

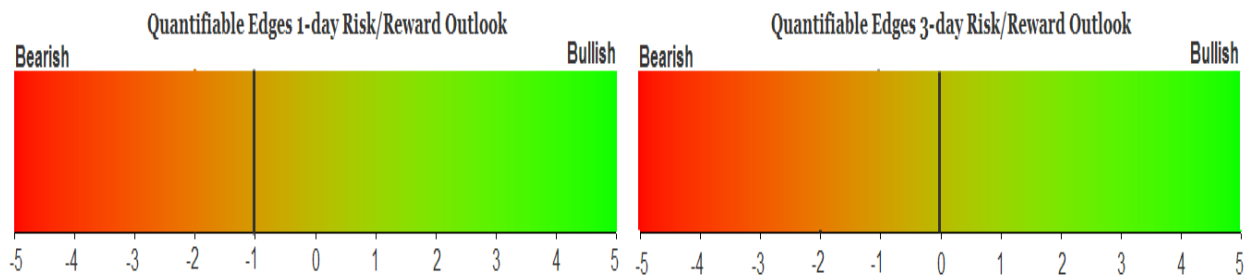
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 15, 2020

Volume 13 Issue 136

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Seasonality appears positive while NYSE volume and BKK action appear bearish.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Me too.

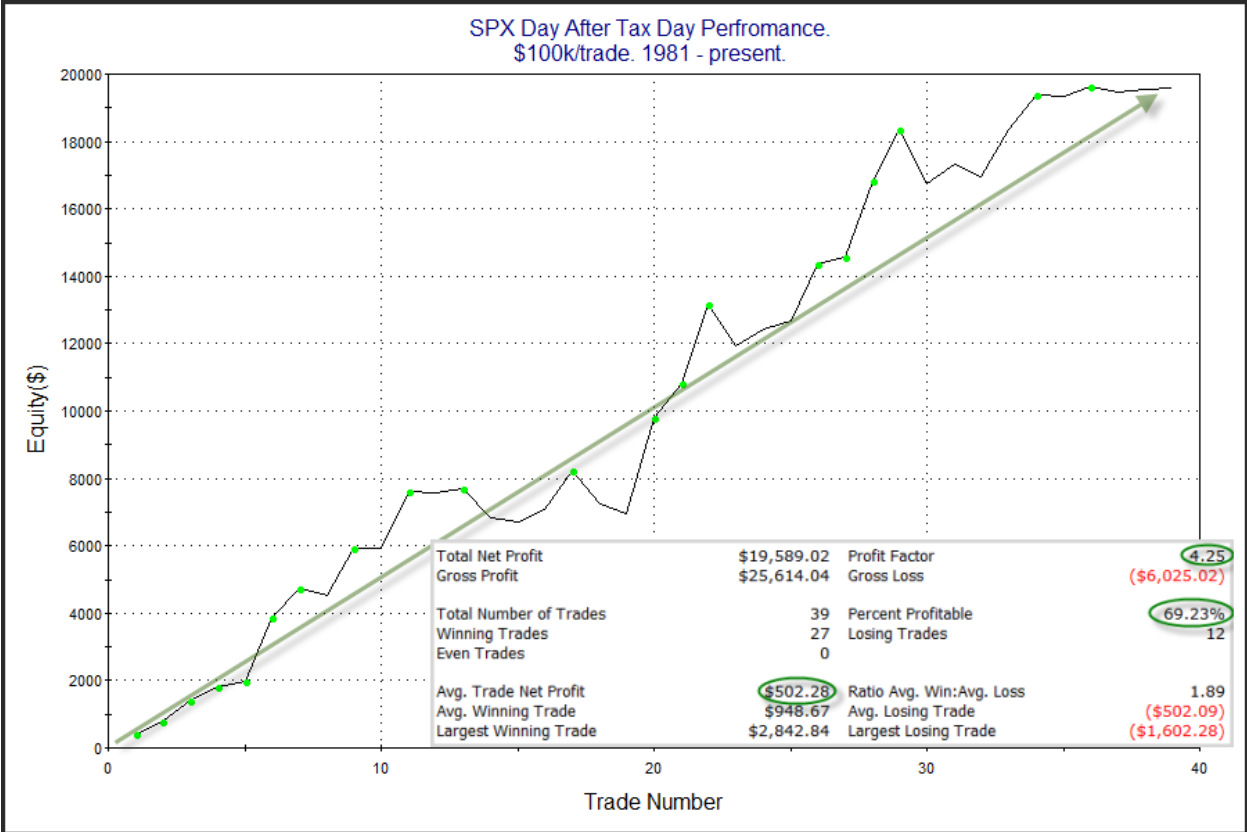
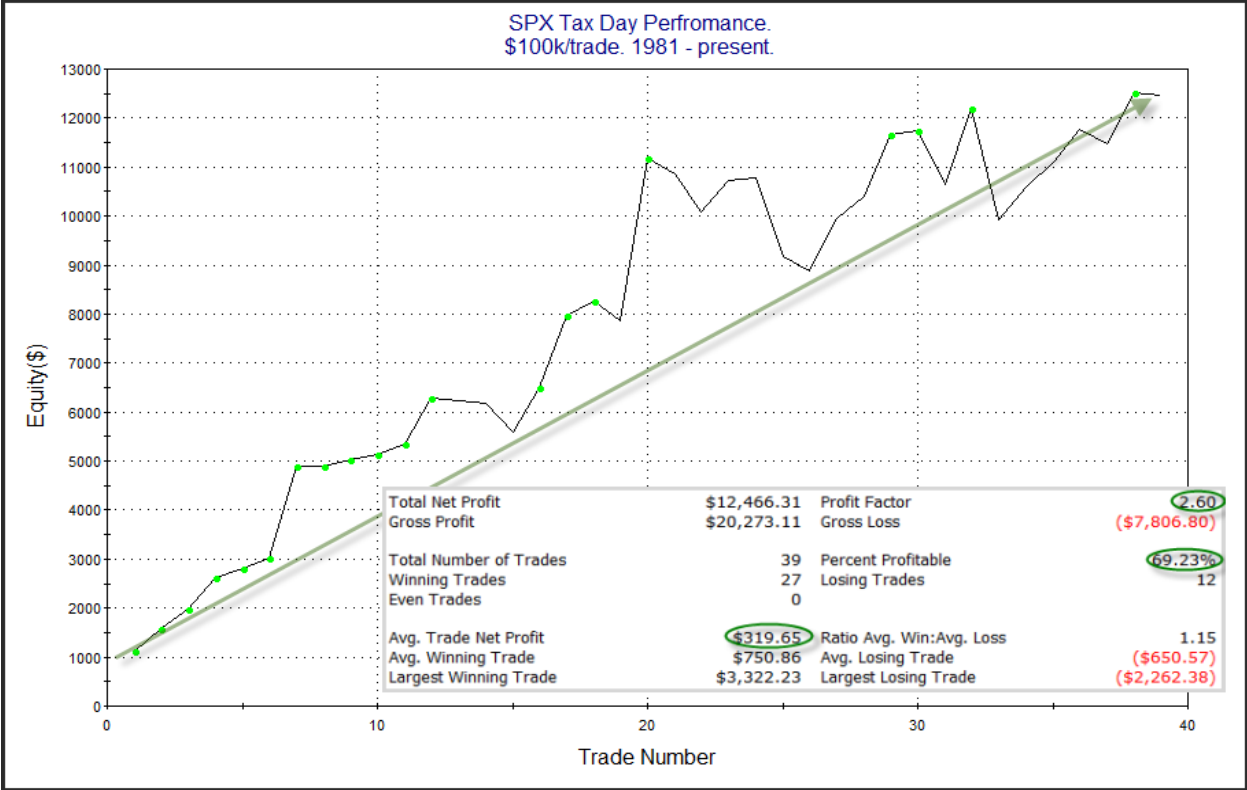
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 15, 2020	SPX up 1%. BKX down 1%	1 day	Bearish			
July 15, 2020	SPX 15-day high. Volume 15-day low	1 day	Bearish			
July 15, 2020	SPX up >1% on 20-day low NYSE volume	1 day	Bearish			
July 15, 2020	Tax Day & Day After Bullish	1-2 days	Bullish			
July 14, 2020	20 high up 1% then reverse dn on day	1-6 days	Bullish	2.50%	-1.40%	-3.20%
Active - Long Term						
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			

The Evidence

Tuesday started weak but reversed and gained steam throughout the day. The SPX finished up 1.3%, the NASDAQ rose 0.9%, and the Russell 2000 rallied 1.8%. Breadth was positive as the NYSE Up Issues % was 64% and the Up Volume % came in at 73%. NYSE total volume came in at the lightest level in quite a while.

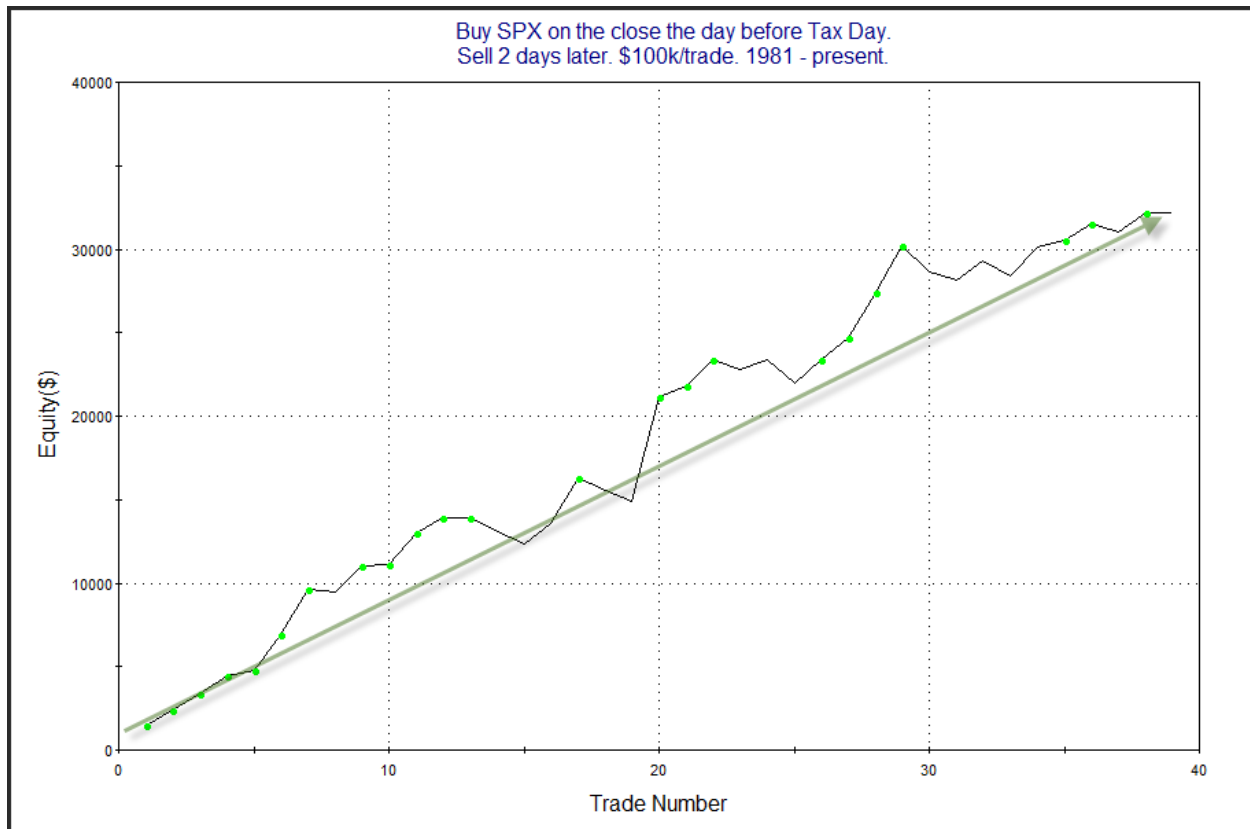
In the 4/12/19 letter I showed that there has been a strong historical tendency on tax day (normally April 15th, but July 15th this year) and the day immediately after. The reason tax day may be important is that it is the last day that people can make IRA contributions to count for the previous tax year. This can create a last-minute rush and you will often have an inflow of funds heading into the market right around and on April 15th. Fund managers will often put this money to work immediately and it creates a positive bias for the market. Below are some updated studies that demonstrate this.



As you can see, both of these days seem to contain very solid upside edges. The study below looks at what happens if you hold for both days instead of just one.

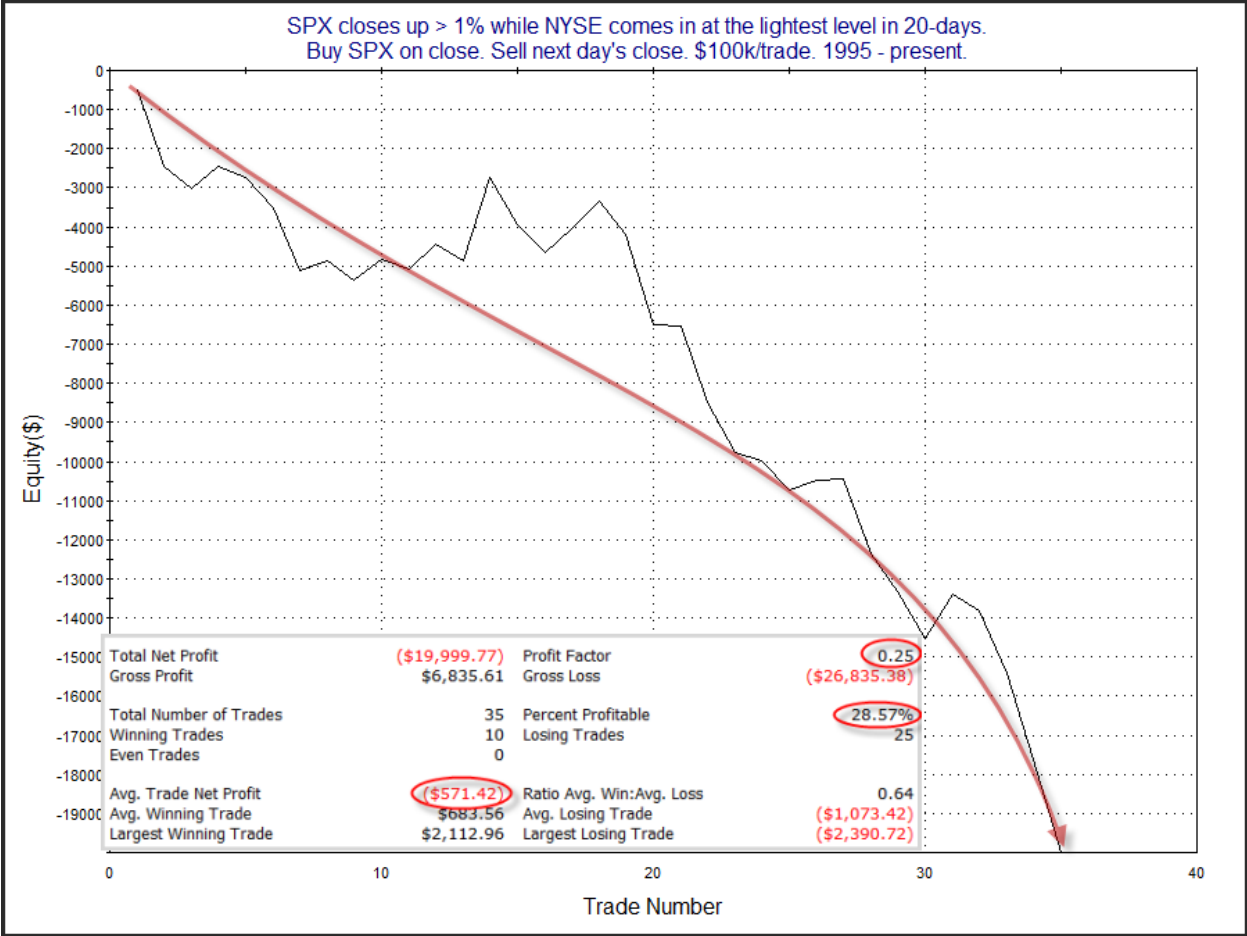
Buy SPX on the close the day before Tax Day. Sell 2 days later. \$100k/trade. 1981 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$32,178.04	Profit Factor	4.74
Gross Profit	\$40,781.12	Gross Loss	(\$8,603.08)
Total Number of Trades	39	Percent Profitable	69.23%
Winning Trades	27	Losing Trades	12
Even Trades	0		
Avg. Trade Net Profit	\$825.08	Ratio Avg. Win:Avg. Loss	2.11
Avg. Winning Trade	\$1,510.41	Avg. Losing Trade	(\$716.92)
Largest Winning Trade	\$6,245.15	Largest Losing Trade	(\$1,518.64)

As you would expect, numbers here are nicely impressive. Below I have also included the profit curve.



A good looking curve that has moved from lower left to upper right. This study has been added to the active list tonight

But there were also a few studies suggest a short-term bearish edge. One issue was the low volume on Tuesday. The study below was last seen in the 2/23/16 letter. I have updated the results.



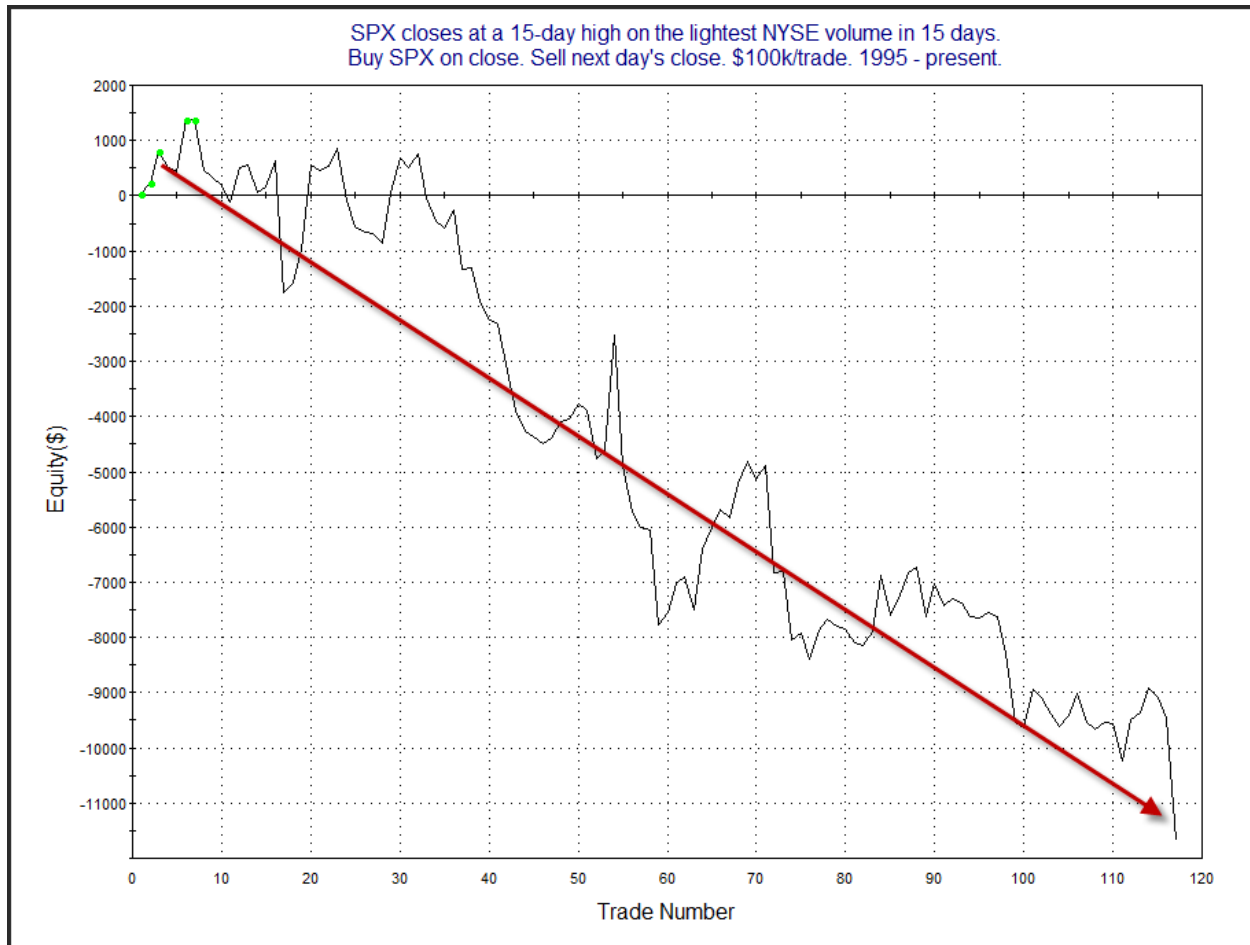
The downside edge appears substantial for the next day.

Another study looked at the 15-day high that SPX closed at, rather than its strong 1-day move. It was last seen in the 2/25/19 letter.

SPX closes at a 15-day high on the lightest NYSE volume in 15 days.
Buy SPX on close. Sell next day's close. \$100k/trade. 1995 - present.

TradeStation Performance Summary		Expand ▾	
All Trades			
Total Net Profit	(\$11,669.61)	Profit Factor	0.65
Gross Profit	\$21,259.40	Gross Loss	(\$32,929.01)
Total Number of Trades	117	Percent Profitable	45.30%
Winning Trades	53	Losing Trades	64
Even Trades	0		
Avg. Trade Net Profit	(\$99.74)	Ratio Avg. Win:Avg. Loss	0.78
Avg. Winning Trade	\$401.12	Avg. Losing Trade	(\$514.52)
Largest Winning Trade	\$2,077.44	Largest Losing Trade	(\$2,378.78)

The numbers here suggest a possible moderate downside edge for the following day. Below is the profit curve.



While it has certainly been choppy, the downside tendency has persisted for a long time. The curve has continued to make its way from upper left to lower right on the chart. These results seem worthy of some consideration, and I have added the study to the Active List.

While much of the market seemed excited about...um...something, banks were not. The BKX Bank Index declined 1.6% on Monday. This brought about a study from the Quantifinder that looked at SPX gains of 1% while the BKX fell at least 1%. Last seen 4/15/20, I have updated the results.

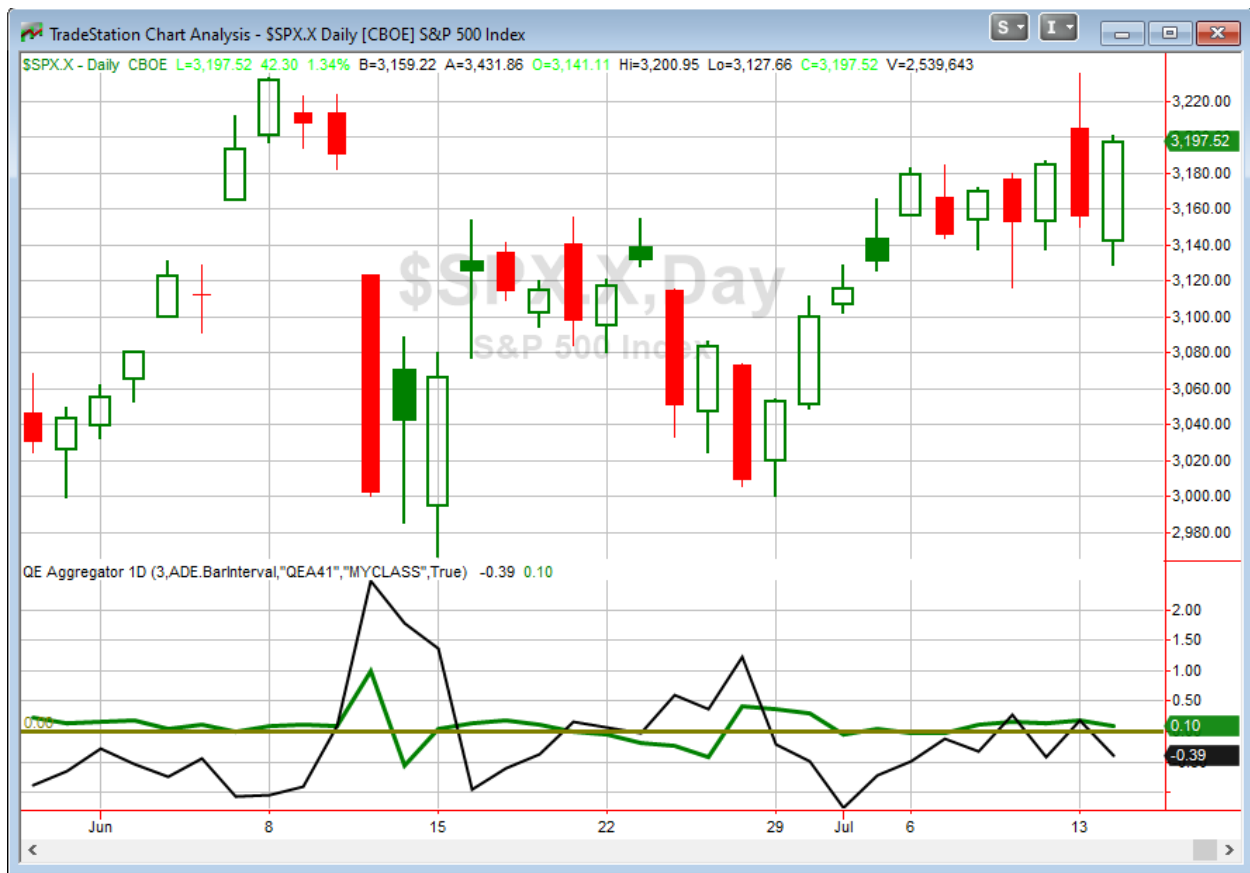
SPX closes up > 1% while BKX closes down > 1%.
 Buy SPX on close. Sell next day's close. \$100k/trade. 1994 - present.

TradeStation Performance Summary Expand ▾				
All Trades				
Total Net Profit		(\$15,966.99)	Profit Factor	0.19
Gross Profit		\$3,799.40	Gross Loss	(\$19,766.39)
Total Number of Trades		12	Percent Profitable	8.33%
Winning Trades		1	Losing Trades	11
Even Trades		0		
Avg. Trade Net Profit		(\$1,330.58)	Ratio Avg. Win:Avg. Loss	2.11
Avg. Winning Trade		\$3,799.40	Avg. Losing Trade	(\$1,796.94)
Largest Winning Trade		\$3,799.40	Largest Losing Trade	(\$4,244.80)

Date/Time	Signal	Price	% Profit	Run-up Drawdown
7/19/1994	Buy	\$453.86	-0.50%	\$66.00
7/20/1994	Sell	\$451.60		(\$697.40)
8/25/1999	Buy	\$1,381.79	-1.43%	\$0.00
8/26/1999	Sell	\$1,362.01		(\$1,452.24)
1/10/2000	Buy	\$1,457.60	-1.31%	\$72.08
1/11/2000	Sell	\$1,438.56		(\$1,576.24)
4/7/2000	Buy	\$1,516.35	-0.78%	\$704.60
4/10/2000	Sell	\$1,504.46		(\$845.00)
1/18/2001	Buy	\$1,347.97	-0.40%	\$486.92
1/19/2001	Sell	\$1,342.56		(\$831.02)
10/23/2008	Buy	\$908.11	-3.45%	\$0.00
10/24/2008	Sell	\$876.77		(\$6,078.60)
12/10/2008	Buy	\$899.24	-2.85%	\$598.29
12/11/2008	Sell	\$873.59		(\$3,386.61)
2/3/2009	Buy	\$838.51	-0.75%	\$1,587.46
2/4/2009	Sell	\$832.23		(\$1,110.27)
3/4/2009	Buy	\$712.87	-4.25%	\$0.00
3/5/2009	Sell	\$682.55		(\$4,891.60)
4/8/2009	Buy	\$825.16	3.81%	\$3,841.75
4/9/2009	Sell	\$856.56		\$0.00
3/21/2019	Buy	\$2,854.88	-1.90%	\$0.00
3/22/2019	Sell	\$2,800.71		(\$1,904.35)
4/14/2020	Buy	\$2,846.06	-2.20%	\$0.00
4/15/2020	Sell	\$2,783.36		(\$2,958.20)

The numbers and list of instances all suggest a downside edge.

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



With tonight's evidence considered, the green Aggregator Line held just barely 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 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 Wednesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 3198.62 on Wednesday. That is about 1 point above Tuesday's close. Inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up more than 1 point in order to remain overbought. Anything less than that, and it will flip to oversold vs expectations at the close on Wednesday.

So the Aggregator is now in a neutral formation. SPX is a bit overbought. And while 3-day expectations are positive, Wednesday's expectations are actually negative. So Wednesday could certainly struggle before we see a move up in the following days. Several cross-currents make this for a difficult entry point. I'll remain sidelined awaiting more clarity before taking on new index exposure.

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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