

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 25, 2020

Volume 13 Issue 165

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- 3 up days to a 200-day high on a Monday often leads to a “continuation Tuesday”.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but tonight's evidence says otherwise. The downside edge is not terribly appealing.

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 25, 2020	SPX up 3 to 200-high on Monday	1-2 days	Bullish			
August 24, 2020	SPX new high. NYSE NLS 50-day high	1-2 days	Bearish			
August 21, 2020	NDX up > 1%. SOX down	1-6 days	Bearish	-3.00%	1.80%	3.90%
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			

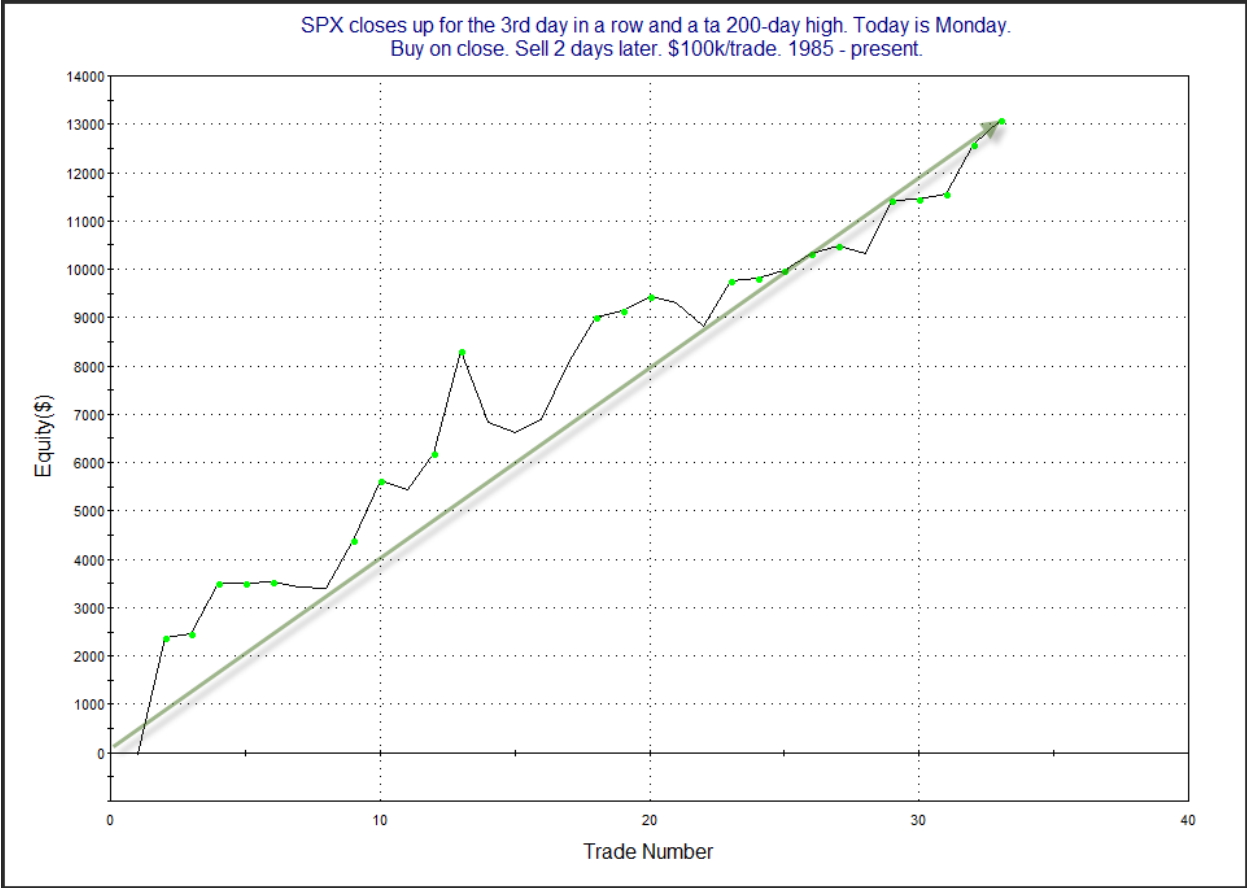
The Evidence

Monday was a rally day across the board. The SPX rose 1.0%, the NASDAQ gained 0.6%, and the Russell 2000 climbed 1.0%. Breadth was negative as the NYSE Up Issues % was 72% and the Up Volume % came in at 82%. NYSE total volume declined some from Friday's level.

Tuesday is sometimes seen as a turnaround day in the market. But my studies over the years have shown that is only really true when looking at pullbacks. Runs lower will often rebound on Tuesdays. But runs higher don't see a downside edge. And often they may even show a tendency to continue with more upside. The study below looks at time the SPX has closed up 3 days in a row and made a new high on a Monday.

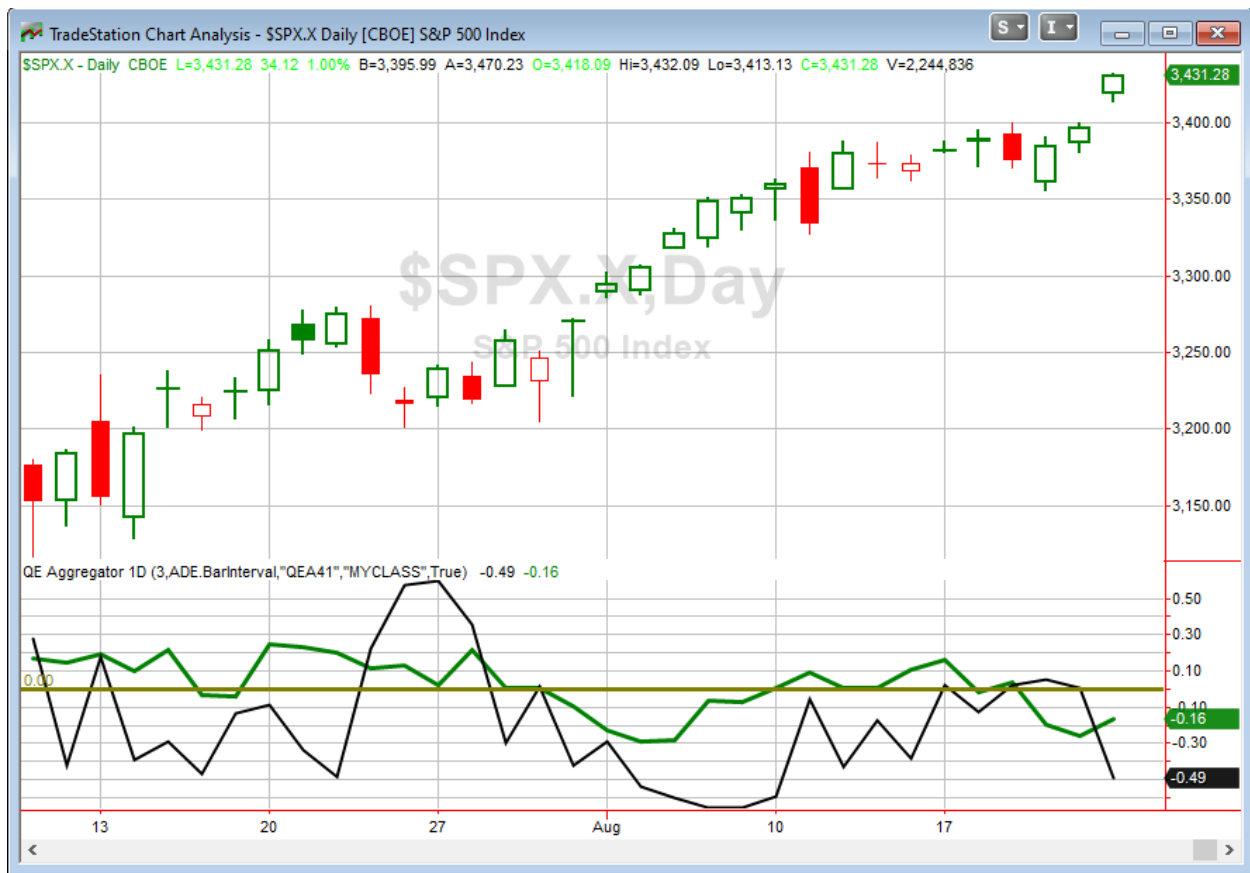
SPX closes up for the 3rd day in a row and a ta 200-day high. Today is Monday. Buy on close. Sell X days later. \$100k/trade. 1985 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	16,877.51	33	23	10	69.70	3,565.00	-1,497.69	1,082.33	-801.61	1.35	3.11	511.44
4	13,481.33	33	20	13	60.61	3,489.10	-2,042.82	1,056.82	-588.85	1.79	2.76	408.53
3	13,430.62	33	22	11	66.67	2,359.80	-1,300.86	807.50	-394.03	2.05	4.10	406.99
2	13,081.12	33	24	9	72.73	2,426.12	-1,482.30	664.06	-317.37	2.09	5.58	396.40
1	4,697.41	33	18	15	54.55	1,687.28	-539.07	451.07	-228.12	1.98	2.37	142.35

Numbers here are quite bullish, and suggest we could see some upside follow through over the next couple of days. Below is a look at the 2-day profit curve.



The strong, steady upslope is impressive, and seems to provide some confirmation of the upside edge suggested by the numbers. I have added this study to the active list tonight.

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



Even with tonight's new evidence considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line dipped 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, short-term expectations are set to remain negative on Tuesday. Of course, this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3378.99 on Tuesday. That is 1.5% below Monday's close. Therefore, SPX would need to close down a fairly sizable 1.5% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator has turned bearish, but we are looking at evidence tonight suggesting we could see some more upside in the next few days. I am more cautious with counter-trend trades, so tonight's evidence is enough to keep me from trying to bet against this strong uptrend. I'll continue to wait for a more favorable entry before taking on a large index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/24 – slightly bullish

The intermediate-term outlook was last updated in the 8/24/20 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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