

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 25, 2020

Volume 13 Issue 123

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Strong selloffs from a 5-day high to a 5-day low above the 200ma are often followed by some more selling.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I. Wednesday's selloff was strong, but it appears early for a bounce.

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 25, 2020	2% drop from 5-high to 5-low > 200	1-2 days	Bearish			
June 24, 2020	RUT outperforms SPX late Jun	thru 6/30				
June 23, 2020	NASDAQ up 15 of 17. Bullish for NAS	1-6 days	SPX neutr			
Active - Long Term						
June 15, 2020	Anti-Zweig Breadth Collapse	1-21 days	Bearish			
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			
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)						
June 22, 2020	June post-opex week weak	1-5 days	Bearish	-1.80%	1.00%	1.70%
June 17, 2020	Up 2% + in 3 days. 3/10 HV < 0.25	1-6 days	Bullish			

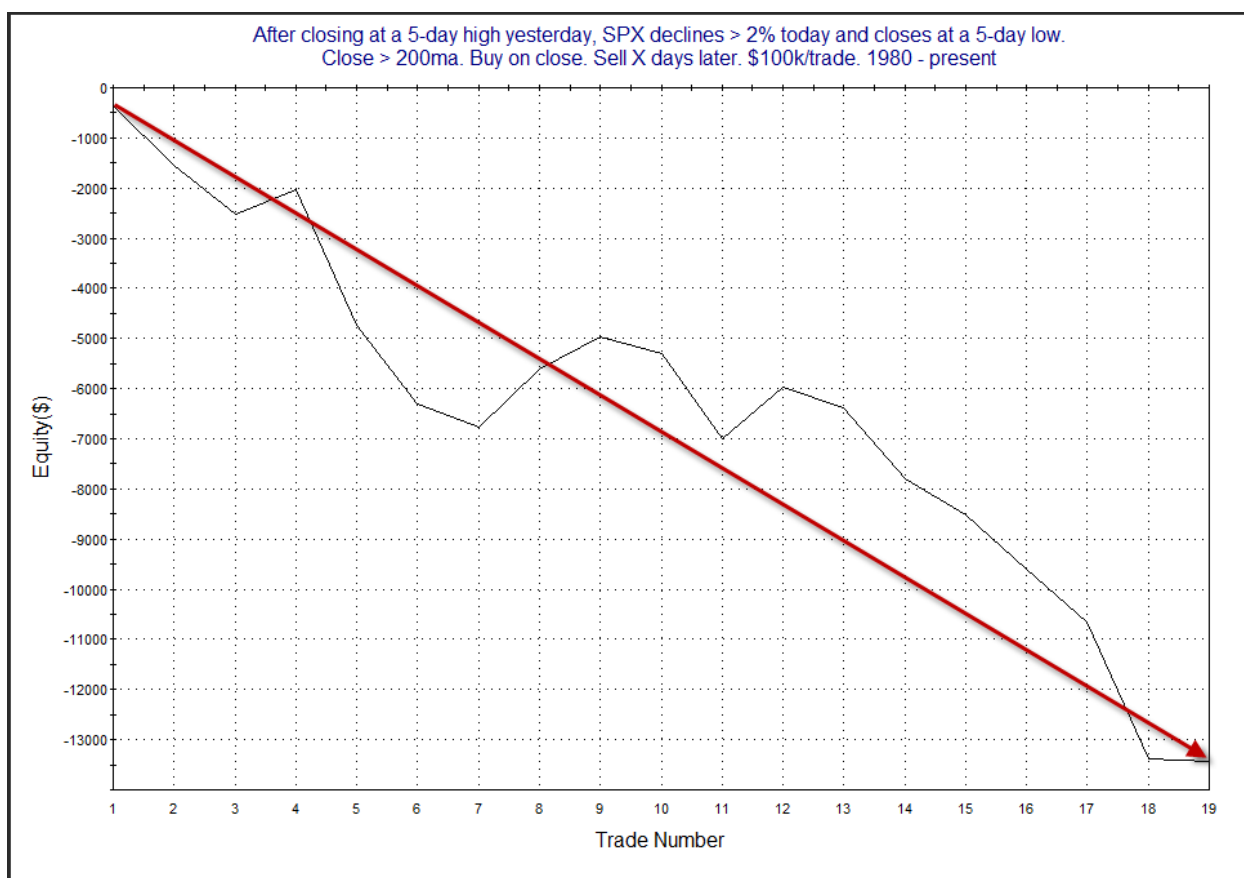
The Evidence

Wednesday was a tough day for the indices. The SPX lost 2.6%, the NASDAQ fell 2.2%, and the Russell 2000 tumbled 3.4%. Breadth was negative as the NYSE Up Issues % was 12% and the Up Volume % came in at 11%. NYSE total volume rose some from Tuesday's level.

I guess I should have taken the Aggregator short signal last night more seriously. (Of course the big gap down would have left me without a fill anyway.) Wednesday's strong selling triggered a few studies in the Quantifinder. And someone could make the selloff appear bullish or bearish depending on how they want to slice it. I have found the most important factors in determining whether a strong selloff is likely to continue or whether it is likely to reverse is the relative position of the market when the selloff began and when it ended. The study below is a conglomeration of a few that appeared in the Quantifinder. It features the all-important market position in its filtering.

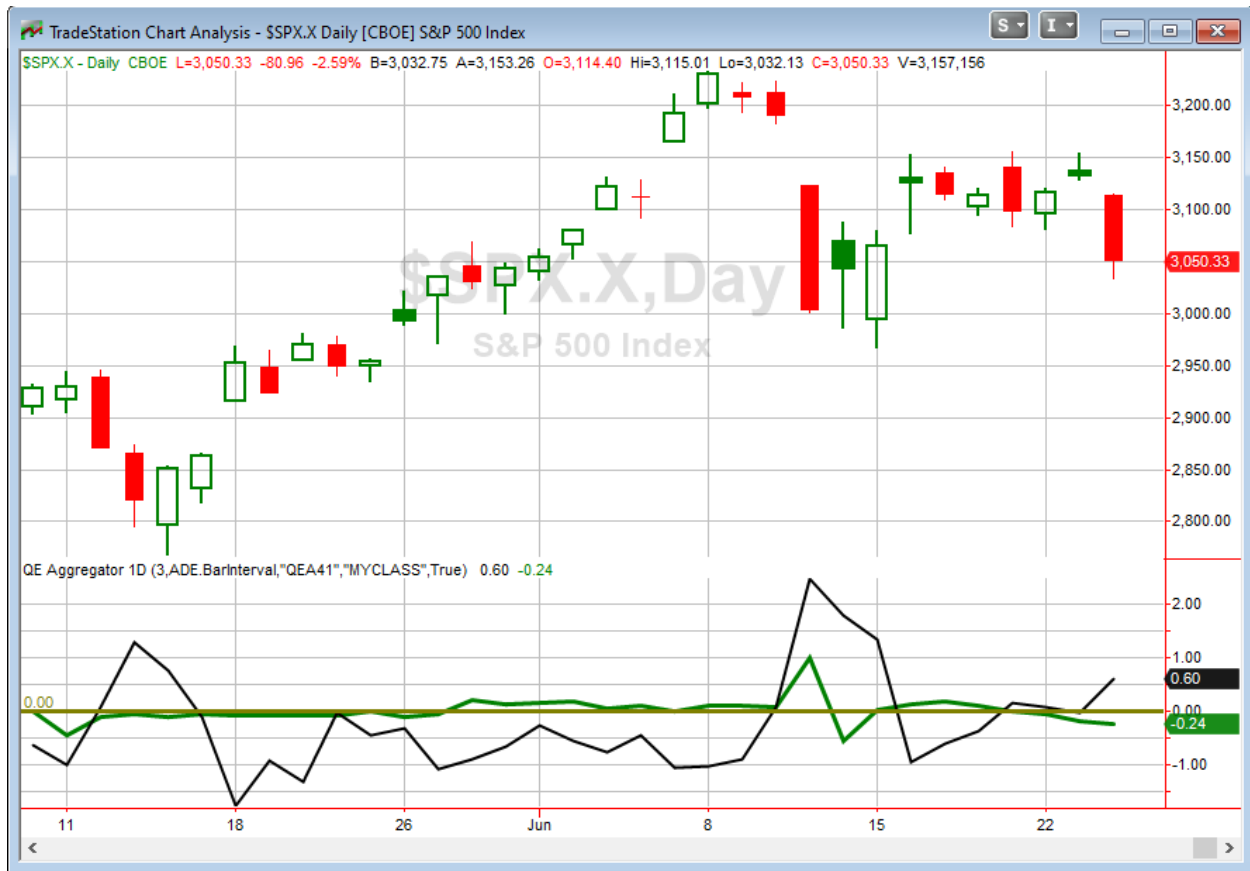
After closing at a 5-day high yesterday, SPX declines > 2% today and closes at a 5-day low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-32,992.93	19	9	10	47.37	4,893.14	-25,784.94	2,154.56	-5,238.40	0.41	0.37	-1,736.47
9	-36,129.32	19	7	12	36.84	4,537.40	-29,540.94	2,529.66	-4,486.41	0.56	0.33	-1,901.54
8	-17,254.59	19	8	11	42.11	4,327.90	-11,430.76	1,945.60	-2,983.58	0.65	0.47	-908.14
7	-20,420.33	19	8	11	42.11	4,074.48	-6,613.69	1,954.39	-3,277.77	0.60	0.43	-1,074.75
6	-15,935.61	19	7	12	36.84	4,110.48	-4,899.44	1,788.22	-2,371.09	0.75	0.44	-838.72
5	-16,166.35	19	6	13	31.58	3,216.85	-4,804.80	1,847.27	-2,096.15	0.88	0.41	-850.86
4	-11,061.03	19	7	12	36.84	3,016.44	-3,351.72	1,459.28	-1,773.00	0.82	0.48	-582.16
3	-12,705.55	19	7	12	36.84	1,640.03	-3,199.34	727.10	-1,482.93	0.49	0.29	-668.71
2	-13,429.94	19	4	15	21.05	1,171.81	-2,726.97	834.50	-1,117.86	0.75	0.20	-706.84
1	-6,082.44	19	6	13	31.58	2,002.36	-1,801.24	701.22	-791.52	0.89	0.41	-320.13

Numbers here appear quite bearish. Below is a look at the 2-day profit curve.



That is a steady move from upper right to lower left. I have included this study on the Active List tonight.

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



With tonight's evidence factored in, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line climbed above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 negative on Thursday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3118.31 on Wednesday. That is 2.2% above Tuesday's close. Therefore, SPX would need to close up at least 2.2% on Thursday in order to flip from oversold to overbought vs recent expectations.

So while Wednesday's selloff was sharp, it very well could have a bit further to go. I'll wait another day. If we do get more selling, then the evidence could begin to swing to the bullish side, and a longside edge may begin to emerge. But for now, like the Aggregator, I am neutral..

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/22 – neutral

The intermediate-term outlook was last updated in the 6/22 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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