

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 4, 2021

Volume 14 Issue 23

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- 3+ days of strong Nasdaq breadth are often followed by a down day.
- The VIX has tumbled over the last few days, but that does not appear to be providing a strong short-term edge.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. It appears to be a fairly weak signal that has to battle a strong uptrend. I'm not intrigued, and am leaning more neutral.

Summary of Recent Active Studies (see Letters from listed dates for details)

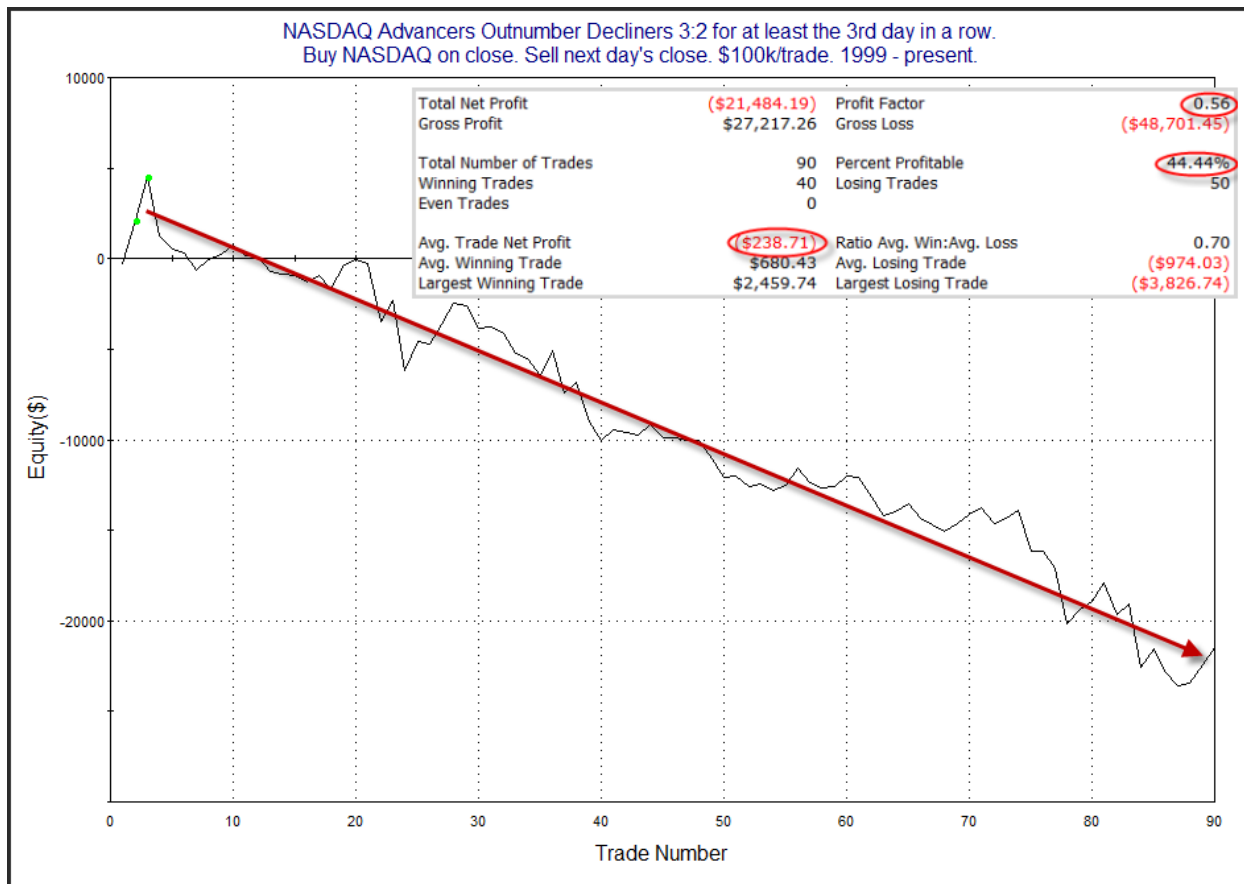
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 4, 2021	NASDAQ 3:2 breadth 3+ days	1 day	Bearish			
Active - Long Term						
December 10, 2020	SPX 20 intra-high. NDX biggest dn 20	1-50 days	Bullish	6.20%	-2.80%	-5.40%
November 23, 2020	NASDAQ Leading	int term	Bullish			
November 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

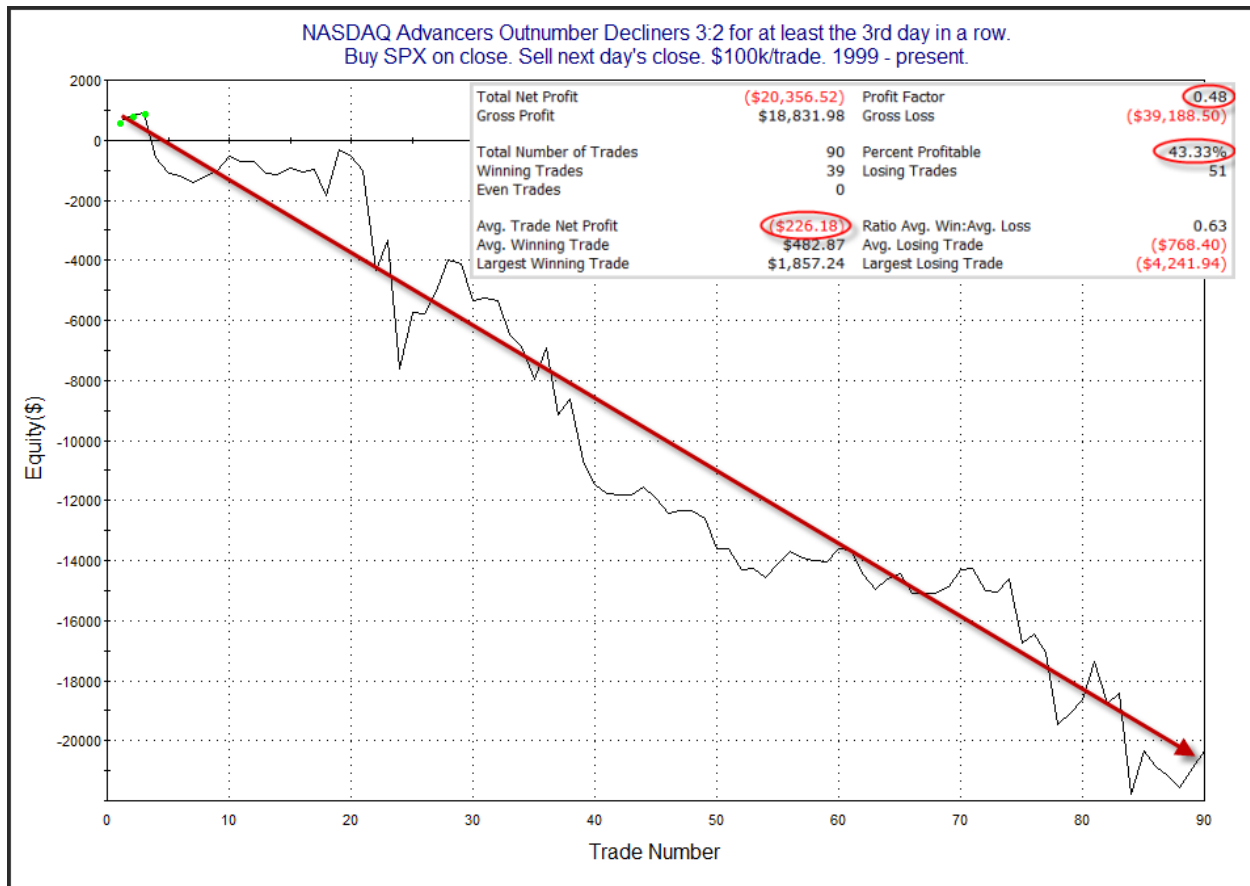
The indices finished mixed on Wednesday. The SPX gained 0.1%, the NASDAQ declined 0.02%, and the Russell 2000 rose 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 58% and the Up Volume % at 71%. NYSE total volume declined some from Tuesday's level.

Wednesday saw a 3rd day in a row of strong NASDAQ breadth. This triggered a study that looked at times Nasdaq advancers outnumbered decliners by more than 3:2 for 3+ days. It suggested such persistent lopsided breadth was about enough, and it was often followed by a down day. I last showed the study in the 1/8/21 letter and have updated the results below.

First let's look at how the NASDAQ has performed the day after such a run of strong breadth.



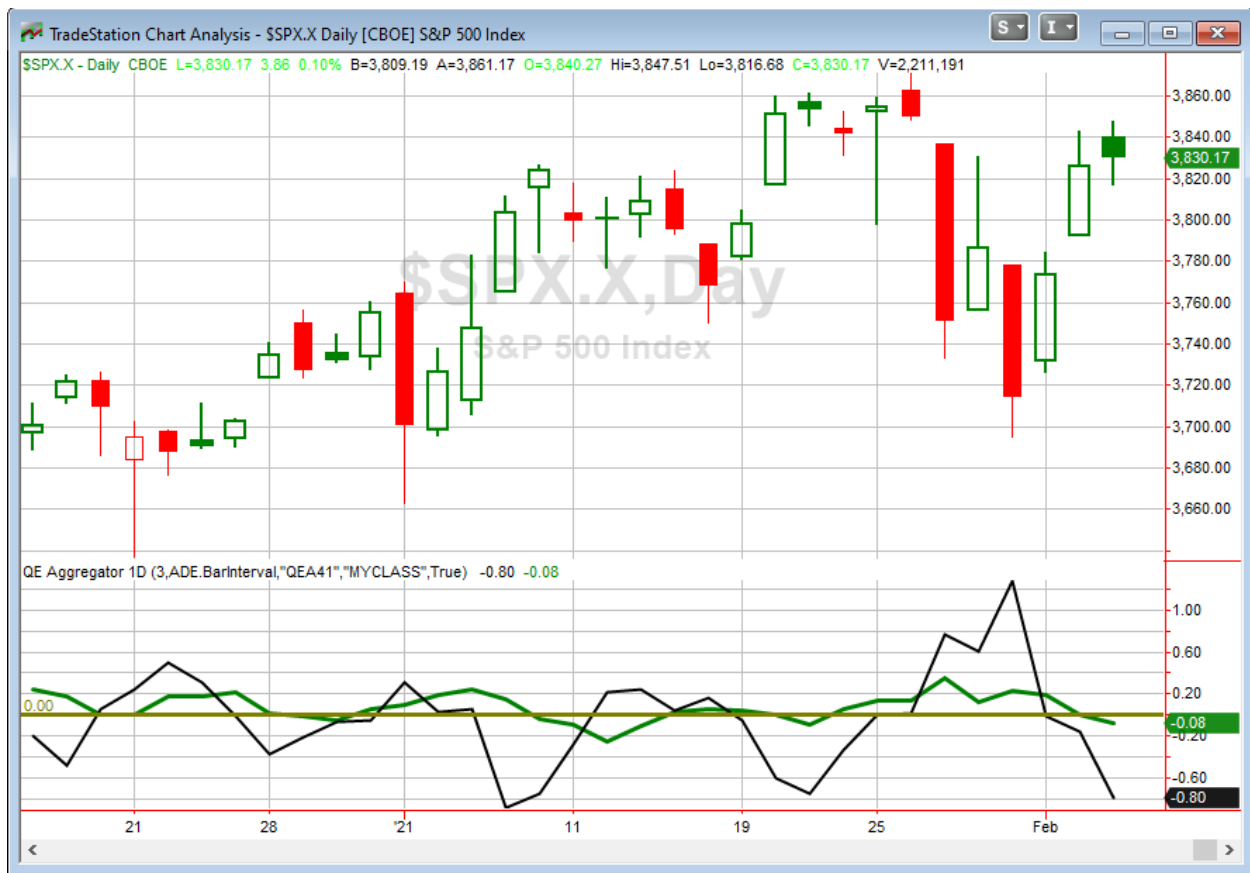
The stats are lopsided to the downside, suggesting a bearish edge. The curve has persisted lower for a good long time. Overall, this seems to suggest a downside edge. I also looked to see how the SPX performed following the setup.



Very similar numbers and curve. It appears the NASDAQ breadth setup has also led to pullback in the SPX much of the time. I have added this study to the Active List tonight.

I'll also note that the VIX has tumbled over the last few days as options traders have seen short-term systematic risk come out of the market. The big scare last week was the Reddit-induced GME short squeeze. The fear was that it was going to take down the whole system as counterparty risks among brokers and custodians spiked and blow-ups were looking like a real possibility. But GME stock did not go to the moon, and has since retreated, and Robinhood and all the other big players seemed to have survived. This has brought the VIX down 37.4% from last Wednesday's close. There have only been 9 other times in which the VIX plunged 35% or more over a 5-day period. In looking at those instances, there does not appear to be a consistent short-term edge suggested.

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



With tonight's evidence considered the green Aggregator Line declined below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

Based on the current active studies, expectations are set to turn back to slightly positive on Thursday. Of course, any new evidence that emerges over the next few days will have a large impact on expectations. Meanwhile, the Differential Pivot will be 3793.60 on Thursday. That is 1.0% below Wednesday's close. So SPX would need to close down about 1.0% on Thursday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is bearish. But I don't love this as a short opportunity. Expectations are primed to flip back to positive on Thursday. Additionally, it is a counter-trend trade with limited evidence behind it. I'll just stand aside and wait for a more compelling setup to emerge.

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	\$30.91	-0.80%		<i>sold on open</i>
BK(1/3)	1/26/2021	\$41.30	\$40.72	-1.40%		<i>sold on open</i>
JPM(1/3)	1/26/2021	\$132.12	\$133.65	1.16%		<i>sold on open</i>
CAT(1/3)	1/26/2021	\$187.34	\$190.91	1.91%		<i>sold on open</i>
MS(1/3)	1/26/2021	\$72.38	\$70.87	-2.09%		<i>sold on open</i>
GS(1/3)	1/26/2021	\$283.04	\$286.61	1.26%		<i>sold on open</i>
BAC(1/3)	1/27/2021	\$30.31	\$30.91	1.98%		<i>sold on open</i>
JPM(1/3)	1/27/2021	\$129.59	\$133.65	3.13%		<i>sold on open</i>
CAT(1/3)	1/27/2021	\$184.20	\$190.91	3.64%		<i>sold on open</i>
MS(1/3)	1/27/2021	\$69.73	\$70.87	1.63%		<i>sold on open</i>
GS(1/3)	1/27/2021	\$276.00	\$286.61	3.84%		<i>sold on open</i>
GS(1/3)	1/28/2021	\$273.33	\$286.61	4.86%		<i>sold on open</i>
BAC(1/3)	2/1/2021	\$29.57	\$30.91	4.53%		<i>sold 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.