

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 14, 2021

Volume 14 Issue 9

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 1 |

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 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 | | | | | | |
| January 14, 2021 | SPY 2 up < 3 ago. Over 200ma. | 1-2 days | Bullish | | | |
| January 11, 2021 | NDX up > 1%. SOX down. | 1-6 days | Bearish | | | |
| Active - Long Term | | | | | | |
| 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 | | | |

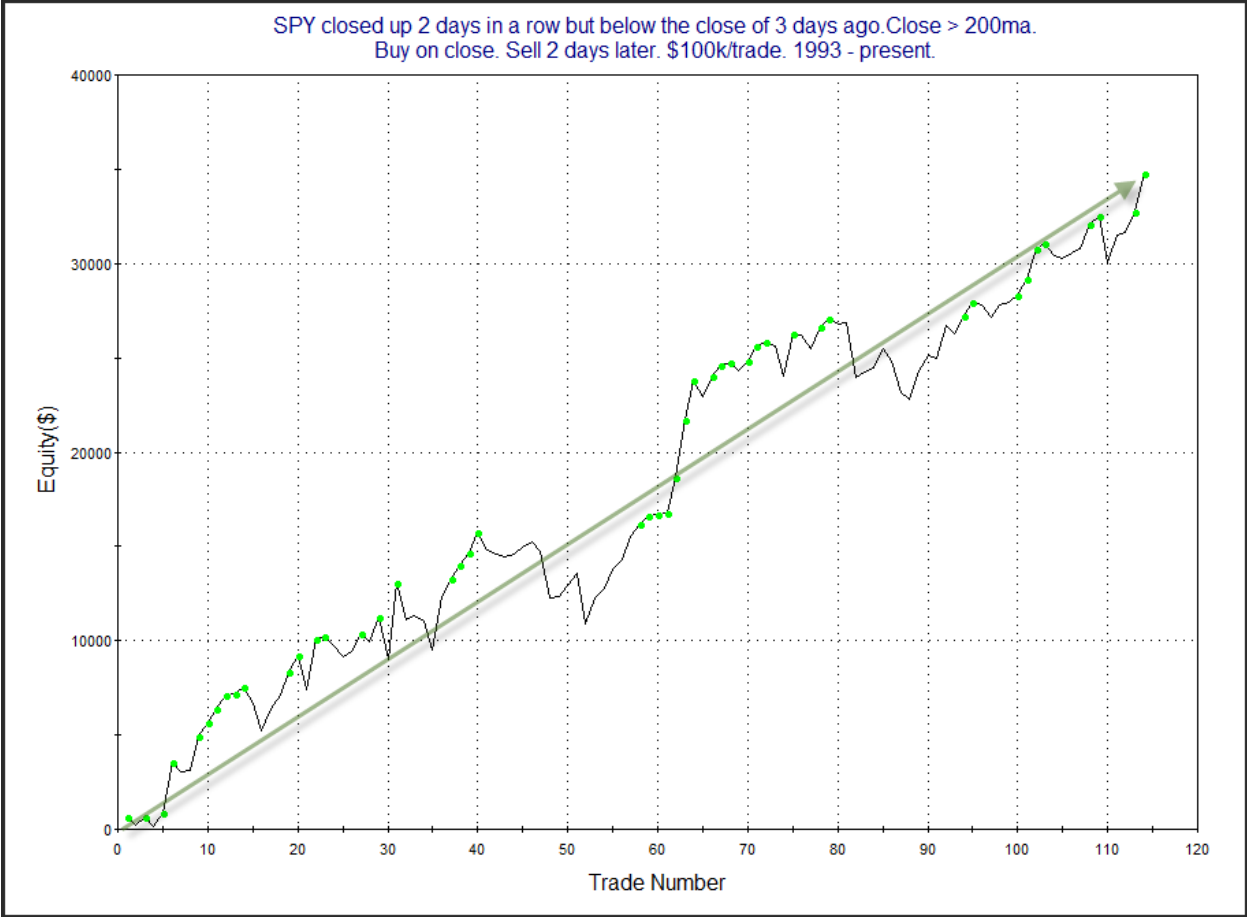
The Evidence

Wednesday saw mixed results for the indices. The SPX rose 0.2%, the NASDAQ gained 0.4%, and the Russell 2000 lost 0.75%. Breadth was mixed with the NYSE Up Issues % coming in at 52% and the Up Volume % at 45%. NYSE total volume declined some from Tuesday's level.

The one compelling study I found was a repeat of one we saw just a week ago in the 1/7/21 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.

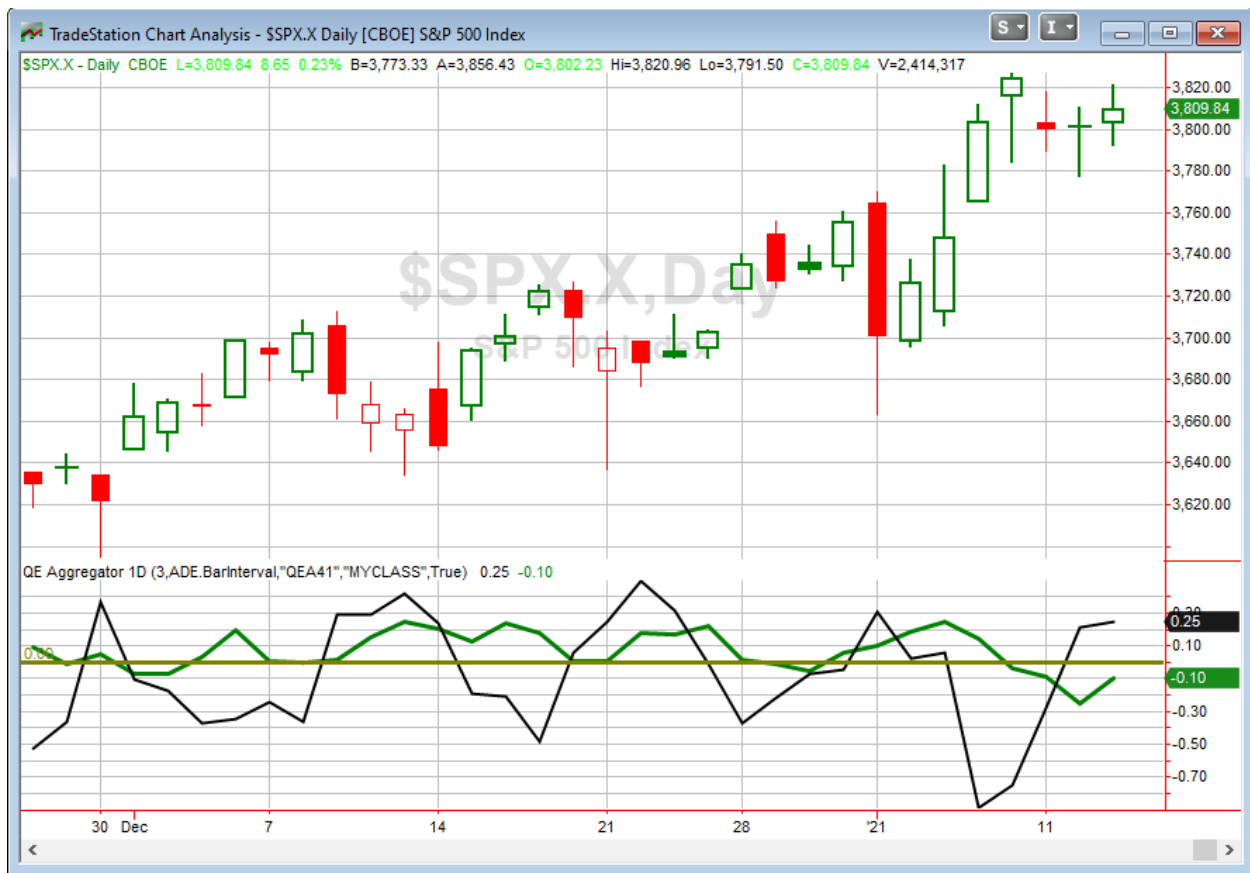
| SPY closed up 2 days in a row but below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present. | | | | | | | | | | | | |
|---|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 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 | 21,410.53 | 111 | 64 | 46 | 57.66 | 4,717.70 | -6,549.84 | 1,469.89 | -1,579.62 | 0.93 | 1.29 | 192.89 |
| 4 | 33,166.11 | 113 | 74 | 39 | 65.49 | 4,698.60 | -4,384.89 | 1,282.49 | -1,583.04 | 0.81 | 1.54 | 293.51 |
| 3 | 29,348.81 | 114 | 73 | 41 | 64.04 | 3,000.00 | -4,092.24 | 1,131.01 | -1,297.92 | 0.87 | 1.55 | 257.45 |
| 2 | 34,800.85 | 114 | 77 | 37 | 67.54 | 4,088.25 | -2,932.22 | 900.24 | -932.91 | 0.96 | 2.01 | 305.27 |
| 1 | 19,946.56 | 114 | 68 | 44 | 59.65 | 3,732.75 | -1,777.90 | 681.05 | -599.19 | 1.14 | 1.76 | 174.97 |

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.



Even with tonight's bullish study considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line held above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 active studies, expectations are set to remain negative on Thursday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 3800.42* on Thursday. That is 0.25% *below* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down about 0.25% in order to remain oversold. Anything other than that, and it will be considered "overbought" vs expectations as of Thursday's close.

So the Aggregator is again neutral. Things could go back to a bearish tilt on Thursday unless the more bullish evidence emerges or SPX sells off a bit on Thursday. I am not going to get excited about a potential short just yet though. I will remain patient and alert for the next favorable reward/risk opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/11 – slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

KHC – 1/3 @ \$33.69 (bought at limit)

Broad Market Large Cap CBI – 1(KHC)

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 |
|----------|------------|-------------|---------------|-------------|------|----------|
| KHC(1/3) | 1/8/2021 | \$33.51 | \$32.01 | -4.48% | | Catapult |
| | | | | | | |
| | | | | | | |

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