

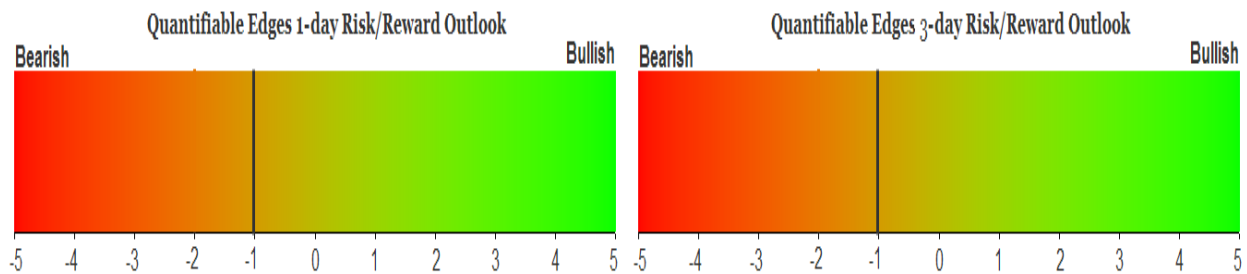
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 17, 2020

Volume 13 Issue 138

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- Coming from an intermediate-term high, an unfilled gap down after an unfilled gap up appears to be somewhat bearish.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is short. But evidence is mixed and the market is only mildly overbought. So the setup is somewhat weak.

**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 17, 2020	Unfill gap 20hi, unfill gap down	1-3 days	Bearish			
July 16, 2020	Unfill gap 20 high, close < open	1-3 days	Bullish	1.00%	-0.60%	-1.10%
<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 15, 2020	Tax Day & Day After Bullish	1-2 days	Bullish			

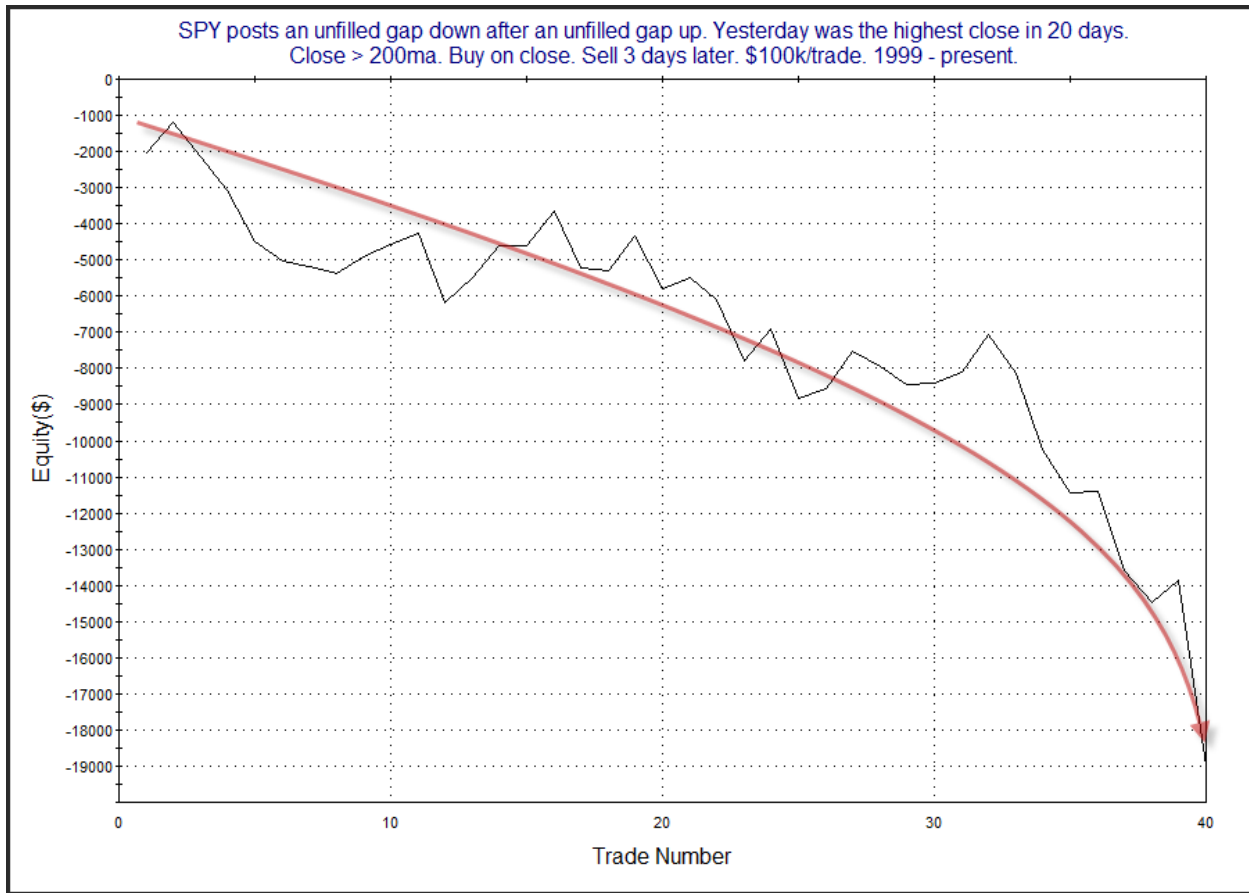
**The Evidence**

Thursday was a down day for the market. The SPX finished down 0.3%, the NASDAQ fell 0.7%, and the Russell 2000 also lost 0.7%. Breadth was positive as the NYSE Up Issues % was 45% and the Up Volume % came in at 39%. NYSE total volume came in at the lightest level in a while.

There was some bearish evidence that emerged Thursday based on price action. This study below considers SPY performance after posting an unfilled gap down from a high level immediately after an unfilled gap up. It was last shown in the 1/6/20 Subscriber Letter. Below are updated results.

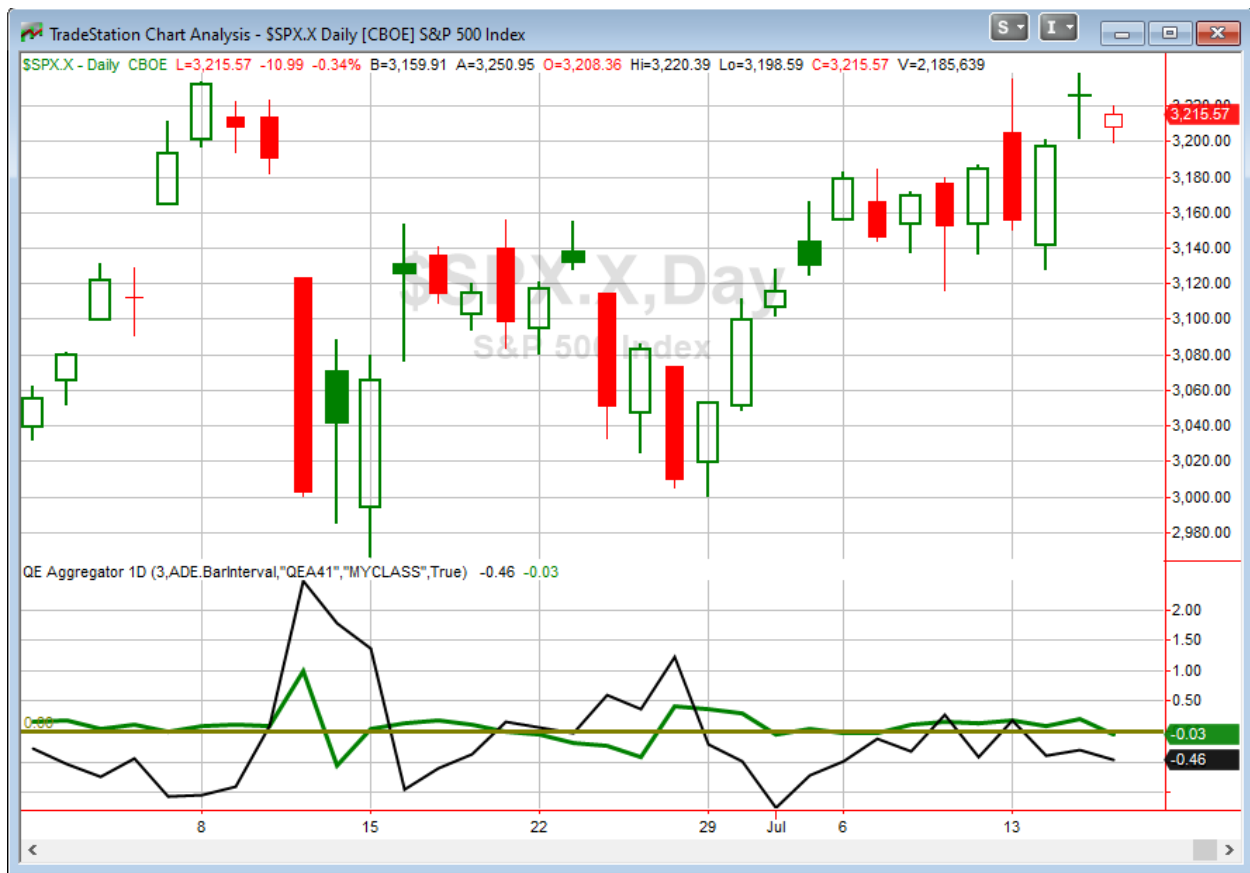
SPY posts an unfilled gap down after an unfilled gap up. Yesterday was the highest close in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-24,431.71	40	19	21	47.50	1,827.28	-7,283.25	794.02	-1,881.81	0.42	0.38	-610.79
4	-20,221.38	40	17	23	42.50	1,998.36	-4,273.14	786.98	-1,460.87	0.54	0.40	-505.53
3	-19,007.72	40	17	23	42.50	1,044.24	-5,156.38	589.62	-1,262.23	0.47	0.35	-475.19
2	-17,395.61	41	15	26	36.59	1,383.20	-6,275.98	531.77	-975.85	0.54	0.31	-424.28
1	-7,958.66	41	16	25	39.02	1,008.68	-1,807.92	434.65	-596.52	0.73	0.47	-194.11

The numbers here appear to suggest a downside edge. Let's also take a look at a profit curve.



While the curve is a little choppy, it has persisted downwards. We have tracked this study for a while, and the edge has seen an acceleration to the downside in recent instances. This all suggests we could see further selling over the next few days. I added this to the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside 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 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 turned short at the close.

Based on the current list of active studies, expectations are set to remain negative on Friday. This could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3211.54 on Friday. That is 0.1% below Thursday's close. So SPX will only need to close down a few points in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is suggesting a bearish edge. And down does seem to be the probable direction over the next few days. But the setup is not as strong as I would like in order to consider taking a counter-trend trade. Evidence is mixed and it will only take a very small amount of selling on Friday in order to flip to oversold. So I am still waiting for a more favorable reward/risk setup.

***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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