

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 11, 2020

Volume 13 Issue 48

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	24

## Tonight's Research Points

- The strong bounce from the lows would have been substantially more bullish if it was accompanied by strong volume.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish but the lower volume on Tuesday brought some doubt into whether the bounce is likely to continue over the next few days.

**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
<b>Active - Short Term</b>						
March 11, 2020	20-low then SP up > 2.5%. Vol < 5hi	1-2 days	Bearish			
March 11, 2020	SPY 20-Low then up 2.5% Vol < 5hi	1 day	Bullish			
March 10, 2020	Dn > 1.5% 3x	1-8 days	Bullish	7.30%	-1.80%	-3.80%
March 10, 2020	20-low < 200ma on Monday	1-7 days	Bullish	5.50%	-2.10%	-4.80%
March 10, 2020	Dn 3% from 5-low. 1% near low.	1-5 days	Bullish	5.10%	-3.60%	-7.40%
<b>Active - Long Term</b>						
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**

Turnaround Tuesday arrived on schedule. The SPX rallied 4.94%, the NASDAQ jumped 4.95% and the Russell 2000 rose 2.85%. Breadth was strongly positive as the NYSE Up Issues % was 76% and the Up Volume % came in at 89.6%. NYSE volume came in a bit lighter than Monday.

There were several studies that appeared in the Quantifinder that looked at sizable moves from intermediate-term lows. They also broke the data down by how strong the volume was on the rebound day. The studies below were from the 3/29/18 letter. I will note that NYSE volume Tuesday was NOT high compared to Monday. As you'll see, the lack of volume is potentially concerning. The first study looks at strong rebounds that occur on the highest volume of the last 5 days.

After closing at a 20-day low yesterday, SPX closes up > 2.5% today. NYSE volume *is* the highest of the last 5 days. Buy on close. Sell X days later. \$100k/trade. 1970 - 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
10	45,568.69	16	10	6	62.50	5,759.82	13,599.08	-2,004.92	-7,562.86	2.87	4.79	2,848.04
9	52,725.28	16	10	6	62.50	6,065.47	14,258.16	-1,321.56	-3,726.90	4.59	7.65	3,295.33
8	36,415.16	16	11	5	68.75	4,030.73	10,693.76	-1,584.58	-3,292.30	2.54	5.60	2,275.95
7	39,158.63	16	12	4	75.00	4,231.63	11,879.20	-2,905.23	-8,207.38	1.46	4.37	2,447.41
6	37,231.64	16	12	4	75.00	3,559.44	10,315.50	-1,370.40	-1,660.50	2.60	7.79	2,326.98
5	42,103.86	16	15	1	93.75	2,909.33	9,334.72	-1,536.08	-1,536.08	1.89	28.41	2,631.49
4	35,798.03	16	13	3	81.25	3,434.75	11,930.04	-2,951.22	-3,869.74	1.16	5.04	2,237.38
3	35,008.58	16	10	6	62.50	4,350.15	10,868.60	-1,415.49	-2,437.50	3.07	5.12	2,188.04
2	18,630.52	16	9	7	56.25	2,997.14	7,112.64	-1,191.96	-3,081.26	2.51	3.23	1,164.41
1	19,590.02	16	9	7	56.25	2,795.59	9,089.88	-795.76	-1,516.06	3.51	4.52	1,224.38

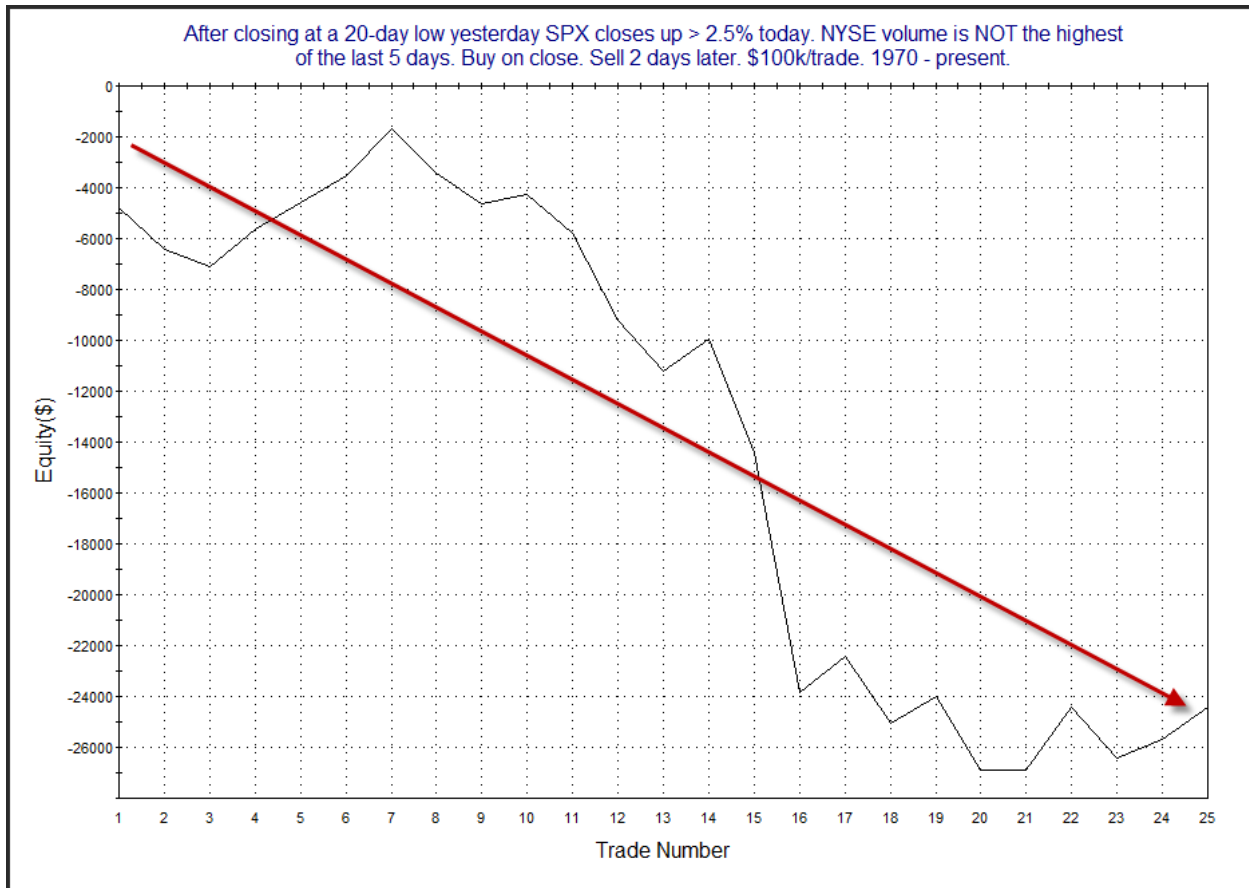
All 16 instances closed above the entry price at some point in the next week.

Terrific follow through has been seen under these circumstances and the rally has persisted over the next 1-5 days on a consistent basis. But the next study looks at times like the present where NYSE volume was lacking, and did not post a 5-day high.

After closing at a 20-day low yesterday SPX closes up > 2.5% today. NYSE volume is NOT the highest of the last 5 days. Buy on close. Sell X days later. \$100k/trade. 1970 - 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	-14,108.23	22	10	12	45.45	8,721.35	-14,309.75	4,091.81	-4,585.53	0.89	0.74	-641.28
9	-39,622.35	23	8	15	34.78	9,514.20	-13,855.85	4,881.60	-5,245.01	0.93	0.50	-1,722.71
8	-49,464.50	23	8	15	34.78	8,645.60	-22,706.90	4,621.98	-5,762.69	0.80	0.43	-2,150.63
7	-47,410.00	23	10	13	43.48	8,044.65	-21,797.40	3,262.94	-6,156.88	0.53	0.41	-2,061.30
6	-36,645.55	24	12	12	50.00	7,888.10	-15,420.70	2,626.23	-5,680.03	0.46	0.46	-1,526.90
5	-29,433.00	24	10	14	41.67	7,282.10	-14,461.05	3,457.67	-4,572.12	0.76	0.54	-1,226.37
4	-26,340.24	24	11	13	45.83	6,383.20	-9,329.28	2,519.74	-4,158.26	0.61	0.51	-1,097.51
3	-18,154.13	25	11	14	44.00	2,993.44	-5,706.05	1,770.69	-2,687.98	0.66	0.52	-726.17
2	-24,423.65	25	12	13	48.00	2,466.36	-9,455.49	1,162.81	-2,952.11	0.39	0.36	-976.95
1	-9,352.46	25	11	14	44.00	2,842.84	-4,400.45	1,170.09	-1,587.39	0.74	0.58	-374.10

The results here show a decided lack of follow-through. While the win rate is not much worse than breakeven over the 1<sup>st</sup> few days, the losers were substantially larger than the winners. A two-day profit curve can be seen below.



Certainly not consistent, but it has managed to meander its way from upper left to lower right over time. So what would have been a strong upside edge if Monday was accompanied by big volume, is pointing towards a possible bearish inclination.

Another study from the 3/29/18 letter used SPY and demanded a strong close within the day's range. It also showed a big difference in performance when filtering by volume. Note that like NYSE volume, SPY volume also did not post a 5-day high on Monday. Here are the breakdowns of that SPY study.

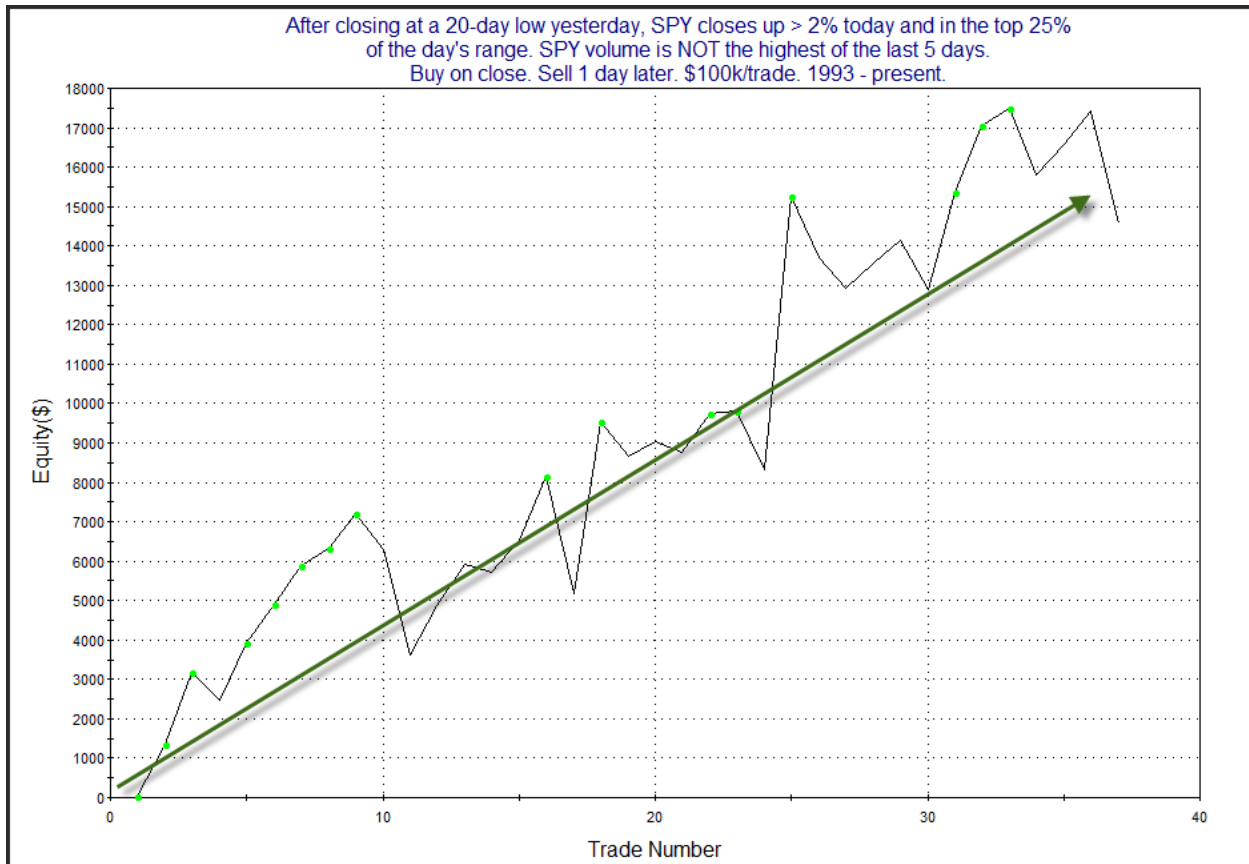
After closing at a 20-day low yesterday, SPY closes up over 2% today and in the top 25% of the day's range. SPY volume *is* the highest of the last 5 days. Buy on close. Sell X days later.  
\$100k/trade. 1993 - present

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

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.

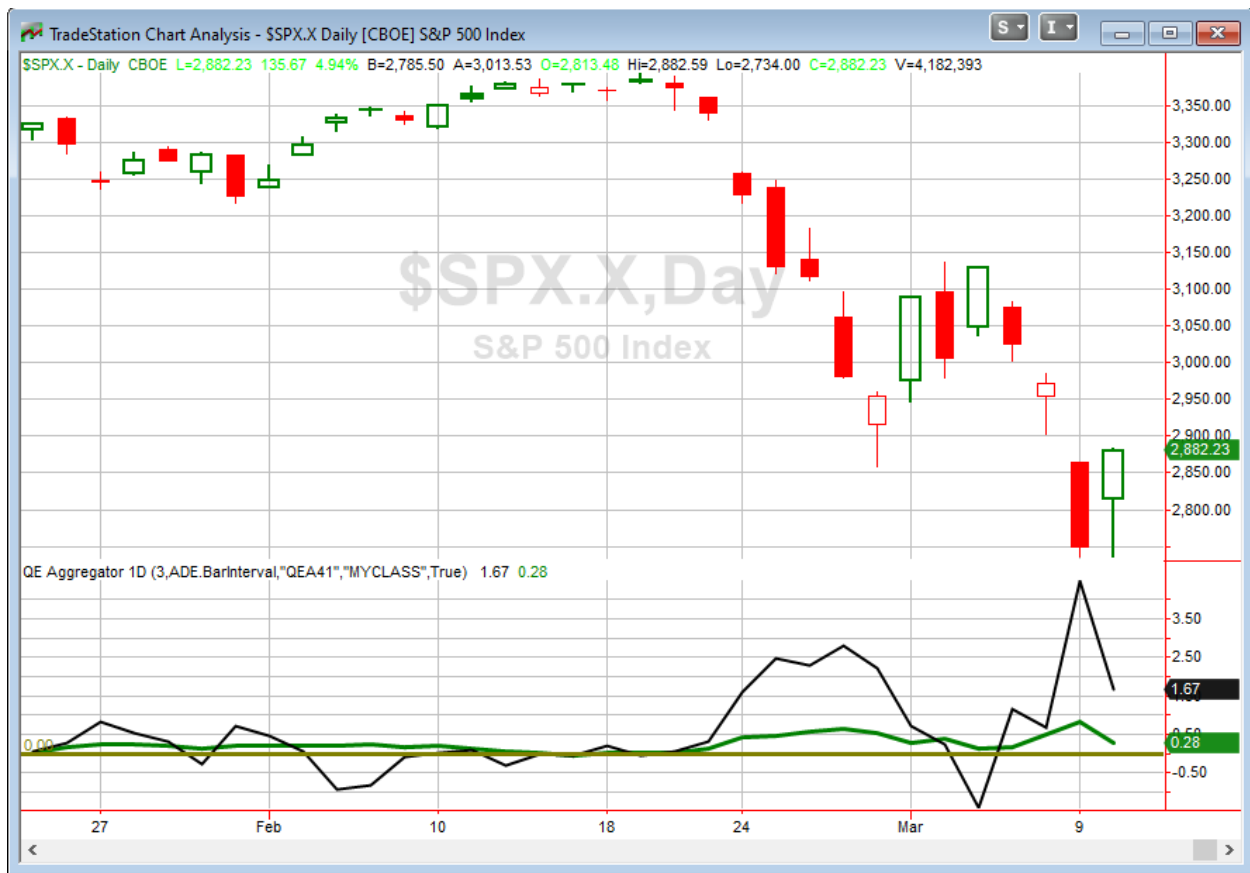
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	4,390.00	35	19	15	54.29	9,473.60	-13,757.52	3,415.49	-4,033.62	0.85	1.07	125.43
4	8,760.18	37	22	15	59.46	13,286.49	-9,714.74	3,178.31	-4,077.50	0.78	1.14	236.76
3	5,688.25	37	18	19	48.65	11,878.65	-7,473.88	3,117.64	-2,654.17	1.17	1.11	153.74
2	708.36	37	20	17	54.05	7,717.98	-11,171.38	2,362.80	-2,738.10	0.86	1.02	19.14
1	14,576.66	37	24	13	64.86	6,926.07	-2,996.62	1,370.25	-1,408.41	0.97	1.80	393.96

Like the previous study, you can see that the volume makes a massive difference in the follow-through potential over the next few days. In this case, there is not necessarily a bearish inclination, but the bullish inclination is greatly reduced, and only persists for one day rather than a full week. Here is the 1-day profit curve.



The bottom line with these rebound studies is that the edge is somewhat unclear. If there was strong volume on Tuesday, that would have been a clear bullish indication for the short-term. But the lack of volume is a bit discouraging.

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



With tonight's evidence to consider, the green Aggregator is still above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is also 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 stayed long at the close.

Based on the current list of studies, expectations are set to remain bullish on Wednesday. It would take a substantial amount of compelling bearish evidence to change this. Meanwhile, the Differential Pivot will be 2980.73 on Wednesday. That is 3.4% above Tuesday's close. So Wednesday would need to close up over 3.4% to flip SPX to "overbought" versus recent expectations..

So the Aggregator is again bullish. There is still ample room to the upside before SPX would turn overbought. But the light volume on Tuesday was a bit of a concern, and is leaving evidence mixed. I already have some long index exposure. I am not inclined to add more with mixed evidence on a day after the market just jumped over 4%. I will hold my current position and re-evaluate again Wednesday night.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 3/9 – 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 (bought @ limit)*  
*COP – 1/3 @ \$51.17 bought @ limit*  
*DD – 1/3 @ \$47.26 (bought @ limit)*  
*XOM – 1/3 @ \$53.01 (bought @ limit)*  
*COP – 1/3 @ \$47.13 (bought @ limit)*  
*MDT – 1/3 @ \$100.98 (bought @ limit)*  
*WFC – 1/3 @ \$42.47 (bought @ limit)*  
*AXP 1/3 @ \$109.93 (bought @ limit)*  
*BLK 1/3 @ \$463.01 (bought @ limit)*  
*MDT 1/3 @ \$100.67 (bought @ limit)*  
*USB 1/3 @ \$46.44 (bought @ limit)*  
*WFC 1/3 @ \$40.85 (bought @ limit)*  
*ALL 1/3 @ \$109.92 (filled)*  
*GE 1/3 @ \$8.21 (buy @ limit)*  
*OXY 1/3 @ \$12.51 (buy @ limit) – not filled. Cancel for now.*  
*SLB 1/3 @ \$17.31 (buy @ limit)*  
*USB 1/3 @ \$36.32 (buy @ limit)*

***Broad Market Large Cap CBI – 24***

### **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	2/25/2020	\$312.65	\$288.42	-7.75%		Aggregator
SPY	2/27/2020	\$305.46	\$288.42	-5.58%		Aggregator
DD	2/25/2020	\$50.45	\$38.12	-24.44%		Catapult
XOM	2/25/2020	\$56.36	\$43.41	-22.98%		Catapult
DD	2/26/2020	\$47.47	\$38.12	-19.70%		Catapult
XOM	2/26/2020	\$54.20	\$43.41	-19.91%		Catapult
ALL	2/26/2020	\$117.31	\$99.26	-15.39%		Catapult
BLK	2/26/2020	\$506.00	\$459.00	-9.29%		Catapult
COP	2/26/2020	\$53.83	\$34.88	-35.20%		Catapult
ALL	2/27/2020	\$114.59	\$99.26	-13.38%		Catapult
COP	2/27/2020	\$49.60	\$34.88	-29.68%		Catapult
DD	2/27/2020	\$45.82	\$38.12	-16.80%		Catapult
XOM	2/27/2020	\$51.71	\$43.41	-16.05%		Catapult
COP	2/28/2020	\$45.42	\$34.88	-23.21%		Catapult
MDT	2/28/2020	\$98.97	\$96.36	-2.64%		Catapult
WFC	2/28/2020	\$41.31	\$35.08	-15.08%		Catapult
AXP	3/2/2020	\$109.93	\$103.30	-6.03%		Catapult
BLK	3/2/2020	\$463.01	\$459.00	-0.87%		Catapult
MDT	3/2/2020	\$100.67	\$96.36	-4.28%		Catapult
USB	3/2/2020	\$46.44	\$38.64	-16.80%		Catapult
WFC	3/2/2020	\$40.85	\$35.08	-14.12%		Catapult
ALL	3/6/2020	\$104.21	\$99.26	-4.75%		Catapult
GE	3/10/2020	\$8.21	\$8.85	7.80%		Catapult
SLB	3/10/2020	\$17.31	\$18.19	5.08%		Catapult
USB	3/10/2020	\$36.32	\$38.64	6.39%		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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