

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 4, 2021

Volume 14 Issue 42

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	1

Tonight's Research Points

- Despite strong selling the last 2 days, we are not seeing compelling evidence that a bounce is highly probable over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but the setup appears less than compelling.

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 2, 2021	NASDAQ 3% gain. Low volume 5 days	1-3 days	Bearish	-4.00%	1.50%	2.80%
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)						
March 2, 2021	NASDAQ up 2 frm 10-low < 10ma	1-2 days	Bullish			

The Evidence

The month is only three days old – and what a month it has been. The massive gains on Monday have been either mostly or entirely given back at this point. Wednesday the SPX closed down 1.3%, the NASDAQ fell 2.7%, and the Russell 2000 dropped 1.1%. Breadth was just moderately negative with the NYSE Up Issues % coming in at 47% and the Up Volume % at 40%. NYSE total volume increased for the 2nd day in a row.

There have been some sizable rotations over the last few days. QQQ has plummeted 4.5% over the last 2 days and closed at its lowest level since 1/6/21. Meanwhile, XLF (financials) and XLE (energy) made new long-term intraday highs on Wednesday before closing up modestly and just below closing high levels. So we seem to be seeing a continuation of the theme I noted over the weekend where the NASDAQ is now lagging the SPX. There is a chance this is just a temporary glitch. If it persists, it could mean more struggles for the market.

Not much triggered in the Quantifinder, and I did not find any compelling evidence suggesting a directional edge. I did look back at other times the SPX declined over 1% while the BKX (banking index) rose over 1%. Returns over the next several days appeared volatile and inconsistent.

I also examined other times SPX closed down at least 0.75% 2 days in a row, but still finished above the close of 3 days ago. When above the 200ma, this setup was rare. The only other instances since 1957 were 1/22/98 and 1/12/2015. While I would not read anything into just 2 instances, I did find it interesting that both also closed lower the following two days. I also loosened the criteria to simply say SPX did not close at a 5-day low. Those results are below.

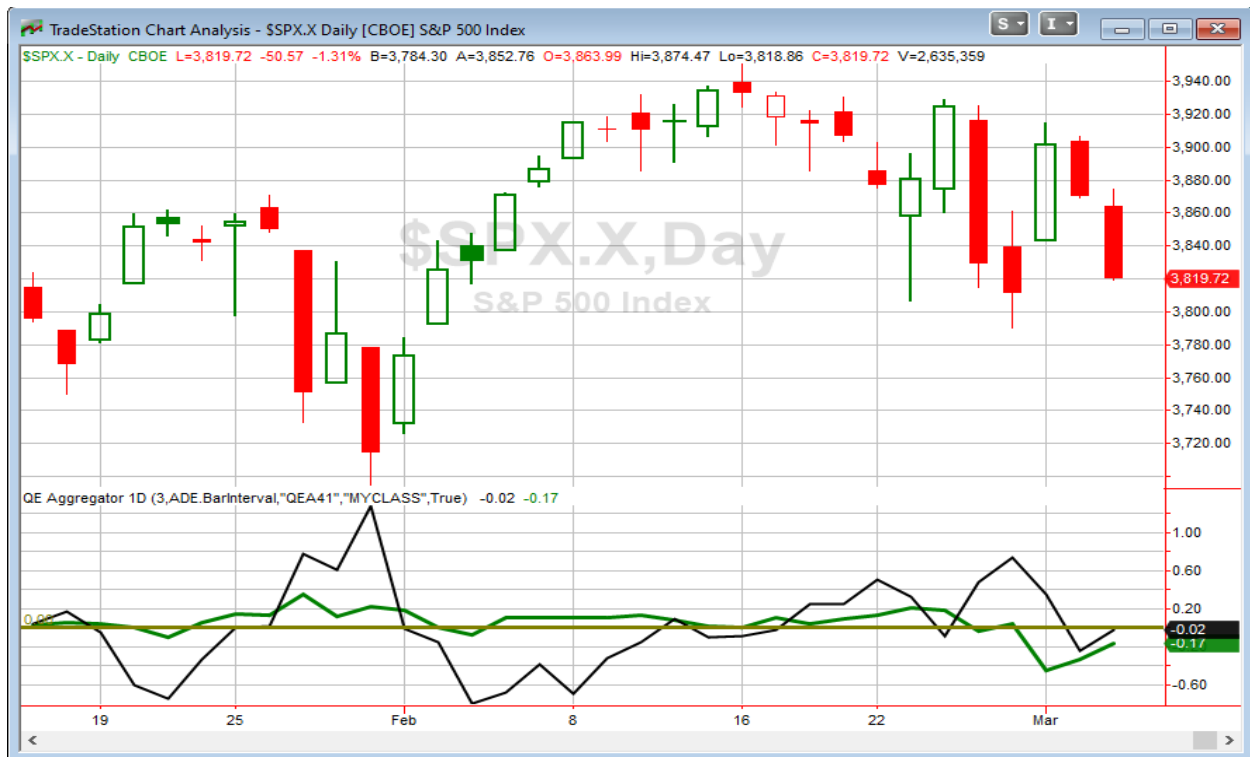
SPX closes down > 0.75% today and yesterday. It closes > 200ma and above a 5-day low. Buy on close. Sell next day's close. \$100k/trade. 1957 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/19/1975	Buy	\$84.34	-0.87%	\$1,137.60
3/20/1975	Sell	\$83.61		(\$1,564.20)
7/22/1996	Buy	\$633.14	-0.99%	\$715.92
7/23/1996	Sell	\$626.87		(\$1,175.93)
1/22/1998	Buy	\$963.04	-0.57%	\$350.20
1/23/1998	Sell	\$957.59		(\$1,254.54)
4/25/2003	Buy	\$898.81	1.78%	\$2,146.74
4/28/2003	Sell	\$914.84		\$0.00
1/12/2015	Buy	\$2,028.26	-0.26%	\$1,404.83
1/13/2015	Sell	\$2,023.03		(\$980.49)
2/28/2018	Buy	\$2,713.83	-1.33%	\$614.16
3/1/2018	Sell	\$2,677.67		(\$1,950.48)

While instances are low and I won't be including this on the active list, I did think these results were at least notable.

Often after 2 strong days of selling we will start to see some bullish evidence emerge. That is not happening right now. Perhaps tomorrow. But to this point, strong evidence of a quick bounce just doesn't seem to be there.

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



Without any new compelling evidence tonight, the green Aggregator Line remained 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 stayed short at the close.

With the last short-term bearish study set to expire on Thursday, expectations are currently set to flip to slightly bullish – primarily based on the intermediate-term evidence. Of course this could change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3883.49 on Thursday. That is 1.7% *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 1.7% in order to remain overbought. Anything shy of that, and it will switch to “oversold” vs expectations as of Thursday’s close.

So the Aggregator is still bearish. It could easily flip to bullish on Thursday, and I am not interested in trying to short index positions here after two strong down days. (But I am a little miffed that I did not look to short more aggressively when the Aggregator turned bearish Monday night.) Reward/risk is not appealing in my view. I’ll continue to stand aside and await the next compelling opportunity. It could easily come within the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/1 – somewhat bullish

The intermediate-term outlook was last updated in the 3/1/21 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

ABT – 1/3 @ \$120.80 (buy @ limit)

Broad Market Large Cap CBI – 1(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.

None.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ABT(1/3)	2/24/2021	\$120.80	\$119.18	-1.34%		Catapult

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