

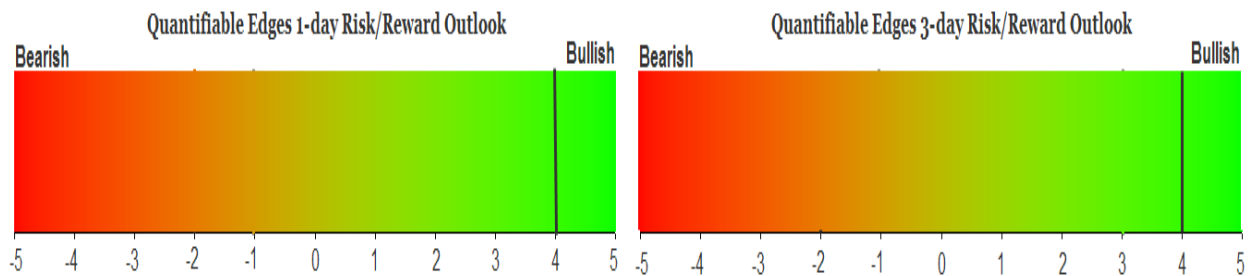
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 27, 2020

Volume 13 Issue 39

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	27

Tonight's Research Points

- The CBI is flashing strong signs of a bounce.
- Multiple days of SPX 50-day lows with an RSI2 < 2 have shown a short-term upside edge.
- SPY's pattern suggest a quick bounce.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish. The market is acting outside of historical norms, but there should be a strong bounce coming soon.

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						
February 27, 2020	SPY gap up, move higher, reverse dn	1-2 days	Bullish			
February 27, 2020	SPX 50-low & RSI2 < 2 for 2nd day	1-3 days	Bullish			
February 26, 2020	SPX 50-low. CBI >= 19	1-5 days	Bullish			
February 26, 2020	SPX dn > 1.5% 2x. 10-day low > 200	1-7 days	Bullish			
February 25, 2020	3 Lower HiLo-Cl. 10-low. Monday	1-3 days	Bullish			
February 25, 2020	3% drop and 1% from low. 5-Low yest	1-5 days	Bullish			
Active - Long Term						
February 26, 2020	CBI gains 10+ points in 1 day	1-18 days	Bullish			
February 26, 2020	SPX 50-low. CBI >= 19	1-18 days	Bullish			
February 3, 2020	Hindenburg cluster 4+ (triggered Feb 3)	1-35 days	Bearish			
January 17, 2020	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.20%	-7.90%
November 11, 2019	"not QE"	int term	Bullish			
November 4, 2019	Presidential cycle + Best 6 mos bullish	6 months	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			

The Evidence

The market tried to bounce on Wednesday, but SPX closed over 65 points below its intraday high. End results were somewhat mixed. The SPX closed down 0.4%, the NASDAQ gained 0.2% and the Russell 2000 dropped 1.2%. Breadth was negative as the NYSE Up Issues % was 35% and the Up Volume % came in at 19%. NYSE volume declined some from Tuesday's level.

Last night I discussed how the selloff really is in uncharted territory. The ferocity coming off a long-term high has been remarkable. I also discussed a number of CBI studies in detail. The CBI rose again on Wednesday, and now sits at an extremely high 27. In the CBI research paper I showed a spreadsheet that listed all spikes to 20 or higher. I have copied that spreadsheet below.

CBI spikes to 20 or higher. 1995 - 2019.													
Date Reached 20+	CBI	SPX Close >200	Max CBI	Max CBI Date	Intra Bottom Date	Intraday Bottom	% to ID bottom	# Days 20-ID bottom	Close Bottom Date	Close Bottom	% to Close bottom	# Days 20 - close bottom	
12/21/2018	20	2416.58	29	12/24/2018	12/26/2018	2346.58	-2.90%	2	12/24/2018	2,351.10	-2.71%	1	
10/29/2018	21	2641.25	21	10/29/2018	10/30/2018	2635.34	-0.22%	0	10/29/2018	2641.25	0.00%	0	
2/5/2018	25	2648.94	31	2/9/2018	2/9/2018	2532.69	-4.39%	4	2/8/2018	2,581.00	-2.56%	3	
8/24/2015	45	1893.21	73	8/25/2015	8/24/2018	1867.01	-1.38%	0	8/25/2015	1,867.62	-1.35%	1	
7/27/2015	20	2067.64	20	7/27/2015	8/12/2015	2052.09	-0.75%	12	7/27/2015	2,067.64	0.00%	0	
7/2/2010	23	1022.58	24	7/6/2010	7/6/2010	1018.35	-0.41%	1	7/2/2010	1,022.58	0.00%	0	
5/21/2010	21	1087.69	23	5/24/2010	5/25/2010	1040.78	-4.31%	2	6/7/2010	1,050.47	-3.42%	10	
10/9/2008	31	909.92	48	10/10/2008	10/10/2008	839.8	-7.71%	1	10/27/2008	848.92	-6.70%	12	
7/19/2002	26	847.75	52	7/23/2002	7/24/2002	775.68	-8.50%	3	7/23/2002	797.70	-5.90%	2	
9/20/2001	26	984.54	38	9/21/2001	9/21/2001	944.75	-4.04%	1	9/21/2001	965.80	-1.90%	1	
8/31/1998	31	957.55	34	9/1/1998	9/1/1998	940	-1.83%	1	8/31/1998	957.55	0.00%	0	
12/6/1996	24	739.6	24	12/6/1996	12/17/1996	716.69	-3.10%	7	12/16/1996	720.99	-2.32%	6	

If it is too hard to read, there is a link to the spreadsheet here:

<https://docs.google.com/spreadsheets/d/1ZQMweOrzHHcdKkZJ8zwsV13k7IUPeSswAV0PVjJaTgQ/edit?usp=sharing>

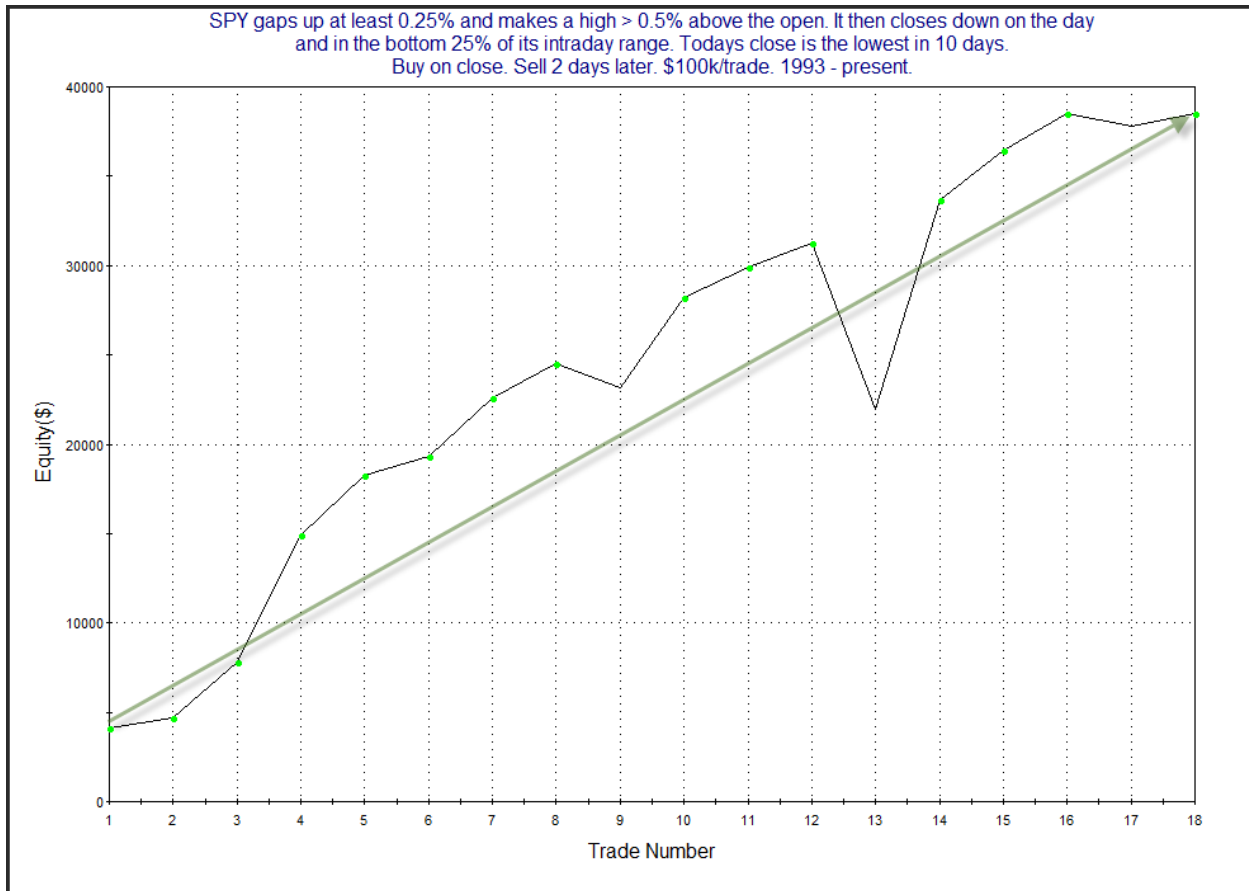
You can see on the spreadsheet how long it took each instance to bottom (both on an intraday and closing basis), and how many days it took to reach that bottom after initially posting a 20+ CBI reading.

The Quantifinder identified a large number of bullish studies again on Wednesday. Of course, when the market is acting so far outside of historical norms, there is no telling how things will play out. But there were a couple of studies I felt were compelling enough to take into some consideration.

The study below was from the 12/14/11 subscriber letter. It examined SPY's short-term pattern.

SPY gaps up at least 0.25% and makes a high > 0.5% above the open. It then closes down on the day and in the bottom 25% of its intraday range. Today's close is the lowest in 10 days. 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
5	24,317.14	17	11	6	64.71	13,737.50	-19,787.04	5,306.15	-5,675.09	0.93	1.71	1,430.42
4	19,885.67	18	10	8	55.56	12,275.00	-17,793.84	4,918.34	-3,662.21	1.34	1.68	1,104.76
3	36,667.73	18	14	4	77.78	10,083.30	-11,623.98	3,700.97	-3,786.45	0.98	3.42	2,037.10
2	38,536.69	18	15	3	83.33	11,736.30	-9,340.86	3,331.96	-3,814.23	0.87	4.37	2,140.93
1	10,721.81	18	12	6	66.67	5,962.50	-5,091.72	1,809.71	-1,832.46	0.99	1.98	595.66

Instances are a little light, but the numbers are extremely bullish. Below is a look at the 2-day profit curve.



Aside from the oversized loser on the 13th instance, results appear to be strong and steady. I have added this study to the active list tonight.

The extremely oversold market also triggered the study below, which was last seen in the 10/12/18 subscriber letter. Results are updated.

SPX 2-day RSI < 2 and SPX closes at a 50-day low. This happened for 2nd day in a row. Buy SPX on close. Sell X days later. \$100k/trade. 1985 - present.

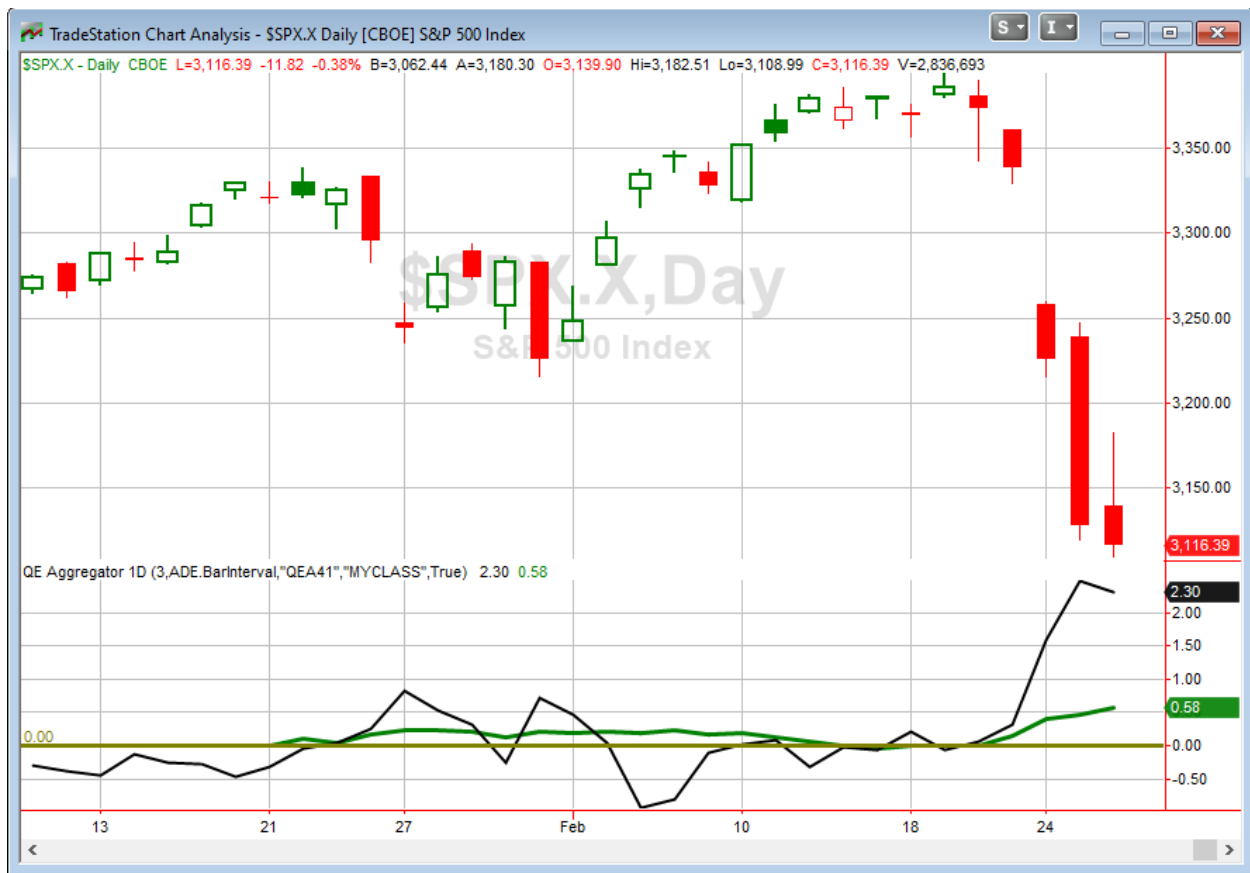
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	36,051.56	15	11	4	73.33	13,135.00	-5,696.34	4,139.77	-2,371.47	1.75	4.80	2,403.44
4	30,333.95	15	11	4	73.33	12,657.50	-4,574.36	3,335.67	-1,589.61	2.10	5.77	2,022.26
3	37,349.97	15	14	1	93.33	9,601.81	-3,090.08	2,888.57	-3,090.08	0.93	13.09	2,490.00
2	24,566.47	15	11	4	73.33	10,183.87	-4,652.80	3,053.95	-2,256.75	1.35	3.72	1,637.76
1	11,447.74	15	7	8	46.67	5,716.25	-2,033.60	2,867.64	-1,078.22	2.66	2.33	763.18

Instances are a little lower than I typically like, but the numbers are incredibly bullish and seem worthy of consideration. Below I have listed all 15 instances assuming a 3-day holding period.

SPX 2-day RSI < 2 and SPX closes at a 50-day low. This happened for 2nd day in a row. Buy SPX on close. Sell 3 days later. \$100k/trade. 1985 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
9/16/1985	Buy	\$182.88	0.27%	\$278.46
9/19/1985	Sell	\$183.38		(\$1,152.06)
3/28/1994	Buy	\$460.00	-3.10%	\$69.44
3/31/1994	Sell	\$445.76		(\$5,173.28)
11/23/1994	Buy	\$449.19	1.33%	\$1,327.56
11/29/1994	Sell	\$455.17		\$0.00
10/12/2000	Buy	\$1,329.64	1.53%	\$3,851.25
10/17/2000	Sell	\$1,349.97		(\$212.25)
9/21/2001	Buy	\$965.80	4.27%	\$5,612.47
9/26/2001	Sell	\$1,007.04		\$0.00
4/29/2002	Buy	\$1,065.45	1.79%	\$2,415.21
5/2/2002	Sell	\$1,084.56		(\$185.07)
7/23/2002	Buy	\$797.70	6.91%	\$7,016.25
7/26/2002	Sell	\$852.84		(\$2,752.50)
10/9/2008	Buy	\$909.92	9.68%	\$14,648.51
10/14/2008	Sell	\$998.01		(\$7,643.08)
2/23/2009	Buy	\$743.33	1.28%	\$4,929.86
2/26/2009	Sell	\$752.83		\$0.00
7/1/2010	Buy	\$1,027.37	3.20%	\$3,251.44
7/7/2010	Sell	\$1,060.27		(\$1,109.68)
5/17/2012	Buy	\$1,304.86	0.90%	\$1,795.88
5/22/2012	Sell	\$1,316.63		(\$978.88)
8/24/2015	Buy	\$1,893.21	4.99%	\$5,012.28
8/27/2015	Sell	\$1,987.66		(\$1,358.76)
11/2/2016	Buy	\$2,097.94	1.60%	\$1,600.82
11/7/2016	Sell	\$2,131.52		(\$665.05)
10/11/2018	Buy	\$2,728.37	2.99%	\$3,063.24
10/16/2018	Sell	\$2,809.92		\$0.00
12/20/2018	Buy	\$2,467.42	0.01%	\$1,479.60
12/26/2018	Sell	\$2,467.70		(\$4,833.60)

No red flags here. This study has continued to exhibit an upside edge, and I have added it to the Active List tonight.

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



With tonight's new evidence to consider, the green Aggregator Line moved higher above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is still stretched extremely far above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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 studies, expectations are set to remain bullish on Thursday. This is not going to change. Meanwhile, the Differential Pivot will be 3239.93 on Thursday. That is a whopping 4.0% above Wednesday's close. So SPX would need to close up a massive 4.0% on Thursday in order to flip from oversold to overbought versus expectations. That's a highly unlikely 1-day move. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

President Trump held a press conference Wednesday evening to try and calm people with regards to coronavirus risks in the US. And then shortly after he was done reassuring everybody that “all is well” it was announced the 1st “community spread” case has emerged in Northern California. The futures did not like that, and dropped over 50 points further. So Thursday could easily get off to a rough start. But evidence continues to pile up suggesting a bounce should arrive in the next few days. Holding through scary selloffs like the market is undergoing right now can be difficult. But I have found over the years that panicking with everybody else is generally not a good approach. I stick with my research and my systems. And while that can make for some difficult days (and nights), it has served me well over time. There is a ton of evidence suggesting a bounce. The market is extremely oversold. And when the bounce arrives I expect it to be very sharp. Shorts will scramble and we will likely see panic selling turn into panic buying. I have one more lot before my index position will be full. I will look to take on that last lot on Thursday if we get a large gap down or a big close lower.

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

The intermediate-term outlook was last updated in the 2/18/20 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

DD – 1/3 @ \$50.45 (bought @ limit)

GOOGL – 1/3 @ \$1419.86 (bought @ limit)

MDLZ – 1/3 @ \$57.74 (bought @ limit)

MSFT – 1/3 @ \$170.89 (bought @ limit)

XOM – 1/3 @ \$56.36 (bought @ limit)

DD – 1/3 @ \$47.47 (bought @ limit)

GOOGL – 1/3 @ \$1386.32 bought @ limit)

MDLZ – 1/3 @ \$57.02 (bought @ limit)

MSFT – 1/3 @ \$168.07 (bought @ limit)

XOM – 1/3 @ \$54.20 (bought @ limit)

ADBE – 1/3 @ \$347.80 (buy @ limit) not filled – keep open

ALL – 1/3 @ \$117.31 (bought @ limit)

AMZN – 1/3 @ \$1972.74 (bought @ limit)

BLK – 1/3 @ \$506 (bought @ limit)

COP – 1/3 @ \$53.83 (bought @ limit)

F – 1/3 @ \$7.23 (bought @ limit)

MA – 1/3 @ \$302.89 (bought @ limit)
MMM – 1/3 @ \$146.85 (buy @ limit) not filled – keep open
NFLX – 1/3 @ \$360.09 (buy @ limit) not filled – keep open

New

ALL – 1/3 @ \$115.73 (buy @ limit)
COP – 1/3 @ \$51.17 (buy @ limit)
DD – 1/3 @ \$47.26 (buy @ limit)
EXC – 1/3 @ \$47.05 (buy @ limit)
F – 1/3 @ \$7.21 (buy @ limit)
MA – 1/3 @ \$298.04 (buy @ limit)
MDLZ – 1/3 @ \$56.86 (buy @ limit)
XOM – 1/3 @ \$53.01 (buy @ limit)

Broad Market Large Cap CBI – 27(DD-3, GOOGL-2, MDLZ-3, MSFT-2, XOM-3, ADBE, ALL-2, AMZN, BLK, COP-2, F-2, MA-2, MMM, NFLX, EXC)

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 @ \$306.50 LIMIT ON OPEN. If not filled on open, cancel order and look to enter at \$308.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take on a 4th and final lot if I can get a favorable fill on Thursday.

I will also be looking for the following Catapults:

ALL – 1/3 @ \$115.73 (buy @ limit)
COP – 1/3 @ \$51.17 (buy @ limit)
DD – 1/3 @ \$47.26 (buy @ limit)
EXC – 1/3 @ \$47.05 (buy @ limit)
F – 1/3 @ \$7.21 (buy @ limit)
MA – 1/3 @ \$298.04 (buy @ limit)
MDLZ – 1/3 @ \$56.86 (buy @ limit)
XOM – 1/3 @ \$53.01 (buy @ limit)
MMM – 1/3 @ \$146.85 (buy @ limit) not filled – keep open
NFLX – 1/3 @ \$360.09 (buy @ limit) not filled – keep open
ADBE – 1/3 @ \$347.80 (buy @ limit) not filled – keep open

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	2/24/2020	\$323.14	\$311.50	-3.60%		Aggregator
SPY(1/4)	2/25/2020	\$312.65	\$311.50	-0.37%		Aggregator
SPY(1/4)	2/26/2020	\$311.50	\$311.50	0.00%		Aggregator
DD(1/3)	2/25/2020	\$50.45	\$47.26	-6.32%		Catapult
GOOGL(1/3)	2/25/2020	\$1,419.86	\$1,390.47	-2.07%		Catapult
MDLZ(1/3)	2/25/2020	\$57.72	\$56.86	-1.49%		Catapult
MSFT(1/3)	2/25/2020	\$170.89	\$170.17	-0.42%		Catapult
XOM(1/3)	2/25/2020	\$56.36	\$53.01	-5.94%		Catapult
DD(1/3)	2/26/2020	\$47.47	\$47.26	-0.44%		Catapult
GOOGL(1/3)	2/26/2020	\$1,386.32	\$1,390.47	0.30%		Catapult
MDLZ(1/3)	2/26/2020	\$57.02	\$56.86	-0.28%		Catapult
MSFT(1/3)	2/26/2020	\$168.07	\$170.17	1.25%		Catapult
XOM(1/3)	2/26/2020	\$54.20	\$53.01	-2.20%		Catapult
ALL(1/3)	2/26/2020	\$117.31	\$115.73	-1.35%		Catapult
AMZN(1/3)	2/26/2020	\$1,970.28	\$1,979.59	0.47%		Catapult
BLK(1/3)	2/26/2020	\$506.00	\$508.47	0.49%		Catapult
COP(1/3)	2/26/2020	\$53.83	\$51.17	-4.94%		Catapult
F(1/3)	2/26/2020	\$7.23	\$7.21	-0.28%		Catapult
MA(1/3)	2/26/2020	\$302.00	\$298.04	-1.31%		Catapult

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found [here](#).

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