

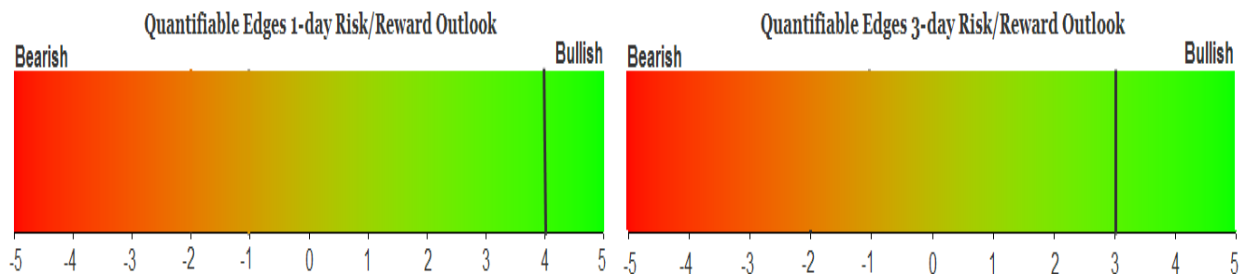
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 1, 2021

Volume 14 Issue 39

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- Weakness heading into month end during an uptrend will often lead to a rally on the 1st day of the month.
- The NASDAQ has struggled recently and fallen into a lagging position vs the SPX.
- The SOMA continues to rise at a rapid pace, providing tons of liquidity.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is pointing higher and the market is strongly oversold. I like the long side.

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

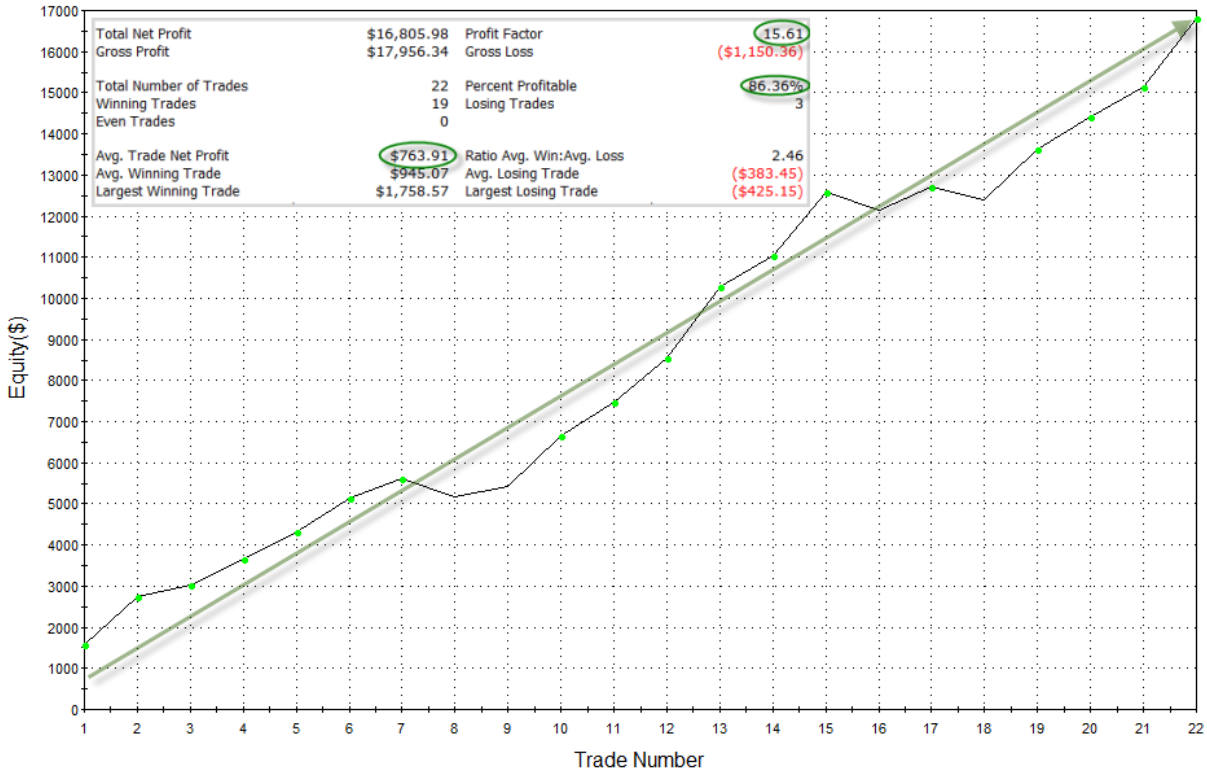
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 1, 2021	Oversold in uptrend at month end	1 day	Bullish			
February 26, 2021	2%+ drop from 5-high to 5-low > 200	1-2 days	Bearish			
February 23, 2021	Dn 4th day. Biggest drop. > 200ma	1-5 days	Bullish	2.00%	-1.00%	-1.70%
February 23, 2021	Btm 10%, 5-day low. Monday	1-5 days	Bullish	2.10%	-1.00%	-2.10%
Active - Long Term						
February 22, 2021	RUT 50ma 25% above 200ma	int term	Warning			
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 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)						
November 23, 2020	NASDAQ Leading	int term	Bullish			

The Evidence

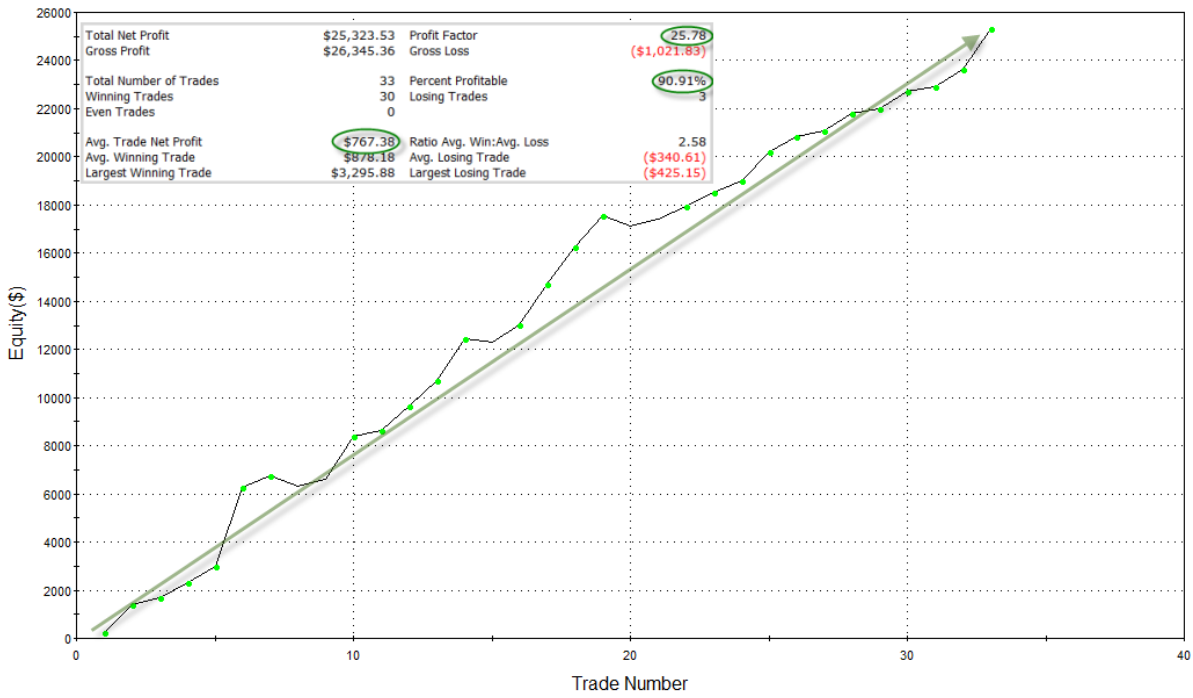
A big back and forth day on Friday finished mixed. The SPX lost 0.5%, the NASDAQ rose 0.6%, and the Russell 2000 was near breakeven with a 0.04% gain. Breadth was negative with the NYSE Up Issues % coming in at 41% and the Up Volume % at 26%. NYSE total volume spiked higher from Thursday's level.

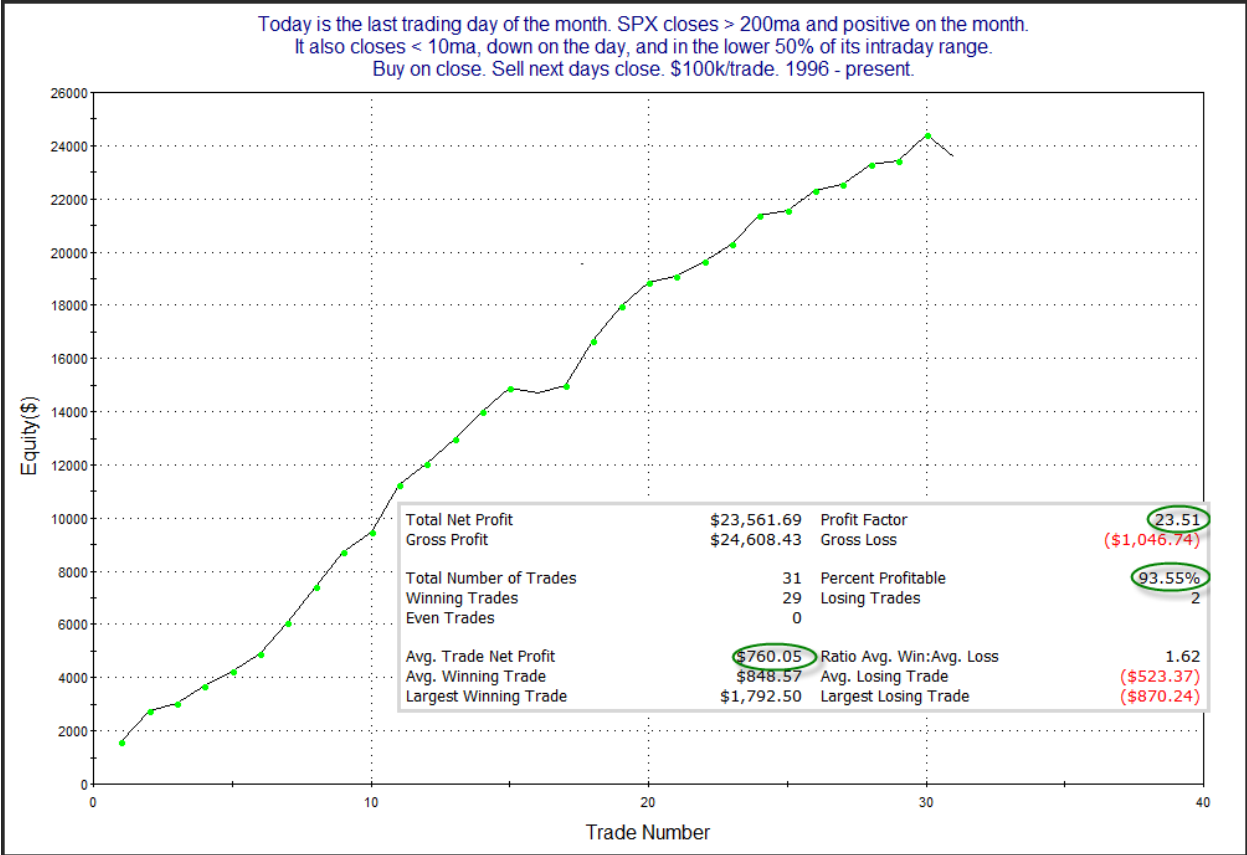
There were several studies that triggered on Friday that considered the fact that Monday is the 1st day of a new month. Turn of the month is often a bullish day. Over the years we have found that it tends to be more bullish under certain circumstances. These include 1) being in an uptrend, 2) closing low in the day's range, 3) closing at a short-term low, and 4) if the last day of the month is also the end of a week. The studies below are somewhat similar, with different twists on the above themes.

It is the last trading day of the month. SPY closes > 200ma but at a 10-day low and in the bottom half of its intraday range. Buy on close. Sell next day's close. 1996 - present.



SPY closes < 10ma and > 200ma on the last day of the month and the last day of the week. Close is in the bottom half of the intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.





They all suggest about a 90% historical win rate and an average day of about 0.76%. Very impressive. This last one requires the month also close higher. If I combine this with the more restrictive “10-day low close” requirement from the 1st study, we are left with the following:

Today is the last trading day of the month. SPX closes > 200ma and positive on the month. It also closes at a 10-day low and in the lower 50% of its intraday range.
Buy on close. Next day's close. \$100k/trade. 1996 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
2/29/1996	Buy	\$63.88	1.58%	\$1,580.65
3/1/1996	Sell	\$64.89		(\$422.55)
3/29/1996	Buy	\$64.69	1.16%	\$1,189.65
4/1/1996	Sell	\$65.44		\$0.00
5/31/1996	Buy	\$66.88	0.28%	\$343.85
6/3/1996	Sell	\$67.07		(\$269.10)
8/30/1996	Buy	\$65.33	0.64%	\$780.30
9/3/1996	Sell	\$65.75		(\$1,453.50)
2/28/1997	Buy	\$79.16	0.67%	\$745.17
3/3/1997	Sell	\$79.69		(\$593.61)
11/30/1999	Buy	\$139.28	0.81%	\$874.74
12/1/1999	Sell	\$140.41		(\$200.76)
5/31/2013	Buy	\$163.45	0.55%	\$617.11
6/3/2013	Sell	\$164.35		(\$482.69)
12/30/2016	Buy	\$223.53	0.76%	\$1,028.10
1/3/2017	Sell	\$225.24		\$0.00

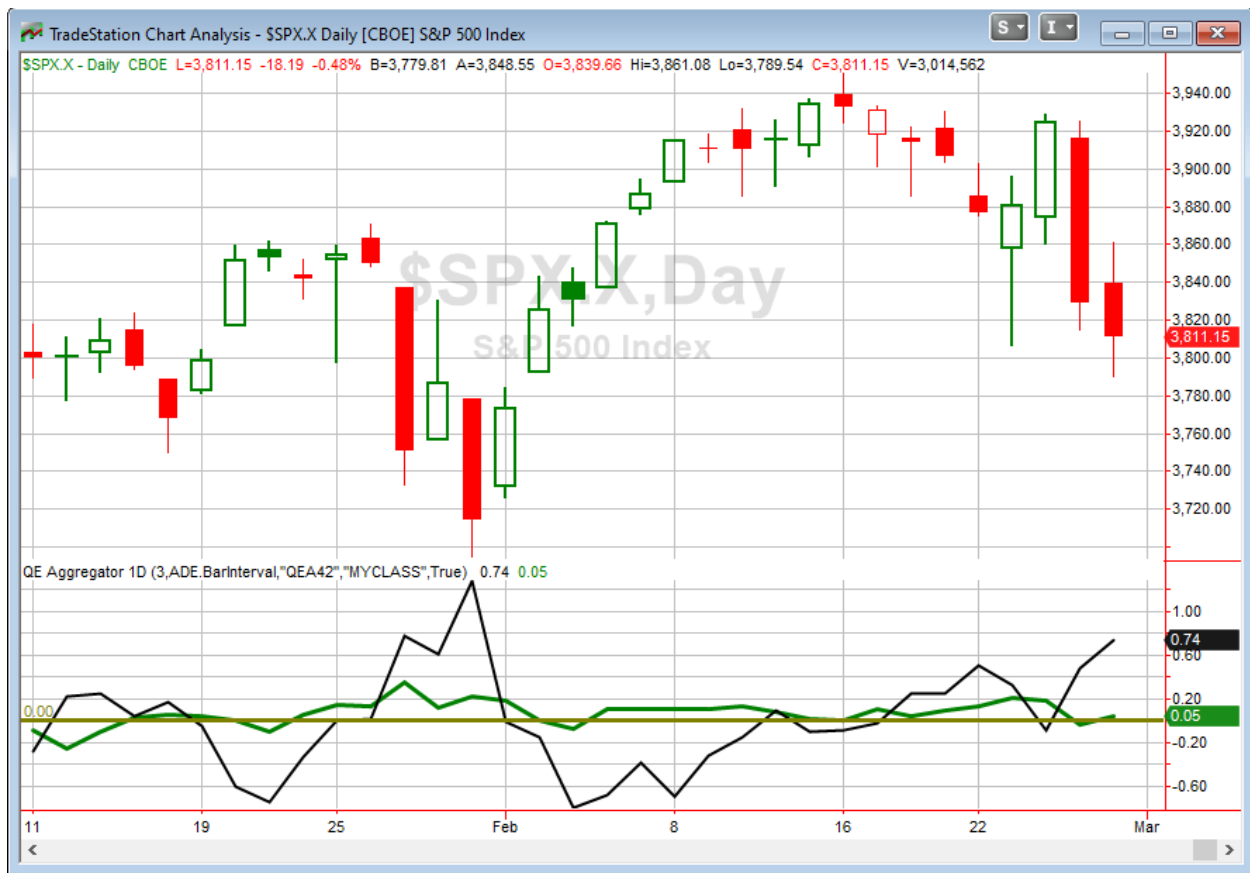
Looking at it numerous ways, it all suggests an upside edge for Monday.

The seasonality calendars for March were all posted to the Seasonality page as well. Here is the one for SPX.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
3/1/2021	56.79	1.338	0.105
3/2/2021	52.63	1.118	0.036
3/3/2021	57.68	1.298	0.081
3/4/2021	53.89	1.041	0.018
3/5/2021	54.86	1.104	0.040
3/8/2021	51.72	0.829	-0.089
3/9/2021	51.98	1.193	0.020
3/10/2021	52.12	0.809	-0.097
3/11/2021	54.62	0.898	-0.062
3/12/2021	54.42	1.169	0.014
3/15/2021	55.61	0.924	-0.044
3/16/2021	55.54	1.433	0.060
3/17/2021	52.25	1.024	-0.015
3/18/2021	54.28	0.915	-0.048
3/19/2021	53.21	0.898	-0.053
3/22/2021	44.62	0.954	-0.016
3/23/2021	49.61	1.242	0.066
3/24/2021	48.55	1.080	0.027
3/25/2021	49.14	1.154	0.042
3/26/2021	49.37	0.982	-0.004
3/29/2021	50.00	1.034	0.009
3/30/2021	57.87	1.544	0.125
3/31/2021	56.40	1.490	0.115
Baseline	54.72	1.149	0.048
QuantifiableEdges.com			

The 1st week of the March sets up to be the strongest from a seasonality perspective. We are oversold going into a strong seasonal period. And that is typically a good thing.

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



With tonight's evidence considered, the green Aggregator Line rose back above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal tuned long at the close.

Based on the current active studies, expectations are set to remain bullish on Monday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3942.32 on Friday. That is 3.4% above Friday's close. That would be a very large 1-day day. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is bullish. The market is strongly oversold on a short-term basis, and there appear to be some strong seasonal edges. I like the long side and will look to take on some index exposure on Monday. If the market continues to pull back on Monday then I will likely add to the position on Tuesday. I strongly suspect a 3-day pullback heading into "Turnaround" Tuesday would generate additional bullish evidence if it occurs.

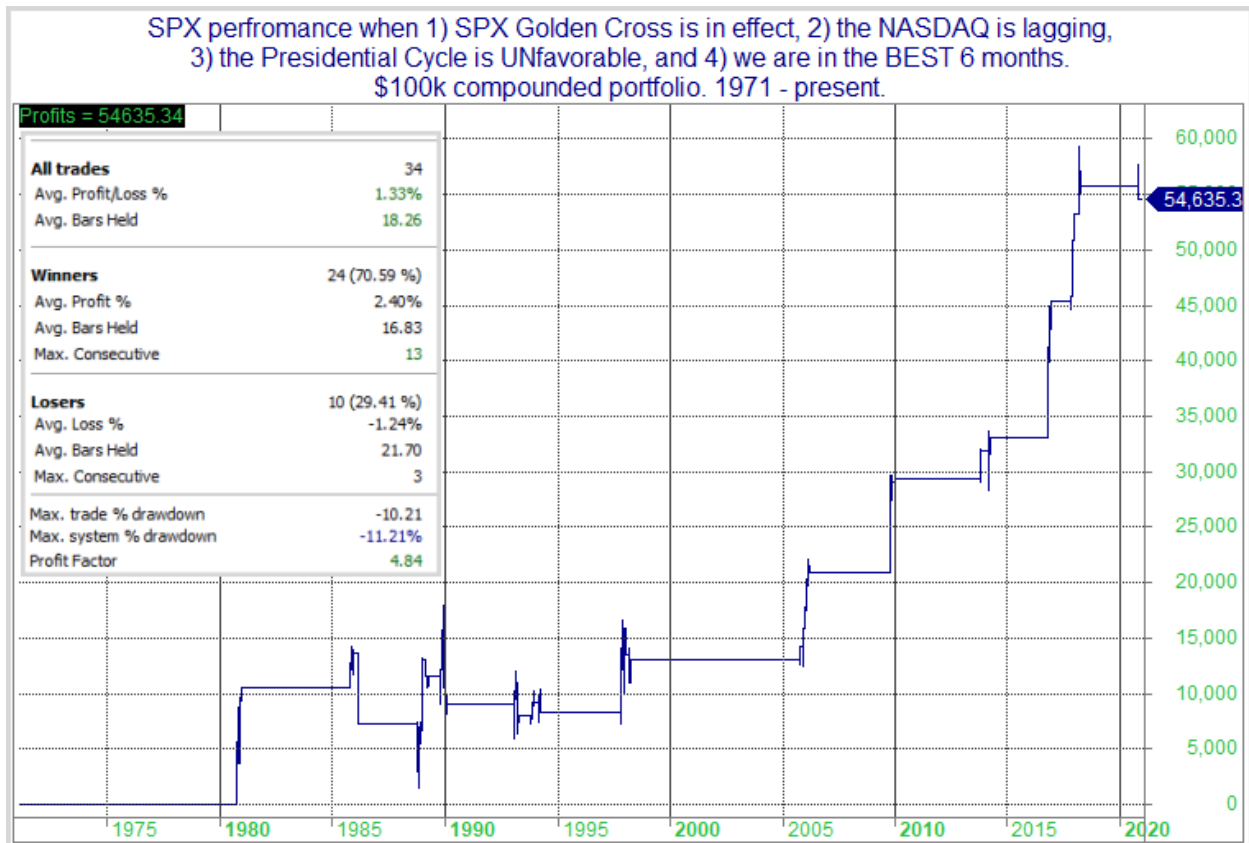
Intermediate-term Outlook (2 weeks – 2 months) – updated 2/22 – somewhat bullish

Combo #1	Combo #2	Combo #3
Long	Long	Flat

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week Combo System #3 changed from Long to Flat.*

The 2nd half of February was tough. The market pulled back for the 2nd week in a row. This week the SPX fell 2.45%, the NASDAQ tumbled 4.9% and the Russell 2000 lost 2.9%. The NASDAQ and SPX are trading around their 50-day moving averages, but still well above the 200ma lines.

The struggling NASDAQ did cause our NASDAQ/SPX lead/lag indicator to flip, so that SPX is now the leader. Historically, nearly all of the gains the market has achieved since 1971 have come when the NASDAQ was leading. When SPX has been in a leading position, the market has struggled to make much headway. I decided to examine performance when the Quantifiable Edges Market Timing Course indicators are in their current formation. Those results can be found below.



From 1971 – 2005, SPX struggled to make much headway with the current mix of indicators. But since 2005 or so, the setup has seen strong performance by SPX. So while a leading NASDAQ is preferable, the SPX being in the lead right now is not a big red flag.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

SUMMARY

T-BILLS

T-NOTES AND T-BONDS

FRNS

TIPS

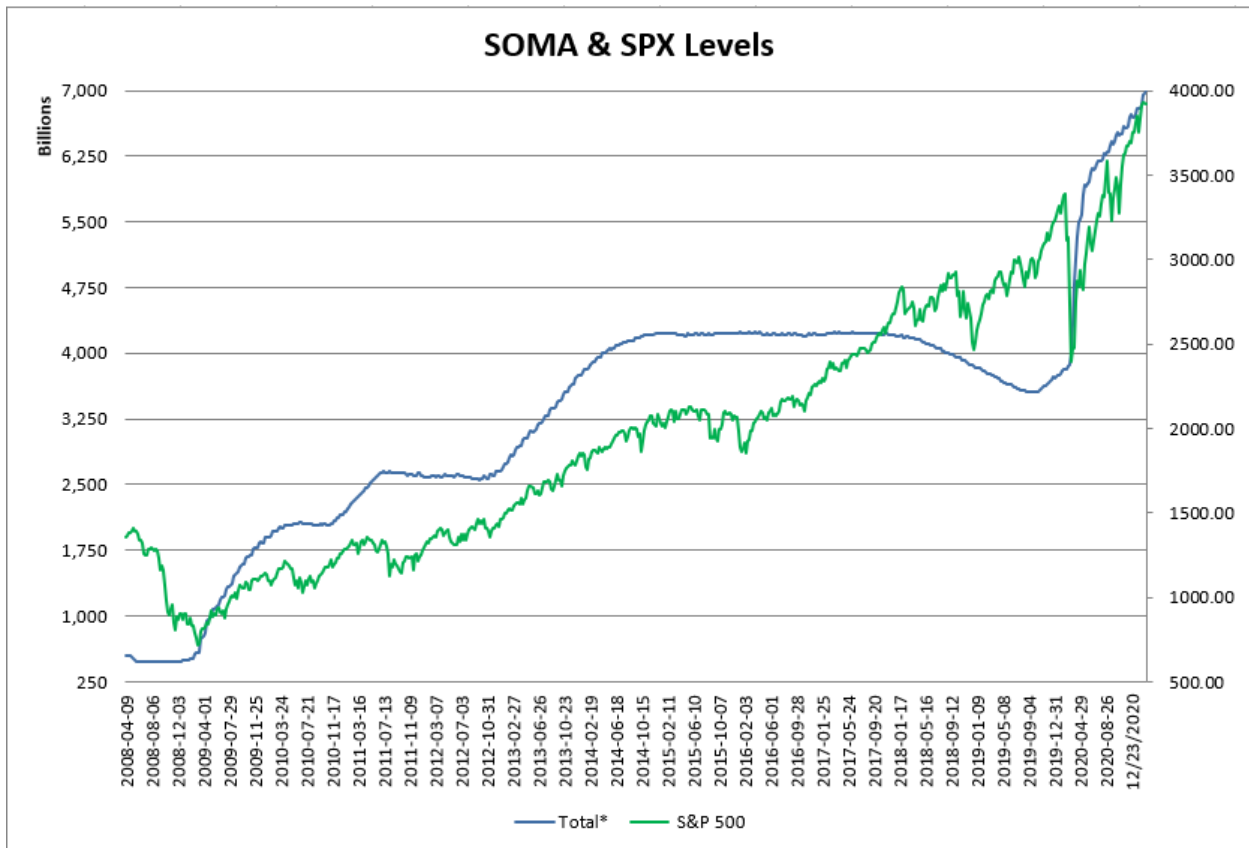
AGENCY DEBTS

MBS

CMBS

Security Type	Total (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,129,739,932.0
US Treasury Floating Rate Notes (FRNs)	21,038,668.5
US Treasury Inflation-Protected Securities (TIPS)*	324,023,401.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,170,781,817.2
Agency Commercial Mortgage-Backed Securities***	9,896,369.9
Total SOMA Holdings	6,983,871,188.6
Change From Prior Week	30,253,236.1

This past week saw the SOMA rise by \$30 billion. That is a sizable 1-week gain – especially for near the end of the month. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is in the midst of the largest expansion in history, and the expansion is expected to continue for the foreseeable future. We should see it cross \$7 trillion in the next few weeks. To this point, the Fed has indicated they will remain aggressive in their efforts to stimulate the economy. And that is good for the market for as long as it lasts.

My intermediate-term outlook again remains leaning bullish. It is too early to tell whether the current pullback will lead to a more intermediate-term decline. The lagging NASDAQ could become an issue, and as I discussed last week there is plenty of froth in high-risk areas. But the trend remains up, and the Fed's continued pumping is a massive plus for the bulls. Overall, I remain somewhat bullish. I will still be a bit more cautious when considering short positions than with long positions.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MSFT – 1/3 @ \$234.51 (bought @ limit)

MSFT – 1/3 @ \$233.27 (buy @ limit)

ABT – 1/3 @ \$120.80 (buy @ limit)

Broad Market Large Cap CBI – 3(MSFT-2, ABT)

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.

SPY – buy ¼ index position @ \$380.36 LIMIT. Based on the short-term outlook above, I will look to start scaling into an index trade if I can get a decent fill on Monday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MSFT(1/3)	2/23/2021	\$230.32	\$232.38	0.89%		Catapult
MSFT(1/3)	2/24/2021	\$230.01	\$232.38	1.03%		Catapult
ABT(1/3)	2/24/2021	\$120.80	\$119.78	-0.84%		Catapult

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