

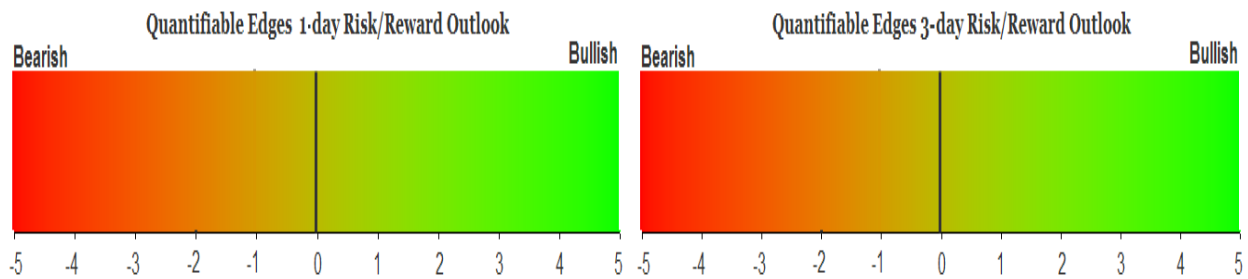
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 11, 2020

Volume 13 Issue 220

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Strong breadth near a short-term high and a down close suggest short-term bullish implications.
- The Russell 2000 rising > 1% while SPX closes lower also suggests a 1-day upside edge.

Short-term Outlook

The Bottom Line

Evidence is mixed and reward/risk appears poor with the Aggregator neutral. I am also neutral.

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 11, 2020	RUT up 1%. SPX down.	1 day	Bullish			
November 11, 2020	5-high then down on 60% up issues	1-2 days	Bullish			
November 10, 2020	20-day intraday high, close btm 10%	1-3 days	Bullish			
November 10, 2020	DJI 50-low to 50-high in 10 days	1-5 days	Bullish			
November 10, 2020	20-high. Close < open. Unfilled gap	1-2 days	Bullish			
Active - Long Term						
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)						
November 10, 2020	VIX up. SPX 10-high < 50-high Monday	1 day	Bearish			

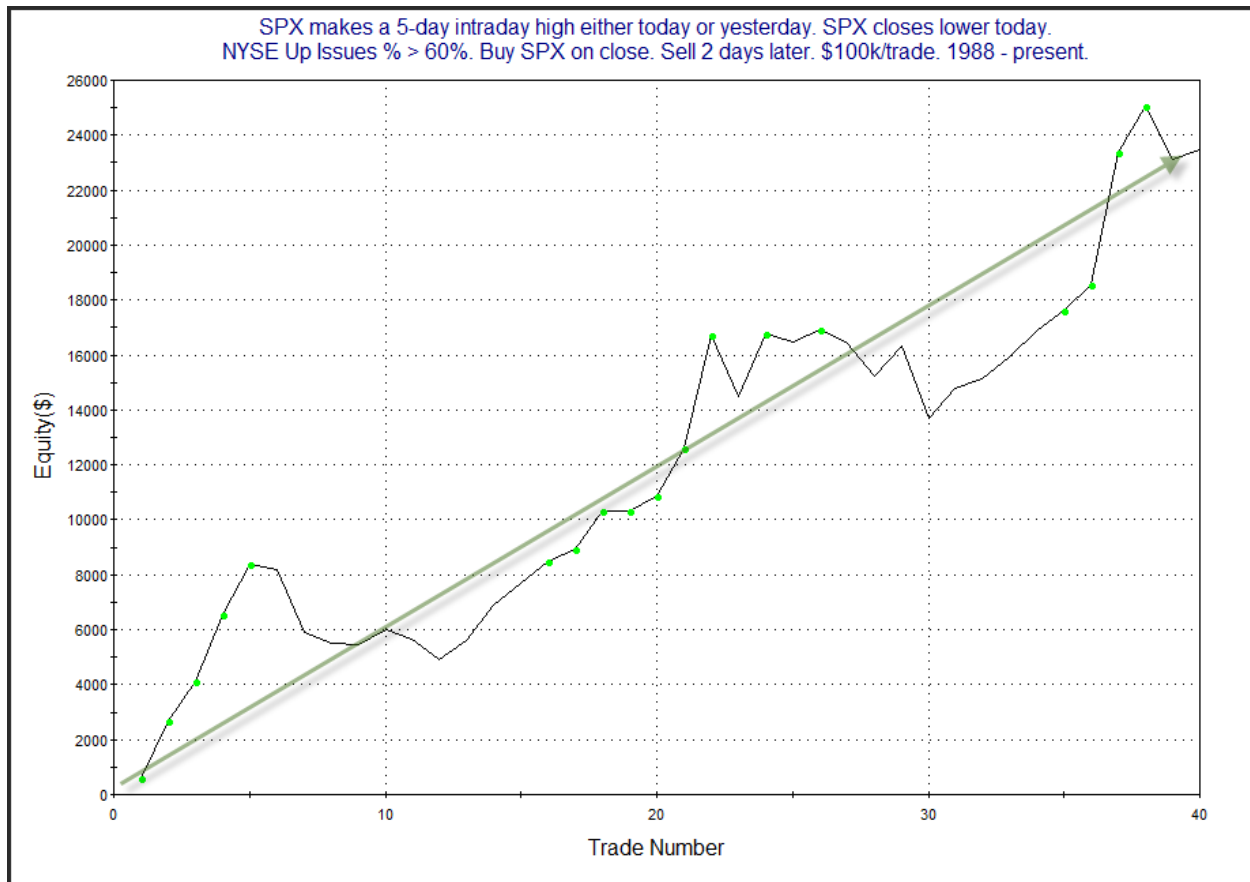
The Evidence

Tuesday was another day of mixed action. SPX fell 0.1%, the NASDAQ lost 1.4%, and the Russell 2000 rallied 1.9%. Breadth was positive with the NYSE Up Issues % coming in at 66% and the Up Volume % at 57.5%. NYSE total volume dropped some from Monday's very high level.

The action triggered an interesting study that we saw fairly recently in the 10/5/20 letter. It noted the positive breadth that accompanied the move lower from the short-term high. I have updated the results below.

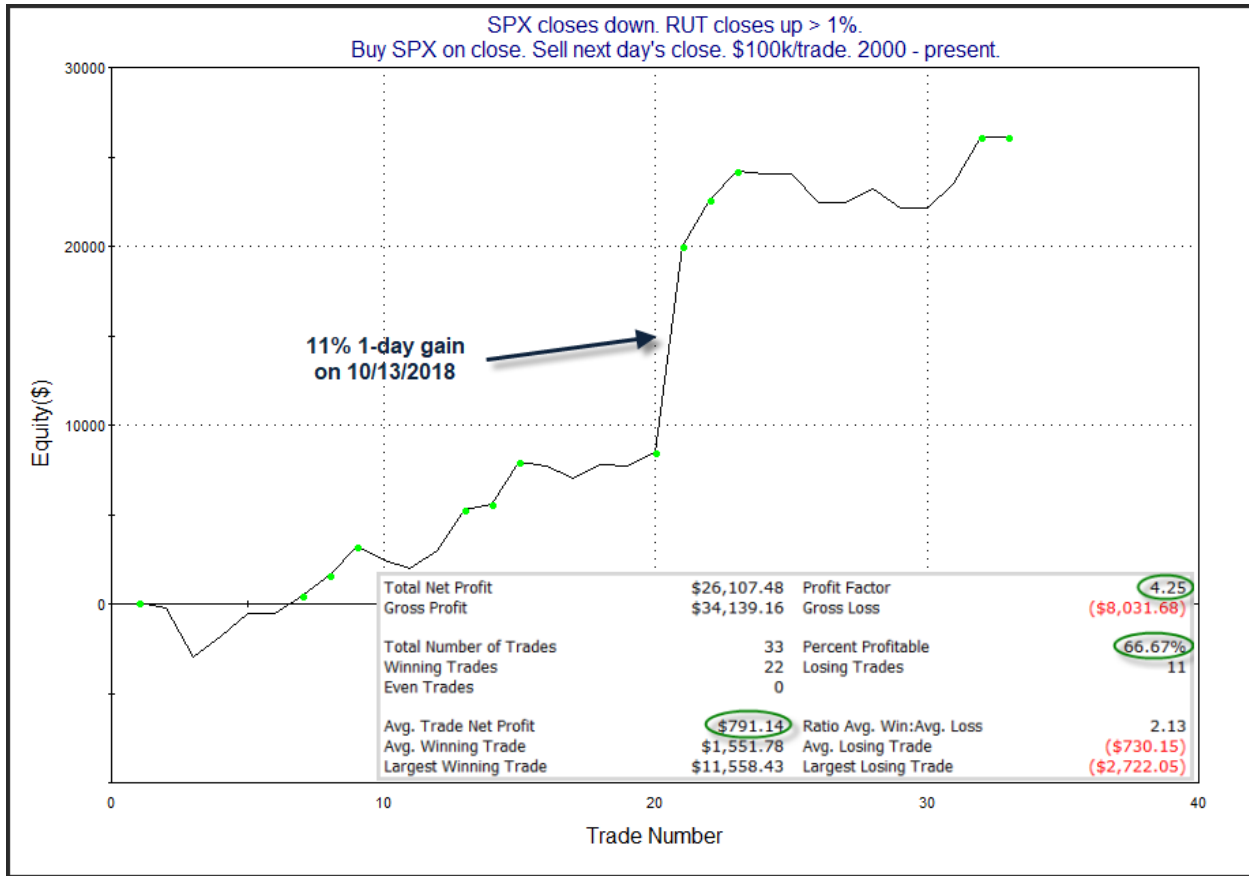
SPX makes a 5-day intraday high either today or yesterday. SPX closes lower today. NYSE Up Issues % > 60%. Buy SPX on close. Sell X days later. \$100k/trade. 1988 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	11,429.83	39	24	15	61.54	4,586.15	-6,119.33	1,653.98	-1,884.37	0.88	1.40	293.07
4	29,041.05	40	23	17	57.50	8,095.62	-3,969.70	2,179.52	-1,240.47	1.76	2.38	726.03
3	23,086.22	40	25	15	62.50	4,370.82	-3,028.47	1,561.61	-1,063.60	1.47	2.45	577.16
2	23,493.47	40	28	12	70.00	4,825.17	-2,625.30	1,293.62	-1,060.66	1.22	2.85	587.34
1	20,046.83	40	23	17	57.50	3,351.09	-1,606.00	1,151.37	-378.50	3.04	4.12	501.17

Stats here are solidly bullish. Below is a look at a 2-day profit curve.

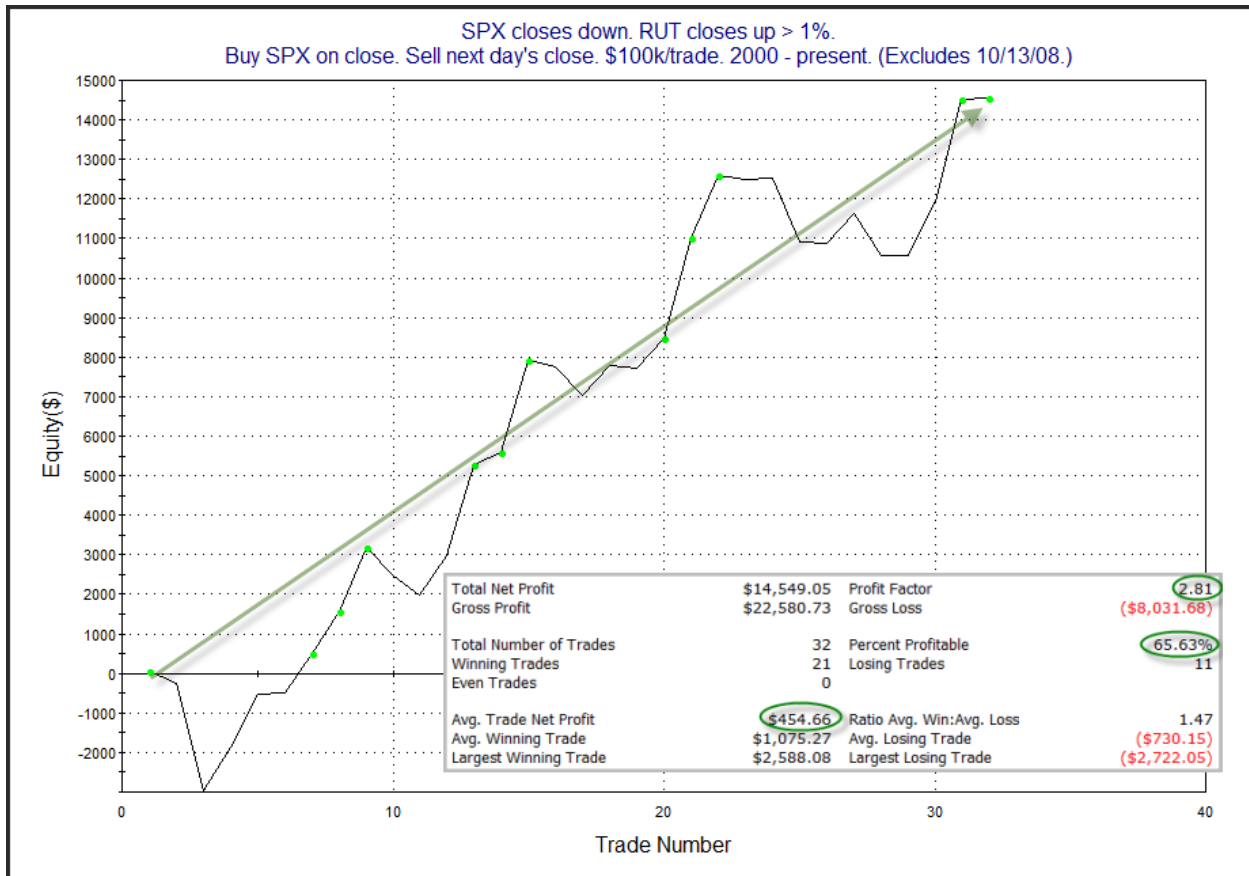


The curve is certainly choppy. But it has made its way from lower left to upper right, and 9 of the last 10 instances have closed higher. I have included this study on the active list tonight.

Of course, while SPX declined, the Russell put it a solid up day. The split market triggered another interesting study from the 10/16/20 subscriber letter. It examined other times the SPX closed down on the same day the Russell 2000 rose at least 1%. I have updated the results below.



Stats here are very strong, but the one instance noted certainly inflates all the stats and skews the curve. So let's look at the results if we exclude that 2008 instance.



This seems worth paying attention to. The profit curve is again at new highs and the average instance has led to a 0.45% gain the next day. I have included this on the Active List.

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 again below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal stayed flat at the close.

Based on the current list of studies, expectations are set to remain bullish on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3504.78 on Wednesday. That is 1.15% below Tuesday's close. Therefore, SPX will need to close down at least 1.15% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again flat. SPX is overbought, but there is ample evidence suggesting SPX is more likely to move higher. Additionally, the shift I noted last night between leaders and laggards persisted on Tuesday. So it seems a bit more complex than bullish/bearish when looking at current market forces. All considered, reward/risk does not appear great here. I'll continue to wait for a more favorable setup before looking to take on a new index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/9 – slightly bullish

The intermediate-term outlook was last updated in the 11/9/20 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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