

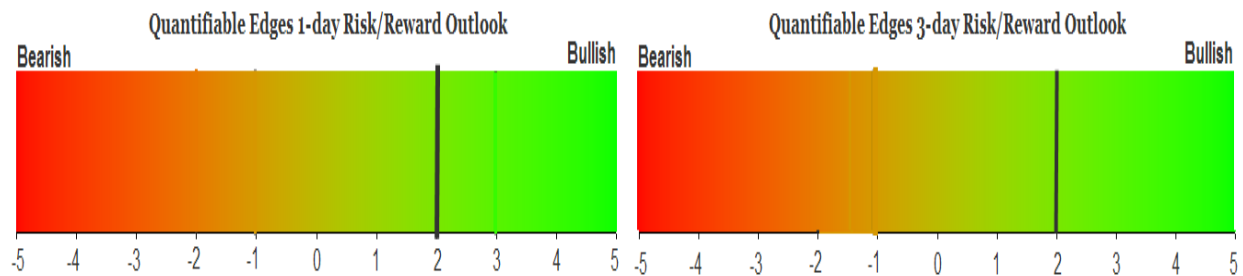
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 5, 2021

Volume 14 Issue 2

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- SPY's big outside day reversal pattern suggests a short-term upside edge.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish, but with the market being down just 1 day, I am going to exercise a little patience before looking to get long.

**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
<b>Active - Short Term</b>						
January 5, 2021	3-day Hi, Low, close	1-5 days	Bullish			
January 4, 2021	SPY closes month at high of month	1-5 days	Bullish	2.00%	-1.00%	-2.20%
December 29, 2020	NDX up > 1%. SOX dn > 1%.	1-6 days	Bearish	-3.00%	1.80%	3.90%
December 23, 2020	Twas 3 nights before Christmas	1-8 days	Bullish	2.40%	-1.20%	-2.40%
<b>Active - Long Term</b>						
December 14, 2020	December opex week and more bullish	1-15 days	Bullish			
December 10, 2020	SPX 20 intra-high. NDX biggest dn 20	1-50 days	Bullish	6.20%	-2.80%	-5.40%
November 23, 2020	NASDAQ Leading	int term	Bullish			
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			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

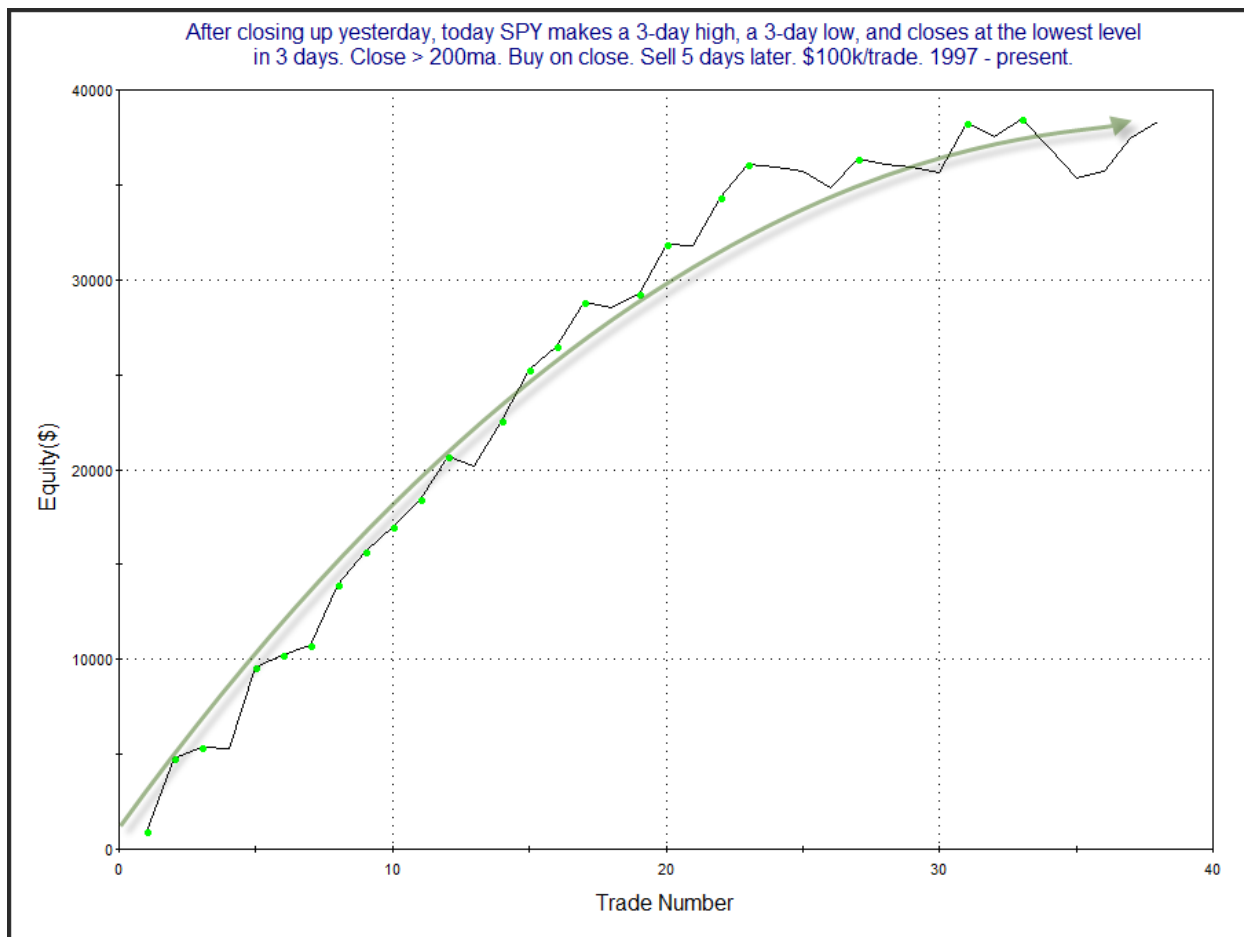
**The Evidence**

Monday was a tough start for a new year. The SPX, NASDAQ, and the Russell 2000 all lost 1.5%. Breadth was negative with the NYSE Up Issues % coming in at 29% and the Up Volume % at 33%. NYSE total volume came in higher than Thursday.

Among the studies I examined tonight, the one below was the most compelling. It looked for a reversal day that engulfs both of the last two days, closes at a three-day low, and remains above the 200ma. Results are updated.

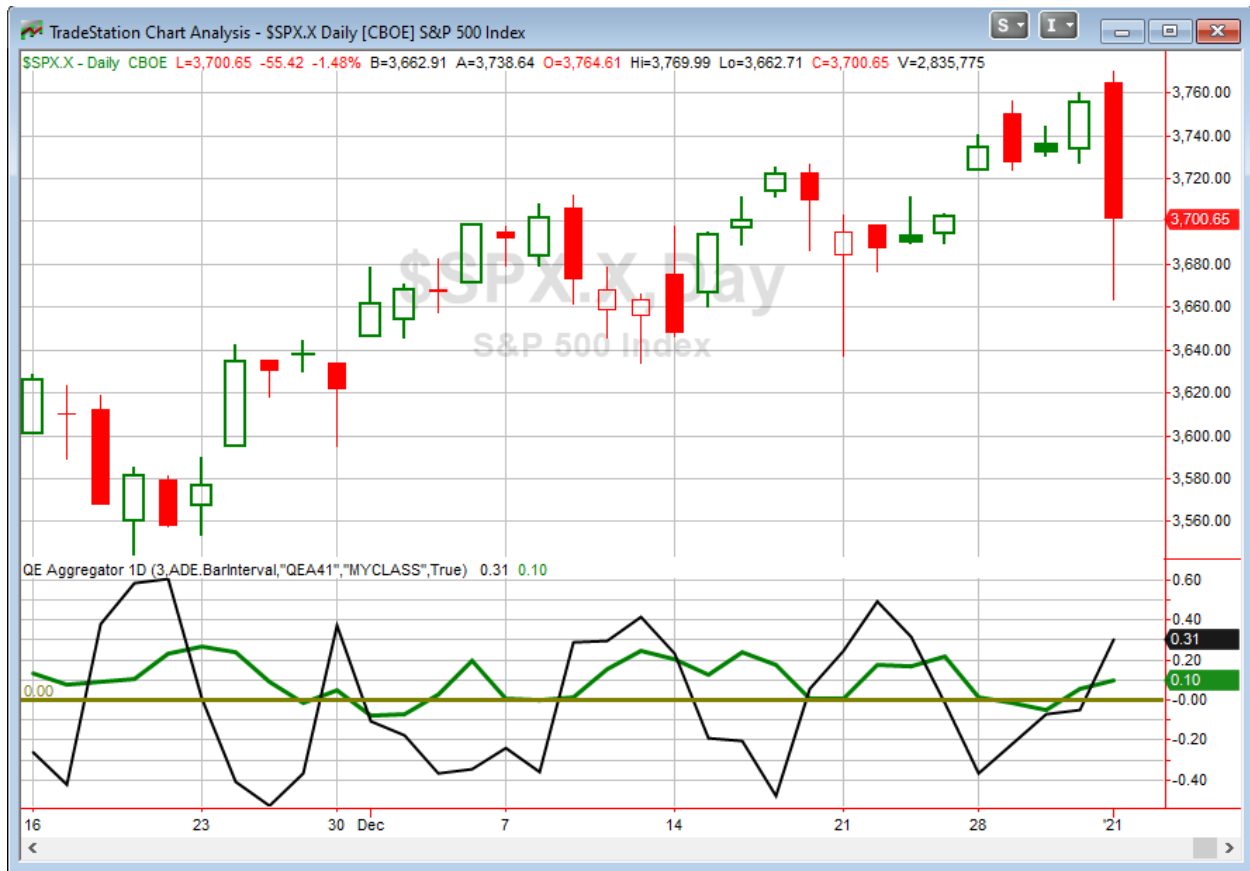
After closing up yesterday, today SPY makes a 3-day high, a 3-day low, and closes at the lowest level in 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	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	38,345.20	38	25	13	65.79	4,273.50	-1,606.11	1,799.73	-511.39	3.52	6.77	1,009.08
4	26,595.14	38	25	13	65.79	4,533.98	-2,123.52	1,456.17	-754.56	1.93	3.71	699.87
3	10,178.27	38	24	14	63.16	3,903.34	-3,393.78	1,200.47	-1,330.94	0.90	1.55	267.85
2	6,656.02	39	22	17	56.41	3,244.78	-3,737.28	1,074.84	-999.44	1.08	1.39	170.67
1	879.34	39	22	17	56.41	2,359.84	-3,909.03	635.65	-770.88	0.82	1.07	22.55

After the first couple of days there appears to be a substantial upside edge. Below is a profit curve that assumes a 5-day holding period.



While the curve has flattened some lately, it still appears strong enough to suggest the upside edge is real. I believe this study is worth consideration.

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



With the new evidence to consider, 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 moved 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3729.60 on Tuesday. That is 0.8% above Monday's close. So SPX would need to close up at least 0.8% on Tuesday in order to flip from oversold to overbought vs expectations.

So the Aggregator has turned bullish. It is a little tempting to start looking for a long entry, but I am cognizant of the fact that Monday was just the 1<sup>st</sup> down day from a new high. Often I'll prefer more than just 1 down day before getting excited about new index positions. I'll take that approach here as well. Should SPX close down again on Tuesday, though, I expect I will look to start building up a long index position on Wednesday.

### ***Intermediate-term Outlook (2 weeks – 2 months) – updated 1/4 – slightly bullish***

The intermediate-term outlook was last updated in the 1/4/21 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***

PFE – 1/3 @ \$37.84 (bought at limit)

### ***Broad Market Large Cap CBI – 1(PFE)***

### **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**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
PFE(1/3)	12/18/2020	\$37.84	\$36.81	-2.72%		Catapult

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