

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 8, 2020

Volume 13 Issue 131

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- After 5 days higher the market pulled back Tuesday. When the market has been in a similar position in the past, the next week has been strong.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but the edge is mild, and it could easily flip to bullish on Wednesday if SPX closes down more than 0.2%.

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						
July 8, 2020	Up 5 < 50 high, then down 1	1-5 days	Bullish	1.70%	-1.00%	-2.00%
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%
Active - Long Term						
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			

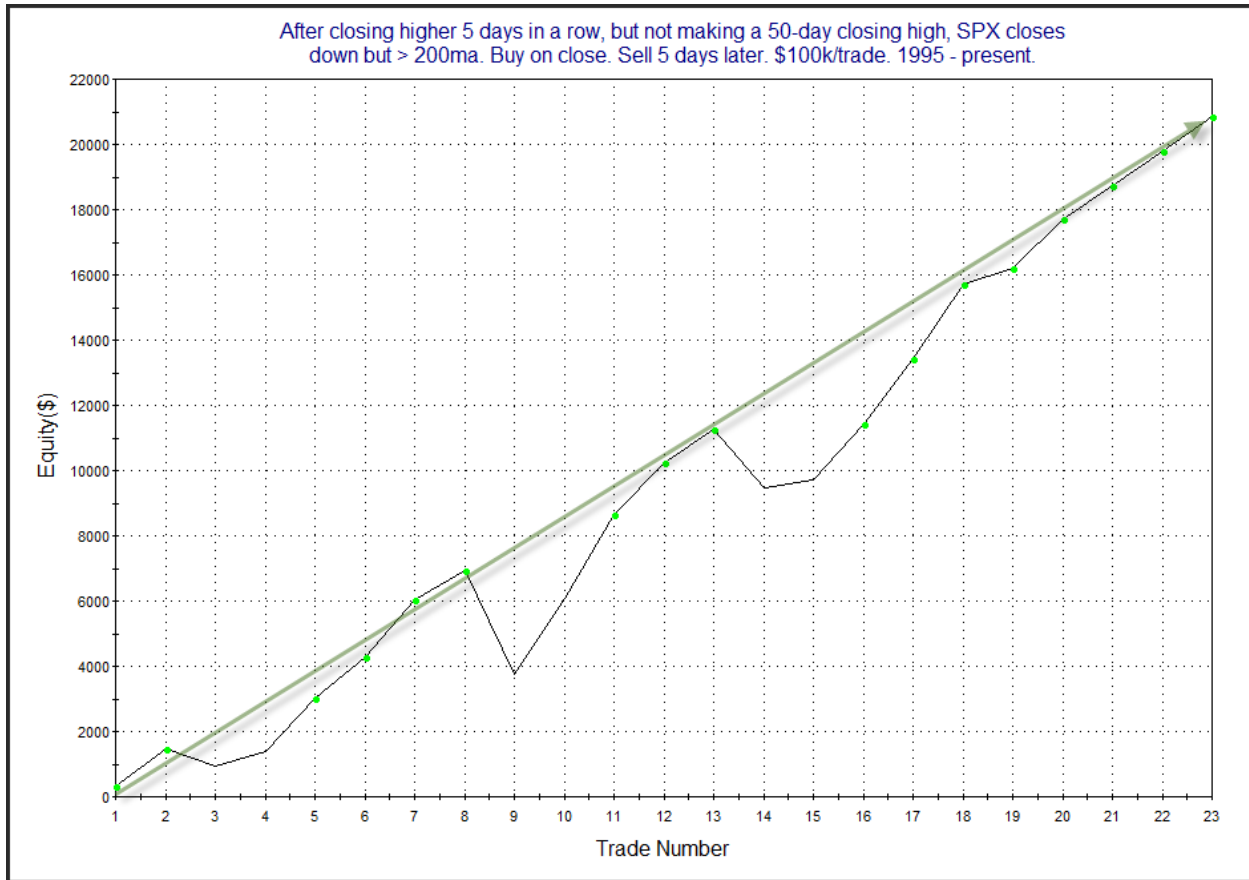
The Evidence

Tuesday the streak of up days ended. The SPX declined 1.1%, the NASDAQ lost 0.9%, and the Russell 2000 tumbled 1.9%. Breadth was negative as the NYSE Up Issues % was 24% and the Up Volume % came in at 33%. NYSE total volume declined some from Monday's level.

Tuesday's decline did trigger some bullish studies that looked at pullbacks after at least 5 consecutive up days. The study below was last seen in the 2/21/18 Subscriber Letter. I have updated the results.

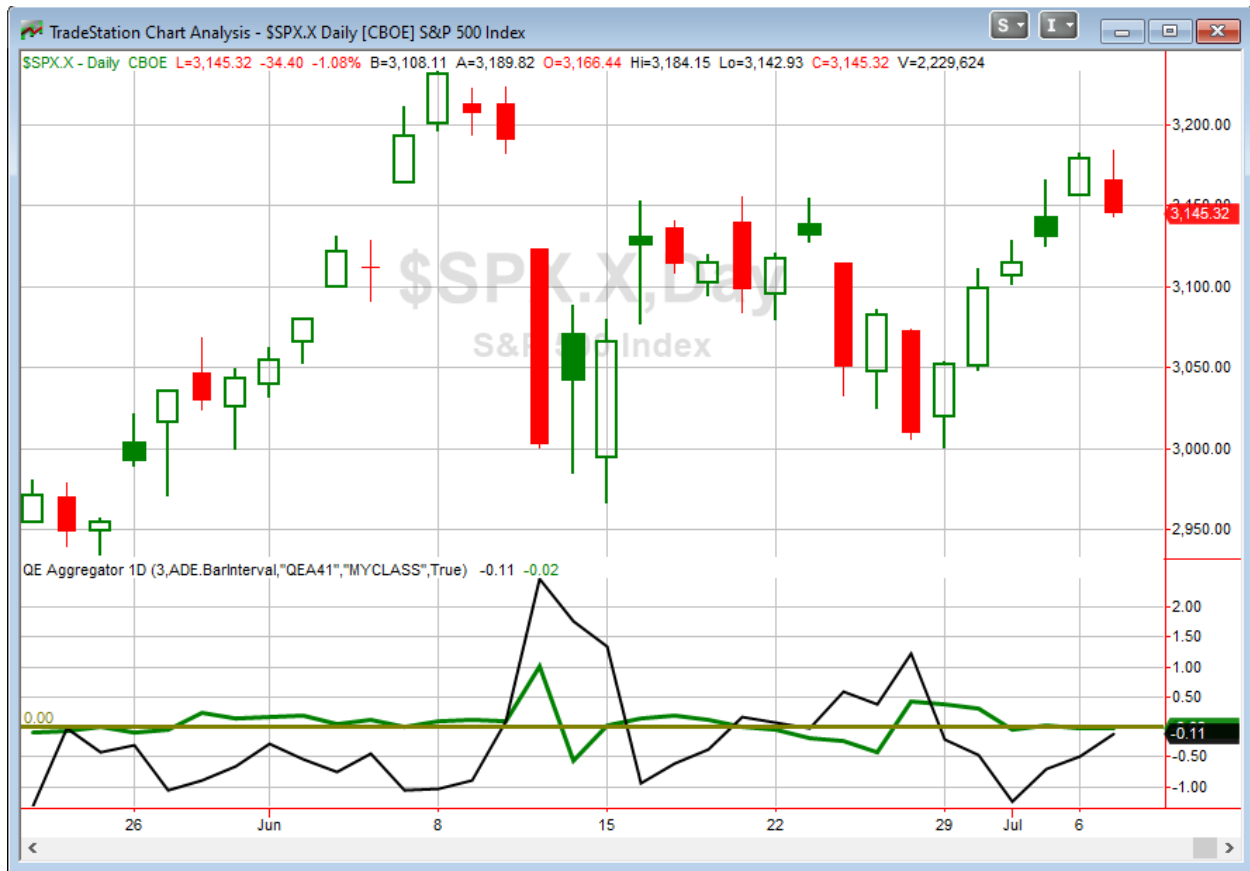
After closing higher 5 days in a row, but not making a 50-day closing high, SPX closes down but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	30,715.96	23	19	4	82.61	4,644.11	-2,964.60	1,896.07	-1,327.35	1.43	6.79	1,335.48
9	28,781.56	23	19	4	82.61	5,196.49	-3,251.34	1,838.69	-1,538.40	1.20	5.68	1,251.37
8	28,287.39	23	19	4	82.61	4,770.49	-4,038.66	1,841.24	-1,674.03	1.10	5.22	1,229.89
7	21,006.88	23	20	3	86.96	3,335.92	-3,970.62	1,425.67	-2,502.20	0.57	3.80	913.34
6	20,927.29	23	19	4	82.61	2,736.52	-3,388.23	1,482.91	-1,812.02	0.82	3.89	909.88
5	20,867.81	23	20	3	86.96	2,590.50	-3,188.16	1,319.68	-1,841.93	0.72	4.78	907.30
4	18,353.46	23	19	4	82.61	2,600.40	-2,494.80	1,188.95	-1,059.13	1.12	5.33	797.98
3	10,984.52	23	17	6	73.91	2,797.08	-2,852.01	1,038.33	-1,111.18	0.93	2.65	477.59
2	1,502.01	23	14	9	60.87	2,480.28	-2,455.11	759.65	-1,014.79	0.75	1.16	65.30
1	-1,314.64	23	14	9	60.87	716.31	-2,531.86	371.44	-723.86	0.51	0.80	-57.16

Day 1 is questionable, but after that, a bullish edge appears to kick in. We saw last night that being up 5 days in a row below a 50-day high (prior to a pullback), often saw further gains in the coming weeks. This post-pullback study appears to confirm that. I also generated a profit curve for the 5-day holding period.



That is a strong, persistent move from lower left to upper right. This serves as some nice confirmation of the upside edge suggested by the numbers. I have added this study to the Active List tonight.

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



Even with tonight's evidence considered, 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 also held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal stayed short at the close.

Based on the current list of active studies, expectations are set to flip to bullish on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3138.79 on Wednesday. That is just 0.2% below Tuesday's close. Therefore, SPX would only need to close down 0.2% on Wednesday in order to flip from overbought to oversold versus expectations.

The Aggregator is bearish. But expectations are set to flip to bullish on Wednesday, and the SPX would change to oversold on almost any down close. So we have a borderline bearish setup tonight that could easily be a bullish setup if it plays out on Wednesday. I won't take an index trade yet. The edge is still a bit too weak, and after sitting out on Tuesday, the entry at this point would be worse. I'll stick with my short stock position and wait for a more favorable setup before taking on a new index trade.

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
IDXX(S)	7/7/2020	\$339.47	\$337.30	0.64%	Icarus Short

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