

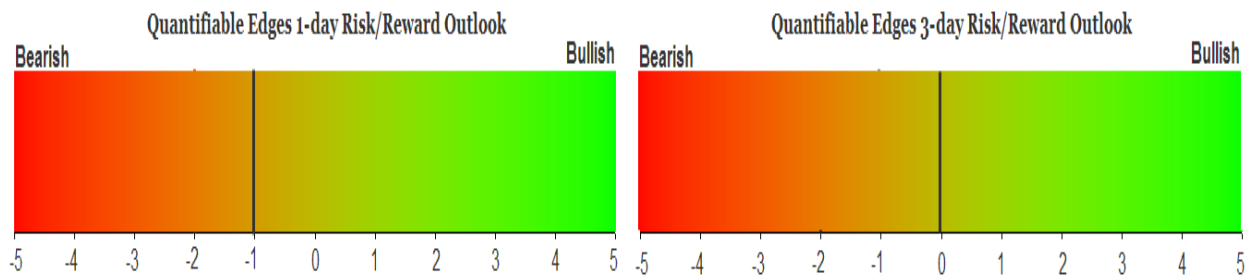
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 21, 2020

Volume 13 Issue 140

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The very low volume on the breakout is a bullish sign for follow through over the next few days.
- The combination of the SPX and the VIX and volume low suggest a 1-day downside edge.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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 21, 2020	SPX breakout on lowest volum in 10	1-5 days	Bullish	1.90%	-0.80%	-1.50%
July 21, 2020	SPX 20 high. VIX 20 low. Volume 10 low	1 day	Bearish			
July 17, 2020	Unfill gap 20hi, unfill gap down	1-3 days	Bearish			
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 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

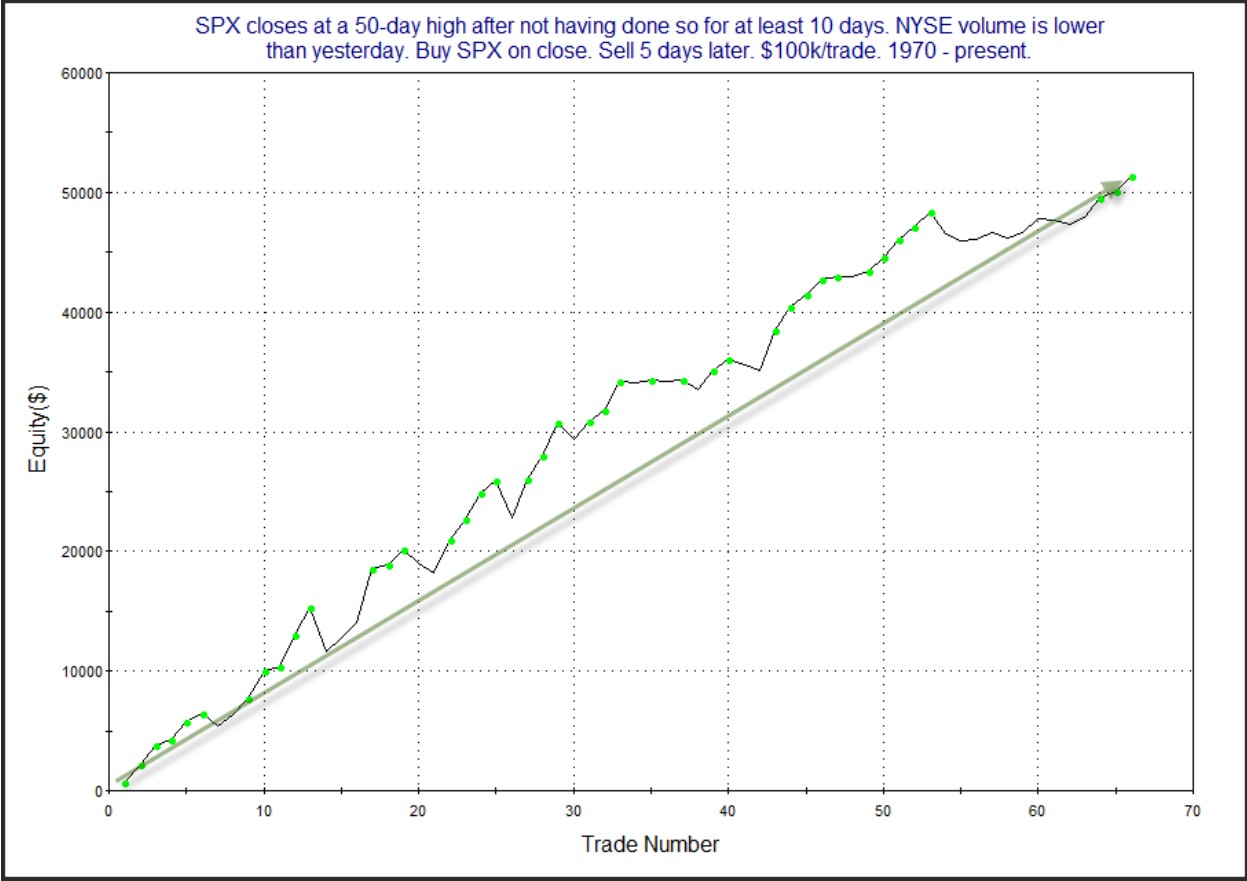
Monday was an interesting day. The SPX finished up 0.8% and broke out to a 50-day high, the NASDAQ gained 2.5% and hit a new all-time high, and the Russell 2000 lost 0.4%. Breadth was negative as the NYSE Up Issues % was 43.1% and the Up Volume % came in at 42.8%. NYSE total volume came in at the lightest level in over a month.

SPX breakout days often give clues as to whether we are likely to see additional follow through. Monday's volume is encouraging. For a breakout to have a good chance of success you generally want volume to come in either 1) lower than the day before (like Monday), or 2) extremely high. Moderate but increasing volume is the worst scenario. To see why I say this, take a look at the 3 studies below, which were seen in the 6/4/18 letter. The first one examines new breakouts that occur on declining volume.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	41,425.97	62	36	26	58.06	11,088.84	-8,157.10	2,612.12	-2,023.48	1.29	1.79	668.16
19	38,248.80	63	37	26	58.73	9,628.99	-9,056.82	2,434.61	-1,993.53	1.22	1.74	607.12
18	39,376.91	63	40	23	63.49	11,076.80	-9,094.80	2,316.45	-2,316.57	1.00	1.74	625.03
17	36,455.41	63	40	23	63.49	10,017.28	-8,682.96	2,290.62	-2,398.66	0.95	1.66	578.66
16	45,270.78	63	41	22	65.08	10,944.36	-9,243.81	2,391.48	-2,399.09	1.00	1.86	718.58
15	41,215.66	63	43	20	68.25	8,357.91	-9,354.92	2,170.87	-2,606.59	0.83	1.79	654.22
14	46,295.43	65	46	19	70.77	9,189.84	-6,525.68	1,991.17	-2,384.13	0.84	2.02	712.24
13	46,215.72	66	44	22	66.67	7,920.66	-5,160.09	1,988.07	-1,875.42	1.06	2.12	700.24
12	29,958.79	66	38	28	57.58	5,996.75	-4,539.14	1,969.99	-1,603.60	1.23	1.67	453.92
11	24,645.71	66	36	30	54.55	5,809.60	-6,029.07	1,937.99	-1,504.06	1.29	1.55	373.42
10	23,106.83	66	35	31	53.03	5,960.00	-4,324.52	1,889.86	-1,388.33	1.36	1.54	350.10
9	28,163.11	66	42	24	63.64	5,147.20	-5,812.26	1,568.66	-1,571.69	1.00	1.75	426.71
8	33,275.55	66	46	20	69.70	5,096.00	-4,186.55	1,399.89	-1,555.97	0.90	2.07	504.18
7	36,394.18	66	44	22	66.67	4,655.00	-3,211.35	1,338.17	-1,022.07	1.31	2.62	551.43
6	51,245.75	66	47	19	71.21	5,002.50	-3,563.65	1,396.56	-757.51	1.84	4.56	776.45
5	51,317.08	66	49	17	74.24	4,482.50	-3,693.73	1,382.62	-966.56	1.43	4.12	777.53
4	33,690.27	66	47	19	71.21	4,440.00	-2,913.85	1,114.26	-983.16	1.13	2.80	510.46
3	32,290.31	66	44	22	66.67	3,950.00	-1,802.37	1,081.94	-696.14	1.55	3.11	489.25
2	19,739.93	66	44	22	66.67	2,212.98	-1,912.60	760.95	-624.62	1.22	2.44	299.09
1	6,739.16	66	41	25	62.12	1,384.02	-1,921.32	441.15	-453.91	0.97	1.59	102.11

Numbers here appear pretty solid, with add-on buying typically coming in during the next week. Below is a look at a profit curve.



The move from lower left to upper right is encouraging, and suggests Monday’s breakout is likely to see additional follow through this upcoming week. Next, let’s look at times where there was extremely strong volume (20-day high volume).

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume the highest in 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	13,031.24	41	22	19	53.66	8,953.20	-8,308.32	3,632.58	-3,520.30	1.03	1.19	317.84
19	9,552.80	41	23	18	56.10	8,942.40	-7,980.00	3,409.41	-3,825.76	0.89	1.14	233.00
18	20,487.18	41	23	18	56.10	9,613.50	-7,323.36	3,674.90	-3,557.53	1.03	1.32	499.69
17	14,495.33	41	24	17	58.54	9,069.84	-8,144.90	3,274.62	-3,770.32	0.87	1.23	353.54
16	20,007.40	41	23	18	56.10	8,048.82	-8,109.35	3,530.65	-3,399.87	1.04	1.33	487.99
15	13,894.74	41	23	18	56.10	7,668.00	-8,358.20	3,424.99	-3,604.45	0.95	1.21	338.90
14	16,279.91	41	23	18	56.10	8,128.38	-8,338.45	3,302.74	-3,315.73	1.00	1.27	397.07
13	23,912.30	41	24	17	58.54	7,478.64	-8,251.55	3,054.35	-2,905.42	1.05	1.48	583.23
12	20,404.52	41	23	18	56.10	7,352.31	-8,757.15	2,796.65	-2,439.91	1.15	1.46	497.67
11	26,835.40	41	26	15	63.41	6,782.40	-6,975.70	2,514.89	-2,570.12	0.98	1.70	654.52
10	30,154.41	41	24	17	58.54	6,199.20	-3,730.08	2,487.82	-1,738.42	1.43	2.02	735.47
9	27,719.41	41	24	16	58.54	6,418.16	-3,113.22	2,272.85	-1,676.82	1.36	2.03	676.08
8	29,414.70	41	24	17	58.54	6,220.34	-2,943.34	2,245.80	-1,440.27	1.56	2.20	717.43
7	30,234.26	41	25	16	60.98	5,264.21	-2,946.00	2,017.12	-1,262.11	1.60	2.50	737.42
6	33,027.27	41	28	13	68.29	4,695.76	-3,093.30	1,753.17	-1,235.50	1.42	3.06	805.54
5	29,294.27	41	26	15	63.41	4,771.60	-2,562.72	1,655.48	-916.55	1.81	3.13	714.49
4	20,358.72	41	26	15	63.41	3,165.12	-1,948.21	1,266.35	-837.76	1.51	2.62	496.55
3	17,058.61	41	26	15	63.41	2,989.36	-2,188.15	1,086.30	-745.67	1.46	2.53	416.06
2	27,121.51	41	27	13	65.85	3,813.53	-1,259.60	1,181.81	-368.26	3.21	6.67	661.50
1	15,065.40	41	29	12	70.73	2,755.52	-1,292.50	648.11	-310.81	2.09	5.04	367.45

Numbers here are quite similar, with the first week getting solid follow-through buying once again. Next, let's look at rising but moderate volume.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is higher than yesterday but < 20-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	1,934.98	103	51	52	49.51	13,401.70	-11,541.15	3,252.65	-3,152.88	1.03	1.01	18.79
19	15,045.39	103	54	49	52.43	9,135.36	-11,854.89	3,067.77	-3,073.76	1.00	1.10	146.07
18	16,483.11	104	57	47	54.81	9,503.00	-10,293.66	2,879.69	-3,141.69	0.92	1.11	158.49
17	11,596.72	104	57	47	54.81	9,962.68	-9,419.67	2,774.33	-3,117.88	0.89	1.08	111.51
16	2,447.58	106	58	48	54.72	8,910.72	-11,033.63	2,611.91	-3,105.07	0.84	1.02	23.09
15	9,420.92	106	57	49	53.77	8,150.48	-10,321.97	2,528.91	-2,749.53	0.92	1.07	88.88
14	-2,637.16	106	59	47	55.66	7,702.40	-10,120.46	2,304.64	-2,949.17	0.78	0.98	-24.88
13	-4,357.10	106	56	50	52.83	7,911.80	-9,725.34	2,292.09	-2,654.29	0.86	0.97	-41.10
12	-5,914.02	107	58	49	54.21	10,197.98	-9,869.02	2,139.29	-2,652.92	0.81	0.95	-55.27
11	3,226.82	107	57	50	53.27	10,380.37	-9,482.88	2,185.85	-2,427.34	0.90	1.03	30.16
10	-2,621.51	107	55	52	51.40	10,515.18	-8,683.66	2,091.17	-2,262.23	0.92	0.98	-24.50
9	2,598.16	107	53	54	49.53	8,413.73	-6,878.68	2,072.62	-1,986.12	1.04	1.02	24.28
8	-2,978.62	107	59	48	55.14	8,532.68	-7,076.24	1,641.96	-2,080.30	0.79	0.97	-27.84
7	14,486.34	107	58	49	54.21	6,337.26	-7,255.84	1,687.77	-1,702.12	0.99	1.17	135.39
6	10,793.68	107	60	47	56.07	6,819.80	-7,103.18	1,459.89	-1,634.03	0.89	1.14	100.88
5	5,454.73	107	53	54	49.53	8,516.82	-6,088.44	1,498.52	-1,369.76	1.09	1.07	50.98
4	-1,463.54	107	59	48	55.14	6,716.71	-5,585.56	1,206.91	-1,513.98	0.80	0.98	-13.68
3	9,471.04	107	62	45	57.94	6,740.50	-5,361.06	1,098.07	-1,302.44	0.84	1.16	88.51
2	3,708.43	107	63	44	58.88	4,028.44	-4,276.16	761.68	-1,006.31	0.76	1.08	34.66
1	9,930.76	107	61	46	57.01	2,731.56	-2,722.61	507.36	-456.92	1.11	1.47	92.81

This does not appear to suggest any edge over the next 1-4 weeks.

So it appears the low volume on Monday could be a good thing. But it was not just lower than the day before. It was the lowest volume day in a while. So I filtered volume further to see what happened if the breakout occurred along with a 10-day volume low.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume the lowest in 10 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	9,218.26	14	8	6	57.14	4,119.90	-5,904.08	2,585.20	-1,910.56	1.35	1.80	658.45
19	5,378.60	14	6	8	42.86	4,200.00	-4,295.20	2,745.87	-1,387.08	1.98	1.48	384.19
18	7,333.84	14	8	6	57.14	5,579.20	-4,014.40	2,290.72	-1,831.99	1.25	1.67	523.85
17	3,527.37	14	7	7	50.00	5,544.00	-8,682.96	3,105.62	-2,601.71	1.19	1.19	251.95
16	9,453.87	14	7	7	50.00	4,882.50	-4,121.76	3,195.66	-1,845.11	1.73	1.73	675.28
15	7,378.83	14	7	7	50.00	4,717.50	-3,228.96	2,811.81	-1,757.69	1.60	1.60	527.06
14	14,275.75	14	9	5	64.29	5,360.00	-3,680.00	2,700.41	-2,005.58	1.35	2.42	1,019.70
13	14,218.11	14	9	5	64.29	5,275.00	-2,413.44	2,414.39	-1,502.29	1.61	2.89	1,015.58
12	9,123.97	14	7	7	50.00	5,017.60	-3,087.52	2,713.30	-1,409.87	1.92	1.92	651.71
11	16,160.82	14	9	5	64.29	5,809.60	-2,074.50	2,637.45	-1,515.25	1.74	3.13	1,154.34
10	16,776.06	14	9	5	64.29	5,960.00	-2,526.72	2,529.12	-1,197.20	2.11	3.80	1,198.29
9	18,691.64	14	12	2	85.71	5,147.20	-3,644.64	1,872.66	-1,890.16	0.99	5.94	1,335.12
8	18,427.30	14	12	2	85.71	5,096.00	-2,782.08	1,827.87	-1,753.56	1.04	6.25	1,316.24
7	16,195.40	14	11	3	78.57	4,655.00	-976.32	1,638.30	-608.64	2.69	9.87	1,156.81
6	19,561.14	14	12	2	85.71	5,002.50	-942.72	1,773.14	-858.26	2.07	12.40	1,397.22
5	19,499.99	14	13	1	92.86	4,482.50	-1,081.20	1,583.17	-1,081.20	1.46	19.04	1,392.86
4	13,571.98	14	11	3	78.57	4,440.00	-867.08	1,441.24	-760.56	1.89	6.95	969.43
3	14,542.79	14	10	4	71.43	3,950.00	-1,190.70	1,655.64	-503.41	3.29	8.22	1,038.77
2	11,181.65	14	12	2	85.71	1,888.00	-676.42	1,009.58	-466.67	2.16	12.98	798.69
1	3,656.21	14	10	4	71.43	1,384.02	-1,921.32	628.95	-658.32	0.96	2.39	261.16

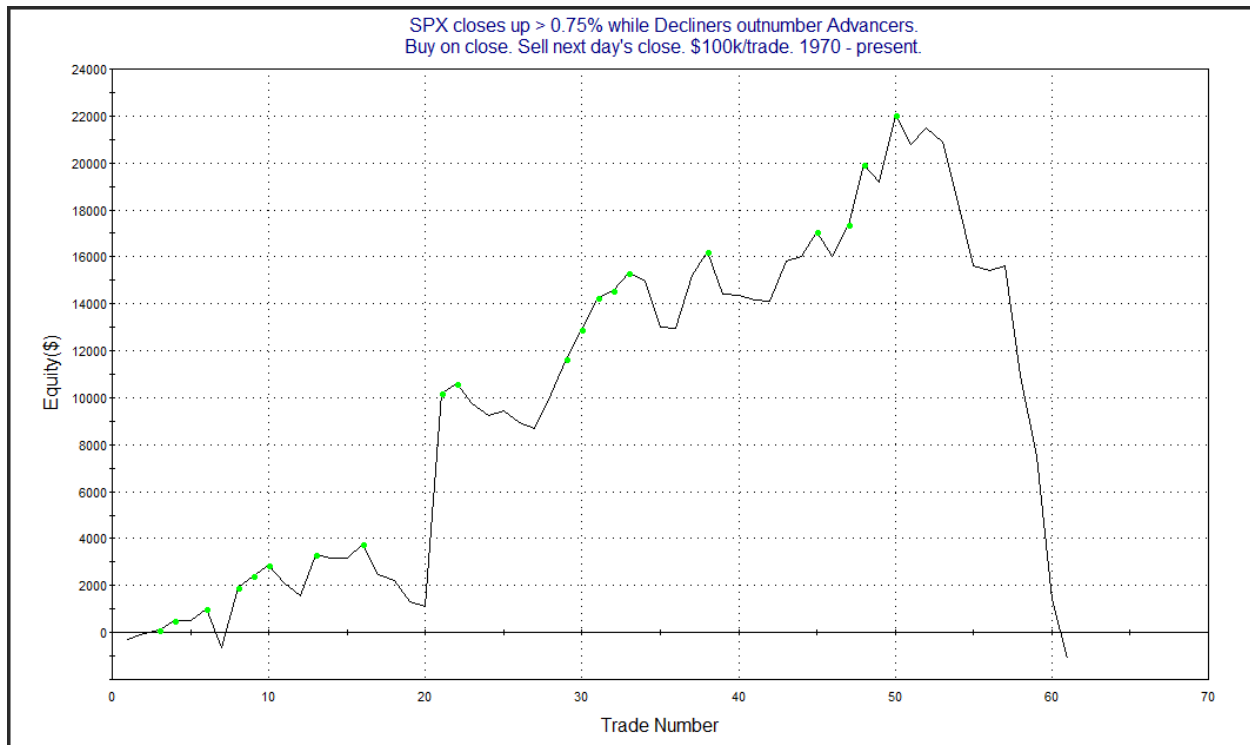
These are actually the best results of the bunch. Instances are a little low, but 13-1 one week out is impressive. Below I have listed all instances.

SPX closes at a 50-day high after not having done so
for at least 10 days. NYSE volume the lowest in 20 days.
Buy SPX on close. Sell 5 days later. \$100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/13/1975	Buy	\$89.46	0.40%	\$1,496.78
10/20/1975	Sell	\$89.82		(\$1,541.46)
11/27/1981	Buy	\$125.09	0.94%	\$1,781.77
12/4/1981	Sell	\$126.26		(\$1,166.54)
12/24/1991	Buy	\$399.33	4.49%	\$4,747.50
1/2/1992	Sell	\$417.26		(\$5.00)
2/1/1993	Buy	\$442.52	1.20%	\$1,692.00
2/8/1993	Sell	\$447.85		(\$396.00)
12/27/1993	Buy	\$470.54	-1.08%	\$159.00
1/3/1994	Sell	\$465.44		(\$1,310.16)
1/29/1996	Buy	\$624.21	2.76%	\$2,755.20
2/5/1996	Sell	\$641.43		\$0.00
10/2/1997	Buy	\$960.46	1.06%	\$2,356.64
10/9/1997	Sell	\$970.62		(\$554.32)
6/30/1999	Buy	\$1,372.86	1.58%	\$2,337.12
7/8/1999	Sell	\$1,394.49		(\$871.20)
8/29/2003	Buy	\$1,008.01	2.34%	\$2,415.60
9/8/2003	Sell	\$1,031.64		(\$231.66)
10/12/2009	Buy	\$1,076.19	2.02%	\$2,206.16
10/19/2009	Sell	\$1,097.91		(\$872.16)
10/14/2011	Buy	\$1,224.58	1.12%	\$1,170.45
10/21/2011	Sell	\$1,238.25		(\$2,681.10)
4/29/2013	Buy	\$1,593.61	1.50%	\$1,621.92
5/6/2013	Sell	\$1,617.50		(\$764.46)
12/22/2014	Buy	\$2,078.54	0.09%	\$720.48
12/30/2014	Sell	\$2,080.35		\$0.00
11/17/2016	Buy	\$2,187.12	1.20%	\$1,180.35
11/25/2016	Sell	\$2,213.35		(\$303.30)

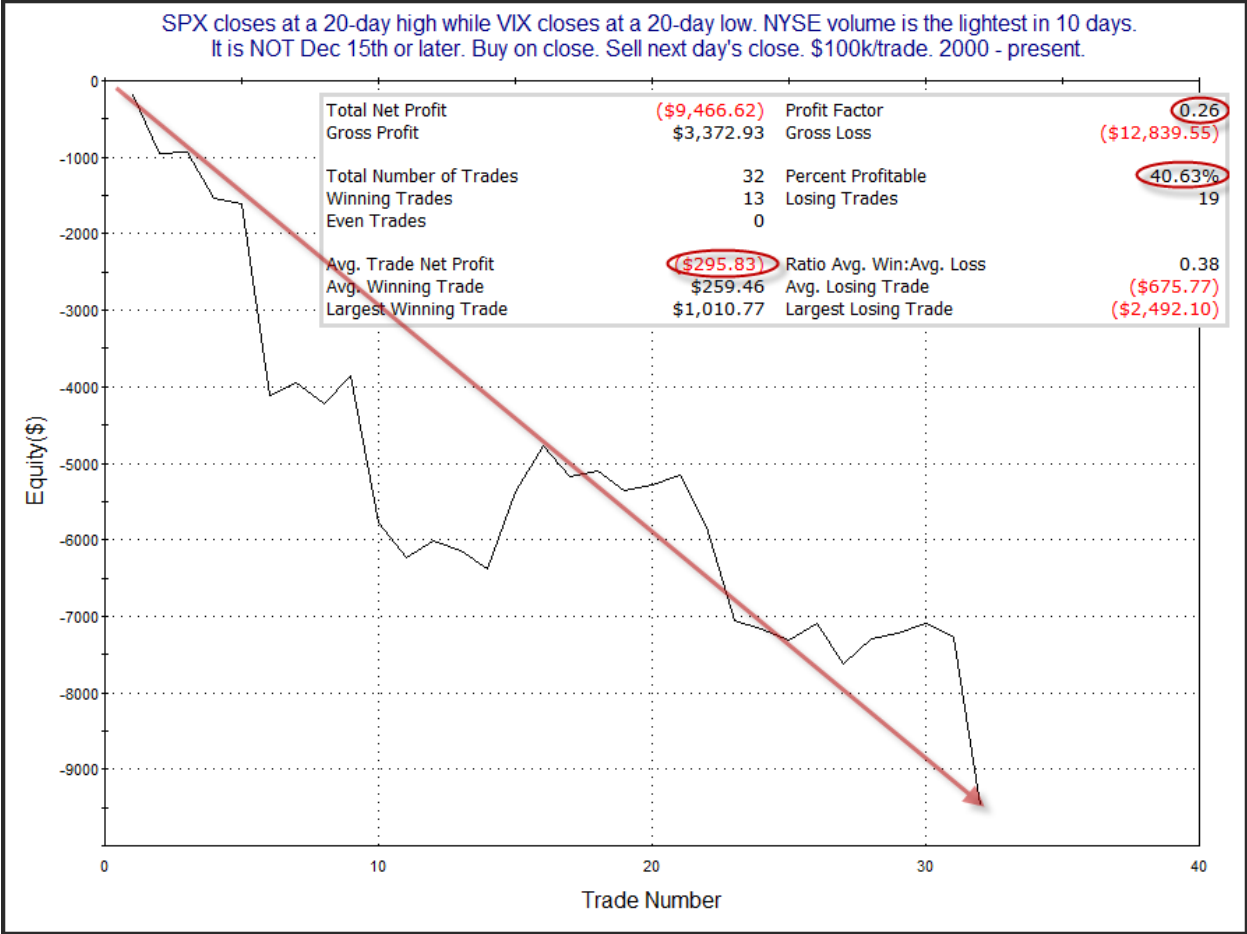
The lone loser here occurred in the week between Christmas and New Years, which is a time where volume is typically very light. So someone could even view that as a reason to discount that instance. I'll still include it, but the point is, I like these results and don't see a red flag here. I have added this study to the active list tonight.

The weak breadth was also interesting, and could be looked at a few ways. I did not find a compelling edge when looking at the strong move up on poor breadth. Below is an example of a study I ran related to this.



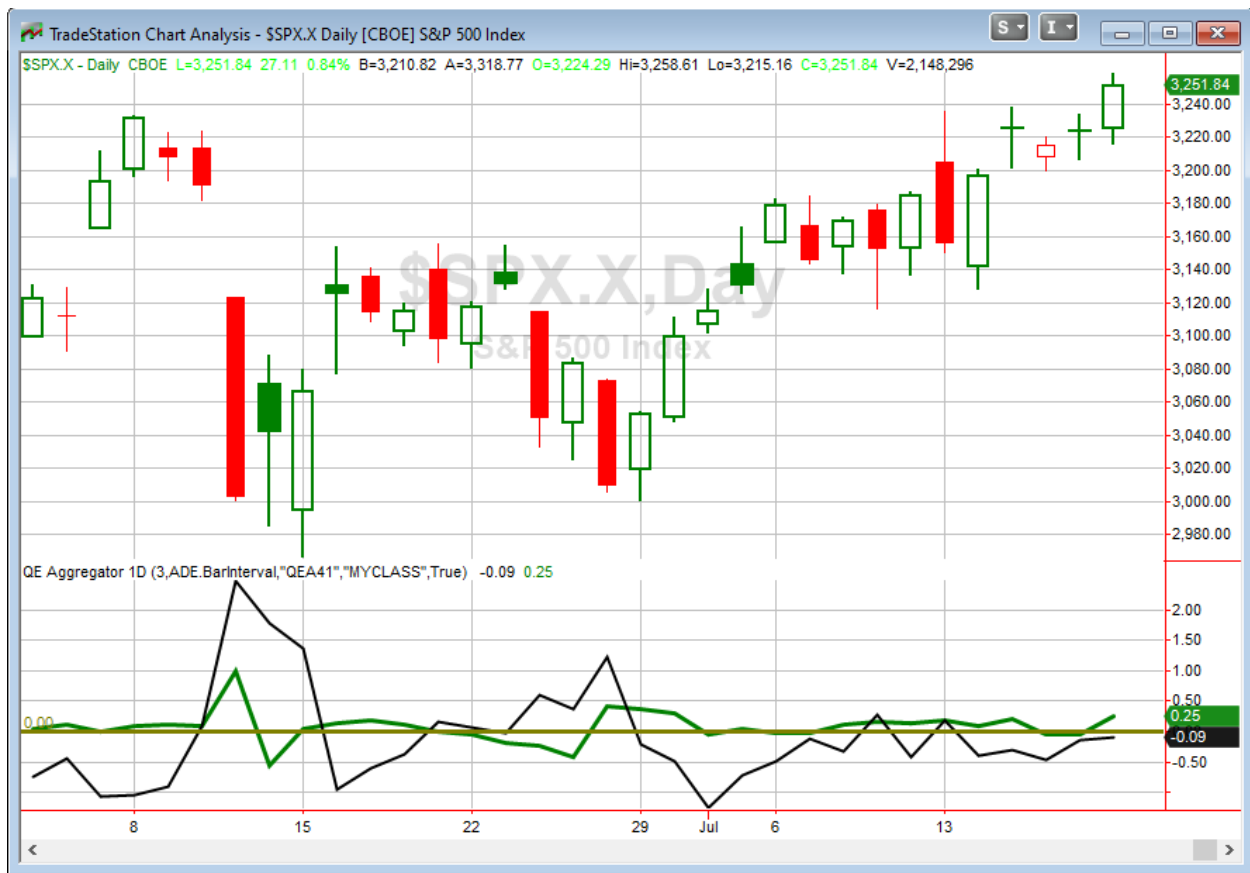
Such setups used to suggest a decent upside edge the next day. That is no longer the case. But I am not convinced that there is truly a substantial downside edge either.

Also notable about Monday was that the VIX saw a big decline and a new low as well. The study below was from the 5/14/18 letter. It looked at other times the SPX hit a high while VIX and NYSE volume hit a low. Results are updated.



This study seems to suggest a 1-day downside edge. I have also added this to the active list tonight.

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



With tonight's mix of evidence considered, 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 Tuesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3224.45 on Tuesday. That is 0.8% below Monday's close. Therefore, SPX will need to close down at least 0.8% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Expectations for Tuesday are actually slightly negative, but the 3-day expectations are positive. Breakouts are tough to short, because they suggest momentum, and we've certainly seen how momentum can carry the last few months. This is all leaving me sidelined and neutral, awaiting a more favorable reward/risk setup.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/20 – slightly bullish

The intermediate-term outlook was last updated in the 7/20 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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