

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 21, 2021

Volume 14 Issue 13

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- A few studies emerged, but none that I found enticing.

Short-term Outlook

The Bottom Line

The Aggregator is again 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						
None						
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
January 19, 2021	Gap down close lower from 5-low > 1-2 days		Bullish			
January 15, 2021	SPX bottom 10% rng, 5-low > 200	1-5 days	Bullish	1.60%	-1.40%	-3.00%

The Evidence

Wednesday saw the biggest Inauguration Day gain in the Dow for a newly elected president in over 100 years with a 0.8% gain. (It was a pretty low bar set by other Inauguration Days.) The SPX rose 1.4%, the NASDAQ gained 2.0%, and the Russell 2000 climbed 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 64% and the Up Volume % at 53%. NYSE total volume declined some from Tuesday's level.

While the Quantifinder gave me several things to look at, I'm not terribly excited by any of the evidence I examined tonight. The study below was last seen recently in the 1/11/21 letter. It triggered again on Wednesday.

NDX rises > 1% while SOX closes down on the day. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - 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
10	-20,128.66	49	21	28	42.86	9,774.70	-8,478.02	2,766.62	-2,793.85	0.99	0.74	-410.79
9	-21,639.86	49	22	27	44.90	9,278.30	-8,963.07	2,794.96	-3,078.85	0.91	0.74	-441.63
8	-32,605.64	50	23	27	46.00	9,165.45	-7,574.41	2,369.58	-3,226.15	0.73	0.63	-652.11
7	-44,766.64	51	23	28	45.10	10,101.57	-11,391.59	2,095.10	-3,319.78	0.63	0.52	-877.78
6	-49,173.12	52	17	35	32.69	8,753.07	-9,589.14	2,659.36	-2,696.63	0.99	0.48	-945.64
5	-42,664.79	53	22	31	41.51	6,877.04	-7,519.22	1,777.29	-2,637.59	0.67	0.48	-805.00
4	-24,360.73	54	26	28	48.15	5,068.10	-11,917.40	1,673.87	-2,424.33	0.69	0.64	-451.12
3	-11,316.10	55	25	30	45.45	6,877.26	-9,480.90	1,725.70	-1,815.28	0.95	0.79	-205.75
2	-2,522.26	57	25	32	43.86	5,842.98	-6,411.90	1,568.46	-1,304.18	1.20	0.94	-44.25
1	5,437.84	59	30	29	50.85	5,396.04	-2,692.80	1,153.01	-1,005.26	1.15	1.19	92.17

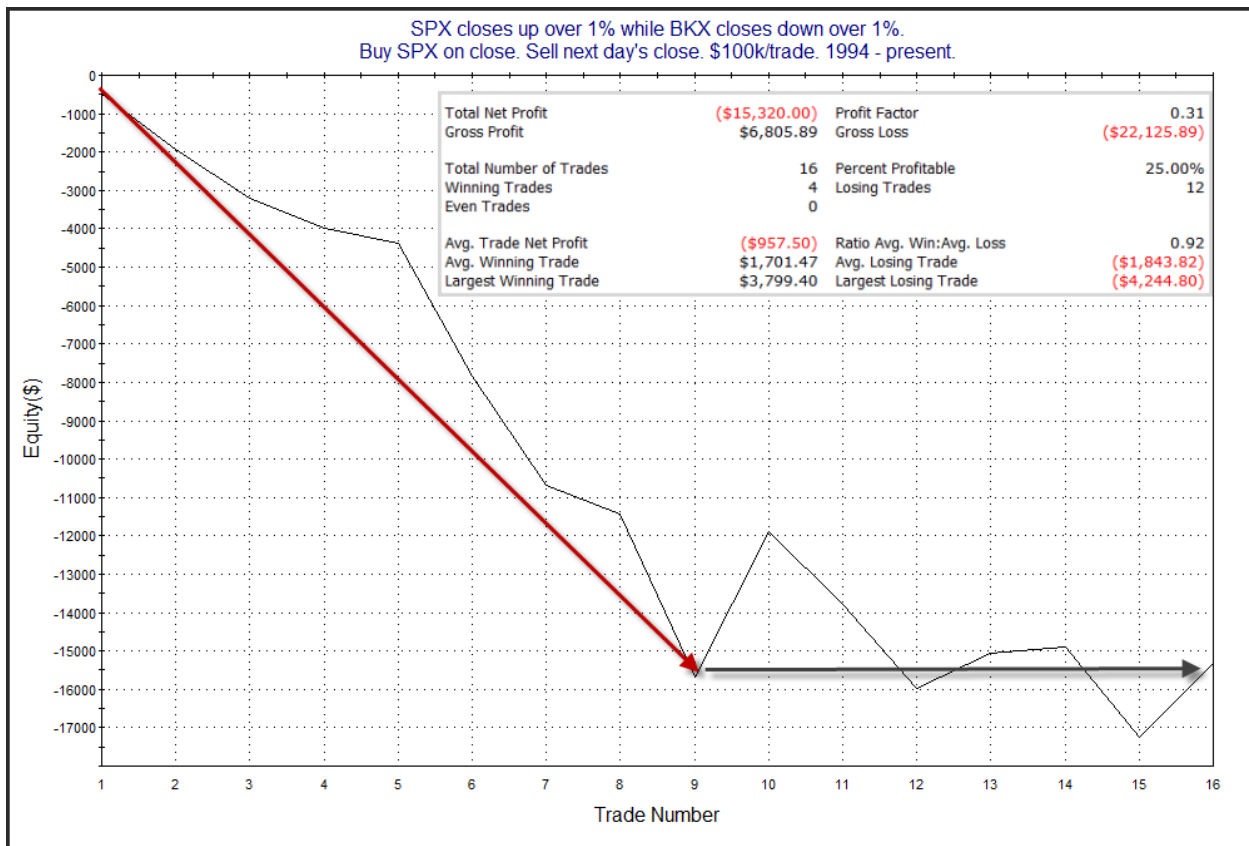
Odds here look fairly bearish. But the NDX did not just rise 1% on Wednesday. It actually gained 2.3%. So I decided to look at the results if I upped the NDX rally requirement from 1% to 2%.

NDX rises > 2% while SOX closes down on the day.
Buy SPX on close. Sell X days later. \$100k/trade. 1996 - 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
10	4,526.40	17	10	7	58.82	6,253.56	-6,810.18	2,160.86	-2,440.31	0.89	1.26	266.26
9	4,432.71	18	10	8	55.56	7,549.86	-3,753.42	2,254.79	-2,264.40	1.00	1.24	246.26
8	12,480.90	18	10	8	55.56	9,165.45	-3,793.68	2,544.63	-1,620.68	1.57	1.96	693.38
7	7,085.95	18	8	10	44.44	10,101.57	-4,272.18	2,617.29	-1,385.24	1.89	1.51	393.66
6	583.38	18	8	10	44.44	8,753.07	-4,994.88	2,863.84	-2,232.73	1.28	1.03	32.41
5	-1,608.62	18	9	9	50.00	4,717.14	-3,651.84	1,590.21	-1,768.95	0.90	0.90	-89.37
4	-1,149.23	18	8	10	44.44	3,661.83	-4,419.36	1,945.99	-1,671.72	1.16	0.93	-63.85
3	-409.76	18	9	9	50.00	3,995.91	-4,159.44	1,654.38	-1,699.91	0.97	0.97	-22.76
2	-1,795.83	19	7	12	36.84	2,653.20	-2,413.44	1,638.71	-1,105.57	1.48	0.86	-94.52
1	1,608.73	19	8	11	42.11	2,677.86	-1,424.16	1,007.45	-586.44	1.72	1.25	84.67

As you can see, that seemed to eliminate the bearish inclination. Results in this case were basically neutral over the next week.

Another study that looked interesting was the one below, from the 4/15/20 letter.

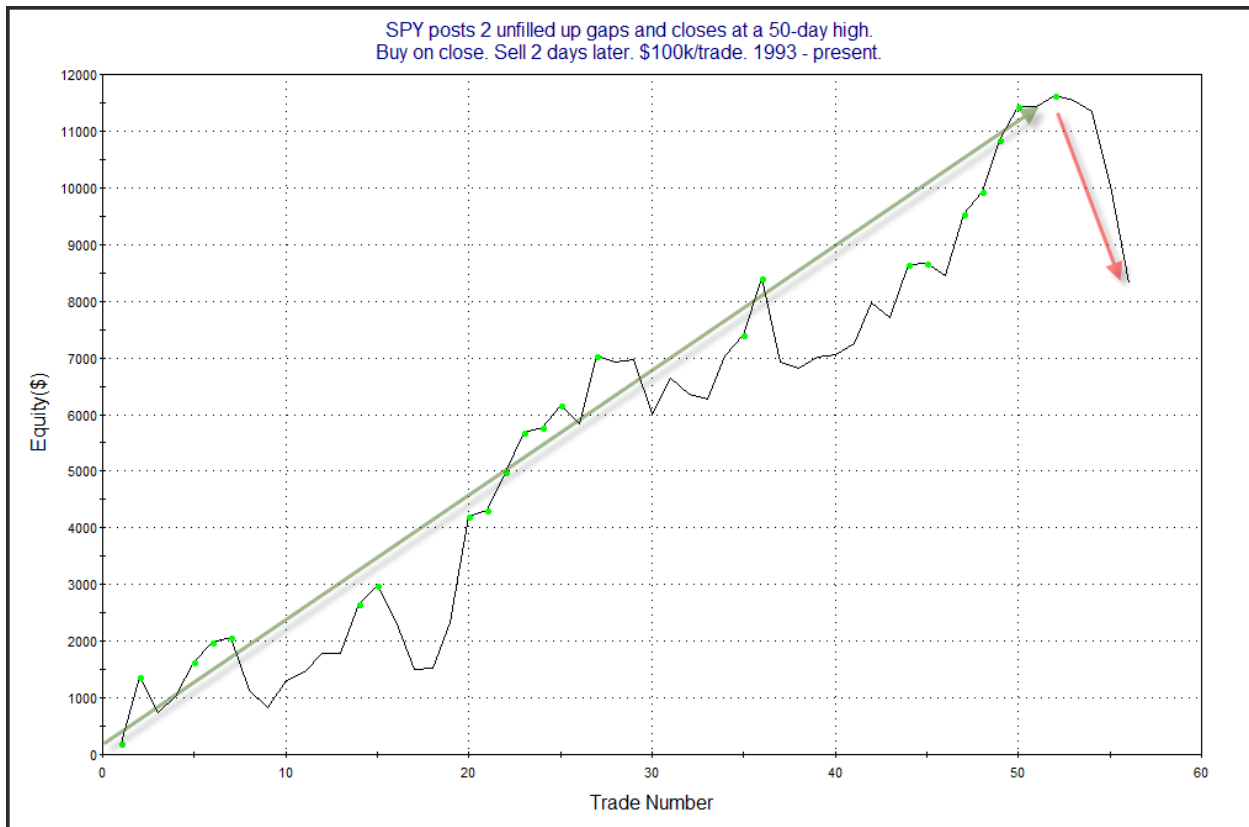


This appeared bearish a while back, but as you can see, all the downside came on the left hand side of the chart. It has gone sideways over the 2nd half of the instances. So I elected to leave this off the active list tonight as well.

Lastly, there was a bullish setup from the 11/5/19 letter that triggered. I updated that as well.

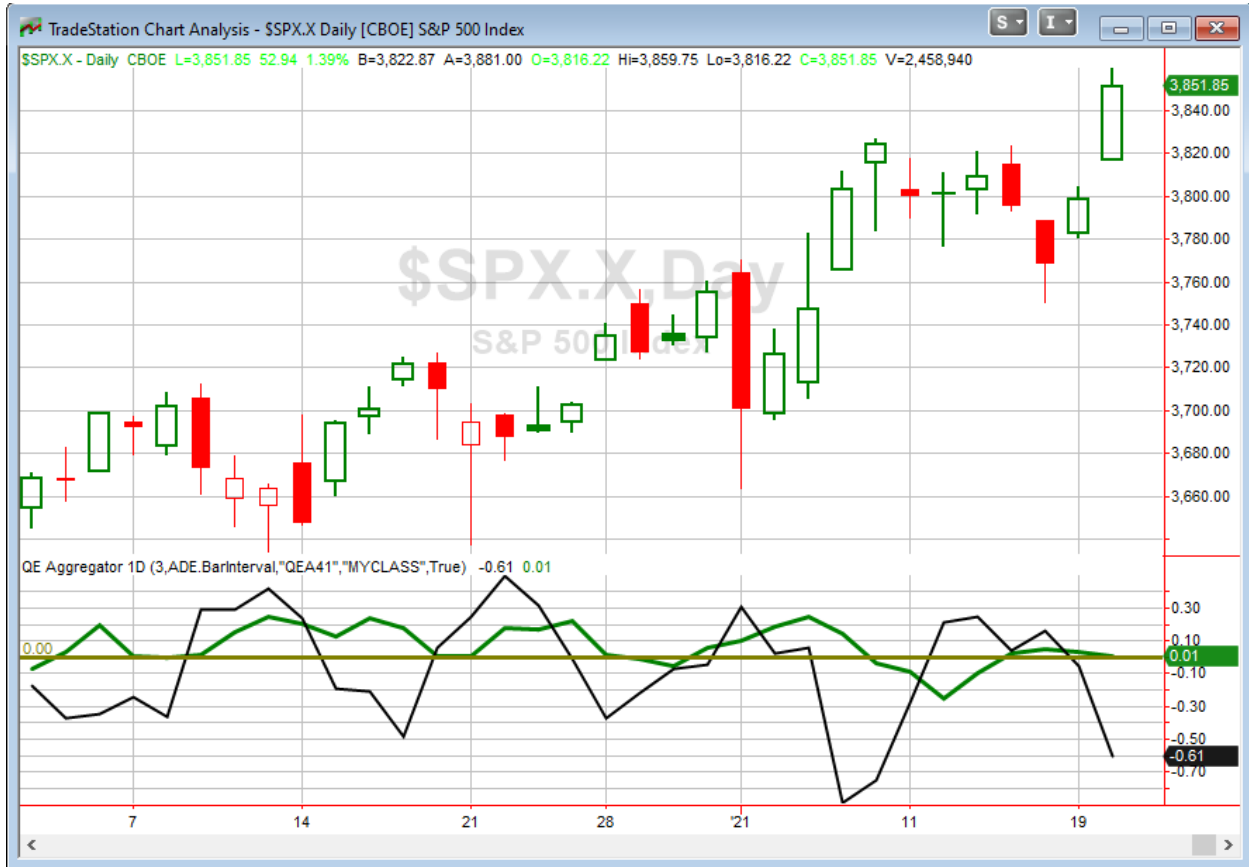
**SPY posts 2 unfilled up gaps and closes at a 50-day high.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.**

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	8,645.72	55	37	18	67.27	2,013.72	-4,990.35	883.08	-1,334.90	0.66	1.36	157.19
4	10,584.37	55	37	18	67.27	2,475.56	-5,867.91	895.08	-1,251.87	0.71	1.47	192.44
3	8,185.31	55	37	18	67.27	2,419.84	-6,980.31	667.94	-918.24	0.73	1.50	148.82
2	8,317.05	56	36	19	64.29	1,858.87	-1,729.75	522.38	-552.04	0.95	1.79	148.52
1	1,517.42	66	35	31	53.03	1,156.32	-1,942.24	334.50	-328.71	1.02	1.15	22.99



The last 4 instances have given up all the gains since instance 37. This study is suddenly looking questionable as well. I elected to leave this off the Active List tonight, too.

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



Without any new studies being added tonight the green Aggregator Line remained a little above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line dropped well 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.

Compelling short-term evidence is currently lacking. Despite the overbought nature of the market, there does not appear to be a high-probability setup for a reversion back down. Expectations over the next few days will be highly influenced by any new evidence that emerges. Meanwhile, the Differential Pivot will be 3765.94 on Thursday. That is 2.2% below Wednesday's close. Therefore,

SPX will need to close down a very sizable 2.2% on Thursday in order to flip from overbought to oversold vs recent expectations. A more likely scenario for SPX to work off its overbought condition would be a multi-day selloff or consolidation.

So the Aggregator is again neutral. Evidence is weak. Basically, I have no desire to get involved in a new index position with this setup. I'll wait for a more compelling reward/risk opportunity to arrive before taking on new index positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/19 – slightly bullish

The intermediate-term outlook was last updated in the 1/19/21 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
<i>KHC(1/3)</i>	<i>1/8/2021</i>	<i>\$33.51</i>	<i>\$32.33</i>	<i>-3.52%</i>		<i>sold on open</i>

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