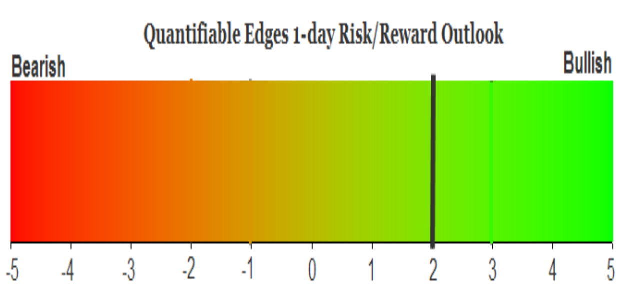
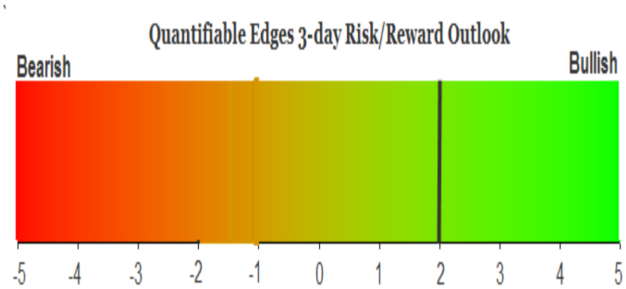
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 11, 2020 Volume 13 Issue 113

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The continued selling on the Fed Day suggest a bounce in the next few.
- NDX outperformed RUT to an extreme degree.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I am still a little cautious with the pullback still so mild.

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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 11, 2020	Fed Day. Down 2+ > 200ma.	1-6 days	Bullish	1.90%	-1.10%	-2.30%
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

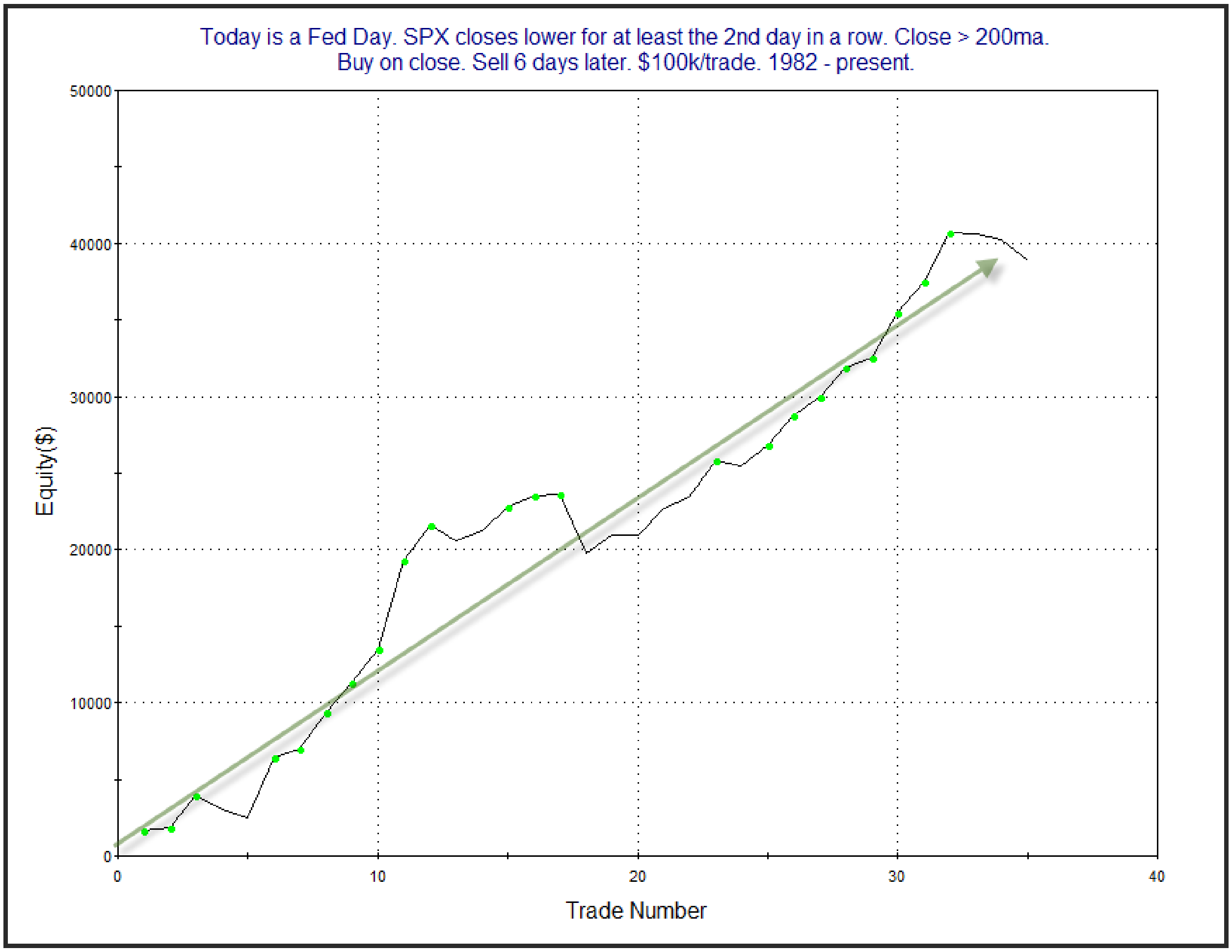
Wednesday was back and forth – both before and after the Fed announcement. In the end, results were mixed. The SPX lost 0.5%, the NASDAQ gained 0.7%, and the Russell 2000 dropped 2.6%. Breadth was negative as the NYSE Up Issues % was 27% and the Up Volume % came in at 13%. NYSE volume declined some from Tuesday's level.

It has not been typical that a Fed Day would continue a string of down days. I looked at this in a study in the 9/28/18 letter. Tonight I also added a long-term trend filter to the study.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row. Close > 200ma.
Buy on close. Sell X days later. $100k/trade. 1982 - 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	40,603.72	35	24	11	68.57	9,012.33	-4,612.74	2,641.56	-2,072.16	1.27	2.78	1,160.11
9	42,766.48	35	27	8	77.14	8,967.96	-5,671.36	2,171.19	-1,981.96	1.10	3.70	1,221.90
8	33,793.57	35	27	8	77.14	8,456.40	-6,514.96	1,969.82	-2,423.94	0.81	2.74	965.53
7	38,132.54	35	29	6	82.86	6,190.92	-6,306.28	1,738.88	-2,049.14	0.85	4.10	1,089.50
6	38,904.44	35	27	8	77.14	5,770.71	-3,879.08	1,760.44	-1,078.43	1.63	5.51	1,111.56
5	28,314.14	35	26	9	74.29	4,332.60	-3,956.04	1,511.59	-1,220.79	1.24	3.58	808.98
4	19,559.94	35	24	11	68.57	3,677.49	-3,254.13	1,310.44	-1,080.96	1.21	2.64	558.86
3	9,428.66	35	24	11	68.57	2,707.77	-4,476.12	965.74	-1,249.93	0.77	1.69	269.39
2	5,186.45	35	21	14	60.00	1,825.85	-2,942.24	720.95	-710.96	1.01	1.52	148.18
1	2,527.74	35	23	12	65.71	1,722.50	-2,214.08	526.79	-799.04	0.66	1.26	72.22

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.



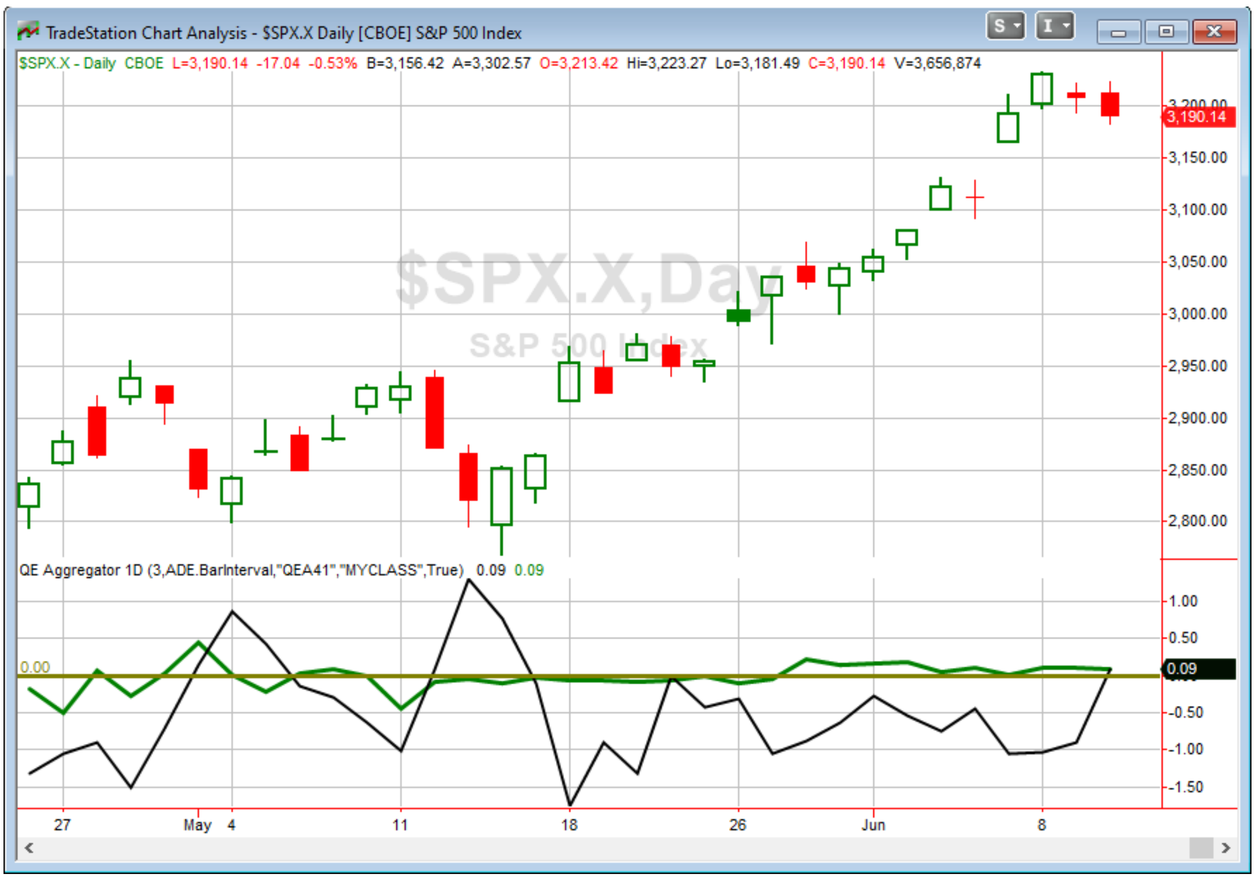
The last couple of instances have stumbled, but the long-term slope is still impressive, and supportive of the numbers. I have included this study on the Active List tonight.

Also notable, but not necessarily predictive was the very strong outperformance of the NDX vs the Russell 2000 (3.91%). Closing in opposite directions, and by such a wide margin, is quite rare. This can be seen in the study below.

NDX closes up. RUT closes down. NDX outperforms RUT by at least 3.5%. RUT forward performance shown. 1988 - present.										
Ticker	Date/Time	NDX-RUT % Diff	Next Day % Chg	2-Day % Chg	3-Day % Chg	4-Day % Chg	5-Day % Chg	10-Day % Chg	21-Day % Chg
$RUT	1/3/2000	3.75	-3.76	-3.66	-4.37	-1.76	0.97	3.3	2.58
$RUT	1/31/2000	5.26	1.52	2.75	5.12	5.9	7.29	8.81	18.56
$RUT	8/3/2000	3.97	0.84	2.09	1.86	1.61	0.44	3.41	8.5
$RUT	3/22/2001	6.71	2.42	3.37	4.64	2.17	2.02	2.76	6.53
$RUT	4/11/2001	3.67	1.28	0.37	1.41	3.84	5.15	6.3	8.48
$RUT	7/3/2002	4.1	2.67	0.96	-0.05	-2.26	-2.98	-7.63	-12.35
$RUT	7/11/2002	4.8	-0.83	-1.83	-2.26	-1.68	-4.79	-9.26	-6.78
$RUT	4/13/2020	3.93	2.09	-2.32	-2.8	1.41	0.11	5.76	5.24
$RUT	4/30/2020	3.88	-3.83	-3.56	-2.83	-3.64	-2.12	-5.58	7.23
		Average	*0.27*	*-0.20*	*0.08*	*0.62*	*0.68*	*0.87*	*4.22*
		Median	*1.28*	*0.37*	*-0.05*	*1.41*	*0.44*	*3.3*	*6.53*
		Win %	*66.7%*	*55.6%*	*44.4%*	*55.6%*	*66.7%*	*66.7%*	*77.8%*

I don’t see a strong edge here. I just found it interesting how unusual the action was.

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 rose above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3239.03 on Thursday. That is 1.5% above Wednesday's close. Therefore, SPX will need to close up at least 1.5% in order to flip from overbought to oversold vs recent expectations on Thursday.

So the Aggregator is bullish. There is also decent room to the upside before SPX will flip to overbought. But the evidence is somewhat light still, and so is the pullback. I have discussed and shown over the years that pullbacks above the 10ma are generally not as favorable as a pullback that takes the SPX below its 10ma for a possible entry. And this pullback is still showing SPX well above the 10ma…and the NASDAQ at short-term highs. So I am not going to rush right into this signal. But if SPX closes down a good amount on Thursday, I will look to enter it near the close.

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*.

SPY – Buy ¼ index position @ $313.70 LIMIT ON CLOSE. This would take SPY down near its 10ma. It will also mean the 1st 3-day pullback since March 9th. With the short-term outlook leaning bullish, I'll look to start building an index position if there is a decline of this magnitude.

Current Open Trade Ideas

None