

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 8, 2020

Volume 13 Issue 68

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Strong breadth near a short-term high and a down close suggest short-term bullish implications.

Short-term Outlook

The Bottom Line

The Aggregator is again bearish. I am starting to lean a bit more neutral.

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 8, 2020	Reverse dn from high. Up Iss > 60%	1-3 days	Bullish	1.50%	-0.80%	-1.70%
April 7, 2020	VXO drops 15%-20%	1-2 days	Bearish	-2.50%	1.35%	2.70%
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			

The Evidence

Monday's huge rally continued through Monday night, but it was halted around the open on Tuesday. After gapping up substantially, the indices finished mixed. The SPX closed down 0.2%, the NASDAQ lost 0.3%, and the Russell 2000 inched up 0.03%. Breadth was positive as the NYSE Up Issues % was 72% and the Up Volume % came in at 71%. NYSE volume rose to the highest level in a week for the 2nd day in a row.

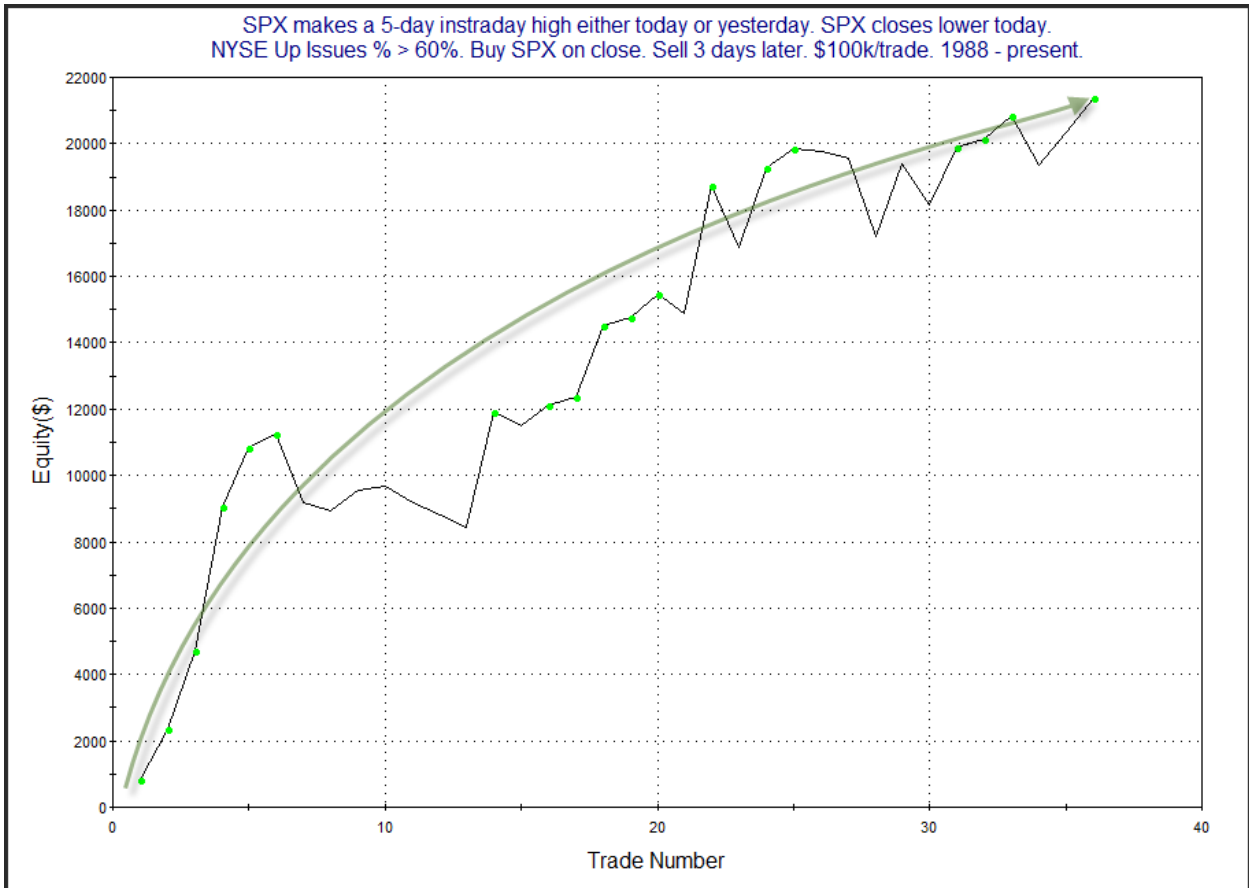
At the open on Tuesday, SPX was up over 3% vs Monday's close. That is a big amount to give up and finish lower on the day. In looking at SPX, I can only find 6 other instances since 1960 where SPX was up over 3% at *any point* during the day, and then finished down on the day. Two of those instances were in the 70s, and the other 4 occurred in October of 2008. So we continue to see exceptionally rare action. (As a side note, this study is only moderately accurate, because historical highs and lows are generally less accurate the further back you go. Prior to the early 90s, index high and low prices were calculated by assuming all stocks made their highs at the same time and their lows at the same time. And even those 2008 highs and lows can be off, thanks to the fact that most S&P stocks were opening manually on the NYSE at that point. On days where the market gapped up or down big, it would often take several minutes to open some stocks, as market makers looked to find the right price to match up bids and offers. So if the high or low of the day was made near the 9:30 NYSE open, then there was a good chance the high or low was highly inaccurate. This is why I often use SPY when I look at studies that use highs and lows. But SPY did not close down today like SPX did, so it would not have even qualified for the study.)

The Quantifinder showed some studies with interesting results. There were some that looked at SPY action and noted it closed up on the day. I elected to ignore those for tonight. While SPY did close higher, SPX closed lower by over 4 points. The wild action around the close the last two days has caused some discrepancy between the 2. There was one study I found interesting from the 9/10/19 letter. It examined other times the market made a recent short-term high, then pulled back but the breadth remained squarely positive. Results are updated below.

SPX makes a 5-day intraday high either today or yesterday. SPX closes lower today.
NYSE Up Issues % > 60%. Buy SPX on close. Sell X days later. \$100k/trade. 1988 - present.

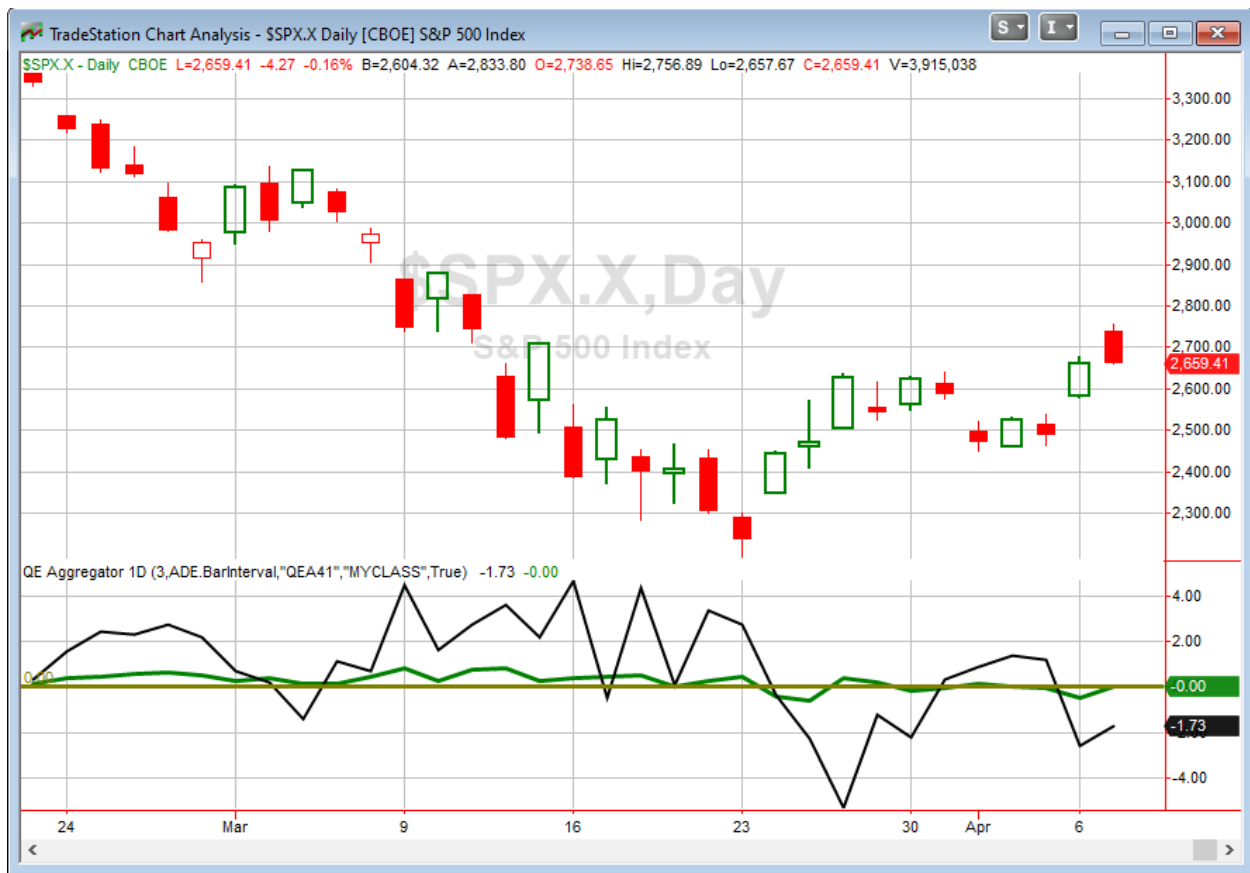
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	7,247.63	35	21	14	60.00	3,714.66	-6,119.33	1,485.94	-1,711.22	0.87	1.30	207.08
4	22,010.89	36	21	15	58.33	8,095.62	-3,969.70	1,922.34	-1,223.88	1.57	2.20	611.41
3	21,384.09	36	23	13	63.89	4,370.82	-2,373.00	1,443.41	-908.80	1.59	2.81	594.00
2	18,551.57	36	25	11	69.44	4,136.62	-2,625.30	1,174.60	-983.03	1.19	2.72	515.32
1	13,188.36	36	20	16	55.56	2,568.00	-1,606.00	939.85	-350.54	2.68	3.35	366.34

This suggests a possible upside edge over the next few days. Below is a look at the 3-day profit curve.



The curve has made its way from lower left to upper right for a long time, and actually made a new high on its last instance. It supports the idea of an upside edge suggested by the stats.

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



With tonight's evidence considered, the green Aggregator Line held just barely below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line remained 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 stayed short at the close.

Based on the current list of studies, expectations are set to flip to positive on Wednesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 2480.18 on Wednesday. That is 6.7% below Tuesday's close. So SPX will need to close down a very sizable 6.7% to flip from overbought to oversold on Wednesday.

Evidence is mixed, barely leaning bearish, and primed to flip to bullish on Wednesday. Meanwhile the market is still strongly overbought short-term. (A 7% up day will do that.) So while the Aggregator is bearish right now, it is heading towards neutral unless more bearish evidence emerges. I have a small short position (which I will discuss in the trade ideas section). I'll be looking to take profits on it Wednesday if they are available.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/6 – neutral

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)	4/7/2020	\$265.13	\$265.13	0.00%		<i>see note below</i>

I posted a trade idea last night looking to short SPY on a close higher. It closed higher, so the idea filled, though the spirit of the idea was really looking for a higher SPX close, which did not happen. So I'd just assume get out of the trade. But the Aggregator is still bearish, so I am not inclined to just cover at any price here. No sense getting scared out of a position where there appears to be an edge. I'll do the following:

- 1) Buy to cover @ \$265.00 LIMIT.*
- 2) If not filled in the 1st half hour of trading, I will move a stop \$0.01 above the high of the 1st ½ hour and cover if it breaks the early range.*
- 3) If I don't get filled either way, I will just hold another night.*

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