QUANTIFIABLE EDGES
SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 18, 2020 Volume 13 Issue 53

Market Overview

Signals Overview

Aggregator	CBI Reading
Flat	26

Tonight's Research Points

- Wild back and forth action is showing potential edges in both directions.

Short-term Outlook

The Bottom Line

The Aggregator formation is flat, but the Differential Pivot is so massively inverted that I am still looking for a powerful bear market rally in the next few days.

Quantifiable Edges, LLC *10 Boyden Rd., Medfield, Massachusetts 02052* *781-956-6952*

The Evidence

Tuesday was a rare up day. The SPX gained 6.0%, while the NASDAQ jumped 6.2% and the Russell 2000 rallied 6.7%. (Of course, none of those gains came close to making up for Monday's losses.) Breadth was moderately positive as the NYSE Up Issues % was 60% and the Up Volume % came in at 66%. NYSE volume exceeded the last 2 days, but was not as large as last Thursday.

The moderate breadth on a very large up day stood out to me. With the Russell 2000 gaining 6.7%, you'd expect the NYSE Up Issues % to be very high. But it was barely 60%. There has never been another day that the Russell gained over 6.5% while the Up Issues % was less than 65%. I did manage to find 5 days where the Russell gained 4% + while the Up Issues % was less than 65%. I have listed them below along with their 4-day returns.

$RUT closes up at least 4% while the NYSE Up Issues % < 65%.
Buy RUT on close. Sell 4 days later. $100k/trade. 10/1/87 - present

Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/18/2000	Buy	$486.09	0.60%	$1,578.50
4/25/2000	Sell	$489.03		($5,163.95)
7/24/2002	Buy	$378.56	5.90%	$6,272.64
7/30/2002	Sell	$400.91		($1,924.56)
10/10/2008	Buy	$521.91	2.86%	$11,992.89
10/16/2008	Sell	$536.82		($7,057.45)
11/21/2008	Buy	$406.51	16.39%	$16,324.35
11/28/2008	Sell	$473.14		$0.00
10/4/2011	Buy	$648.91	5.53%	$5,554.78
10/10/2011	Sell	$684.77		($1,162.70)

Only 5 instances, so it's a bit dangerous to draw solid conclusions, but the initial results certainly look promising. I lowered the % change requirement to 3.5% in order the get a few more instances. Those results are below.

$RUT closes up at least 3.5% while the NYSE Up Issues % < 65%.
Buy RUT on close. Sell X days later. $100k/trade. 10/1/87 - present

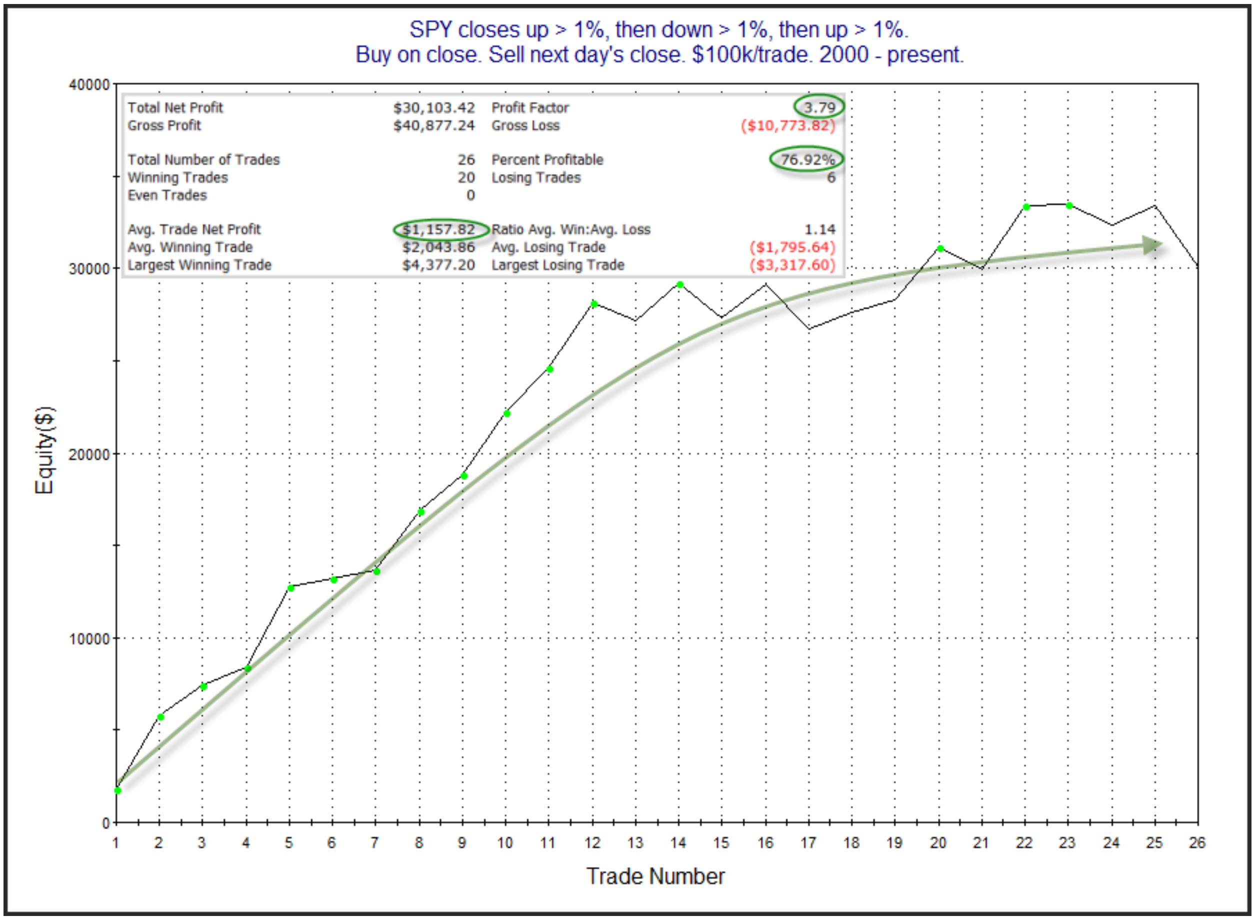
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	16,554.13	9	7	2	77.78	6,149.22	-4,792.32	3,103.67	-2,585.78	1.20	4.20	1,839.35
4	36,301.20	9	8	1	88.89	16,324.35	-1,587.84	4,736.13	-1,587.84	2.98	23.86	4,033.47
3	19,306.89	9	6	3	66.67	15,131.20	-3,734.05	4,931.35	-3,427.08	1.44	2.88	2,145.21
2	25,702.93	9	7	2	77.78	8,775.90	-1,978.08	4,078.89	-1,424.67	2.86	10.02	2,855.88
1	19,015.45	9	7	2	77.78	9,112.61	-3,341.97	3,224.47	-1,777.91	1.81	6.35	2,112.83

Sample size is still a little bit low, but better than 5. And the stats remain quite impressive. Below are the 9 instances and their 4-day results.

$RUT closes up at least 3.5% while the NYSE Up Issues % < 65%. Buy RUT on close. Sell 4 days later. $100k/trade. 10/1/87 - present				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
2/29/2000	Buy	$577.71	4.14%	$4,549.90
3/6/2000	Sell	$601.64		$0.00
4/5/2000	Buy	$518.40	-1.60%	$4,721.28
4/11/2000	Sell	$510.13		($3,058.56)
4/18/2000	Buy	$486.09	0.60%	$1,578.50
4/25/2000	Sell	$489.03		($5,163.95)
10/13/2000	Buy	$480.39	0.19%	$1,094.08
10/19/2000	Sell	$481.30		($5,150.08)
7/24/2002	Buy	$378.56	5.90%	$6,272.64
7/30/2002	Sell	$400.91		($1,924.56)
10/10/2008	Buy	$521.91	2.86%	$11,992.89
10/16/2008	Sell	$536.82		($7,057.45)
11/21/2008	Buy	$406.51	16.39%	$16,324.35
11/28/2008	Sell	$473.14		$0.00
12/12/2008	Buy	$468.12	2.37%	$5,465.58
12/18/2008	Sell	$479.21		($4,754.16)
10/4/2011	Buy	$648.91	5.53%	$5,554.78
10/10/2011	Sell	$684.77		($1,162.70)

It is commonly said that you'd prefer to have broad participation in a rally. But this study suggests that the initial move off the bottom does not need it. And in fact, the lack of participation could mean that there is a lot of the market that may actually be looking to play some catch-up in the next few days. And that could help with a 2nd wave of buy and a strong short-term advance.

Another bullish study looked at the pattern of the last few days and suggested an upside edge. It was last seen in the 3/5/20 letter, and has been updated below.



The numbers are very impressive. And while the curve has flattened out some lately with the failure of the last instance, this certainly seems worthy of consideration. If this study does pan out on Wednesday it will be the 1st 2-day rally since the market topped in mid-February. Tuesday was just the 5th up-day over this period. Below are the other 4 along with their next day results.

SPY up days since the 2/19/2020 top.

Ticker	Date/Time	Close	% Change	Open Tomorrow	% Gap Open Next Day	Close Tomorrow	Next Day % Chg
SPY	3/2/2020	309.09	4.33	309.50	0.13	300.24	-2.86
SPY	3/4/2020	312.86	4.20	304.98	-2.52	302.46	-3.32
SPY	3/10/2020	288.42	5.17	280.70	-2.68	274.36	-4.87
SPY	3/13/2020	269.32	8.55	241.18	-10.45	239.85	-10.94
SPY	3/17/2020	252.8	5.40	na	na	na	na

Here's hoping for a better tomorrow! And our 1st few studies suggested a good chance we get it. But the volume was less than desired on Tuesday. And that brought about the studies below, which

I have shown a few times recently (3/16 being the most recent). Results are updated. They demonstrate why the underwhelming volume is potentially concerning. The 1st study looks at strong rebounds that occur on the highest volume of the last 5 days (unlike now).

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

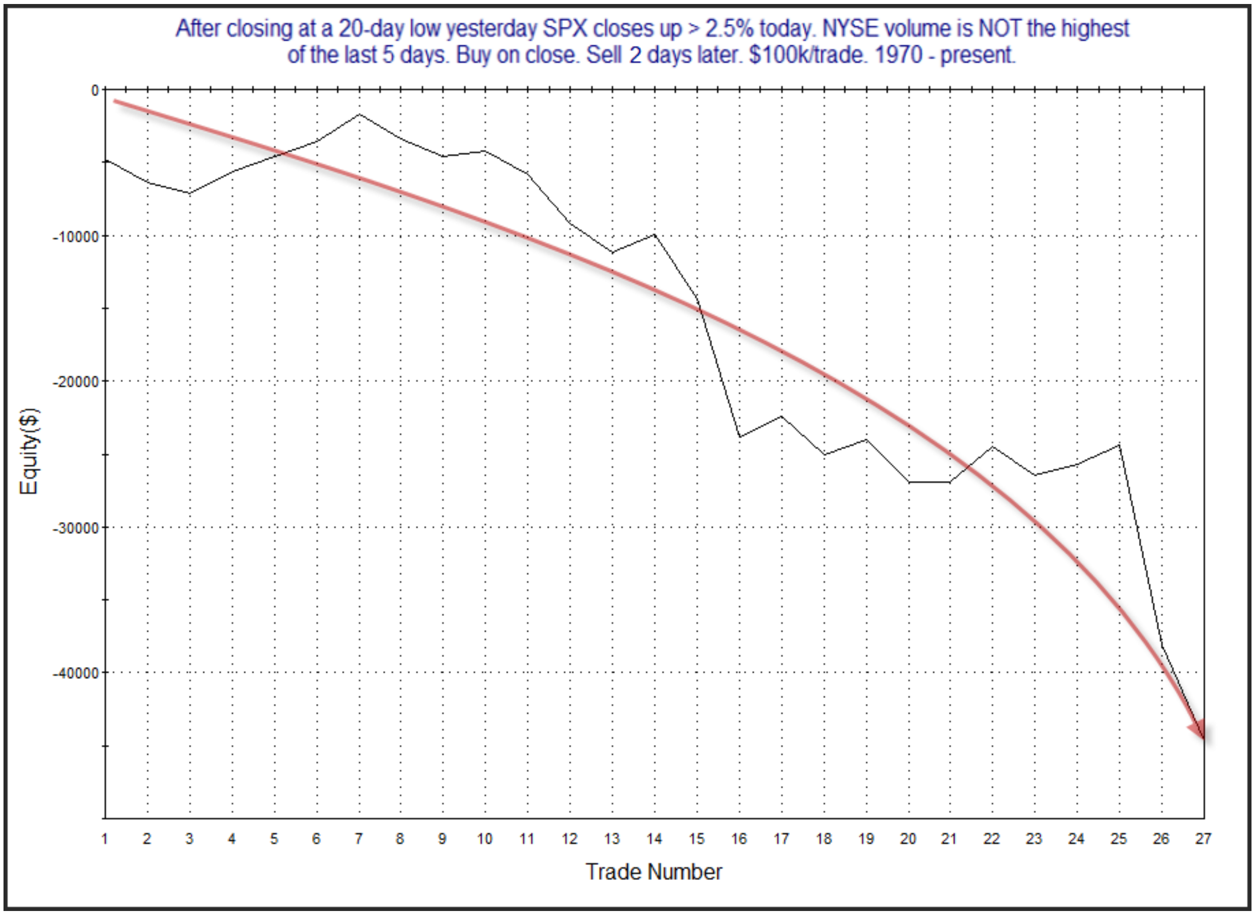
All 16 instances closed above the entry price at some point in the next week.

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.

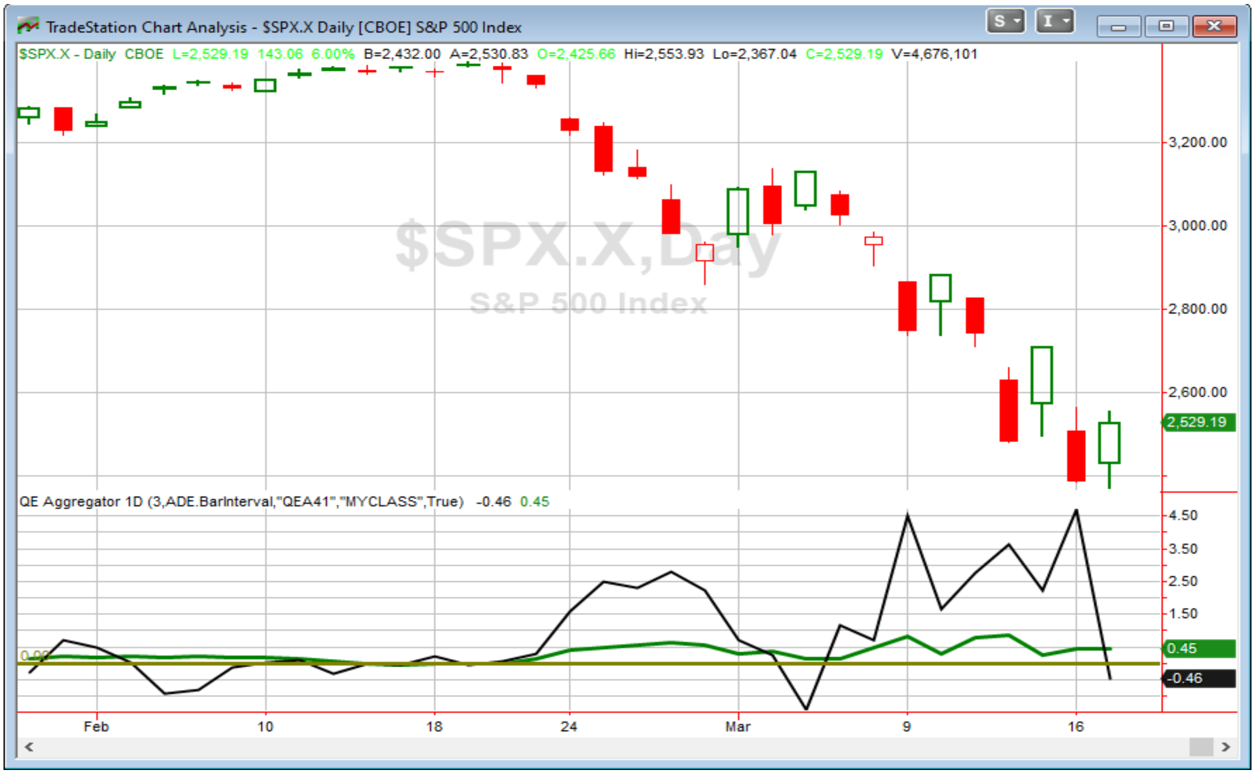
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-36,639.44	23	10	13	43.48	8,721.35	-22,531.20	4,091.81	-5,965.97	0.69	0.53	-1,593.02
9	-51,757.07	24	8	16	33.33	9,514.20	-13,855.85	4,881.60	-5,675.62	0.86	0.43	-2,156.54
8	-68,971.39	24	8	16	33.33	8,645.60	-22,706.90	4,621.98	-6,621.70	0.70	0.35	-2,873.81
7	-58,573.21	24	10	14	41.67	8,044.65	-21,797.40	3,262.94	-6,514.47	0.50	0.36	-2,440.55
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	-41,436.36	25	10	15	40.00	7,282.10	-14,461.05	3,457.67	-5,067.54	0.68	0.45	-1,657.45
4	-43,207.64	25	11	14	44.00	6,383.20	-16,867.40	2,519.74	-5,066.05	0.50	0.39	-1,728.31
3	-23,975.27	26	11	15	42.31	2,993.44	-5,821.14	1,770.69	-2,896.86	0.61	0.45	-922.13
2	-44,623.59	27	12	15	44.44	2,466.36	-13,654.06	1,162.81	-3,905.15	0.30	0.24	-1,652.73
1	-25,837.40	27	11	16	40.74	2,842.84	-11,696.04	1,170.09	-2,419.28	0.48	0.33	-956.94

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



Recent instances have made this curve appear even more bearish. So what would have been a strong upside edge if Tuesday was accompanied by big volume, is instead suggesting a possible bearish inclination. That is quite the mix of studies for 1 night.

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 fell below 0. The negative Differential Line reading means SPX is "overbought" versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal turned flat at the close.

Based on the current list of studies, expectations are set to remain bullish on Wednesday. This could possibly change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *massively inverted at* 2728.66 on Wednesday. That is a whopping 7.9% above Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 7.9% in order to remain overbought. Anything less than that and it will go back to being considered oversold vs recent expectations as of Wednesday's close.

I don't believe there has ever been a Differential Pivot that was so massively inverted before. The enormous moves over the last few days will do that. SPX is not oversold right now, but it will take almost an 8% gain tomorrow to keep it from turning oversold. Traders could look to flatten out some here with the Aggregator temporarily flat. I will hold onto my index positions another day. I am still expecting a powerful bear-market rally lasting more than just one day.

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)
SLB 1/3 @ $17.31 (buy @ limit)
USB 1/3 @ $36.32 (buy @ limit)
BA – 1/3 @ $154.84 (buy @ limit)
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.*

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Los	Stop	Notes
SPY	2/25/2020	$312.65	$252.80	-19.14%		Aggregator
SPY	2/27/2020	$305.46	$252.80	-17.24%		Aggregator
DD	2/25/2020	$50.45	$36.01	-28.62%		Catapult
XOM	2/25/2020	$56.36	$36.81	-34.69%		Catapult
DD	2/26/2020	$47.47	$36.01	-24.14%		Catapult
XOM	2/26/2020	$54.20	$36.81	-32.08%		Catapult
ALL	2/26/2020	$117.31	$87.94	-25.04%		Catapult
BLK	2/26/2020	$506.00	$386.76	-23.57%		Catapult
COP	2/26/2020	$53.83	$26.25	-51.24%		Catapult
ALL	2/27/2020	$114.59	$87.94	-23.26%		Catapult
COP	2/27/2020	$49.60	$26.25	-47.08%		Catapult
DD	2/27/2020	$45.82	$36.01	-21.41%		Catapult
XOM	2/27/2020	$51.71	$36.81	-28.81%		Catapult
COP	2/28/2020	$45.42	$26.25	-42.21%		Catapult
MDT	2/28/2020	$98.97	$80.21	-18.96%		Catapult
WFC	2/28/2020	$41.31	$29.63	-28.27%		Catapult
AXP	3/2/2020	$109.93	$86.58	-21.24%		Catapult
BLK	3/2/2020	$463.01	$386.76	-16.47%		Catapult
MDT	3/2/2020	$100.67	$80.21	-20.32%		Catapult
USB	3/2/2020	$46.44	$33.72	-27.39%		Catapult
WFC	3/2/2020	$40.85	$29.63	-27.47%		Catapult
ALL	3/6/2020	$104.21	$87.94	-15.61%		Catapult
GE	3/10/2020	$8.21	$7.08	-13.76%		Catapult
SLB	3/10/2020	$17.31	$14.00	-19.12%		Catapult
USB	3/10/2020	$36.32	$33.72	-7.16%		Catapult
KMI	3/13/2020	$13.86	$12.64	-8.80%		Catapult
OXY	3/17/2020	$12.02	$11.34	-5.66%		Catapult
BA	3/17/2020	$129.61	$124.14	-4.22%		Catapult

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found here.