

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 20, 2020

Volume 13 Issue 227

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Opex Friday has often seen bearish intraday returns, especially for the NASDAQ 100.
- Thanksgiving week tends to be favorable for the bulls.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but the lack of recent bullish evidence has me still feeling cautious..

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			

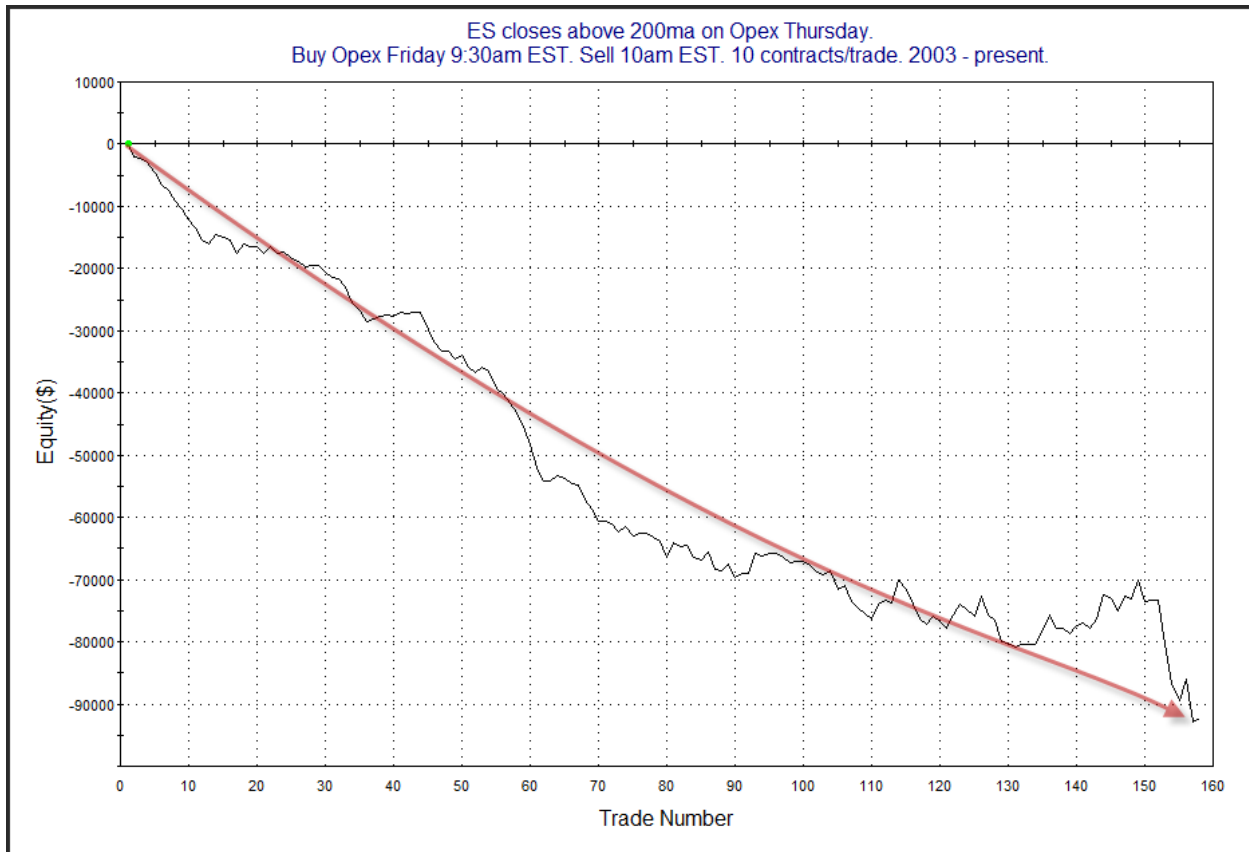
The Evidence

The market rose some on Thursday. The SPX gained 0.4%, the NASDAQ rallied 0.9%, and the Russell 2000 climbed 0.8%. Breadth was positive with the NYSE Up Issues % coming in at 62.5% and the Up Volume % at 70%. NYSE total volume rose some from Tuesday's level.

The back and forth price action over the last several days has once again failed to generate compelling new evidence. But there are some seasonality-based edges that are worth discussion. For one, Friday is options expiration. Options expiration has long been a day that has seen weakness after the opening bell (and strength before it). Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. This table is updated from the 10/18/19 letter.

ES closes above 200ma on Opex Thursday. Buy Opex Friday 9:30am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-178,000.00	158	68	87	43.04	13,875.00	-28,500.00	2,875.00	-4,293.10	0.67	0.52	-1,126.58
1,500	-137,125.00	158	63	90	39.87	11,625.00	-24,250.00	3,095.24	-3,690.28	0.84	0.59	-867.88
1,400	-182,375.00	158	53	98	33.54	12,500.00	-31,625.00	2,860.85	-3,408.16	0.84	0.45	-1,154.27
1,300	-145,750.00	158	56	101	35.44	11,375.00	-22,125.00	2,756.70	-2,971.53	0.93	0.51	-922.47
1,200	-123,625.00	158	57	101	36.08	12,000.00	-12,750.00	2,528.51	-2,650.99	0.95	0.54	-782.44
1,100	-99,500.00	158	60	96	37.97	14,625.00	-12,625.00	2,122.92	-2,363.28	0.90	0.56	-629.75
1,000	-92,250.00	158	48	106	30.38	3,875.00	-7,000.00	1,236.98	-1,430.42	0.86	0.39	-583.86

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 2pm. Below is a look at a profit curve for the 1st half-hour.

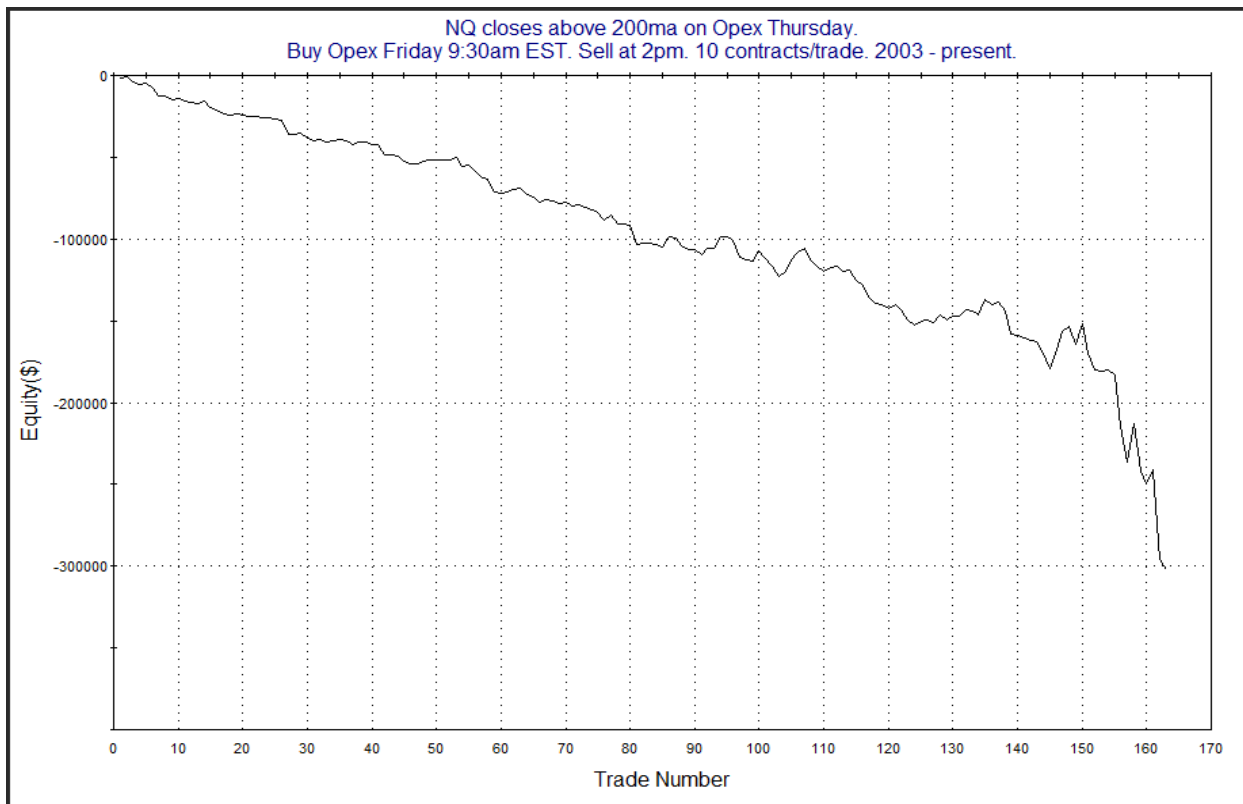
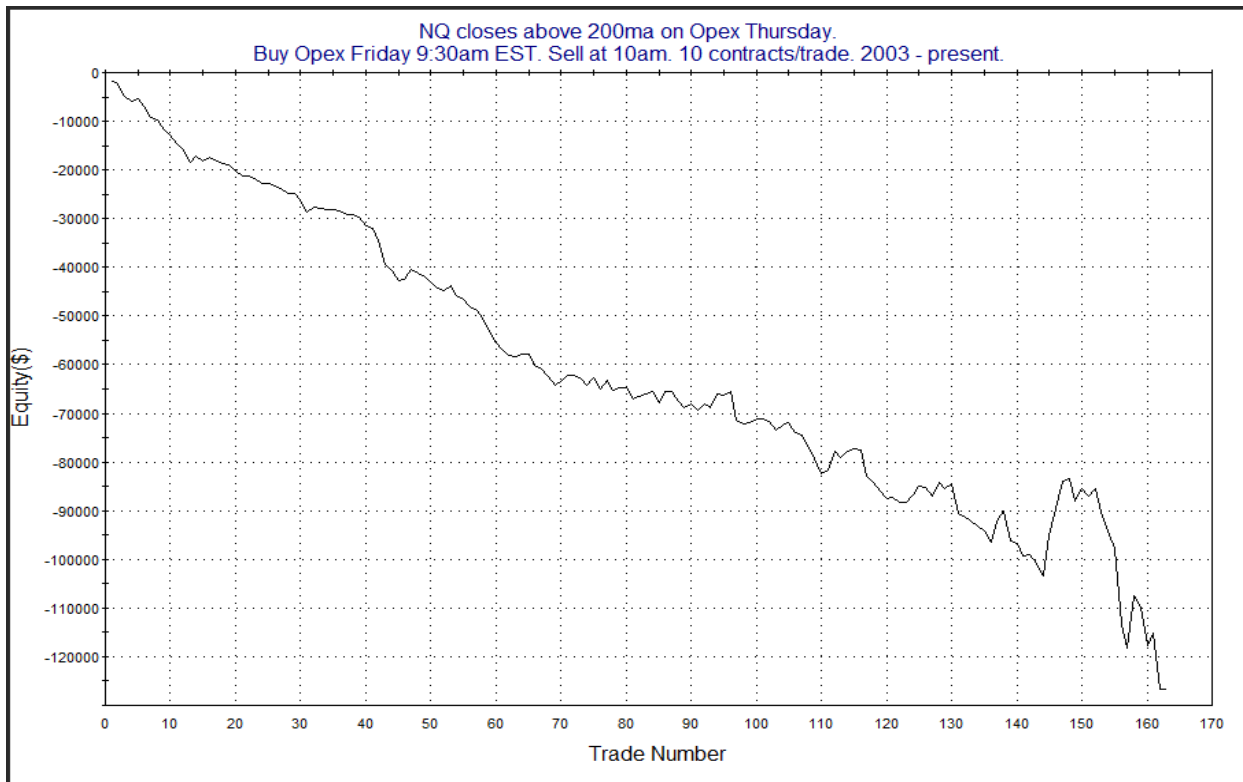


The strong move from upper left to lower right supports the bearish case.

NQ (the NASDAQ 100 future) has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

NQ closes above 200ma on Opex Thursday.
Buy Opex Friday 9:30am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-285,350.00	163	65	98	39.88	36,850.00	-39,500.00	3,359.23	-5,139.80	0.65	0.43	-1,750.61
1,500	-254,600.00	163	62	100	38.04	22,850.00	-44,750.00	3,341.94	-4,618.00	0.72	0.45	-1,561.96
1,400	-302,050.00	163	54	109	33.13	23,550.00	-54,100.00	3,105.56	-4,309.63	0.72	0.36	-1,853.07
1,300	-241,800.00	163	59	102	36.20	19,200.00	-53,400.00	2,981.36	-4,095.10	0.73	0.42	-1,483.44
1,200	-218,000.00	163	62	100	38.04	11,050.00	-32,550.00	2,475.00	-3,714.50	0.67	0.41	-1,337.42
1,100	-157,950.00	163	57	106	34.97	17,650.00	-31,300.00	2,798.25	-2,994.81	0.93	0.50	-969.02
1,000	-126,550.00	163	50	109	30.67	10,700.00	-15,500.00	1,670.00	-1,927.06	0.87	0.40	-776.38



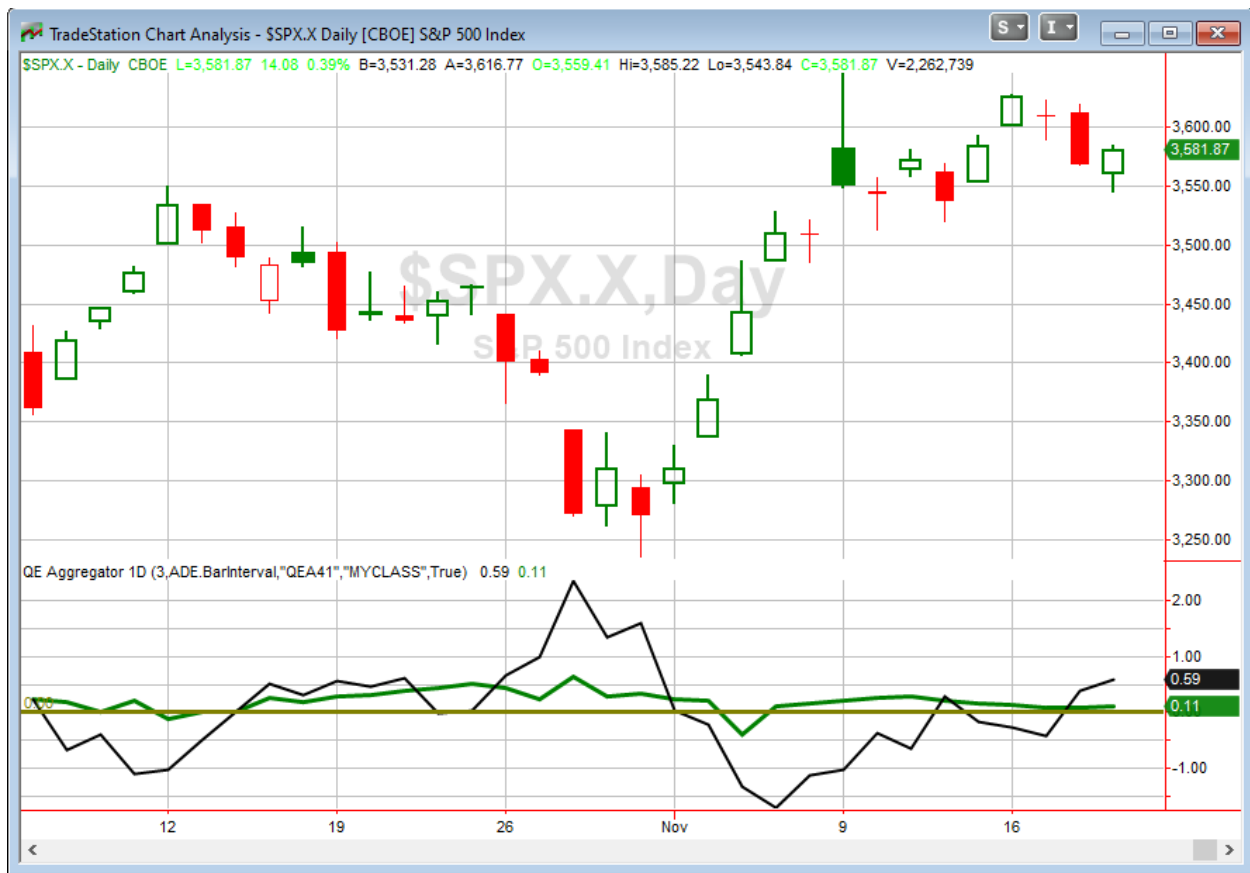
The bearish edge appears alive and well here. So traders may want to remain aware of this during the day on Friday.

I will also note that we are heading into Thanksgiving week, which has long shown some favorable seasonality. The table below is updated from the 11/25/19 letter. It shows a breakdown of the days surrounding Thanksgiving.

Thanksgiving Week Performance Broken Down By Day Of Week. \$100k/trade in										
Day	Net Profit	# Trades	# of wins	# of losers	Win %	W. Avg. Profit	L. Avg. Loss	Avg Profit/Loss	Profit Factor	
Monday After	-\$20,535.49	60	21	39	35	\$943.14	-\$1,034.39	-\$342.26	0.48	
Friday	\$15,880.25	60	42	18	70	\$580.47	-\$472.19	\$264.67	2.87	
Wednesday	\$18,645.34	60	47	13	78.33	\$576.69	-\$650.69	\$310.76	3.2	
Tuesday	\$1,561.69	60	36	24	60	\$550.30	-\$760.38	\$26.03	1.09	
Monday	\$2,596.62	60	28	32	46.67	\$1,023.79	-\$814.67	\$43.28	1.09	

Monday and Tuesday don't show anything suggesting an edge. Wednesday and Friday, on the other hand, appear to be strongly bullish. And the Monday after Thanksgiving appears to exhibit a possible bearish edge. I'll cover this in more detail in the letter this weekend, but I thought I'd mention it as something to keep in mind as we head towards next week.

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



Without any new evidence making the Active List tonight, 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 also held 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 studies, expectations are set to remain bullish on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3622.76 on Friday. That is a 1.1% above Thursday's close. So SPX would need to close up at least 1.1% on Friday in order to flip from oversold to overbought vs recent expectations.

Overall, my outlook is much the same as last night. While the Aggregator is bullish, I have not seen any compelling new bullish evidence emerge in the last several days. I'd prefer to have a bit more of an edge before jumping into the long side here. But I'll likely start a long position on Monday or Tuesday if the market remains oversold heading into the positive Thanksgiving seasonal period. Nothing yet, though.

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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