

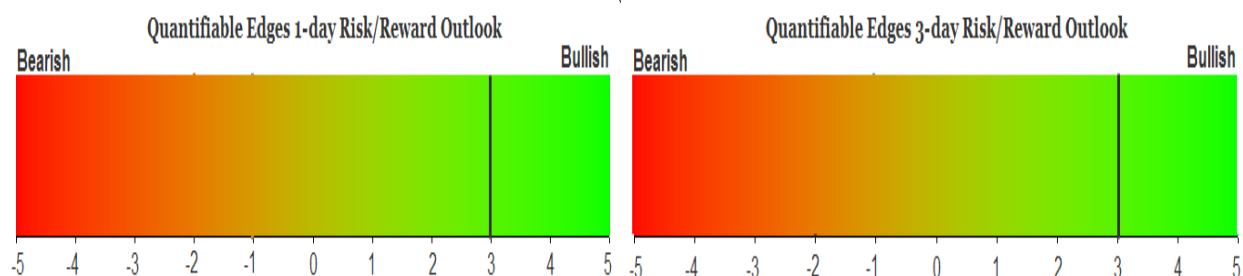
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 12, 2020

Volume 13 Issue 49

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	24

## Tonight's Research Points

- Multiple days of massive downside breadth suggests a sharp rally is on the horizon.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish but bad news keeps coming. I'm partially long and looking to hold tight for now.

**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 12, 2020	90% Down Issues 2 of 5 days	1-3 days	Bullish			
March 12, 2020	90% Down volume 3 of 5 days	1-7 days	Bullish	9.70%	-2.50%	-5.10%
March 11, 2020	20-low then SP up > 2.5%. Vol < 5hi	1-2 days	Bearish			
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**

These are some times. The market got pummeled again on Wednesday. The SPX fell 4.9%, the NASDAQ lost 4.7% and the Russell 2000 declined 6.4%. Breadth was again extremely negative as the NYSE Up Issues % was 5% and the Up Volume % came in at 3.5%. NYSE volume came in a bit lighter than Tuesday.

We are at some heavy-duty extremes here. As pointed out by Ryan Detrick on Twitter, the 19 days it has taken the Dow to drop more than 20% from an all-time high is the fastest ever – dating back to the Dow beginning in 1896.

The VIX on Thursday saw its 10-day moving average close above 40. That is a rare feat. It happened in September and October 1998. It happened for much of the period between October 2008 and April 2009, and then it also happened for 1 day on 10/4/2011. So the level of fear shown by options traders is very high.

And that was before Tom Hanks and Rudy Gobert were diagnosed with COVID-19, the NBA suspended its season, and Donald Trump suspended all flights from Europe to the US.

I thought tonight I would show just how extreme some breadth readings have become. As I noted above, the NYSE Up Issues % came in at just 5% on Wednesday. That is an extremely low reading. But it is also the 2<sup>nd</sup> time we've seen an extremely low reading in the last week. I decided to look back at other times the NYSE Up Issues % had 2 days under 10% within a 5-day period.

More than 90% of NYSE issues closed down for the 2nd day in the last 5.  
Buy SPX on close. Sell 3 days later. \$100k/trade. 1980 - 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	50,377.18	9	9	0	100.00	18,981.60	0.00	5,597.46	0.00	100.00	100.00	5,597.46
4	56,988.57	10	9	1	90.00	17,851.68	-226.72	6,357.25	-226.72	28.04	252.36	5,698.86
3	62,299.21	10	10	0	100.00	13,853.40	0.00	6,229.92	0.00	100.00	100.00	6,229.92
2	58,081.56	10	9	1	90.00	14,891.76	-878.92	6,551.17	-878.92	7.45	67.08	5,808.16
1	25,476.34	10	7	3	70.00	6,281.88	-1,166.30	3,930.17	-678.29	5.79	13.52	2,547.63

Instances here are low. But wow are they bullish. 10-0 with an average gain over 6% in the next 3 days. Below is a look at all the instances along with their 3-day returns.

More than 90% of NYSE issues closed down for the 2nd day in the last 5.  
Buy SPX on close. Sell 3 days later. \$100k/trade. 1980 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/27/1980	Buy	\$98.22	4.03%	\$5,151.08
4/1/1980	Sell	\$102.18		(\$509.00)
10/19/1987	Buy	\$224.83	10.42%	\$15,286.92
10/22/1987	Sell	\$248.25		(\$3,716.28)
9/17/2008	Buy	\$1,156.42	4.38%	\$9,348.20
9/22/2008	Sell	\$1,207.09		(\$1,971.12)
10/9/2008	Buy	\$909.92	9.68%	\$14,648.51
10/14/2008	Sell	\$998.01		(\$7,643.08)
10/15/2008	Buy	\$907.84	8.54%	\$8,531.60
10/20/2008	Sell	\$985.40		(\$4,621.10)
11/20/2008	Buy	\$752.44	13.95%	\$15,378.00
11/25/2008	Sell	\$857.39		(\$1,453.32)
3/5/2009	Buy	\$682.55	5.43%	\$5,409.30
3/10/2009	Sell	\$719.60		(\$2,300.96)
8/8/2011	Buy	\$1,119.46	4.75%	\$5,947.87
8/11/2011	Sell	\$1,172.64		(\$1,594.88)
9/13/2016	Buy	\$2,127.02	0.57%	\$1,141.63
9/16/2016	Sell	\$2,139.16		(\$334.64)
2/27/2020	Buy	\$2,978.76	0.83%	\$5,212.68
3/3/2020	Sell	\$3,003.37		(\$4,056.36)

Four of the ten instances closed up over 8.5% three days later. And the dates shown are like a who's who of market bottoms. Multiple days of such incredibly broad selling have generally marked an exhaustion point, and have typically been followed by a very large rebound in the coming days.

Not only did the Up Issues % close extremely low multiple times in the last few days, but the Up Volume % did as well. It is more common to see the Up Volume % come in extremely low than it is to see the Up Issues % to do it. And it was not just the 2<sup>nd</sup> 90% down volume day of the last 5 days. It was actually the 3<sup>rd</sup> time it has happened. Below is a look at all other times there have been three 90% down volume days within a week.

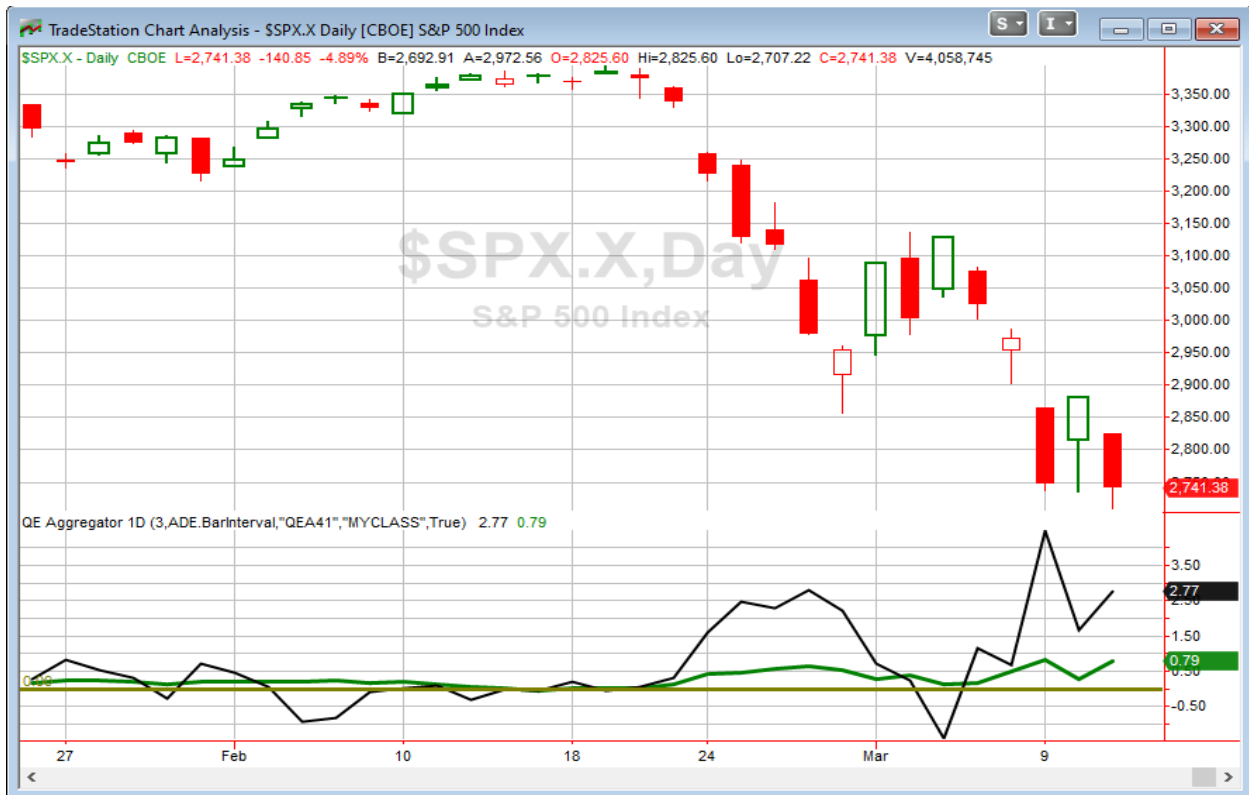
More than 90% of NYSE volume was to the downside for the 3rd day in the last 5. Buy SPX on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	40,616.98	7	6	1	85.71	13,728.48	-197.29	6,802.38	-197.29	34.48	206.87	5,802.43
9	39,626.98	7	6	1	85.71	11,965.80	-1,432.26	6,843.21	-1,432.26	4.78	28.67	5,661.00
8	41,648.56	7	7	0	100.00	9,398.70	0.00	5,949.79	0.00	100.00	100.00	5,949.79
7	44,320.84	7	7	0	100.00	9,721.80	0.00	6,331.55	0.00	100.00	100.00	6,331.55
6	37,664.98	7	7	0	100.00	8,667.90	0.00	5,380.71	0.00	100.00	100.00	5,380.71
5	36,878.53	7	7	0	100.00	8,609.40	0.00	5,268.36	0.00	100.00	100.00	5,268.36
4	34,386.82	7	6	1	85.71	10,385.16	-226.72	5,768.92	-226.72	25.45	152.67	4,912.40
3	33,108.84	8	7	1	87.50	10,398.48	-6,054.12	5,594.71	-6,054.12	0.92	6.47	4,138.60
2	33,509.57	9	8	1	88.89	14,891.76	-8,277.18	5,223.34	-8,277.18	0.63	5.05	3,723.29
1	17,852.79	9	6	3	66.67	5,328.00	-1,166.30	3,216.58	-482.23	6.67	13.34	1,983.64

And here are the individual instances along with their 7-day results.

More than 90% of NYSE volume was to the downside for the 3rd day in the last 5. Buy SPX on close. Sell 7 days later. \$100k/trade. 1980 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/19/1987	Buy	\$224.83	3.75%	\$15,286.92
10/28/1987	Sell	\$233.27		(\$3,716.28)
10/9/2008	Buy	\$909.92	8.30%	\$14,648.51
10/20/2008	Sell	\$985.40		(\$7,643.08)
8/8/2011	Buy	\$1,119.46	6.65%	\$7,921.89
8/17/2011	Sell	\$1,193.88		(\$1,594.88)
10/3/2011	Buy	\$1,099.23	9.83%	\$10,891.80
10/12/2011	Sell	\$1,207.25		(\$2,201.40)
11/23/2011	Buy	\$1,161.79	8.20%	\$9,024.84
12/5/2011	Sell	\$1,257.08		(\$269.18)
6/24/2013	Buy	\$1,573.09	2.69%	\$3,371.76
7/3/2013	Sell	\$1,615.41		\$0.00
2/8/2018	Buy	\$2,581.00	5.24%	\$6,589.96
2/20/2018	Sell	\$2,716.26		(\$1,835.78)

About half of these dates also appeared on the 1<sup>st</sup> study. Bottom line is that multiple days of extreme breadth like we have seen recently has basically always been followed by a short-term bounce. With bad news continuing to come out we could certainly see more downside. But we are at a level here that has always marked at least temporary exhaustion in the past.

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 Thursday. This is not going to change. Meanwhile, the Differential Pivot will be 2779.73 on Thursday. That is just 1.4% above Wednesday's close. So Thursday would only need to close up 1.4% to flip SPX to "overbought" versus recent expectations.

So the Aggregator is again bullish. The market is as extreme as it ever gets. All the downside breadth over the last few days is suggesting a very large bounce. But the bad news keeps on coming. So much happened after the bell that I would like to see how the market absorbs all this news that has taken the futures down quite a bit tonight before I look to make any changes to my partial long position. I believe there is an upside edge. And I believe a sharp multi-day bounce is coming. The waiting sure is painful, but it is my plan for now.

***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	\$274.36	-12.25%		Aggregator
SPY	2/27/2020	\$305.46	\$274.36	-10.18%		Aggregator
DD	2/25/2020	\$50.45	\$36.66	-27.33%		Catapult
XOM	2/25/2020	\$56.36	\$41.98	-25.51%		Catapult
DD	2/26/2020	\$47.47	\$36.66	-22.77%		Catapult
XOM	2/26/2020	\$54.20	\$41.98	-22.55%		Catapult
ALL	2/26/2020	\$117.31	\$92.77	-20.92%		Catapult
BLK	2/26/2020	\$506.00	\$430.97	-14.83%		Catapult
COP	2/26/2020	\$53.83	\$32.56	-39.51%		Catapult
ALL	2/27/2020	\$114.59	\$92.77	-19.04%		Catapult
COP	2/27/2020	\$49.60	\$32.56	-34.35%		Catapult
DD	2/27/2020	\$45.82	\$36.66	-19.99%		Catapult
XOM	2/27/2020	\$51.71	\$41.98	-18.82%		Catapult
COP	2/28/2020	\$45.42	\$32.56	-28.31%		Catapult
MDT	2/28/2020	\$98.97	\$92.44	-6.60%		Catapult
WFC	2/28/2020	\$41.31	\$32.33	-21.74%		Catapult
AXP	3/2/2020	\$109.93	\$95.38	-13.24%		Catapult
BLK	3/2/2020	\$463.01	\$430.97	-6.92%		Catapult
MDT	3/2/2020	\$100.67	\$92.44	-8.18%		Catapult
USB	3/2/2020	\$46.44	\$36.21	-22.03%		Catapult
WFC	3/2/2020	\$40.85	\$32.33	-20.86%		Catapult
ALL	3/6/2020	\$104.21	\$92.77	-10.98%		Catapult
GE	3/10/2020	\$8.21	\$8.21	0.00%		Catapult
SLB	3/10/2020	\$17.31	\$17.38	0.40%		Catapult
USB	3/10/2020	\$36.32	\$36.21	-0.30%		Catapult

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

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Hanna Capital Management, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2020 Quantifiable Edges, LLC.