

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 28, 2020

Volume 13 Issue 103

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Strong moves up through the 200ma have often shown some give-back the following day.
- Thursday after Memorial Day has historically shown a bullish tendency.

Short-term Outlook

The Bottom Line

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

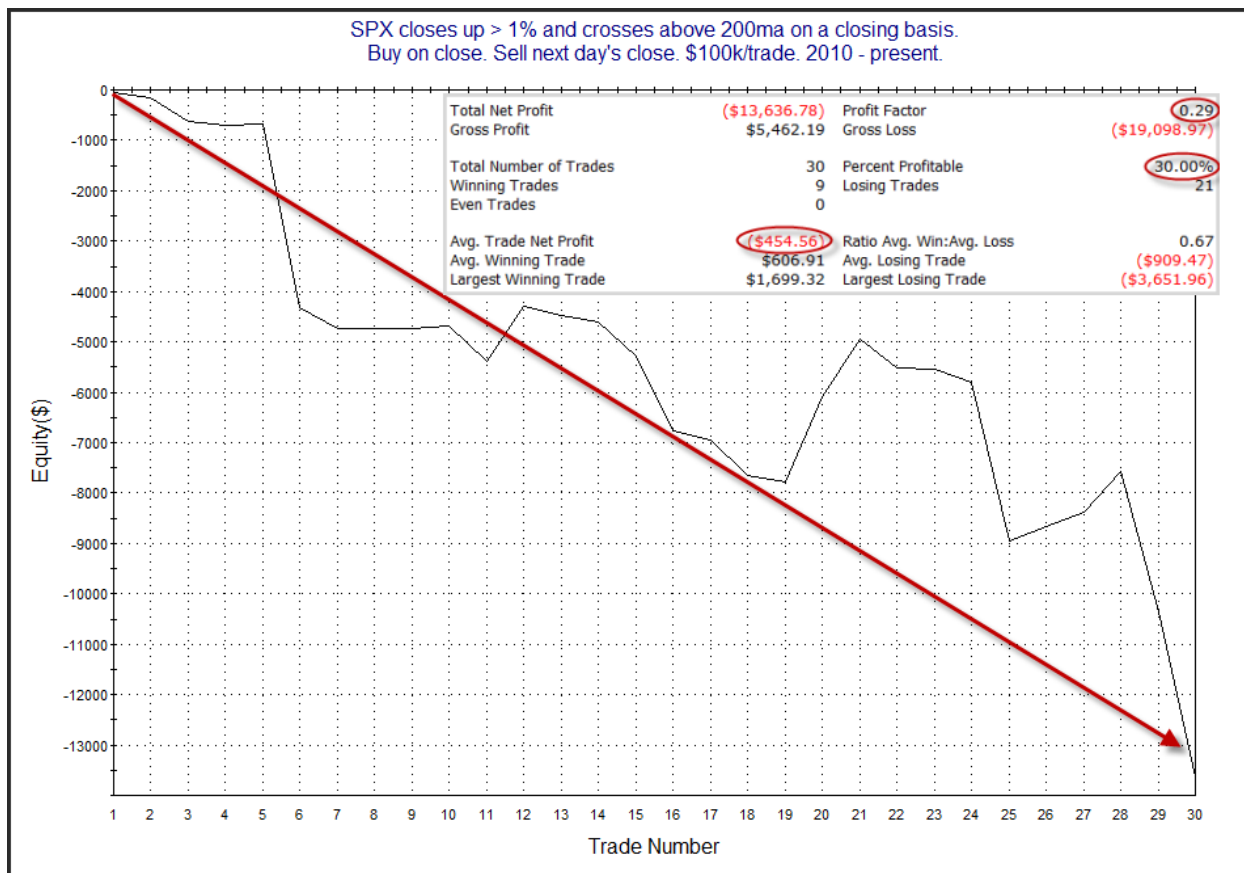
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 28, 2020	Memorial Thursday bullish	1 day	Bullish			
May 28, 2020	1% gain up through 200ma	1 day	Bearish			
Active - Long Term						
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			
Dropped Tonight (expired or Avg move + 1 std dev exceeded)						
May 26, 2020	SPY 20-high < 200ma	1 day	Bearish			

The Evidence

Wednesday saw some big moves back and forth, but some strong afternoon buying left the indices with sizable gains. The SPX rose 1.5%, the NASDAQ gained 0.8%, and the Russell 2000 shot up 3.1%. Breadth was again strongly positive as the NYSE Up Issues % was 81% and the Up Volume % came in at 84%. NYSE volume rose for the 2nd day in a row.

The strong move up on Wednesday also pushed SPX to its first close above the 200-day moving average since early March. Strong moves through well-watched areas like this will often get some attention. Interestingly, the 200ma cross FOMO has often faded the next day over the last 10 years. This can be seen in the study below – update from the 4/4/18 letter.



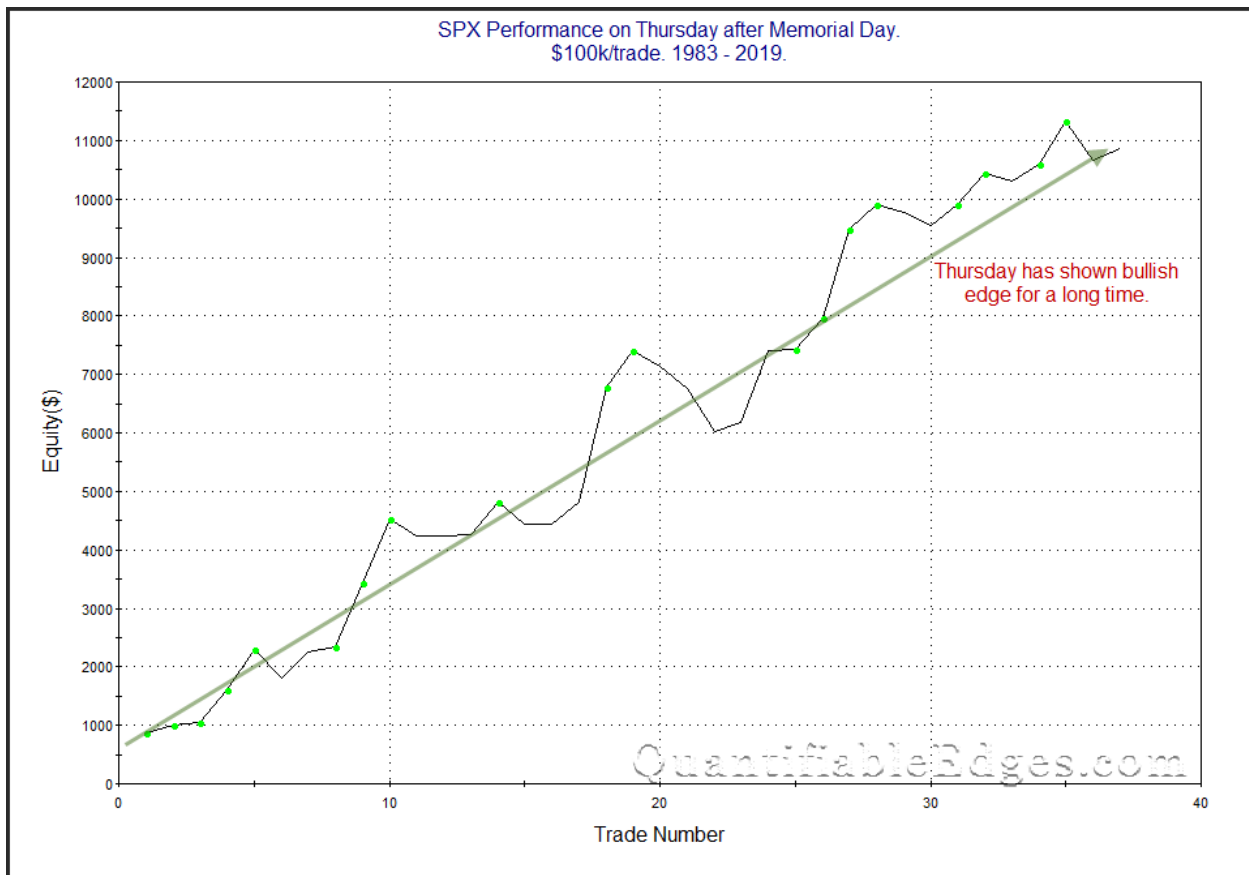
The move from upper left to lower right is impressive and so are the stats. This would suggest a bearish tendency for the day after such a strong move through the 200ma.

Of course for that bearish tendency to play out, it will need to overcome some bullish seasonality on Thursday. This past weekend, when looking at Memorial Day tendencies, I noted that Thursday of this week has exhibited strength. Below is an excerpt.

...Last year I took a day by day look. I decided to do that again to see where the market has struggled recently. Returns are broken down by the day of the week.

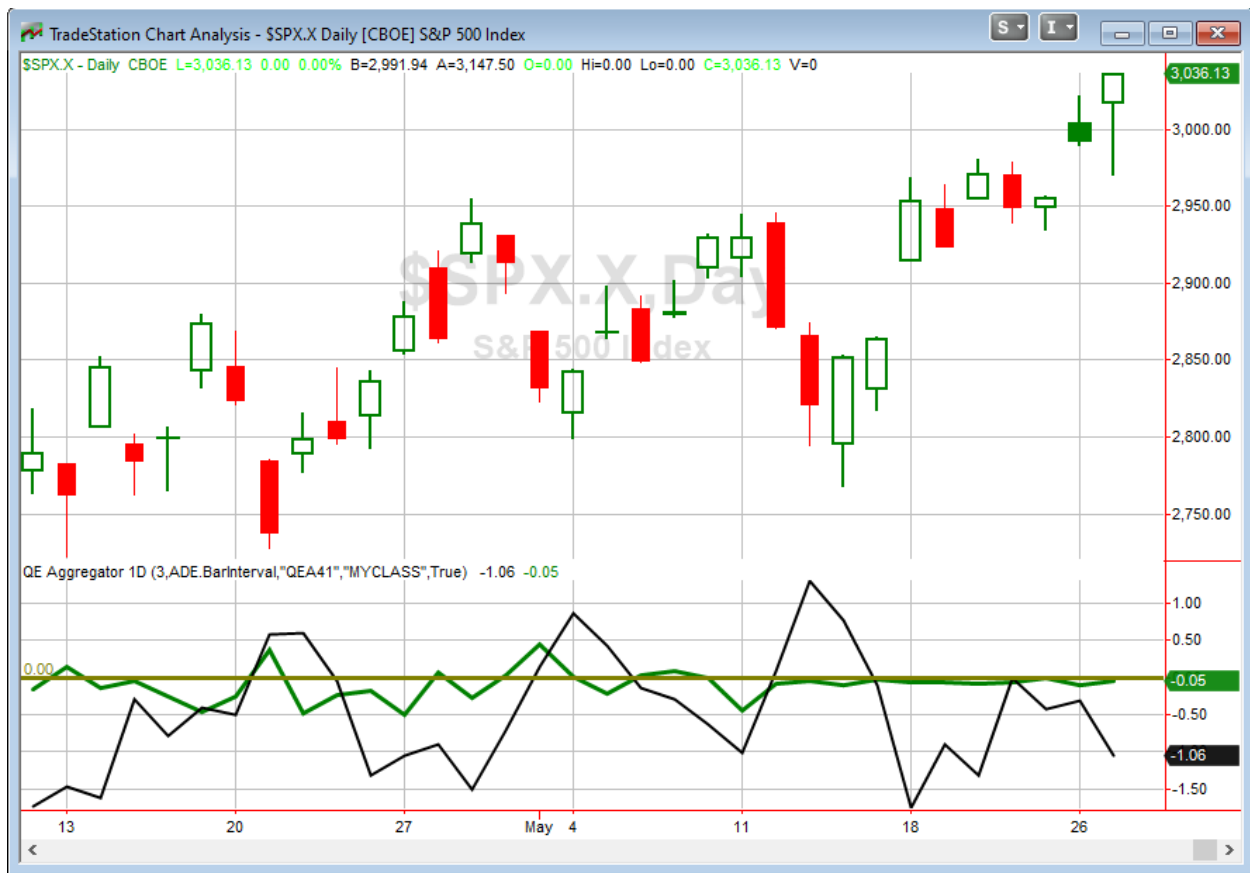
SPX Performance on X Day of Memorial Week \$100k/trade. 1983 - present.												
X	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
Fri	4,045.16	37	22	15	59.46	2,140.16	-3,415.50	783.02	-878.75	0.89	1.31	109.33
Thurs	10,870.00	37	26	10	70.27	1,970.50	-735.68	560.81	-371.11	1.51	3.93	293.78
Wed	3,413.53	37	23	14	62.16	2,573.31	-2,268.10	610.94	-759.86	0.80	1.32	92.26
Tues	7,471.69	37	17	20	45.95	3,443.56	-1,701.70	1,361.16	-783.40	1.74	1.48	201.94

The results table suggests Thursday is the most consistently bullish day.



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 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 Thursday. Of course this could easily change based on any new evidence that emerges. Meanwhile, the Differential Pivot will be 2948.85 on Thursday. That is 2.9% below Wednesday's close. Therefore, it will take a sizable drop of 2.9% on Wednesday to see SPX flip from overbought to oversold vs expectations. A more likely scenario for working off the overbought condition would be a multi-decline or consolidation.

Similar to last night, 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. My outlook is also very similar to last night. Agile traders could look to take advantage of this 1-day edge on Thursday. 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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