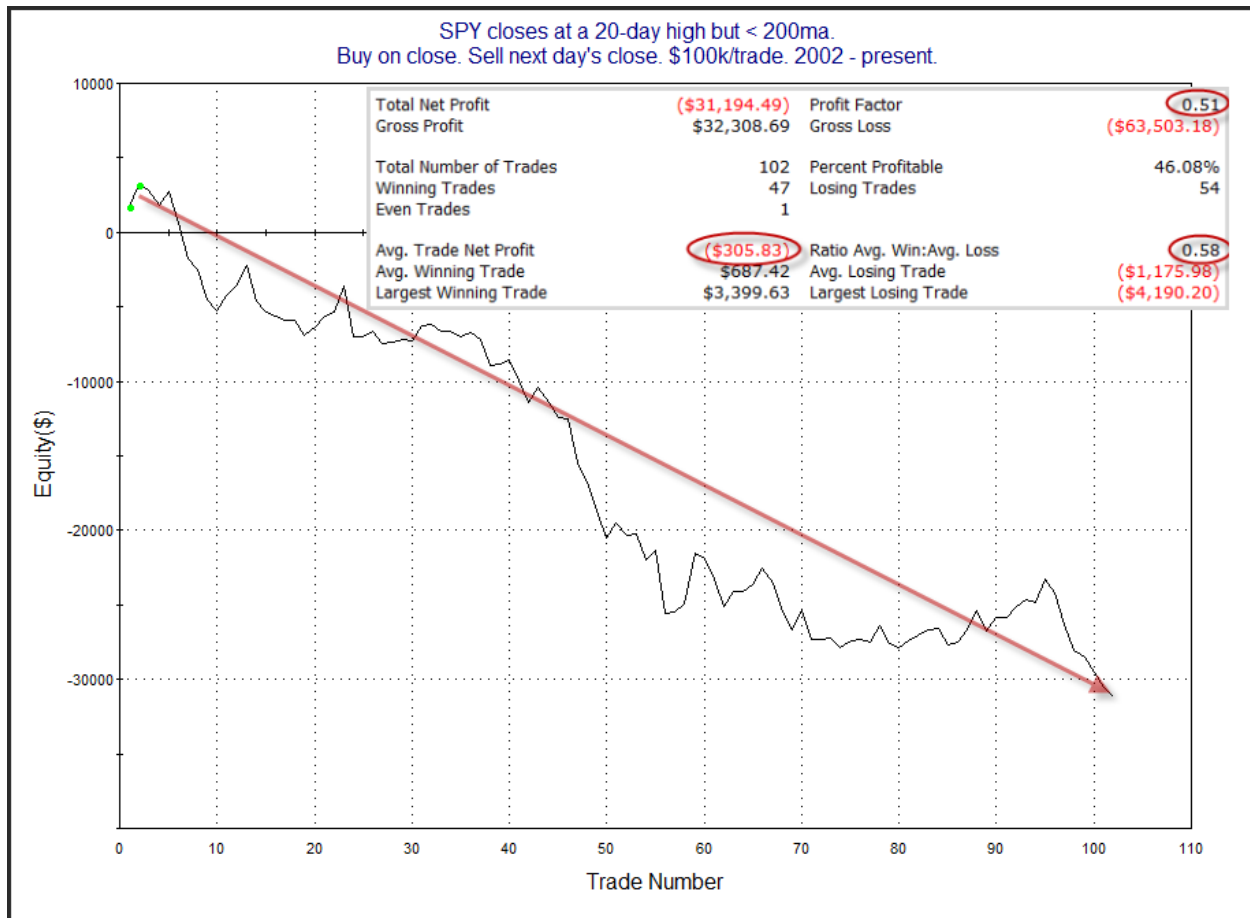
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
May 26, 2020	SPY 20-high < 200ma	1 day	Bearish			
<b>Active - Long Term</b>						
May 19, 2020	Breakout on 90% Up Volume	1-40 days	Bullish	7.90%	-1.90%	-4.50%
May 19, 2020	Up 3, lower volume breakout	1-20 days	Bearish	-7.60%	2.30%	3.65%
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			
March 23, 2020	QE4	int term	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
<b>Dropped Tonight (expired or Avg move + 1 std dev exceeded)</b>						
May 26, 2020	Gain < 0.25% top 10% intraday range	1 day	Bearish			
May 21, 2020	Unfill gap up > 10ma < 200ma. Low vol	1-3 days	Bearish			
May 19, 2020	Breakaway Gap	1-5 days	Bullish	1.40%	-0.90%	-1.90%
May 19, 2020	Up 3, lower volume breakout	1-5 days	Bullish	1.60%	-0.90%	-1.90%

***The Evidence***

The day started with a huge gap higher. There was some give back before the close, but most indices still finished higher. The SPX rose 1.2%, the NASDAQ gained 0.2%, and the Russell 2000 shot up 2.8%. Breadth was positive as the NYSE Up Issues % was 84.1% and the Up Volume % came in at 84.4%. NYSE volume rose a good amount from Friday's level.

SPX made an attempt at closing above its 200-day moving average for the 1<sup>st</sup> time since early March, but late selling saw the attempt fail. I looked back at other failed attempts to crack through the 200ma. I did not find such failures to provide a compelling edge one way or the other.

The fact that SPX closed below the 200ma and at a 20-day was notable. It triggered an old study from the Quantifinder – a study that has actually played out as a 1-day bearish edge quite consistently as of late. Below is an updated look at the 1-day results.



This chart had gone a bit of time without much new downward progress until the recent streak. But we have now seen 7 instances in a row lead to moves lower the next day. Below is the list of those recent instances.

SPY closes at a 20-day high but < 200ma.  
Buy on close. Sell next day's close. \$100k/trade. 4/9/20 - present.

<b>Date/Time</b>	<b>Signal</b>	<b>Price</b>	<b>% Profit</b>	<b>Run-up Drawdown</b>
4/9/2020	Buy	\$278.20	-0.91%	\$0.00
4/13/2020	Sell	\$275.66		(\$2,437.61)
4/14/2020	Buy	\$283.79	-2.12%	\$0.00
4/15/2020	Sell	\$277.76		(\$2,932.16)
4/17/2020	Buy	\$286.64	-1.76%	\$52.20
4/20/2020	Sell	\$281.59		(\$1,840.92)
4/27/2020	Buy	\$287.05	-0.46%	\$1,513.80
4/28/2020	Sell	\$285.73		(\$574.20)
4/29/2020	Buy	\$293.21	-0.93%	\$37.51
4/30/2020	Sell	\$290.48		(\$1,575.42)
5/18/2020	Buy	\$295.00	-1.03%	\$408.98
5/19/2020	Sell	\$291.97		(\$1,030.90)
5/20/2020	Buy	\$296.93	-0.69%	\$248.64
5/21/2020	Sell	\$294.88		(\$1,088.64)

Those are some pretty sizable down days, all ranging between -0.46% and -2.12%. I have 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 a little 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 turn neutral on Wednesday. Of course this could easily change based on any new evidence that emerges. Meanwhile, the Differential Pivot will be 2941.03 on Wednesday. That is 1.7% below Tuesday's close. Therefore, it will take a sizable drop of 1.7% on Wednesday to see SPX flip from overbought to oversold vs expectations.

So the Aggregator is again leaning bearish. But those bearish expectations are only slated to last 1 day. After that, it will really be up to any new evidence that emerges. Agile traders could look to take advantage of this 1-day edge on Wednesday. In the newsletter format, I am inclined to sit out until I see more compelling evidence, and a clearer edge emerge.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 5/26 – neutral***

The intermediate-term outlook was last updated in the 5/26 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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