

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 25, 2020

Volume 13 Issue 58

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	13

Tonight's Research Points

- Too many to list – mostly bearish.

Short-term Outlook

The Bottom Line

The Aggregator is now bearish. I am looking to lighten up on my longs.

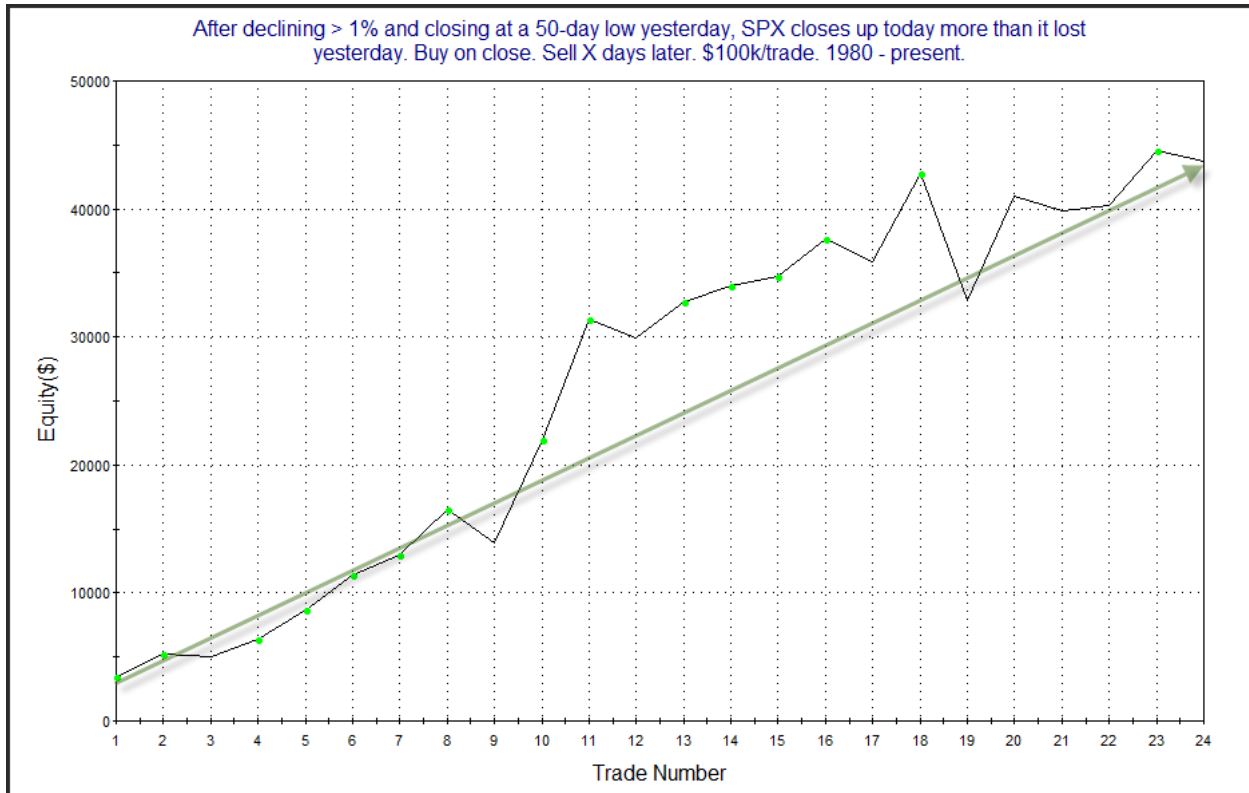
The Evidence

Tuesday was a massive up day. The SPX rose 9.4%, while the NASDAQ gained 8.1% and the Russell 2000 rallied 9.4%. Breadth was positive as the NYSE Up Issues % was 91.5% and the Up Volume % came in at 93.5%. NYSE volume rose a little from Monday's level.

There was a mix of evidence that emerged tonight, though much of it leaned bearish. The study below was from the 12/27/18 letter. It looked at other times a sizable drop to a 50-day low was reversed the next day and recovered the previous day's entire decline. I have updated the results.

After declining > 1% and closing at a 50-day low yesterday, SPX closes up today more than it lost yesterday. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	43,735.18	24	17	7	70.83	9,334.72	-9,908.49	3,616.34	-2,534.66	1.43	3.46	1,822.30
4	25,783.19	24	17	7	70.83	7,003.30	-9,329.28	2,992.43	-3,584.02	0.83	2.03	1,074.30
3	24,651.97	25	16	9	64.00	9,591.40	-5,635.08	2,714.05	-2,085.87	1.30	2.31	986.08
2	9,029.69	25	17	8	68.00	4,652.48	-9,455.49	1,737.33	-2,563.11	0.68	1.44	361.19
1	8,904.58	25	14	11	56.00	3,893.60	-2,311.50	1,276.67	-815.35	1.57	1.99	356.18

Results here appear to suggest a bullish upside edge – especially after the 1st couple of days. Below is a look at the 5-day profit curve.



A bit choppy, but certainly upsloping, this study seems to warrant some 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 8th up-day over this period. Below are the other 7 along with their results over the next few days.

All SPX up days since 2/19/2020. (Still looking for 2 up in a row.)

Date/Time	Close	SPX % Change	Close Tomorrow	Next Day % Chg	2-Day %Chg	3-Day %Chg
2/19/2020	3,386.15	0.47	3,373.23	-0.38	-1.43	-4.73
3/2/2020	3,090.23	4.60	3,003.37	-2.81	1.29	-2.15
3/4/2020	3,130.12	4.22	3,023.94	-3.39	-5.04	-12.25
3/10/2020	2,882.23	4.94	2,741.38	-4.89	-13.93	-5.94
3/13/2020	2,711.02	9.29	2,386.13	-11.98	-6.71	-11.54
3/17/2020	2,529.19	6.00	2,398.10	-5.18	-4.74	-8.87
3/19/2020	2,409.39	0.47	2,304.92	-4.34	-7.14	1.57
3/24/2020	2,447.33	9.38				

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Here's hoping for a better tomorrow! And our 1st study 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 (3/18 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

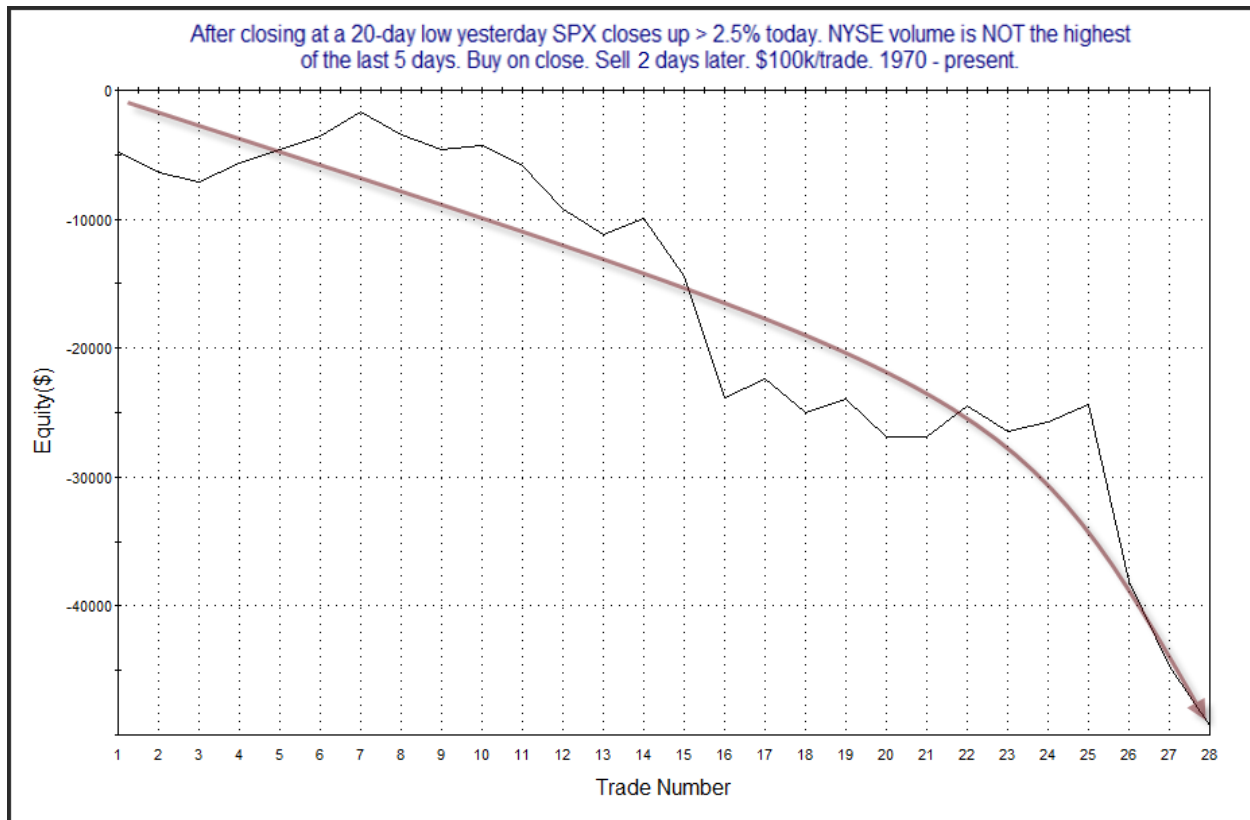
All 16 instances closed above the entry price at some point in the next week.

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	-68,066.05	25	10	15	40.00	8,044.65	-21,797.40	3,262.94	-6,713.03	0.49	0.32	-2,722.64
6	-53,105.97	25	12	13	48.00	7,888.10	-16,460.42	2,626.23	-6,509.29	0.40	0.37	-2,124.24
5	-44,628.90	26	10	16	38.46	7,282.10	-14,461.05	3,457.67	-4,950.35	0.70	0.44	-1,716.50
4	-54,587.45	26	11	15	42.31	6,383.20	-16,867.40	2,519.74	-5,486.97	0.46	0.34	-2,099.52
3	-35,240.39	27	11	16	40.74	2,993.44	-11,265.12	1,770.69	-3,419.88	0.52	0.36	-1,305.20
2	-49,295.79	28	12	16	42.86	2,466.36	-13,654.06	1,162.81	-3,953.09	0.29	0.22	-1,760.56
1	-30,949.91	28	11	17	39.29	2,842.84	-11,696.04	1,170.09	-2,577.70	0.45	0.29	-1,105.35

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.

I saw the Up Volume % being touted as bullish on Twitter since it came in so strong. And often a 90%+ Up Vol % day is a good thing, especially when you get a cluster of them. But when coming off an intermediate-term low, and looking at the next day, I have found that extremely strong breadth can actually be bearish. This can be seen in the study below, which is from the 12/27/18 letter.

SPX closed at a 50-day low yesterday. Today NYSE Up Volume % > 90%.
Buy SPX on close. Sell next day's close. \$100k/trade. 1970 - present.

TradeStation Performance Summary

Expand

All Trades

Total Net Profit	(\$23,100.87)	Profit Factor	0.11
Gross Profit	\$2,856.67	Gross Loss	(\$25,957.54)
Total Number of Trades	16	Percent Profitable	25.00%
Winning Trades	4	Losing Trades	12
Even Trades	0		
Avg. Trade Net Profit	(\$1,443.80)	Ratio Avg. Win:Avg. Loss	0.33
Avg. Winning Trade	\$714.17	Avg. Losing Trade	(\$2,163.13)
Largest Winning Trade	\$1,400.13	Largest Losing Trade	(\$11,696.04)

The number of instances is a little light, but the raw results appear quite bearish. Below is the full list.

SPX closed at a 50-day low yesterday. Today NYSE Up Volume % > 90%.
Buy SPX on close. Sell next day's close. \$100k/trade. 1970 - present.

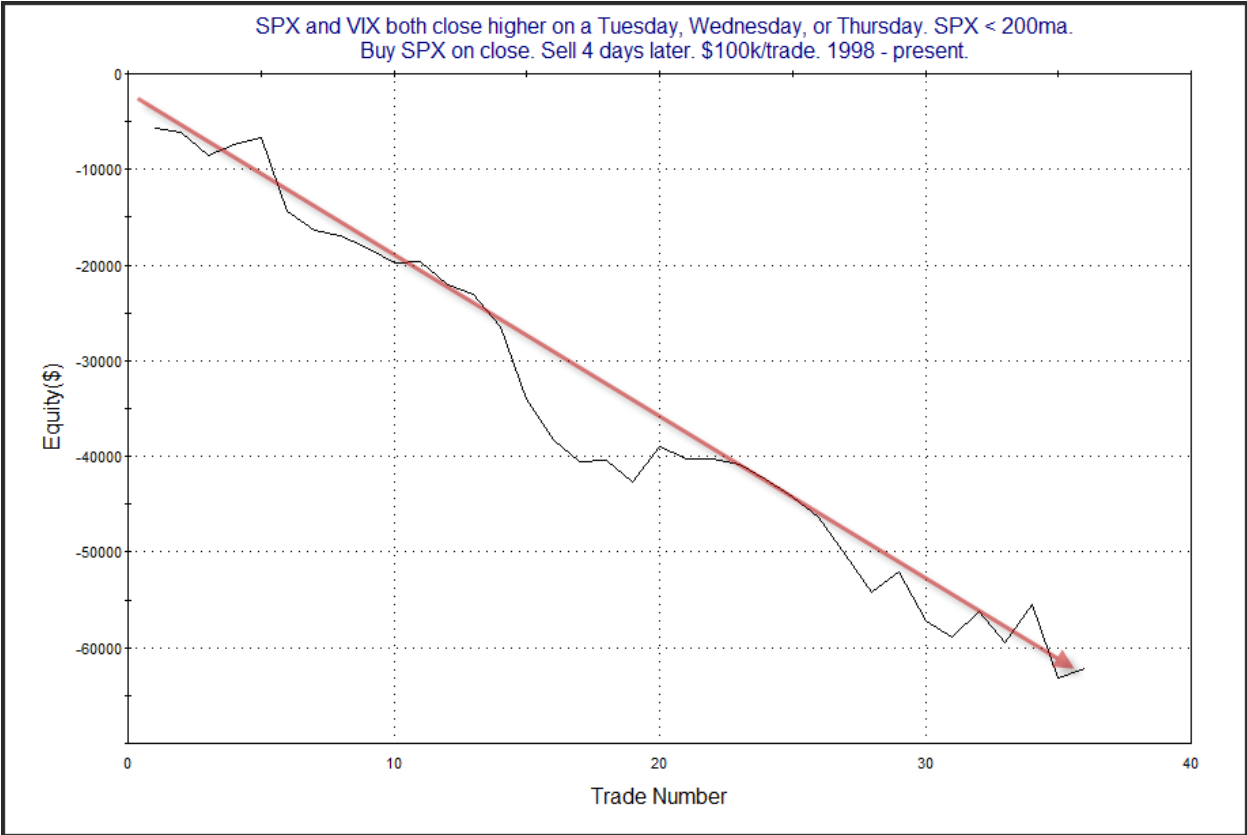
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/1/1978	Buy	\$96.85	-1.28%	\$474.72
11/2/1978	Sell	\$95.61		(\$2,074.32)
3/28/1980	Buy	\$100.68	1.40%	\$1,956.21
3/31/1980	Sell	\$102.09		(\$655.38)
4/5/1994	Buy	\$448.29	-0.05%	\$298.82
4/6/1994	Sell	\$448.05		(\$738.13)
3/6/2007	Buy	\$1,395.41	-0.25%	\$408.25
3/7/2007	Sell	\$1,391.97		(\$338.67)
11/13/2007	Buy	\$1,481.01	-0.78%	\$745.71
11/14/2007	Sell	\$1,469.52		(\$974.18)
11/23/2007	Buy	\$1,440.70	-2.33%	\$371.91
11/26/2007	Sell	\$1,407.20		(\$2,387.40)
10/13/2008	Buy	\$1,003.35	-0.53%	\$4,055.04
10/14/2008	Sell	\$998.01		(\$3,096.72)
10/28/2008	Buy	\$940.51	-1.11%	\$3,105.80
10/29/2008	Sell	\$930.09		(\$1,934.50)
2/24/2009	Buy	\$773.14	-1.07%	\$900.42
2/25/2009	Sell	\$764.90		(\$2,612.25)
3/10/2009	Buy	\$719.60	0.24%	\$1,700.16
3/11/2009	Sell	\$721.36		(\$793.50)
5/21/2010	Buy	\$1,087.69	-1.29%	\$205.66
5/24/2010	Sell	\$1,073.65		(\$1,364.09)
5/27/2010	Buy	\$1,103.06	-1.24%	\$0.00
5/28/2010	Sell	\$1,089.41		(\$1,645.20)
8/9/2011	Buy	\$1,172.53	-4.42%	\$0.00
8/10/2011	Sell	\$1,120.76		(\$4,634.20)
11/7/2016	Buy	\$2,131.52	0.38%	\$706.10
11/8/2016	Sell	\$2,139.53		(\$366.16)
12/26/2018	Buy	\$2,467.70	0.86%	\$856.00
12/27/2018	Sell	\$2,488.83		(\$2,790.40)
3/13/2020	Buy	\$2,711.02	-11.98%	\$0.00
3/16/2020	Sell	\$2,386.13		(\$11,882.88)

It appears such strong breadth likely means the 1-day move was a bit overdone. This study appears strong enough to warrant some consideration.

Another index that closed up today was the VIX. As many readers are likely aware, VIX is a volatility index. Typically, VIX will trade counter to the SPX. So if SPX rises, VIX will sink and if SPX falls, VIX will most often rise. There are some calculation-induced tendencies around the weekend, so often when I show studies on VIX I will break them down by day of the week. The study below looks at mid-week instances. It was last seen in the 11/28/18 letter. Stats have all been updated.

SPX and VIX both close higher on a Tuesday, Wednesday, or Thursday. SPX < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1998 - 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	-38,419.72	36	12	24	33.33	5,674.40	-7,204.80	1,843.04	-2,522.34	0.73	0.37	-1,067.21
4	-62,243.63	36	10	26	27.78	4,002.29	-7,745.95	1,556.98	-2,992.82	0.52	0.20	-1,728.99
3	-43,628.30	36	11	25	30.56	2,884.52	-5,299.32	1,348.44	-2,338.45	0.58	0.25	-1,211.90
2	-31,889.04	37	12	25	32.43	3,181.60	-6,672.34	1,755.16	-2,118.04	0.83	0.40	-861.87
1	-12,828.32	39	18	21	46.15	3,644.16	-3,035.25	1,063.99	-1,522.87	0.70	0.60	-328.93

The numbers here appear strongly bearish over the next 1-4 days. Below is a look at the 4-day profit curve.



That is a fairly straight shot lower. This supports the idea of a bearish edge.

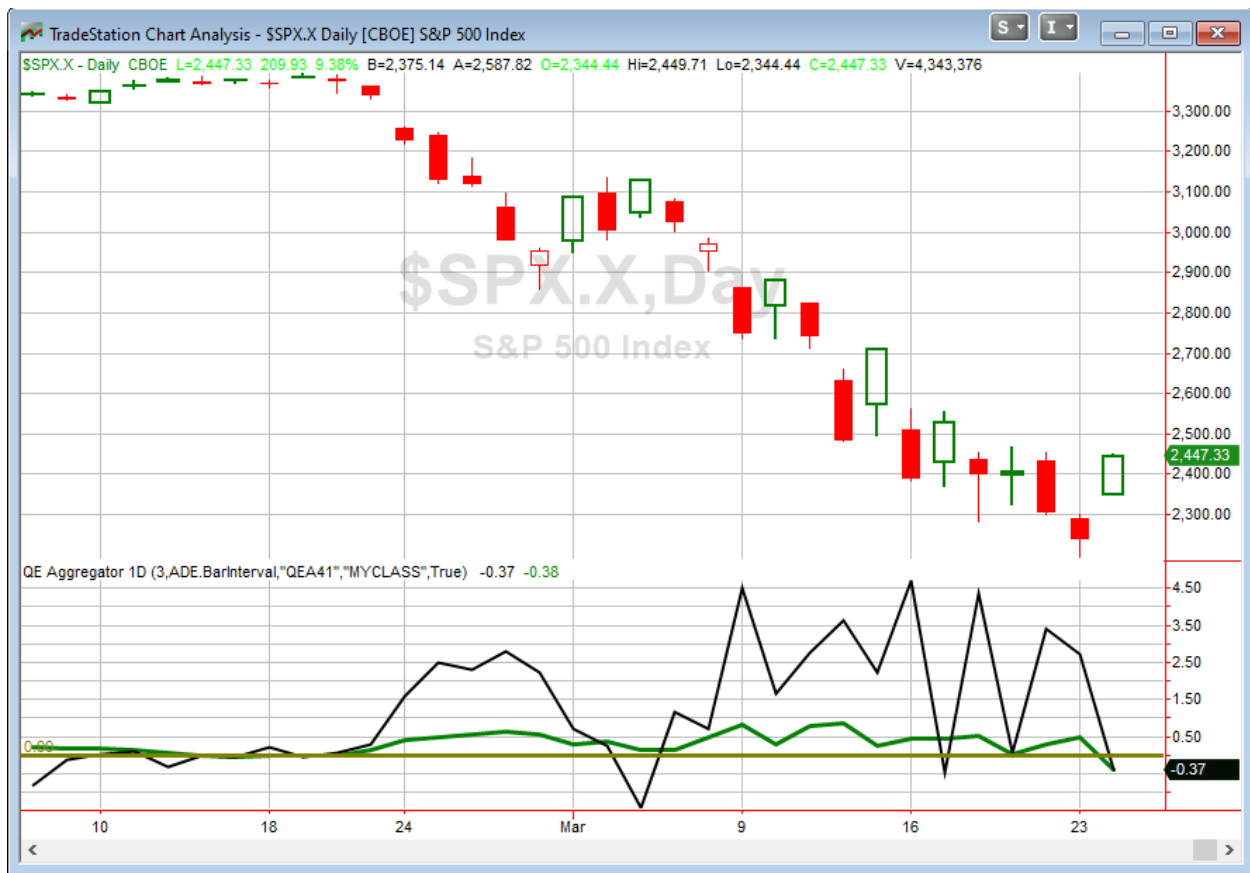
Of course perhaps the most impressive stats Tuesday were perhaps the closing changes over Monday. The Dow was up over 11%, and the SPX rose 9.38%. That is the 10th largest 1-day %

gain for SPX since 1928. Below I have listed all instances where SPX closed up more than 9% on the day, along with their returns over the next few days.

SPX closes up > 9%. 1928 - present.											
Ticker	Date/Time	Close	SPX % Change	Close Tomorrow	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	10-Day %Chg	21-Day %Chg
\$\$PX	10/30/1929	22.99	12.53	24.15	5.05	-0.48	-10.35	-7.05	-7.87	-11.70	-4.09
\$\$PX	6/22/1931	14.61	10.51	14.41	-1.37	3.29	2.60	5.07	3.29	3.35	0.07
\$\$PX	10/6/1931	9.91	12.36	9.78	-1.31	7.16	6.46	1.92	-0.40	9.59	12.11
\$\$PX	8/8/1932	7.43	9.26	7.39	-0.54	2.96	2.42	-5.79	0.13	7.67	25.30
\$\$PX	9/21/1932	8.52	11.81	8.26	-3.05	-1.41	-5.63	-4.58	-1.88	-13.26	-19.95
\$\$PX	3/15/1933	6.81	16.61	6.93	1.76	-2.64	-4.55	-8.96	-10.13	-10.87	-2.06
\$\$PX	4/20/1933	7.82	9.52	7.44	-4.86	1.15	-1.28	-0.64	-1.53	10.61	12.79
\$\$PX	9/5/1939	12.64	11.86	12.53	-0.87	-1.11	0.40	3.01	4.19	2.45	1.19
\$\$PX	10/21/1987	258.38	9.1	248.25	-3.92	-3.93	-11.89	-9.75	-9.71	-3.65	-7.09
\$\$PX	10/13/2008	1003.35	11.58	998.01	-0.53	-9.52	-5.67	-6.26	-1.79	-15.39	-10.41
\$\$PX	10/28/2008	940.51	10.79	930.09	-1.11	1.44	3.00	2.74	6.94	-4.42	-5.62
\$\$PX	3/13/2020	2711.02	9.29	2386.13	-11.98	-6.71	-11.54	-11.13	-14.98	na	na
\$\$PX	3/24/2020	2447.33	9.38	2447.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00
					-1.89	-0.82	-3.00	-3.45	-2.81	-2.33	0.20

That is a lot of red numbers – especially over the 1st few days.

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



Tonight the green Aggregator dropped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also fell below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal flipped short at the close.

Based on the current list of studies, expectations are set to remain bearish on Wednesday. This could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 2309.98 on Wednesday. That is 5.6% below Tuesday's close. Therefore, SPX will need to close down a sizable 5.6% on Wednesday in order to change to oversold versus expectations.

So we are in an interesting spot here. The Aggregator quickly flipped to bearish on the massive rally Tuesday. But I am always wary of trying to short too quickly on a strong move off a long-term low. And when the CBI is coming off such a high level, I typically prefer to hold a partial long position until it returns back near neutral (under 5). Having gone so long without back-to-back up days, I would not be surprised to see the move up last another day or two and put a bit more of a squeeze on the shorts. And it appears the senate agreed upon a fiscal package tonight. That might help to provide enough positive momentum to give another up day or two. So I will

look to exit part of my SPY index position, but I will hold on to my last lot for at least 1 more day to see how things play out.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 3/23 – neutral***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

DD – 1/3 @ \$50.45 (bought @ limit)

DD – 1/3 @ \$47.47 (bought @ limit)

BLK – 1/3 @ \$506 (bought @ limit)

DD – 1/3 @ \$47.26 (bought @ limit)

MDT – 1/3 @ \$100.98 (bought @ limit)

BLK 1/3 @ \$463.01 (bought @ limit)

MDT 1/3 @ \$100.67 (bought @ limit)

USB 1/3 @ \$46.44 (bought @ limit)

OXY 1/3 @ \$12.51 (buy @ limit)

SLB 1/3 @ \$17.31 (buy @ limit)

USB 1/3 @ \$36.32 (buy @ limit)

KMI – 1/3 @ \$13.86 (bought @ limit)

HON – 1/3 @ \$103.86 (bought @ limit)

Broad Market Large Cap CBI – 13

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	\$243.15	-22.23%		Aggregator
SPY	2/27/2020	\$305.46	\$243.15	-20.40%		sell @ \$242.75 LIMIT
DD	2/25/2020	\$50.45	\$32.46	-35.66%		Catapult
XOM	2/25/2020	\$56.36	\$35.44	-37.12%		sell on open
DD	2/26/2020	\$47.47	\$32.46	-31.62%		Catapult
XOM	2/26/2020	\$54.20	\$35.44	-34.61%		sell on open
ALL	2/26/2020	\$117.31	\$77.92	-33.58%		sell on open
BLK	2/26/2020	\$506.00	\$371.70	-26.54%		Catapult
COP	2/26/2020	\$53.83	\$30.74	-42.89%		sell on open
ALL	2/27/2020	\$114.59	\$77.92	-32.00%		sell on open
COP	2/27/2020	\$49.60	\$30.74	-38.02%		sell on open
DD	2/27/2020	\$45.82	\$32.46	-29.16%		Catapult
XOM	2/27/2020	\$51.71	\$35.44	-31.46%		sell on open
COP	2/28/2020	\$45.42	\$30.74	-32.32%		sell on open
MDT	2/28/2020	\$98.97	\$80.35	-18.81%		Catapult
WFC	2/28/2020	\$41.31	\$28.92	-29.99%		sell on open
AXP	3/2/2020	\$109.93	\$84.05	-23.54%		sell on open
BLK	3/2/2020	\$463.01	\$371.70	-19.72%		Catapult
MDT	3/2/2020	\$100.67	\$80.35	-20.18%		Catapult
USB	3/2/2020	\$46.44	\$31.20	-32.82%		Catapult
WFC	3/2/2020	\$40.85	\$28.92	-29.20%		sell on open
ALL	3/6/2020	\$104.21	\$77.92	-25.23%		sell on open
GE	3/10/2020	\$8.21	\$7.01	-14.62%		sell on open
SLB	3/10/2020	\$17.31	\$14.65	-15.37%		Catapult
USB	3/10/2020	\$36.32	\$31.20	-14.10%		Catapult
KMI	3/13/2020	\$13.86	\$12.88	-7.07%		Catapult
OXY	3/17/2020	\$12.02	\$10.72	-10.82%		Catapult
BA	3/17/2020	\$129.61	\$127.68	-1.49%		sell on open

SPY – I will not sell into a large gap down, but I will not demand full gap fill in case of a gap down to exit the 1 lot of SPY. (I am holding onto the other one for another day.)

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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