

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 30, 2020

Volume 13 Issue 126

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Strong moves up through the 200ma have often been punished the next day in recent years.
- A 2%+ drop to a 10-day low followed by a 1%+ (but weaker) rally has often led to upside follow through over the next several days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is mixed. I am also neutral.

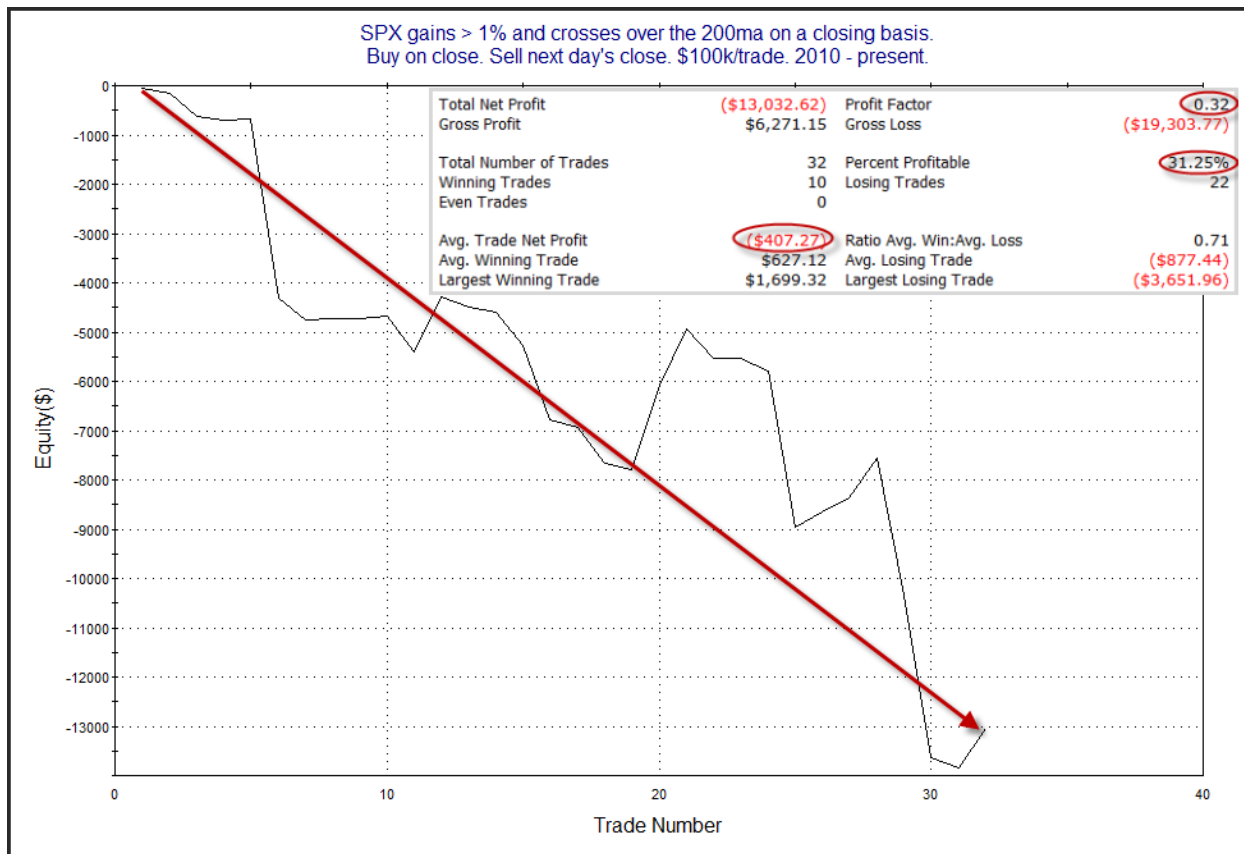
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
June 30, 2020	1% rally through 200ma	1 day	Bearish			
June 30, 2020	2% dn to 10-low. 1% up < 2 ago. > 200	1-3 days	Bullish	2.40%	-1.20%	-2.50%
June 29, 2020	2x 1.75% drop in 3 days. No 10-low	1-2 days	Bullish	3.10%	-2.10%	-4.60%
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	3 7 0% 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

Monday saw a nice rebound and rally, closing near the highs of the day. The SPX finished up 1.5%, the NASDAQ gained 1.2%, and the Russell 2000 rallied 3.1%. Breadth was positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 85%. NYSE total volume declined a lot from Friday's high level.

There was one Quantifinder study that was somewhat compelling. It was last seen recently in the 6/15/20 letter. It looked at strong moves up through the well-watched 200ma, which SPX had just crossed below on Thursday. I have updated it below.



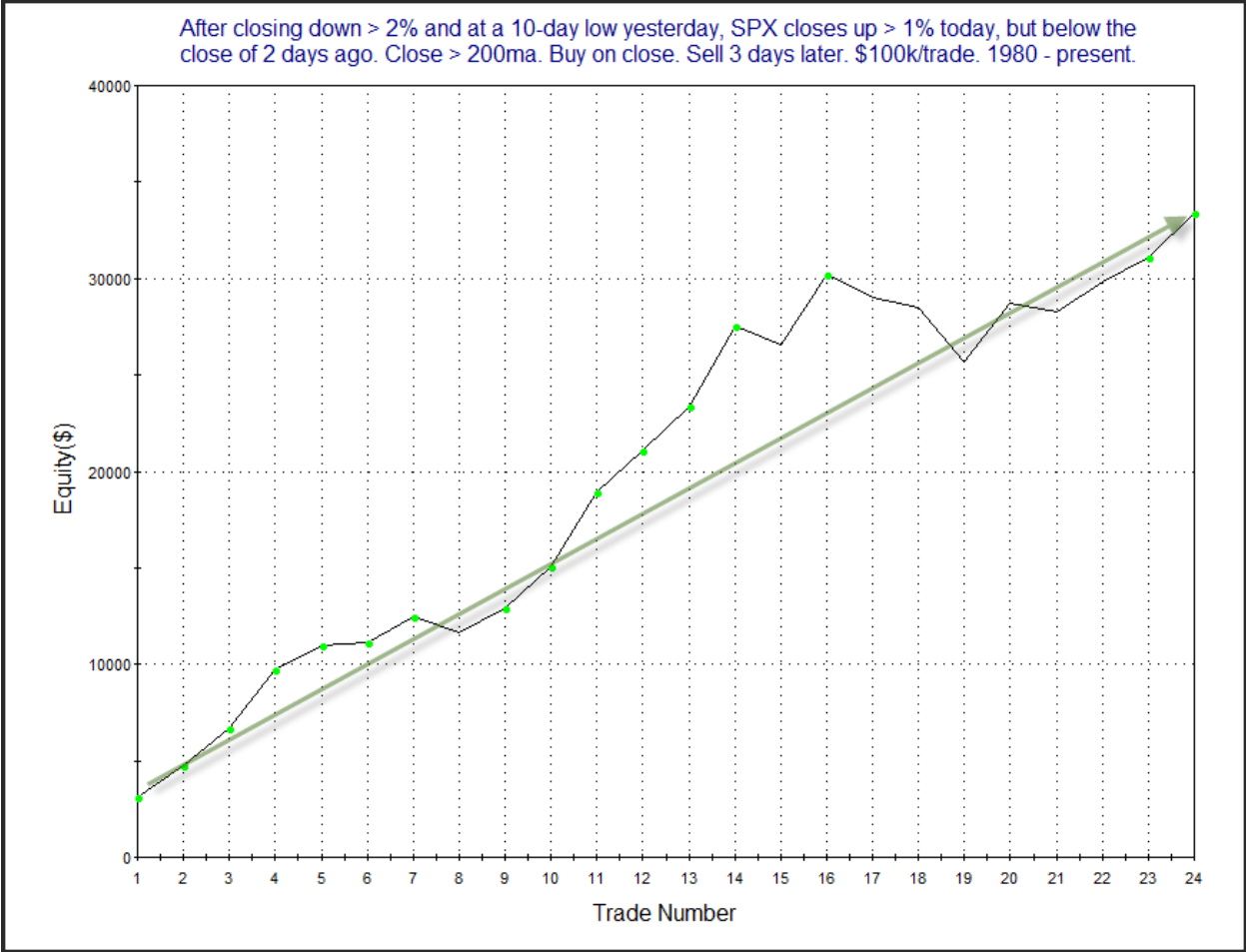
The move from upper left to lower right is impressive and so are the stats. This would suggest a bearish tendency for the day after such a strong move through the 200ma.

Monday's rebound does appear to have some positive implications though. I looked at other times a strong decline was followed by a sizable rebound that failed to completely make up for the previous day's loss. Results of the study I constructed can be seen below.

After closing down > 2% and at a 10-day low yesterday, SPX closes up > 1% today, but below the close of 2 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.

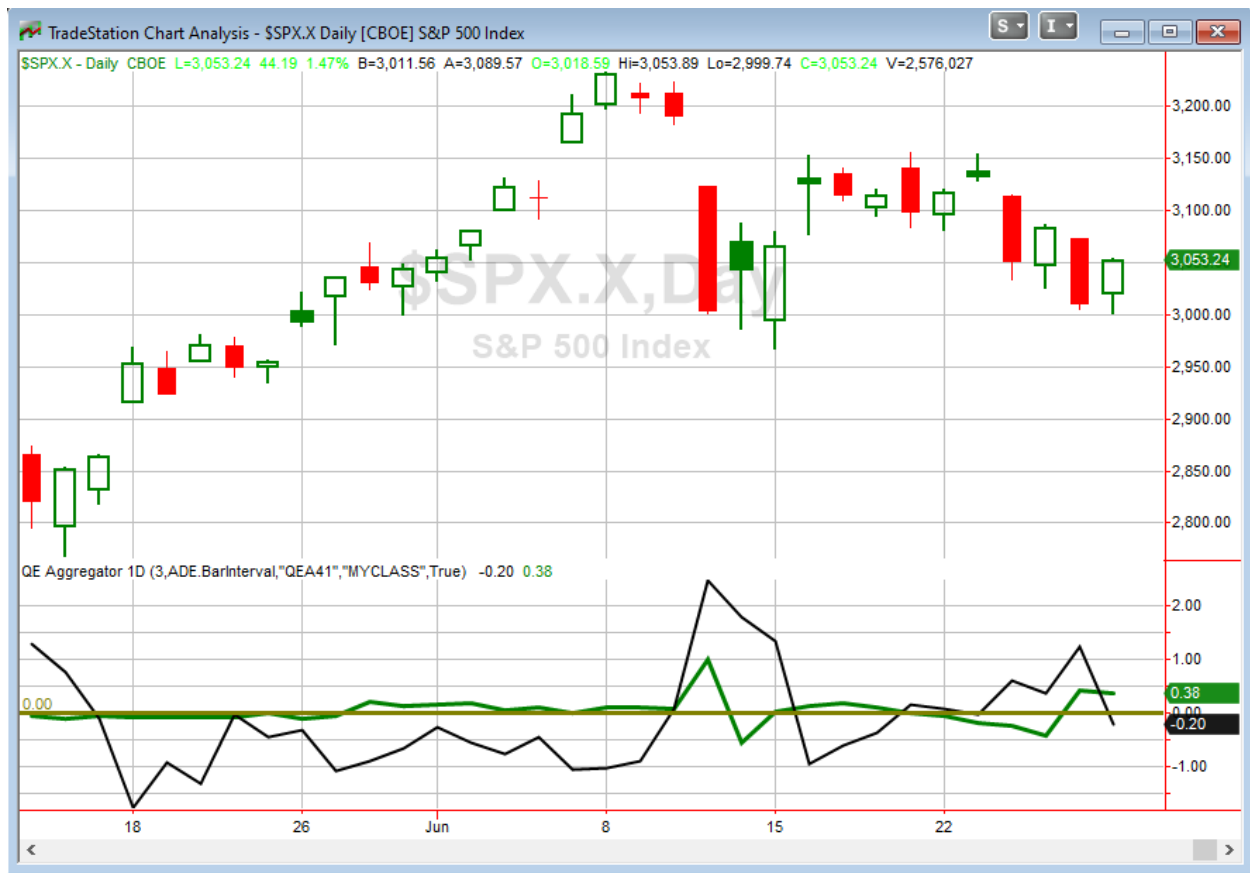
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	39,571.02	23	20	3	86.96	5,396.71	-1,191.40	2,134.09	-1,036.91	2.06	13.72	1,720.48
4	32,480.72	23	18	5	78.26	4,997.19	-1,448.18	2,033.71	-825.23	2.46	8.87	1,412.21
3	33,386.55	24	18	6	75.00	4,134.33	-2,796.83	2,227.50	-1,118.08	1.99	5.98	1,391.11
2	24,866.83	24	18	6	75.00	4,001.40	-4,223.18	1,956.14	-1,723.94	1.13	3.40	1,036.12
1	11,519.25	24	15	9	62.50	2,842.84	-1,472.92	1,131.00	-605.08	1.87	3.12	479.97

There appears to be a strong tendency for a further bounce over the next few days. Below is a look at a 3-day profit curve.



A strong move from lower left to upper right serves as some confirmation of the bullish numbers. I have included this study on the active list as well.

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



With tonight's mix of studies factored in, 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 dropped below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is 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 positive on Tuesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted at 3056.77* on Tuesday. That is 0.1% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up a little over 3 points in order to remain "overbought" vs recent expectations. Anything less than that and it will be considered "oversold" as of Tuesday's close.

The Aggregator is neutral, the Differential Pivot is inverted, and evidence is mixed and light. I don't view this as a compelling setup to take on new index exposure. Unfortunately, my long entry for Monday morning did not fill, so I am flat, and I will stay that way another day.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/29 – neutral

The intermediate-term outlook was last updated in the 6/29 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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