

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 5, 2020

Volume 13 Issue 216

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- The failure of BXX to rally with the rest of the market on Tuesday could be a bad sign for Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but it is not expected to last beyond Wednesday. I don't love the setup and am sitting out for now.

Summary of Recent Active Studies (see Letters from listed dates for details)

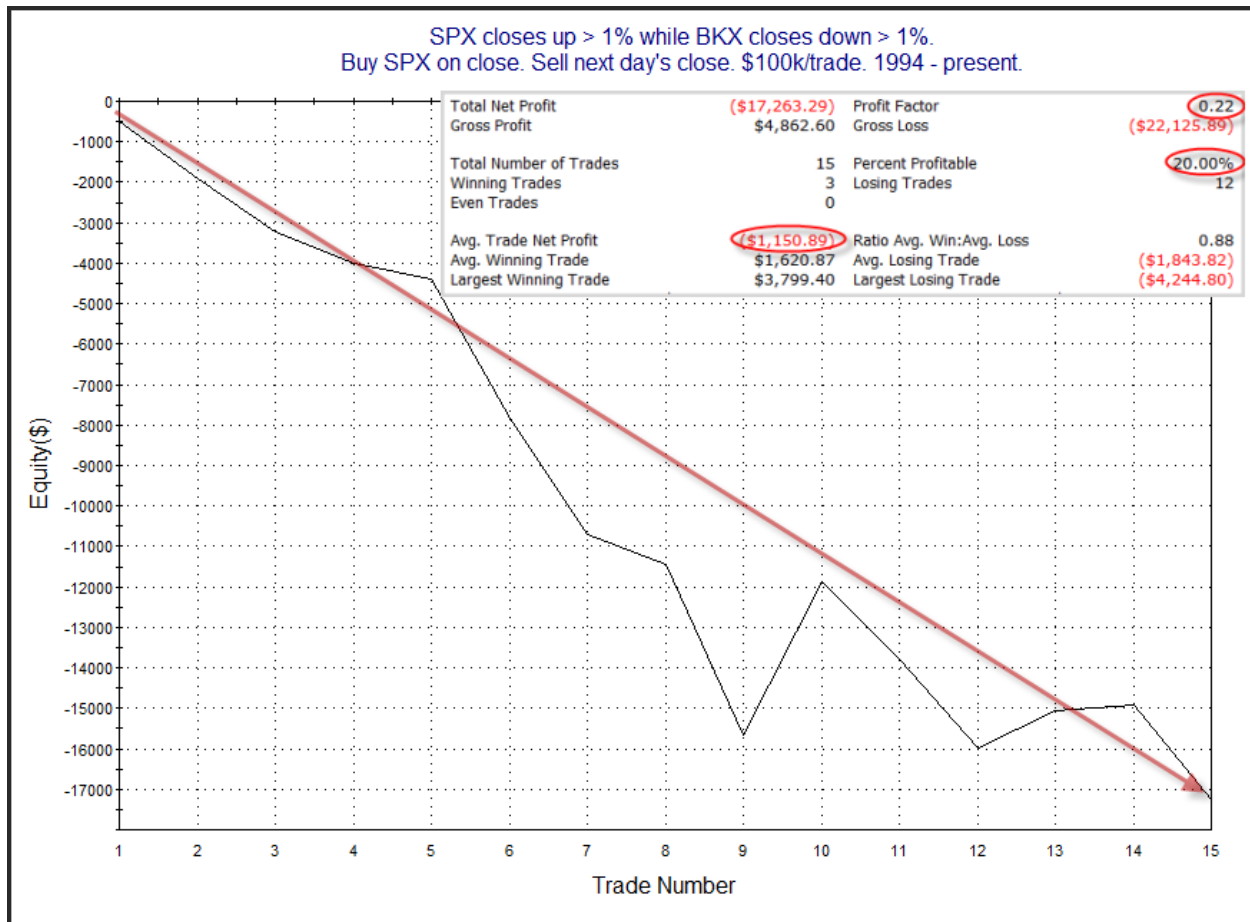
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
November 5, 2020	SPX up 1% and BKX down 1%	1 day	Bearish			
Active - Long Term						
November 3, 2020	20-low to 4-day high	1-20 days	Bullish	3.70%	-2.00%	-4.30%
November 2, 2020	Best 6 Months	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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
<i>November 4, 2020</i>	<i>Up 2 days from 10-low. > 200 & < 50</i>	<i>1-4 days</i>	<i>Bullish</i>	<i>2.00%</i>	<i>-1.00%</i>	<i>-2.30%</i>
<i>October 30, 2020</i>	<i>Down 2% 10-low. up 1% > 200</i>	<i>1-5 days</i>	<i>Bullish</i>	<i>2.90%</i>	<i>-1.35%</i>	<i>-2.65%</i>

The Evidence

Wednesday was a big day for the market. SPX closed up 1.8%, the NASDAQ rose 1.85%, and the Russell 2000 rallied 2.9%. Breadth was positive with the NYSE Up Issues % coming in at 81% and the Up Volume % at 86%. NYSE total volume declined some from Monday's level.

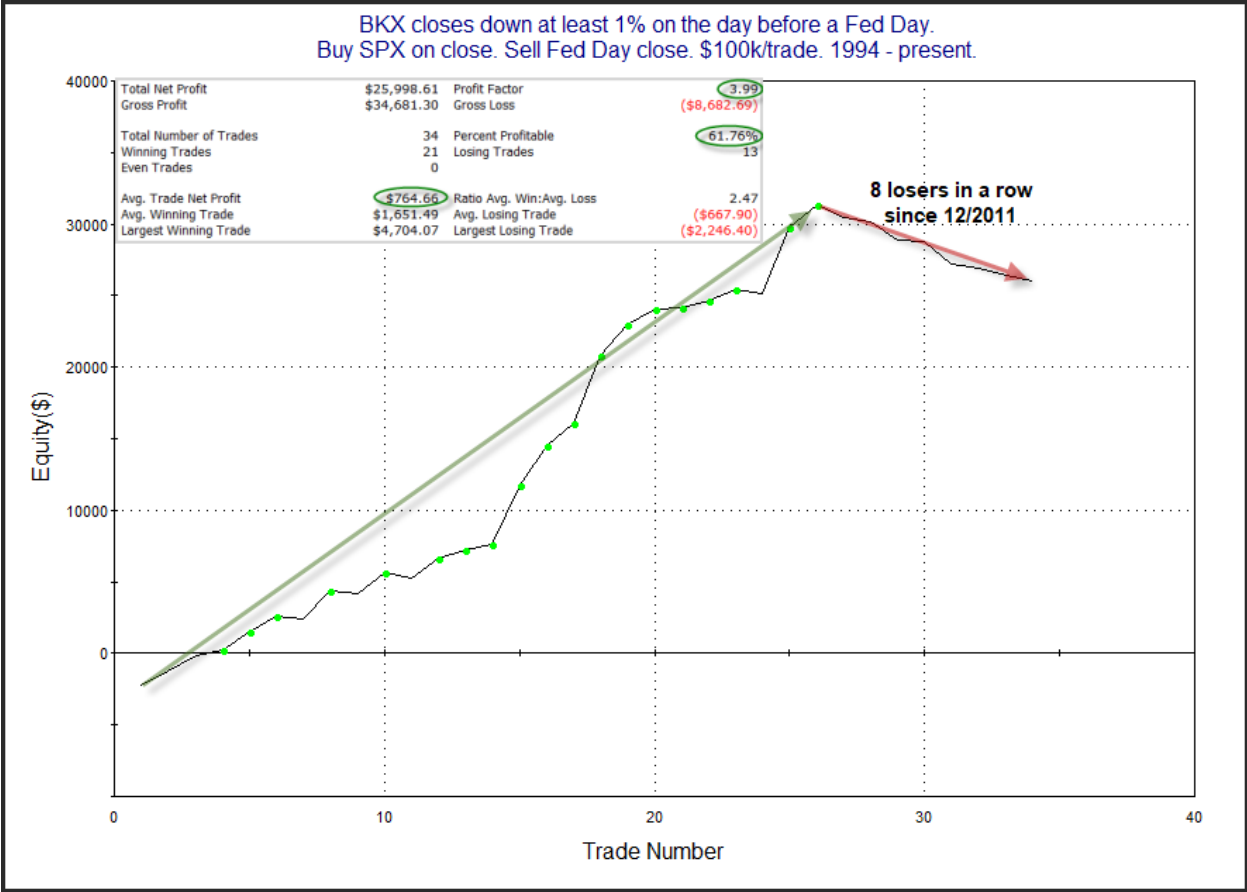
We still aren't sure who the president will be, but it appears the senate will not flip to the Democrats. That means Biden would have a harder time putting through proposed legislation like tax increases and green new deal initiatives. So the market celebrated the split congress for those reasons and more. David Moenning did a nice writeup on this [in his blog on Wednesday](#).

While the bounce arrived for the major indices, the BKX closed down 5%. This oddity triggered a few Quantifinder studies. The one below was last seen recently in the 9/23/20 letter. It looks at other times SPX rose strongly while BKX declined strongly on the same day. Results are updated.



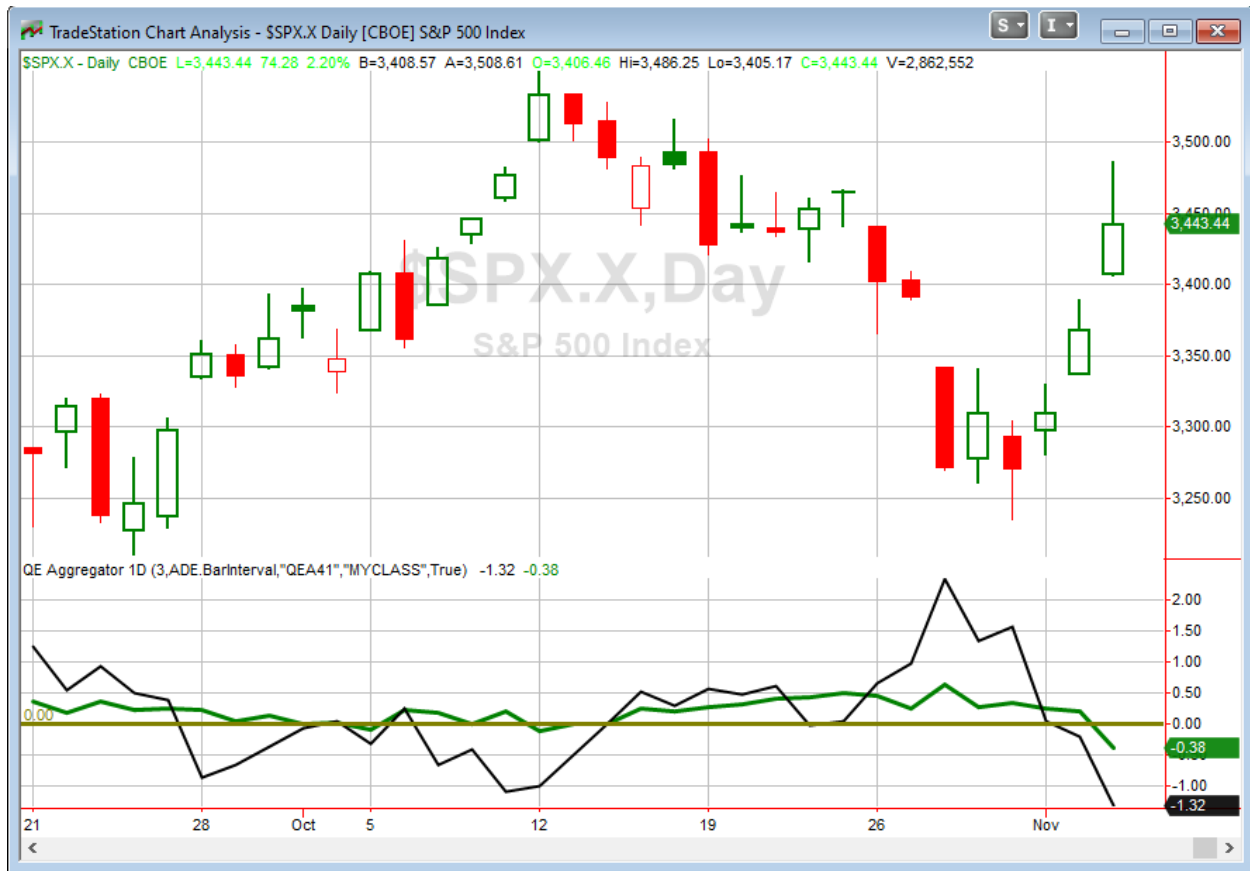
The numbers suggest a downside edge. But the number of instances is low. Still the profit curve is again hitting new low, and this study seems worth taking into some consideration.

I'll also note the fact that Wednesday is a Fed Day. I do not anticipate any big surprises when they release their statement in the afternoon. But Fed Days do often carry a bullish tilt. Of course, the tilt is stronger when the market has sold off heading into a Fed Day than when it has rallied. So the strong move up over the last few days dampens Fed Day reward/risk some. There was 1 interesting Fed Day study that emerged that also noted the BKX action. It was last seen in the 12/19/18 letter, and has been updated below.



This setup used to lead to fairly consistent gains the next day. But the edge has not persisted in recent years, with the last 8 instance all closing lower. So I have not included this study on the active list tonight.

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



With tonight's evidence considered, the green Aggregator Line dropped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line fell further below 0. The negative Differential Line reading means that 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 turned short at the close.

With all short-term studies set to expire on Thursday, expectations are slated to flip back to positive based on the bullish intermediate-term evidence. This could change if new bearish evidence emerged. Meanwhile, the Differential Pivot will be 3335.63 on Thursday. That is 3.1% below Wednesday's close. That would be a very large 1-day drop. A more likely scenario for working off the overbought condition would be a multi-day pullback or consolidation.

So the Aggregator is now short. The market got a little ahead of itself the past few days, and we have some evidence showing that Wednesday could be a tough day. With the signal only expected to last one day, the evidence mild, the intermediate-term outlook bullish, and the fact that Fed Days are often bullish, I have no desire to attempt a short here. I'll wait for the next favorable reward/risk setup before jumping back in.

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
<i>SPY(1/4)</i>	<i>10/27/2020</i>	<i>\$338.22</i>	<i>\$340.86</i>	<i>0.78%</i>		<i>sold on open</i>

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