

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 7, 2021

Volume 14 Issue 4

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- A 2-day rise in SPY that fails to make up the losses of the previous day has often been followed by more short-term buying when the market has been in an uptrend.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but the Differential Pivot is inverted. Therefore, reward/risk is sub-par, and I remain sidelined awaiting a more compelling opportunity.

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						
January 7, 2021	SPY up 2 < 3 ago	1-2 days	Bullish			
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%
Active - Long Term						
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			

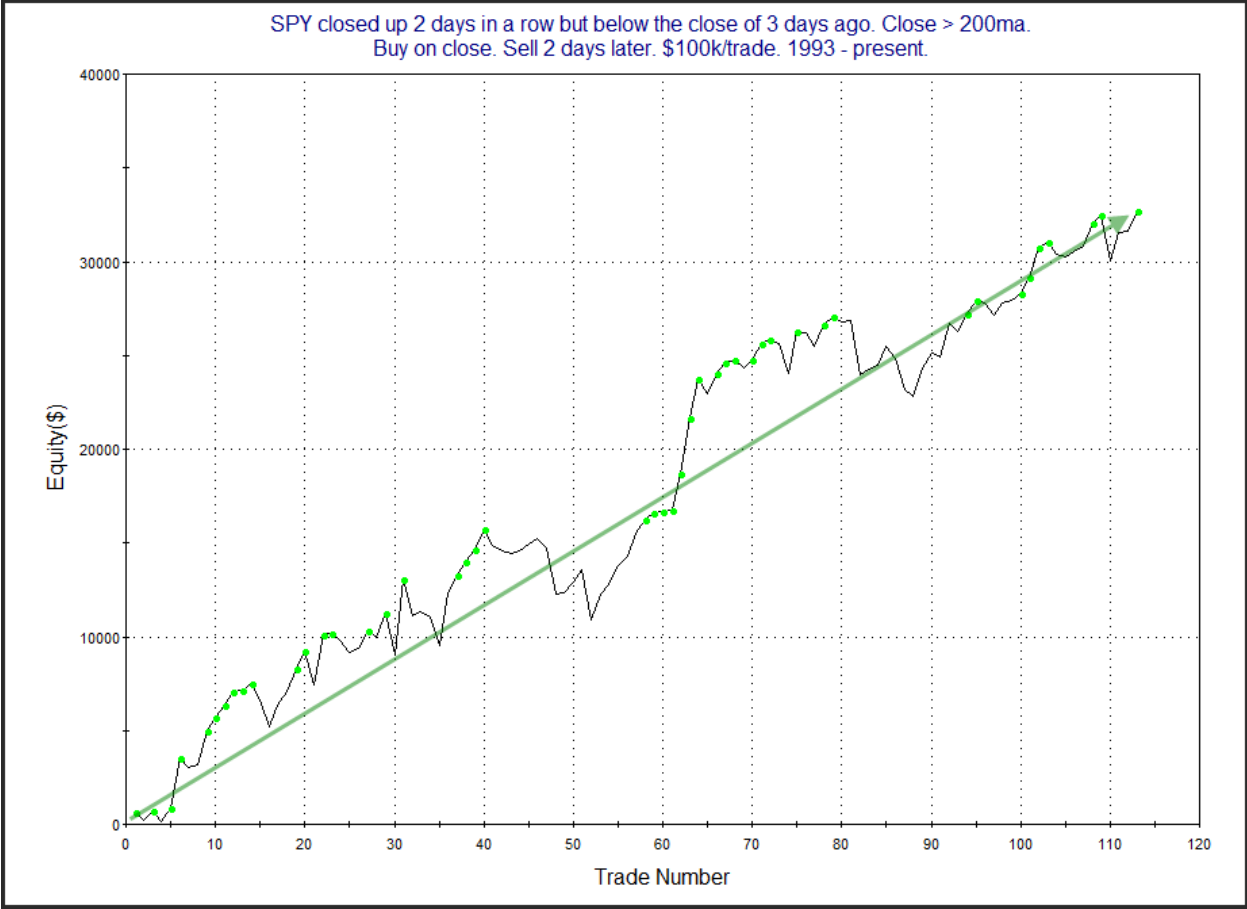
The Evidence

Wednesday was mixed, with some big swings thanks to events in Washington DC. The SPX gained 0.%, the NASDAQ lost 0.6%, and the Russell 2000 rallied 4.0%. Breadth was positive with the NYSE Up Issues % coming in at 64% and the Up Volume % at 79%. NYSE total volume rose some from Tuesday's level.

The mild action did not do much to trigger new studies. There was one study I found worth reviewing though, from the 10/1/18 Letter. It looked at times that SPY bounced up 2 days in a row but still failed to close above the close of 3 days ago. I have updated the results below.

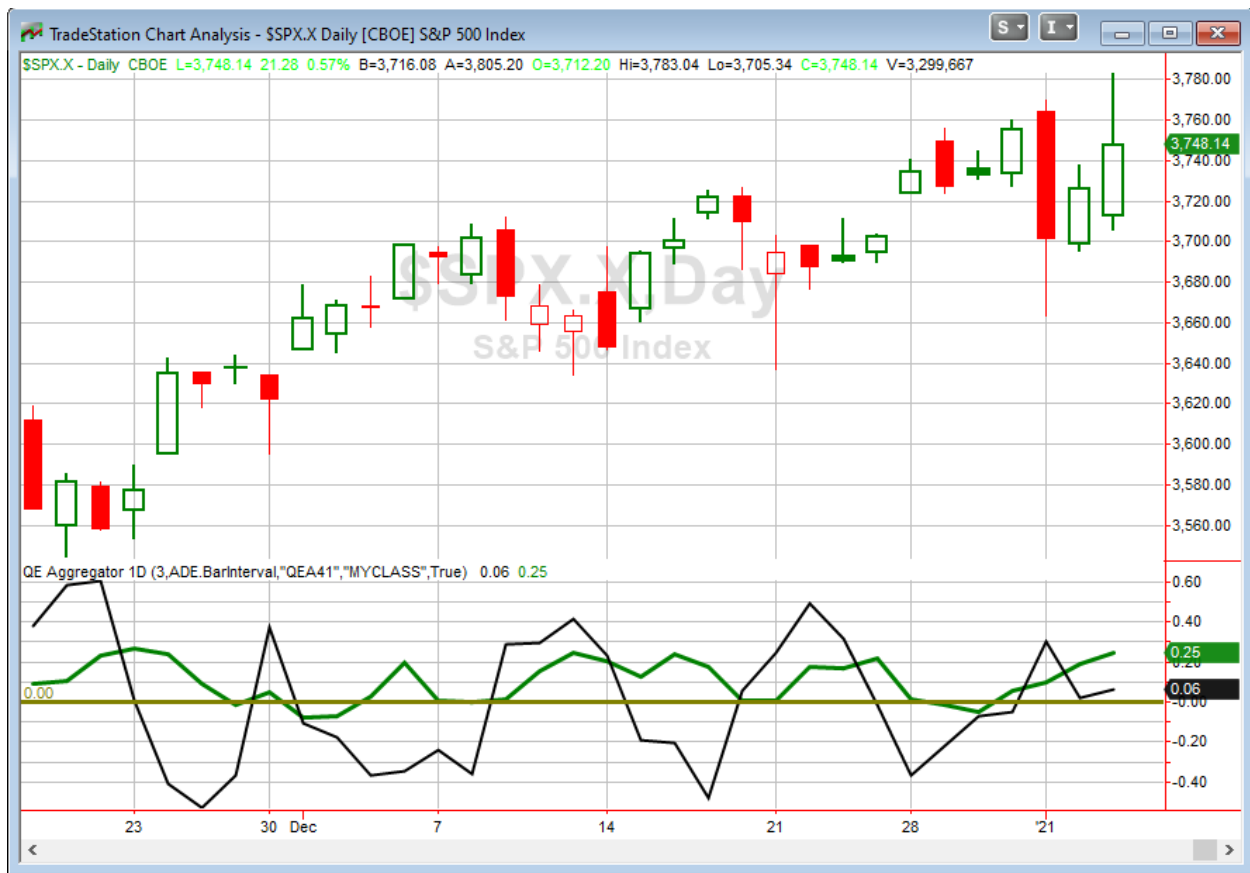
SPY closed up 2 days in a row but below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	19,744.45	110	63	46	57.27	4,717.70	-6,549.84	1,466.78	-1,579.62	0.93	1.27	179.50
4	31,772.37	112	73	39	65.18	4,698.60	-4,384.89	1,280.97	-1,583.04	0.81	1.51	283.68
3	27,976.43	113	72	41	63.72	3,000.00	-4,092.24	1,127.65	-1,297.92	0.87	1.53	247.58
2	32,742.28	113	76	37	67.26	4,088.25	-2,932.22	885.00	-932.91	0.95	1.95	289.75
1	18,464.71	113	67	44	59.29	3,732.75	-1,777.90	669.09	-599.19	1.12	1.70	163.40

The stats appear to suggest a bit of an upside edge over the 1st 2 days. Below is an equity curve using a 2-day exit strategy.



There have been a few dips in the curve but overall it seems good enough to include the study on the Active List.

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



With tonight's new 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 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 active studies, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3704.01 on Thursday. That is 1.2% *below* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to decline at least 1.2% in order to remain "oversold" vs expectations. Anything other than that and it will flip to "overbought" on Thursday's close.

So the Aggregator is bullish. But the inverted Differential Pivot limits potential reward to just 1 day. This also negative impacts the reward/risk ratio. I rarely get excited about new index trade when there is an inverted Differential Pivot. Tonight is no exception. I will continue to wait for a more favorable setup

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](#)

Open Catapult 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
PFE(1/3)	12/18/2020	\$37.84	\$36.87	-2.56%		<i>sold on open</i>

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