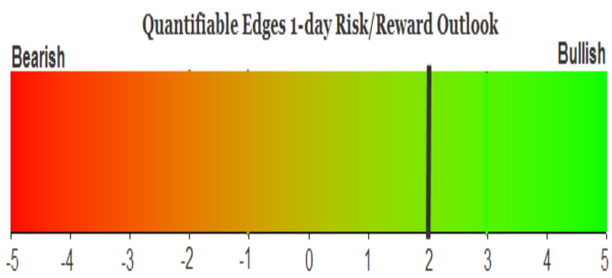
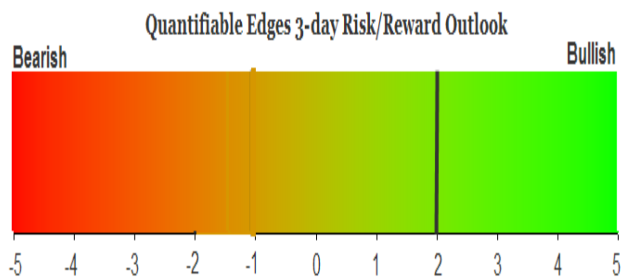
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 28, 2020 Volume 13 Issue 145

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The Fed Day edge on Wednesday will be greatly influenced by action on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is long. I like the long side, and will look to take a position if I can get a favorable fill near the close.

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
Active - Short Term						
July 27, 2020	SPX 1st close < 10ma in > 15 days	1-2 days	Bullish			
Active - Long Term						
July 24, 2020	NDX big dn day. SPX new high.	1-50 days	Bullish	6.00%	-2.85%	-5.50%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
July 21, 2020	SPX breakout on lowest volum in 10	1-5 days	Bullish	1.90%	-0.80%	-1.50%

The Evidence

Monday saw the market bounce back strongly – especially the NASDAQ. The SPX finished up 0.7%, the NASDAQ gained 1.7%, and the Russell 2000 rose 1.2%. Breadth was positive as the NYSE Up Issues % was 60% and the Up Volume % came in at 53%. NYSE total volume rose a little from Monday's level.

The bounce back was expected and did not trigger any compelling new evidence. Of course Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. I have documented this tendency in great detail over the years, with the most complete documentation coming in The Quantifiable Edges Guide to Fed Days. One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. I last updated the studies by quartile in the 12/10/19 letter. Below are the 4 quartiles from highest to lowest in the daily range. All are updated.

Tomorrow is a Fed Day. SPY closes in the top 25% of the intraday range.
Buy on close. Sell Fed Day close. $100k/trade. 1993 - present.

TradeStation Performance Summary Expand

All Trades

Total Net Profit	$5,954.14	Profit Factor	1.23
Gross Profit	$31,767.69	Gross Loss	($25,813.55)
Total Number of Trades	85	Percent Profitable	47.06%
Winning Trades	40	Losing Trades	43
Even Trades	2		
Avg. Trade Net Profit	$70.05	Ratio Avg. Win:Avg. Loss	1.32
Avg. Winning Trade	$794.19	Avg. Losing Trade	($600.32)
Largest Winning Trade	$2,238.25	Largest Losing Trade	($2,739.69)

Tomorrow is a Fed Day. SPY closes > 50% and <= 75% of intraday range.
Buy on close. Sell Fed Day close. $100k/trade. 1993 - present.

TradeStation Performance Summary Expand

All Trades

Total Net Profit	$14,477.74	Profit Factor	1.92
Gross Profit	$30,261.13	Gross Loss	($15,783.39)
Total Number of Trades	51	Percent Profitable	52.94%
Winning Trades	27	Losing Trades	23
Even Trades	1		
Avg. Trade Net Profit	$283.88	Ratio Avg. Win:Avg. Loss	1.63
Avg. Winning Trade	$1,120.78	Avg. Losing Trade	($686.23)
Largest Winning Trade	$4,704.07	Largest Losing Trade	($2,246.40)

Tomorro is a Fed Day. SPY closes > 25% and <= 50% of intraday range.
Buy on close. Sell Fed Day close. $100k/trade. 1993 - present.

TradeStation Performance Summary

All Trades

Total Net Profit	$11,684.70	Profit Factor	2.05
Gross Profit	$22,785.42	Gross Loss	($11,100.72)
Total Number of Trades	42	Percent Profitable	66.67%
Winning Trades	28	Losing Trades	14
Even Trades	0		
Avg. Trade Net Profit	$278.21	Ratio Avg. Win:Avg. Loss	1.03
Avg. Winning Trade	$813.77	Avg. Losing Trade	($792.91)
Largest Winning Trade	$2,943.00	Largest Losing Trade	($2,066.62)

Tomorrow is a Fed Day. SPY closes in the *bottom* 25% of the intraday range.
Buy on close. Sell Fed Day close. $100k/trade. 1993 - present.

TradeStation Performance Summary

All Trades

Total Net Profit	$25,956.66	Profit Factor	4.72
Gross Profit	$32,937.76	Gross Loss	($6,981.10)
Total Number of Trades	40	Percent Profitable	75.00%
Winning Trades	30	Losing Trades	10
Even Trades	0		
Avg. Trade Net Profit	$648.92	Ratio Avg. Win:Avg. Loss	1.57
Avg. Winning Trade	$1,097.93	Avg. Losing Trade	($698.11)
Largest Winning Trade	$4,645.80	Largest Losing Trade	($2,945.28)

So what we see here, is that the lower SPY has closed in its range the day before, the stronger the Fed day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced.

I have updated the Aggregator chart below.

Without any compelling new studies making the list tonight, 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 also held 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 stayed 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 3253.39 on Tuesday. That is 0.4% above Monday's close. Therefore, SPX will need to close up a little over 0.4% on Tuesday in order to flip from oversold to overbought vs expectations.

So the Aggregator is again bullish. And a poor close would likely set up a solid Fed Day edge. I was not filled on my trade idea from yesterday. I like the long side, but there are certainly risks with the upcoming Fed announcement and congressional hearing with big tech firms on Wednesday, and stimulus negotiations also going on. If Tuesday struggles and the market closes poorly, I will look to enter at the close. I will likely exit that trade before the Fed announcement on Wednesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/27 – slightly bullish

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*.

SPY – Buy ¼ index position @ $323.21 LIMIT ON CLOSE IF SPY CLOSES IN THE BOTTOM 25% OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will look to take on a small position in SPY if it closes poorly ahead of the Fed Day. (*Personally, I should note that I will be out of the office for much of the day tomorrow. So I may not actually have the opportunity to take this trade. But I will track it here in the letter if it triggers*.)

Current Open Trade Ideas

None.