

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 9, 2021

Volume 14 Issue 45

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- SPY's gap up, move higher and the reversal down are suggested a short-term bullish edge.
- The volume spike in QQQ is suggesting positive intermediate-term implications.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I think there is still likely a bit more upside in the next few days, but reward/risk is not compelling at this point.

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 9, 2021	SPY gap up, run higher, then reversal dn	1-3 days	Bullish			
March 8, 2021	Gap up from 20-low fills then rally	1-2 days	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						
March 8, 2021	Rally from 1-month low starts on Fri	1-20 days	Bullish	4.70%	-3.20%	-6.90%
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			

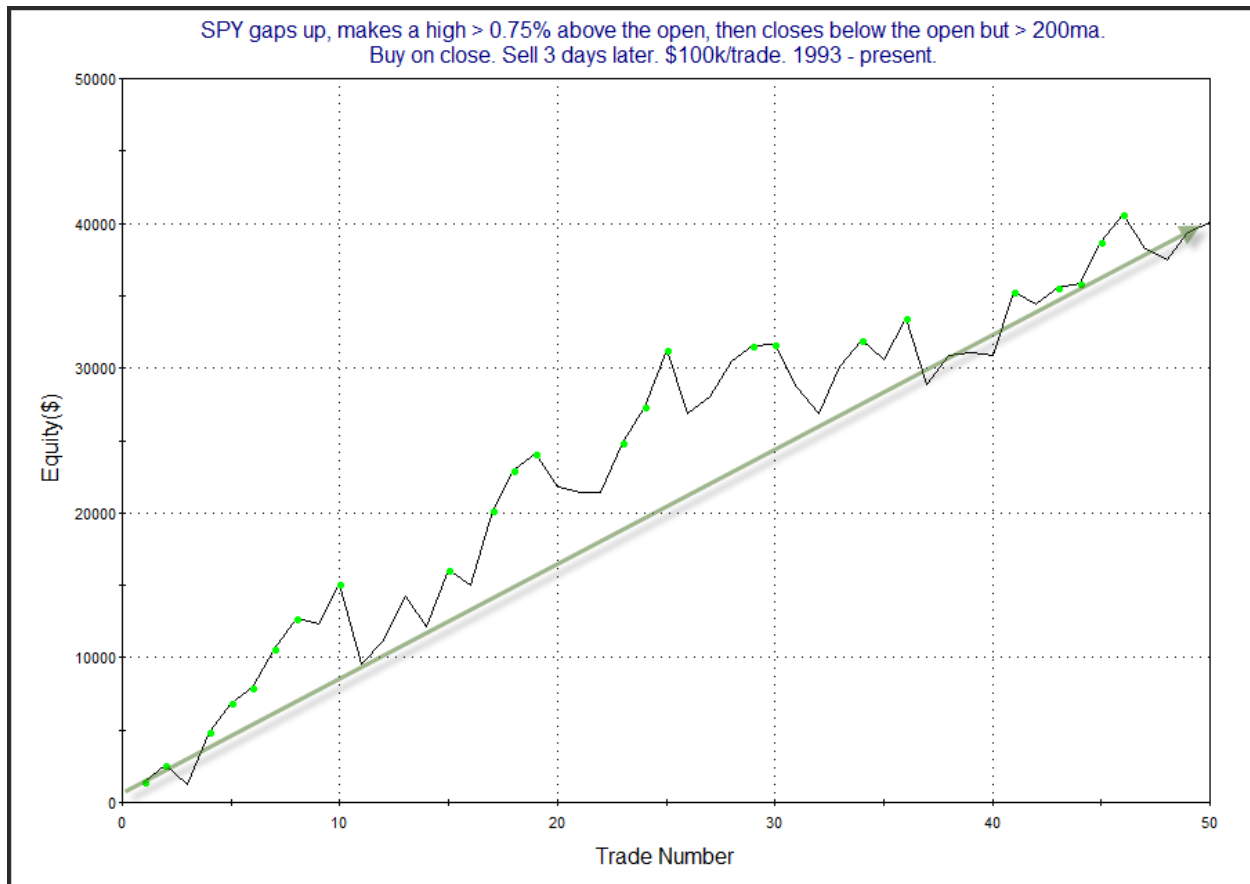
The Evidence

Monday saw big tech get hit hard, but smallcaps did not care. The SPX closed down 0.5%, the NASDAQ lost 2.4%, and the Russell 2000 gained 0.5%. Breadth was positive with the NYSE Up Issues % coming in at 61% and the Up Volume % at 56%. NYSE total volume declined some from Friday's level.

The SPY reversal from the morning rally triggered a few similar studies in the Quantifinder. They all suggested potentially bullish implications. The one below is the one I found most compelling. It was from the 4/10/18 letter.

SPY gaps up, makes a high > 0.75% above the open, then closes below the open but > 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	39,813.39	47	34	13	72.34	5,473.48	-8,618.72	2,078.59	-2,373.74	0.88	2.29	847.09
4	17,588.96	49	31	18	63.27	4,871.32	-12,608.53	2,288.99	-2,964.99	0.77	1.33	358.96
3	40,043.57	50	34	16	68.00	5,141.52	-5,587.56	2,135.69	-2,035.62	1.05	2.23	800.87
2	13,979.61	51	32	19	62.75	4,153.36	-5,249.75	1,457.45	-1,718.88	0.85	1.43	274.11
1	3,719.27	51	28	23	54.90	2,359.84	-4,490.79	951.02	-996.06	0.95	1.16	72.93

The stats point towards a likely bounce. Below is a look at a 3-day profit curve.



The persistent move from lower left to upper right is encouraging for the bulls.

My friend and colleague Tom McClellan writes the excellent McClellan Market Report. In his report tonight he noted that big spikes in QQQ volume are often a bottoming sign for QQQ. He shared a chart showing that the 10ma of QQQ volume was now at an extreme level. I decided to study this idea a bit more. So I took the 10ma of QQQ volume and compared it to the 100ma of QQQ volume, in order to normalize it for historical comparisons. On Monday the QQQ 10/100 Volume Ratio rose from 2.23 to 2.33. That is a very high level. I looked back at all other times the ratio crossed above 2.25. This is only the 6th such instance since QQQ inception in 2000. Below is the list of others along with their 1,2,3,6, and 12-month returns.

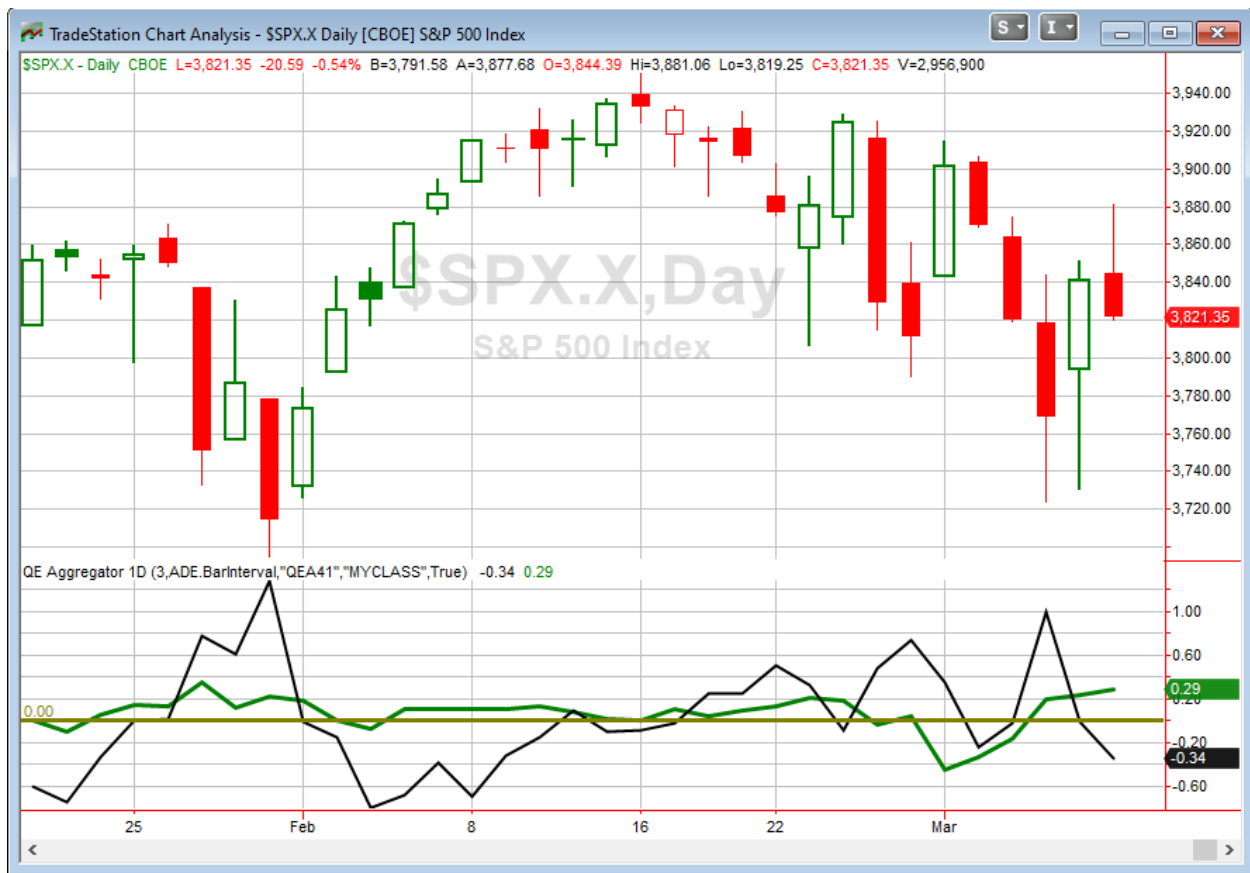
QQQ 10-day Volume to 100-day Volume Ratio Crosses Over 2.25 for the 1st time in a month. % Change to # of Days Forward Shown In Table. 2000 - present.									
Ticker	Date/Time	10-Day Prior % Chg	Close	21-Day % Chg	42-Day % Chg	63-Day % Chg	126-Day % Chg	252-Day % Chg	
QQQ	8/11/2011	-8.75	48.1	1.43	6.26	7.19	18.32	27.14	
QQQ	9/1/2015	-8.85	96.18	1.4	12.43	14.24	5.11	16.52	
QQQ	6/19/2017	-1.8	136.58	2.51	0.62	3.85	12.48	26.31	
QQQ	2/12/2018	-6.6	155.14	8.06	1.74	7.02	13.93	8.55	
QQQ	2/28/2020	-12.04	204.34	-6.49	6.64	13.63	41.97	58.36	
	Average	-6.98		1.38	5.54	9.19	18.36	27.38	
	Median	-8.75		1.43	6.26	7.19	13.93	26.31	

A few things to note here:

- 1) All 5 previous volume spikes occurred with a selloff over the last 10 days. Fear related to the selloff is typically what will cause such spikes. You don't see big spikes in volume due to rallies. The current instance is no different. QQQ has declined 7% over the last 10 days.
- 2) Intermediate-term returns are bullish across the board. All 5 instances were higher 2, 3, 6, and 12 months later – and by substantial amounts.

Now this study is not to be taken as any kind of guarantee. The number of instances to examine is very low. Additionally, they have all occurred over the last 10 years, which is a period of time that the QQQ has rallied strongly. So multi-month gains would generally be expected. But even with these flaws the concept appears to have merit. Such spikes in QQQ volume have always occurred during selloffs, and have always been followed by intermediate-term gains. So it seems worth keeping in mind.

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 of zero. Therefore, the Aggregator signal stayed flat at the close.

Based on the current active list, expectations are set to remain positive on Tuesday. Of course this could change if compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 3755.52 on Tuesday. That is 1.7% below Monday's close. Therefore SPX will need to close down at least 1.7% on Tuesday in order to flip from overbought back to oversold vs expectations.

So the Aggregator is neutral. It appears to me that there is a decent chance of a bounce in the next few days. But the SPX is overbought and the market is volatile. So I'll continue to wait for a more compelling setup with favorable reward/risk.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/8 – somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

ABT – 1/3 @ \$120.80 (bought @ limit)

New

COST – 1/3 @ \$311.42 (buy @ limit)

Broad Market Large Cap CBI – 2(ABT, COST)

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.

COST – Buy 1/3 Catapult position @ \$311.42 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of COST.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ABT(1/3)	2/24/2021	\$120.80	\$115.63	-4.28%		Catapult
<i>SPY(1/4)</i>	<i>3/5/2021</i>	<i>\$376.70</i>	<i>\$384.66</i>	<i>2.11%</i>		<i>sold on open</i>

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2021 Quantifiable Edges, LLC.