

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 10, 2021

Volume 14 Issue 27

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- While SPY closed down, its series of higher highs and higher lows continued, suggesting a rally in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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 10, 2021	5 up to 50-high then down 1	1-4 days	Bullish	1.70%	-0.80%	-1.60%
February 10, 2021	SPY	1-4 days	Bullish	1.05%	-0.90%	-1.70%
February 9, 2021	VIX up. SPX 50-hi. Monday.	1-2 days	Bearish			
February 9, 2021	Up 2% > 3 ago. Offset HV < 0.5	1-5 days	Bullish	1.70%	-0.90%	-1.70%
February 5, 2021	SPX 50-day high. Lowest vol in 19	1-5 days	Bullish			
February 5, 2021	SPX up 4 days, 3 > 1% gains	1-4 days	Bullish			
Active - Long Term						
February 10, 2021	5 up to 50-high then down 1	1-10 days	Bullish	1.90%	-1.00%	-2.20%
February 8, 2021	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
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			

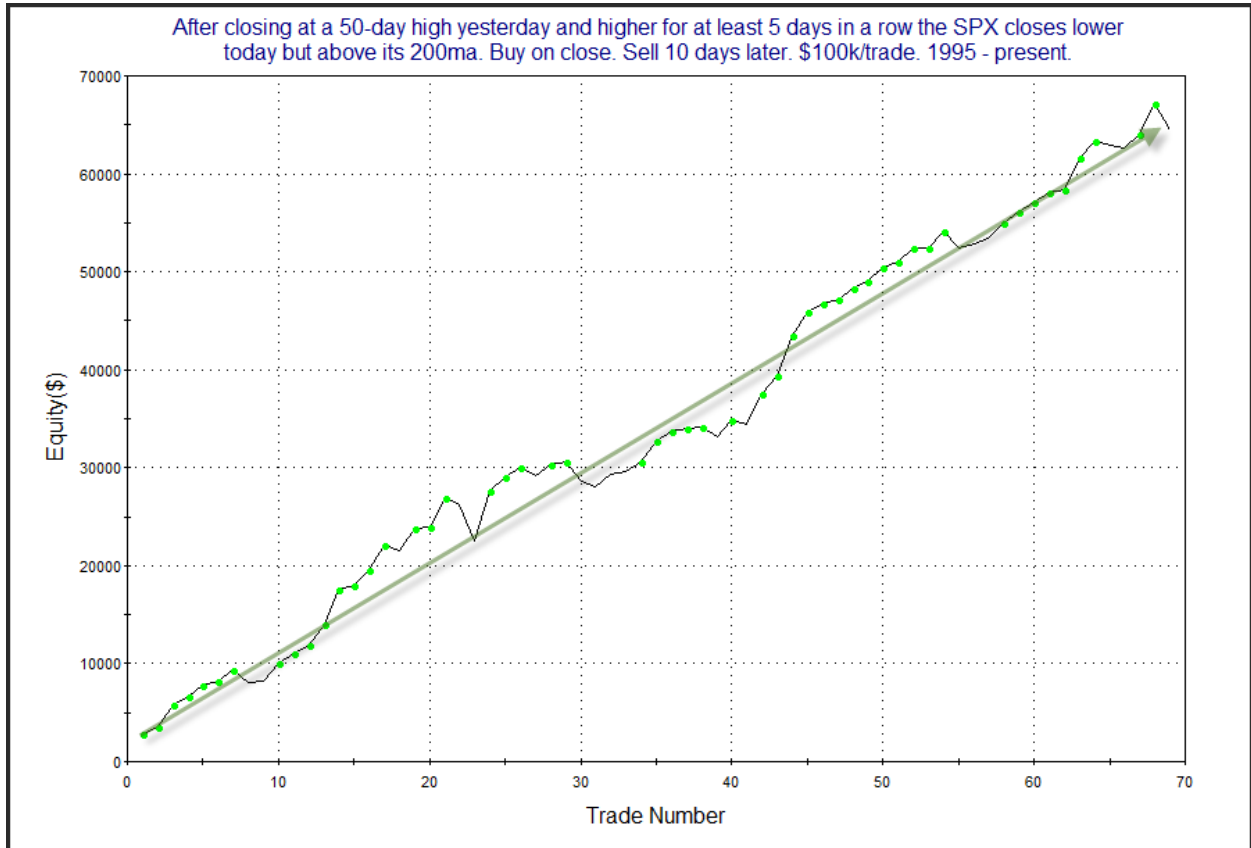
The Evidence

Numbers were mixed on Tuesday. The SPX declined 0.1%, the NASDAQ climbed 0.1%, and the Russell 2000 rose 0.4%. Breadth was mixed with the NYSE Up Issues % coming in at 57% and the Up Volume % at 48%. NYSE total volume came in at the lowest level in a month for the 4th day in a row. The market action generated primarily bullish evidence.

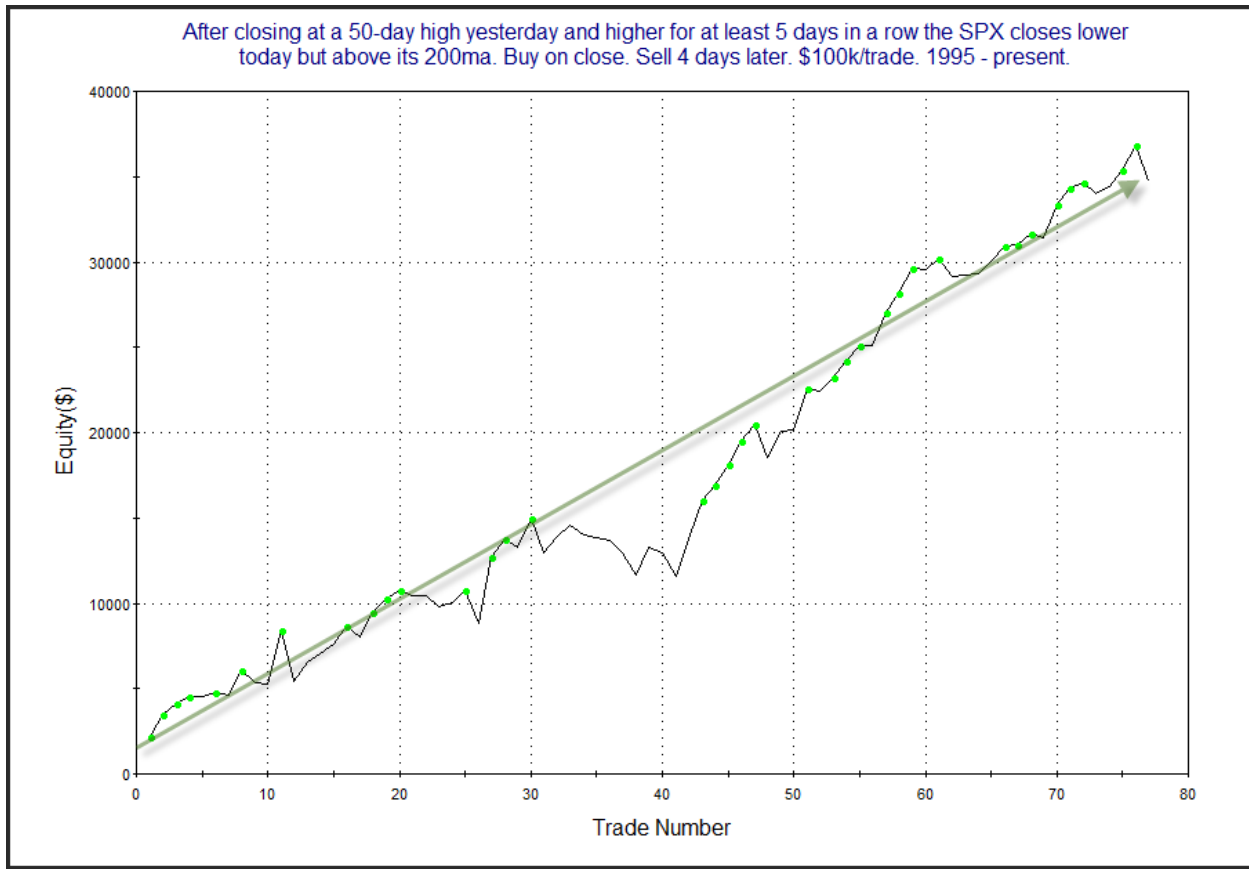
One compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was from the 9/1/20 Letter. I have updated the stats in the table below.

After closing at a 50-day high yesterday and higher for at least 5 days in a row the SPX closes lower today but above its 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	64,411.22	69	56	13	81.16	5,131.35	-3,672.90	1,442.95	-1,261.06	1.14	4.93	933.50
9	62,985.12	72	58	14	80.56	5,023.20	-4,151.40	1,424.49	-1,402.54	1.02	4.21	874.79
8	51,983.92	73	51	22	69.86	4,878.08	-4,874.10	1,561.67	-1,257.33	1.24	2.88	712.11
7	40,890.84	75	52	23	69.33	3,874.76	-4,511.36	1,365.31	-1,308.93	1.04	2.36	545.21
6	42,640.84	77	55	22	71.43	4,307.20	-3,637.71	1,251.51	-1,190.54	1.05	2.63	553.78
5	31,858.28	77	51	26	66.23	4,252.50	-4,717.16	1,100.31	-932.99	1.18	2.31	413.74
4	34,767.17	77	50	27	64.94	3,843.00	-3,003.39	1,113.42	-774.21	1.44	2.66	451.52
3	21,402.57	77	49	28	63.64	2,472.85	-1,992.34	861.18	-742.69	1.16	2.03	277.96
2	23,054.79	77	52	25	67.53	2,437.50	-2,614.95	774.15	-688.04	1.13	2.34	299.41
1	12,841.73	77	50	26	64.94	1,751.19	-1,744.10	516.91	-500.15	1.03	1.99	166.78

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.



The strong upslope appears to confirm the bullish edge. Next let's look at the 4-day curve.



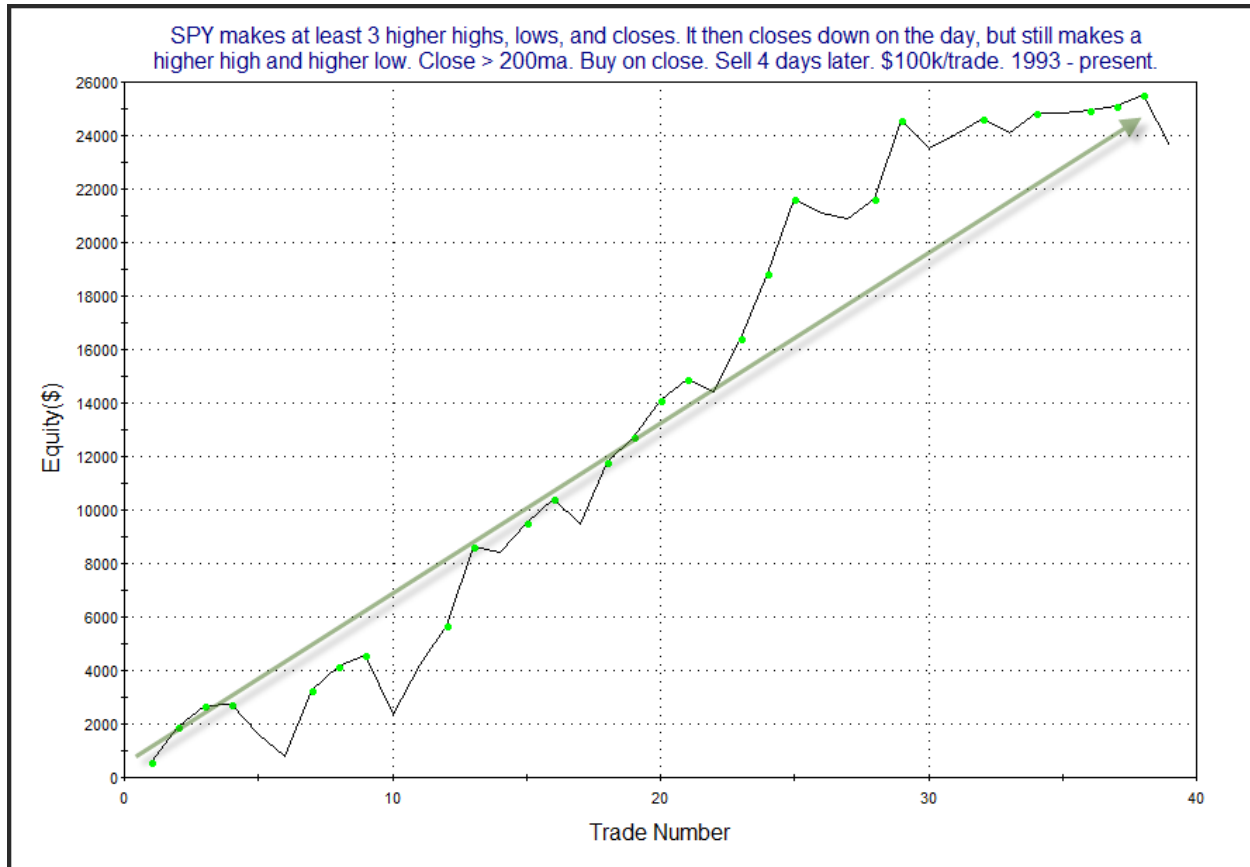
Results are choppy. But even with more whipsaws this one appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

SPY finished lower, but SPY did manage to register a higher high and a higher low. The study below was also last seen in the 9/1/20 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs, lows, and closes. It then closes down on the day, but still makes a higher high and higher low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

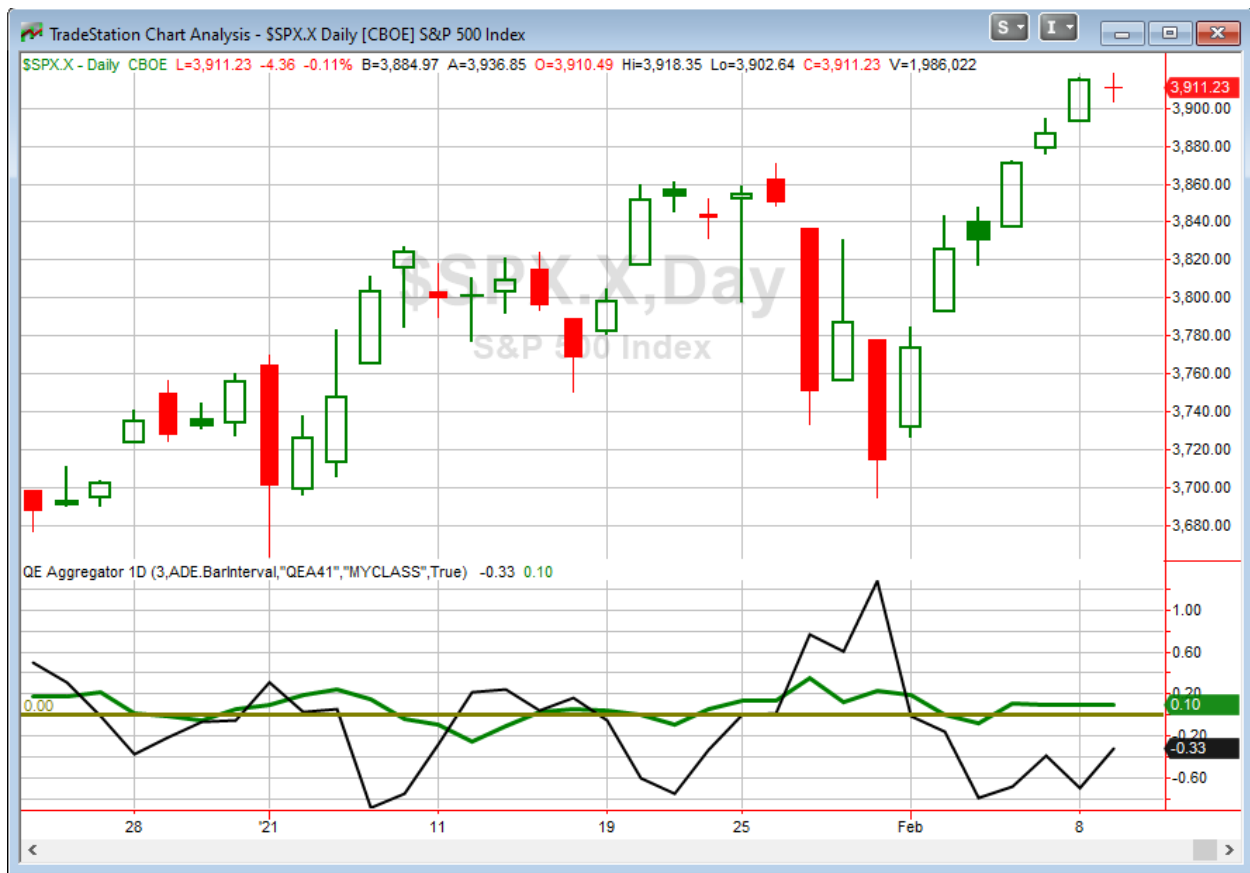
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	17,426.96	39	24	15	61.54	3,602.64	-4,604.60	1,369.38	-1,029.21	1.33	2.13	446.85
4	23,619.10	39	27	12	69.23	2,962.96	-2,191.22	1,247.10	-837.71	1.49	3.35	605.62
3	16,280.32	39	26	13	66.67	2,762.41	-2,640.33	954.52	-656.70	1.45	2.91	417.44
2	15,235.39	39	29	9	74.36	2,399.54	-1,804.67	748.86	-720.18	1.04	3.35	390.65
1	9,452.83	39	25	14	64.10	1,395.93	-1,137.92	543.00	-294.44	1.84	3.29	242.38

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



The upslope is impressive. This study appears worthy of consideration and I have included it on the Active List.

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



With tonight's 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 held 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 zero. Therefore, the Aggregator signal stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. IT would take some very compelling bearish evidence to change this. Meanwhile, the Differential Pivot will be 3892.01 on Wednesday. That is 0.5% below Tuesday's close. Therefore, SPX would need to close down 0.5% on Wednesday in order to flip from overbought to oversold vs recent expectations.

Tuesday did not really change the overall outlook. The Aggregator is again neutral. Evidence is mixed, and the market is overbought in an uptrend. I still don't see a strong short-term edge here worth playing. I'll wait for a better reward/risk setup to emerge before looking to take on new index trades.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/8 – somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

AMGN

Broad Market Large Cap CBI – 1(AMGN)

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
AMGN(1/3)	2/5/2021	\$237.22	\$236.65	-0.24%		Catapult

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