

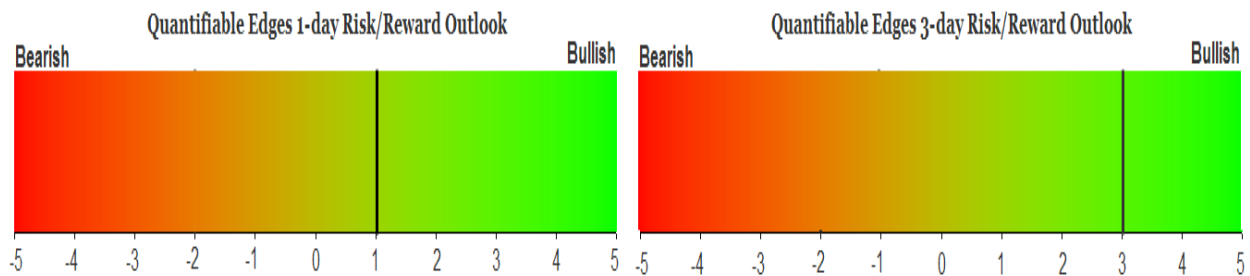
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 16, 2020

Volume 13 Issue 51

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	26

Tonight's Research Points

- Extremes galore and a possible Turnaround Tuesday on tap.

Short-term Outlook


The Bottom Line


While it could get worse, it basically never has. I'm looking for a rally.

The Evidence

Everything just keeps getting worse, including the market. The market did not care much about the Fed action, and is still hoping for fiscal stimulus. But the congress and senate seem to be in no hurry. The SPX lost 12.0%, while the NASDAQ tumbled 12.3% and the Russell 2000 crashed 14.2%. Breadth was extremely negative as the NYSE Up Issues % was 4% and the Up Volume % came in at 6%. NYSE volume came in lower than the last 2 days.

This market has been tough. It was oversold to an extreme degree weeks ago. And there has been nothing but bad news and more extreme selling since. Amazingly, after massive support from the Fed Sunday night, Monday was the most extreme day of all. Here is a sampling of what I am seeing. First, when looking at the worst days since 1928 in the Dow and SPX, Monday ranked 3rd for both. You can see the lists below.

DJI worst % down days. 1928 - 3/16/20.			
Ticker	Date/Time	Close	% Change ... 
\$DJI	10/19/1987	1,738...	-22.61
\$DJI	10/28/1929	260.64	-13.47
\$DJI	3/16/2020	20,18...	-12.93

SPX worst % down days. 1928 - 3/16/20.			
Ticker	Date/Time	Close	% Change Today 
\$SPX	10/19/1987	224.84	-20.47
\$SPX	10/28/1929	22.74	-12.94
\$SPX	3/16/2020	2,386...	-11.98

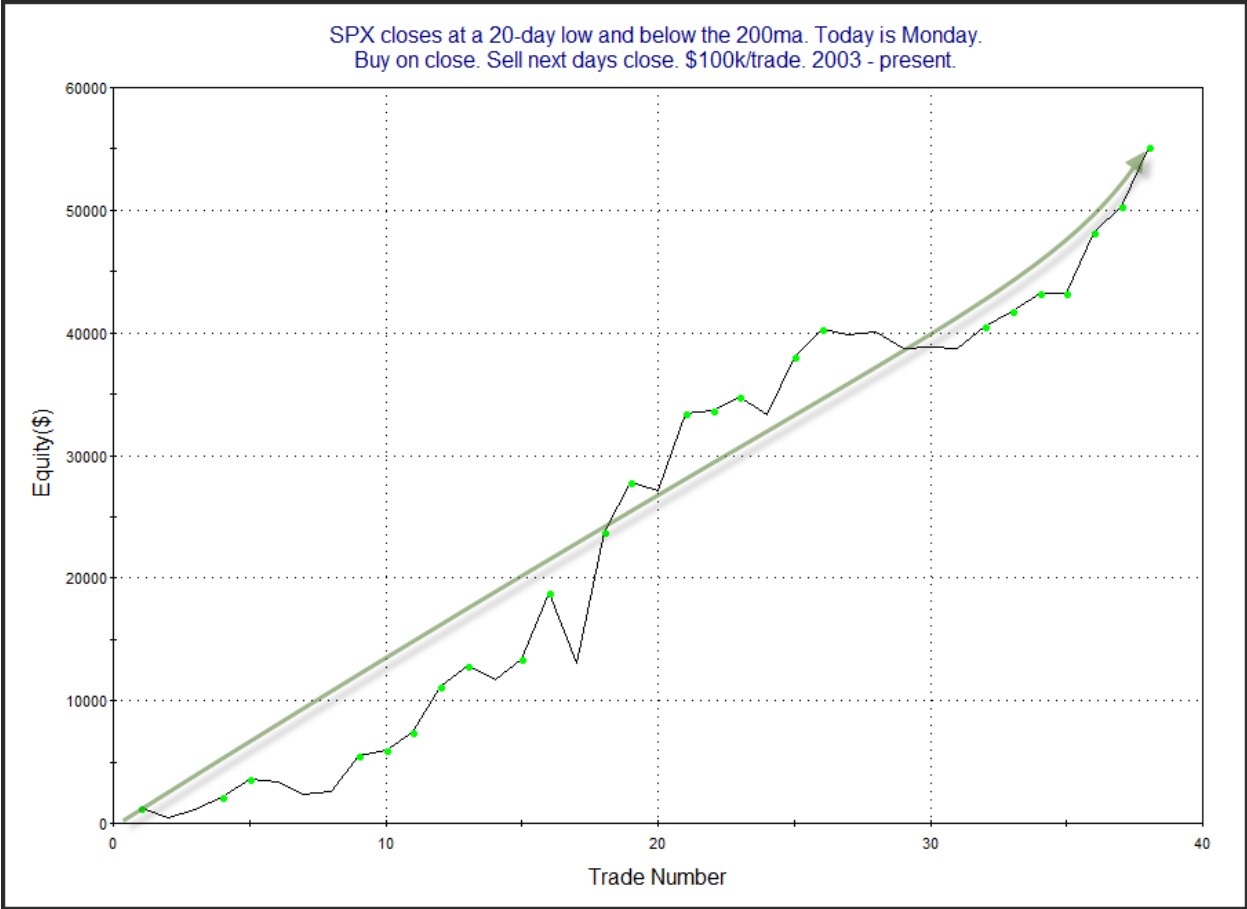
I don't need a list to let you know that the NASDAQ Composite and the Russell 2000 both had their worst days of all time...yes, even worse than the Crash of '87. (Neither existed in 1929). And the VIX closed at an all-time high since its inception in 1990. Monday was also the 1st day of the decline in which *zero* NYSE stocks hit new highs. That has been pretty rare since 1991. I see 8/21/15, and then 6 days in 2009. It happened a lot prior to the 1980s, but there were also fewer listings many decades ago.

So sentiment, price action, and breadth measures are all at historical extremes. The only dates where there are even comparisons are the famous crashes. When we are at a level that is "most extreme ever", it makes modeling expectations extremely difficult. But all these other dates were followed by incredibly sharp short-term rallies. Yes, I would rather have gotten myself flat near the end of February or very early March when things were starting to look scary. But I made the best decisions I could at that time. They did not pan out. But now I need to continue to try and

make the best decisions I can based on the evidence in front of me. The extremely sharp rally scenario still appears to be the highest short-term probability. And with Fed injections that are larger than anything before, and likely fiscal stimulus on the way that could be larger than anything before, I do not feel that now is the time to bail on my index positions. I don't know if we hit bottom on Monday. (Probably not THE bottom.) But Tuesday has been the most common day for a "turnaround". So let's look at updated results of a study I showed last week in the 3/10/20 letter.

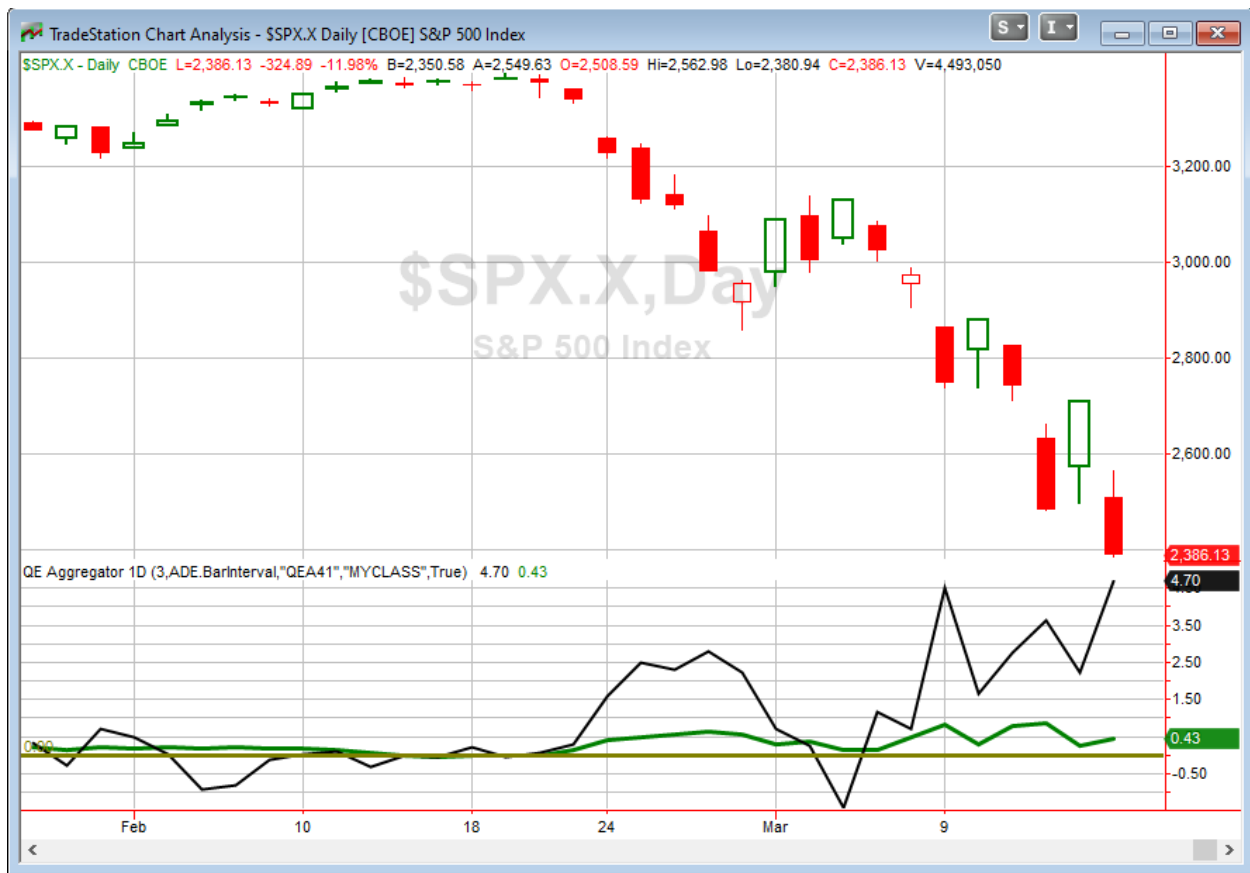
SPX closes at a 20-day low and below the 200ma. Today is Monday. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	87,687.51	30	23	7	76.67	21,519.33	-9,276.30	5,130.43	-4,330.34	1.18	3.89	2,922.92
9	92,225.61	31	25	6	80.65	13,525.47	-18,648.00	5,014.82	-5,524.14	0.91	3.78	2,975.02
8	85,879.01	31	25	6	80.65	15,803.97	-17,685.00	4,639.70	-5,018.92	0.92	3.85	2,770.29
7	98,068.44	31	23	8	74.19	17,319.54	-10,933.20	5,173.76	-2,616.01	1.98	5.69	3,163.50
6	89,186.22	31	23	8	74.19	18,349.11	-9,917.10	4,994.08	-3,209.71	1.56	4.47	2,876.97
5	58,474.69	37	26	11	70.27	13,733.46	-12,975.48	3,983.37	-4,099.36	0.97	2.30	1,580.40
4	69,146.04	38	26	12	68.42	14,020.11	-14,820.98	3,808.06	-2,488.63	1.53	3.32	1,819.63
3	56,009.06	38	27	11	71.05	12,304.89	-13,815.18	3,454.96	-3,388.63	1.02	2.50	1,473.92
2	51,147.33	38	24	14	63.16	9,496.89	-6,763.30	2,968.96	-1,436.27	2.07	3.54	1,345.98
1	55,181.42	38	28	10	73.68	10,716.03	-5,702.04	2,425.27	-1,272.60	1.91	5.34	1,452.14

Not only do the numbers look strong on Tuesday, but the setup has seen good follow through over the next several days. Below is the 1-day profit curve.



The strong upslope serves as some confirmation of the bullish edge suggested by the numbers.

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 Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 2496.07 on Tuesday. That is 4.6% above Monday's close. So SPX would need to close up about 4.6% on Tuesday in order to flip from oversold to overbought vs recent expectations.

My outlook is similar to last night, though we are unfortunately at a bit lower level. But as I mentioned above, I can only make my best determinations based on where we are now and what appears likely from here. And between all the extremes and all the (worldwide) government stimulus, I believe hope will soon prevail (at least temporarily) over fear. I'm not so brave as to add to my 2 lots of SPY. But I will maintain them for the time being.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/16 – 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. Try again.
SLB 1/3 @ \$17.31 (buy @ limit)
USB 1/3 @ \$36.32 (buy @ limit)
BA – 1/3 @ \$154.84 (buy @ limit) – not filled. Try again.
KMI – 1/3 @ \$13.86 (bought @ 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.

OXY – Buy 1/3 Catapult position @ \$12.02 LIMIT. 2nd try at missed entry from Catapult section above.

BA – Buy 1/3 Catapult position @ \$129.61 LIMIT. 2nd try at missed entry from Catapult section above.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY	2/25/2020	\$312.65	\$239.85	-23.28%		Aggregator
SPY	2/27/2020	\$305.46	\$239.85	-21.48%		Aggregator
DD	2/25/2020	\$50.45	\$34.25	-32.11%		Catapult
XOM	2/25/2020	\$56.36	\$34.49	-38.80%		Catapult
DD	2/26/2020	\$47.47	\$34.25	-27.85%		Catapult
XOM	2/26/2020	\$54.20	\$34.49	-36.37%		Catapult
ALL	2/26/2020	\$117.31	\$84.98	-27.56%		Catapult
BLK	2/26/2020	\$506.00	\$357.28	-29.39%		Catapult
COP	2/26/2020	\$53.83	\$26.08	-51.55%		Catapult
ALL	2/27/2020	\$114.59	\$84.98	-25.84%		Catapult
COP	2/27/2020	\$49.60	\$26.08	-47.42%		Catapult
DD	2/27/2020	\$45.82	\$34.25	-25.25%		Catapult
XOM	2/27/2020	\$51.71	\$34.49	-33.30%		Catapult
COP	2/28/2020	\$45.42	\$26.08	-42.58%		Catapult
MDT	2/28/2020	\$98.97	\$77.43	-21.76%		Catapult
WFC	2/28/2020	\$41.31	\$26.50	-35.85%		Catapult
AXP	3/2/2020	\$109.93	\$85.87	-21.89%		Catapult
BLK	3/2/2020	\$463.01	\$357.28	-22.84%		Catapult
MDT	3/2/2020	\$100.67	\$77.43	-23.09%		Catapult
USB	3/2/2020	\$46.44	\$32.57	-29.87%		Catapult
WFC	3/2/2020	\$40.85	\$26.50	-35.13%		Catapult
ALL	3/6/2020	\$104.21	\$84.98	-18.45%		Catapult
GE	3/10/2020	\$8.21	\$6.66	-18.88%		Catapult
SLB	3/10/2020	\$17.31	\$14.41	-16.75%		Catapult
USB	3/10/2020	\$36.32	\$32.57	-10.32%		Catapult
KMI	3/13/2020	\$13.86	\$12.73	-8.15%		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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