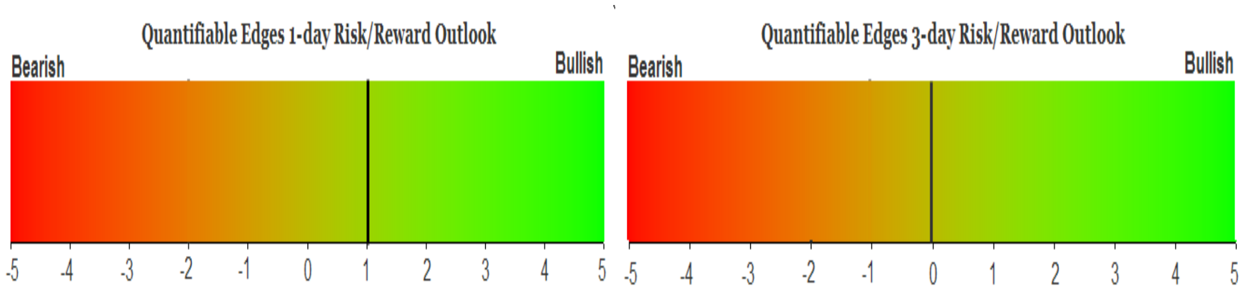
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 10, 2020 Volume 13 Issue 112

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Fed Day are often bullish, and Tuesday's selling created a high probability bullish setup for Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Wednesday could see some Fed Day gains, especially for the banks, but the market remains short-term overbought, making entries tricky.

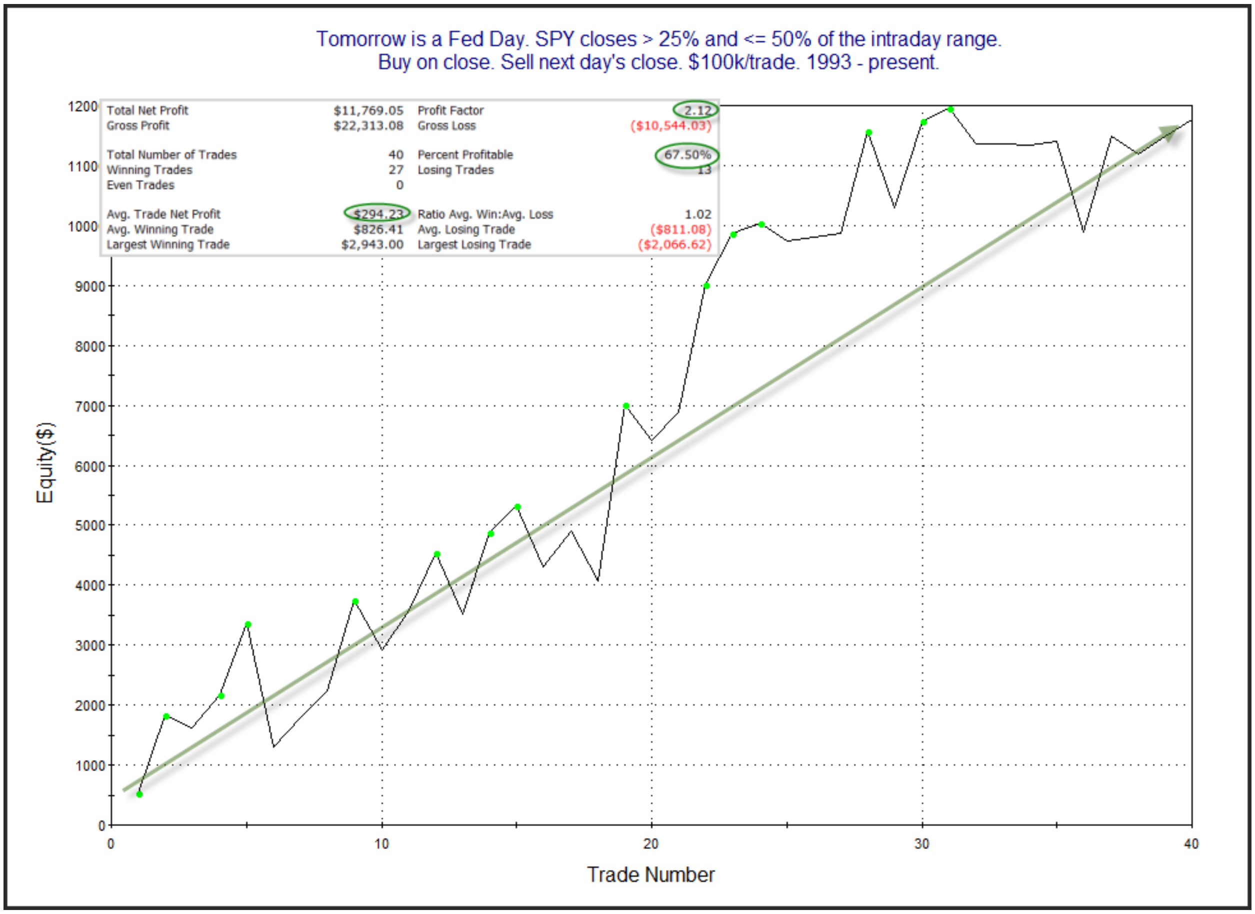
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
June 10, 2020	Fed Day bullish with weak close Tues	1 day	Bullish			
June 9, 2020	2 unfilled gaps up to a 50-day high	1-3 days	Bullish	0.80%	-0.60%	-1.15%
Active - Long Term						
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	3 70% 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

Tuesday saw mixed results. The SPX lost 0.8%, the NASDAQ gained 0.3%, and the Russell 2000 dropped 1.9%. Breadth was negative as the NYSE Up Issues % was 21% and the Up Volume % came in at 10%. NYSE volume declined some from Monday's level.

Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. I have documented this tendency in great detail over the years. One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). One way I have looked at this is by simply examining where the day before the Fed Day closes within its intraday range. In the past I have broke results down by closing quartile. The general rule is that the worse the close the day before, the better the Fed Day performance. On Tuesday, SPY closed in the 36^{th} percentile of its daily range. Below are updated results for the 25%-50% quartile.



The odds here are fairly impressive, and after a bit of a hiccup, the curve is again near a new high.

One sector that has been especially reactive on and around Fed Days is the Banking sector (BKX). The BKX lost about 2.3% on Tuesday, which triggered the study below. It looks at days BKX closed down > 2% on the day before a Fed Day. It was last seen in the 12/13/11 letter.

I have updated the Aggregator chart below.

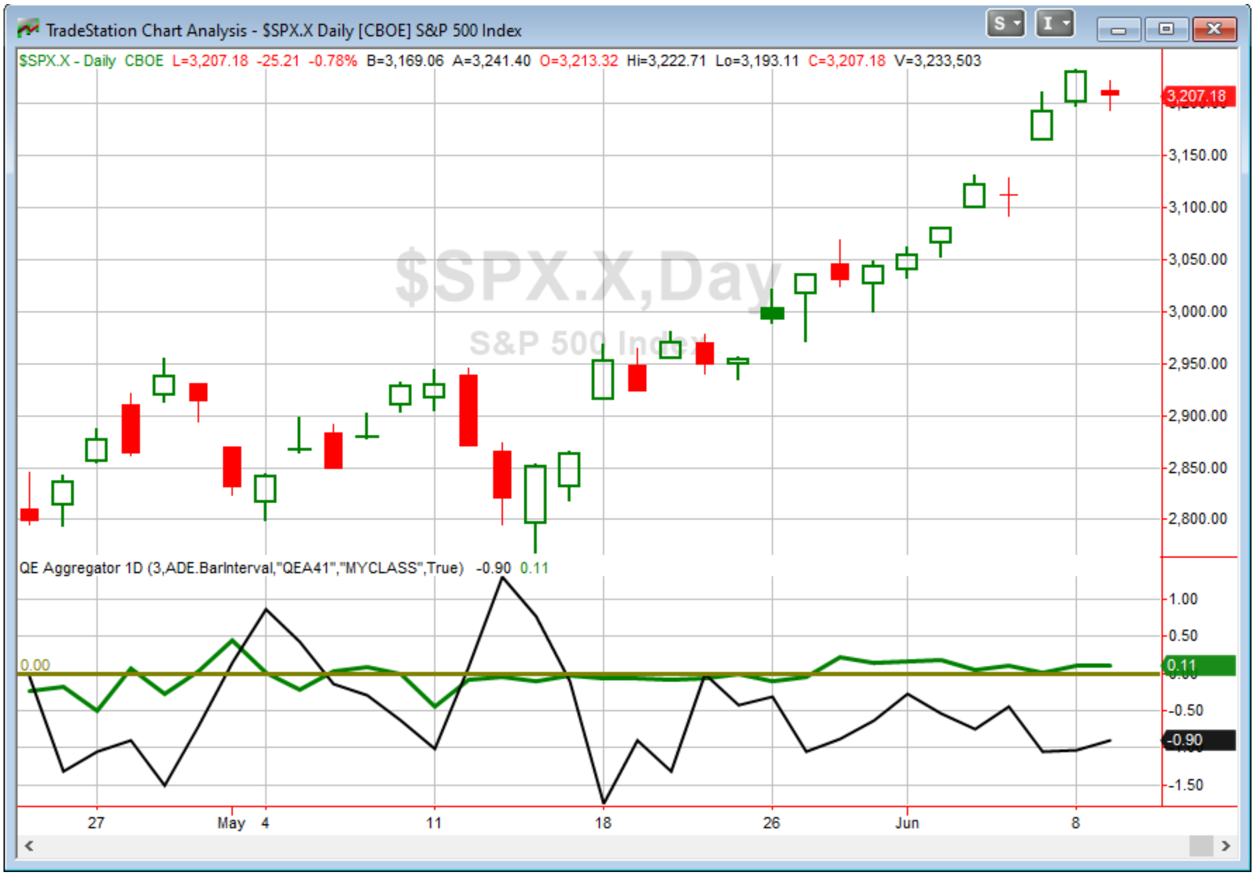
BKX closes down > 2% on the day before a Fed Day.
Buy on close. Sell Fed Day close. $100k/trade. 2000 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/20/2000	Buy	$74.13	4.38%	$4,381.00
3/21/2000	Sell	$77.38		($337.00)
1/29/2002	Buy	$82.36	1.48%	$1,784.58
1/30/2002	Sell	$83.58		($2,185.20)
5/6/2002	Buy	$86.36	-0.01%	$1,585.09
5/7/2002	Sell	$86.35		($11.57)
12/9/2002	Buy	$75.15	1.96%	$1,968.40
12/10/2002	Sell	$76.62		$0.00
9/15/2008	Buy	$65.03	7.27%	$7,562.04
9/16/2008	Sell	$69.76		($2,705.12)
12/15/2008	Buy	$41.43	10.38%	$10,568.94
12/16/2008	Sell	$45.73		$0.00
4/28/2009	Buy	$31.90	5.02%	$5,766.56
4/29/2009	Sell	$33.50		$0.00
8/11/2009	Buy	$43.55	1.86%	$2,456.72
8/12/2009	Sell	$44.36		($459.20)
12/15/2009	Buy	$42.53	-0.42%	$1,081.46
12/16/2009	Sell	$42.35		($846.36)
1/26/2010	Buy	$45.38	2.91%	$3,370.59
1/27/2010	Sell	$46.70		($44.06)
4/27/2010	Buy	$54.42	1.36%	$2,626.91
4/28/2010	Sell	$55.16		$0.00
8/8/2011	Buy	$36.99	7.00%	$7,027.80
8/9/2011	Sell	$39.58		($1,135.26)
11/1/2011	Buy	$38.13	3.28%	$4,116.54
11/2/2011	Sell	$39.38		($183.54)
12/12/2011	Buy	$38.17	-1.55%	$1,309.50
12/13/2011	Sell	$37.58		($2,723.76)
6/14/2016	Buy	$65.90	0.20%	$1,881.08
6/15/2016	Sell	$66.03		$0.00

Total Net Profit	$45,100.11	Profit Factor	23.78
Gross Profit	$47,080.07	Gross Loss	($1,979.96)
Total Number of Trades	15	Percent Profitable	80.00%
Winning Trades	12	Losing Trades	3
Even Trades	0		
Avg. Trade Net Profit	$3,006.67	Ratio Avg. Win:Avg. Loss	5.94
Avg. Winning Trade	$3,923.34	Avg. Losing Trade	($659.99)
Largest Winning Trade	$10,375.90	Largest Losing Trade	($1,545.21)

Numbers here are exceptionally strong, with the average Fed Day under these circumstances seeing a 3% gain in BKX.

I have updated the Aggregator chart below.



With Tuesday's evidence 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 Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3198.83 on Wednesday. That is 0.3% below Tuesday's close. Therefore, SPX would only need to close down about 0.3% in order to flip from overbought to oversold vs recent expectations.

The Aggregator is again neutral. The weak action on Tuesday as we head into a Fed Day suggests we could see some upside on Wednesday – especially in the banking sector. But Fed Day action after the Fed release is often much less reliable. And moves around announcement can be sharp. So traders may need the ability to jump in and out intraday. This is not a great swing-term setup, and I'll continue to wait for a more favorable opportunity before posting it in the letter.

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