

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 17, 2020

Volume 13 Issue 75

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- SPX closing higher on a day with lousy breadth is often followed by some weakness.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish, but the Differential Pivot is inverted, leaving me more neutral. Additionally, news after the bell has spiked the futures. So Friday should be interesting, but 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
<b>Active - Short Term</b>						
April 17, 2020	SPX up. Up Iss & Up Vol < 45%. SP<200	1-4 days	Bearish	-3.60%	1.60%	2.80%
April 17, 2020	SPX up. Up Iss & Up Vol < 40%.	1 day	Bearish			
April 16, 2020	SPX dn 2% from 5-high. No 5-low.	1-4 days	Bearish	-3.30%	2.20%	3.90%
April 15, 2020	SPX up 3% on weak volume	1-3 days	Bearish	-4.90%	1.40%	2.65%
April 14, 2020	SPX down 1%. SOX up.	1-4 days	Bullish	4.40%	-1.70%	-4.20%
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 market was back and forth on Thursday before putting in a late rally that left most indices higher. The SPX finished up 0.6%, the NASDAQ rose 1.7%, and the Russell 2000 declined 0.5%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 27.5%. NYSE volume declined for the 4<sup>th</sup> day in a row.

The strongly negative breadth is what stood out on a day with the SPX clearly higher. That triggered a few breadth-related studies in the Quantifinder. This 1<sup>st</sup> one was last seen in the 11/28/18 letter. It looked at other times SPX closed higher while both the Up Issue % and Up Volume % closed under 45%.

SPX closes up while NYSE Up Issues < 45% and NYSE Up Volume < 45%. SPX < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-26,586.55	16	3	13	18.75	2,398.50	-9,372.60	1,413.74	-2,371.37	0.60	0.14	-1,661.66
4	-23,066.10	16	2	14	12.50	4,002.29	-8,138.50	3,852.86	-2,197.99	1.75	0.25	-1,441.63
3	-17,992.71	17	6	11	35.29	2,884.52	-6,854.44	1,698.99	-2,562.42	0.66	0.36	-1,058.39
2	-14,806.79	17	8	9	47.06	2,882.10	-12,374.88	1,547.96	-3,021.16	0.51	0.46	-870.99
1	-11,022.16	17	8	9	47.06	2,278.46	-8,783.02	1,103.88	-2,205.91	0.50	0.44	-648.36

Numbers here are quite negative. Below is a list of all the instances and their 4-day results.

SPX closes up while NYSE Up Issues < 45% and NYSE Up Volume < 45%. SPX < 200ma.  
Buy SPX on close. Sell 4 days later. \$100k/trade. 1999 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/24/2001	Buy	\$1,085.20	-2.34%	\$2,337.72
10/30/2001	Sell	\$1,059.79		(\$2,906.28)
6/4/2002	Buy	\$1,040.69	-0.96%	\$904.32
6/10/2002	Sell	\$1,030.74		(\$2,707.20)
9/16/2002	Buy	\$891.10	-5.13%	\$1,291.36
9/20/2002	Sell	\$845.39		(\$5,810.56)
6/8/2006	Buy	\$1,257.93	-2.22%	\$367.35
6/14/2006	Sell	\$1,230.04		(\$3,052.56)
6/9/2008	Buy	\$1,361.77	-0.13%	\$370.11
6/13/2008	Sell	\$1,360.02		(\$2,225.04)
6/23/2008	Buy	\$1,318.02	-3.00%	\$1,320.75
6/27/2008	Sell	\$1,278.49		(\$3,451.50)
6/30/2008	Buy	\$1,280.00	-2.16%	\$949.26
7/7/2008	Sell	\$1,252.29		(\$3,066.96)
9/26/2008	Buy	\$1,213.53	-8.18%	\$0.00
10/2/2008	Sell	\$1,114.28		(\$8,783.02)
11/18/2008	Buy	\$859.12	-0.85%	\$751.68
11/24/2008	Sell	\$851.81		(\$13,652.04)
7/12/2010	Buy	\$1,078.75	-1.29%	\$1,905.32
7/16/2010	Sell	\$1,064.88		(\$1,419.56)
6/4/2012	Buy	\$1,278.18	3.71%	\$3,967.86
6/8/2012	Sell	\$1,325.66		(\$313.56)
12/14/2015	Buy	\$2,021.94	-0.81%	\$2,684.22
12/18/2015	Sell	\$2,005.52		(\$813.89)
1/11/2016	Buy	\$1,923.67	-2.26%	\$1,359.66
1/15/2016	Sell	\$1,880.29		(\$3,357.84)
1/19/2016	Buy	\$1,881.33	-0.23%	\$1,458.56
1/25/2016	Sell	\$1,877.08		(\$3,659.12)
11/27/2018	Buy	\$2,682.20	4.03%	\$4,365.26
12/3/2018	Sell	\$2,790.37		\$0.00
12/10/2018	Buy	\$2,637.72	-1.43%	\$1,765.64
12/14/2018	Sell	\$2,599.95		(\$1,623.56)

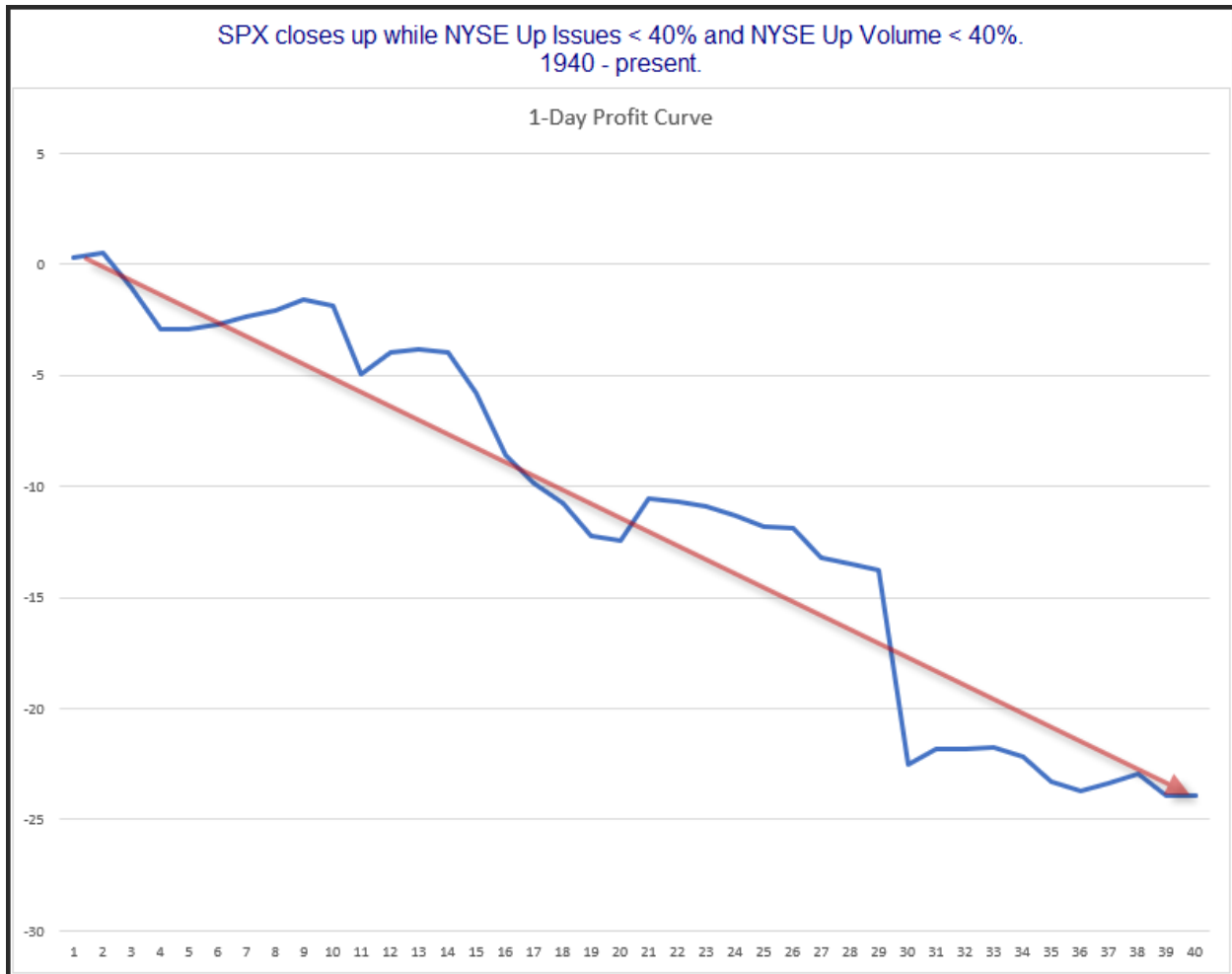
Only 2 instances where the market rose over the next 4 days, but they were both sizable.

Of course breadth was even worse than shown above. In the 10/18/10 letter I looked at other instances where SPX closed up but both Up Issue % and Up Volume % were below 40%. In this study I did not use a long-term SPX filter. I updated the study tonight using Amibroker, because instances are fairly rare and that database has a longer history.

SPX closes up while NYSE Up Issues < 40% and NYSE Up Volume < 40%.  
1940 - present.

Ticker	Date/Time	Close	A/D Ratio	U/D Vol Ratio	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg
\$\$PX	6/17/1940	9.98	0.54	0.51	0.3	0.5	-0.7	-0.7	1.2
\$\$PX	10/28/1940	10.81	0.53	0.48	0.19	1.02	2.5	2.5	3.24
\$\$PX	4/16/1942	7.82	0.66	0.62	-1.53	-0.38	-0.13	-0.38	-2.94
\$\$PX	5/13/1943	11.92	0.54	0.64	-1.85	-1.68	-0.92	0.08	-0.17
\$\$PX	1/19/1944	11.88	0.63	0.48	0	0.17	0.08	0	-1.01
\$\$PX	10/30/1944	12.76	0.51	0.32	0.16	0.55	1.1	1.02	1.57
\$\$PX	1/31/1946	18.57	0.5	0.57	0.38	0.27	0.7	0	0
\$\$PX	4/7/1949	14.93	0.51	0.47	0.27	0.4	0.67	0.6	0.4
\$\$PX	4/29/1949	14.71	0.6	0.65	0.48	0.95	2.11	2.04	1.43
\$\$PX	11/9/1949	16.18	0.59	0.51	-0.25	-0.93	-2.66	-2.1	-1.36
\$\$PX	2/6/1953	26.51	0.26	0.08	-3.09	-3.36	-3.28	-2.9	-3.24
\$\$PX	12/15/1953	24.71	0.57	0.66	1.01	0.93	1.13	0.97	0.2
\$\$PX	6/10/1957	47.9	0.42	0.24	0.08	0.31	0.5	0.52	0.71
\$\$PX	10/23/1961	68.06	0.59	0.36	-0.12	0.41	0.59	0.41	0.53
\$\$PX	6/1/1965	88.72	0.43	0.34	-1.84	-2.05	-1.81	-2.07	-3.14
\$\$PX	5/22/1970	72.25	0.65	0.55	-2.77	-4.1	0.72	3.27	5.95
\$\$PX	1/23/1973	118.22	0.54	0.54	-1.26	-1.5	-1.87	-2.02	-1.85
\$\$PX	5/21/1974	87.91	0.54	0.59	-0.93	-0.71	0.76	0.52	-1.16
\$\$PX	3/4/1980	112.78	0.43	0.6	-1.46	-3.66	-5.21	-5.56	-4.43
\$\$PX	1/25/1982	115.41	0.41	0.52	-0.19	0.29	3.04	4.32	2.05
\$\$PX	11/19/1986	237.66	0.54	0.59	1.85	3.45	4.12	4.42	4.67
\$\$PX	4/19/1994	442.54	0.5	0.56	-0.13	1.4	1.15	2.3	2.11
\$\$PX	6/7/1996	673.31	0.37	0.66	-0.17	-0.35	-0.63	-0.8	-1.11
\$\$PX	5/17/1999	1339.49	0.54	0.62	-0.46	0.35	-0.05	-0.69	-2.45
\$\$PX	4/23/2004	1140.6	0.54	0.66	-0.44	-0.22	-1.59	-2.34	-2.92
\$\$PX	3/23/2005	1172.53	0.29	0.52	-0.09	0.15	-0.61	0.76	0.69
\$\$PX	12/13/2007	1488.41	0.51	0.57	-1.37	-2.86	-2.25	-2.38	-1.9
\$\$PX	6/9/2008	1361.76	0.56	0.58	-0.24	-1.93	-1.61	-0.13	-0.12
\$\$PX	6/23/2008	1318	0.51	0.57	-0.28	0.3	-2.64	-3.01	-2.88
\$\$PX	9/26/2008	1213.01	0.5	0.64	-8.79	-3.85	-4.28	-8.14	-9.38
\$\$PX	10/15/2010	1176.19	0.66	0.53	0.72	-0.87	0.17	0.35	0.59
\$\$PX	11/13/2014	2039.33	0.56	0.48	0.02	0.1	0.61	0.46	0.66
\$\$PX	7/17/2015	2126.64	0.55	0.39	0.08	-0.35	-0.59	-1.15	-2.21
\$\$PX	7/20/2015	2128.28	0.49	0.42	-0.43	-0.66	-1.23	-2.28	-2.85
\$\$PX	1/19/2016	1881.33	0.49	0.44	-1.17	-0.66	1.36	-0.23	1.19
\$\$PX	5/18/2016	2047.63	0.51	0.52	-0.37	0.23	0.02	1.39	2.1
\$\$PX	3/9/2017	2364.87	0.43	0.66	0.33	0.36	0.02	0.86	0.7
\$\$PX	5/4/2017	2389.52	0.57	0.55	0.41	0.41	0.31	0.42	0.21
\$\$PX	7/5/2017	2432.54	0.64	0.56	-0.94	-0.3	-0.21	-0.29	0.44
\$\$PX	12/10/2018	2637.72	0.48	0.35	-0.04	0.51	0.49	-1.43	-3.48
				Avg	-0.60	-0.43	-0.25	-0.28	-0.45
				Median	-0.18	0.125	0.02	0	0.1

The numbers that stand out here are the 1-day results. Below is a profit curve for those.

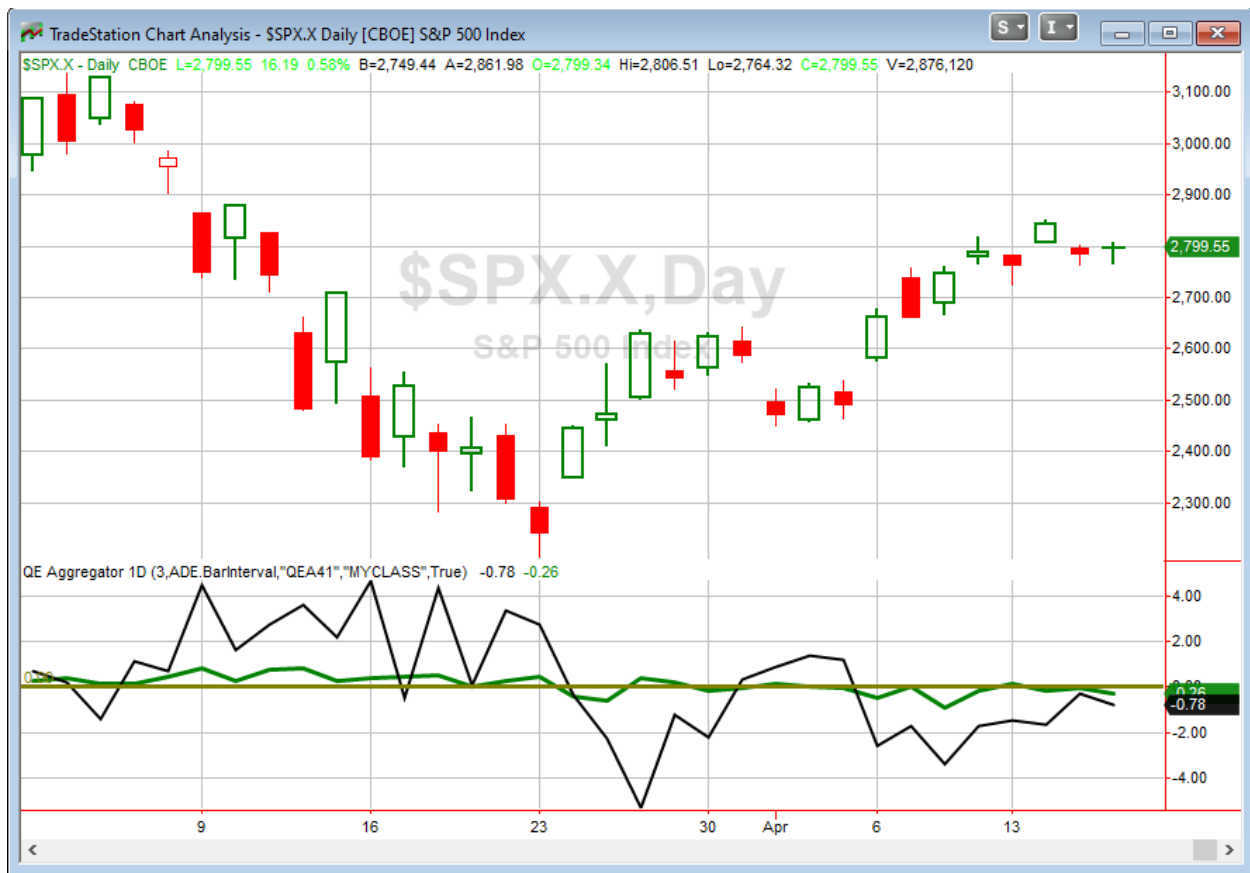


The strong, steady downslope supports the idea of a bearish tendency.

I have added both of these studies to the Aggregator tonight.

But market action on Thursday may not matter a whole lot for Friday. After the close a positive report came out suggesting that a Gilead drug could be effective against COVID-19. That got the futures excited to the point of about a 4% rally over the next few hours. So breadth may no longer be a concern after Friday.

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



With tonight's evidence considered, the green Aggregator Line held 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 Friday. This could change if compelling bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 2840.55 on Friday. That is 1.5% *above* Thursday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX will need to close up at least 1.5% in order to remain overbought. Anything less than that and it will flip to being considered short-term oversold vs. expectations.

So the Aggregator is suggesting a downside edge. But I don't normally consider inverted pivots good times to look to enter new trades. And I am more interested in seeing how Friday plays out than I am in taking an aggressive short position against this massive rally. So I will sit tight and re-evaluate over the weekend.

***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**

None

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