

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 11, 2021

Volume 14 Issue 47

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- When the VIX moves from 10% above the 10ma to 10% below the 10ma in less than a week it has been typically followed by gains.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Me too.

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 11, 2021	VIX 10% stretch up to 10% dn in 4 days	1-8 days	Bullish	2.10%	-1.20%	-2.55%
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

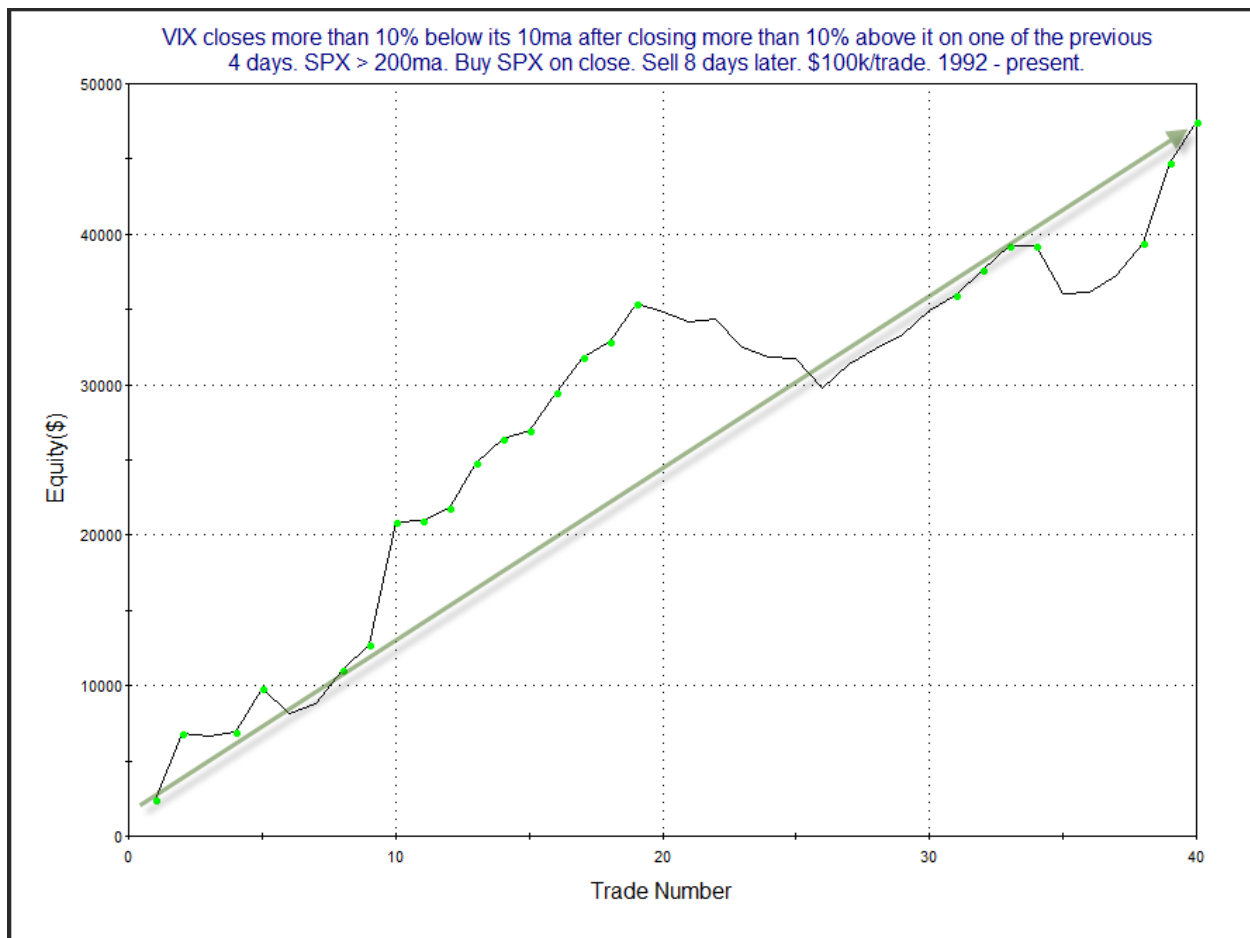
After one (very) good day, the NASDAQ began floundering again. But that did not bother the other indices on Wednesday. The SPX closed up 0.6%, the NASDAQ lost 0.04%, and the Russell 2000 gained 1.8%. Breadth was positive with the NYSE Up Issues % coming in at 74% and the Up Volume % at 72%. NYSE total volume rose some from Wednesday's level.

The study below suggests a bullish edge for the short-term. It considers the sharp drop in the VIX over the last couple of days after a sharp rise just prior to that. It was last seen in the 6/7/18 subscriber letter. The results are updated.

VIX closes more than 10% below its 10ma after closing more than 10% above it on one of the previous 4 days. SPX > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1992 - 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
10	37,106.95	40	27	13	67.50	8,115.80	-4,224.84	2,156.05	-1,623.56	1.33	2.76	927.67
9	41,548.21	40	28	12	70.00	8,397.40	-2,973.64	1,986.95	-1,173.87	1.69	3.95	1,038.71
8	47,443.66	40	31	9	77.50	8,076.20	-3,172.20	1,882.05	-1,211.08	1.55	5.35	1,186.09
7	43,432.59	40	30	10	75.00	7,749.50	-2,513.62	1,843.71	-1,187.87	1.55	4.66	1,085.81
6	38,299.83	40	28	12	70.00	5,305.30	-3,271.68	1,791.20	-987.81	1.81	4.23	957.50
5	33,560.66	40	27	13	67.50	5,361.40	-2,011.20	1,651.71	-848.89	1.95	4.04	839.02
4	20,297.18	41	29	12	70.73	4,981.90	-2,927.52	1,230.76	-1,282.91	0.96	2.32	495.05
3	13,529.82	42	26	16	61.90	3,799.40	-3,629.81	1,010.07	-795.75	1.27	2.06	322.14
2	8,338.38	42	27	15	64.29	3,839.00	-5,300.66	854.00	-981.30	0.87	1.57	198.53
1	7,145.12	42	24	18	57.14	2,952.40	-3,572.94	771.65	-631.92	1.22	1.63	170.12
90% of instances closed above the entry price at some point in the next week.												

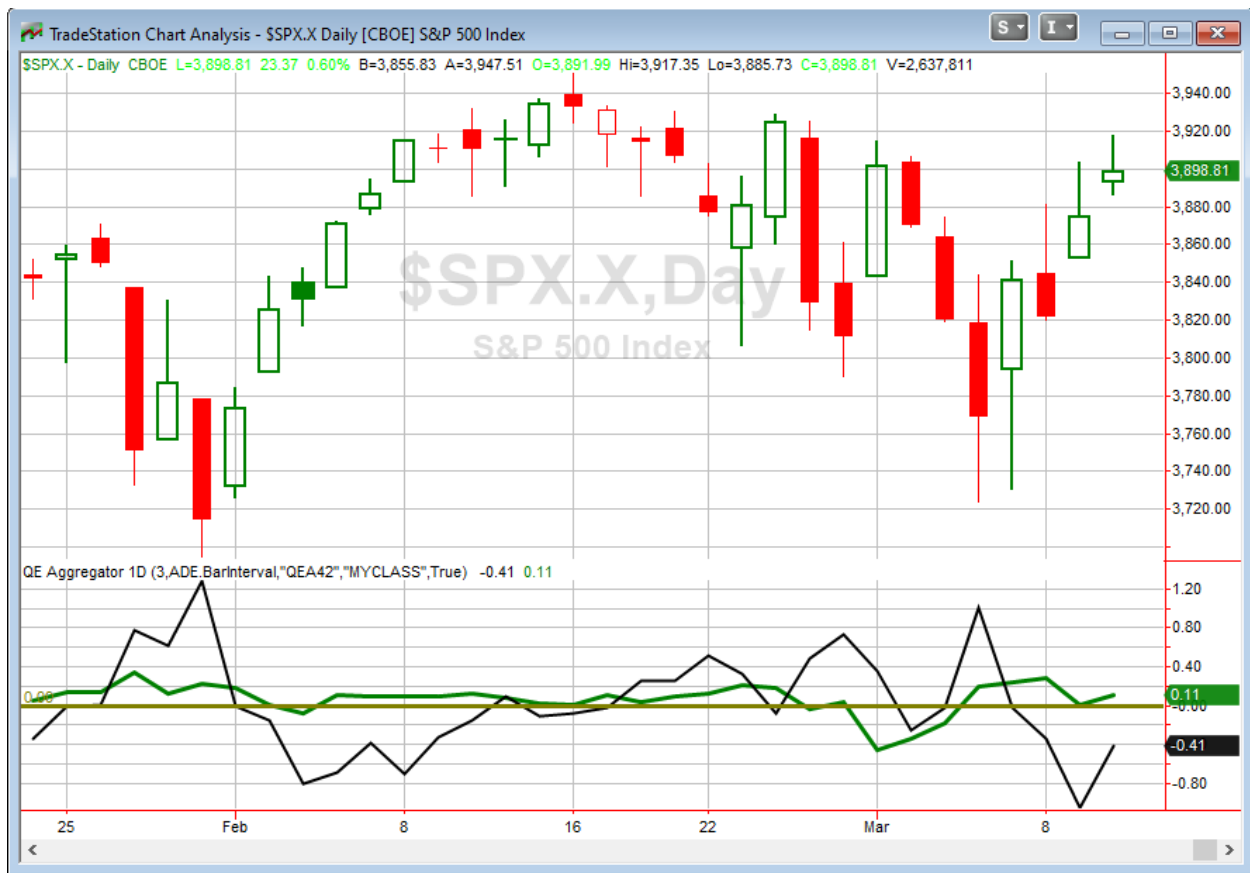
The market condition that would typically accompany such VIX movement is one where you see SPX post a strong rebound from a sharp decline during a long-term uptrend. That is a pretty good description of the current setup. Results over the first 2-3 days are not terribly consistent, but once

you get out beyond that the bounce becomes more reliable and more powerful. Below I have provided the profit curve assuming an 8-day holding period.



This curve struggled for some time in the middle of the chart, but it recovered nicely and has persisted higher. I have included this study on the Active List tonight.

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.

Expectations are currently set to remain positive on Thursday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3848.14 on Thursday. That is 1.3% below Wednesday's close. Therefore SPX will need to close down at least 1.3% on Thursday in order to flip from overbought to oversold vs expectations.

So the Aggregator is neutral. SPX is quite overbought, but evidence is saying we are likely to see higher prices in the coming days. Overall, this suggests less than desirable reward/risk. I'll wait for a better reward/risk opportunity before jumping back into an index position.

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

The intermediate-term outlook was last updated in the 3/8/21 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

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
ABT(1/3)	2/24/2021	\$120.80	\$115.88	-4.07%		<i>sell on open</i>

ABT reached its intraday target before heading lower. So it will be sold at the open on Thursday.

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