

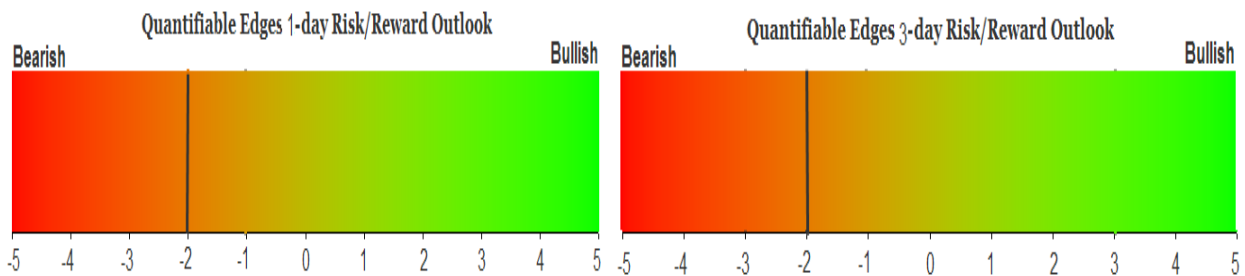
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 7, 2020

Volume 13 Issue 130

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- Up 5 days in a row < a 50-day high is a setup that often sees continued momentum over the next few weeks.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish. I am still a bit wary.

**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
<b>Active - Short Term</b>						
July 6, 2020	Up 4 > 200ma but < 10-high	1-4 days	Bullish	1.80%	-0.70%	-1.45%
July 2, 2020	NDX up > 1%. SOX dn.	1-6 days	Bearish	-3.15%	1.80%	3.90%
<b>Active - Long Term</b>						
July 7, 2020	5 up < 50-high. > 3% gain.	1-15 days	Bullish	3.20%	-1.80%	-3.10%
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			
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**

Monday saw more gains for the indices. The SPX rose 1.6%, the NASDAQ gained 2.2%, and the Russell 2000 climbed 0.8%. Breadth was positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 78%. NYSE total volume rose some from Thursday's light level.

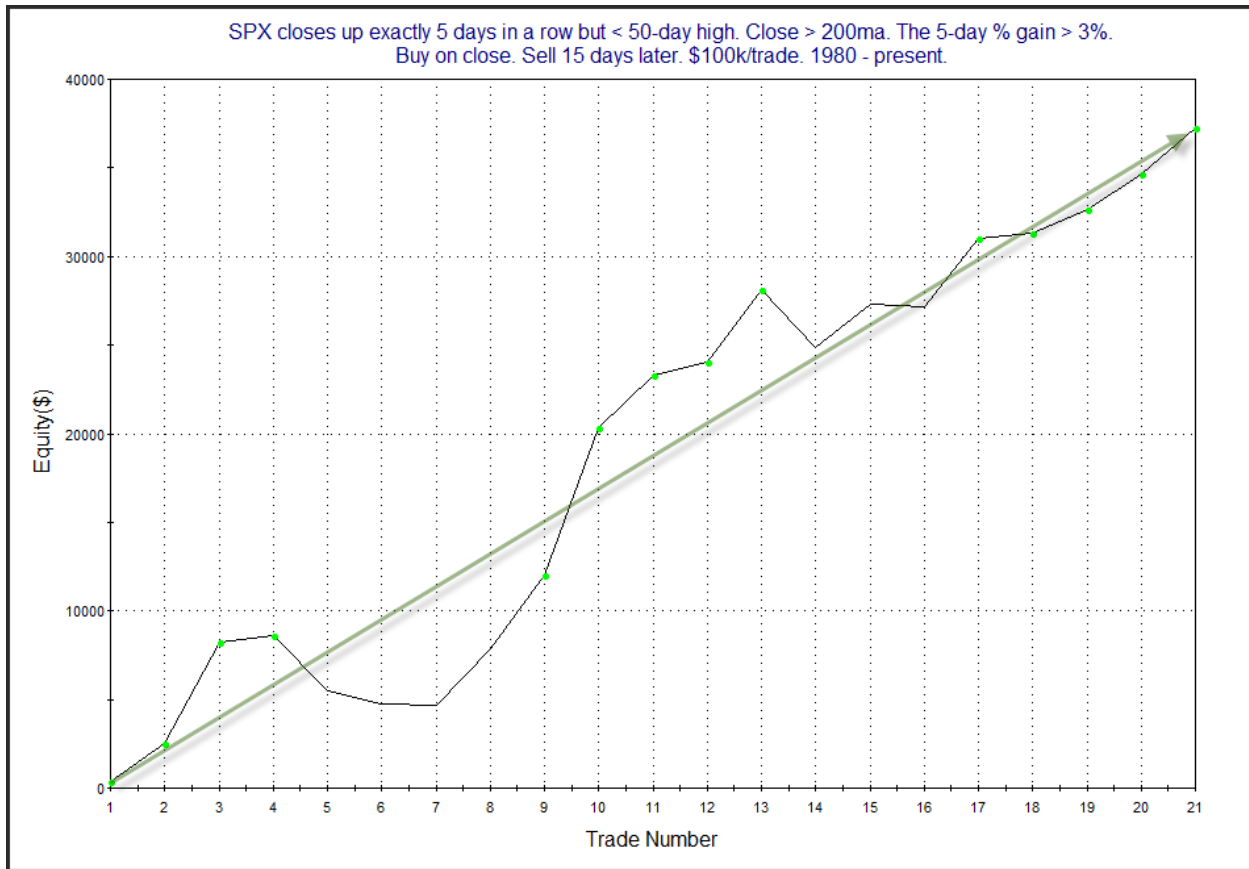
There were a few studies that examined the strong move we have seen over the last several days. While many measures (including our own Differential tool) will consider the market short-term overbought at this point, that does NOT mean it is primed for an immediate pullback. The study below recognized the move higher over the last few days and suggested the momentum is likely to continue. It was from the 6/11/19 letter, and it looked at 5 up days that closed above the 200ma, but failed to close at a 50-day high. I have updated the results below.

SPX closes up exactly 5 days in a row but < 50-day high. 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
15	76,755.01	50	35	15	70.00	8,288.00	-3,766.10	2,737.48	-1,270.46	2.15	5.03	1,535.10
14	68,203.46	50	35	15	70.00	8,272.60	-4,738.50	2,516.40	-1,324.70	1.90	4.43	1,364.07
13	70,613.46	50	37	13	74.00	6,401.50	-3,773.44	2,467.03	-1,589.75	1.55	4.42	1,412.27
12	63,220.86	51	37	14	72.55	5,925.50	-2,944.80	2,226.62	-1,368.86	1.63	4.30	1,239.62
11	48,475.50	52	34	18	65.38	3,952.96	-4,894.24	2,081.20	-1,238.08	1.68	3.18	932.22
10	52,426.73	52	38	14	73.08	4,691.28	-4,684.28	1,874.65	-1,343.57	1.40	3.79	1,008.21
9	47,539.46	52	36	16	69.23	4,722.08	-4,910.55	1,946.61	-1,408.65	1.38	3.11	914.22
8	44,482.91	52	38	14	73.08	3,781.36	-3,376.64	1,678.45	-1,378.45	1.22	3.31	855.44
7	40,656.61	52	37	15	71.15	4,385.01	-3,500.70	1,688.61	-1,454.80	1.16	2.86	781.86
6	31,631.48	52	38	14	73.08	3,770.55	-3,366.60	1,435.13	-1,635.96	0.88	2.38	608.30
5	21,803.56	52	34	18	65.38	3,044.37	-3,496.92	1,310.97	-1,264.98	1.04	1.96	419.30
4	12,622.39	52	30	22	57.69	3,138.08	-3,330.40	1,173.77	-1,026.85	1.14	1.56	242.74
3	11,083.82	52	32	20	61.54	2,742.08	-3,359.36	994.50	-1,037.00	0.96	1.53	213.15
2	3,554.74	52	27	25	51.92	2,205.03	-3,748.50	857.28	-783.67	1.09	1.18	68.36
1	3,937.25	52	30	22	57.69	2,211.54	-2,200.96	618.28	-664.15	0.93	1.27	75.72

Though the 1<sup>st</sup> 4 days don't show much of an edge, these results appear to suggest a pretty consistent upside tendency over the 1-3 week period. One thing that stands out about the current rally is that it has been quite powerful compared to most. Many of the 5-day moves in the study above occurred in low-volatility markets. So I decided to filter further to see how results appeared when the move was fairly strong. The current move has gained about 5.6%. To get a decent sampling I used a 3% threshold.

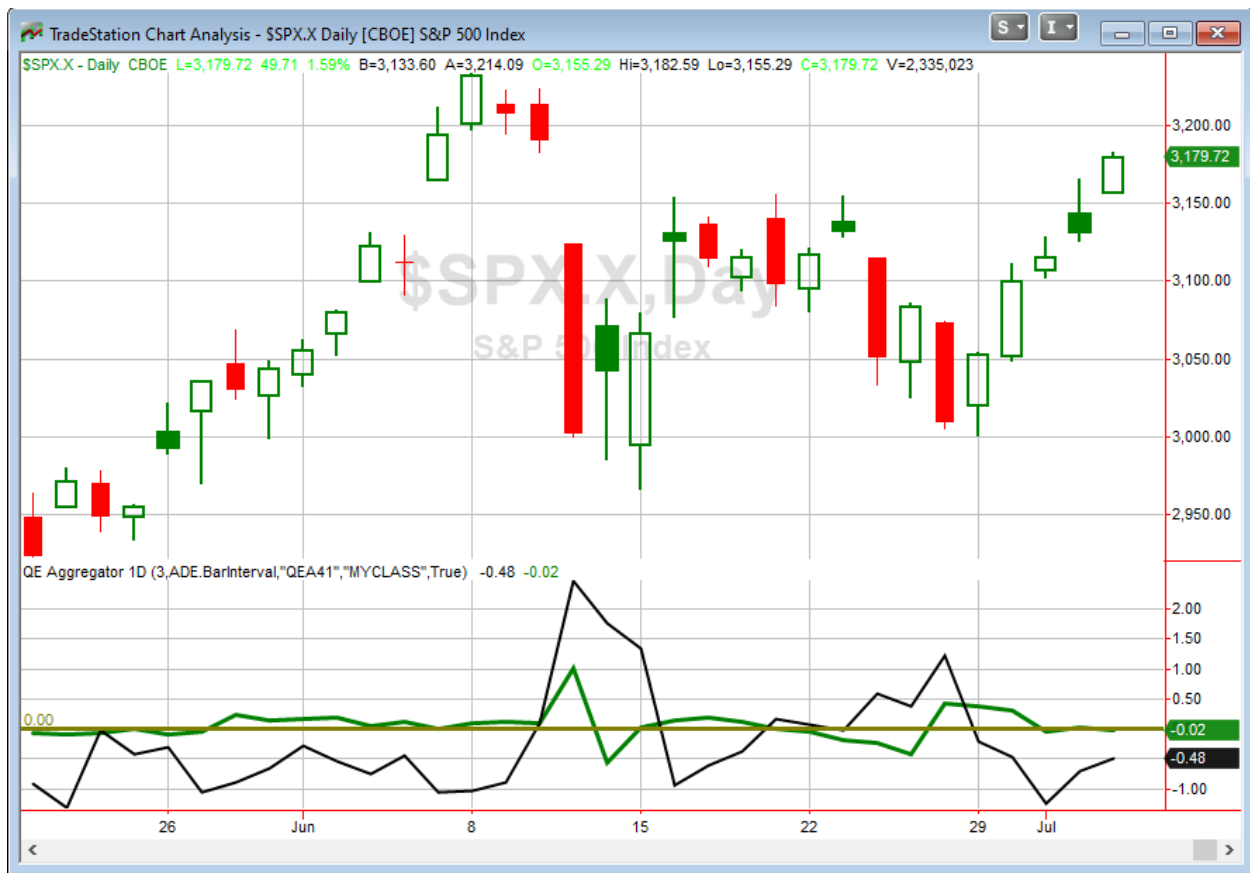
SPX closes up exactly 5 days in a row but < 50-day high. Close > 200ma. The 5-day % gain > 3%. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
15	37,261.13	21	16	5	76.19	8,288.00	-3,282.90	2,789.18	-1,473.14	1.89	6.06	1,774.34
14	33,745.80	21	17	4	80.95	8,272.60	-3,691.52	2,338.74	-1,503.19	1.56	6.61	1,606.94
13	32,347.71	21	16	5	76.19	6,401.50	-3,773.44	2,537.42	-1,650.22	1.54	4.92	1,540.37
12	30,719.63	21	15	6	71.43	5,925.50	-2,877.44	2,425.65	-944.20	2.57	6.42	1,462.84
11	26,926.56	21	13	8	61.90	3,952.96	-2,485.76	2,555.95	-787.60	3.25	5.27	1,282.22
10	29,156.56	21	17	4	80.95	4,691.28	-2,533.02	2,081.15	-1,555.77	1.34	5.69	1,388.41
9	26,195.61	21	16	5	76.19	4,722.08	-3,125.76	2,146.87	-1,630.86	1.32	4.21	1,247.41
8	14,482.55	21	14	7	66.67	3,781.36	-3,376.64	1,822.35	-1,575.76	1.16	2.31	689.65
7	11,205.80	21	14	7	66.67	3,814.86	-3,500.70	1,672.17	-1,743.52	0.96	1.92	533.61
6	10,577.24	21	14	7	66.67	3,720.00	-2,882.56	1,560.34	-1,609.64	0.97	1.94	503.68
5	6,662.11	21	13	8	61.90	3,025.44	-2,664.96	1,339.68	-1,344.21	1.00	1.62	317.24
4	5,651.85	21	12	9	57.14	3,138.08	-2,002.44	1,267.26	-1,061.70	1.19	1.59	269.14
3	6,727.24	21	12	9	57.14	2,742.08	-2,971.50	1,325.58	-1,019.97	1.30	1.73	320.34
2	802.26	21	8	13	38.10	2,205.03	-3,748.50	1,213.76	-685.22	1.77	1.09	38.20
1	2,662.68	21	11	10	52.38	2,211.54	-1,252.30	658.19	-457.75	1.44	1.58	126.79

Results here are even more impressive than in the larger sample. The consistency and the size of the moves over the next 1-3 weeks is considerable. Below is a look at the 15-day profit curve.



That is a nice move from lower left to upper left. I have included this study on the intermediate-term active list. I did not include it on the short-term list because the results were inconsistent over the 1<sup>st</sup> 1-5 days.

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



Even with tonight's evidence considered, the green Aggregator Line dipped back below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

Based on the current list of active studies, expectations are set to remain negative on Tuesday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3135.05 on Tuesday. That is 1.4% below Monday's close. Therefore, SPX would need to close down at least 1.4% in order to flip from overbought to oversold versus expectations on Tuesday.

The Aggregator is bearish. And this was a tough decision for me whether to take an index short position here, or whether to pass. On the plus side, there is ample room to the downside before SPX would turn oversold. But this is certainly a tough market to short. And with evidence mixed, and only 1 short-term study pointing south, I am a bit wary of getting excited about the mildly net negative expectations. So I will give it another day and see if more bearish evidence emerges before taking on a new index position. I did share a possible small individual stock trade idea in the Trade Ideas section down below.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 7/6 – neutral***

The intermediate-term outlook was last updated in the 7/6 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.*

**IDXX – Short Icarus position @ \$339.47 LIMIT.** The Icarus system from the Swing Trading Course triggered a few shorts. With the Aggregator supportive of potential short ideas, I chose this one to feature.

**Current Open Trade Ideas**

None

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