

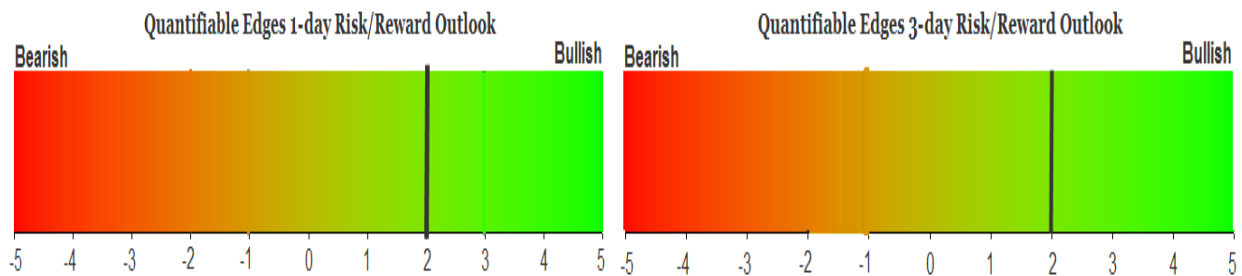
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 6, 2020

Volume 13 Issue 45

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	20

Tonight's Research Points

- Multiple days of 1.75% drops have triggered studies suggesting a short-term bullish edge.

Short-term Outlook

The Bottom Line

The Aggregator is back to bullish. But this market is wild. The edge does not appear huge and I'll be looking to further reduce my long exposure if SPX closes up much on Friday.

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 6, 2020	Dn 1.75% 2x in 3 days. Low > 10-low	1-2 days	Bullish			
March 5, 2020	Up 3% on weak volume	1-3 days	Bearish			
March 5, 2020	Down 1.75% yesterday. Up 3/4+ today	1-5 days	Bullish			
March 3, 2020	20-low. Gap up fill then higher	1-5 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

Thursday was another massive reversal from the day before. SPX closed down 3.4%, the NASDAQ fell 3.1% and the Russell 2000 dropped 3.4%. Breadth was strongly negative as the NYSE Up Issues % was 11% and the Up Volume % came in at 8%. NYSE volume rose some Wednesday's level.

Interesting about the big selloff on Thursday was that it was the 2nd one in 3 days, and (thanks to the big up day on Wednesday), it did not even manage to make a 7-day low. This triggered the studies below, which were last seen in the 12/10/18 letter and have been updated.

SPY drops > 1.75% today and either yesterday or the day before. Today's low is > the 7-day low. 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	21,312.06	14	9	5	64.29	8,317.86	-15,612.36	5,788.85	-6,157.52	0.94	1.69	1,522.29
9	45,037.63	14	12	2	85.71	10,776.31	-11,658.69	5,242.66	-8,937.15	0.59	3.52	3,216.97
8	30,865.75	14	11	3	78.57	7,136.41	-6,921.03	4,204.42	-5,127.64	0.82	3.01	2,204.70
7	23,415.21	14	10	4	71.43	6,876.35	-5,648.10	3,772.90	-3,578.45	1.05	2.64	1,672.52
6	29,428.77	14	10	4	71.43	6,242.98	-3,111.59	3,874.00	-2,327.82	1.66	4.16	2,102.06
5	17,942.22	14	9	5	64.29	6,568.20	-8,193.40	3,458.89	-2,637.56	1.31	2.36	1,281.59
4	19,840.68	15	12	3	80.00	7,967.00	-12,890.18	3,418.30	-7,059.63	0.48	1.94	1,322.71
3	19,671.03	15	12	3	80.00	7,413.70	-7,379.07	2,877.46	-4,952.82	0.58	2.32	1,311.40
2	26,384.55	16	12	4	75.00	6,363.32	-3,970.80	2,752.75	-1,662.12	1.66	4.97	1,649.03
1	14,078.87	16	12	4	75.00	4,803.44	-3,479.04	1,835.83	-1,987.79	0.92	2.77	879.93
All 16 instances closed above the entry price at some point in the next 3 days.												

Here we see a highly reliable bounce over the next few days. Below are the list of instances and their 2-day results.

SPY drops > 1.75% today and either yesterday or the day before. Today's low is > the 7-day low. Buy on close. Sell X days later. \$100k/trade. 1993 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
9/10/1998	Buy	\$97.25	6.37%	\$7,391.32
9/14/1998	Sell	\$103.44		(\$257.00)
1/14/1999	Buy	\$121.22	3.28%	\$5,150.00
1/19/1999	Sell	\$125.19		\$0.00
1/2/2001	Buy	\$128.81	3.66%	\$5,579.44
1/4/2001	Sell	\$133.53		(\$892.40)
2/21/2002	Buy	\$108.30	2.91%	\$3,239.73
2/25/2002	Sell	\$111.45		(\$396.89)
6/21/2002	Buy	\$99.28	-1.73%	\$1,621.27
6/25/2002	Sell	\$97.56		(\$2,044.21)
6/25/2002	Buy	\$97.56	1.92%	\$1,978.25
6/27/2002	Sell	\$99.43		(\$2,429.25)
8/2/2002	Buy	\$86.79	-0.23%	\$1,278.72
8/6/2002	Sell	\$86.59		(\$3,732.48)
9/23/2008	Buy	\$118.55	1.89%	\$2,832.48
9/25/2008	Sell	\$120.79		(\$640.68)
10/22/2008	Buy	\$90.64	-3.97%	\$1,996.43
10/24/2008	Sell	\$87.04		(\$7,323.92)
11/14/2008	Buy	\$86.62	0.53%	\$2,238.76
11/18/2008	Sell	\$87.08		(\$4,281.34)
1/30/2009	Buy	\$82.83	1.10%	\$1,846.71
2/3/2009	Sell	\$83.74		(\$1,834.64)
3/24/2009	Buy	\$80.60	3.11%	\$3,348.00
3/26/2009	Sell	\$83.11		(\$1,909.60)
3/30/2009	Buy	\$78.79	2.88%	\$3,337.47
4/1/2009	Sell	\$81.06		(\$583.74)
8/10/2011	Buy	\$112.29	5.19%	\$6,167.70
8/12/2011	Sell	\$118.12		\$0.00
9/30/2011	Buy	\$113.15	-0.72%	\$706.40
10/4/2011	Sell	\$112.34		(\$5,050.76)
12/7/2018	Buy	\$263.57	0.21%	\$1,629.70
12/11/2018	Sell	\$264.13		(\$1,876.05)

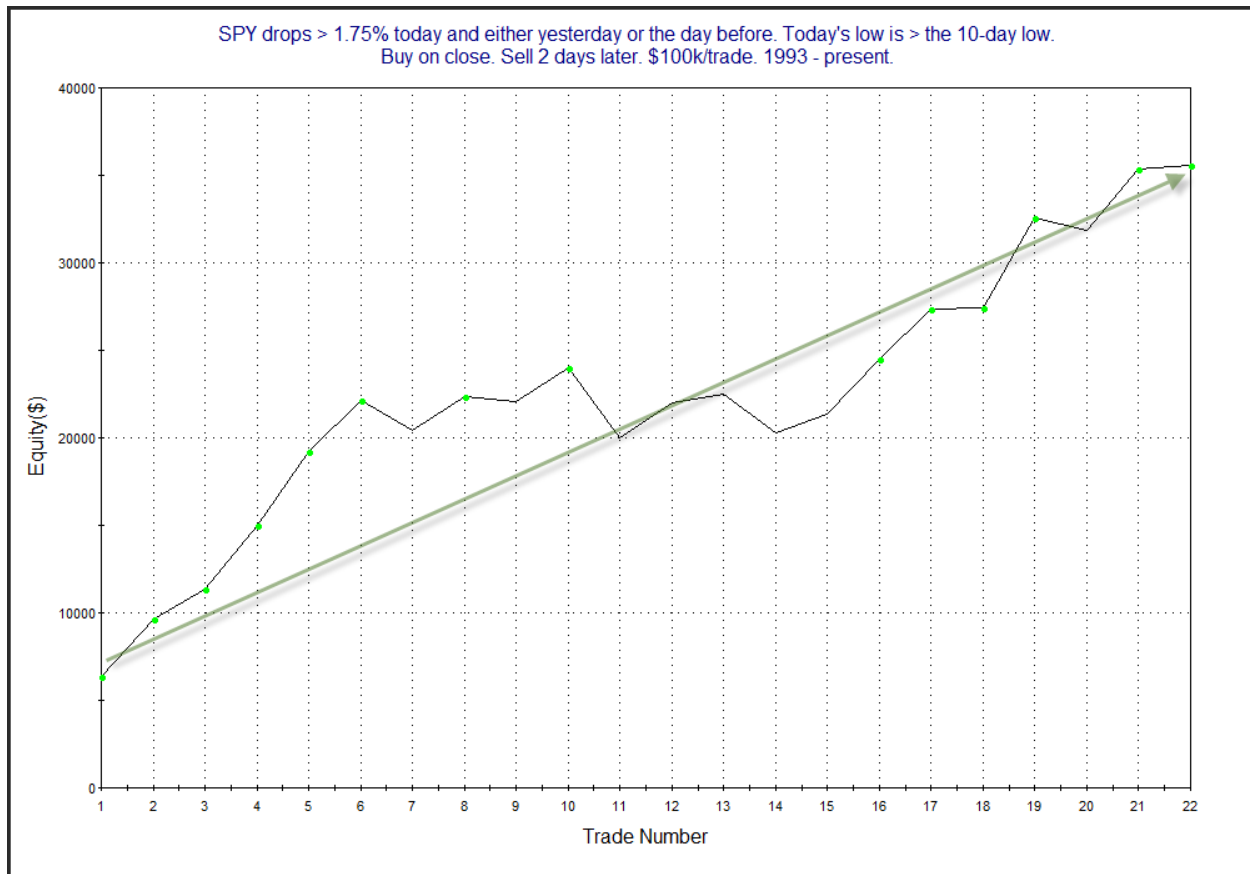
Results here have been strong and consistent. Every instance except 9/30/11 showed a run-up of at least 1.25%. In the 12/10/18 letter I also loosened the criteria to see if I could get a greater number of instances. The looser study (looking at 10-day lows instead of 7-day lows) is updated below.

SPY drops > 1.75% today and either yesterday or the day before. Today's low is > the 10-day low.
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	23,868.01	20	13	7	65.00	6,568.20	-8,193.40	3,385.73	-2,878.07	1.18	2.18	1,193.40
4	18,751.56	21	15	6	71.43	7,967.00	-12,890.18	3,402.15	-5,380.11	0.63	1.58	892.93
3	21,757.22	21	16	5	76.19	7,413.70	-7,379.07	2,694.41	-4,270.66	0.63	2.02	1,036.06
2	35,572.24	22	17	5	77.27	6,363.32	-3,970.80	2,614.25	-1,774.01	1.47	5.01	1,616.92
1	22,012.69	24	19	5	79.17	4,803.44	-3,479.04	1,703.42	-2,070.45	0.82	3.13	917.20

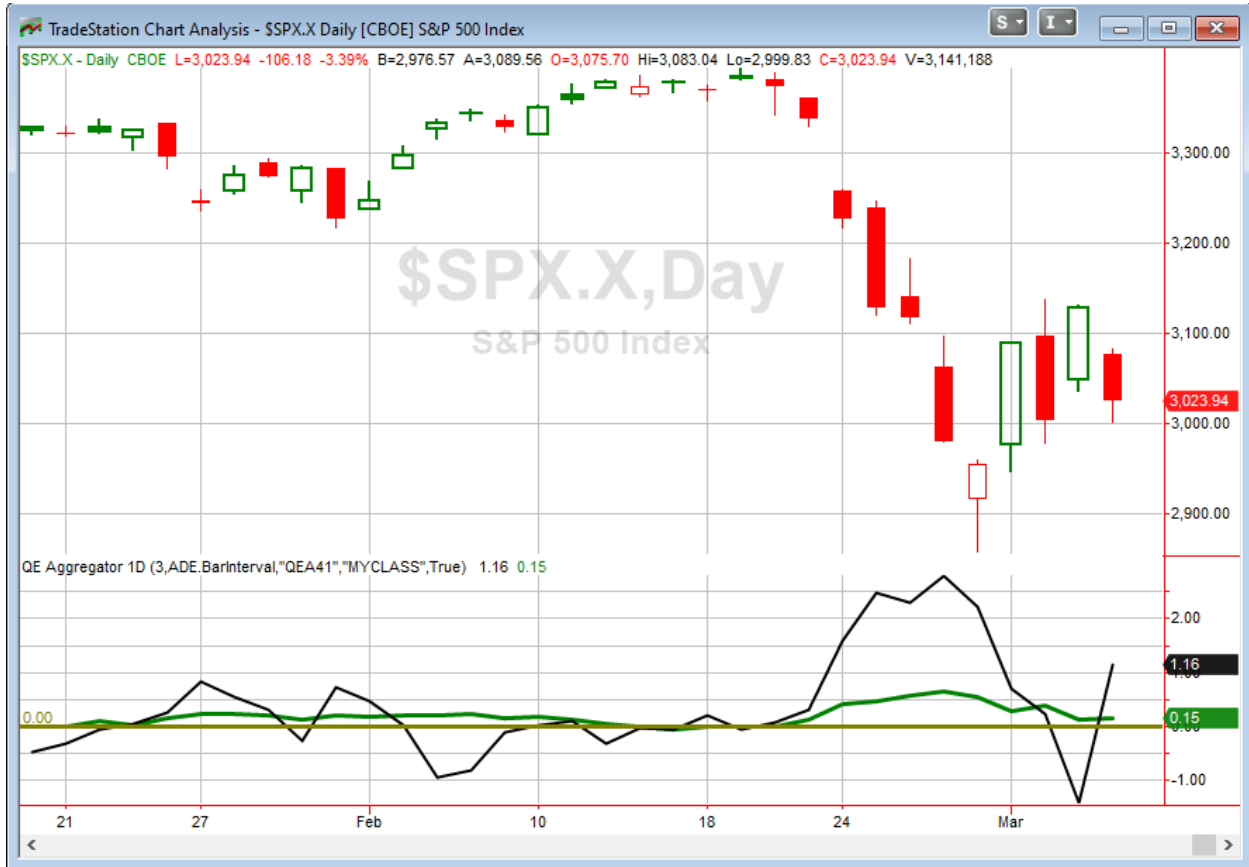
23 of 24 instances (96%) closed above the entry price at some point in the next 3 days.

Over the 1st few days the consistency and the results were nearly as strong. Below is a profit curve for the 2-day holding period.



The move from lower left to upper right acts as further confirmation. The action of the last few days seems to suggest a bounce over the next couple of days.

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



Once again the green Aggregator Line is above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is back 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.

Based on the current list of studies, expectations are set to remain bullish on Friday. This could change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be 3035.45 on Friday. That is 0.4% above Thursday's close. So SPX will need to close up at least 0.4% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. Tonight's study is lending some upside evidence, and the CBI remains highly elevated at 20. Still, we are obviously in a tricky and volatile market environment. Emotions are running high and moves have been outsized in both directions. On Thursday I was looking to exit one of my two SPY lots, and I used a limit price more than 1% below Wednesday's close when I discussed it in last night's letter. I felt that gave me a great chance to get filled. But the massive gap down and continued selling did not provide an exit. The Aggregator is back to bullish, but I will look to exit at least one lot on Friday if SPX closes above the Differential Pivot.

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)
XOM – 1/3 @ \$56.36 (bought @ limit)
DD – 1/3 @ \$47.47 (bought @ limit)
XOM – 1/3 @ \$54.20 (bought @ limit)
ALL – 1/3 @ \$117.31 (bought @ limit)
BLK – 1/3 @ \$506 (bought @ limit)
COP – 1/3 @ \$53.83 (bought @ limit)
ALL – 1/3 @ \$115.73 (buy @ limit)
COP – 1/3 @ \$51.17 (buy @ limit)
DD – 1/3 @ \$47.26 (buy @ limit)
XOM – 1/3 @ \$53.01 (buy @ limit)
COP – 1/3 @ \$47.13 (buy @ limit)
MDT – 1/3 @ \$100.98 (buy @ limit)
WFC – 1/3 @ \$42.47 (buy @ limit)
AXP 1/3 @ \$109.93 (buy @ limit)
BLK 1/3 @ \$463.01 (buy @ limit)
MDT 1/3 @ \$100.67 (buy @ limit)
USB 1/3 @ \$46.44 (buy @ limit)
WFC 1/3 @ \$40.85 (buy @ limit)
ALL 1/3 @ \$109.92 (missed signal – look to buy now)

Broad Market Large Cap CBI – 20

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.

ALL – Buy 1/3 Catapult position @ \$108.46 LIMIT. I missed this entry initially. It is back below the trigger. It is the 3rd and final lot of ALL.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY	2/25/2020	\$312.65	\$302.46	-3.26%		<i>sell if SPX close >= 3035.45</i>
SPY	2/27/2020	\$305.46	\$302.46	-0.98%		<i>sell @ \$310.00 LIMIT</i>
DD	2/25/2020	\$50.45	\$42.42	-15.92%		Catapult
MDLZ	2/25/2020	\$57.72	\$56.82	-1.56%		<i>sold on open</i>
XOM	2/25/2020	\$56.36	\$50.11	-11.09%		Catapult
DD	2/26/2020	\$47.47	\$42.42	-10.64%		Catapult
MDLZ	2/26/2020	\$57.02	\$56.82	-0.35%		<i>sold on open</i>
XOM	2/26/2020	\$54.20	\$50.11	-7.55%		Catapult
ALL	2/26/2020	\$117.31	\$108.46	-7.54%		Catapult
BLK	2/26/2020	\$506.00	\$472.47	-6.63%		Catapult
COP	2/26/2020	\$53.83	\$47.70	-11.39%		Catapult
ALL	2/27/2020	\$114.59	\$108.46	-5.35%		Catapult
COP	2/27/2020	\$49.60	\$47.70	-3.83%		Catapult
DD	2/27/2020	\$45.82	\$42.42	-7.42%		Catapult
EXC	2/27/2020	\$47.05	\$45.75	-2.76%		<i>sold on open</i>
MDLZ	2/27/2020	\$56.54	\$56.82	0.50%		<i>sold on open</i>
XOM	2/27/2020	\$51.71	\$50.11	-3.09%		Catapult
CHTR	2/28/2020	\$500.70	\$514.34	2.72%		<i>sold on open</i>
COP	2/28/2020	\$45.42	\$47.70	5.02%		Catapult
DUK	2/28/2020	\$93.30	\$100.37	7.58%		<i>sold on open</i>
EXC	2/28/2020	\$44.34	\$45.75	3.18%		<i>sold on open</i>
KO	2/28/2020	\$53.83	\$57.80	7.38%		<i>sold on open</i>
LMT	2/28/2020	\$369.86	\$393.92	6.51%		<i>sold on open</i>
MDT	2/28/2020	\$98.97	\$100.18	1.22%		Catapult
WFC	2/28/2020	\$41.31	\$38.90	-5.83%		Catapult
AXP	3/2/2020	\$109.93	\$110.94	0.92%		Catapult
BLK	3/2/2020	\$463.01	\$472.47	2.04%		Catapult
CHTR	3/2/2020	\$493.17	\$514.34	4.29%		<i>sold on open</i>
CVX	3/2/2020	\$93.34	\$95.71	2.54%		<i>sold on open</i>
DUK	3/2/2020	\$91.70	\$100.37	9.45%		<i>sold on open</i>
EXC	3/2/2020	\$43.11	\$45.75	6.12%		<i>sold on open</i>
LMT	3/2/2020	\$369.87	\$393.92	6.50%		<i>sold on open</i>
MDT	3/2/2020	\$100.67	\$100.18	-0.49%		Catapult
SO	3/2/2020	\$60.36	\$67.00	11.00%		<i>sold on open</i>
USB	3/2/2020	\$46.44	\$43.78	-5.73%		Catapult
WFC	3/2/2020	\$40.85	\$38.90	-4.77%		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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