

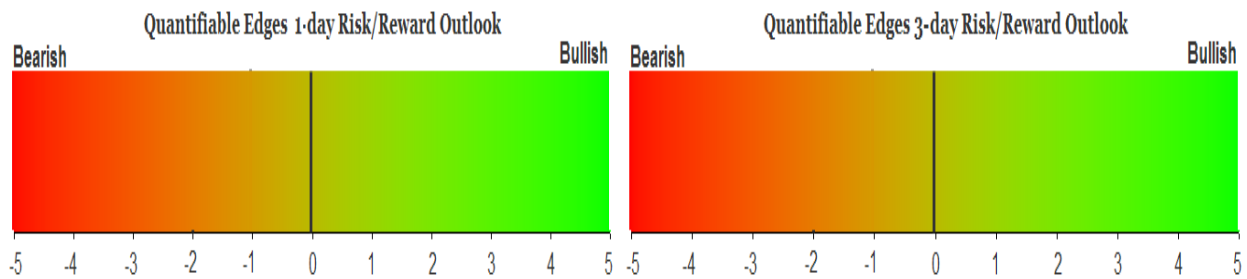
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 29, 2020

Volume 13 Issue 104

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The run up to a 50-day high and reversal intraday suggest a possible bullish edge over the next several days.
- The gap, run-up, and poor close for SPY suggest a short-term move higher as well.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I. Evidence is bullish, but the SPX remains overbought.

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 29, 2020	1% higher to 50-high then down close	1-3 days	Bullish			
May 29, 2020	Gap up, run higher, then reverse down	1-4 days	Bullish			
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 28, 2020	Memorial Thursday bullish	1 day	Bullish			
May 28, 2020	1% gain up through 200ma	1 day	Bearish			

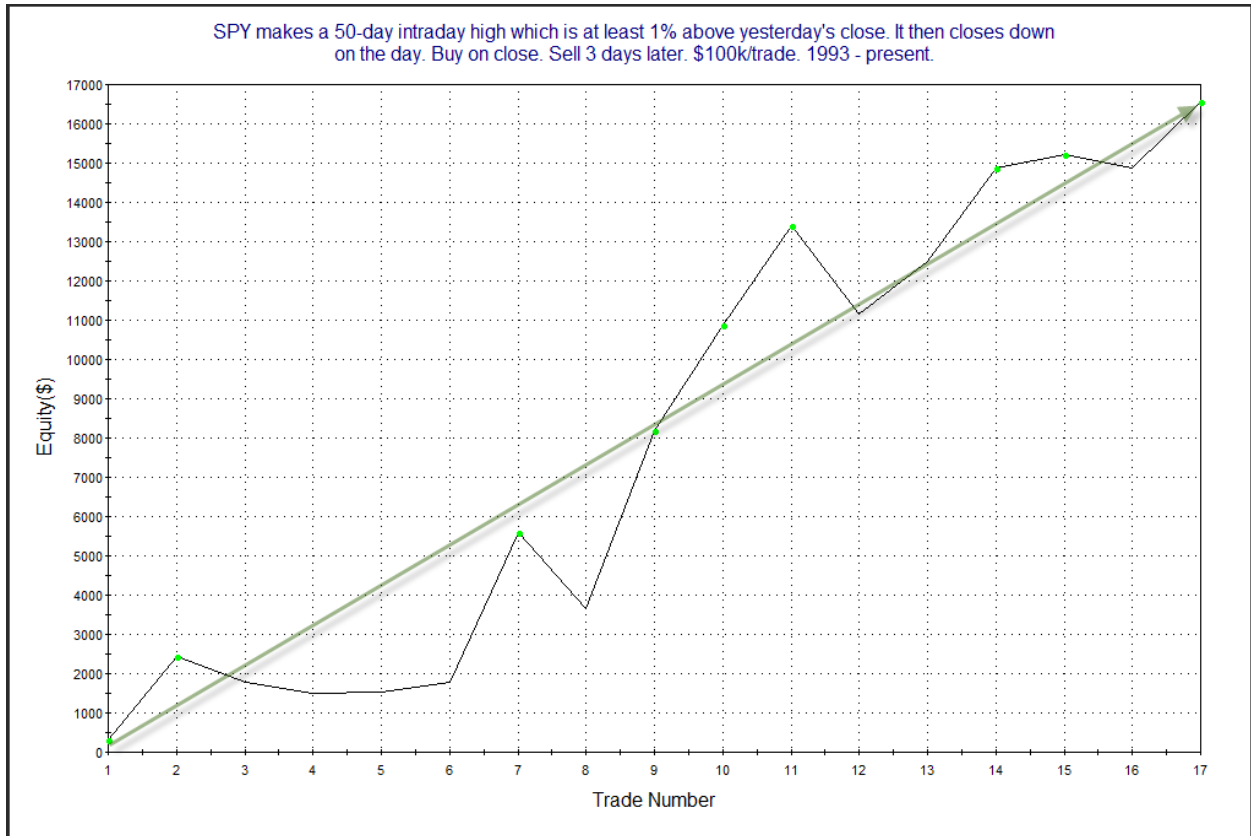
The Evidence

Thursday looked like it was going to be an up day for most of the day, but a late selloff turned the indices all lower. The SPX fell 0.2%, the NASDAQ lost 0.5%, and the Russell 2000 tumbled 2.5%. Breadth was negative as the NYSE Up Issues % was 40% and the Up Volume % came in at 25%. NYSE volume declined some from Wednesday's level.

Price action was interesting on Wednesday, with the big afternoon reversal from a 50-day high. The study below is one that is from way back in the 10/1/10 letter. It looked at other such reversals after SPY was up at least 1% at some point during the day. I did switch the study from examining SPX to examining SPY, simply because SPY high/low ranges tend to be more accurate.

SPY makes a 50-day intraday high which is at least 1% above yesterday's close. It then closes down on the day. 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
10	21,368.04	15	11	4	73.33	5,433.93	-3,055.13	2,614.82	-1,848.74	1.41	3.89	1,424.54
9	19,358.14	16	12	4	75.00	5,109.36	-3,304.34	2,166.19	-1,659.03	1.31	3.92	1,209.88
8	18,089.86	16	13	3	81.25	4,010.01	-3,608.93	1,891.94	-2,168.46	0.87	3.78	1,130.62
7	14,655.46	16	13	3	81.25	3,268.20	-4,310.41	1,569.19	-1,914.69	0.82	3.55	915.97
6	15,623.50	17	13	4	76.47	4,020.48	-2,365.00	1,624.26	-1,372.97	1.18	3.84	919.03
5	13,245.89	17	13	4	76.47	4,428.81	-3,525.86	1,524.18	-1,642.13	0.93	3.02	779.17
4	12,478.30	17	11	6	64.71	3,915.78	-2,398.00	1,849.24	-1,310.55	1.41	2.59	734.02
3	12,968.39	17	13	4	76.47	3,069.36	-1,286.00	1,319.61	-1,046.65	1.26	4.10	762.85
2	8,392.11	17	10	7	58.82	3,580.92	-1,568.92	1,332.20	-704.27	1.89	2.70	493.65
1	8,318.30	17	11	6	64.71	2,332.00	-1,286.00	1,085.26	-603.25	1.80	3.30	489.31
16 of 17 instances (94%) closed above the entry price at some point in the next week.												

The numbers are all short-term bullish. Much of the gains have been realized in the 1st three days. Below is the profit curve assuming a 3-day holding period.



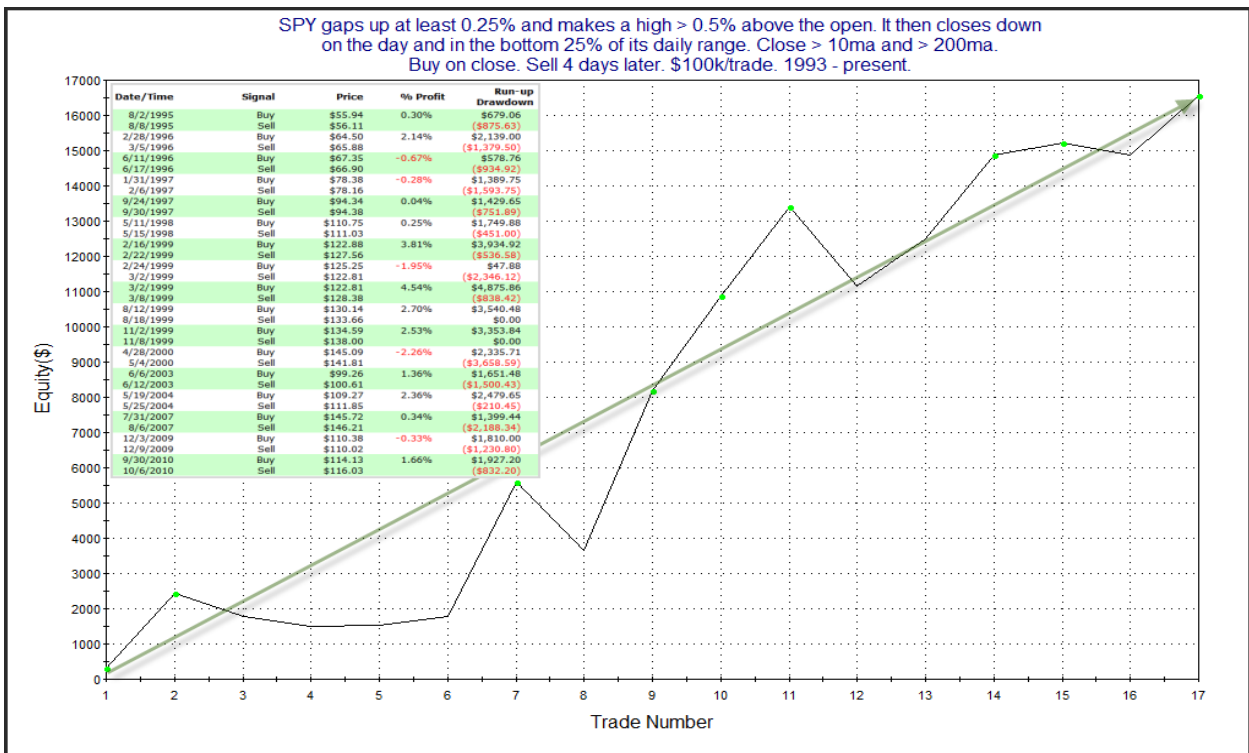
The strong move up from lower left to upper right is impressive. I have added this study to the Active List tonight.

There were also a few studies that appeared which looked at the gap up, the run higher, and then the reversal. Below I combined a couple of those from the Quantifinder to better represent the current setup.

SPY gaps up at least 0.25% and makes a high > 0.5% above the open. It then closes down on the day and in the bottom 25% of its daily range. Close > 10ma and > 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
10	23,492.09	16	9	7	56.25	6,438.74	-1,859.06	3,281.97	-863.66	3.80	4.89	1,468.26
9	30,553.91	16	12	4	75.00	6,845.74	-2,625.09	2,941.80	-1,186.92	2.48	7.44	1,909.62
8	24,392.14	16	12	4	75.00	5,347.98	-4,795.44	2,590.46	-1,673.33	1.55	4.64	1,524.51
7	23,487.58	16	11	5	68.75	6,365.48	-2,604.42	2,678.53	-1,195.26	2.24	4.93	1,467.97
6	19,805.99	16	13	3	81.25	3,294.00	-1,818.96	1,756.87	-1,011.11	1.74	7.53	1,237.87
5	13,327.44	16	12	4	75.00	3,756.06	-1,498.84	1,447.97	-1,012.06	1.43	4.29	832.96
4	16,549.66	17	12	5	70.59	4,533.98	-2,259.92	1,835.90	-1,096.23	1.67	4.02	973.51
3	10,306.59	17	11	6	64.71	3,858.36	-2,990.26	1,630.19	-1,270.92	1.28	2.35	606.27
2	9,385.61	17	12	5	70.59	2,772.48	-1,348.62	993.06	-506.22	1.96	4.71	552.09
1	4,949.03	18	11	7	61.11	2,319.36	-1,017.07	807.41	-561.79	1.44	2.26	274.95

Numbers here are all quite bullish. Below is a look at the 4-day profit curve,



The curve serves as some confirmation of the numbers. I have also included this study on tonight's active list.

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



With tonight's evidence included, the green Aggregator line rose above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is again below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain bullish on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 2985.75 on Friday. That is 1.45% below Thursday's close. Therefore, it will take a drop of 1.45% on Friday to see SPX flip from overbought to oversold vs expectations.

So the Aggregator is neutral. I am too. The bullish evidence tonight looks nice, but the pullback is very minor. I'd like to see a more prominent one, offering more favorable reward/risk, before taking on new long index positions. I will exercise patience, remain sidelined, and re-evaluate over the weekend.

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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