

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 1, 2020

Volume 13 Issue 63

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 0 |

Tonight's Research Points

- Sharp drops that only partially retrace gains from the day before are often followed by more selling the next day.
- Early April has shown bullish seasonality since the mid-90s.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I don't see a strong edge here.

Summary of Recent Active Studies (see Letters from listed dates for details)

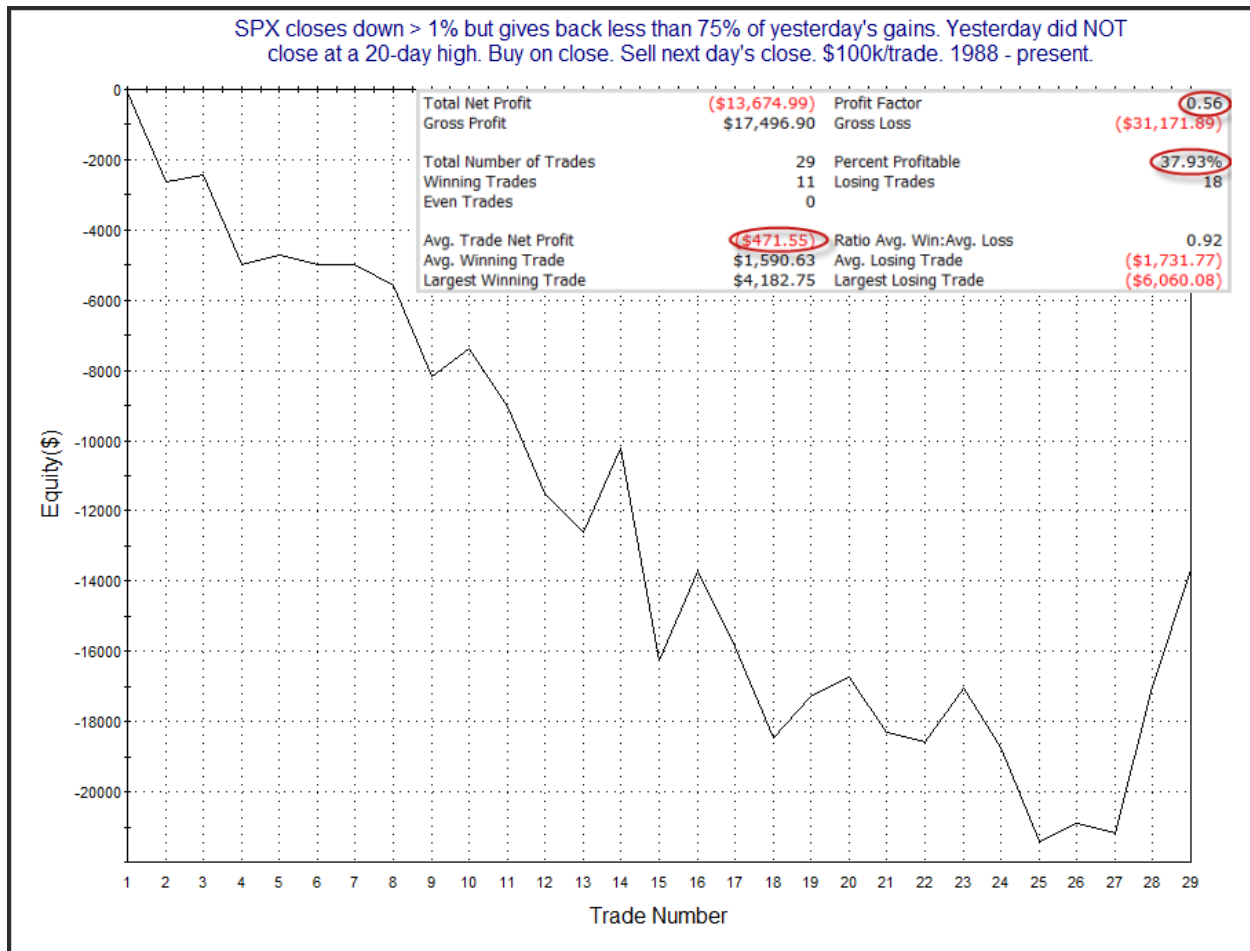
| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|---|---|-----------|---------|------------|------------|------------------------|
| Active - Short Term | | | | | | |
| April 1, 2020 | 1% drop < 3/4 of yesterday's gain | 1 day | Bearish | | | |
| April 1, 2020 | Early April Bullish | 1-4 days | Bullish | 1.70% | -1.20% | -2.75% |
| March 31, 2020 | 1% up on 10-day low volume | 1-3 days | Bearish | -2.30% | 1.10% | 2.10% |
| March 31, 2020 | VXO 15% drop. SPX < 200ma | 1-2 days | Bearish | | | |
| March 30, 2020 | SPX dn 2.5% on a Friday | 1-5 days | Bullish | 3.70% | -2.55% | -5.60% |
| Active - Long Term | | | | | | |
| March 27, 2020 | 370% Up Issues Days | 1-85 days | Bullish | | | |
| March 23, 2020 | QE4 | int term | Bullish | | | |
| November 4, 2019 | Presidential cycle + Best 6 mos bullish | 6 months | Bullish | | | |
| October 28, 2019 | NASDAQ Leading | int term | Bullish | | | |
| Dropped Tonight (expired or Avg move + 1 std dev exceeded) | | | | | | |
| March 31, 2020 | Unfilled gap up. Close > open. < 200ma | 1 day | Bearish | | | |

The Evidence

A gap down, a morning rally, and then an afternoon fade left the indices negative on Tuesday – closing out a terrible month and quarter. The SPX lost 1.6% on Tuesday, while the NASDAQ declined 0.95% and the Russell 2000 fell 0.45%. Breadth was negative as the NYSE Up Issues % was 45% and the Up Volume % came in at 49%. NYSE volume rose a little from Monday's level.

There was not a lot of compelling new evidence that emerged on Tuesday, but there were a few notable studies worth some discussion.

Just two nights ago I showed a study that examined times a sharp drop occurred, but the drop was not even able to erase as much as three quarters of the previous day's gains. That study has quickly triggered again, and I have updated the results.



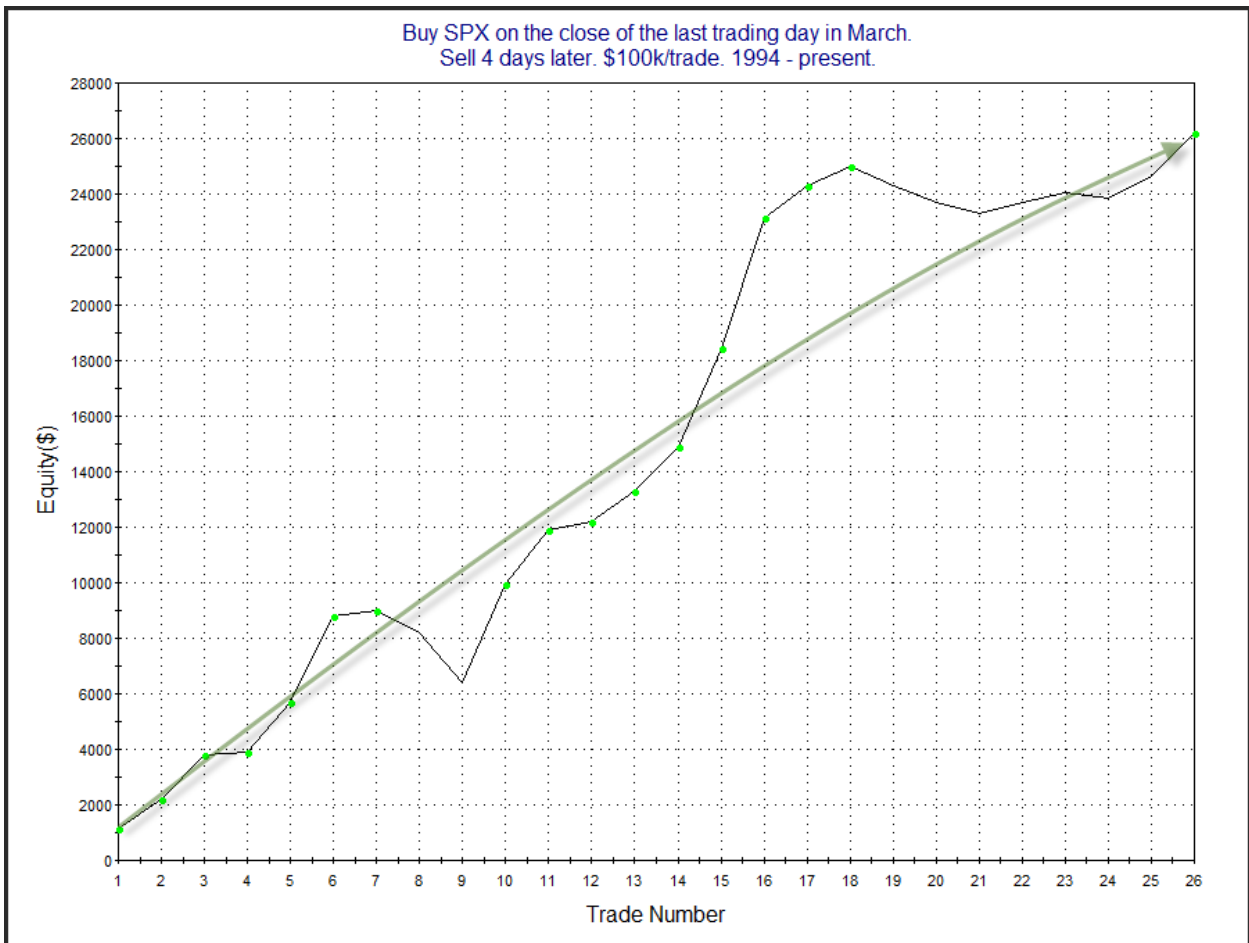
Stats remain bearish, but the last two instances – both from this past month – have changed the shape of the curve. I am not inclined to completely throw this away based just on two instances, but, if it continues to flounder like this, I will kick this study to the curb.

Seasonally, the bulls may have some help over the next few days. Since the mid-90s the beginning of April has generally provided market gains. The study below was last seen in the 4/1/19 letter. Stats are updated.

Buy SPX at close on last trading day in March.
Sell X days later. \$100k/trade. 1994 - present.

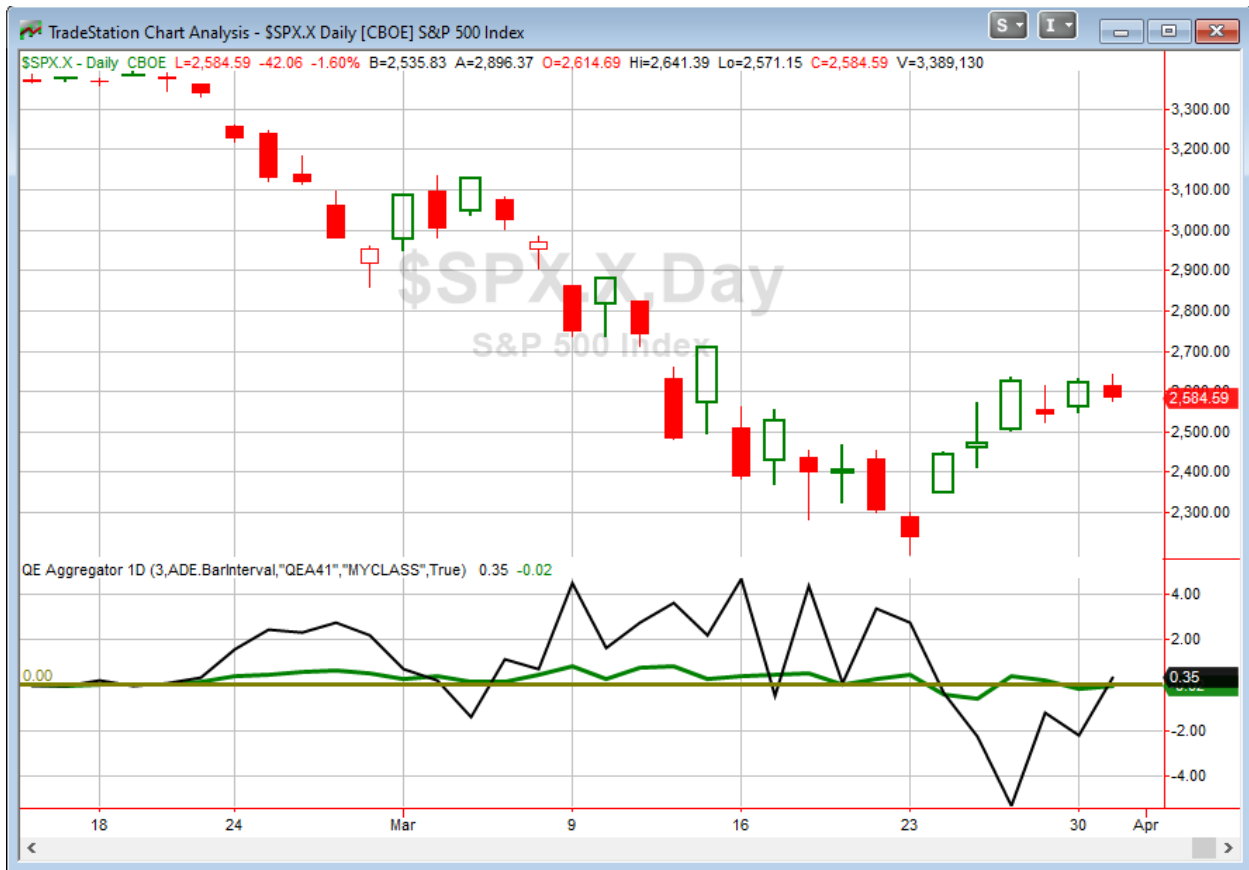
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Avg Winning Trade | All: Max Winning Trade | All: Avg Losing Trade | All: Max Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|------------------------|-----------------------|-----------------------|---------------------|-------------------|----------------|
| 5 | 12,739.49 | 25 | 16 | 9 | 64.00 | 1,538.53 | 4,435.97 | -1,319.66 | -2,745.12 | 1.17 | 2.07 | 509.58 |
| 4 | 24,646.01 | 25 | 19 | 6 | 76.00 | 1,534.34 | 4,701.25 | -751.08 | -1,831.35 | 2.04 | 6.47 | 985.84 |
| 3 | 18,251.75 | 25 | 18 | 7 | 72.00 | 1,595.78 | 5,578.75 | -1,496.05 | -4,909.74 | 1.07 | 2.74 | 730.07 |
| 2 | 17,966.35 | 25 | 17 | 8 | 68.00 | 1,541.98 | 4,563.75 | -1,030.90 | -4,638.84 | 1.50 | 3.18 | 718.65 |
| 1 | 7,487.63 | 25 | 17 | 8 | 68.00 | 833.17 | 3,559.50 | -834.54 | -2,182.63 | 1.00 | 2.12 | 299.51 |

The numbers look compelling. Let's look at the 4-day profit curve to see how the edge has played out over time.



The curve is not as impressive, as we have seen the slope weaken in recent years. I have decided it is still worth some consideration and have added it to the Active List tonight. But another bad April or two and I may have to put this study on hold.

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



With tonight's mix of studies factored in, the green Aggregator Line held slightly below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line inched above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 flip to bullish on Wednesday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 2540.08 on Wednesday. That is 1.7% *below* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close

down at least 1.7% on Wednesday in order to remain “oversold”. Unless we see a decline of that magnitude, SPX will flip back to overbought vs recent expectations as of Wednesday’s close.

So evidence is again mixed, but leaning slightly bearish. But with the SPX slightly oversold the Aggregator is neutral. And with both lines very close to zero, that really is quite neutral. Further, without a substantial move or new compelling evidence emerging, both expectations and overbought/oversold are set to flip on Wednesday. So the Aggregator would again be neutral. All this is to say that there does not appear to be a strong edge today, and that could very well be the case again tomorrow. I will look to exit my current short position at the open on Wednesday, and then wait for the next favorable reward/risk setup to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/30 – neutral

The intermediate-term outlook was last updated in the 3/30/20 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

None

Broad Market Large Cap CBI – 0

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(s) | 3/31/2020 | \$261.65 | \$257.75 | 1.49% | | <i>cover on open</i> |
| | | | | | | |

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