

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 3, 2020

Volume 13 Issue 42

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	47

Tonight's Research Points

- Evidence is mixed tonight regarding a further bounce in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is still bullish, but evidence is mixed and the Differential Pivot is inverted. Time to start reducing my exposure if I can get favorable fills.

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

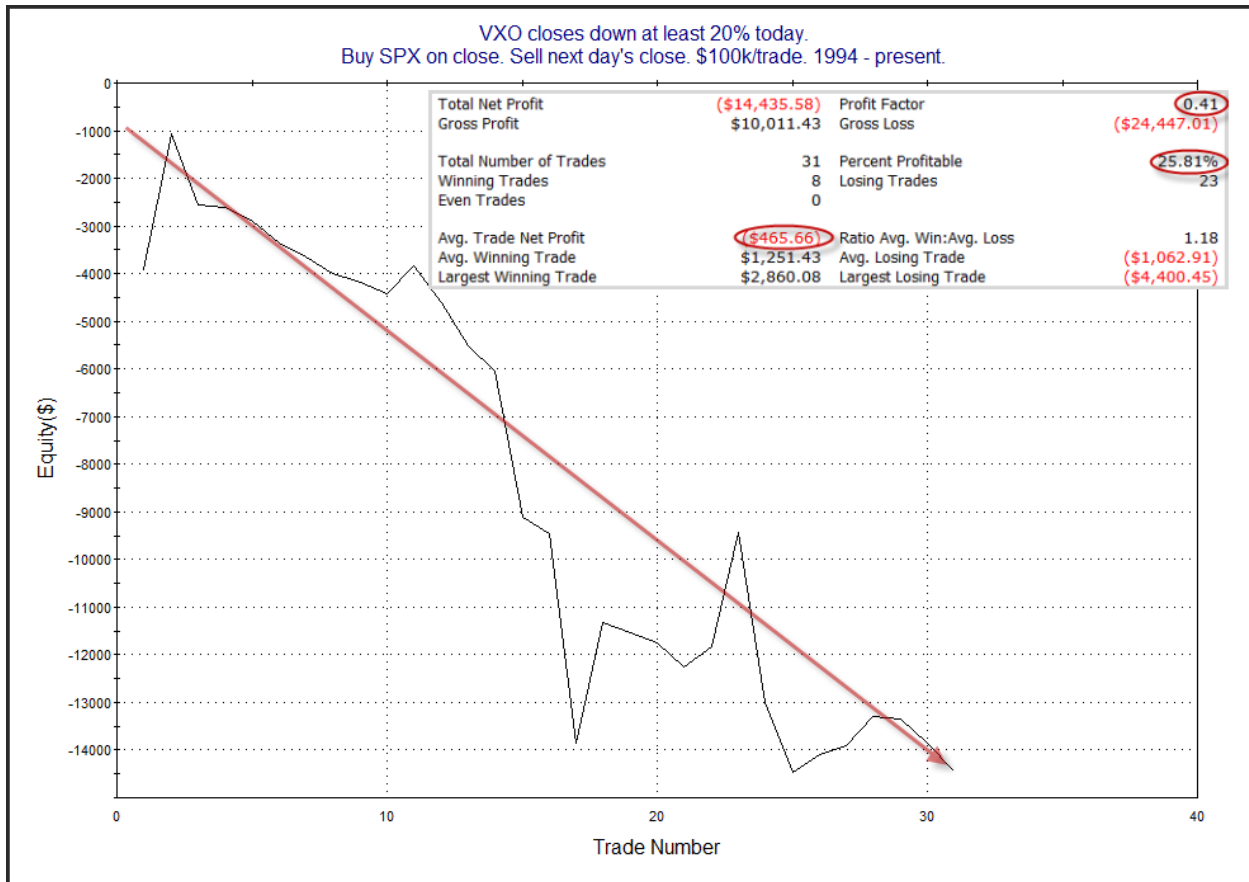
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 3, 2020	20-low. Gap up fill then higher	1-5 days	Bullish			
March 3, 2020	20 Low yest. Up top 25% range. Low vol	1 day	Bullish			
March 3, 2020	50-low on high vol then up on lower	1 day	Bearish			
March 3, 2020	VXO 20% drop	1 day	Bearish			
March 2, 2020	SPX < Bollinger Band 4 days	1-4 days	Bullish			
March 2, 2020	SPY up > 1% open to close, but still dn	1-2 days	Bullish			
March 2, 2020	Gap dn to 50-low and partial reversal	1-2 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			
Active - Long Term						
March 2, 2020	SPX < Bollinger Band 4 days	1-18 days	Bullish			
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

Monday saw a big oversold bounce as selling panic turned to buying panic. The SPX rallied 4.6%, the NASDAQ gained 4.5% and the Russell 2000 rose 2.85%. Breadth was positive as the NYSE Up Issues % was 82% and the Up Volume % came in at 81%. NYSE volume declined some from Friday's level.

The question now is whether Monday's bounce is likely to see follow through in the coming days. Evidence I am seeing tonight is mixed. Let's take a look at a few of the more interesting and compelling studies.

The VXO, which is the old calculation of the VIX, declined 29% on Monday. Such big declines often suggest short-term over-optimism on the part of traders and are followed by a dip the next day. This can be seen in the study below, which was last seen in the 10/15/18 letter. All stats are updated.



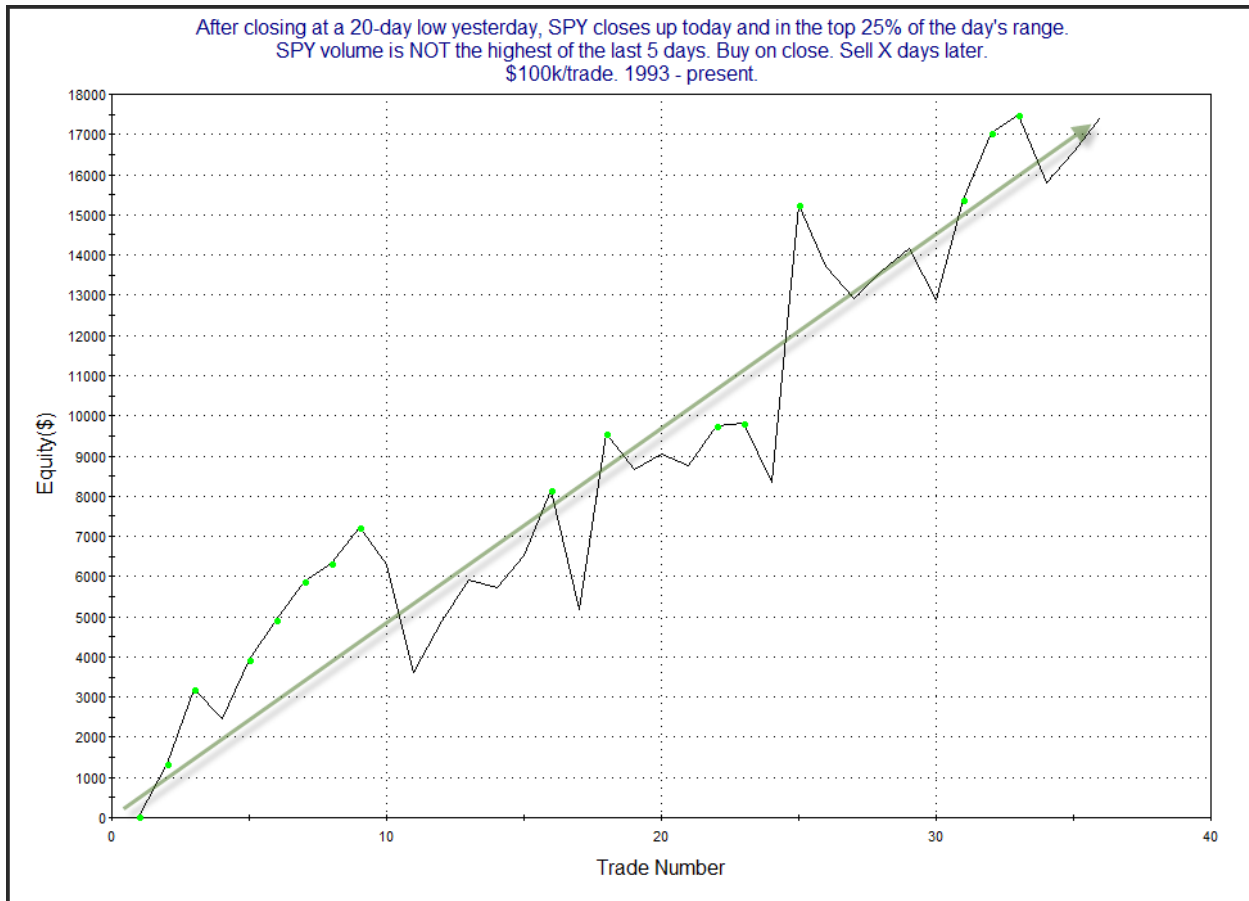
Quite choppy but it appears the big VXO drops don't often bode well for the next day. I have included this study on the Active List.

There was also a study that looked at SPY bounces and strong finishes following a 20-day low. It was last seen in the 3/27/18 letter and has been updated below.

After closing at a 20-day low yesterday, SPY closes up > 2% today and in the top 25% of the day's range. SPY volume is NOT the highest of the last 5 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	15,649.78	34	19	14	55.88	9,473.60	-13,757.52	3,415.49	-3,517.46	0.97	1.32	460.29
4	12,516.67	36	22	14	61.11	13,286.49	-9,714.74	3,178.31	-4,100.43	0.78	1.22	347.69
3	7,829.74	36	18	18	50.00	11,878.65	-7,473.88	3,117.64	-2,682.65	1.16	1.16	217.49
2	-509.35	36	19	17	52.78	7,717.98	-11,171.38	2,423.07	-2,738.10	0.88	0.99	-14.15
1	17,435.21	36	24	12	66.67	6,926.07	-2,996.62	1,370.25	-1,287.56	1.06	2.13	484.31

The 1-day numbers look fairly appealing. Below is a look at the profit curve.



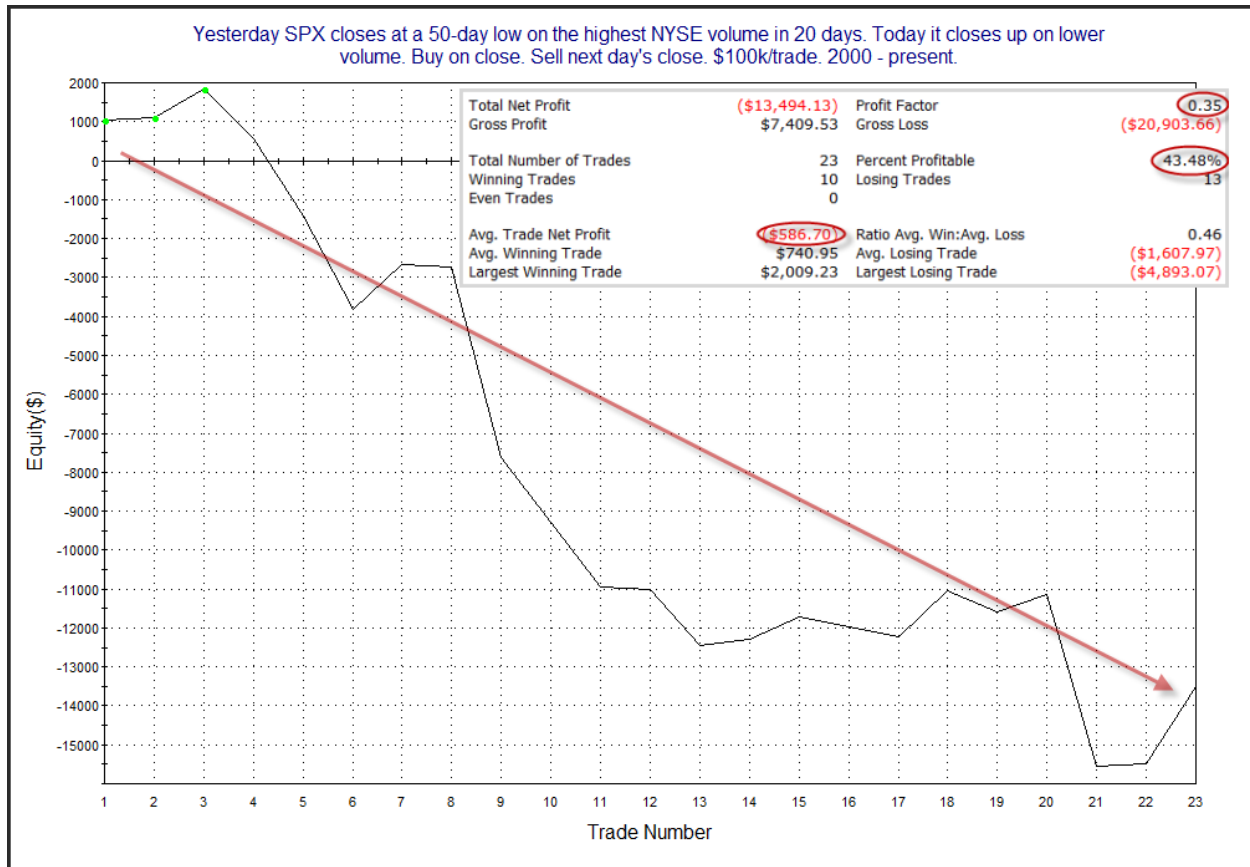
That is a nice move from lower left to upper right. This serves as some confirmation of the bullish edge suggested by the numbers. But it is also worth noting that the edge would have been substantially more impressive if SPY volume did come in at the highest level of the last 5 days. This can be seen in the study below, which is also from the 3/27/18 letter.

After closing at a 20-day low yesterday, SPY closes up over 2% today and in the top 25% of the day's range. SPY volume **is** the highest of the last 5 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: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	40,355.93	12	12	0	100.00	3,362.99	7,599.20	0.00	0.00	100.00	100.00	3,362.99
4	28,297.98	12	10	2	83.33	3,248.87	7,339.60	-2,095.34	-3,242.20	1.55	7.75	2,358.16
3	16,373.15	12	8	4	66.67	2,638.88	5,959.00	-1,184.48	-2,254.46	2.23	4.46	1,364.43
2	6,661.29	12	7	5	58.33	1,943.75	3,693.50	-1,388.99	-3,016.93	1.40	1.96	555.11
1	720.64	12	5	7	41.67	1,842.03	3,369.60	-1,212.79	-4,416.69	1.52	1.08	60.05

Instances are low but overwhelmingly bullish.

There was also another study that did not like the lower volume that occurred on the bounce. Last seen in the 1/22/16 letter, I have updated it below.



Evidence here points to a 1-day downside edge.

There was also another study that emerged with bullish implications that is worth review. It required a sizable gap up, gap fill, and then move back up. It was last seen in the 4/4/18 letter. I have updated the results below.

After closing at a 20-day low, SPY gaps up over 0.5% this morning, fills that gap and then closes > 0.5% above yesterday's close. Close > 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
5	23,152.67	10	10	0	100.00	5,029.50	0.00	2,315.27	0.00	100.00	100.00	2,315.27
4	15,147.97	10	9	1	90.00	4,404.46	-1,464.39	1,845.82	-1,464.39	1.26	11.34	1,514.80
3	9,430.67	10	7	3	70.00	3,090.38	-1,604.97	1,738.40	-912.70	1.90	4.44	943.07
2	8,563.03	10	8	2	80.00	2,858.42	-1,993.10	1,509.14	-1,755.04	0.86	3.44	856.30
1	2,727.73	10	6	4	60.00	1,466.88	-1,699.38	882.09	-641.20	1.38	2.06	272.77

Instances are quite low, but the initial results could not be any more bullish. Below is the full list of trades with a 5-day holding period.

After closing at a 20-day low, SPY gaps up over 0.5% this morning, fills that gap and then closes > 0.5% above yesterday's close. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

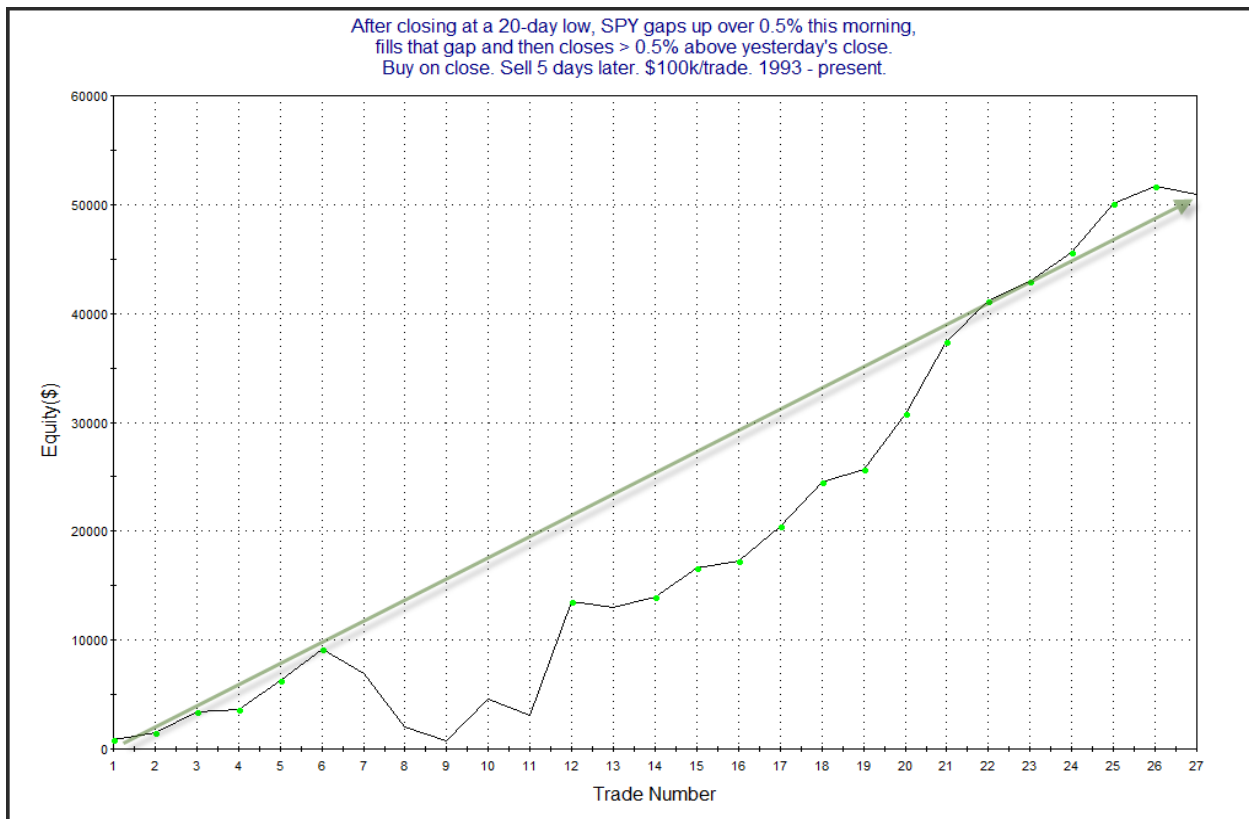
Date/Time	Signal	Price	% Profit	Run-up Drawdown
8/18/1997	Buy	\$91.63	0.64%	\$2,923.88
8/25/1997	Sell	\$92.22		(\$1,167.37)
12/22/1997	Buy	\$95.31	1.91%	\$2,035.06
12/30/1997	Sell	\$97.13		(\$2,160.94)
8/5/1998	Buy	\$108.47	0.20%	\$1,952.52
8/12/1998	Sell	\$108.69		(\$2,735.37)
8/11/1999	Buy	\$130.22	2.64%	\$3,474.51
8/18/1999	Sell	\$133.66		(\$153.40)
7/31/2000	Buy	\$143.94	2.91%	\$3,123.00
8/7/2000	Sell	\$148.13		(\$909.14)
5/19/2006	Buy	\$127.10	1.01%	\$1,006.08
5/26/2006	Sell	\$128.38		(\$1,839.24)
11/2/2009	Buy	\$104.32	5.03%	\$5,086.98
11/9/2009	Sell	\$109.57		(\$747.24)
4/14/2014	Buy	\$182.94	2.71%	\$2,981.16
4/22/2014	Sell	\$187.89		(\$780.78)
2/9/2018	Buy	\$261.50	4.44%	\$5,279.24
2/16/2018	Sell	\$273.11		\$0.00
4/3/2018	Buy	\$260.77	1.68%	\$2,248.21
4/10/2018	Sell	\$265.15		(\$1,597.11)

All 10 instances saw run-ups of at least 1%, and they all closed positive. This study appears to be worth some consideration. I will also note that this study was also found in the 3/27/18 letter without the 200ma filter. Since we are right near the 200ma, just moved above it again on Monday, and instances are low above, I thought it worth be worth looking at that version as well.

After closing at a 20-day low, SPY gaps up over 0.5% this morning, fills that gap and then closes > 0.5% above yesterday's close.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

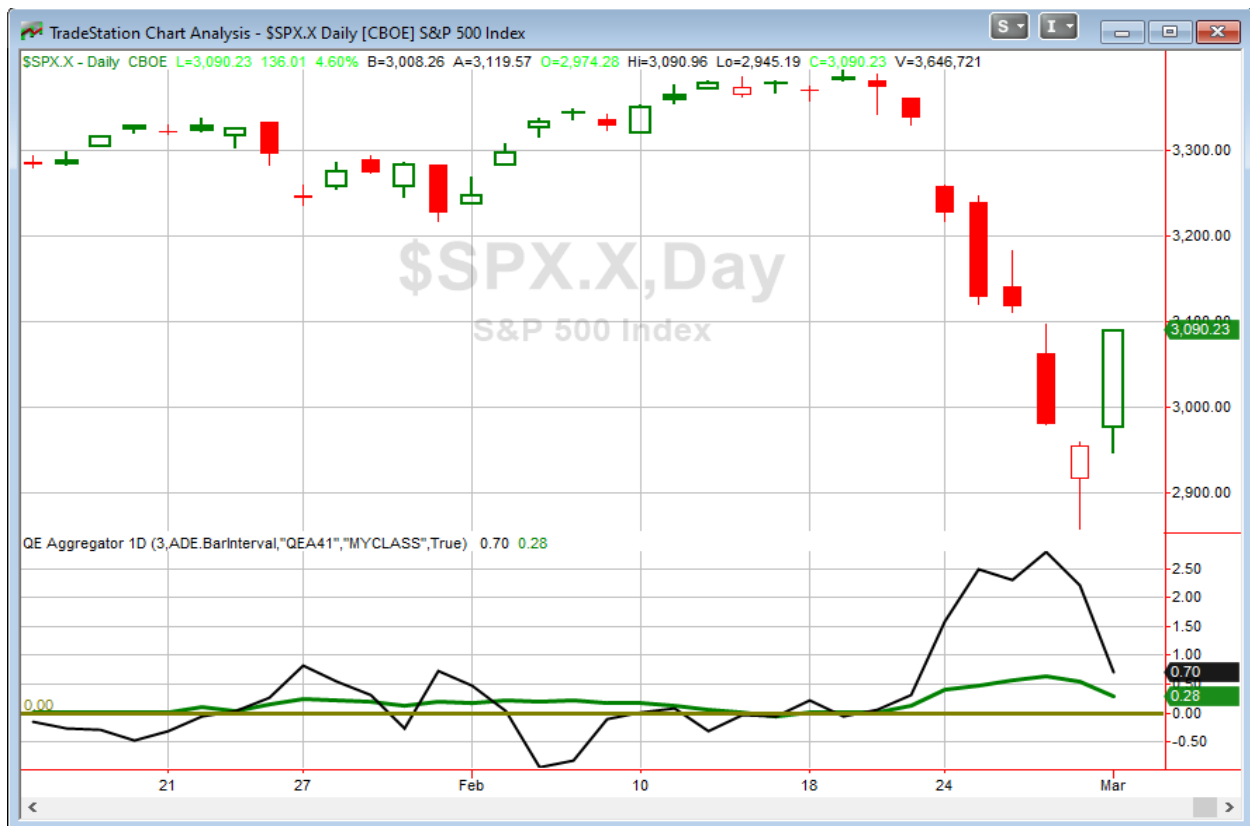
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	50,938.78	27	21	6	77.78	10,362.52	-4,848.06	2,954.85	-1,852.18	1.60	5.58	1,886.62
4	39,283.73	29	22	7	75.86	13,286.49	-7,683.94	2,616.61	-2,611.68	1.00	3.15	1,354.61
3	16,497.41	29	18	11	62.07	11,878.65	-5,736.72	2,589.03	-2,736.84	0.95	1.55	568.88
2	6,827.34	29	17	12	58.62	7,717.98	-4,336.68	1,977.16	-2,232.03	0.89	1.25	235.43
1	380.98	29	15	14	51.72	6,926.07	-4,416.69	1,746.86	-1,844.43	0.95	1.01	13.14

Numbers here are similarly strong, with a good number more instances. This serves as more confirmation of the possible upside edge. Below is the profit curve.



This is the version I decided to include for Aggregator calculations.

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



Once again the green Aggregator Line is well above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is still above 0, but now headed lower. 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 studies, expectations are set to remain bullish on Tuesday. It would take some compelling bearish evidence in order to change this. Meanwhile, the Differential Pivot will be *inverted* at 3025.98 on Tuesday. That is a 2.1% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down at least 2.1% in order to remain oversold vs expectations. Anything other than that and it will flip to short-term overbought as of Tuesday's close.

While evidence favors a further bounce in the coming days, it is mixed. I generally view inverted pivots as opportune times to take profits, because reward is now limited to just one day, and you could even get an exit signal if it goes against you. Of course with the edge still there for another day, there isn't much reason to take a poor fill when trying to exit. So I will look to exit up to 2 of my 4 SPY lots on Tuesday as detailed in the Trade Ideas section down below. I will hold on to the other 2 for now and see what evidence tomorrow brings.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/2 – neutral

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)

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)

XOM – 1/3 @ \$54.20 (bought @ limit)

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)

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)

MDLZ – 1/3 @ \$56.86 (buy @ limit)

XOM – 1/3 @ \$53.01 (buy @ limit)

CHTR – 1/3 @ \$508.55 (buy @ limit)

COP – 1/3 @ \$47.13 (buy @ limit)

DUK – 1/3 @ \$94.99 (buy @ limit)

EXC – 1/3 @ \$45.14 (buy @ limit)

F – 1/3 @ \$6.97 (buy @ limit)

KO – 1/3 @ \$54.93 (buy @ limit)

LMT – 1/3 @ \$384.60 (buy @ limit)

MDT – 1/3 @ \$100.98 (buy @ limit)

MO – 1/3 @ \$40.30 (buy @ limit)

NEE – 1/3 @ \$255.85 (buy @ limit)

UPS – 1/3 @ \$90.24 (buy @ limit)

WFC – 1/3 @ \$42.47 (buy @ limit)

AXP 1/3 @ \$109.93 (buy @ limit)
BLK 1/3 @ \$463.01 (buy @ limit)
CHTR 1/3 @ \$493.17 (buy @ limit)
CVX 1/3 @ \$93.34 (buy @ limit)
DUK 1/3 @ \$91.70 (buy @ limit)
EMR 1/3 @ \$64.11 (buy @ limit)
EXC 1/3 @ \$43.11 (buy @ limit)
KO 1/3 @ \$53.49 (buy @ limit) – no fill – cancel for now
LMT 1/3 @ \$369.87 (buy @ limit)
MDT 1/3 @ \$100.67 (buy @ limit)
MO 1/3 @ \$40.37 (buy @ limit)
NEE 1/3 @ \$252.76 (buy @ limit)
SO 1/3 @ \$60.36 (buy @ limit)
UPS 1/3 @ \$90.49 (buy @ limit)
USB 1/3 @ \$46.44 (buy @ limit)
WFC 1/3 @ \$40.85 (buy @ limit)

Broad Market Large Cap CBI – 47

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY	2/24/2020	\$323.14	\$309.09	-4.35%		sell @ \$309.00 Limit
SPY	2/25/2020	\$312.65	\$309.09	-1.14%		sell @ \$309.09 LimOnCls
SPY	2/26/2020	\$311.50	\$309.09	-0.77%		Aggregator
SPY	2/27/2020	\$305.46	\$309.09	1.19%		Aggregator
DD	2/25/2020	\$50.45	\$44.95	-10.90%		Catapult
GOOGL	2/25/2020	\$1,419.86	\$1,386.32	-2.36%		Catapult
MDLZ	2/25/2020	\$57.72	\$55.60	-3.67%		Catapult
MSFT	2/25/2020	\$170.89	\$172.79	1.11%		sell on open
XOM	2/25/2020	\$56.36	\$53.88	-4.40%		Catapult
DD	2/26/2020	\$47.47	\$44.95	-5.31%		Catapult
GOOGL	2/26/2020	\$1,386.32	\$1,386.32	0.00%		Catapult
MDLZ	2/26/2020	\$57.02	\$55.60	-2.49%		Catapult
XOM	2/26/2020	\$54.20	\$53.88	-0.59%		Catapult
ALL	2/26/2020	\$117.31	\$112.67	-3.96%		Catapult
AMZN	2/26/2020	\$1,970.28	\$1,953.95	-0.83%		Catapult
BLK	2/26/2020	\$506.00	\$487.94	-3.57%		Catapult
COP	2/26/2020	\$53.83	\$49.23	-8.55%		Catapult
F	2/26/2020	\$7.23	\$7.20	-0.41%		Catapult
MA	2/26/2020	\$302.00	\$306.74	1.57%		sell on open
MSFT	2/27/2020	\$163.32	\$172.79	5.80%		sell on open
ADBE	2/27/2020	\$340.00	\$360.28	5.96%		sell on open
ALL	2/27/2020	\$114.59	\$112.67	-1.68%		Catapult
COP	2/27/2020	\$49.60	\$49.23	-0.75%		Catapult
DD	2/27/2020	\$45.82	\$44.95	-1.90%		Catapult
EXC	2/27/2020	\$47.05	\$45.43	-3.44%		Catapult
F	2/27/2020	\$7.13	\$7.20	0.98%		Catapult
MA	2/27/2020	\$285.03	\$306.74	7.62%		sell on open
MDLZ	2/27/2020	\$56.54	\$55.60	-1.66%		Catapult
XOM	2/27/2020	\$51.71	\$53.88	4.20%		Catapult
CHTR	2/28/2020	\$500.70	497.13	-0.71%		Catapult
COP	2/28/2020	45.42	49.23	8.39%		Catapult
DUK	2/28/2020	93.3	96.67	3.61%		Catapult
EXC	2/28/2020	44.34	45.43	2.46%		Catapult
F	2/28/2020	6.84	7.2	5.26%		Catapult
KO	2/28/2020	53.83	55.92	3.88%		Catapult
LMT	2/28/2020	369.86	381.35	3.11%		Catapult
MA	2/28/2020	274.89	306.74	11.59%		sell on open
MDT(HB)	2/28/2020	98.97	102.62	3.69%		Catapult
MO	2/28/2020	39.37	42.07	6.86%		Catapult
MRK	2/28/2020	76.68	81.37	6.12%		sell on open
NEE	2/28/2020	248.15	268.35	8.14%		Catapult
UPS	2/28/2020	88.63	92.75	4.65%		Catapult
WFC	2/28/2020	41.31	42.26	2.30%		Catapult
AXP	3/2/2020	109.93	113.87	3.58%		Catapult
BLK	3/2/2020	463.01	487.94	5.38%		Catapult
CHTR	3/2/2020	493.17	497.13	0.80%		Catapult
CVX	3/2/2020	93.34	96.59	3.48%		Catapult
DUK	3/2/2020	91.7	96.67	5.42%		Catapult
EMR	3/2/2020	64.11	66.3	3.42%		Catapult
EXC	3/2/2020	43.11	45.43	5.38%		Catapult
KHC	3/2/2020	24.77	26.07	5.25%		sell on open
LMT	3/2/2020	369.87	381.35	3.10%		Catapult
MDT	3/2/2020	100.67	102.62	1.94%		Catapult
MO	3/2/2020	40.37	42.07	4.21%		Catapult
NEE	3/2/2020	252.76	268.35	6.17%		Catapult
SO	3/2/2020	60.36	63.93	5.91%		Catapult
UPS	3/2/2020	90.49	92.75	2.50%		Catapult
USB	3/2/2020	46.44	48.16	3.70%		Catapult
WFC	3/2/2020	40.85	42.26	3.45%		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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