

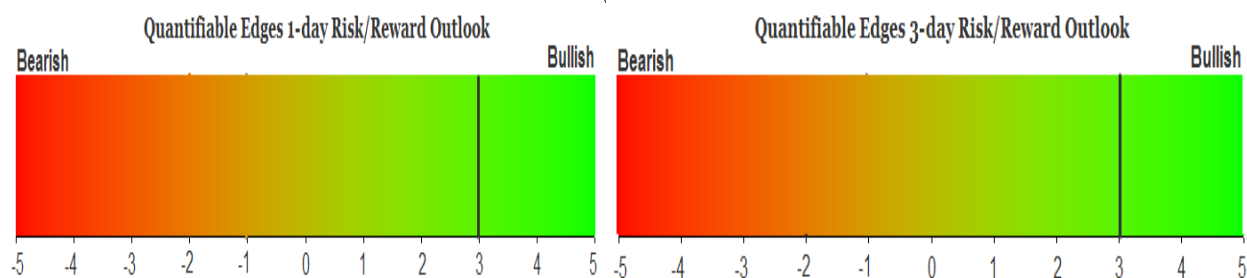
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 21, 2020

Volume 13 Issue 205

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The mid-day drop after a strong run-up is something that has often been followed by gains.
- 7 days up for VIX has been rare but bullish.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. I believe the bulls have an edge over the next few days.

**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>						
October 20, 2020	SPY 5 lower closes. Monday.	1-3 days	Bullish	2.80%	-1.15%	-2.90%
October 20, 2020	SPX close btm10% rng 5-low Monday	1-5 days	Bullish	2.10%	-1.00%	-2.10%
October 19, 2020	SPY 5 low after not in 10 days	1-4 days	Bullish	1.30%	-1.00%	-2.00%
October 19, 2020	Gap up move up intra, close dn > 10Lo	1-5 days	Bullish	2.00%	-1.40%	-2.30%
<b>Active - Long Term</b>						
October 19, 2020	SPY 5 low after not in 10 days	1-10 days	Bullish	2.10%	-1.30%	-2.60%
September 28, 2020	NASDAQ Leading	int term	Bullish			
September 28, 2020	4 weeks down > 40-week ma	1-10 weeks	Bullish	8.60%	-3.10%	-7.40%
August 27, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
July 9, 2020	Golden Cross	int term	Bullish			
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
October 16, 2020	Down 3 from 20-high. Offset HV low	1-2 days	Bullish			

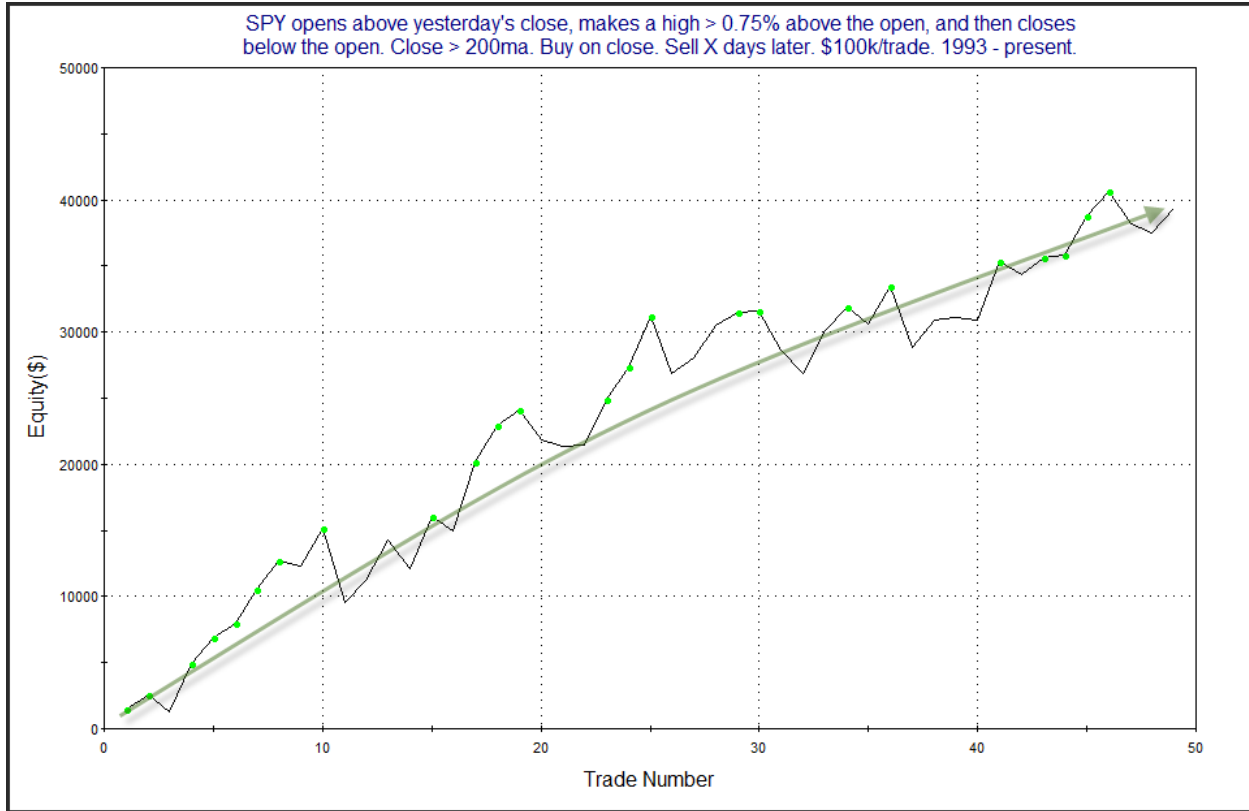
**The Evidence**

Tuesday saw the market gap higher, run up after the open, and then flounder around some in the afternoon. SPX finished up 0.5%, the NASDAQ gained 0.3%, and the Russell 2000 rose 0.25%. Breadth was positive with the NYSE Up Issues % coming in at 68% and the Up Volume % at 72%. NYSE total volume declined some from Monday's level.

The action in SPY triggered an interesting study last seen in the 4/10/18 letter. It found evidence suggesting the afternoon swoon was potentially bullish for the next few days. Stats have been updated below.

SPY opens above yesterday's close, makes a high > 0.75% above the open, and then closes below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	41,314.95	46	34	12	73.91	5,473.48	-8,618.72	2,078.59	-2,446.42	0.85	2.41	898.15
4	18,750.05	48	31	17	64.58	4,871.32	-12,608.53	2,288.99	-3,071.10	0.75	1.36	390.63
3	39,345.17	49	33	16	67.35	5,141.52	-5,587.56	2,179.24	-2,035.62	1.07	2.21	802.96
2	13,621.68	50	31	19	62.00	4,153.36	-5,249.75	1,492.92	-1,718.88	0.87	1.42	272.43
1	3,908.42	50	28	22	56.00	2,359.84	-4,490.79	951.02	-1,032.73	0.92	1.17	78.17

Evidence appears to point higher over the next few days. Below is a look at the 3-day profit curve.



While it has chopped a bit, the upslope has been fairly steady, and it has made its way from lower left to upper right on the chart. This study seems worth consideration, and I have added it to the active list.

Another notable bit of action is that Tuesday marked the 7<sup>th</sup> day in a row that the VIX has risen. That is a very unusual streak. I decided to look back at all other times the VIX had risen for 7 days in a row while SPY was above its 200ma. Below are results of SPY over the following days – updated from an 11/3/16 study.

VIX closes up for the 7th day in a row. SPY > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

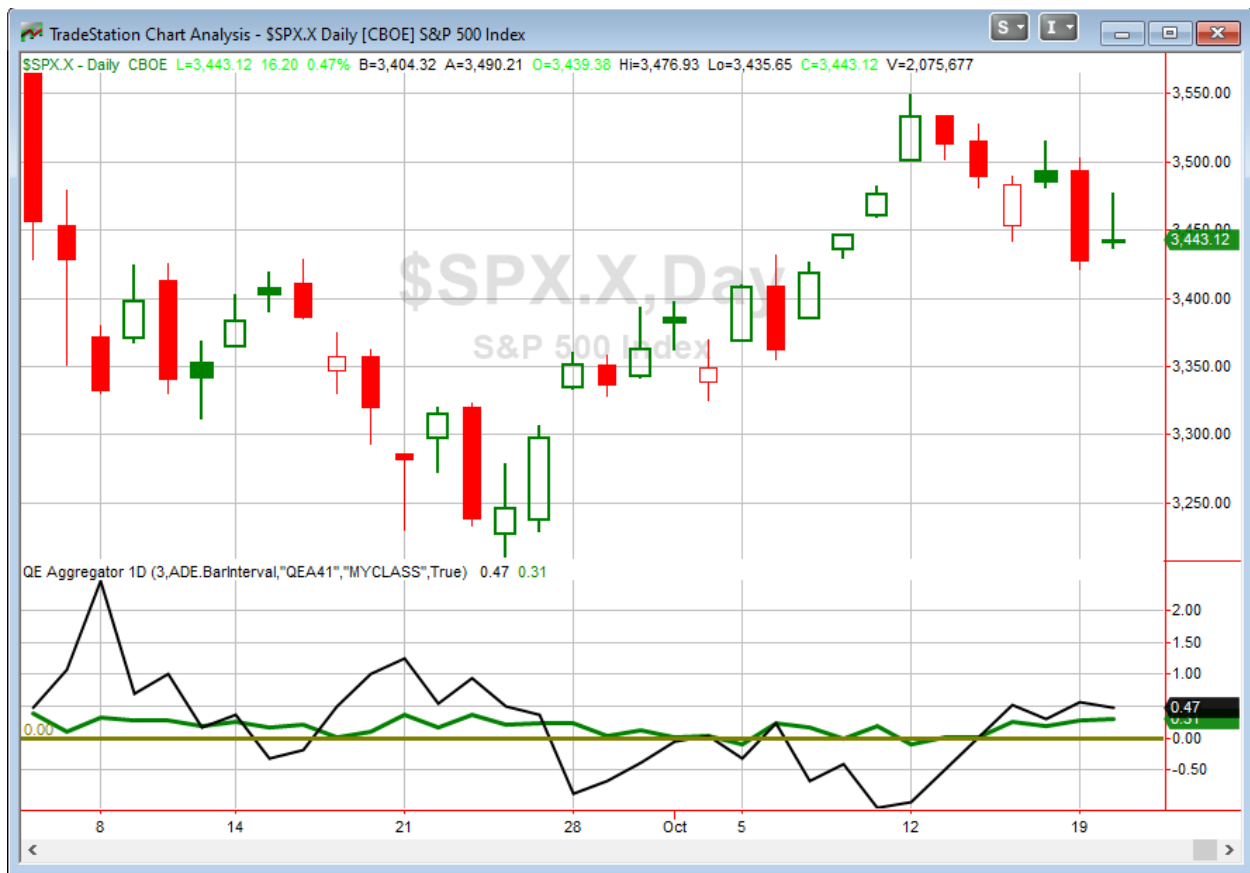
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	16,478.15	9	7	2	77.78	4,455.11	-845.91	2,555.09	-703.73	3.63	12.71	1,830.91
4	15,115.55	9	7	2	77.78	4,855.07	-780.84	2,276.35	-409.45	5.56	19.46	1,679.51
3	14,906.10	9	9	0	100.00	4,577.32	0.00	1,656.23	0.00	100.00	100.00	1,656.23
2	8,854.44	9	6	3	66.67	4,932.84	-882.06	1,789.07	-626.65	2.85	5.71	983.83
1	1,181.04	9	5	4	55.56	2,355.32	-1,677.36	852.44	-770.29	1.11	1.38	131.23

Instances are low, but so far the returns are overwhelmingly bullish. Below is the list of instances assuming a 3-day holding period.

VIX closes up for the 7th day in a row. SPY > 200ma. Buy on close. Sell 3 days later. \$100k/trade. 1993 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/3/1994	Buy	\$46.48	0.58%	\$795.87
1/6/1994	Sell	\$46.75		(\$21.51)
2/6/1996	Buy	\$64.77	1.65%	\$2,484.23
2/9/1996	Sell	\$65.84		(\$108.01)
3/19/1997	Buy	\$78.78	0.95%	\$1,015.20
3/24/1997	Sell	\$79.53		(\$1,142.10)
10/30/1997	Buy	\$89.94	4.58%	\$4,999.50
11/4/1997	Sell	\$94.06		\$0.00
3/30/1998	Buy	\$109.56	2.25%	\$2,453.28
4/2/1998	Sell	\$112.03		(\$136.80)
8/5/2003	Buy	\$96.42	1.93%	\$2,208.81
8/8/2003	Sell	\$98.28		\$0.00
4/9/2012	Buy	\$138.22	0.41%	\$491.64
4/12/2012	Sell	\$138.79		(\$1,778.58)
12/4/2013	Buy	\$179.73	0.93%	\$1,078.64
12/9/2013	Sell	\$181.40		(\$533.76)
11/2/2016	Buy	\$209.74	1.63%	\$1,642.20
11/7/2016	Sell	\$213.15		(\$647.36)

Very little drawdown compared to both the run-up and the average trade. This appears to be worth some consideration.

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



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is also above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Wednesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 3498.74 on Wednesday. That is 1.6% above Tuesday's close. Therefore, SPX will need to close up at least 1.6% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is again bullish, and evidence continues to build suggesting an upside edge. I continue to like the long side. I have a small position and will look to add to it on Wednesday if SPY closes lower. I also decided to track a "numbered system" trade in the trade ideas section that looked appealing to me.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/19– slightly bullish***

The intermediate-term outlook was last updated in the 10/19/20 Letter. It can be found in the [most recent weekly letter](#) on the website.

**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 – buy ¼ index position @ \$343.00 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to add to my index position on Wednesday if SPY closes much lower.

**COO – buy @ \$347.46 LIMIT.** COO triggered System 11111 on the nightly triggers sheet. I'll look to trade this one as well.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	10/19/2020	\$347.29	\$343.38	-1.13%		Aggregator

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