

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 14, 2020

Volume 13 Issue 72

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- SPY's unfilled gap up with a higher close followed by an unfilled gap down with a lower close suggest further selling when below the 200ma.
- The > 1% decline in SPX along with a rally in the SOX suggest a short-term upside edge.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral. 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
<b>Active - Short Term</b>						
April 14, 2020	Gap up close higher. Gap dn cls lower.	1-2 days	Bearish			
April 14, 2020	SPX down 1%. SOX up.	1-4 days	Bullish			
April 13, 2020	SPY up 1% 2x. 10-high < 200ma	1-4 days	Bearish	-3.35%	1.10%	2.00%
April 13, 2020	SPX > 1.5% > SOX. SPX 10-high < 200	1-2 days	Bearish	-2.70%	0.90%	2.30%
April 13, 2020	4th consecutive 70% up day	1-5 days	Bullish			
<b>Active - Long Term</b>						
April 13, 2020	4th consecutive 70% up day	1-21 days	Bullish			
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			

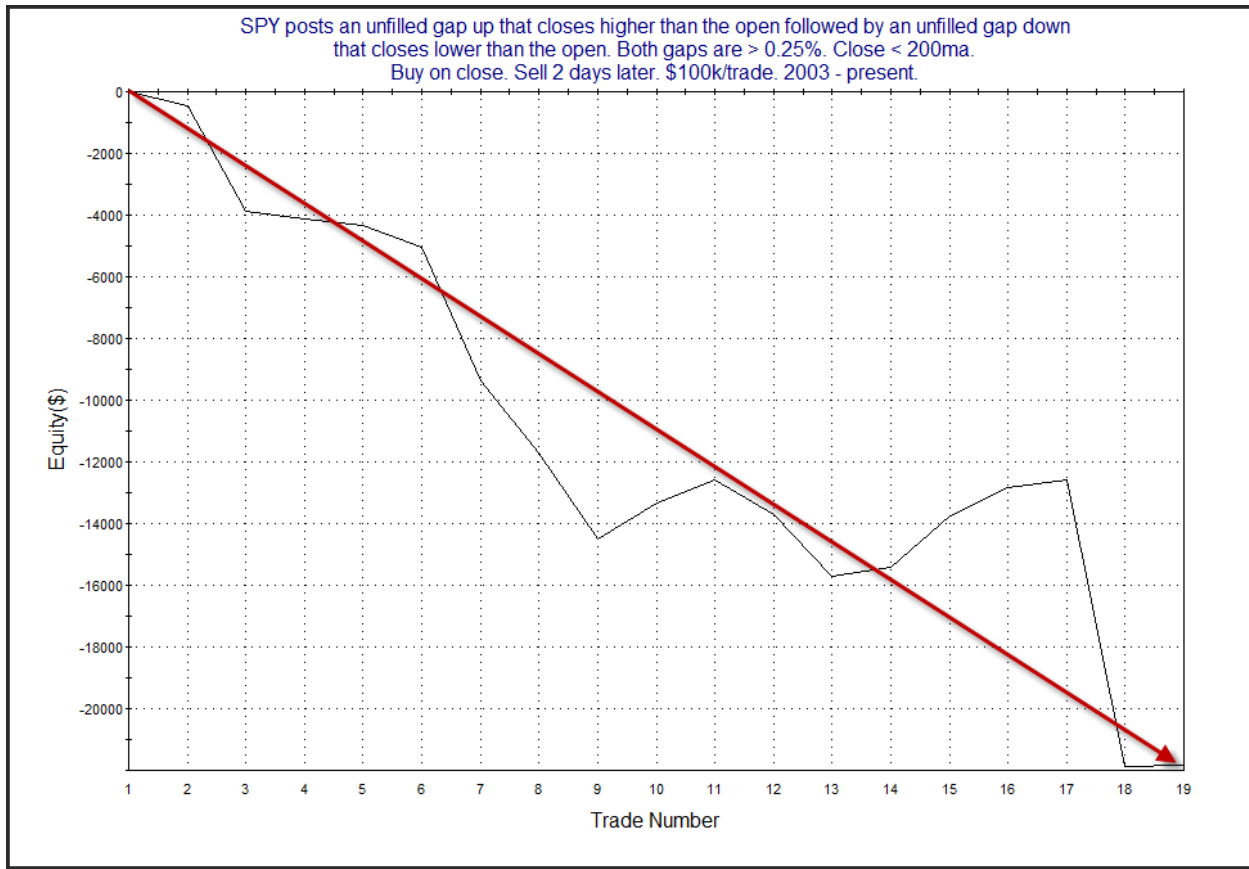
**The Evidence**

The bears tried to mount a selloff on Monday, but an afternoon rally left the attempt only mildly successful. The SPX finished down 1.01%, the NASDAQ gained 0.48%, and the Russell 2000 lost 2.78%. Breadth was extremely positive as the NYSE Up Issues % was 86% and the Up Volume % came in at 82%. NYSE volume came in at the lowest level since February.

One compelling study to appear in the Quantifinder this evening was the one below, which looked at the 2-day action in SPY. It was last in the 2/24/16 letter and has been updated.

SPY posts an unfilled gap up that closes higher than the open followed by an unfilled gap down that closes lower than the open. Both gaps are > 0.25%. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2003 - 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	-27,482.92	19	7	12	36.84	4,371.06	-17,935.50	2,288.24	-3,625.05	0.63	0.37	-1,446.47
4	-34,885.16	19	6	13	31.58	3,234.56	-12,422.13	2,202.12	-3,699.84	0.60	0.27	-1,836.06
3	-23,642.70	19	9	10	47.37	1,992.80	-9,199.26	985.40	-3,251.13	0.30	0.27	-1,244.35
2	-21,832.16	19	8	11	42.11	1,671.18	-9,315.90	636.15	-2,447.39	0.26	0.19	-1,149.06
1	-3,913.46	19	8	11	42.11	5,387.20	-5,444.46	1,350.74	-1,338.13	1.01	0.73	-205.97

Potential downside here appears to be sizable. Possibly the unfilled gap up with the higher close saw a good number of people chase the market higher (on Thursday). The unfilled gap down immediately after (Monday) causes many of those same people to be trapped long. Those trapped longs could continue to exert selling pressure over the next few days. Below is a profit curve assuming a 2-day holding period.



Results here appear strong enough to merit some consideration. I have added this study to the Active List tonight.

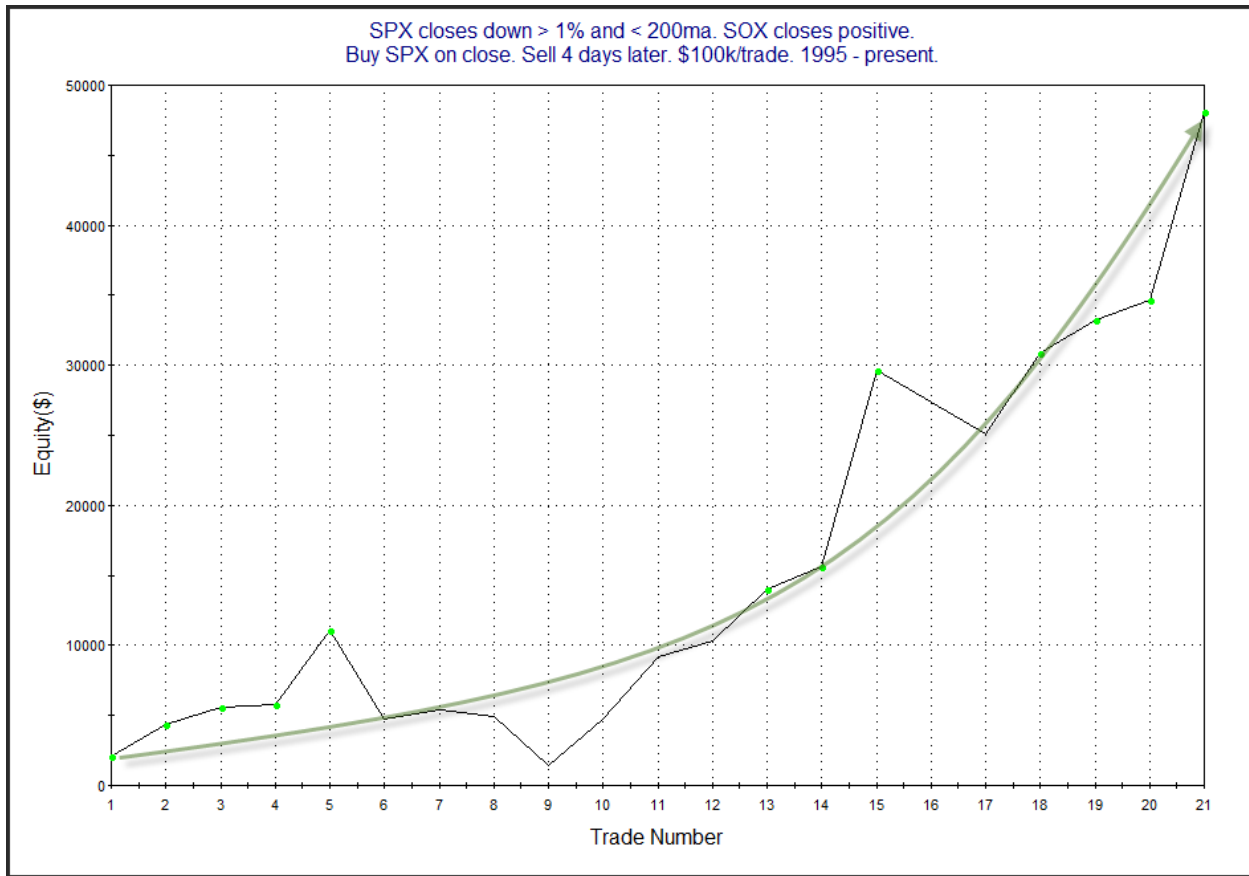
But while SPX struggled, the SOX finished positive. And that appears to be a good thing. You'll recall we had the opposite scenario on Thursday, which posed bearish implications. Below is a study from the 8/13/08 letter that I have updated.

SPX closes down > 1% and < 200ma. SOX closes positive.  
Buy SPX on close. Sell X days later. \$100k/trade. 1995 - 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	43,909.48	21	15	6	71.43	17,127.00	-9,314.08	4,460.69	-3,833.49	1.16	2.91	2,090.93
4	48,080.38	21	16	5	76.19	14,020.11	-6,410.56	3,936.00	-2,979.11	1.32	4.23	2,289.54
3	44,533.07	23	18	5	78.26	17,277.48	-8,330.40	3,584.69	-3,998.26	0.90	3.23	1,936.22
2	38,609.57	23	17	6	73.91	10,479.04	-4,324.92	3,111.68	-2,381.50	1.31	3.70	1,678.68
1	30,685.74	23	16	7	69.57	10,716.03	-3,446.88	2,382.47	-1,061.96	2.24	5.13	1,334.16

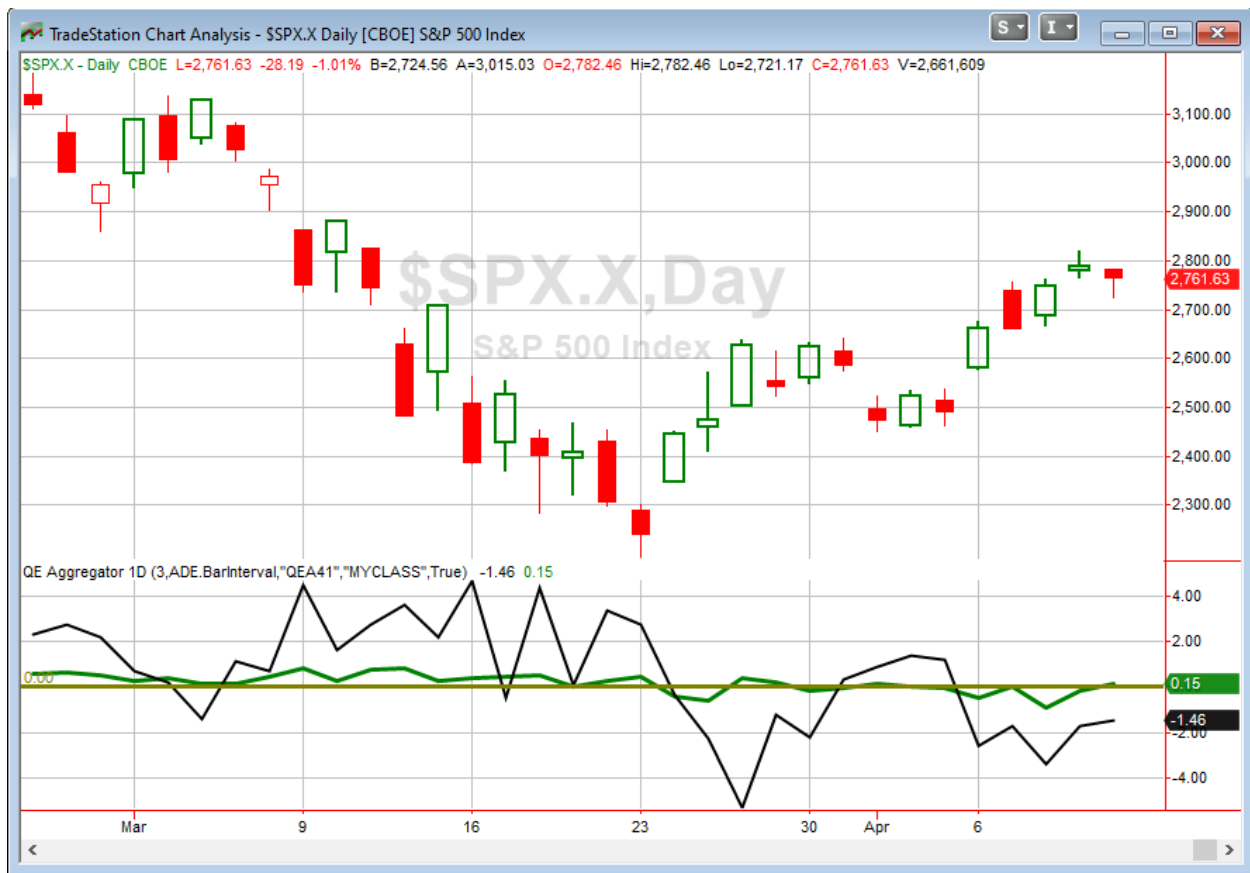
**21 of 23 instances (91%) closed above the entry price at some point in the next week.**

The numbers all look quite bullish. Below is a look at the 4-day equity curve.



Choppy, but it has managed to head from lower left to upper right. This seems to be worth some consideration. So we appear to have compelling bullish and bearish forces at work right now.

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



With tonight's evidence considered, the green Aggregator Line moved above zero. Positive readings mean net expectations are for upside 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 positive but SPX is overbought. 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 remain positive on Tuesday. This could change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be 2710.99 on Tuesday. That is 1.8% below Friday's close. So SPX will need to close down at least 1.8% to flip from overbought to oversold on Tuesday.

So the Aggregator is neutral. With the market still overbought, but some bullish short-term studies now active, I am neutral as well. I covered my short SPY position near the close on Monday. I will be waiting for the next setup with compelling evidence and favorable reward/risk before jumping back in to either a long or short position.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 4/13 – neutral***

The intermediate-term outlook was last updated in the 4/13/20 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
<i>SPY(s)</i>	<i>4/9/2020</i>	<i>\$277.58</i>	<i>\$275.66</i>	<i>0.69%</i>		<i>covered on close</i>

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Hanna Capital Management, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2020 Quantifiable Edges, LLC.