

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 11, 2021

Volume 14 Issue 28

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Very mild 2-day declines from 50-day highs have typically been followed by mild rises over the next couple of days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral, but it could easily turn bullish on Thursday.

**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>						
February 11, 2021	SPX down 2 frm 50-high < 0.25%	1-2 days	Bullish			
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 3 higher highs and lows, dn close	1-4 days	Bullish	1.05%	-0.90%	-1.70%
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			
<b>Active - Long Term</b>						
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			

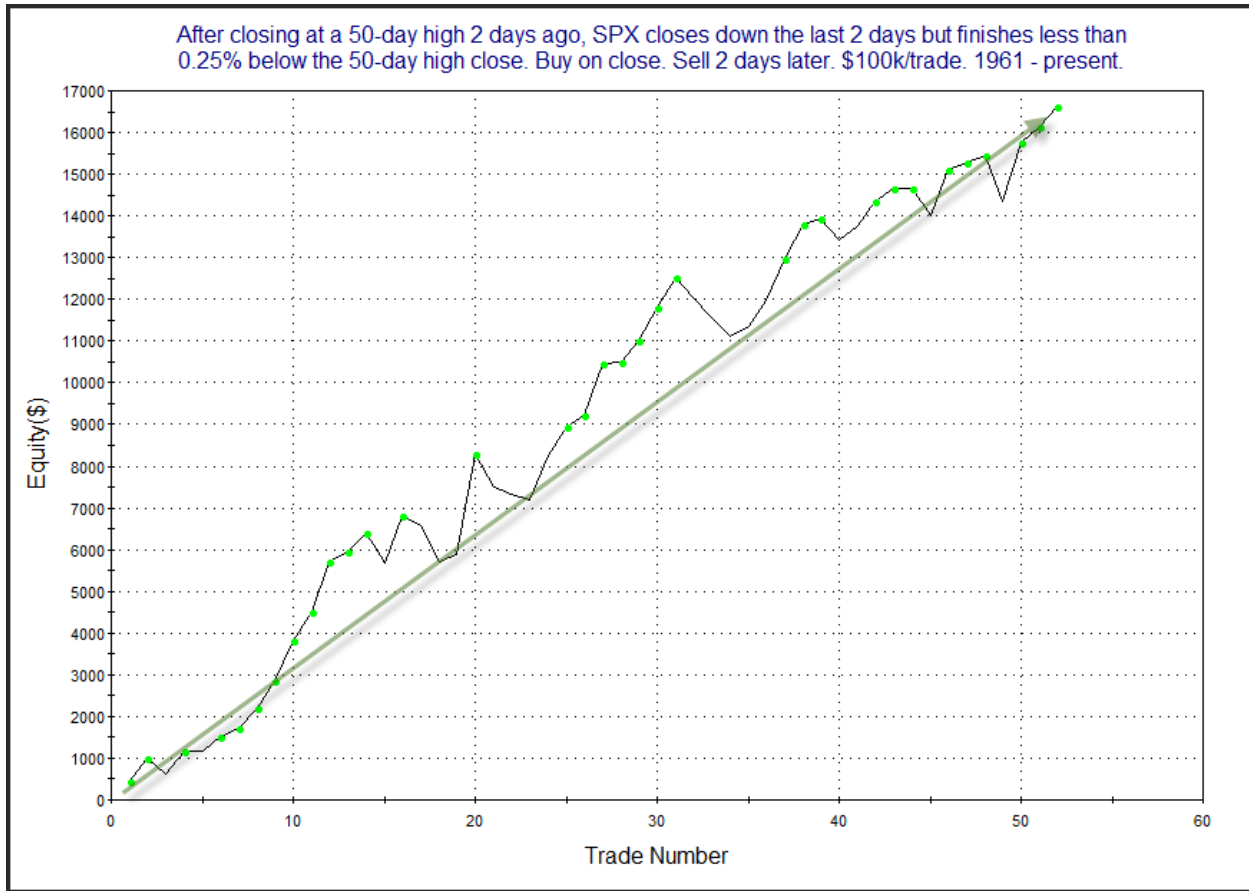
**The Evidence**

The indices finished mostly lower on Wednesday. The SPX declined 0.03%, the NASDAQ lost 0.25%, and the Russell 2000 fell 0.72%. Breadth was positive with the NYSE Up Issues % coming in at 50.3% and the Up Volume % at 53.5%. NYSE total volume rose some from Tuesday's level.

SPX closed at a 50-day high 2 days ago, and while it has closed lower the last 2 days, the combined 2-day selloff has it only 0.15% below Monday's close. Often if an uptrending market tries to pull back, and it just cannot, then the next move will be higher. Tonight I looked at other instances of SPX closing down 2 days in a row from a 50-day high, but still closing less than 0.25% below that closing high. This is something I showed in the 2/28/19 letter also. Updated results can be seen below.

After closing at a 50-day high 2 days ago, SPX closes down the last 2 days but finishes less than 0.25% below the 50-day high close. Buy on close. Sell X days later. \$100k/trade. 1961 - 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	12,486.68	51	31	20	60.78	4,579.74	-3,618.28	937.88	-829.38	1.13	1.75	244.84
4	13,155.29	52	32	20	61.54	3,712.50	-3,370.08	922.82	-818.75	1.13	1.80	252.99
3	12,643.25	52	37	15	71.15	2,141.37	-3,892.32	690.17	-859.53	0.80	1.98	243.14
2	16,635.71	52	38	14	73.08	2,399.76	-1,107.75	622.14	-500.39	1.24	3.37	319.92
1	7,612.11	52	31	21	59.62	1,502.82	-960.05	455.95	-310.58	1.47	2.17	146.39

The stats suggest a propensity for a rise over the next 2 days. Below is a look at the 2-day profit curve.



The strong, steady upslope serves as some confirmation of the upside edge. The market may be due for a pullback, but they have been hard to come by. SPX has not had 3 consecutive down days since mid-December. Maybe it will accomplish that on Thursday, but there continues to be a lack of compelling short-term bearish evidence.

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 Thursday. It would take some compelling bearish evidence to change this. Meanwhile, the Differential Pivot will be *inverted at 3927.85* on Thursday. That is *0.5% above* 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 up at least 0.5% in order to remain "overbought" vs recent expectations. Anything less than that and it will flip to oversold as of Thursday's close.

So the Aggregator is again neutral. But we are seeing a subtle shift here. Thursday could easily see a bullish Aggregator formation if SPX closes lower. That would leave SPX oversold vs expectations, and it would also mean 3 down days from an intermediate-term high. Three down days often trigger some bullish studies. Aggressive traders could consider taking on some long exposure as early as Thursday's close. I'll wait until all the evidence is in to confirm the potential setup. The earliest I'd look to take on new index exposure will be Friday morning.

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

## **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
AMGN(1/3)	2/5/2021	\$237.22	\$238.46	0.52%		Catapult

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