

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 20, 2020

Volume 13 Issue 162

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- No compelling new studies emerged on Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator flipped back to bullish. I will like the setup better if confirming new short-term evidence emerges. There does appear to be a short VIX edge with the combination of the bullish Aggregator and the steep contango in VIX futures.

Summary of Recent Active Studies (see Letters from listed dates for details)

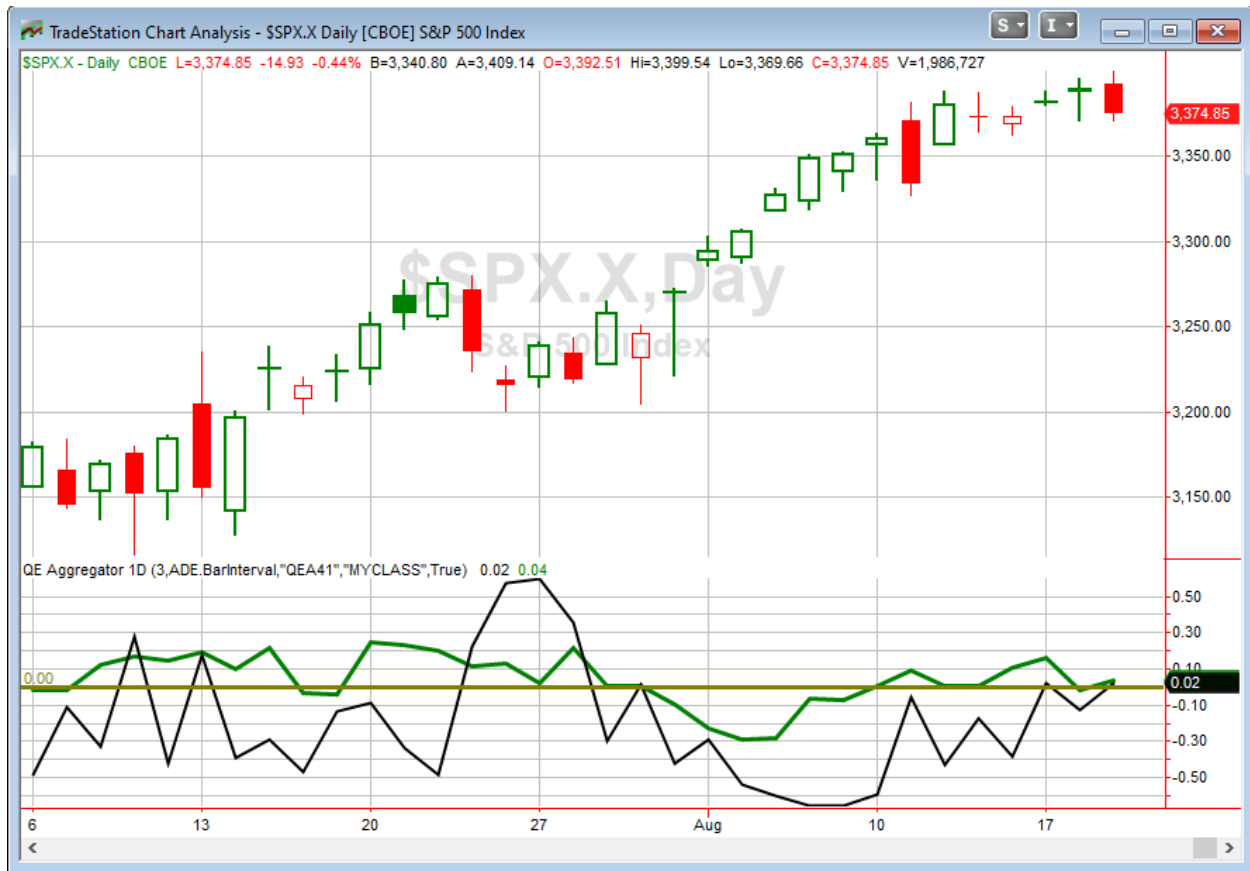
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 18, 2020	SPY 20-high. Close < open	1-3 days	Bullish	1.00%	-0.60%	-1.10%
Active - Long Term						
August 12, 2020	SPX Dn 1 after 5+ up to 50-high	1-10 days	Bullish	1.90%	-1.00%	-2.10%
August 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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
August 19, 2020	SPX up. Up Vol% and Up Issue % < 4	1 day	Bearish			

The Evidence

Wednesday saw mixed results for the indices. The SPX declined 0.4%, the NASDAQ fell 0.6%, and the Russell 2000 rose 0.15%. Breadth was negative as the NYSE Up Issues % was 40% and the Up Volume % came in at 39%. NYSE total volume rose some from for the 4th day in a row.

Not much to say tonight. SPX came of an all-time high on Tuesday and had a down day. It was not an extraordinary down day. There were not extremes in volume or breadth or price action. And so the lack of anything triggering in the Quantifinder is not terribly surprising. New tests I performed came up empty as well. So I am going to keep the dialogue short tonight. No new studies are being added to the active list.

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



Without any new studies being added tonight, the green Aggregator Line moved back above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also rose 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 flipped to long at the close.

With the last of the short-term studies set to expire on Thursday, expectations are slated to remain slightly positive. This is thanks to the intermediate-term evidence. Of course any new evidence that emerges over the next few days could have a strong influence on short-term expectations. Meanwhile, the Differential Pivot will be 3391.22 on Thursday. That is 0.5% above Wednesday's close. So SPX will need to close up at least 0.5% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. I'd like to see more confirming evidence before taking on new index exposure. I will note that VIX 1-2 month futures are steeply in contango. A long market edge and contango in VIX futures generally suggests a short-side edge to VXX. So if we get continued selling in SPX, and VXX rises on Thursday, I may look to establish a short VXX trade idea at the close.

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.

VXX – short ½ position @ \$25.25 LIMIT ON CLOSE, if SPX closes down on the day.

Based on the short-term outlook above, I will look to take advantage of a potentially favorable short VIX-ETF setup if Thursday plays out properly.

Current Open Trade Ideas

None

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