

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 13, 2020

Volume 13 Issue 50

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	26

## Tonight's Research Points

- There is hardly any historical comparison for what is happening.

### *Short-term Outlook*

#### *The Bottom Line*

This is a crash that will be talked about for many years. A massive bounce should be on the way. I am not sure what will happen after the bounce.

*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 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**

Thursday was a panic day. If you use S&P 90 data prior to 1957, the SPX had its 5<sup>th</sup> worst day ever. If you look back to the inception of the modern index in 1957, then Thursday was the 2<sup>nd</sup> worst day behind the Crash of '87. It closed down 9.5%, while the NASDAQ lost 9.4% and the Russell 2000 declined 11.2% and posted its lowest close since July 2016. Breadth was again extremely negative as the NYSE Up Issues % was 2.3% and the Up Volume % came in at 8.6%. NYSE volume came in at the highest level since Feb 28th.

I zoomed out my SPX chart on Thursday and this is what I saw...



That big, scary decline on the left was December 2018. And it really felt pretty incredible at the time how strong and fast the move was without a bounce. Well, as you can see on the right, the last two days has basically matched it. And the last couple of weeks has dwarfed it. Just a little perspective to demonstrate how historic this selloff has been.

Here is a little more perspective. The VIX history goes back to 1990. The VIX closed at 75.47 on Thursday. Here are all dates that it has closed above 75:

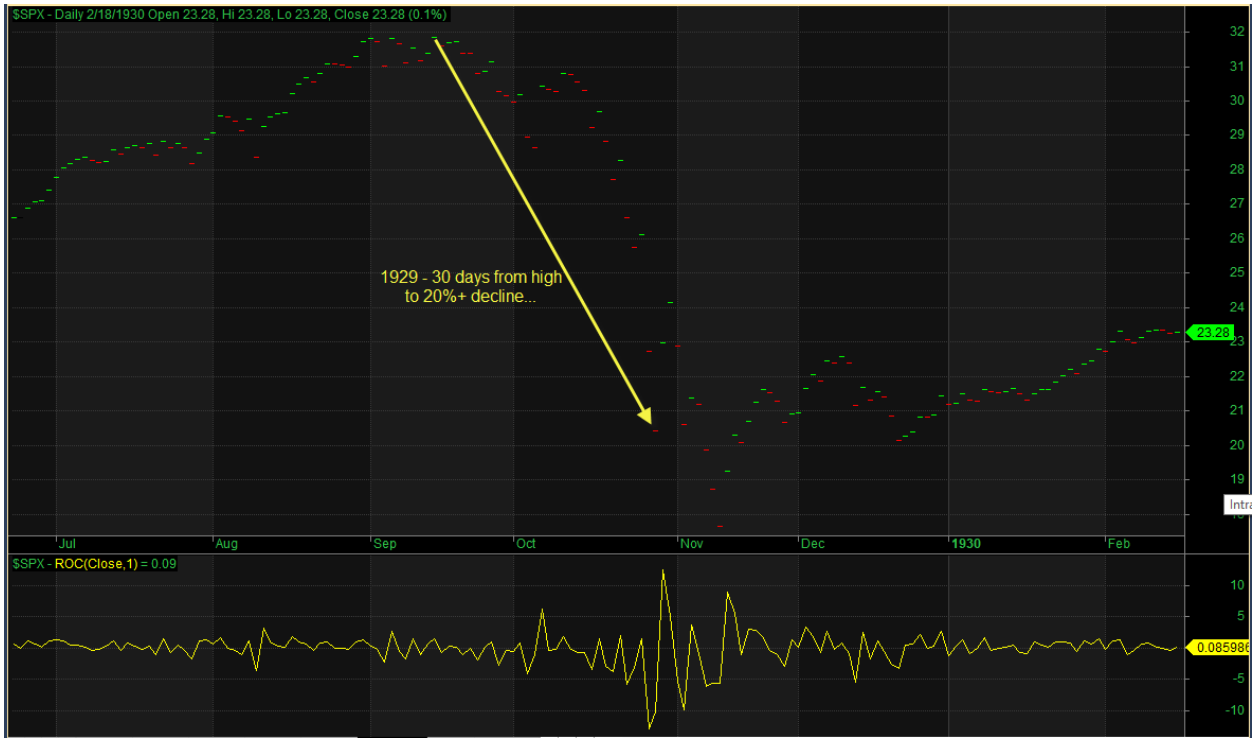
Ticker	Date/Time	Close
SVIX	10/24/2008	79.13
SVIX	10/27/2008	80.06
SVIX	11/20/2008	80.86
SVIX	3/12/2020	75.47

The old calculation for the VIX is VXO. It has back-calculated data into 1987. Here are all dates that it shows a close > 89.

Ticker	Date/Time	Close
SVXO	10/19/1987	150.19
SVXO	10/20/1987	140.00
SVXO	10/22/1987	102.22
SVXO	10/23/1987	98.81
SVXO	10/26/1987	113.33
SVXO	10/27/1987	97.51
SVXO	3/12/2020	89.80

Volatility is extreme. The only comparables are the Crash of '87 and the financial crisis in 2008. All of these dates were quickly followed by extreme bounces.

I've been talking recently about just how swift this decline has been from an all-time high. SPX has now closed down over 20% from its 2/19/20 all-time high. That was just 16 trading days ago. The only other declines that managed to do that in less than 100 days were 1929 and 1987. I posted charts below in case you'd like to see what those decline looked like compared to the current one.





We are already beyond basically every other extreme move. A very large bounce lasting at least 2-3 days is far overdue.

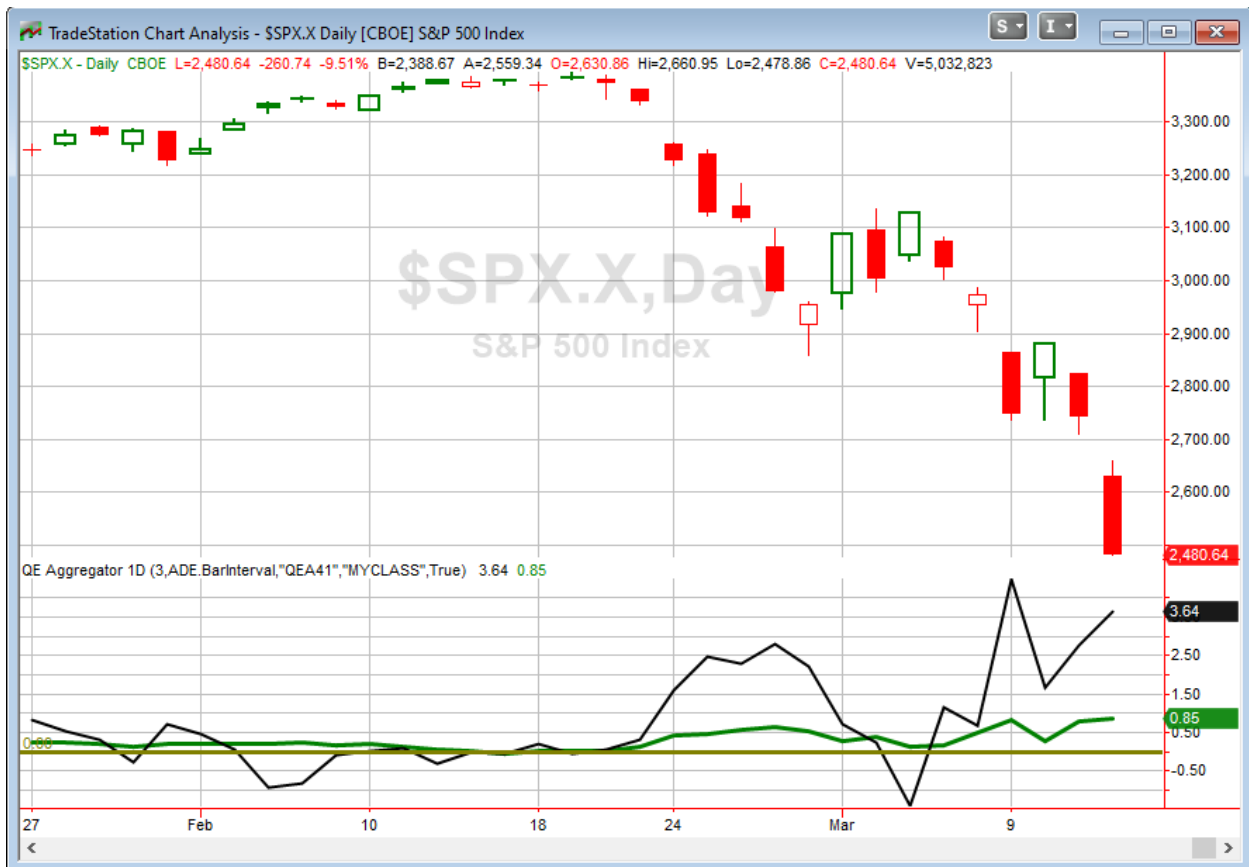
Of course this panic might be scarier than others. There was no pandemic threatening the world and causing massive disruption to daily lives in 1929 or 1987. And perhaps the scare that has gripped the markets and the country in the last couple of days is a good thing. Rudy Gobert, the Utah Jazz player who tested positive on Wednesday, looked like an ass with his careless touching of microphones and cavalier attitude. But that caused the NBA to shut down. And once the NBA shut down, it took less than 24 hours for the entire sports world to follow. No baseball, hockey, tennis, MLS soccer, World Cup skiing, XFL football, or any NCAA sports will be played for at least several weeks. Pearl Jam cancelled their tour and Broadway shows are all closed. That is a massive wake-up call. Even closer to home, my kids schools are closed on Friday, and the rumor is they will be closed for the next couple of weeks. Several school systems in Massachusetts have begun shutting down. And I would not be surprised if they were all closed by early next week. Most business conferences in the next few months are being cancelled, including NAAIM, where I was supposed to speak in early May. Tons of businesses are allowing (or forcing) people to work from home. Every hour there is something else closing and the news is coming fast and furious. It all seems overwhelming. But in the end, it will be good.

Thanks to stupid Rudy Gobert, a lot is changing quickly. Hospitals are not yet full of dying people. That is what scared people in China and in Italy. The US is now panicked ahead of the hospitals filling up. And because of this, perhaps they won't. There are going to be a lot more people sick.

And a lot more that die. But the chances of lessening the damage already seems to be increasing with all the action now being taken. The next couple of months still probably will not be much fun. But with regards to the market, the short-term is extremely overdone, and it is looking for good news. And we are improving the odds of getting some.

Also helping to improve the odds is the Fed. Their initial rate cut last week did not seem to help much. On Thursday they announced a huge liquidity program, where they will both be buying treasuries and supporting the repo market. The amounts are far beyond what we have seen previously. While this did not turn the market on Thursday, the liquidity being provided could help turbo-boost the bounce when it arrives. I would NOT want to be highly short right now.

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



Tonight the green Aggregator remained 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 Friday. This is not going to change. Meanwhile, the Differential Pivot will be 2876.95 on Friday. That is 16.0% above Thursday's close. I don't believe I have ever seen a Differential Pivot that far away. It is going to take a few days to work off the short-term oversold condition.

So the Aggregator is again bullish. The market is as extreme as it ever gets. For reasons I covered above, and in recent days, I think a massive bounce is coming. But will people want to buy ahead of the weekend? I don't know. But I am content to keep my index position at just 50%. I won't be looking to get any heavier here. 50% already feels like a lot with all this volatility. I am looking forward to having the market closed for a couple of days on Saturday and Sunday. Enjoy your weekend, stay well, and wash your hands!

*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)  
*New*  
BA – 1/3 @ \$154.84 (buy @ limit)  
KMI – 1/3 @ \$13.86 (buy @ limit)

### **Broad Market Large Cap CBI – 26**

#### **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.*

**BA – Buy 1/3 Catapult position @ \$154.84 LIMIT.** From Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots for BA.

**KMI – Buy 1/3 Catapult position @ \$13.86 LIMIT.** From Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots for KMI.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY	2/25/2020	\$312.65	\$248.11	-20.64%		Aggregator
SPY	2/27/2020	\$305.46	\$248.11	-18.77%		Aggregator
DD	2/25/2020	\$50.45	\$33.28	-34.03%		Catapult
XOM	2/25/2020	\$56.36	\$37.18	-34.03%		Catapult
DD	2/26/2020	\$47.47	\$33.28	-29.89%		Catapult
XOM	2/26/2020	\$54.20	\$37.18	-31.40%		Catapult
ALL	2/26/2020	\$117.31	\$83.80	-28.57%		Catapult
BLK	2/26/2020	\$506.00	\$386.22	-23.67%		Catapult
COP	2/26/2020	\$53.83	\$28.20	-47.61%		Catapult
ALL	2/27/2020	\$114.59	\$83.80	-26.87%		Catapult
COP	2/27/2020	\$49.60	\$28.20	-43.15%		Catapult
DD	2/27/2020	\$45.82	\$33.28	-27.37%		Catapult
XOM	2/27/2020	\$51.71	\$37.18	-28.10%		Catapult
COP	2/28/2020	\$45.42	\$28.20	-37.91%		Catapult
MDT	2/28/2020	\$98.97	\$84.40	-14.72%		Catapult
WFC	2/28/2020	\$41.31	\$27.20	-34.16%		Catapult
AXP	3/2/2020	\$109.93	\$83.53	-24.02%		Catapult
BLK	3/2/2020	\$463.01	\$386.22	-16.58%		Catapult
MDT	3/2/2020	\$100.67	\$84.40	-16.16%		Catapult
USB	3/2/2020	\$46.44	\$31.61	-31.93%		Catapult
WFC	3/2/2020	\$40.85	\$27.20	-33.41%		Catapult
ALL	3/6/2020	\$104.21	\$83.80	-19.59%		Catapult
GE	3/10/2020	\$8.21	\$7.23	-11.94%		Catapult
SLB	3/10/2020	\$17.31	\$14.42	-16.70%		Catapult
USB	3/10/2020	\$36.32	\$31.61	-12.97%		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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