

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 21, 2020

Volume 13 Issue 77

## Market Overview



## Signals Overview

Aggregator	CBI Reading
<b>Short</b>	<b>0</b>

## Tonight's Research Points

- SPY closed down a fair amount but Friday's gap up remains unfilled. Often this has been followed by another down day.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish, but the market is too choppy to get me interested in chasing lower.

**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 20, 2020	SPY dn but yest gap up unfilled	1 day	Bearish			
April 20, 2020	SPX outperforms SOX by 1.5%	1-3 days	Bearish			
April 16, 2020	SPX dn 2% from 5-high. No 5-low.	1-4 days	Bearish	-3.30%	2.20%	3.90%
<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			
<b>Dropped Tonight (expired or Avg move + 1 std dev exceeded)</b>						
April 20, 2020	1% Gap up 10-high close < 200ma	1 day	Bearish			

**The Evidence**

Monday was a down day for the markets. The SPX lost 1.8%, the NASDAQ fell 1.0%, and the Russell 2000 declined 1.3%. Breadth was positive as the NYSE Up Issues % was 22% and the Up Volume % came in at 24%. NYSE volume declined some from Friday's opex level.

The biggest news today was in oil. Oil futures finished trading Monday at *negative* \$36/barrel. For those wondering how that is possible, it appears that demand for oil has been so low recently, that we are running out of places to store it. If you are holding oil futures when the contract expires (Tuesday), you will be delivered oil. None of the regular facilities seemed to have capacity, so people holding oil futures basically had to pay money in order to sell them. My son suggested we buy a bunch of futures and then when the oil trucks show up at the house, we just stick them on the sidewalk with a "free – take one" sign on it. But I had a feeling we'd be delivered more oil than we could possibly give away. I am sure taking delivery on oil would have brought about more troubles than I could possibly imagine. So I decided today was not the day for me to become an oil trader/dealer/storer/whatever.

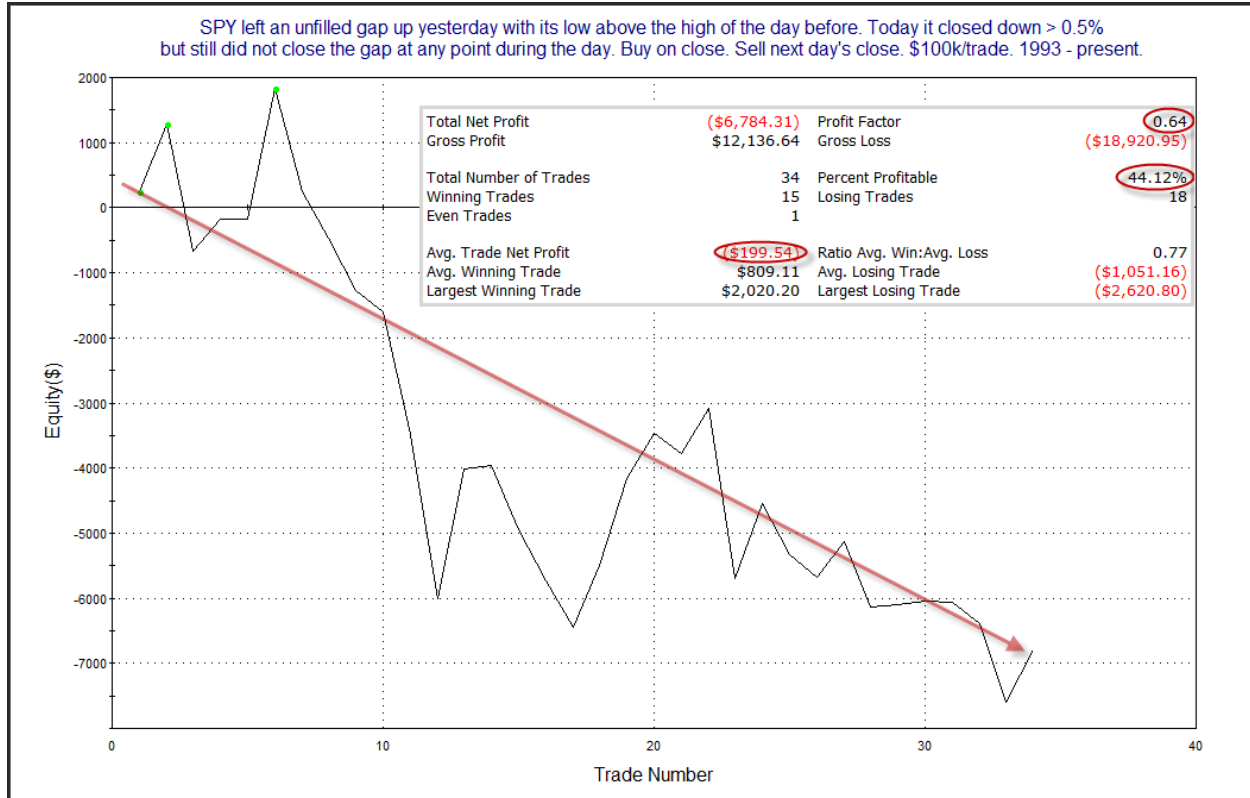
In case you are wondering...no. Oil has never traded at a *negative* price before. This does not mean that oil is worthless. June oil closed around \$20/barrel. And December oil is trading around \$36. So it is worth something. But planes are not flying, cruise ships and many yachts are not using any oil, and car miles are *way* down. But there is certainly fear that something similar could happen next month if oil demand does not pick back up.

Like I said, I am not an oil trader. But when such a large market appears broken in a way that has never been seen before, that can often be a bad omen. Broken oil prices could spill over to other markets. There may be reverberations to come. Maybe soon. Maybe not. But I sure found negative oil futures to be an interesting story. Thankfully, Dow futures are still well above zero.

There were a few SPY studies that triggered in the Quantifinder tonight that I did not find to be worth examining, since they noted how the gap down in SPY filled during the day. If you look at

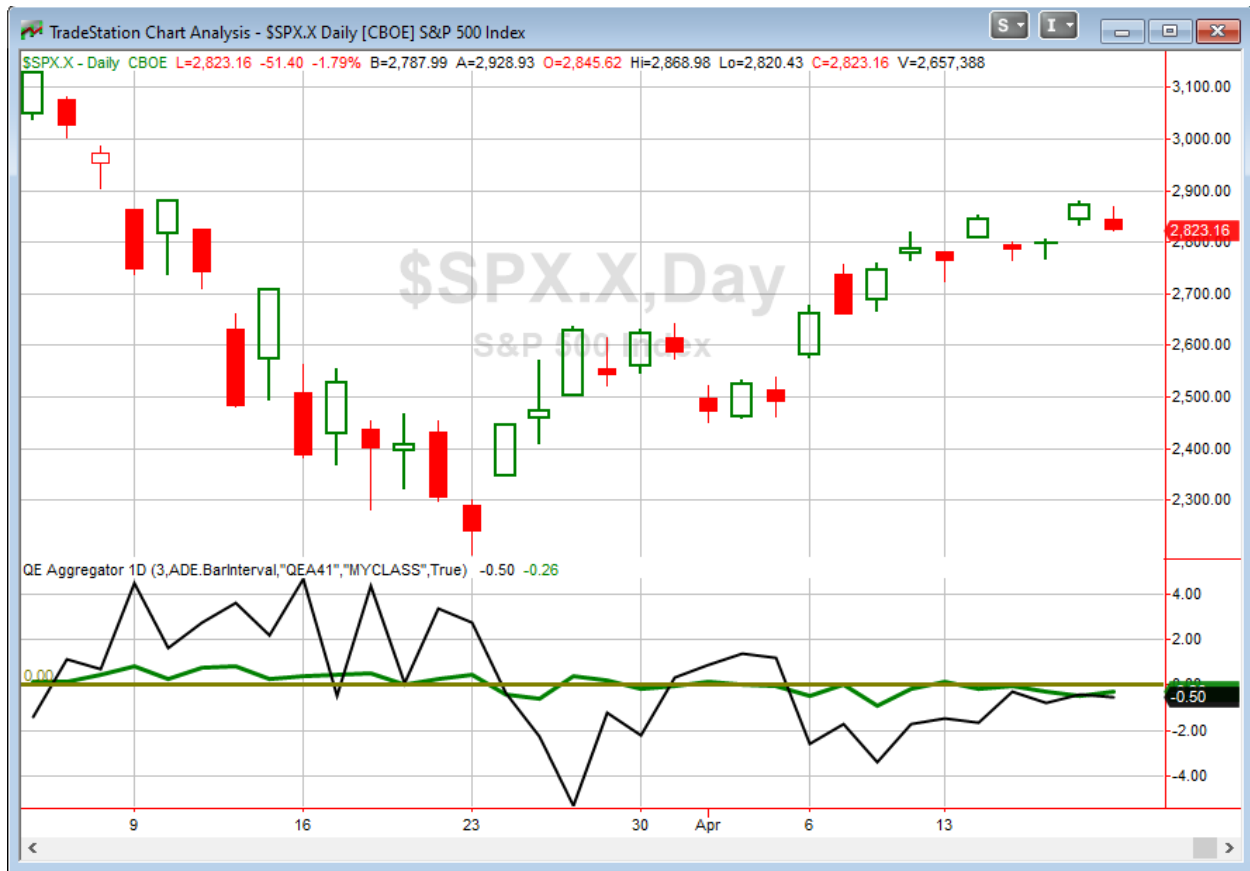
an intraday chart, you'll see that it did not. But daily charts from multiple price sources are showing it did. So perhaps that will get corrected on Tuesday. In any case, I don't feel those studies are applicable tonight.

There was an interesting study from the 8/21/19 letter that triggered, though. It noted that while SPY closed down a fair amount today, it still did not fill the large upside gap that was left on Friday. I updated that study below.



The stats are somewhat negative. The curve has made its way from upper left to lower right, though it has certainly been a choppy ride. As a 1-day study this may be worth some consideration. Traders could take another stab at filling the gap on Tuesday.

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 also 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 Tuesday. This could very easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 2785.52 on Tuesday. That is 1.3% below Monday's close. So SPX would need to close down 1.3% on Tuesday in order to flip from overbought to oversold versus recent expectations.

The Aggregator is suggesting a mild downside edge, but I don't think this is a great entry point, after a large down day. Even if right, the market is too choppy to try and ride something lower for several days. In fact, SPX has not declined 3 days in a row since *March 9th*. So any index short I might enter on Tuesday, I'd likely be looking to get out of the same day. I'll instead wait for a more favorable setup to emerge. Perhaps if the Aggregator is right and we do get some selling over the next day or two, a long setup might emerge.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 4/20 – 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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