

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 3, 2021

Volume 14 Issue 22

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The strong rally over the last 2 days allowed all the short-term studies that were active last night to reach their profit targets.

## *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
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
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 2, 2020	Best 6 Months	1-6 months	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
<i>February 2, 2021</i>	<i>Unfill up from 10-low &lt; 10ma &gt; 20d</i>	<i>1-4 days</i>	<i>Bullish</i>	<i>1.60%</i>	<i>-1.20%</i>	<i>-2.30%</i>
<i>February 1, 2021</i>	<i>2 days (of 5) dn 1.5%. 10-day low</i>	<i>1-6 days</i>	<i>Bullish</i>	<i>3.30%</i>	<i>-1.95%</i>	<i>-4.50%</i>
<i>January 28, 2021</i>	<i>2% drop to 5-low &gt; 200</i>	<i>1-6 days</i>	<i>Bullish</i>	<i>2.40%</i>	<i>-2.10%</i>	<i>-4.30%</i>

***The Evidence***

The bounce continued on Tuesday. The SPX gained 1.4%, the NASDAQ rallied 1.6%, and the Russell 2000 rose 1.2%. Breadth was positive with the NYSE Up Issues % coming in at 76% and the Up Volume % at 54%. NYSE total volume rose some from Monday's level.

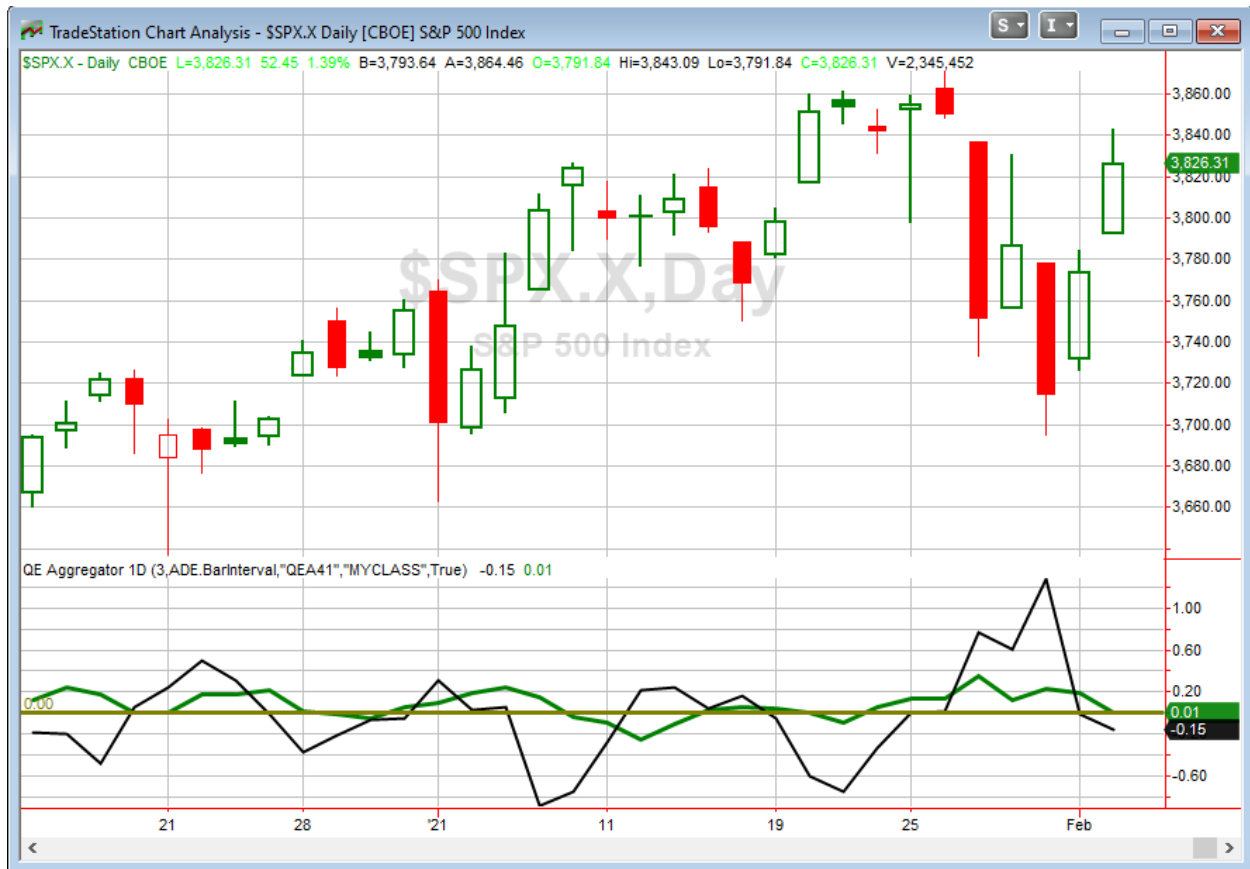
The rally over the last two days made up a good chunk of the pullback that occurred over the previous four days. The indices are not quite back to new highs, but they are not far off. I looked at a few studies that examined similar situations where a strong 2-day rally during an uptrend did not accomplish a new short-term high. Results were very muted and not worth consideration. There will not be any new studies added to the Active List tonight.

All three studies that were on the active list last night reached their profit targets and have been removed. I don't often discuss this part of the process for me, but tonight is perhaps a good time to do so. When looking at the Active List, you can see that the three studies from last night are all blue and italicized under the "Dropped Tonight" header. I will typically drop a study early for a couple of reasons. First, if the market moves far beyond what has typically occurred in past instances. So..."Avg Drawdown + 1 Standard Deviation". If a study expects a move up, and instead the market takes a huge dive that suggests to me that the study, for whatever reason, is not "working" this time. It could be because the edge no longer exists. More often it is due to some other, larger, market force that is overwhelming the evidence that my study is utilizing. In any case, I drop it from the Active List. A second reason I would remove a study from the list early is if it reaches its typical upside potential (Average Run-up) early. This does not suggest the move won't continue in the expected direction. It does suggest that any further upside is due to forces that are beyond what was considered in the study.

Tonight, all three studies reached their upside objectives and were therefore removed from the Active List.

One other thing to note from Tuesday's action is that the CBI dropped from 15 all the way to 0. Many of the Catapults were in the financial sector, and they all enjoyed a nice pop higher on Tuesday, triggering exit signals for those Catapult trades.

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



With the remaining evidence considered the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained 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.

Based on the current active studies, expectations are set to remain positive on Wednesday. This is based entirely on the intermediate-term evidence and outlook. With the short-term list bare, any new evidence that emerges over the next few days will have a large impact on expectations. Meanwhile, the Differential Pivot will be 3738.36 on Wednesday. That is 2.3% below Tuesday's

close. That would be a sizable drop on Wednesday. A more likely scenario for working off the overbought condition is a multi-day decline or consolidation.

So the Aggregator is neutral. And after the move higher over the last 2 days, I am as well. I exited the SPY index position at the close on Tuesday, and I'll be exiting the Catapults at the open on Wednesday. At this point, it will be a matter of waiting for the next compelling edge to emerge before putting that capital back to work.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 2/1 – 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
BAC(1/3)	1/26/2021	\$31.16	\$31.03	-0.42%		<i>sell on open</i>
BK(1/3)	1/26/2021	\$41.30	\$40.85	-1.09%		<i>sell on open</i>
JPM(1/3)	1/26/2021	\$132.12	\$133.61	1.13%		<i>sell on open</i>
CAT(1/3)	1/26/2021	\$187.34	\$192.50	2.75%		<i>sell on open</i>
MS(1/3)	1/26/2021	\$72.38	\$70.95	-1.98%		<i>sell on open</i>
GS(1/3)	1/26/2021	\$283.04	\$286.97	1.39%		<i>sell on open</i>
BAC(1/3)	1/27/2021	\$30.31	\$31.03	2.38%		<i>sell on open</i>
JPM(1/3)	1/27/2021	\$129.59	\$133.61	3.10%		<i>sell on open</i>
CAT(1/3)	1/27/2021	\$184.20	\$192.50	4.51%		<i>sell on open</i>
MS(1/3)	1/27/2021	\$69.73	\$70.95	1.75%		<i>sell on open</i>
GS(1/3)	1/27/2021	\$276.00	\$286.97	3.97%		<i>sell on open</i>
GS(1/3)	1/28/2021	\$273.33	\$286.97	4.99%		<i>sell on open</i>
<b>SPY(1/4)</b>	<b>1/29/2021</b>	<b>\$375.63</b>	<b>\$381.55</b>	<b>1.58%</b>		<b><i>sold on close</i></b>
BAC(1/3)	2/1/2021	\$29.57	\$31.03	4.94%		<i>sell on open</i>

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2021 Quantifiable Edges, LLC.