

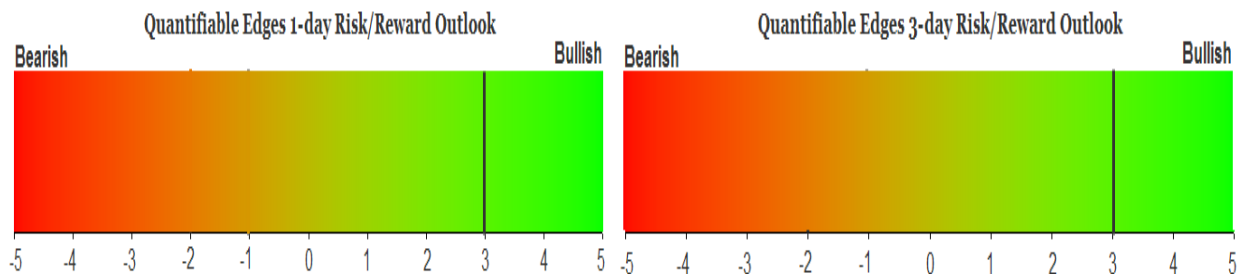
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 3, 2020

Volume 13 Issue 214

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- Moves from a 20-day low to a 4-day high in 1 day often see more rallying in the days in the days and weeks that follow.
- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. The market is oversold and evidence is pointing higher. But the election is a big wildcard, especially if it drags out with legal battles.

**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>						
November 3, 2020	20-low then 3 sideways	1-5 days	Bullish	1.90%	-1.30%	-2.70%
November 3, 2020	20-low to 4-day high	1-8 days	Bullish	2.30%	-1.40%	-2.90%
November 2, 2020	Yest 20-intra low up 1%. Today down	1-3 days	Bullish	2.10%	-0.95%	-2.10%
October 30, 2020	20-low reversal.	1-7 days	Bullish	2.40%	-1.60%	-3.00%
October 30, 2020	Down 2% 10-low. up 1% > 200	1-5 days	Bullish	2.90%	-1.35%	-2.65%
October 29, 2020	2nd 1.5% drop in 5 days. 5-day low.	1-4 days	Bullish	2.65%	-1.90%	-4.40%
<b>Active - Long Term</b>						
November 3, 2020	20-low to 4-day high	1-20 days	Bullish	3.70%	-2.00%	-4.30%
November 2, 2020	Best 6 Months	1-6 months	Bullish			
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			
March 23, 2020	QE4	int term	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
November 2, 2020	20-low. Up day. New 20-low	1 day	Bullish			
November 2, 2020	10Low > 200ma. End of Month	1 day	Bullish			

**The Evidence**

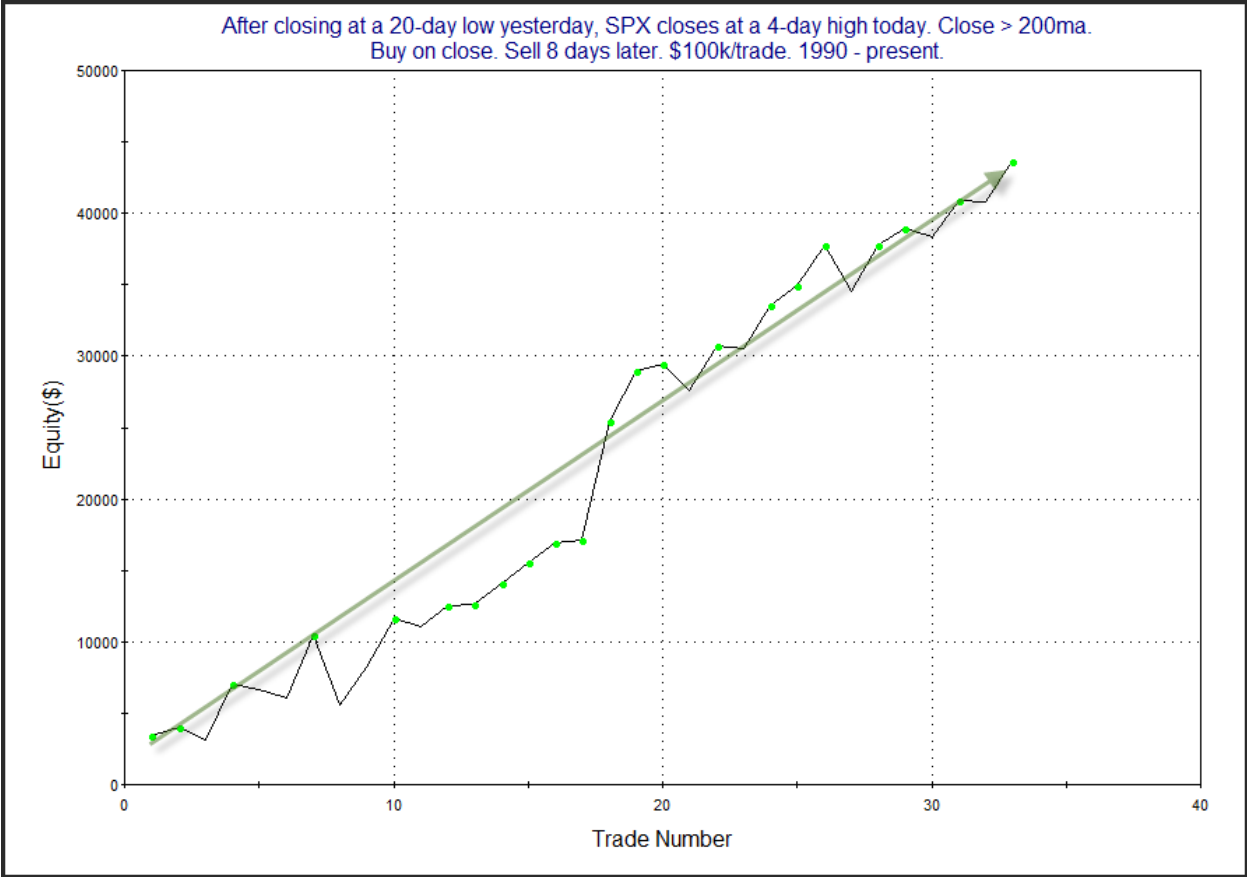
Monday saw the market make some gains. SPX closed up 1.2%, the NASDAQ rose 0.4%, and the Russell 2000 rallied nearly 2.0%. Breadth was positive with the NYSE Up Issues % coming in at 74% and the Up Volume % at 83%. NYSE total volume declined some from Friday's level.

Monday's move was big enough to flip SPX from a 20-day low close to a 4-day high close. In the 6/5/19 letter I looked at other times in which the market put in a strong thrust off at least a 20-day low like this. I have updated the results below.

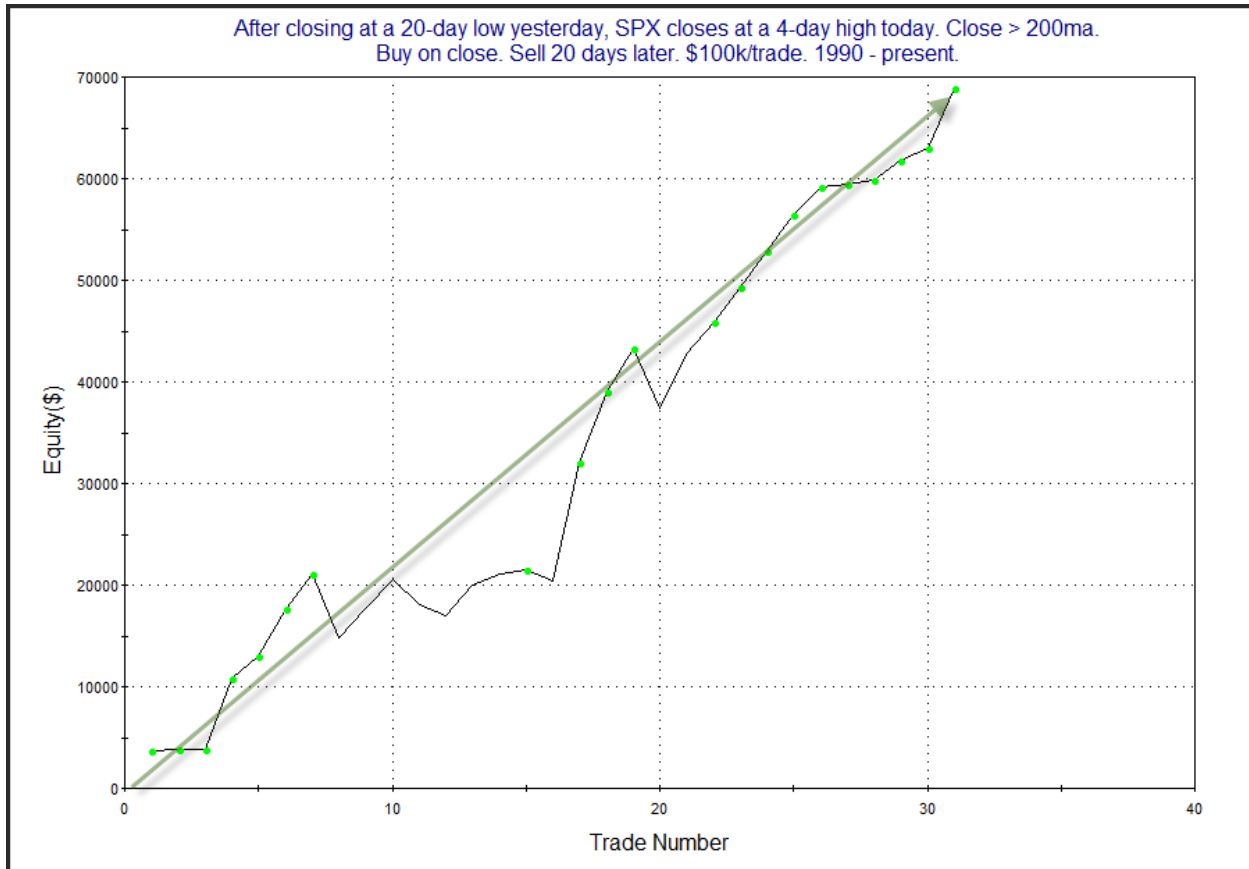
After closing at a 20-day low yesterday, SPX closes at a 4-day high today. Close > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1990 - present.

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
20	68,938.64	31	26	5	83.87	11,665.50	-6,379.08	3,300.11	-3,372.85	0.98	5.09	2,223.83
19	66,986.24	31	24	7	77.42	12,037.30	-6,347.80	3,535.22	-2,551.29	1.39	4.75	2,160.85
18	60,562.13	32	26	6	81.25	10,563.30	-4,148.97	2,895.85	-2,455.00	1.18	5.11	1,892.57
17	59,151.58	32	25	7	78.13	11,183.70	-4,247.96	3,015.28	-2,318.62	1.30	4.64	1,848.49
16	56,469.43	32	24	8	75.00	11,506.00	-4,320.78	2,961.52	-1,825.89	1.62	4.87	1,764.67
15	52,346.66	32	22	10	68.75	11,173.80	-4,723.96	3,071.79	-1,523.27	2.02	4.44	1,635.83
14	54,784.94	33	25	8	75.76	9,507.30	-7,897.52	2,891.84	-2,188.88	1.32	4.13	1,660.15
13	46,169.99	33	24	9	72.73	9,427.00	-7,363.04	2,703.80	-2,080.12	1.30	3.47	1,399.09
12	44,322.89	33	22	11	66.67	8,151.00	-5,686.84	2,817.65	-1,605.95	1.75	3.51	1,343.12
11	50,291.25	33	25	8	75.76	8,642.70	-5,722.20	2,561.60	-1,718.58	1.49	4.66	1,523.98
10	46,822.90	33	24	9	72.73	8,924.30	-8,745.48	2,631.08	-1,813.66	1.45	3.87	1,418.88
9	45,134.16	33	23	10	69.70	8,603.10	-6,371.60	2,477.02	-1,183.72	2.09	4.81	1,367.70
8	43,686.59	33	23	10	69.70	8,276.40	-4,917.08	2,487.42	-1,352.40	1.84	4.23	1,323.84
7	33,010.57	33	22	11	66.67	5,832.20	-4,106.50	2,292.11	-1,583.27	1.45	2.90	1,000.32
6	27,893.17	33	20	13	60.61	5,888.30	-5,306.50	2,223.43	-1,275.04	1.74	2.68	845.25
5	23,274.69	33	21	12	63.64	5,508.80	-5,320.00	1,859.19	-1,314.02	1.41	2.48	705.29
4	24,733.80	34	24	10	70.59	4,326.30	-4,559.50	1,675.01	-1,546.65	1.08	2.60	727.46
3	20,196.44	34	24	10	70.59	4,365.90	-4,707.50	1,488.44	-1,552.60	0.96	2.30	594.01
2	16,241.11	35	26	9	74.29	3,479.30	-3,138.00	1,101.03	-1,376.19	0.80	2.31	464.03
1	1,856.79	35	18	17	51.43	2,536.10	-2,034.00	710.37	-642.93	1.10	1.17	53.05

Day 1 is a bit iffy, but after that there appears to be a strong and consistent edge over the next 4 weeks. This suggests a decent chance that Monday's rally was the beginning of a continued move higher. I produced profit curves for the 8-day and 20-day holding periods highlighted above. First, the 8 day...



The strong, steady upslope for the 8-day period is impressive and serves as confirmation of the upside edge. Now the 20-day curve.



This one is a little choppier, but it sure has been strong lately, with 14 of the last 15 instances all closing higher, including the last 11.

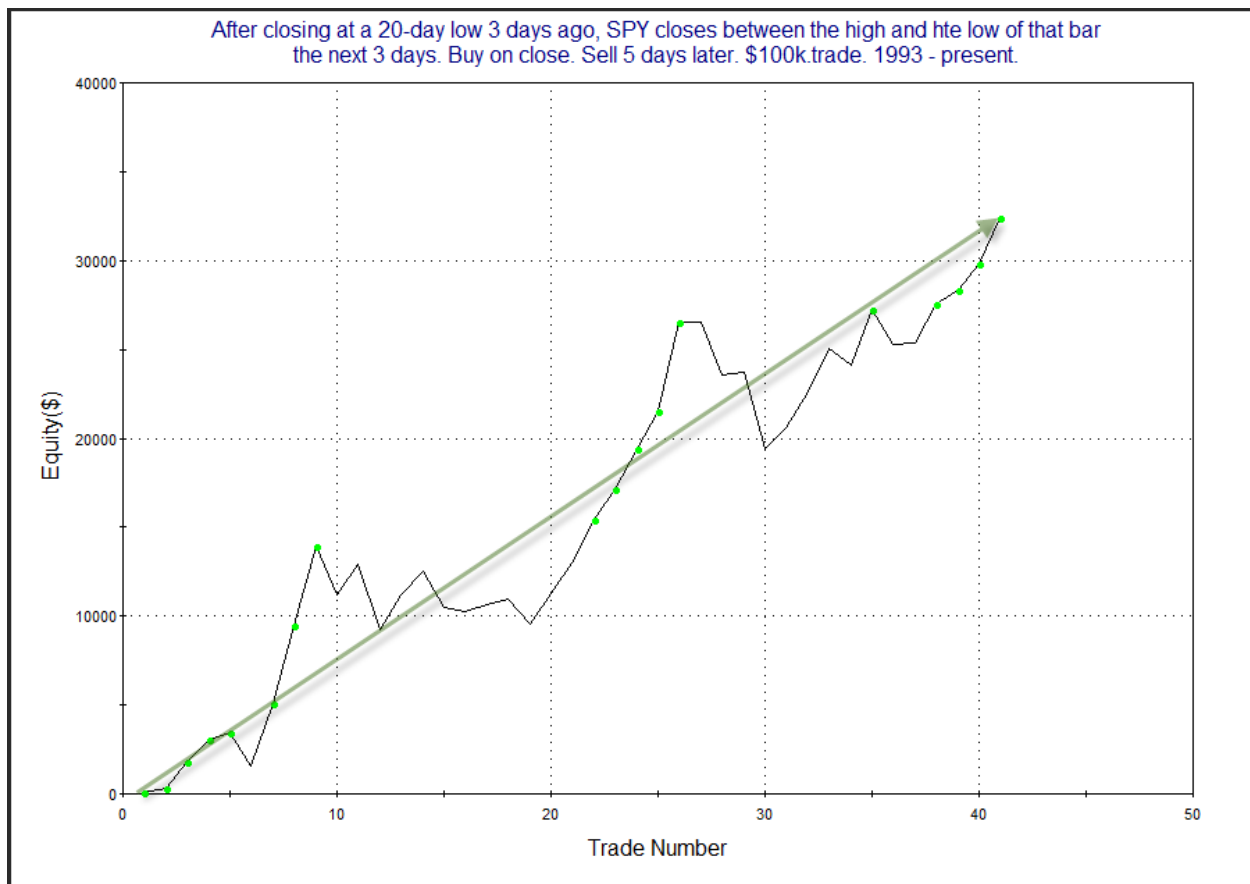
After Wednesday's sharp selloff the market has bounced back and forth. The study below looks at similar setups. It is updated from the 2/14/18 letter.

After closing at a 20-day low 3 days ago, SPY closes between the high and hte low of that bar the next 3 days. 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	32,429.08	41	30	10	73.17	4,984.19	-4,326.19	1,822.52	-2,224.65	0.82	2.46	790.95
4	21,900.12	42	28	14	66.67	4,855.07	-4,345.88	1,704.52	-1,844.74	0.92	1.85	521.43
3	20,479.76	42	25	17	59.52	4,577.32	-4,248.64	1,716.39	-1,319.41	1.30	1.91	487.61
2	16,912.14	43	28	15	65.12	4,932.84	-2,818.42	1,269.95	-1,243.09	1.02	1.91	393.31
1	7,569.22	45	24	19	53.33	2,355.32	-2,101.88	896.07	-733.50	1.22	1.54	168.20

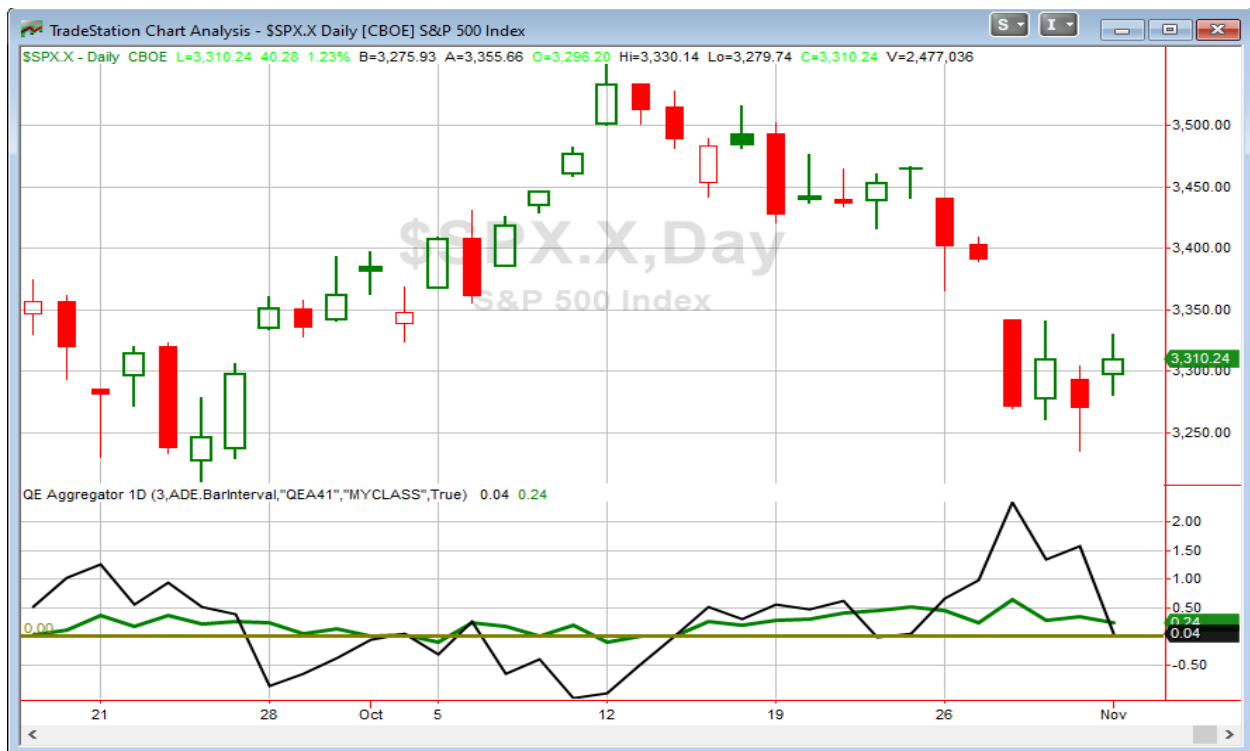
Closing 3 times between the high and low of the bar that put us at a 20-day low means 1) the selloff day was probably pretty large, and 2) the market has been moving moderately higher or sideways since. Results here seem to favor the bull case. And even though the size of the gains is not great,

the % Profitable appears pretty good. I also examined the profit curves. The 5-day can be found below.



The curve has certainly been choppy. But has continued to move from lower left to upper right and is again at new highs. I decided to include this study on the Active List tonight.

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 still slightly 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 Tuesday. This could change if very compelling new bearish evidence emerged. Meanwhile, the Differential Pivot will be 3347.99 on Tuesday. That is 1.1% above Monday's close. Therefore, it will take a close higher of at least 1.1% on Tuesday in order for SPX to flip from oversold to overbought vs recent expectations.

The Aggregator is again bullish. We continue to see more evidence suggest a short-term rally. But volatility remains high, as do emotions with a highly contentious election wrapping up on Tuesday. Well...voting is wrapping up. Hopefully results will be obvious enough that that results will be quickly accepted as well. If we have a winner, then the market can move on to dealing with "knowns". It much prefers that to "unknowns". And with the election out of the way, the overdue short-term rally could be strong. Of course, this is the somewhat optimistic view, where a winner is obvious. And we won't know that until well after the market close on Tuesday. I like the long side, and I have a good-sized long index position at this point. If the market rallies ahead of the close on Tuesday, then I will certainly take off part of the position, and only let a small position

ride. If we sell off on Tuesday, then I will assume that is out of fear, and I'll continue to hold my position in anticipation of a rebound in the following days.

### ***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/2 – slightly bullish***

The intermediate-term outlook was last updated in the 11/2/20 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.*

None tonight.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	10/19/2020	\$347.29	\$330.20	-4.92%		<i>sell on SPX close &gt; 3347.99</i>
SPY(1/4)	10/21/2020	\$342.73	\$330.20	-3.66%		<i>sell on SPX close &gt; 3347.99</i>
SPY(1/4)	10/27/2020	\$338.22	\$330.20	-2.37%		Aggregator

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