

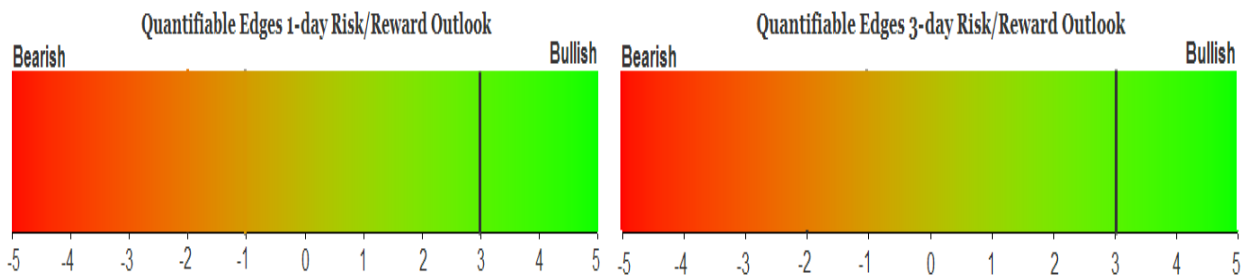
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 5, 2021

Volume 14 Issue 43

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- The 3-day drop shows some characteristics suggesting a bounce.
- Three 1% down days in a short period also suggests a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. 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 5, 2021	3rd 1% drop in 10 days > 200ma	1 day	Bullish			
March 5, 2021	3 dn. Biggest drop today. 10-low > 200	1-5 days	Bullish	2.00%	-1.40%	-3.00%
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 3% gain. Low volume 5 days	1-3 days	Bearish	-4.00%	1.50%	2.80%

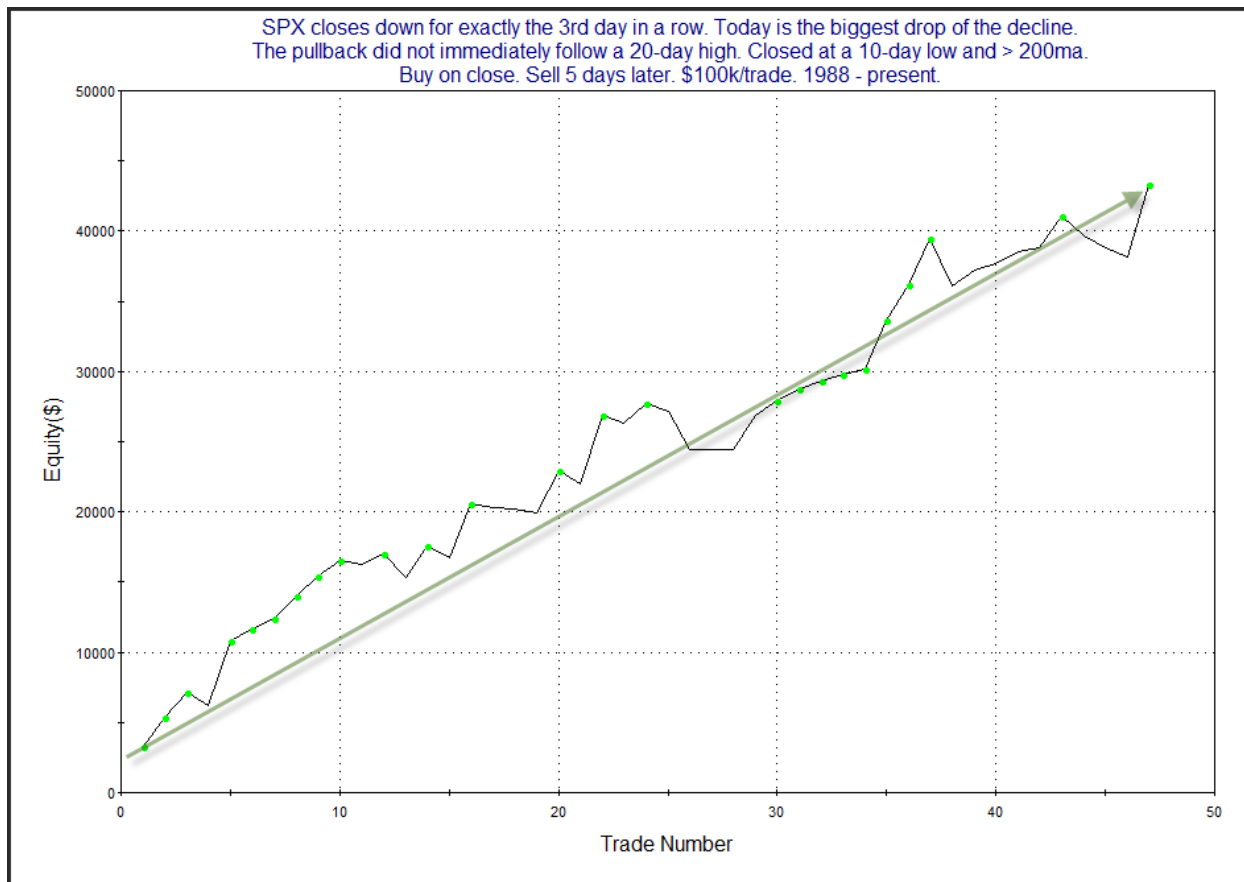
The Evidence

More selling on Thursday. The SPX closed down 1.3%, the NASDAQ fell 2.1%, and the Russell 2000 dropped 2.8%. Breadth was negative with the NYSE Up Issues % coming in at 22% and the Up Volume % at 31%. NYSE total volume increased for the 3rd day in a row.

The fact that Thursday was the 3rd down day in a row was notable. I've discussed 3-day pullbacks many times before and a few studies associated with them came up tonight. They tend to provide a nice upside edge under the right conditions. The study below is a combination of a few studies from the Quantifinder. It was featured in the 9/25/19 letter. It considers 1) the fact that today's drop was especially large compared to the previous 2 days, 2) the 10-day low close, and 3) that the pullback did not originate from a 20- day closing high. Results are updated.

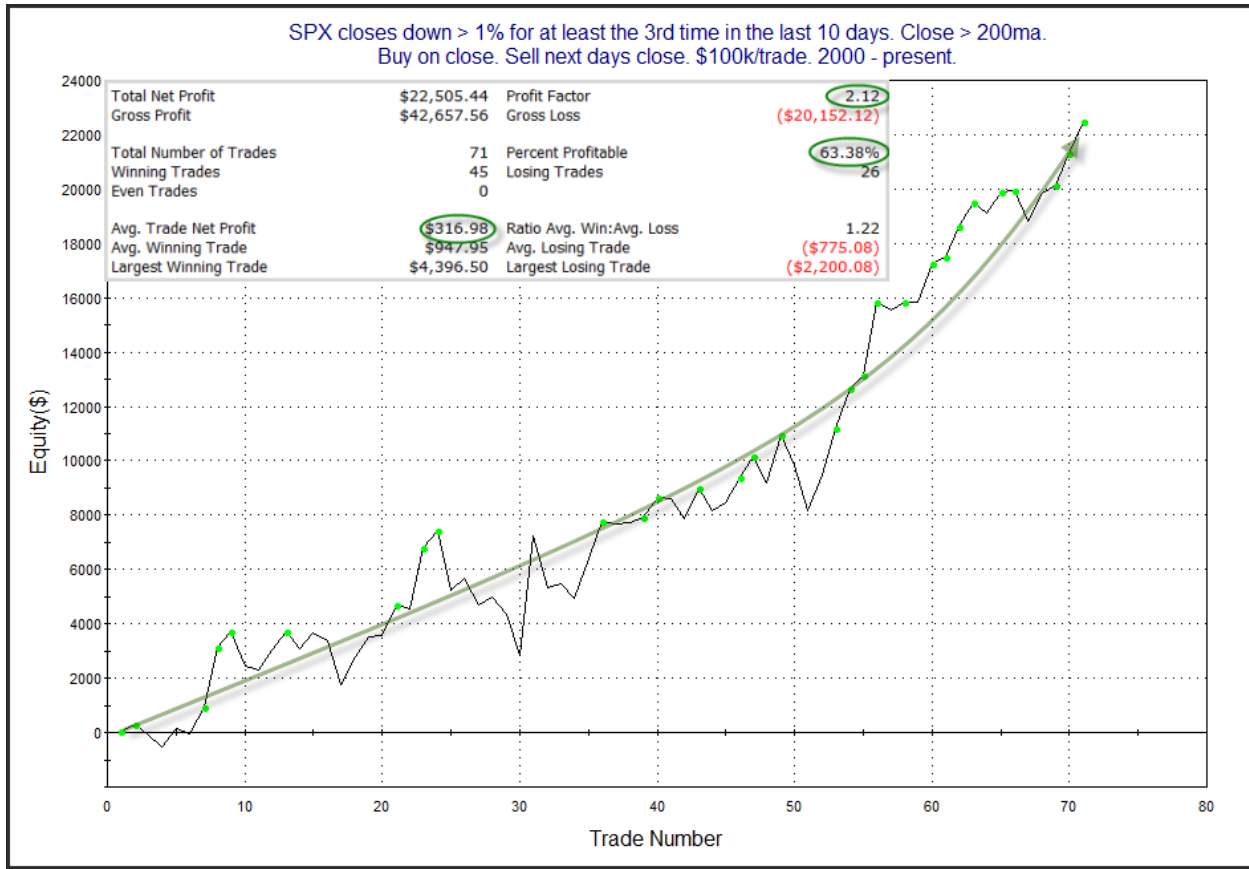
SPX closes down for exactly the 3rd day in a row. Today is the biggest drop of the decline. The pullback did not immediately follow a 20-day high. Closed at a 10-day low and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - present.												
X Days	All: Net Profit	All: Total Trades	All: 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	43,339.72	47	30	17	63.83	5,172.30	-3,385.80	1,962.46	-913.77	2.15	3.79	922.12
4	32,879.27	48	32	16	66.67	4,731.13	-3,863.84	1,688.85	-1,322.75	1.28	2.55	684.98
3	27,168.38	48	30	18	62.50	3,940.55	-4,464.88	1,549.44	-1,073.04	1.44	2.41	566.01
2	26,370.77	48	30	18	62.50	3,744.45	-7,559.56	1,310.76	-719.56	1.82	3.04	549.39
1	13,656.28	48	33	15	68.75	2,503.90	-1,814.24	744.81	-728.16	1.02	2.25	284.51

The stats suggest an upside edge over the next week. Below is a look at a 5-day profit curve.



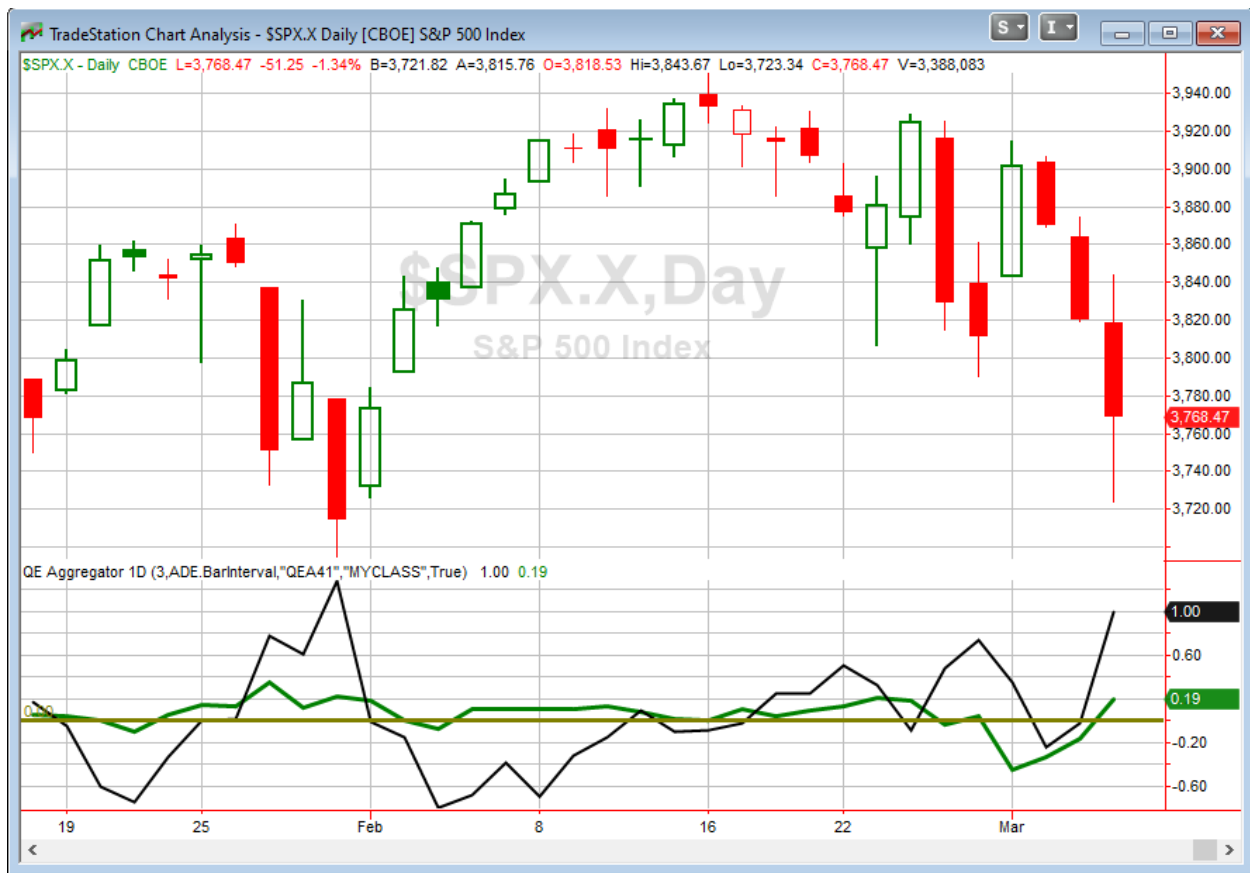
That is a nice, steady move from lower left to upper right. This serves as some confirmation of the edge suggested by the numbers. I have added this study to the Active List tonight.

The SPX has made some substantial moves over the last couple of weeks as volatility has been high. It is unusual to see such high volatility when the SPX is trading above its 200ma. Thursday marked the 3rd day in the last 6 in which SPX closed down over 1%. In the 10/9/19 letter I decided to look back at other times where SPX closed down more than 1% for the 3rd time in the last 10 days, but above its 200ma. Below are updated results of that study. Note that I did loosen the criteria slightly, requiring it be at least the 3rd 1% drop, rather than exactly the 3rd 1% drop in the last 10 days.



This is a strong ride from lower left to upper right, supporting the idea of an upside edge. I have added this study to the active list as well.

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



With tonight's evidence considered, the green Aggregator Line moved back above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also rose 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 turned long at the close.

Based on the current active list, expectations are set to remain positive on Friday. Of course this could change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be 3840.35 on Friday. That is 1.9% above Thursday's close. Therefore SPX will need to close up at least 1.9% on Friday in order to flip from oversold to overbought vs expectations.

So the Aggregator has flipped to bullish. I like the evidence I am seeing tonight. I also like the fact that there is plenty of room to the upside before SPX would turn overbought. I am a little wary that the selloff could turn into something more than just an ordinary pullback. NDX is down nearly 10% from its 2/12 high. That is a sizable drop. But there has been a lot of rotation and certain groups are still doing well. XLE (the energy sector ETF) is up over 14% over the same time period. So the selling could certainly worsen if it broadens and the groups that have been holding up also begin to decline. Anyway, I like the long side. The question for me tonight was how aggressive I

want to be with position sizing. Ultimately, I decided to start scaling in Friday if I can favorable fills.

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.

SPY – buy ¼ index position at \$376.70 LIMIT. From the short-term outlook above, I will look to begin scaling into an index position if I can get filled at or below Thursday’s closing price.

SPY – buy ¼ index position at \$372.93 LIMIT ON CLOSE. This would require another 1% down day for SPX. If we do not see a rally, then there could certainly be some panic selling heading into the weekend. I’d look to buy into that near the close, believing it to be an overreaction.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ABT(1/3)	2/24/2021	\$120.80	\$116.01	-3.97%		Catapult

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