

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 9, 2020

Volume 13 Issue 111

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- 2 unfilled up gaps and a 50-day high are a short-term positive.
- Another 90% Up Volume day is just more confirmation of strong breadth and the bullish implications.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral and so am I.

**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>						
June 9, 2020	2 unfilled gaps up to a 50-day high	1-3 days	Bullish	0.80%	-0.60%	-1.15%
<b>Active - Long Term</b>						
June 8, 2020	3 Breadth Sigs (BAM/90%Day/A-D Hi)	1-63 days	Bullish			
June 4, 2020	SPX RSI2 crosses 99	1-18 days	Bullish			
May 19, 2020	Breakout on 90% Up Volume	1-40 days	Bullish	7.90%	-1.90%	-4.50%
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			

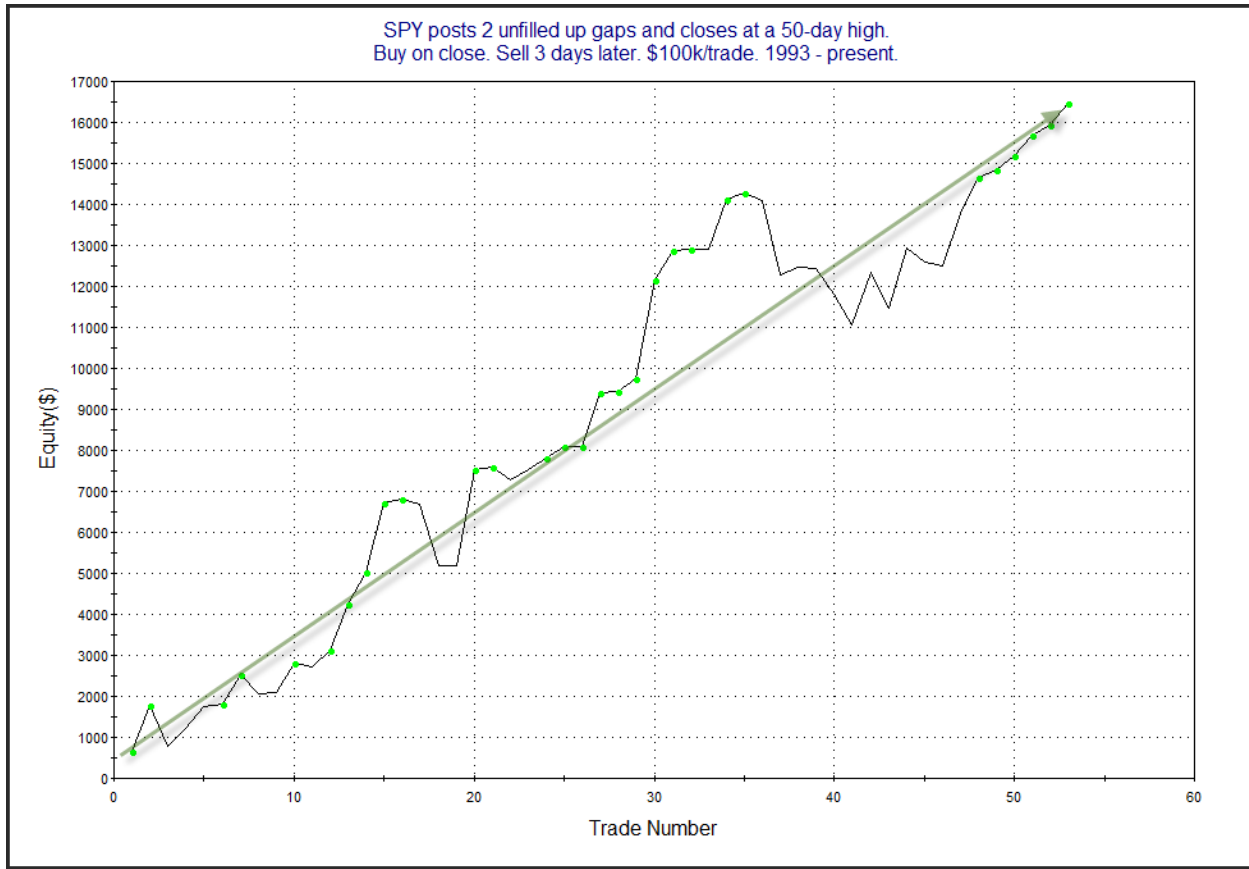
**The Evidence**

The rally continued on Monday. The SPX closed up 1.2%, the NASDAQ gained 1.1%, and the Russell 2000 jumped 2.0%. Breadth was positive as the NYSE Up Issues % was 82% and the Up Volume % came in at 94%. NYSE volume rose for the 5<sup>th</sup> day in a row.

Monday not only saw SPY make a 50-day high, but it was also the 2<sup>nd</sup> day in a row with an unfilled gap up. The study below was last seen in the 11/19/19 letter. It examined other times SPY left at least 2 unfilled up gaps and closed at a 50-day high.

SPY posts 2 unfilled up gaps and closes at a 50-day high. 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	15,041.32	53	37	16	69.81	2,013.72	-4,508.40	883.08	-1,102.04	0.80	1.85	283.80
4	18,443.28	53	37	16	69.81	2,475.56	-2,720.25	895.08	-917.18	0.98	2.26	347.99
3	16,482.87	53	37	16	69.81	2,419.84	-1,801.77	667.94	-514.43	1.30	3.00	311.00
2	11,344.60	54	36	17	66.67	1,858.87	-1,476.68	522.38	-438.89	1.19	2.52	210.09
1	2,798.36	64	35	29	54.69	1,156.32	-1,942.24	334.50	-307.21	1.09	1.31	43.72
<p style="text-align: center;"><b>91% of instances posted a close above the entry price at some point in the next week.</b></p>												

The size of the follow-through isn't terribly large, but it has been very consistent that some follow through was achieved in the next few days. Below is the 3-day profit curve.



We have tracked this study for a long time, and it is back again at new highs. This study seems worth consideration, and I have included on the Active List.

In Sunday's letter I showed a study that looked at 90% Up Volume days when SPX was also closing at a new 50-day high. On Monday, the market again posted a 90%+ Up Volume %. Below is a copy of the study I showed last night. After that I will show what has happened after back to back 90% up days.

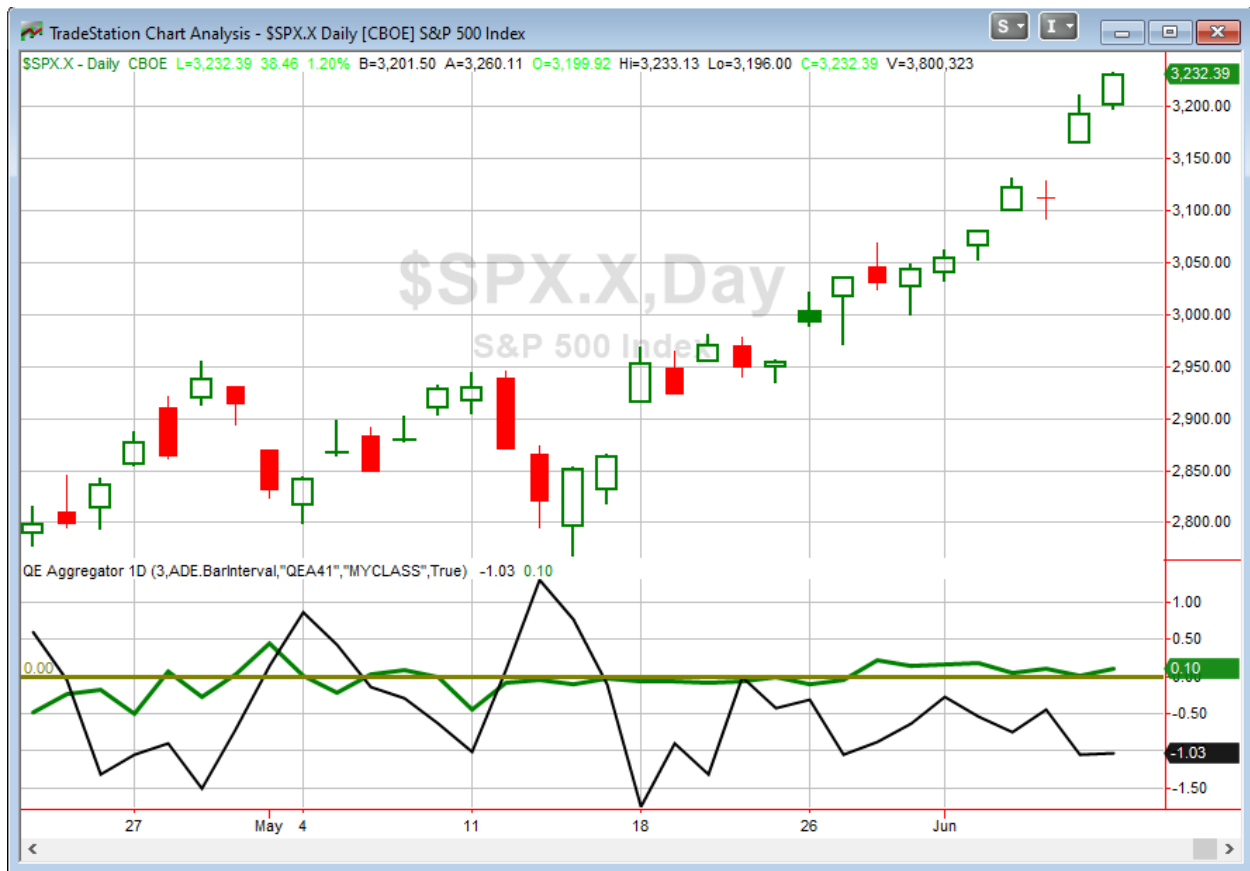
SPX closes at a 50-day high for at least the 2nd time in the last 10 days. NYSE Up Vol > 90% Buy SPX on close. Sell X days later. \$100k/trade.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	37,537.93	12	11	1	91.67	6,985.44	-5,474.10	3,910.18	-5,474.10	0.71	7.86	3,128.16
45	24,388.36	12	9	3	75.00	5,924.06	-5,052.36	3,624.54	-2,744.15	1.32	3.96	2,032.36
40	24,606.62	12	8	4	66.67	7,133.88	-2,937.98	3,891.74	-1,631.82	2.38	4.77	2,050.55
35	29,337.92	12	9	3	75.00	7,564.28	-2,201.85	3,762.84	-1,509.22	2.49	7.48	2,444.83
30	27,585.80	12	10	2	83.33	6,714.66	-5,291.43	3,325.14	-2,832.80	1.17	5.87	2,298.82
25	16,033.28	12	8	4	66.67	5,595.20	-3,024.54	2,796.43	-1,584.55	1.76	3.53	1,336.11
20	21,672.83	12	10	2	83.33	5,541.40	-2,830.95	2,643.85	-2,382.85	1.11	5.55	1,806.07
15	20,162.16	12	11	1	91.67	4,093.74	-6,284.01	2,404.20	-6,284.01	0.38	4.21	1,680.18
10	4,963.62	13	8	5	61.54	4,207.16	-3,453.06	1,720.80	-1,760.55	0.98	1.56	381.82
5	8,409.19	16	13	3	81.25	2,350.02	-1,804.88	893.91	-1,070.53	0.84	3.62	525.57

Now the back to back 90% Up Volume...

NYSE Up Volume % > 90% for the 2nd day in a row. Buy SPX on close. Sell 21 days later. \$100k/trade. 1971 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/29/1971	Buy	\$93.41	9.42%	\$9,416.00
12/29/1971	Sell	\$102.21		(\$963.00)
8/2/1984	Buy	\$157.99	5.50%	\$6,831.92
8/31/1984	Sell	\$166.68		\$0.00
1/5/1987	Buy	\$252.19	9.43%	\$11,388.96
2/3/1987	Sell	\$275.98		(\$23.76)
3/18/2009	Buy	\$794.35	9.47%	\$10,160.00
4/17/2009	Sell	\$869.60		(\$3,518.75)
1/2/2013	Buy	\$1,462.42	3.47%	\$3,535.32
2/1/2013	Sell	\$1,513.17		(\$733.04)
Total Net Profit		\$37,186.17	Profit Factor	n/a
Gross Profit		\$37,186.17	Gross Loss	\$0.00
Total Number of Trades		5	Percent Profitable	100.00%
Winning Trades		5	Losing Trades	0
Even Trades		0		
Avg. Trade Net Profit		\$7,437.23	Ratio Avg. Win:Avg. Loss	n/a
Avg. Winning Trade		\$7,437.23	Avg. Losing Trade	\$0.00
Largest Winning Trade		\$9,420.84	Largest Losing Trade	\$0.00

Only 5 instances using this data source, but they all showed strong gains over the next month. Using my Norgate data, there were more instances that appeared...and not all of them were winners. So it is not a lock that the SPX rally keeps running for the next month. But as I have demonstrated over the last few days, strong breadth is good for the market. And this is just another example of that.

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



With Monday's studies considered, the green Aggregator line held 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3119.81 on Tuesday. That is a whopping 3.5% below Monday's close. It is quite unlikely we will see a decline of that magnitude on Tuesday. A more likely scenario for working off the overbought condition would be a multi-day pullback or consolidation.

The Aggregator is neutral. The market is again too strong to short and too overbought to buy. I will remain patiently awaiting the next short-term setup with favorable reward/risk before putting on my next index trade.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 6/8 - slightly bullish***

The intermediate-term outlook was last updated in the 6/8 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

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Hanna Capital Management, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2020 Quantifiable Edges, LLC.