

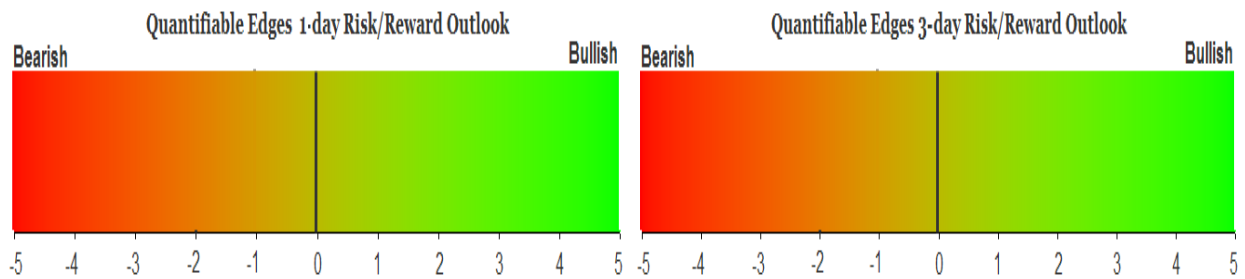
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 18, 2020

Volume 13 Issue 225

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Coming from an intermediate-term high, an unfilled gap down after an unfilled gap up appears to be somewhat bearish.

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 18, 2020	SPY unfilled gap up to 20-hi thn unfl dn	1-4 days	Bearish	-1.55%	0.70%	1.30%
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			

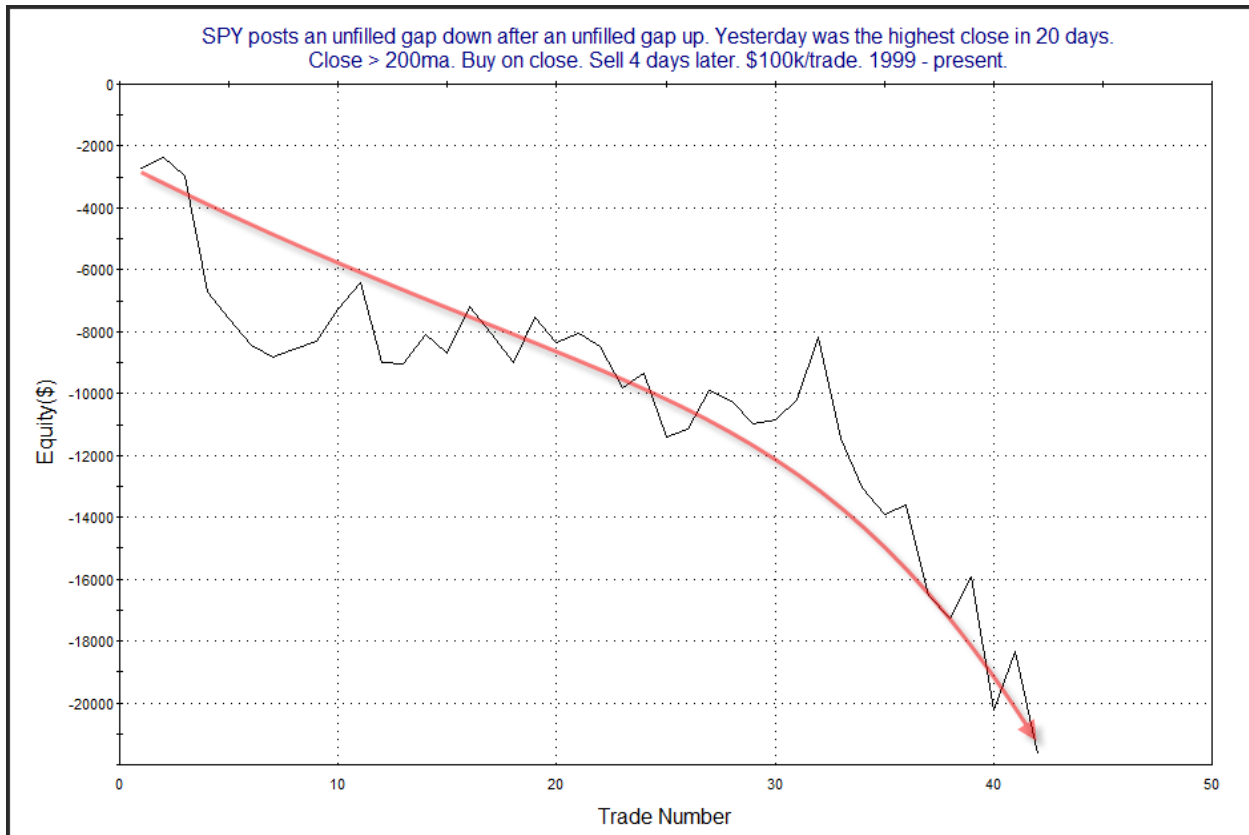
The Evidence

Tuesday was mixed, but mostly negative. SPX lost 0.5%, the NASDAQ fell 0.2%, and the Russell 2000 rose 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 56% and the Up Volume % at 65%. NYSE total volume declined some from Monday's level.

The Quantifinder showed one compelling study that suggested the action the last couple of days could lead to more selling. This study considers SPY performance after posting an unfilled gap down from a high level immediately after an unfilled gap up. It was last shown in the 9/4/20 Subscriber Letter. Below are updated results.

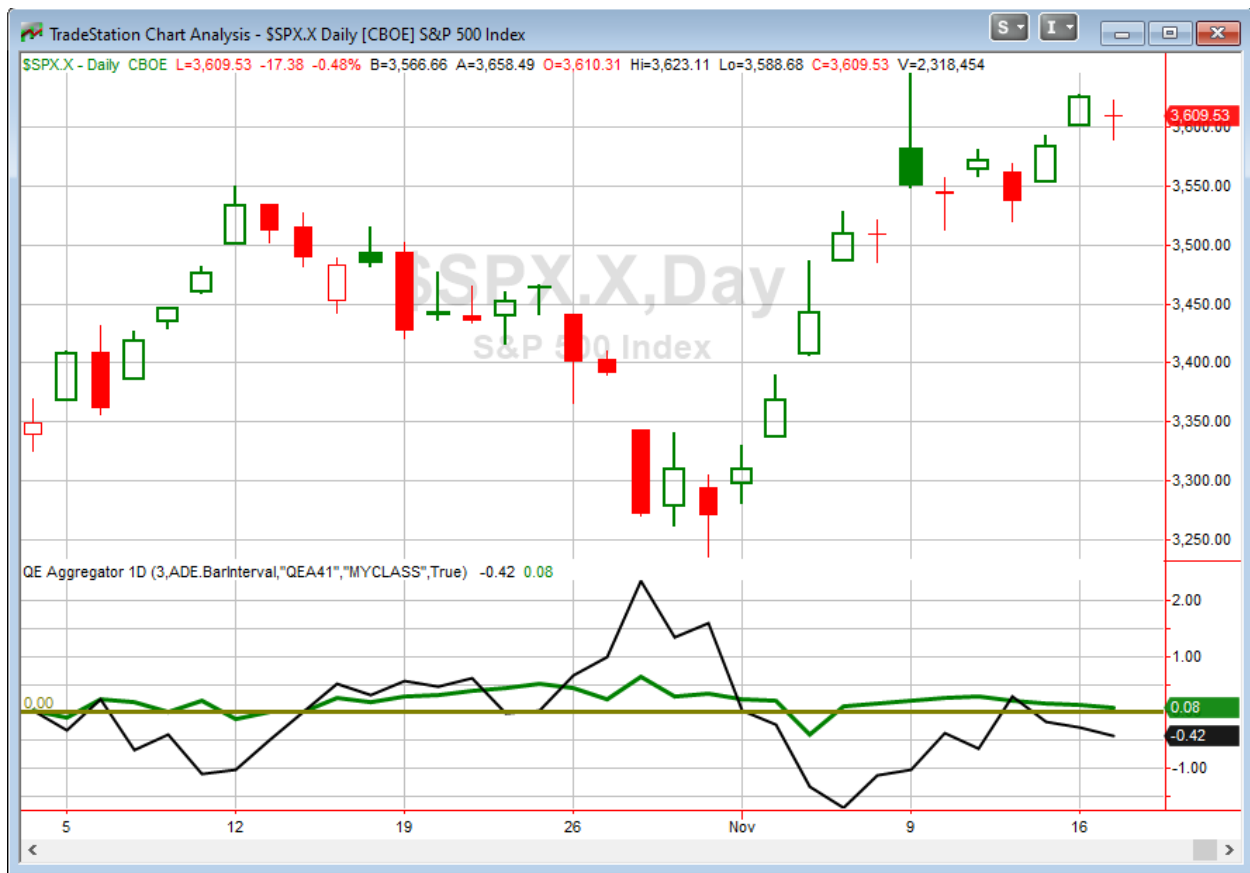
SPY posts an unfilled gap down after an unfilled gap up. Yesterday was the highest close in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-27,031.21	42	20	22	47.62	1,827.28	-7,283.25	788.06	-1,945.11	0.41	0.37	-643.60
4	-21,657.11	42	18	24	42.86	1,998.36	-4,273.14	848.14	-1,538.48	0.55	0.41	-515.65
3	-19,313.70	42	18	24	42.86	1,312.42	-5,156.38	629.78	-1,277.07	0.49	0.37	-459.85
2	-19,817.80	43	16	27	37.21	1,383.20	-6,275.98	567.15	-1,070.08	0.53	0.31	-460.88
1	-8,484.41	43	17	26	39.53	1,008.68	-1,807.92	426.09	-604.92	0.70	0.46	-197.31

The numbers here appear to suggest a downside edge. Let's also take a look at a profit curve.



While the curve is choppy, it has persisted downwards. We have tracked this study for a while, and the edge has seen an acceleration to the downside in recent instances. This all suggests we could see further selling over the next few days. I added this to the Active List tonight.

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



Even with tonight's bearish evidence considered, the green Aggregator Line remained slightly 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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3608.91 on Wednesday. That is less than *1 point* below Tuesday's close. So SPX would flip from overbought to oversold vs recent expectations on just about any down close.

So the Aggregator is again neutral. Evidence is mixed but still leaning bullish, while the SPX is slightly overbought. This does not appear to be a compelling short-term opportunity. I'll continue to wait for a more favorable reward/risk setup to emerge before looking to take on new index positions.

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

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