

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 26, 2020

Volume 13 Issue 124

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The strong move up on very light volume suggests a pullback in the next few days.

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
Active - Short Term						
June 26, 2020	1% gain on lowest volume in 10 days	1-3 days	Bearish			
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			

The Evidence

Thursday started weak but finished strong. The SPX closed up 1.1%, the NASDAQ rose 1.1%, and the Russell 2000 rallied 1.7%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 77%. NYSE total volume came in at the lightest level in over a month.

The low volume triggered some studies from the 3/31/20 letter that are worth reviewing. The 1st one below looked at other times SPX saw a strong rise on the weakest volume in 20 days. Results are updated.

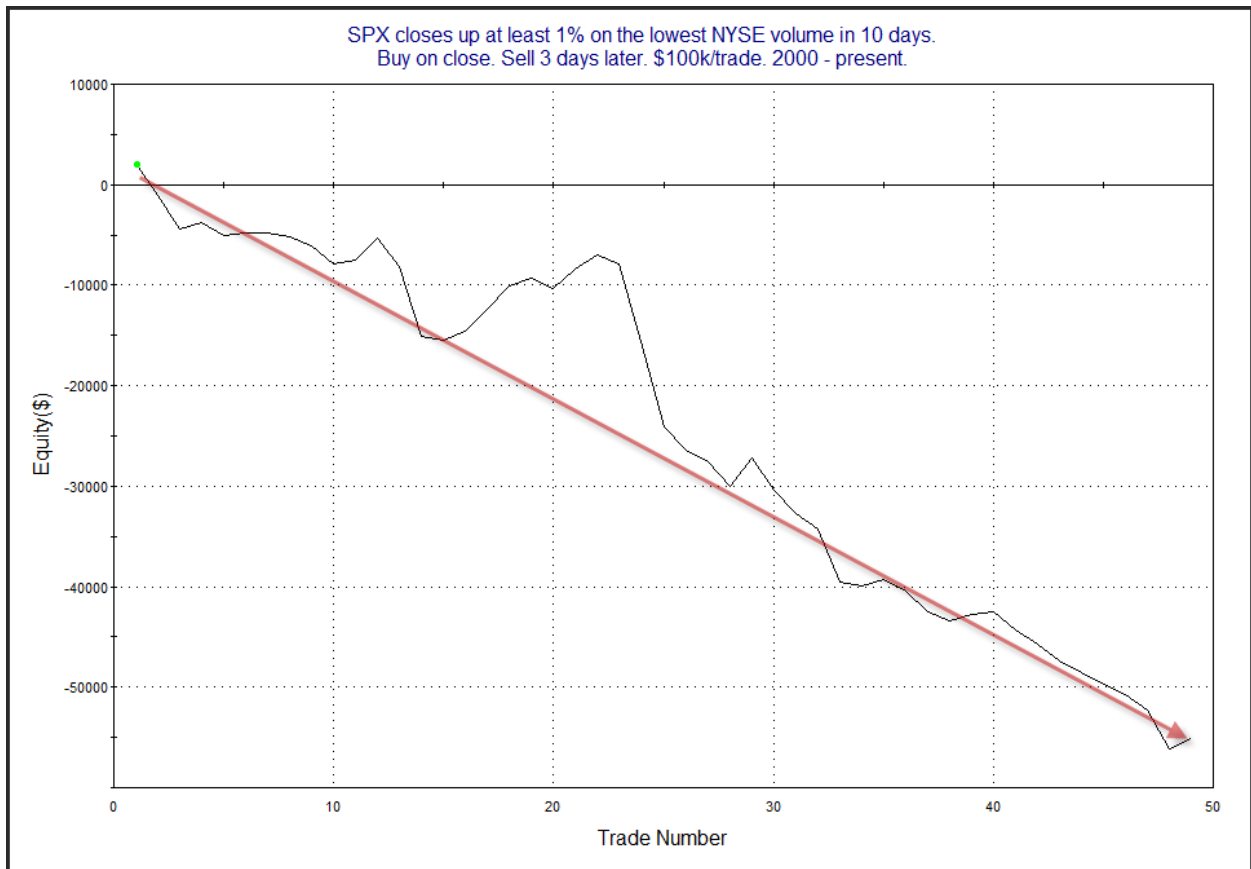
SPX closes up at least 1% on the lowest NYSE volume in 20 days. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-31,277.16	28	12	16	42.86	2,927.68	-10,421.45	1,493.64	-3,075.05	0.49	0.36	-1,117.04
4	-28,243.36	29	11	18	37.93	2,978.79	-6,227.66	1,238.83	-2,326.14	0.53	0.33	-973.91
3	-27,148.10	29	11	17	37.93	2,201.31	-8,419.83	1,097.21	-2,306.91	0.48	0.31	-936.14
2	-25,295.10	29	7	22	24.14	1,688.95	-5,933.70	854.50	-1,421.66	0.60	0.19	-872.24
1	-14,877.49	29	9	20	31.03	2,112.96	-2,311.50	694.71	-1,056.49	0.66	0.30	-513.02

Numbers here are encouraging for the bears.

But in that 3/31/20 letter I noted that there had not been a lot of recent instances. So I also loosened the volume requirement to a 10-day low. Here are updated numbers for that study.

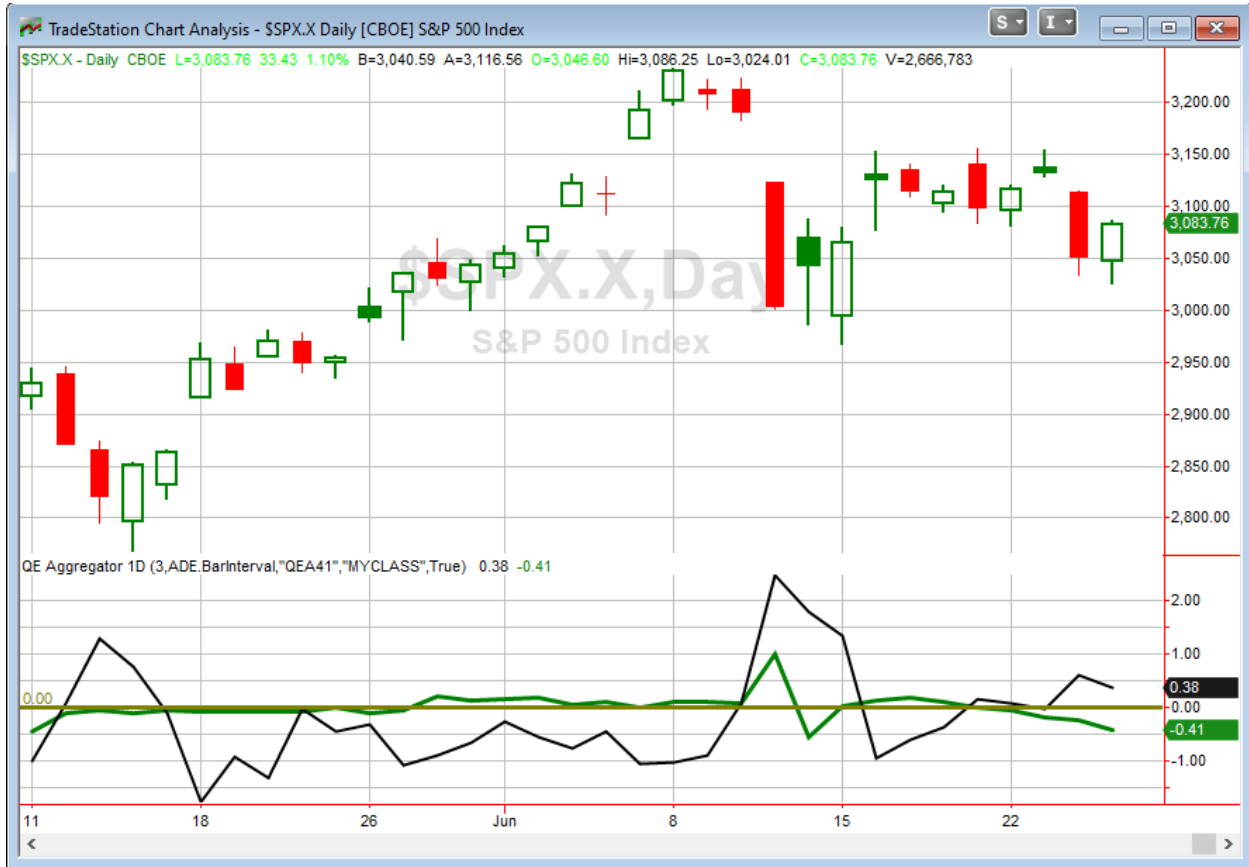
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5	-58,187.74	48	18	30	37.50	3,612.16	-13,784.48	1,667.48	-2,940.08	0.57	0.34	-1,212.24
4	-49,657.92	49	18	31	36.73	5,734.40	-10,971.63	1,577.57	-2,517.88	0.63	0.36	-1,013.43
3	-55,110.10	49	16	32	32.65	2,718.52	-8,419.83	1,290.69	-2,367.54	0.55	0.27	-1,124.70
2	-37,333.10	49	16	33	32.65	2,341.58	-8,950.62	829.25	-1,533.37	0.54	0.26	-761.90
1	-9,494.25	49	19	30	38.78	3,348.84	-3,065.35	1,009.48	-955.81	1.06	0.67	-193.76

The stats here are just as bearish. Now let's look at the 3-day profit curve.



The strong, steady downslope serves as some confirmation. And recent performance has been quite impressive as well. After 8 instances in a row where SPX closed down at least 1%, the last instance saw it buck the trend. But even that one (April 14th) saw a 3% drawdown before turning around and closing positive.

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 Friday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will

be 3122.73 on Thursday. That is 1.3% above Thursday's close. Therefore, SPX would need to close up at least 1.3% on Friday in order to flip from oversold to overbought vs recent expectations.

Evidence is pointing lower, but the already oversold market has the Aggregator neutral. In a volatile market like this one, the cost of being wrong can be steep. So I will wait for odds to line up better before looking to take on a new index position.

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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