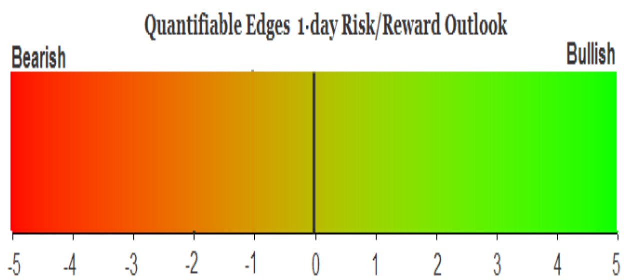
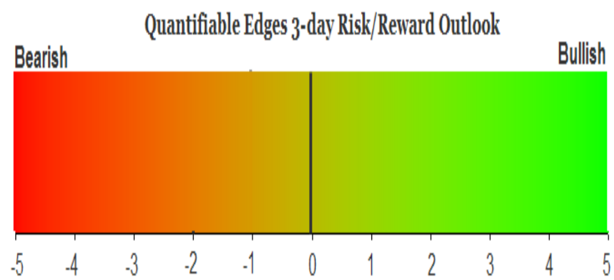
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 17, 2020 Volume 13 Issue 224

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- VXO's extended stretch more than 10% below its 10ma suggests additional strength for SPX.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Me too.

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 17, 2020	VXO 10% below 10ma for 9 days	1-5 days	Bullish	1.80%	-1.00%	-2.60%
November 16, 2020	SPX breakout on declining volume	1-5 days	Bullish	1.50%	-1.00%	-1.90%
November 16, 2020	SPY breakaway gap	1-5 days	Bullish	1.40%	-0.90%	-1.90%
Active - Long Term						
November 16, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
November 2, 2020	Best 6 Months	1-6 months	Bullish			
September 28, 2020	4 weeks down > 40-week ma	1-10 weeks	Bullish	8.60%	-3.10%	-7.40%
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	DJI 50-low to 50-high in 10 days	1-5 days	Bullish			

The Evidence

Monday saw more rallying on positive vaccine news. SPX gained 1.2%, the NASDAQ rose 0.8%, and the Russell 2000 jumped 2.4%. Breadth was positive with the NYSE Up Issues % coming in at 83% and the Up Volume % at 87%. NYSE total volume declined some from Thursday's level.

What has also stood out recently is that the VXO (which is the old calculation for the VIX) has basically spent the entire month so far collapsing. In fact, Monday marked the 9th day in a row that VXO closed at least 10% below its 10-day moving average. This is something I looked at in the 2/27/18 letter. Below is an updated look at SPX performance following other times that VXO was stretched this low for this long.

VXO closes at least 10% below its 10ma for the 9th day in a row.
Buy SPX on close. Sell X days later. $100k/trade. 1987 - present.

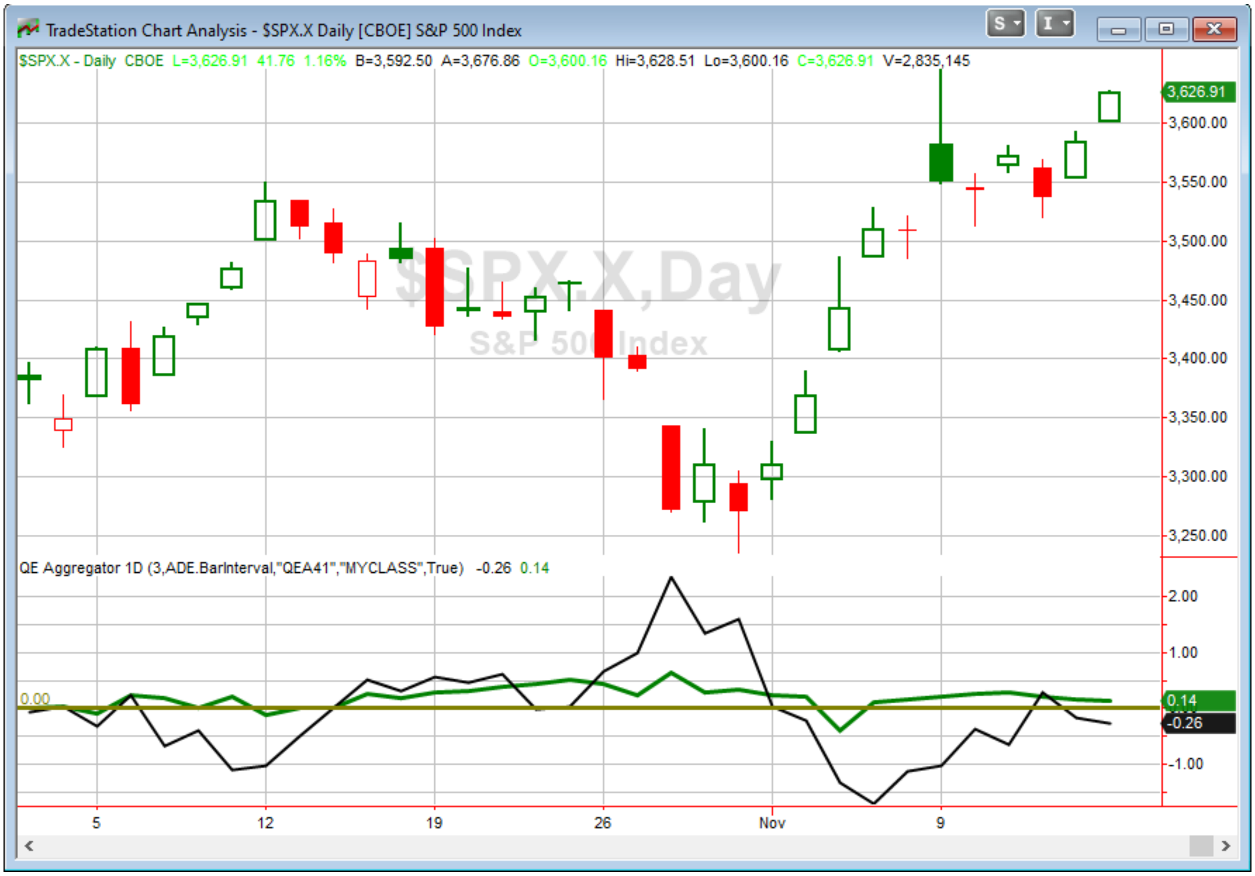
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	8,229.91	8	7	1	87.50	4,579.74	-2,053.10	1,469.00	-2,053.10	0.72	5.01	1,028.74
4	5,506.27	8	7	1	87.50	3,712.50	-3,092.25	1,228.36	-3,092.25	0.40	2.78	688.28
3	3,921.93	8	7	1	87.50	2,202.96	-3,567.55	1,069.93	-3,567.55	0.30	2.10	490.24
2	4,165.38	8	6	2	75.00	2,399.76	-2,301.95	1,164.88	-1,411.96	0.83	2.48	520.67
1	1,202.58	8	6	2	75.00	1,502.82	-1,709.76	691.42	-1,472.98	0.47	1.41	150.32

Instances are very low, but early returns suggest a possible upside edge for the SPX. Below are the full list of trades.

VXO closes at least 10% below its 10ma for the 9th day in a row. Buy SPX on close. Sell 5 days later. $100k/trade. 1987 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
11/9/1987	Buy	$243.16	1.48%	$2,766.03
11/16/1987	Sell	$246.75		($2,272.83)
1/29/1991	Buy	$335.84	4.59%	$4,752.00
2/5/1991	Sell	$351.26		($41.58)
3/31/2011	Buy	$1,325.83	0.58%	$1,016.25
4/7/2011	Sell	$1,333.51		$0.00
10/30/2014	Buy	$1,994.65	1.83%	$1,848.00
11/6/2014	Sell	$2,031.21		$0.00
7/12/2016	Buy	$2,152.14	0.54%	$777.86
7/19/2016	Sell	$2,163.78		($272.78)
11/21/2016	Buy	$2,198.18	0.29%	$682.65
11/29/2016	Sell	$2,204.66		($165.15)
2/26/2018	Buy	$2,779.60	-2.11%	$334.25
3/5/2018	Sell	$2,720.94		($4,629.80)
1/16/2019	Buy	$2,616.10	1.00%	$2,256.06
1/24/2019	Sell	$2,642.33		($370.12)

The 2018 instance failed pretty bad. But the other 7 instances all saw some decent upside over the next week. I have added this study to 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 remained 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 Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3563.41 on Tuesday. That is 1.75% below Monday's close. So SPX would need to close down at least 1.75% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again neutral. Evidence continues to suggest more upside, but now we are substantially overbought. The overbought SPX hinders reward/risk. I'll continue to wait for a more favorable opportunity before looking to take on my next index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/16 – slightly bullish
The intermediate-term outlook was last updated in the 11/16/20 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