

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 20, 2020

Volume 13 Issue 55

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	26

Tonight's Research Points

- A mix of bullish and bearish studies triggered.

Short-term Outlook

The Bottom Line

Thursday saw a bit of a bounce. I expect more.

The Evidence

Thursday saw some gains. The SPX closed the day up 0.5%, while the NASDAQ jumped 2.3% and the Russell 2000 rallied 6.8%. Breadth was positive as the NYSE Up Issues % was 76% and the Up Volume % came in at 71%. NYSE volume declined from Wednesday's level.

The massive outperformance by the Russell was notable. The 6.35% difference was the 2nd largest day of Russell outperformance ever. Below are all times that the RUT outperformed SPX by at least 3.5% on the day.

RUT ourperforms SPX by at least 3.5% on the day. 1987 (RUT inception) - present				
Date/Time	RUT % Change	SPX % Change	RUT-SPX % Diff	SPX Next Day % Chg
10/19/1987	-12.52	-20.47	7.94	5.33
10/30/1987	6.73	2.87	3.86	1.57
10/10/2008	4.66	-1.18	5.84	11.58
10/4/2011	6.42	2.25	4.17	1.79
3/19/2020	6.82	0.47	6.35	????

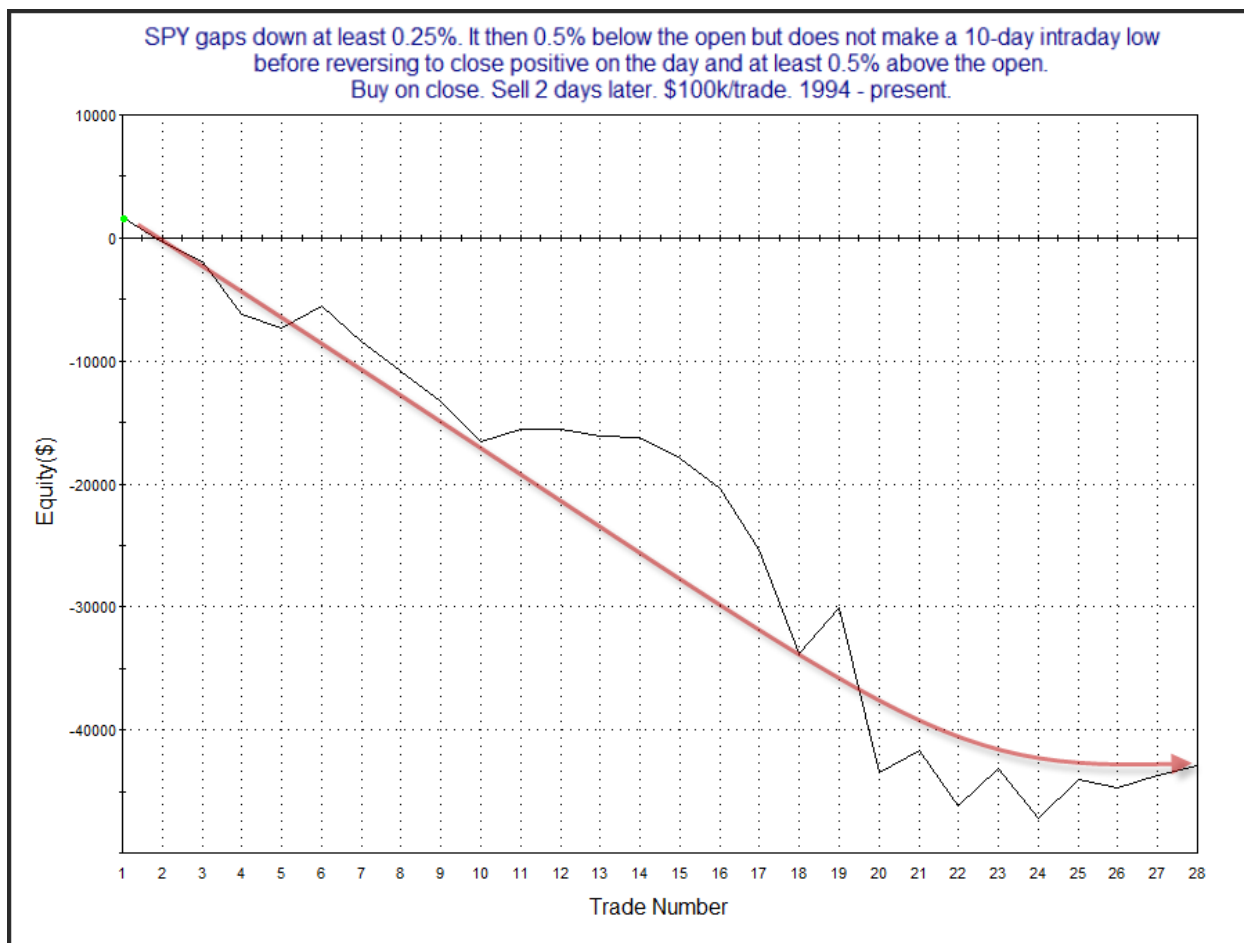
QuantifiableEdges.com

I am not going to get excited about just 4 instances. But I did think it was interesting that the SPX saw strong gains the next day after all 4 occurrences.

One interesting study that appeared in the Quantifinder looked at the gap down, move lower, and then a reversal. It was last seen in the 12/28/18 letter. I have updated the results below.

SPY gaps down at least 0.25%. It then drops 0.5% below the open but does not make a 10-day intraday low before reversing to close positive on the day and at least 0.5% above the open. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	-29,580.88	25	11	14	44.00	5,024.90	-15,971.55	1,789.30	-3,518.80	0.51	0.40	-1,183.24
4	-51,318.77	26	9	17	34.62	2,538.47	-13,801.83	1,489.74	-3,807.44	0.39	0.21	-1,973.80
3	-35,409.82	27	12	15	44.44	3,599.75	-9,763.74	1,578.21	-3,623.22	0.44	0.35	-1,311.47
2	-42,941.05	28	9	18	32.14	3,694.56	-13,351.24	1,968.23	-3,369.73	0.58	0.29	-1,533.61
1	-14,209.59	30	14	16	46.67	3,490.59	-6,405.84	1,391.26	-2,105.45	0.66	0.58	-473.65

The stats appear to suggest a downside edge, especially over the 1st 2 days. Below I have produced an equity curve to show how the edge has played out over time.



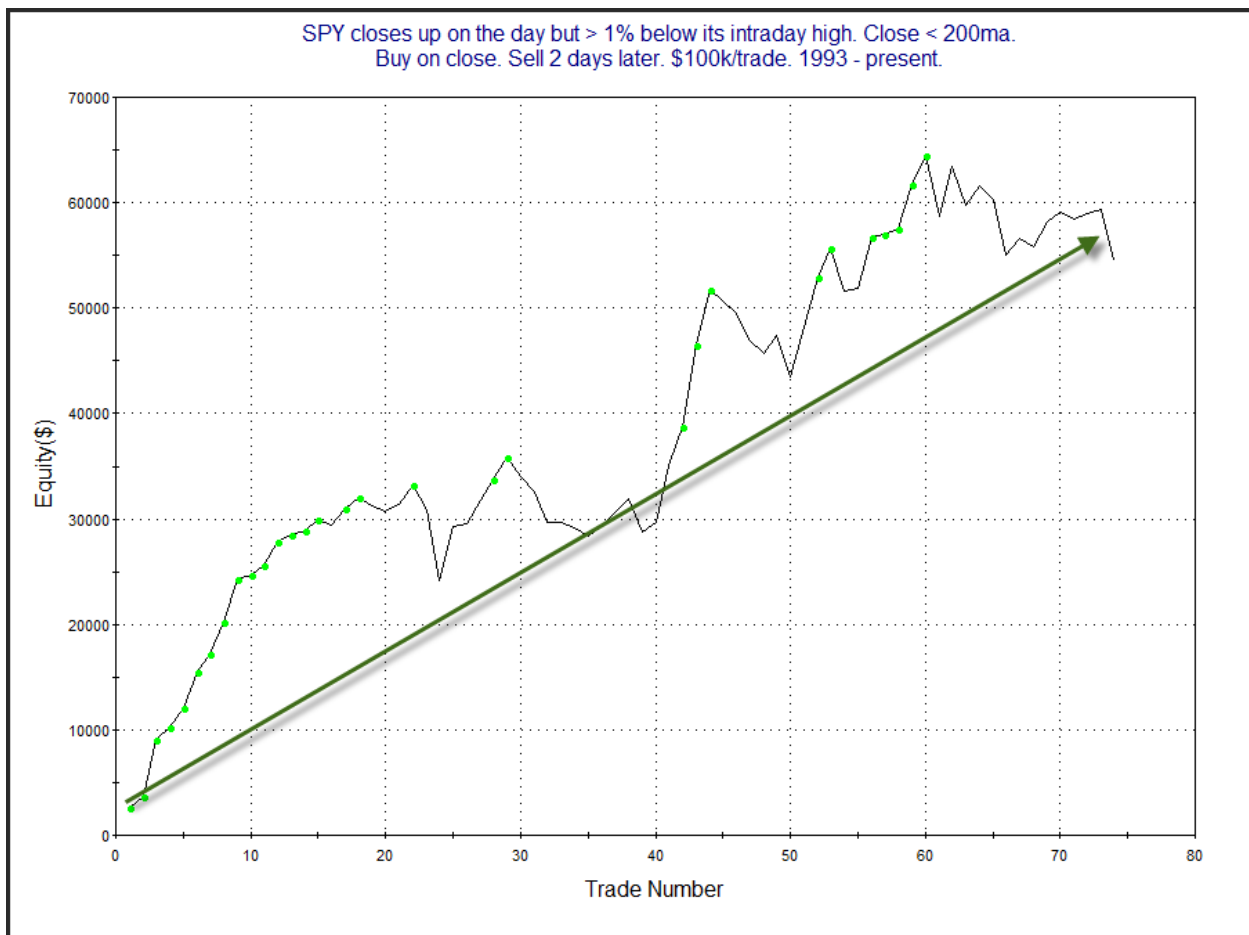
The curve has flattened out some and is not as impressive as it once was. Still, it is only a few instances off the low, so I have decided to keep this study active for the time being and have included it on the Active List.

There was another study that looked at the SPY action that saw it a bit differently. It considered the fact that SPY managed to close positive, but still well below its intraday high. It was last seen in the 12/12/18 letter, and has been updated below.

SPY closes up on the day but > 1% below its intraday high. Close < 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
5	42,259.13	62	34	27	54.84	10,362.52	-6,798.84	3,521.23	-2,868.99	1.23	1.55	681.60
4	34,049.09	64	37	27	57.81	13,286.49	-11,890.58	3,044.00	-2,910.33	1.05	1.43	532.02
3	43,105.95	66	38	28	57.58	11,878.65	-9,411.08	2,907.15	-2,405.92	1.21	1.64	653.12
2	54,554.59	74	49	25	66.22	7,717.98	-6,645.06	2,294.74	-2,315.50	0.99	1.94	737.22
1	22,647.54	82	48	34	58.54	6,926.07	-5,275.75	1,723.79	-1,767.48	0.98	1.38	276.19

Based on the stats table this pattern appears to suggest a solid upside edge over the next couple of days. Below I have produced an equity curve to see how the edge has played out over time.



Like the inverse of the previous study, this one has weakened some lately. It also appears to be holding just well enough to consider. But if it does not get back on track soon, I'll put it on probation.

Lastly, the Fed posted the latest update to the SOMA holdings after the close on Thursday.

« As of 03/11/2020

DOMESTIC SECURITIES HOLDINGS AS OF
March 18, 2020 📅

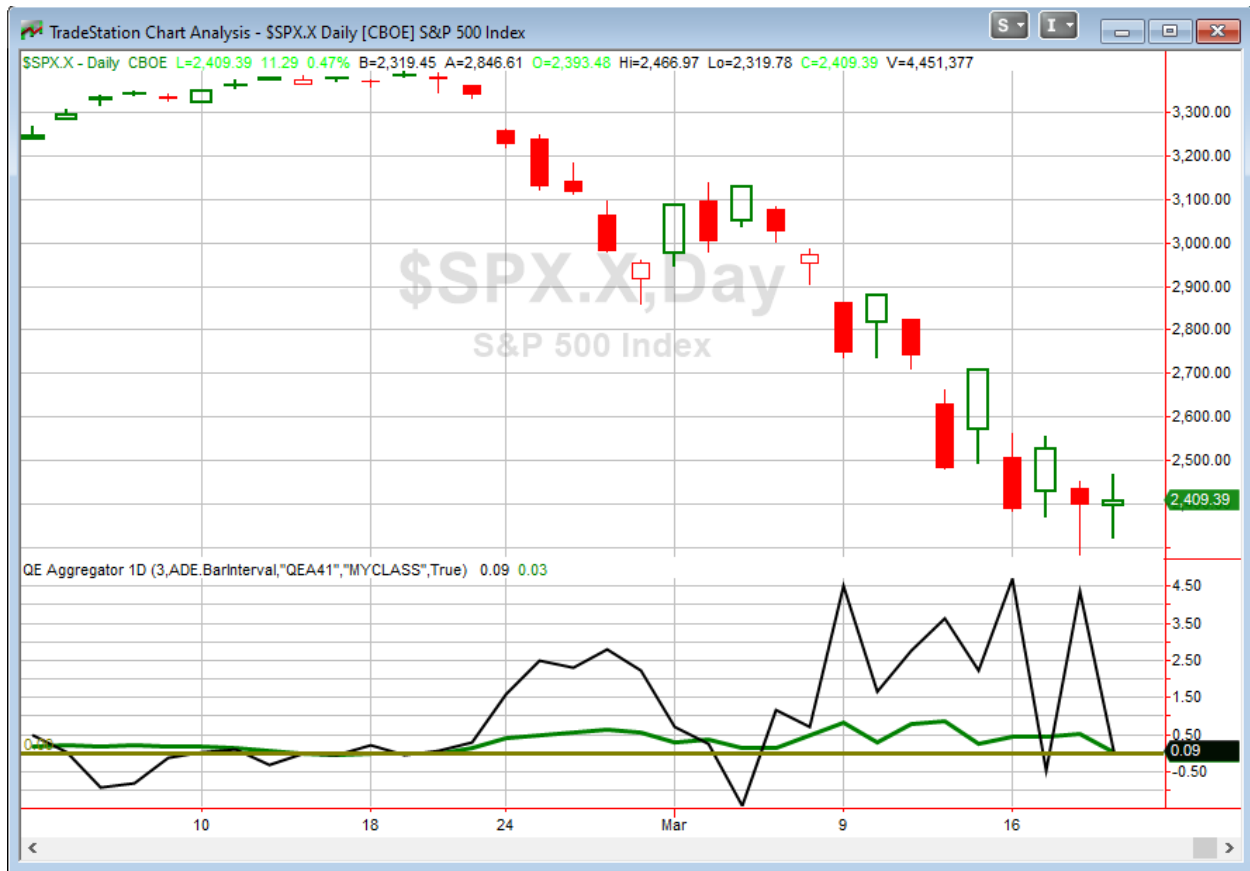
Summary		T-Bills	T-Notes and T-Bonds	FRN	TIPS	Agencies
Security Type	Total (in Thousands)					
US Treasury Bills (T-Bills)	321,043,000.0					
US Treasury Notes and Bonds (Notes/Bonds)	2,138,677,871.2					
US Treasury Floating Rate Notes (FRN)	15,817,998.3					
US Treasury Inflation-Protected Securities (TIPS)*	138,653,063.2					
Federal Agency Securities**	2,347,000.0					
Agency Mortgage-Backed Securities***	1,366,675,576.2					
Total SOMA Holdings	3,983,214,508.9					
Change From Prior Week	111,844,023.2					

*Does not reflect inflation compensation of 26,579,035.5
 **Fannie Mae, Freddie Mac and Federal Home Loan Bank
 ***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

Data posted on 03/19/2020 4:30pm.

The \$112 billion increase is the 3rd largest on record (dating back to 2003). The 2 weeks that saw higher increases were 3/18/09 and 4/15/09. I'll discuss this some more over the weekend, but the bottom line is that the Fed is doing tremendous pumping and working hard to make sure that the financial markets remain liquid. That's a good thing.

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



Tonight the green Aggregator held just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also barely held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold (both barely). 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 turn slightly bearish on Friday. This could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 2550.56 on Friday. That is a 5.9% above Thursday's close. So SPX will need to close up about 5.9% on Friday in order to change to overbought versus expectations.

Evidence is now mixed, but the market is still strongly oversold with a high CBI, massive government stimulus, and no bounces of more than 1 day for a month. There is a lot of potential buyers waiting to jump in and shorts readying to cover, both of which should produce a sharp short-covering rally. I remain partially long. If we get a very strong move up on Friday, I will take off part of my index position, rather than carry it over the weekend. But I will also be letting some ride.

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	\$240.51	-23.07%		sell @ \$250.00 limit on close
SPY	2/27/2020	\$305.46	\$240.51	-21.26%		Aggregator
DD	2/25/2020	\$50.45	\$31.66	-37.24%		Catapult
XOM	2/25/2020	\$56.36	\$34.43	-38.91%		Catapult
DD	2/26/2020	\$47.47	\$31.66	-33.31%		Catapult
XOM	2/26/2020	\$54.20	\$34.43	-36.48%		Catapult
ALL	2/26/2020	\$117.31	\$74.69	-36.33%		Catapult
BLK	2/26/2020	\$506.00	\$397.36	-21.47%		Catapult
COP	2/26/2020	\$53.83	\$25.59	-52.46%		Catapult
ALL	2/27/2020	\$114.59	\$74.69	-34.82%		Catapult
COP	2/27/2020	\$49.60	\$25.59	-48.41%		Catapult
DD	2/27/2020	\$45.82	\$31.66	-30.90%		Catapult
XOM	2/27/2020	\$51.71	\$34.43	-33.42%		Catapult
COP	2/28/2020	\$45.42	\$25.59	-43.66%		Catapult
MDT	2/28/2020	\$98.97	\$79.22	-19.96%		Catapult
WFC	2/28/2020	\$41.31	\$28.29	-31.52%		Catapult
AXP	3/2/2020	\$109.93	\$77.07	-29.89%		Catapult
BLK	3/2/2020	\$463.01	\$397.36	-14.18%		Catapult
MDT	3/2/2020	\$100.67	\$79.22	-21.31%		Catapult
USB	3/2/2020	\$46.44	\$33.21	-28.49%		Catapult
WFC	3/2/2020	\$40.85	\$28.29	-30.75%		Catapult
ALL	3/6/2020	\$104.21	\$74.69	-28.33%		Catapult
GE	3/10/2020	\$8.21	\$6.48	-21.07%		Catapult
SLB	3/10/2020	\$17.31	\$13.87	-19.87%		Catapult
USB	3/10/2020	\$36.32	\$33.21	-8.56%		Catapult
KMI	3/13/2020	\$13.86	\$11.20	-19.19%		Catapult
OXY	3/17/2020	\$12.02	\$10.83	-9.90%		Catapult
BA	3/17/2020	\$129.61	\$97.71	-24.61%		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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