

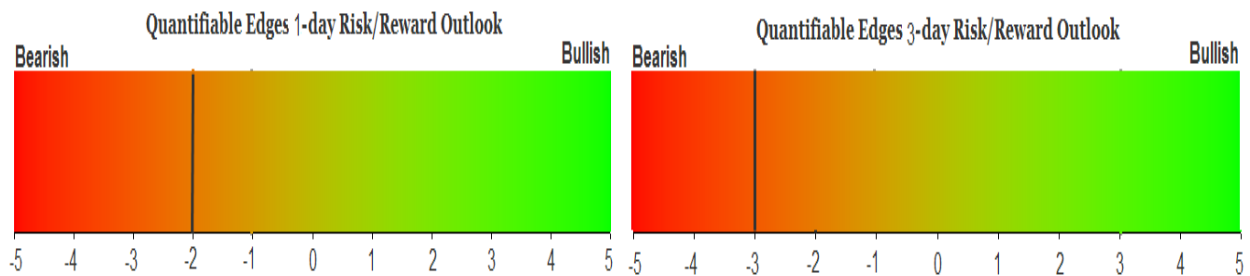
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 9, 2020

Volume 13 Issue 69

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Holy Thursday has historically shown a bullish tendency.
- SPY's gap up and rally higher to a new high is something that is often followed by a pullback over the next few days.
- The low volume on such a big rally day could be a problem for the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is again bearish. I am too.

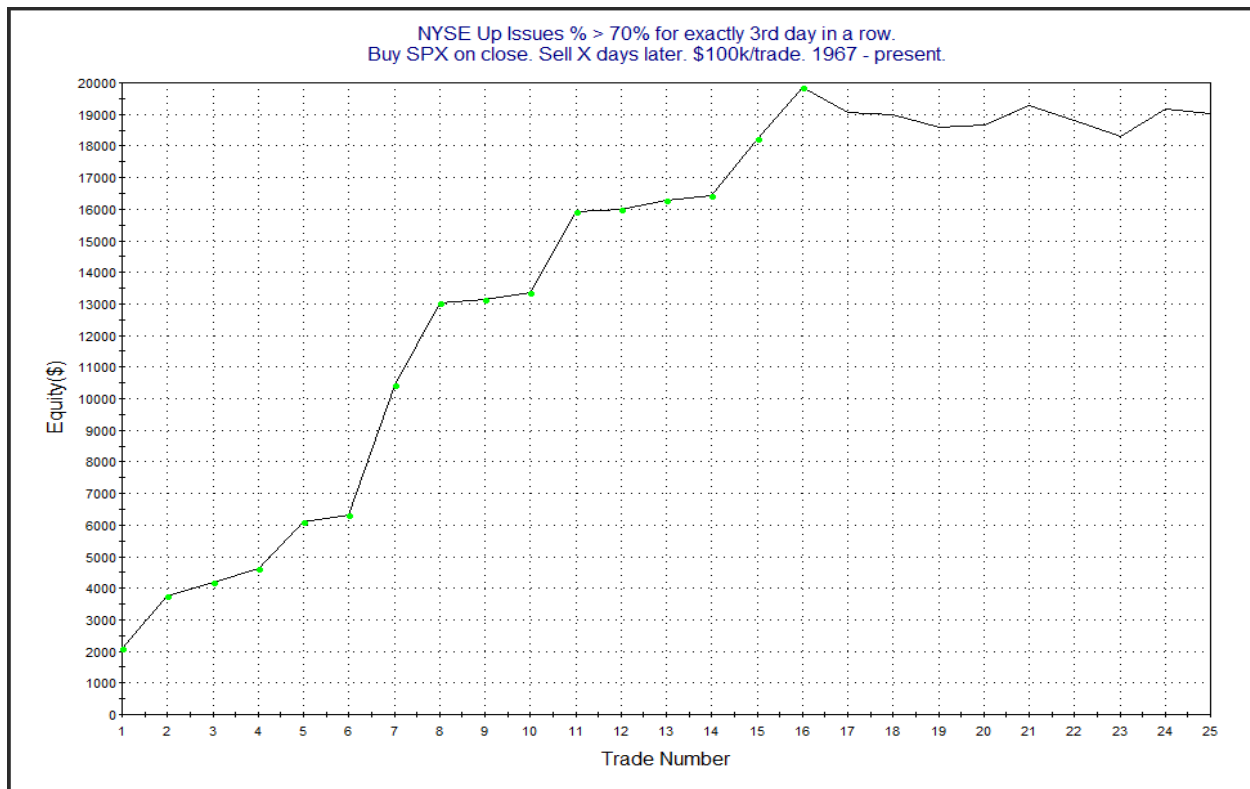
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
April 9, 2020	Holy Thursday	1 day	Bullish			
April 9, 2020	!% gap up and go. 10-high < 200ma	1 day	Bearish			
April 9, 2020	3% up on low volume	1-3 days	Bearish	-5.20%	1.20%	2.40%
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)						
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%

The Evidence

Wednesday was a big up day. The SPX rose 3.4%, the NASDAQ gained 2.6%, and the Russell 2000 rallied 4.6%. Breadth was extremely positive as the NYSE Up Issues % was 88% and the Up Volume % came in at 92.5%. NYSE volume declined from Tuesday’s level.

This was the 3rd day in a row of strong breadth, and it triggered a study I showed just recently in the 3/27/20 letter that looked at 3 days in a row where the NYSE Up Issue % exceeded 70%. That study showed bullish long-term results and is listed on the Long-Term Active List. Short-term it did not show much of an edge. Below is an updated 2-day profit curve.

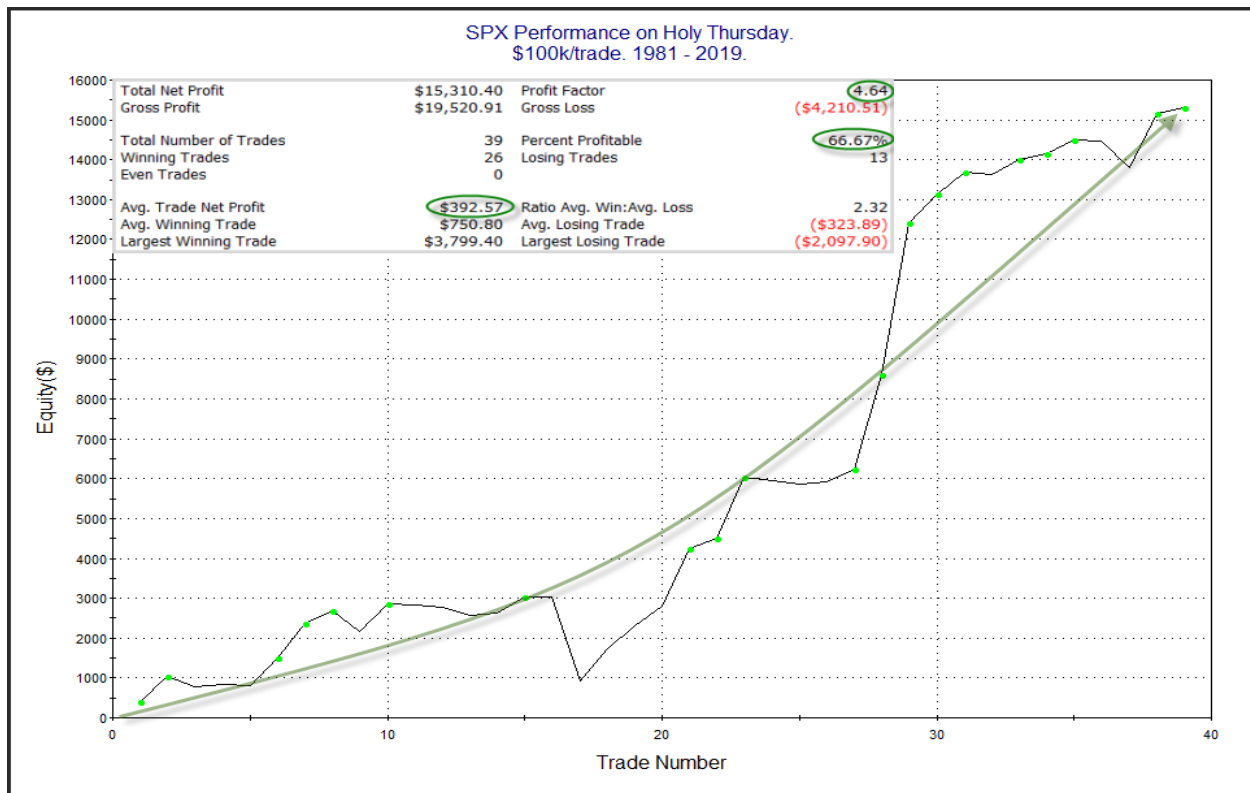


I did not include this as a short-term study when it last triggered, and I still don't like the curve. But the fact that we now have seen two such breadth thrusts in such a short period is something I found curious. Using my Norgate breadth data, which goes back to 1931, I looked for other times where this happened twice in a short time span.

NYSE up Issues % > 70% for exactly the 3rd day in a row. It is the 2nd time this has triggered in the last 10 days. SPX forward performance shown.											
Ticker	Date/Time	Close	A/D Ratio	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	10-Day %Chg	21-Day %Chg	85-Day %Chg
SSPX	7/29/1932	6.03	2.86	1.33	-2.65	5.97	8.13	12.77	16.09	42.29	11.61
SSPX	9/30/1938	12.24	17.95	2.29	1.96	5.07	4.74	4.98	6.78	7.03	1.88
SSPX	1/16/1958	41.06	2.94	0.10	0.71	0.58	0.34	0.73	1.51	0.66	5.60

Only 3 instances, and none since 1958. I am not going to make anything of the results shown, with just 3 instances. But the fact that it is so rare I found notable and thought I would point it out. There were a couple other breadth studies that triggered with similar results. No strong edge over the next few days, but a positive for the longer-term.

Stock market performance leading up to and around many holidays has often been bullish. This is something I have written about several times over the years. Holy Thursday is one such day that has done quite well. I have shown Holy Thursday stats a few times in the past. The chart and statistics below are all updated through last year.



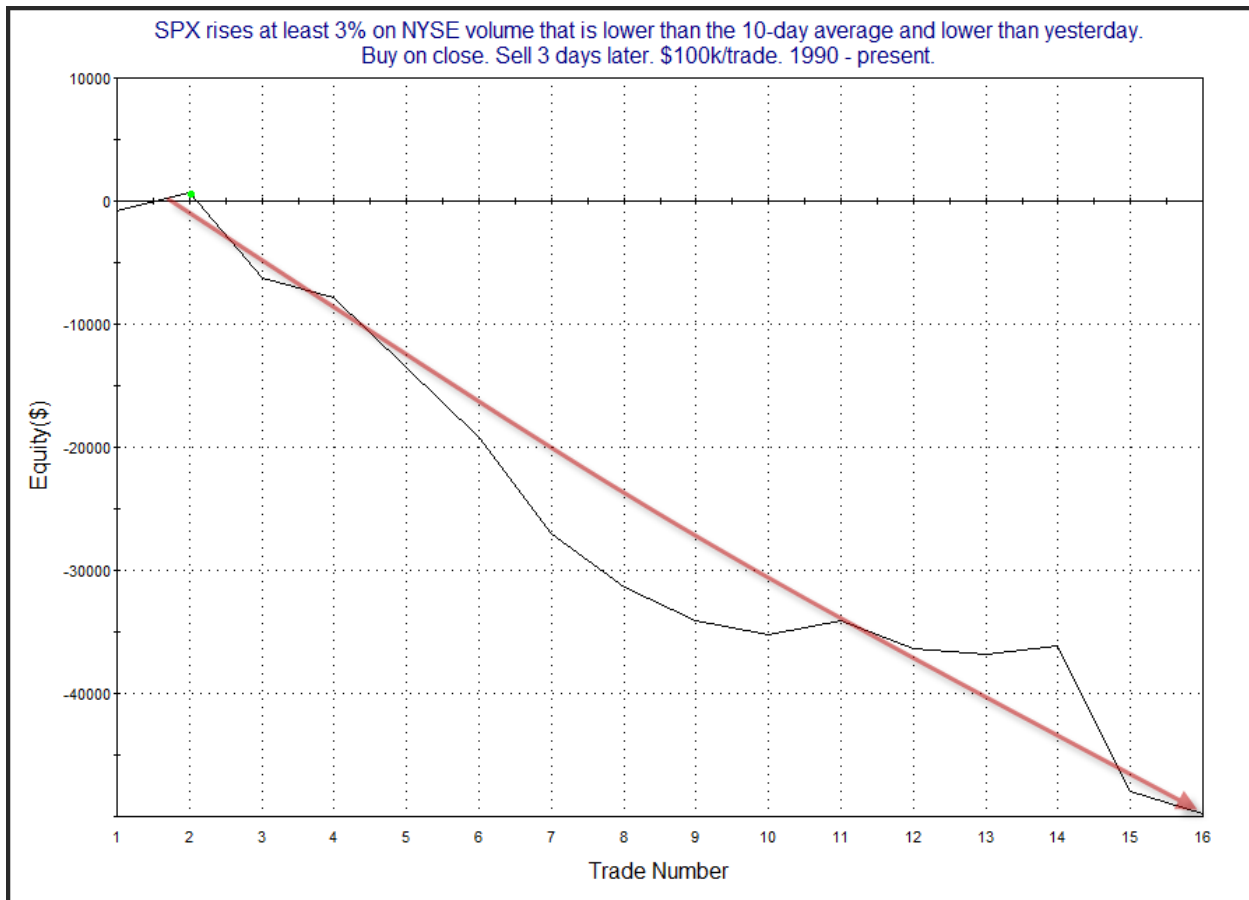
The stats are impressive, and so is the overall curve with new highs being made again last year. Perhaps the most impressive stat to me is that the up days have been 2.3x the size of the down days. This suggests people will often go into the long Easter weekend with enthusiasm. It will be interesting to see if that holds true in this news cycle.

While seasonality may help on Thursday, and breadth was strong, volume was disappointing for a day that the market made such a large move. This triggered a study from the 8/24/11 letter that looked at big moves up on disappointing volume. I have updated it below.

SPX rises at least 3% on NYSE volume that is lower than the 10-day average and lower than yesterday.
Buy on close. Sell X days later. \$100k/trade. 1990 - present.

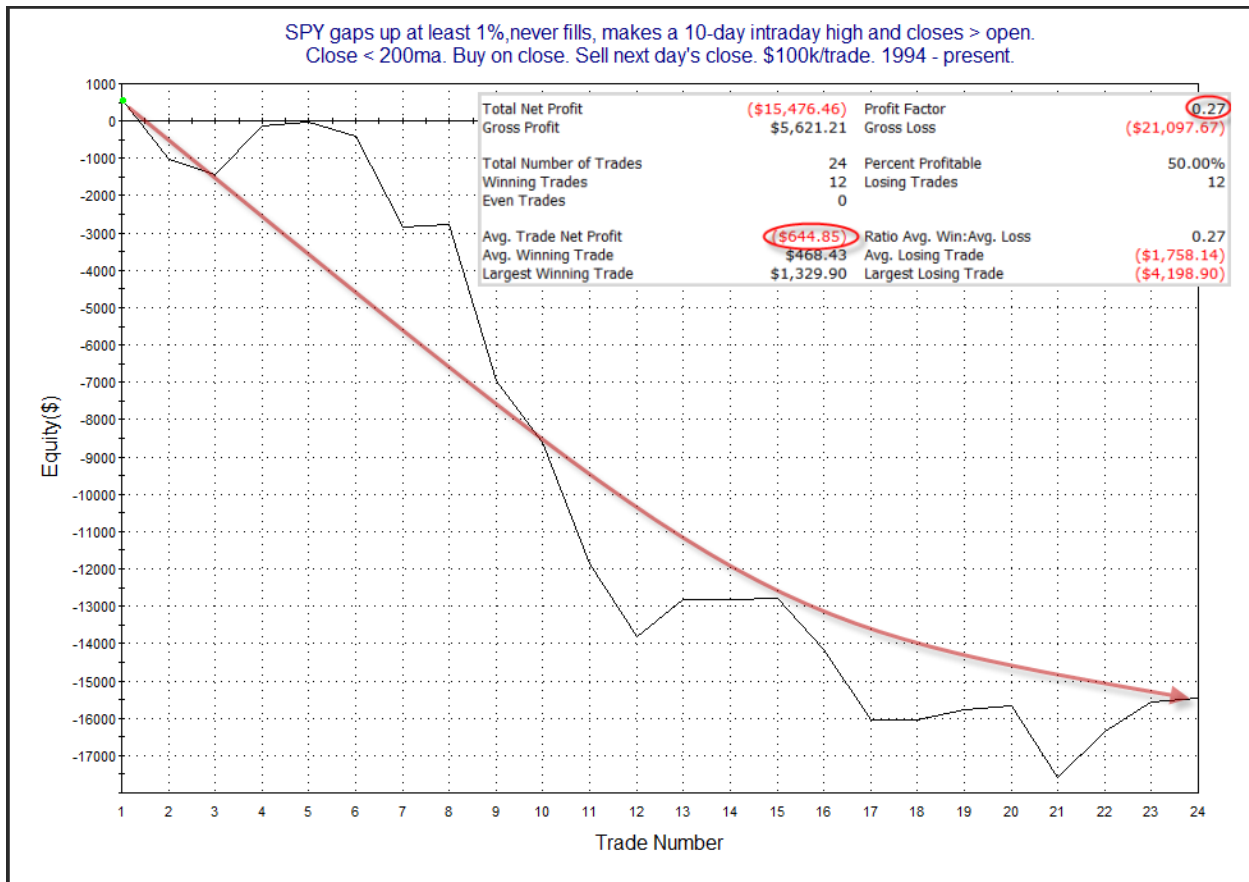
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-47,025.86	13	5	8	38.46	5,840.01	-22,692.62	3,529.08	-8,083.91	0.44	0.27	-3,617.37
9	-44,625.05	14	8	6	57.14	6,725.07	-18,628.83	2,765.97	-11,125.47	0.25	0.33	-3,187.50
8	-60,708.88	14	8	6	57.14	6,550.83	-23,063.69	2,084.75	-12,897.82	0.16	0.22	-4,336.35
7	-48,626.80	14	5	9	35.71	7,006.72	-21,797.40	3,761.70	-7,492.81	0.50	0.28	-3,473.34
6	-58,931.17	14	4	10	28.57	4,740.12	-20,133.88	3,191.38	-7,169.67	0.45	0.18	-4,209.37
5	-64,430.04	15	5	10	33.33	3,612.16	-14,461.05	1,633.28	-7,259.64	0.22	0.11	-4,295.34
4	-45,661.44	16	4	12	25.00	5,734.40	-10,971.63	3,065.40	-4,826.92	0.64	0.21	-2,853.84
3	-49,717.77	16	3	13	18.75	1,500.84	-11,890.36	1,143.83	-4,088.40	0.28	0.06	-3,107.36
2	-45,423.30	17	6	11	35.29	1,405.26	-9,455.49	784.98	-4,557.56	0.17	0.09	-2,671.96
1	-13,031.25	17	5	12	29.41	2,077.44	-3,366.80	877.46	-1,451.55	0.60	0.25	-766.54

Numbers here are extremely bearish. Below is a look at the 3-day profit curve.



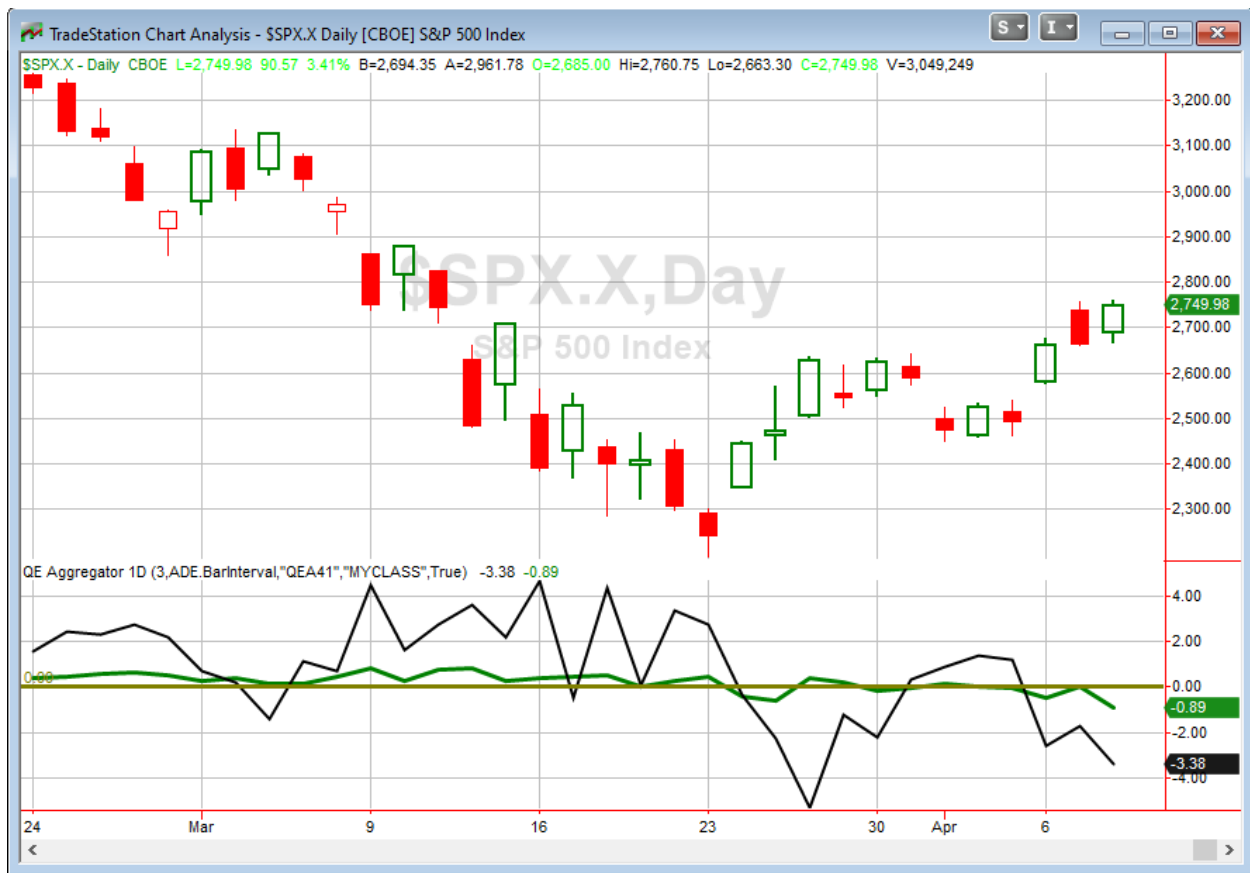
That is a convincing move from upper left to lower right. I have added this study to the active list as well.

Lastly, the gap up and go price action in SPY triggered a study from the 10/24/11 letter that showed compelling bearish 1-day results.



The curve is not perfect, but overall results seem strong enough to give this some consideration.

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



With tonight's evidence considered, the green Aggregator Line dove well 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 remain negative on Thursday. This could change if compelling bullish evidence emerges. Meanwhile, the Differential Pivot will be 2645.75 on Thursday. That is 3.8% below Wednesday's close. So SPX will need to close down a very sizable 3.8% to flip from overbought to oversold on Thursday.

Bearish evidence is building up, and we are certainly short-term overbought. I believe there is a short-term downside edge. I will look to take another stab at the short side if I can get a favorable entry on Thursday in the form of a sizable gap up or a positive close. Details in the Trade Ideas section down below.

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.

SPY – Short ¼ index position @ \$276.75 LIMIT ON OPEN/ If not filled on open, cancel order and look to short @ \$274.25 LIMIT ON CLOSE. Based on the short-term section above, I will look to take on a small amount of short exposure on Thursday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(s)</i>	<i>4/7/2020</i>	<i>\$265.13</i>	<i>\$269.01</i>	<i>-1.46%</i>		<i>stopped out</i>

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