

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 9, 2020

Volume 13 Issue 132

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Though it has its warts, Thursday's upcoming Golden Cross will be recognized as a long-term bullish indication.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral. Me too.

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

The market started strong, sold off, and then rebounded to close near its intraday highs. The SPX finished up 0.8%, the NASDAQ gained 1.4%, and the Russell 2000 rose 0.8%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 61%. NYSE total volume rose some from Tuesday's level.

The back and forth action over the last few days failed to trigger any compelling new short-term evidence tonight.

Of possible significance for the longer term is the fact that SPX will post a Golden Cross on Thursday afternoon. A Golden Cross occurs when the 50ma crosses over the 200ma. Having the 50ma above the 200ma is commonly considered a bullish market condition – and generally it is. I covered Golden Crosses in detail in the Quantifiable Edges Market Timing Course (Lesson 2). In the 4/2/19 letter I looked at SPX Golden Crosses dating all the way back to 12/31/1928. I have updated that research tonight.

SPX Golden Cross Trade
Performance 12/31/28 - 7/8/2020.

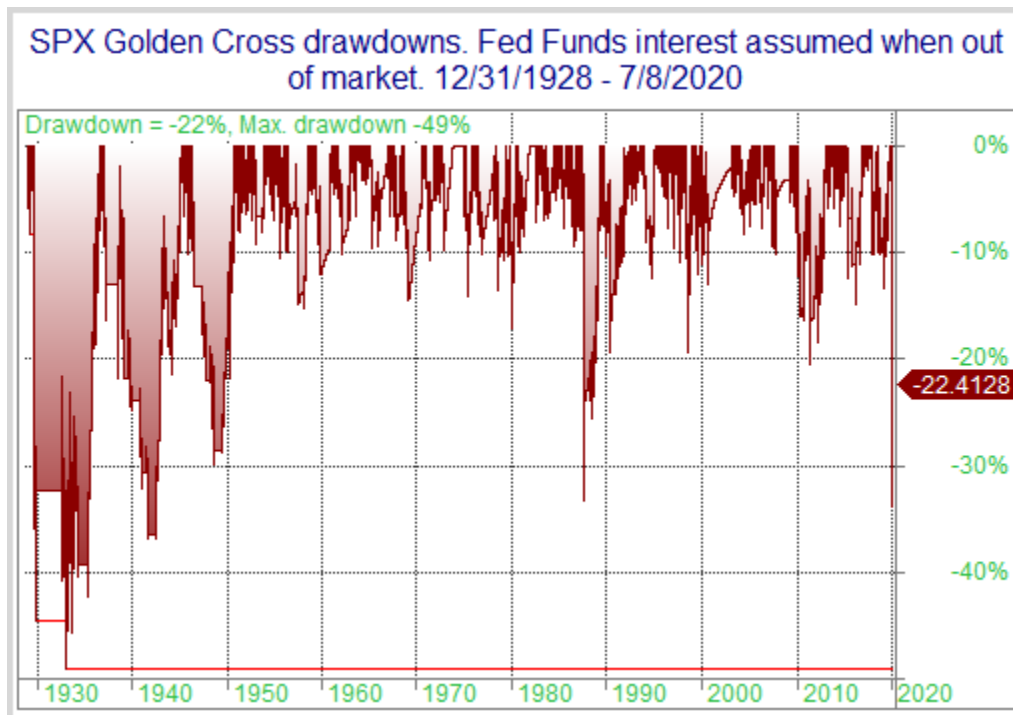
All trades	48
Avg. Profit/Loss	1022332.89
Avg. Profit/Loss %	14.19%
Avg. Bars Held	321.79
Profit Factor	6.95
<hr/>	
Winners	31 (64.58 %)
Avg. Profit %	26.25%
Avg. Bars Held	437.71
Max. Consecutive	8
# bars in largest win	901
<hr/>	
Losers	17 (35.42 %)
Avg. Loss %	-7.80%
Avg. Bars Held	110.41
Max. Consecutive	4
# bars in largest loss	252

Below is the full list of all SPX Golden Crosses since 12/31/1928.

SPX Golden Cross Returns
12/31/28 - 7/8/2020.

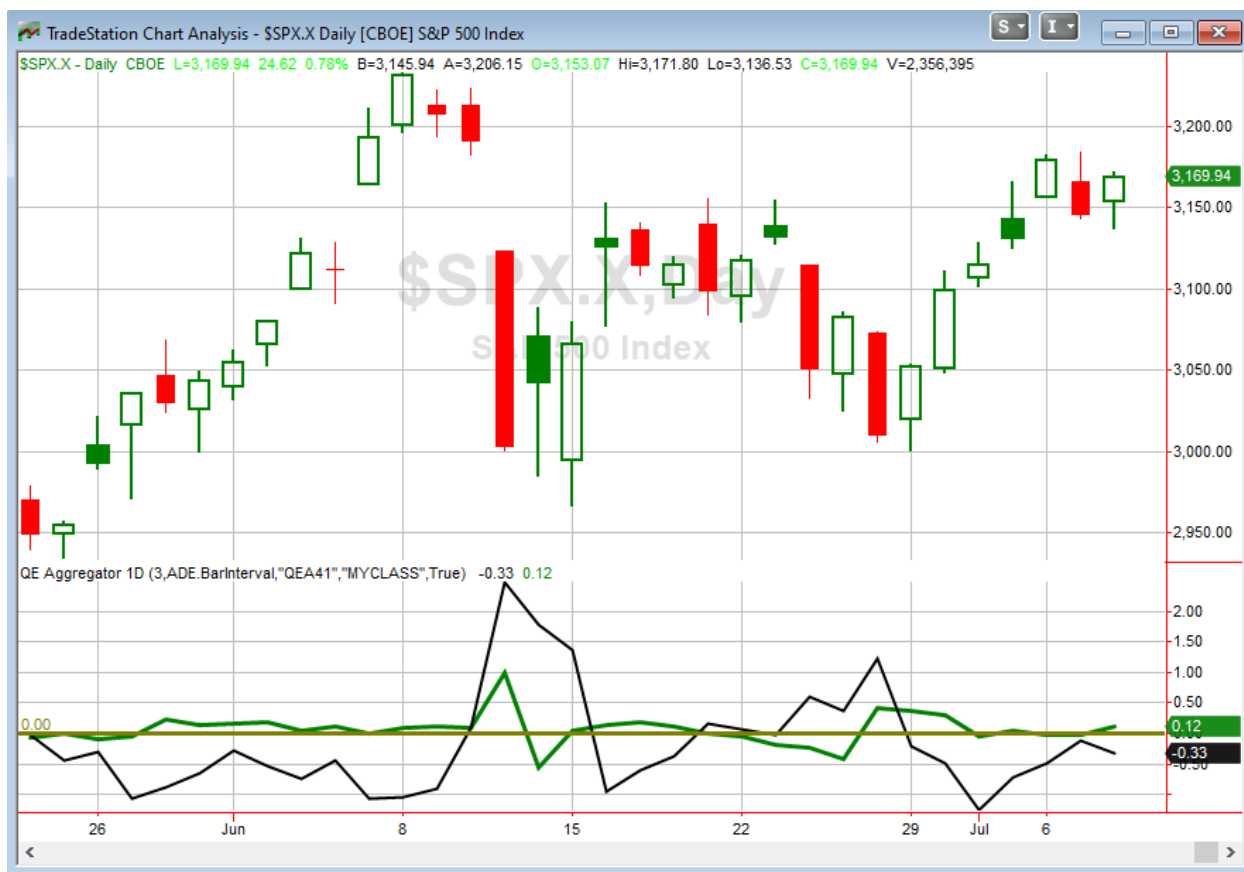
Symbol	Trade	Date	Price	Ex. date	Exit Price	% chg	Max Drawdown
SPX	Golden Cross	12/31/1928	24.35	11/22/1929	21.53	-11.58%	-27.47%
SPX	Golden Cross	9/19/1932	7.34	3/27/1933	6.09	-17.03%	-24.66%
SPX	Golden Cross	5/18/1933	8.89	5/31/1934	9.61	8.10%	-3.15%
SPX	Golden Cross	5/23/1935	10.07	5/21/1937	16.27	61.57%	-4.87%
SPX	Golden Cross	7/27/1938	12.25	3/31/1939	10.98	-10.37%	-10.37%
SPX	Golden Cross	9/18/1939	12.47	3/20/1940	12.14	-2.65%	-3.77%
SPX	Golden Cross	12/13/1940	10.69	2/21/1941	9.76	-8.70%	-10.85%
SPX	Golden Cross	8/18/1941	10.13	11/18/1941	9.26	-8.59%	-9.08%
SPX	Golden Cross	8/14/1942	8.58	12/1/1943	11.13	29.72%	-0.47%
SPX	Golden Cross	3/13/1944	12.24	8/28/1946	16.73	36.68%	-4.66%
SPX	Golden Cross	7/25/1947	16.08	1/22/1948	14.42	-10.32%	-10.32%
SPX	Golden Cross	5/14/1948	16.39	12/1/1948	15.01	-8.42%	-10.01%
SPX	Golden Cross	8/31/1949	15.22	5/11/1953	24.91	63.67%	-0.20%
SPX	Golden Cross	12/21/1953	24.95	10/26/1956	46.27	85.45%	-1.60%
SPX	Golden Cross	6/3/1957	47.37	9/26/1957	42.57	-10.13%	-10.13%
SPX	Golden Cross	5/8/1958	43.99	10/30/1959	57.52	30.76%	-1.98%
SPX	Golden Cross	12/30/1959	59.77	2/15/1960	55.17	-7.70%	-7.70%
SPX	Golden Cross	1/4/1961	58.36	5/7/1962	66.02	13.13%	0.00%
SPX	Golden Cross	1/3/1963	63.72	7/22/1965	83.85	31.59%	-1.65%
SPX	Golden Cross	9/17/1965	90.05	4/28/1966	91.13	1.20%	-3.73%
SPX	Golden Cross	2/3/1967	87.36	2/27/1968	90.53	3.63%	-2.00%
SPX	Golden Cross	5/17/1968	96.9	3/13/1969	98.39	1.54%	-1.15%
SPX	Golden Cross	5/27/1969	103.57	6/23/1969	96.23	-7.09%	-7.09%
SPX	Golden Cross	10/22/1970	83.38	9/24/1971	98.15	17.71%	-1.38%
SPX	Golden Cross	1/26/1972	102.5	4/18/1973	111.54	8.82%	-0.67%
SPX	Golden Cross	3/6/1975	83.69	12/1/1976	102.49	22.46%	-4.82%
SPX	Golden Cross	1/4/1977	105.7	3/3/1977	100.88	-4.56%	-6.51%
SPX	Golden Cross	5/22/1978	99.09	12/13/1978	96.06	-3.06%	-7.51%
SPX	Golden Cross	3/21/1979	101.25	4/22/1980	103.43	2.15%	-6.93%
SPX	Golden Cross	6/17/1980	116.03	7/2/1981	128.64	10.87%	-2.51%
SPX	Golden Cross	9/28/1982	123.24	2/3/1984	160.91	30.57%	-2.52%
SPX	Golden Cross	9/12/1984	164.68	11/18/1986	236.78	43.78%	-2.83%
SPX	Golden Cross	11/25/1986	248.17	11/5/1987	254.48	2.54%	-12.78%
SPX	Golden Cross	6/28/1988	272.31	2/26/1990	328.67	20.70%	-5.79%
SPX	Golden Cross	5/25/1990	354.58	9/7/1990	323.4	-8.79%	-13.65%
SPX	Golden Cross	2/15/1991	369.06	4/19/1994	442.54	19.91%	-1.86%
SPX	Golden Cross	9/15/1994	474.81	9/29/1998	1049.02	120.93%	-6.72%
SPX	Golden Cross	12/8/1998	1181.38	11/4/1999	1362.64	15.34%	-3.77%
SPX	Golden Cross	11/11/1999	1381.46	10/30/2000	1398.66	1.25%	-5.48%
SPX	Golden Cross	5/14/2003	939.28	8/18/2004	1095.17	16.60%	-2.90%
SPX	Golden Cross	11/5/2004	1166.17	7/19/2006	1259.81	8.03%	-2.57%
SPX	Golden Cross	9/12/2006	1313.11	12/21/2007	1484.46	13.05%	-1.03%
SPX	Golden Cross	6/23/2009	895.1	7/2/2010	1022.58	14.24%	-2.88%
SPX	Golden Cross	10/22/2010	1183.08	8/12/2011	1178.81	-0.36%	-6.89%
SPX	Golden Cross	1/31/2012	1312.41	8/28/2015	1988.87	51.54%	-3.48%
SPX	Golden Cross	12/21/2015	2021.15	1/11/2016	1923.67	-4.82%	-5.08%
SPX	Golden Cross	4/25/2016	2087.79	12/7/2018	2633.08	26.12%	-4.60%
SPX	Golden Cross	4/1/2019	2867.19	3/30/2020	2626.65	-8.39%	-23.55%

The most recent Golden Cross formation got slammed by the March COVID crash. But since the 1961 trigger, the Golden Cross has generally served as a fairly good timing device to sidestep large portions of bear markets. Prior to that it was not nearly as effective. This can be seen in the drawdown chart below.



While drawdowns have been mostly fairly moderate since the mid-50s, prior to that there were some very large drawdown to endure. Of course, the 2020 drawdown was the biggest since 1940 – and we have a good ways to go for the system to dig out of it. Despite some fairly sizable drawdowns, the Golden Cross would have beaten “Buy and Hold” handily. It is a bullish long-term trend indication. But it is not a bulletproof long signal.

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



Without any new short-term studies kicking in tonight, the green Aggregator Line rose above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. 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 positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3178.62 on Thursday. That is 0.3% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.3% on Thursday in order to remain "overbought". Anything less than that and it will be considered "oversold" vs recent expectations as of Thursday's close.

So the Aggregator is now neutral. I am too. Evidence is mixed and the Differential Pivot is inverted. We could easily be looking at a long setup in the coming days – especially if SPX pulls back. But there does not appear to be strong reward/risk just yet. I'll wait until there is. I will also be closing out my short IDXX stock idea on Thursday, since it has now reached its target.

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	\$336.12	0.99%	cover on open

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