

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 18, 2020

Volume 13 Issue 160

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	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 now bullish, but the Differential Pivot is inverted. This limits reward, and is keeping me from getting excited about the long Aggregator setup.

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						
August 18, 2020	SPY 20-high. Close < open	1-3 days	Bullish	1.00%	-0.60%	-1.10%
August 17, 2020	SPX dn 2 from 50-high < 0.25%	1-2 days	Bullish			
Active - Long Term						
August 12, 2020	SPX Dn 1 after 5+ up to 50-high	1-10 days	Bullish	1.90%	-1.00%	-2.10%
August 11, 2020	DJI & SPX up 7 days in a row > 200	1-20 days	Bullish	3.00%	-2.00%	-4.20%
August 11, 2020	RSI2 crosses over 99	1-15 days	Bullish	2.20%	-1.50%	-3.00%
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			
June 8, 2020	3 Breadth Sigs (BAM/90%Day/A-D Hi)	1-63 days	Bullish			
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 saw the market mostly higher. The SPX rose 0.3%, the NASDAQ rallied 1.0%, and the Russell 2000 gained 0.5%. Breadth was mixed as the NYSE Up Issues % was 51% and the Up Volume % came in at 42%. NYSE total volume rose some from Friday's low 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 7/16/20 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.

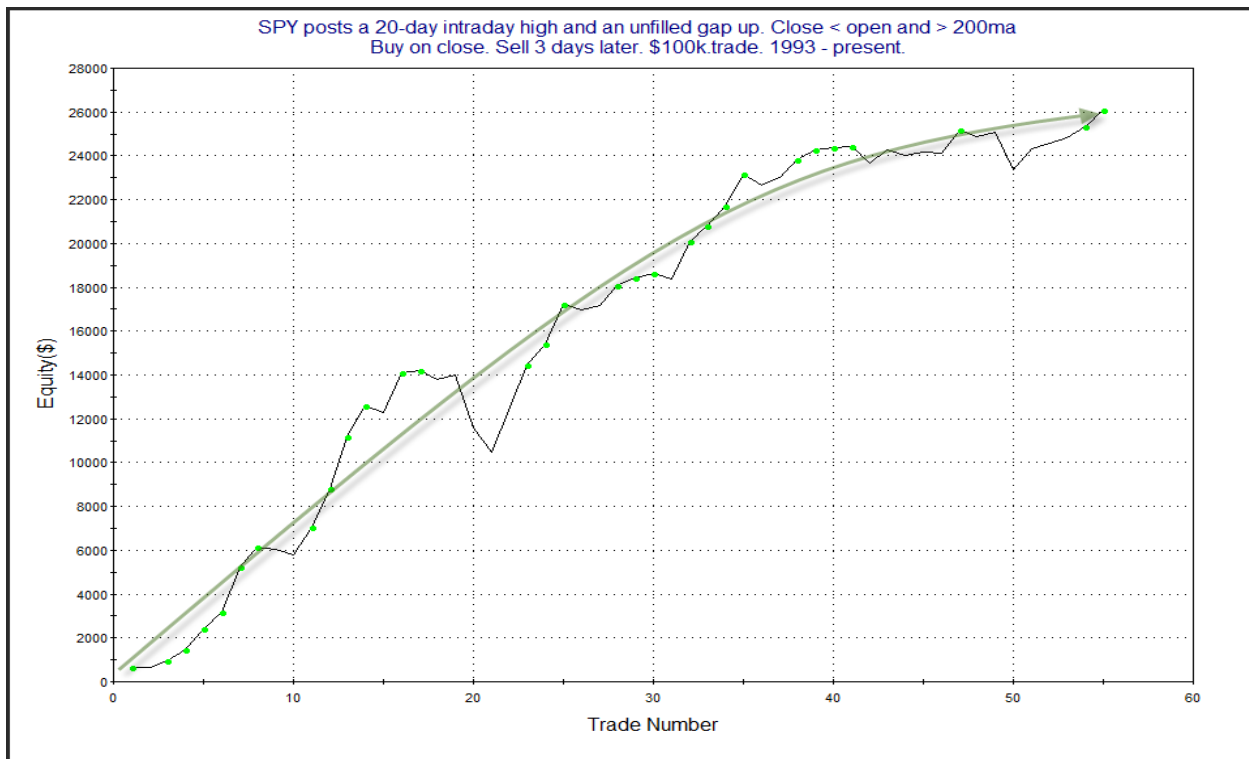
First let's look at times (unlike Monday) where the finish was relatively strong:

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	24,226.16	184	112	70	60.87	6,056.96	-8,727.84	1,439.09	-1,956.46	0.74	1.18	131.66
9	14,002.48	193	120	72	62.18	5,404.74	-11,239.50	1,321.64	-2,008.26	0.66	1.10	72.55
8	6,283.70	201	120	79	59.70	5,456.48	-8,628.75	1,226.31	-1,783.21	0.69	1.04	31.26
7	3,619.16	208	125	81	60.10	5,145.60	-12,413.60	1,161.40	-1,747.61	0.66	1.03	17.40
6	1,096.82	222	124	96	55.86	4,931.26	-12,044.85	1,023.59	-1,310.71	0.78	1.01	4.94
5	18,627.02	234	130	102	55.56	4,539.48	-3,873.24	940.88	-1,016.54	0.93	1.18	79.60
4	19,262.29	255	143	111	56.08	4,627.26	-7,578.55	880.07	-960.25	0.92	1.18	75.54
3	-9,817.83	273	153	118	56.04	3,526.40	-6,980.31	654.01	-931.20	0.70	0.91	-35.96
2	-879.62	303	164	136	54.13	2,545.92	-3,016.48	508.91	-620.15	0.82	0.99	-2.90
1	2,356.34	325	162	162	49.85	2,380.38	-2,817.32	356.69	-342.15	1.04	1.04	7.25

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.

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	42,311.54	47	32	15	68.09	4,838.35	-4,810.68	1,839.24	-1,102.95	1.67	3.56	900.25
9	34,489.13	48	36	12	75.00	3,741.10	-5,564.16	1,412.78	-1,364.24	1.04	3.11	718.52
8	29,925.65	48	34	13	70.83	3,352.48	-6,021.40	1,383.57	-1,316.60	1.05	2.75	623.45
7	25,838.22	50	31	19	62.00	3,751.55	-4,952.36	1,459.29	-1,021.04	1.43	2.33	516.76
6	25,384.80	50	32	18	64.00	4,159.10	-6,414.24	1,408.27	-1,093.33	1.29	2.29	507.70
5	19,152.48	50	29	21	58.00	3,754.17	-4,540.20	1,174.08	-709.33	1.66	2.29	383.05
4	20,588.52	51	36	15	70.59	3,436.02	-2,228.24	869.39	-713.97	1.22	2.92	403.70
3	26,110.24	55	40	14	72.73	2,362.10	-2,427.88	868.86	-617.45	1.41	4.02	474.73
2	20,403.94	56	35	21	62.50	1,998.70	-926.12	827.54	-407.62	2.03	3.38	364.36
1	7,953.96	57	36	21	63.16	1,708.92	-1,015.84	430.80	-359.76	1.20	2.05	139.54

These results are substantially better than earlier where the finish was above the open. The failure to follow through on the gap up open and post more gains 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 rose just slightly 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 turned long at the close.

With the current list of active studies, expectations are slated to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 3377.36* on Tuesday. That is 0.1% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to decline over 0.1% on Tuesday in order to remain oversold. Anything less than that and it will be considered overbought as of the close on Tuesday.

So the Aggregator is finally bullish. But with the inverted pivot the setup may be fleeting. I generally do not view setups with inverted pivots as opportune times to take on new trades. This is because potential reward is greatly limited. Any close in my direction would mean the end of the signal. So gains would all need to be made in 1 day. But there could be multiple days of losses before the signal changed. So despite the bullish Aggregator formation, I will look for a bit of a pullback before getting excited about a potential long trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/17 – slightly bullish

The intermediate-term outlook was last updated in the 8/17/20 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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