

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 19, 2020

Volume 13 Issue 54

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	26

## Tonight's Research Points

- The gap down and partial reversal is triggering a few studies suggesting a bounce on Wednesday.
- The market remains oversold to a historic extreme.

## *Short-term Outlook*

### *The Bottom Line*

The market continues to reach historically oversold levels. A large multi-day bounce that will put a big scare into shorts is long overdue.

***The Evidence***

Wednesday was another bad day for the market. The stock market, the bond market, the oil market...just about any market that was open. The SPX closed the day down 5.2%, while the NASDAQ tumbled 4.2% and the Russell 2000 crashed 10.4%. That was the 5<sup>th</sup> worst day ever for the Russell 2000. Four of the worst seven have occurred in the last two weeks. Breadth was extremely negative as the NYSE Up Issues % was 6% and the Up Volume % came in at 7%. NYSE volume rose for the 2<sup>nd</sup> day in a row, despite the market being closed for 15 minutes when a NYSE circuit breaker was hit.

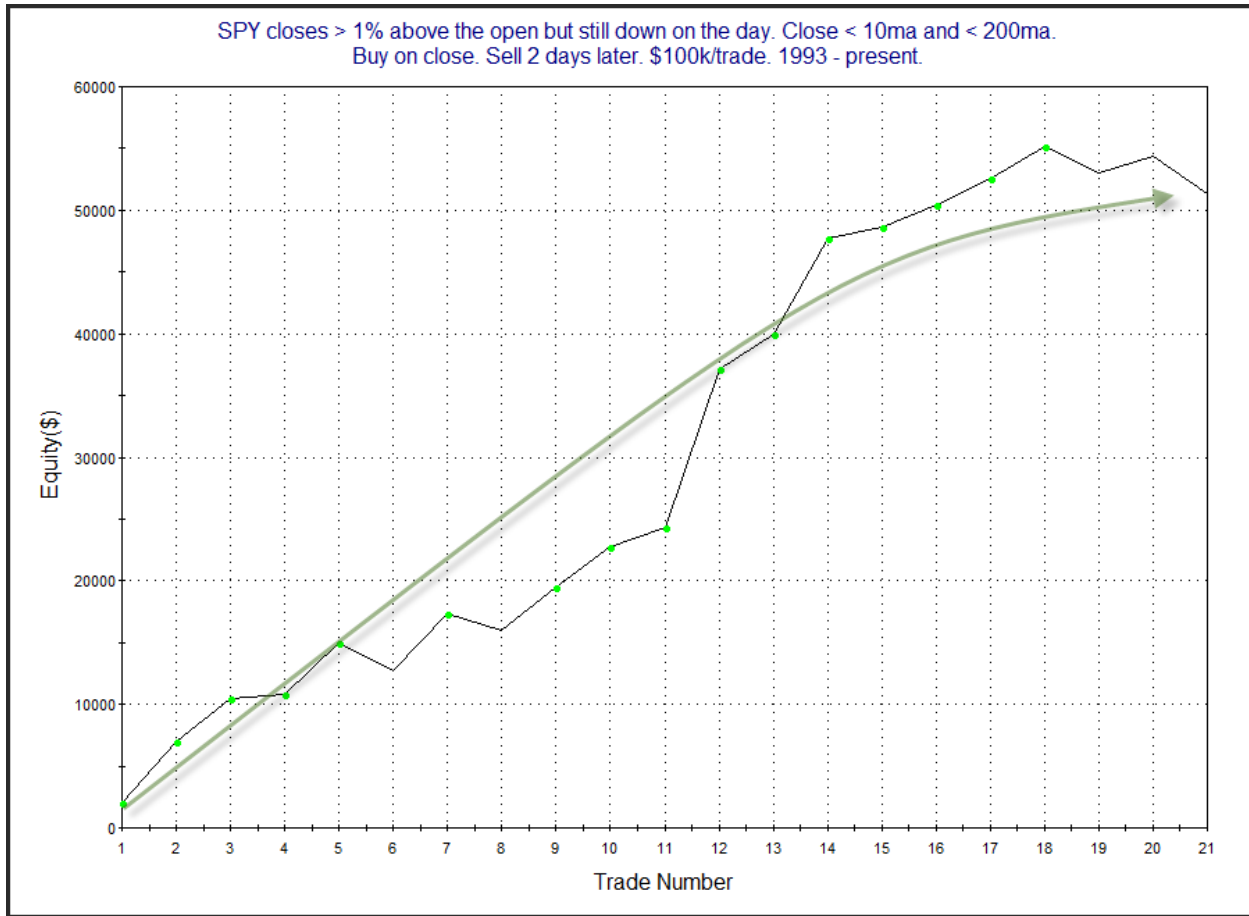
It has been 20 trading days since the all-time high on Feb 19<sup>th</sup>. Over that time period, \$SPX is down 29.2% with 102 stocks down at least 50% over the last 20 days. The NASDAQ is down 28.8%. The Russell 2000 has lost 41.4%, which is the largest 20-day decline ever for the Russell 2000, and 702 stocks in the Russell 2000 have lost over half their value in the last 20 days. I am running out of adjectives to describe how incredibly extreme the selling has been over the last 4 weeks.

The big down move on Wednesday and sizable late (partial) rebound was very similar action to what we saw a few times earlier this month. And we saw several of the same studies trigger. The ones below were last seen in the 3/9/20 letter.

The 1<sup>st</sup> study examined times when SPY rose over 1% from open to close but still finished down on the day and below the 10ma. Updated stats are below.

SPY closes > 1% above the open but still down on the day. Close < 10ma and < 200ma. 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
10	25,294.23	17	10	7	58.82	12,037.05	-9,078.78	5,570.28	-4,344.08	1.28	1.83	1,487.90
9	24,388.05	17	13	4	76.47	10,391.40	-16,226.55	3,910.21	-6,611.17	0.59	1.92	1,434.59
8	39,581.01	17	12	5	70.59	10,774.35	-7,380.30	4,859.65	-3,746.96	1.30	3.11	2,328.29
7	56,589.37	17	13	4	76.47	15,348.76	-5,357.60	5,203.94	-2,765.47	1.88	6.12	3,328.79
6	49,584.29	17	14	3	82.35	11,639.99	-7,424.11	4,494.16	-4,444.64	1.01	4.72	2,916.72
5	37,021.37	20	14	6	70.00	11,238.92	-9,455.04	4,439.98	-4,189.71	1.06	2.47	1,851.07
4	30,302.70	21	14	7	66.67	10,630.48	-16,581.60	4,217.93	-4,106.91	1.03	2.05	1,442.99
3	28,114.18	21	14	7	66.67	6,933.92	-7,761.60	3,476.41	-2,936.50	1.18	2.37	1,338.77
2	51,298.09	21	17	4	80.95	12,814.15	-3,037.44	3,532.72	-2,189.53	1.61	6.86	2,442.77
1	37,753.68	21	16	5	76.19	14,507.65	-7,805.28	3,304.20	-3,022.71	1.09	3.50	1,797.79

Here we see very strong numbers on a somewhat small sample size. (Though the sample size is growing quickly these days.) Below is a profit curve showing a 2-day holding period.



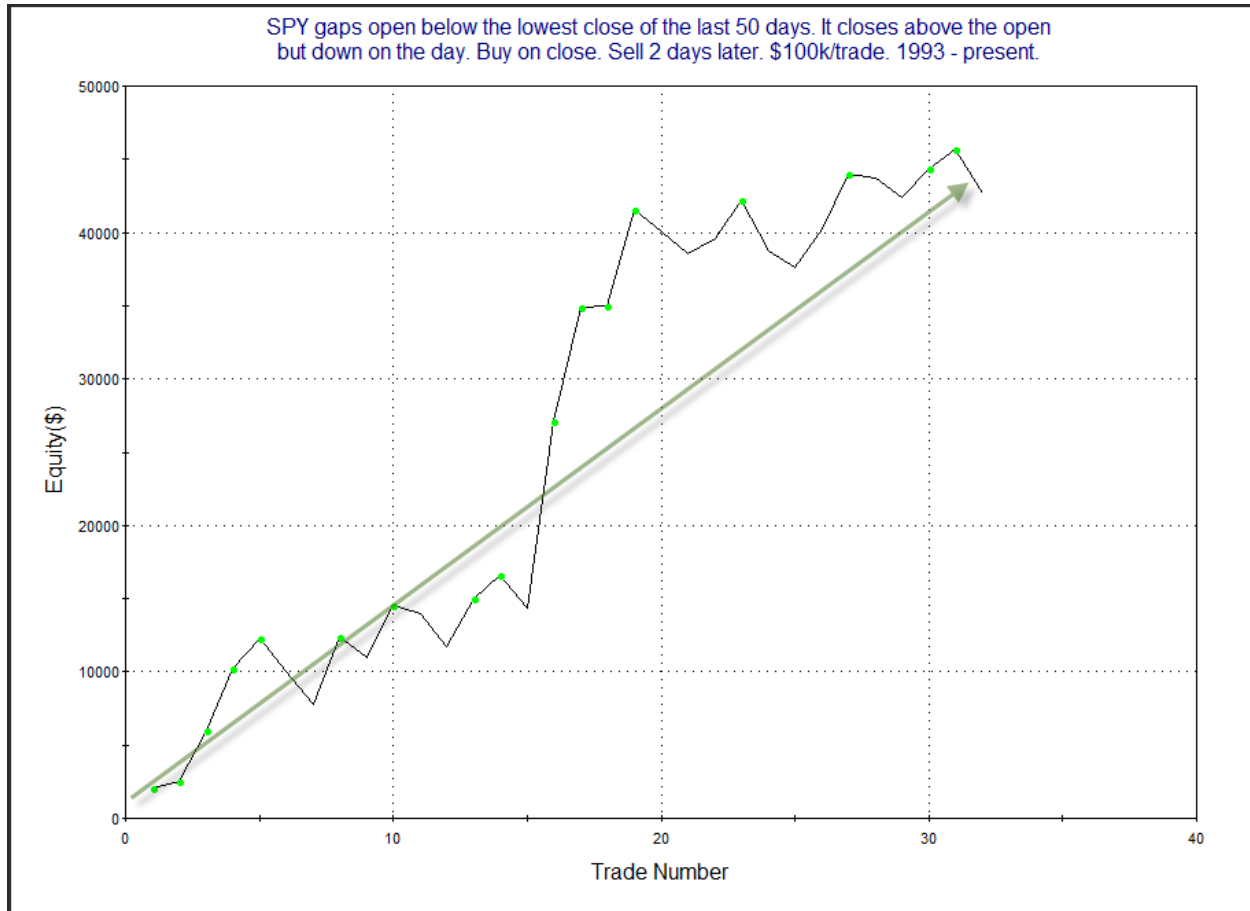
The strong steady upslope shows the gains were not due to just a few outliers.

The 2<sup>nd</sup> study from the 3/9/20 letter looked for gaps to 50-day lows and partial reversals. It showed similar strength. I have also updated that study below.

SPY gaps open below the lowest close of the last 50 days. It closes above the open but down on the day. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

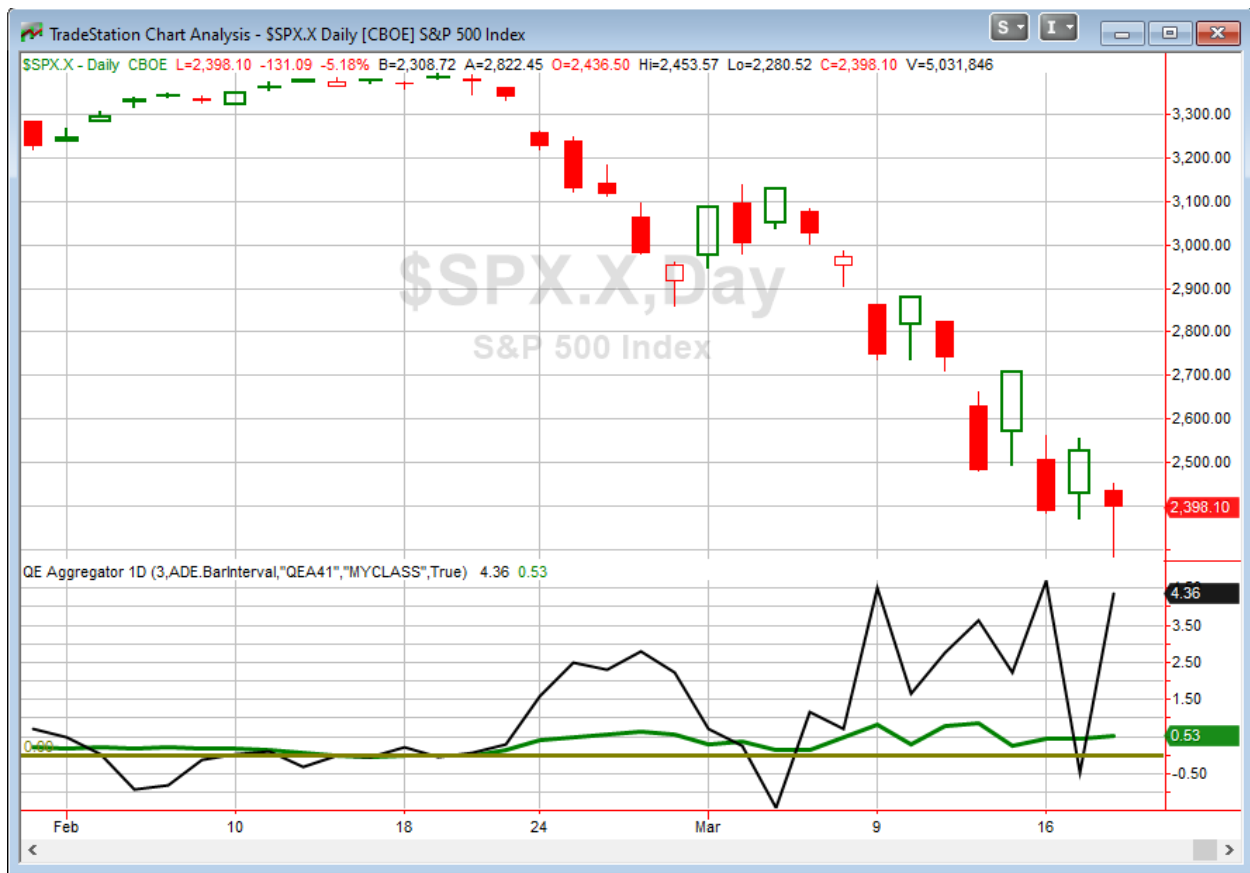
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	35,861.87	30	18	12	60.00	11,377.00	-9,455.04	4,104.46	-3,168.21	1.30	1.94	1,195.40
4	36,474.42	31	19	12	61.29	11,714.64	-16,581.60	4,178.84	-3,576.96	1.17	1.85	1,176.59
3	35,722.27	31	17	14	54.84	10,848.52	-7,761.60	3,853.95	-2,128.20	1.81	2.20	1,152.33
2	42,654.87	32	19	13	59.38	12,814.15	-3,463.80	3,464.21	-1,781.93	1.94	2.84	1,332.96
1	26,439.40	33	21	12	63.64	14,507.65	-7,805.28	2,592.44	-2,333.48	1.11	1.94	801.19

Again the edge appears to largely play out over the next 2 days. Below is a profit curve.



This study also appears compelling.

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 shot back 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 turned long at the close.

Based on the current list of studies, expectations are set to remain bullish on Thursday. This could possibly change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 2415.63 on Thursday. That is a 0.7% above Wednesday's close. So SPX will only need to close up about 0.7% on Wednesday in order to change to overbought versus expectations. But to achieve overbought vs expectations on Friday SPX will likely need to rise over 2550, which is a good distance away.

Every comparison I show is either "most oversold ever", or "similar to 1929/1987/2008" or some other major bottom. Governments around the world are throwing tons of stimulus and money at the financial markets. I still believe a bounce is coming, and it should be a massive one. With volatility this high I'm choosing to keep my index position at just 2 (out of 4) lots. Ultimately, those lots will losers, but I expect to recapture a sizable chunk before exiting.

*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/Loss	Stop	Notes
SPY	2/25/2020	\$312.65	\$240.00	-23.24%		Aggregator
SPY	2/27/2020	\$305.46	\$240.00	-21.43%		Aggregator
DD	2/25/2020	\$50.45	\$32.06	-36.45%		Catapult
XOM	2/25/2020	\$56.36	\$33.12	-41.23%		Catapult
DD	2/26/2020	\$47.47	\$32.06	-32.46%		Catapult
XOM	2/26/2020	\$54.20	\$33.12	-38.89%		Catapult
ALL	2/26/2020	\$117.31	\$75.55	-35.60%		Catapult
BLK	2/26/2020	\$506.00	\$373.36	-26.21%		Catapult
COP	2/26/2020	\$53.83	\$22.67	-57.89%		Catapult
ALL	2/27/2020	\$114.59	\$75.55	-34.07%		Catapult
COP	2/27/2020	\$49.60	\$22.67	-54.29%		Catapult
DD	2/27/2020	\$45.82	\$32.06	-30.03%		Catapult
XOM	2/27/2020	\$51.71	\$33.12	-35.95%		Catapult
COP	2/28/2020	\$45.42	\$22.67	-50.09%		Catapult
MDT	2/28/2020	\$98.97	\$74.54	-24.68%		Catapult
WFC	2/28/2020	\$41.31	\$28.12	-31.93%		Catapult
AXP	3/2/2020	\$109.93	\$73.75	-32.91%		Catapult
BLK	3/2/2020	\$463.01	\$373.36	-19.36%		Catapult
MDT	3/2/2020	\$100.67	\$74.54	-25.96%		Catapult
USB	3/2/2020	\$46.44	\$33.00	-28.94%		Catapult
WFC	3/2/2020	\$40.85	\$28.12	-31.16%		Catapult
ALL	3/6/2020	\$104.21	\$75.55	-27.50%		Catapult
GE	3/10/2020	\$8.21	\$6.60	-19.61%		Catapult
SLB	3/10/2020	\$17.31	\$12.05	-30.39%		Catapult
USB	3/10/2020	\$36.32	\$33.00	-9.14%		Catapult
KMI	3/13/2020	\$13.86	\$9.98	-27.99%		Catapult
OXY	3/17/2020	\$12.02	\$10.53	-12.40%		Catapult
BA	3/17/2020	\$129.61	\$101.89	-21.39%		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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