

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 16, 2020

Volume 13 Issue 137

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The intraday high, unfilled gap, and weak close imply short-term strength.

### *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
<b>Active - Short Term</b>						
July 16, 2020	Unfill gap 20 high, close < open	1-3 days	Bullish	1.00%	-0.60%	-1.10%
July 15, 2020	Tax Day & Day After Bullish	1-2 days	Bullish			
<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			

**The Evidence**

Wednesday started with a big gap up followed by a lot of wiggling during the day that did not take it too far away from where the day began. The SPX finished up 0.9%, the NASDAQ rose 0.6%, and the Russell 2000 rallied a much stronger 3.5%. Breadth was positive as the NYSE Up Issues % was 84% and the Up Volume % came in at 88%. NYSE total volume rose some from Tuesday's light level.

There was not a whole lot of new evidence that emerged tonight. Looking at the 1-day SPY pattern hinted at a bullish edge. In the 2/14/19 Letter I ran a test of performance following unfilled upside gaps that make a 20-day high. I broke out the results by times the SPY closed above the open versus times where it closed below the open. I updated those studies below.

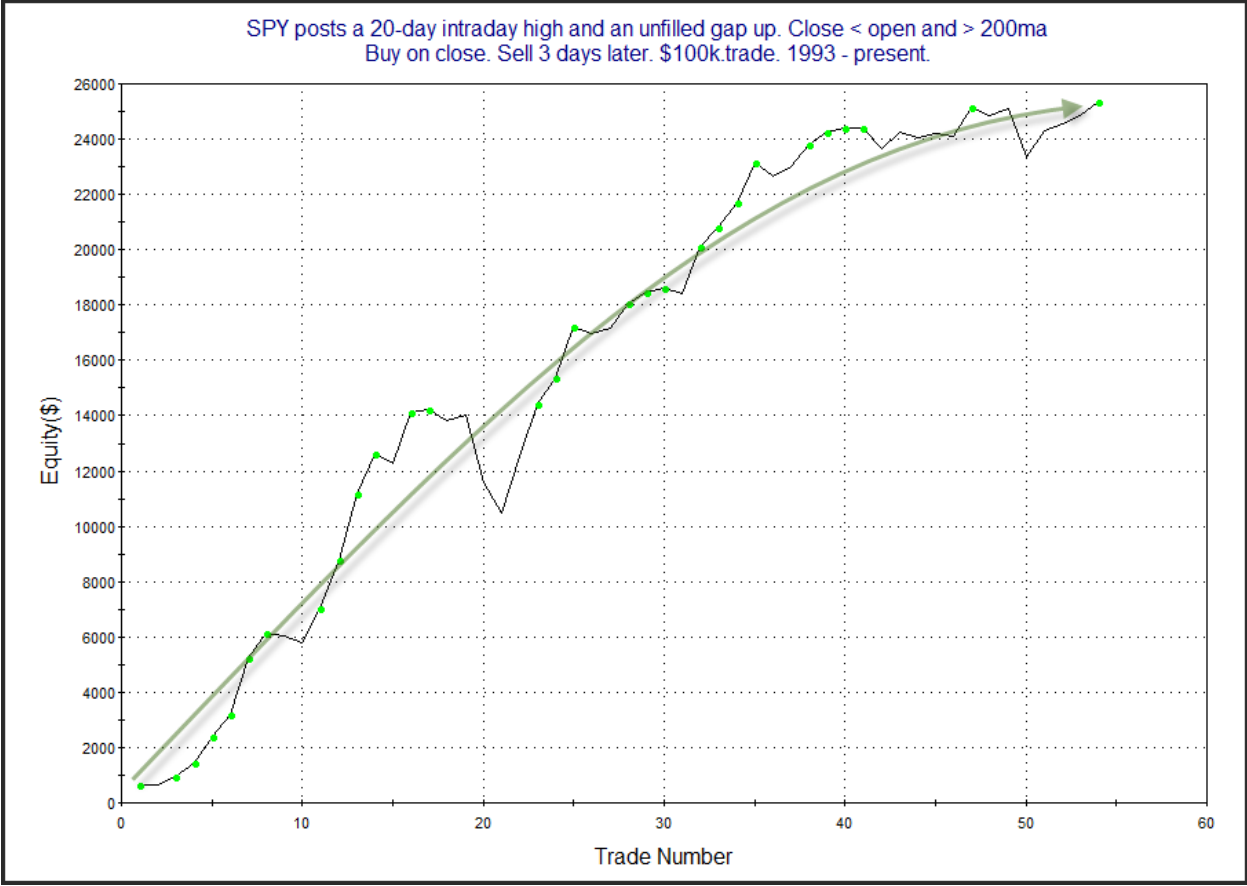
First let's look at times (unlike Wednesday) where the finish was relatively strong:

SPY posts a 20-day intraday high and an unfilled gap up. Close > open and > 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	21,453.67	183	111	70	60.66	6,056.96	-8,727.84	1,427.08	-1,956.46	0.73	1.16	117.23
9	11,555.28	192	119	72	61.98	5,404.74	-11,239.50	1,312.19	-2,008.26	0.65	1.08	60.18
8	3,839.55	200	119	79	59.50	5,456.48	-8,628.75	1,216.08	-1,783.21	0.68	1.03	19.20
7	989.56	207	124	81	59.90	5,145.60	-12,413.60	1,149.56	-1,747.61	0.66	1.01	4.78
6	-122.22	221	123	96	55.66	4,931.26	-12,044.85	1,022.00	-1,310.71	0.78	1.00	-0.55
5	16,565.91	233	129	102	55.36	4,539.48	-3,873.24	932.19	-1,016.54	0.92	1.16	71.10
4	17,505.17	254	142	111	55.91	4,627.26	-7,578.55	873.89	-960.25	0.91	1.16	68.92
3	-11,641.10	271	151	118	55.72	3,526.40	-6,980.31	650.60	-931.20	0.70	0.89	-42.96
2	-2,451.76	300	162	135	54.00	2,545.92	-3,016.48	504.39	-623.43	0.81	0.97	-8.17
1	1,482.60	322	160	161	49.69	2,380.38	-2,817.32	354.56	-343.15	1.03	1.03	4.60

There doesn't appear to be any edge in either direction here. Now let's examine times like the present where SPY closed below the open.

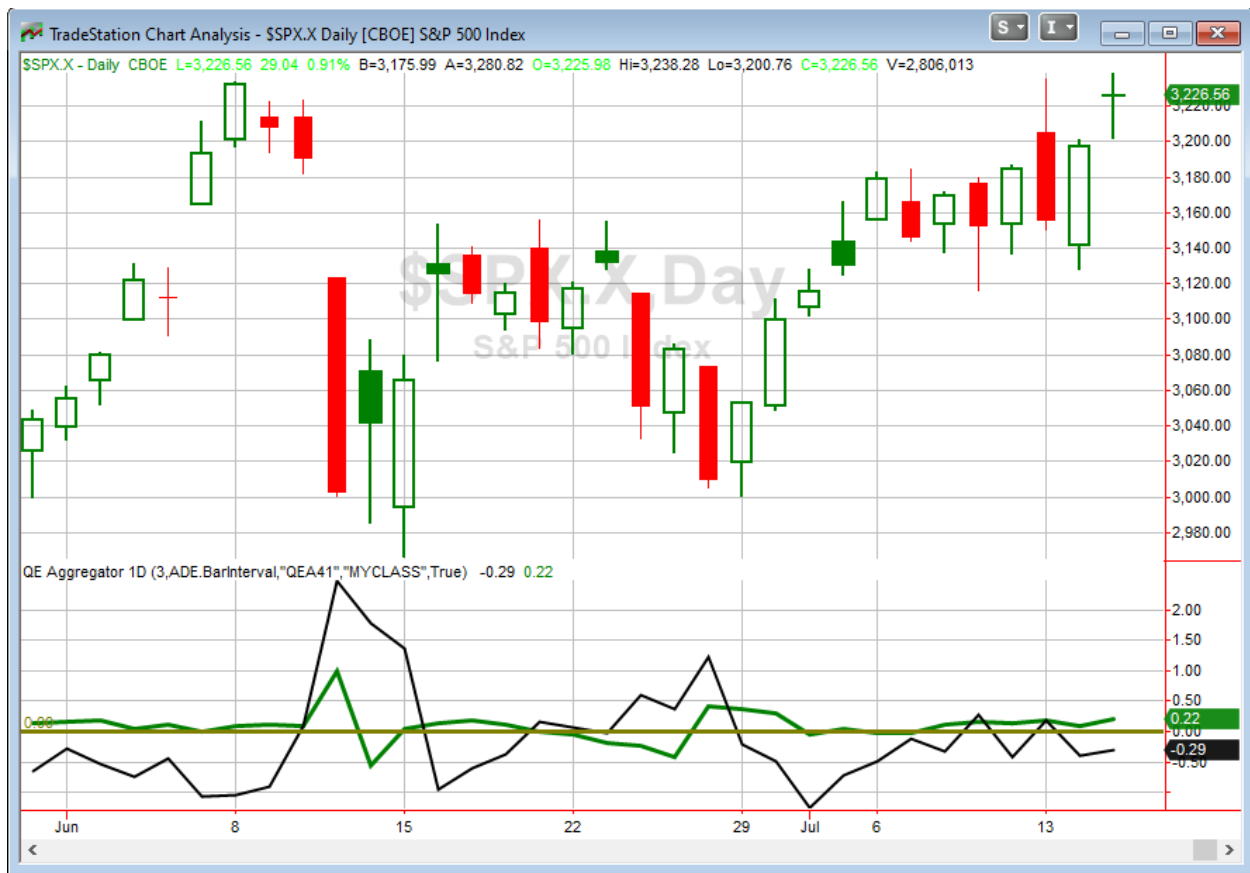
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10	41,297.84	46	31	15	67.39	4,838.35	-4,810.68	1,865.87	-1,102.95	1.69	3.50	897.78
9	34,699.93	47	36	11	76.60	3,741.10	-5,564.16	1,412.78	-1,469.09	0.96	3.15	738.30
8	29,500.95	47	33	13	70.21	3,352.48	-6,021.40	1,412.63	-1,316.60	1.07	2.72	627.68
7	26,138.92	49	31	18	63.27	3,751.55	-4,952.36	1,459.29	-1,061.06	1.38	2.37	533.45
6	25,040.70	49	31	18	63.27	4,159.10	-6,414.24	1,442.60	-1,093.33	1.32	2.27	511.03
5	17,599.38	49	28	21	57.14	3,754.17	-4,540.20	1,160.55	-709.33	1.64	2.18	359.17
4	19,608.92	50	35	15	70.00	3,436.02	-2,228.24	866.24	-713.97	1.21	2.83	392.18
3	25,344.54	54	39	14	72.22	2,362.10	-2,427.88	871.51	-617.45	1.41	3.93	469.34
2	20,444.24	55	35	20	63.64	1,998.70	-926.12	827.54	-425.98	1.94	3.40	371.71
1	8,282.56	56	36	20	64.29	1,708.92	-1,015.84	430.80	-361.31	1.19	2.15	147.90

These results are substantially better than earlier where the finish was above the open. The weak finish should not concern bulls, in fact it appears they should be excited by it. Below is an equity curve that shows how the edge has played out over time.



The upslope here is persistent and rather impressive. I have included this study on the Short-Term Active List.

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



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside 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 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3170.58 on Thursday. That is 1.7% below Wednesday's close. So SPX will need to close down at least 1.7% on Thursday in order to flip from overbought to oversold vs recent expectations..

So the Aggregator is again neutral. Me too. SPX is a bit overbought and short-term bearish evidence is now completely lacking. So there is no strong evidence suggesting a short, and risk is elevated for longs with the market already overbought. More patience is required to find a favorable entry 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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