

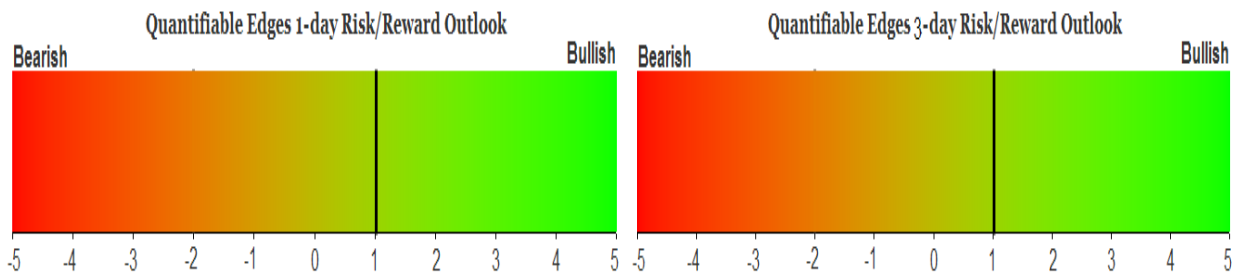
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 14, 2020

Volume 13 Issue 135

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The big reversal on Monday shows characteristics that would suggest a bounce in the next few days.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish, but it still seems a bit early to get very excited.

**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 14, 2020	20 high up 1% then reverse dn on day	1-6 days	Bullish	2.50%	-1.40%	-3.20%
<b>Active - Long Term</b>						
July 9, 2020	Golden Cross	int term	Bullish			
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
July 8, 2020	Up 5 < 50 high, then down 1	1-5 days	Bullish	1.70%	-1.00%	-2.00%

**The Evidence**

Monday got off to a strong start, but news of shutdowns out of California helped to swing the day into the bears favor in a flurry of afternoon selling. The SPX finished down 0.9%, the NASDAQ dropped 2.1%, and the Russell 2000 fell 1.3%. Breadth was negative as the NYSE Up Issues % was 38% and the Up Volume % came in at 31%. NYSE total volume rose some from Friday's level.

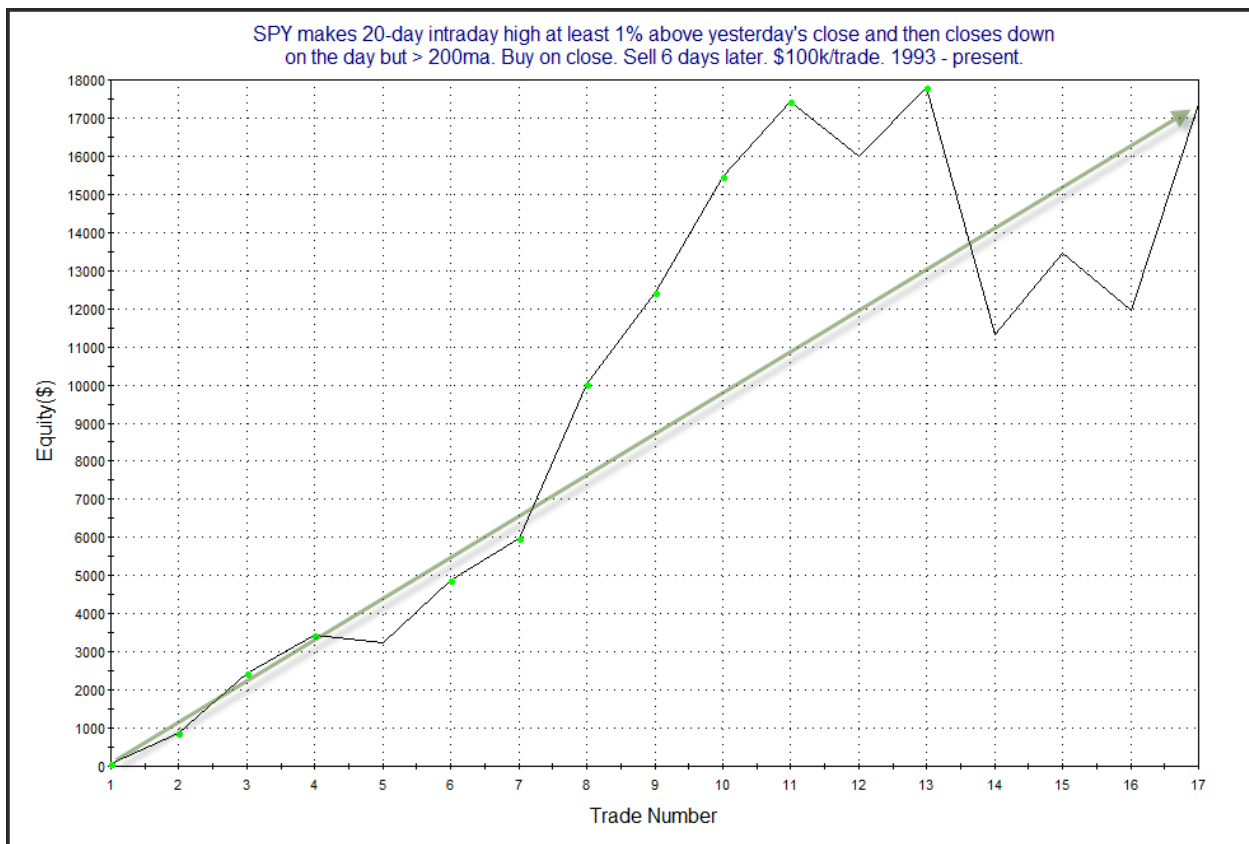
The NDX reversal was especially notable. It went from up 2% intraday to down over 2% on the close. That has never happened before on a day that the NDX has hit a new 200-day high. Of course new highs often occur during times of low volatility. And while the market has had a massive rally since the March lows, the VIX continues to struggle to put in much time below 30. So this is certainly not a time of "low volatility".

The reversal in SPX was not quite as severe, but it did trigger a few somewhat bullish studies. I combined some of them to best match the current situation. Below is the study I felt most representative.

SPY makes 20-day intraday high at least 1% above yesterday's close and then closes down on the day but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	13,112.80	15	10	5	66.67	5,433.93	-7,660.38	2,713.19	-2,803.83	0.97	1.94	874.19
9	16,416.73	16	12	4	75.00	5,289.90	-8,261.37	2,577.43	-3,628.12	0.71	2.13	1,026.05
8	16,268.24	16	12	4	75.00	5,880.60	-7,759.05	2,544.39	-3,566.11	0.71	2.14	1,016.77
7	16,485.39	16	12	4	75.00	6,675.90	-7,346.43	2,464.66	-3,272.62	0.75	2.26	1,030.34
6	17,354.01	17	13	4	76.47	5,402.10	-6,458.40	2,072.25	-2,396.31	0.86	2.81	1,020.82
5	13,837.09	17	13	4	76.47	4,428.81	-3,525.86	1,717.23	-2,121.72	0.81	2.63	813.95
4	14,013.53	17	12	5	70.59	3,915.78	-3,175.38	1,802.73	-1,523.84	1.18	2.84	824.33
3	10,080.19	17	13	4	76.47	3,069.36	-3,579.03	1,325.61	-1,788.18	0.74	2.41	592.95
2	6,018.68	17	10	7	58.82	3,580.92	-1,955.46	1,174.63	-818.23	1.44	2.05	354.04
1	2,714.96	17	10	7	58.82	1,601.91	-1,650.48	798.49	-752.86	1.06	1.52	159.70

Numbers here are compelling and suggest an upside edge over the next few days. I also produced a 6-day profit curve.



The 14<sup>th</sup> instance was the outlier, but the curve is now very close to new highs. So not perfect, but overall, this study appears worthy of some consideration. I have added it to the active list tonight.

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



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line rose above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3160.44 on Tuesday. That is just 0.2% above Monday's close. Therefore, SPX will need only need to close up about 0.2% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now in a bullish formation. But it is not a very compelling one just yet. Evidence is moderate and the upside potential is quite small. Even a minor rise on Tuesday would mean the end of the long signal. So I'll see if this pullback gets a bit deeper. If we see further selling in the next day or two, then that would likely set up a more favorable reward/risk opportunity.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 7/13 – slightly bullish***

The intermediate-term outlook was last updated in the 7/13 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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