

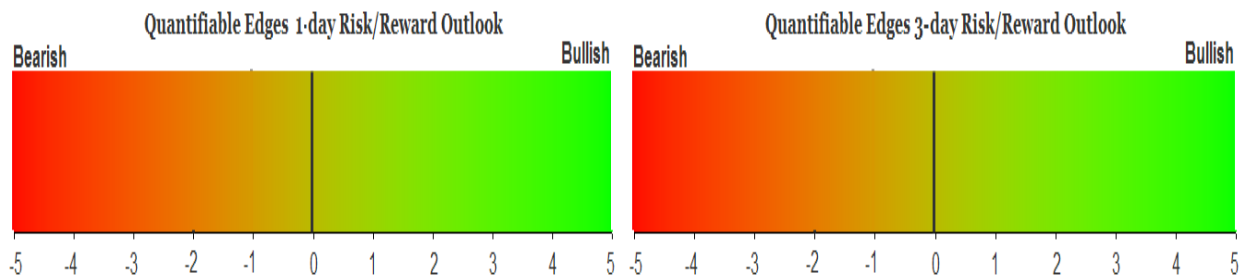
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 15, 2021

Volume 14 Issue 49

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- New highs on very low volume suggest a possible downside edge the next day.
- SPY's mild up close near the top of its range suggests a bearish 1-day edge.
- March opex week could provide a bullish seasonal backdrop.
- The SOMA rose again last week as the Fed continues to pump liquidity.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Me too.

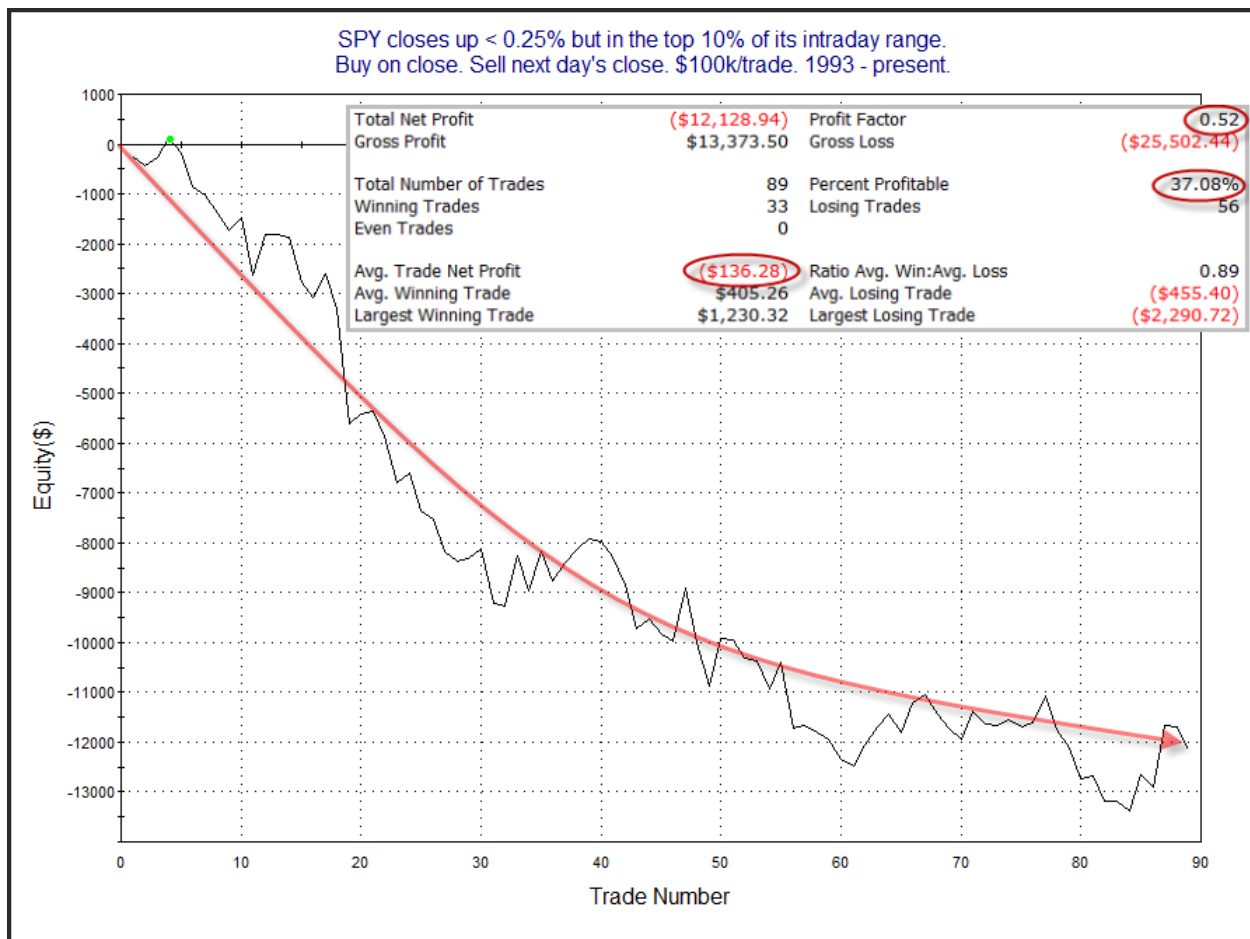
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
March 15, 2021	SPY up < 0.25% Top 10% Range	1 day	Bearish			
March 15, 2021	SPX 15-day high. Low volume 15 days	1 day	Bearish			
March 12, 2021	Breakaway Gap	1-5 days	Bullish			
March 12, 2021	Low volume breakout	1-5 days	Bullish			
March 11, 2021	VIX 10% stretch up to 10% dn in 4 days	1-8 days	Bullish	2.10%	-1.20%	-2.55%
<b>Active - Long Term</b>						
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***

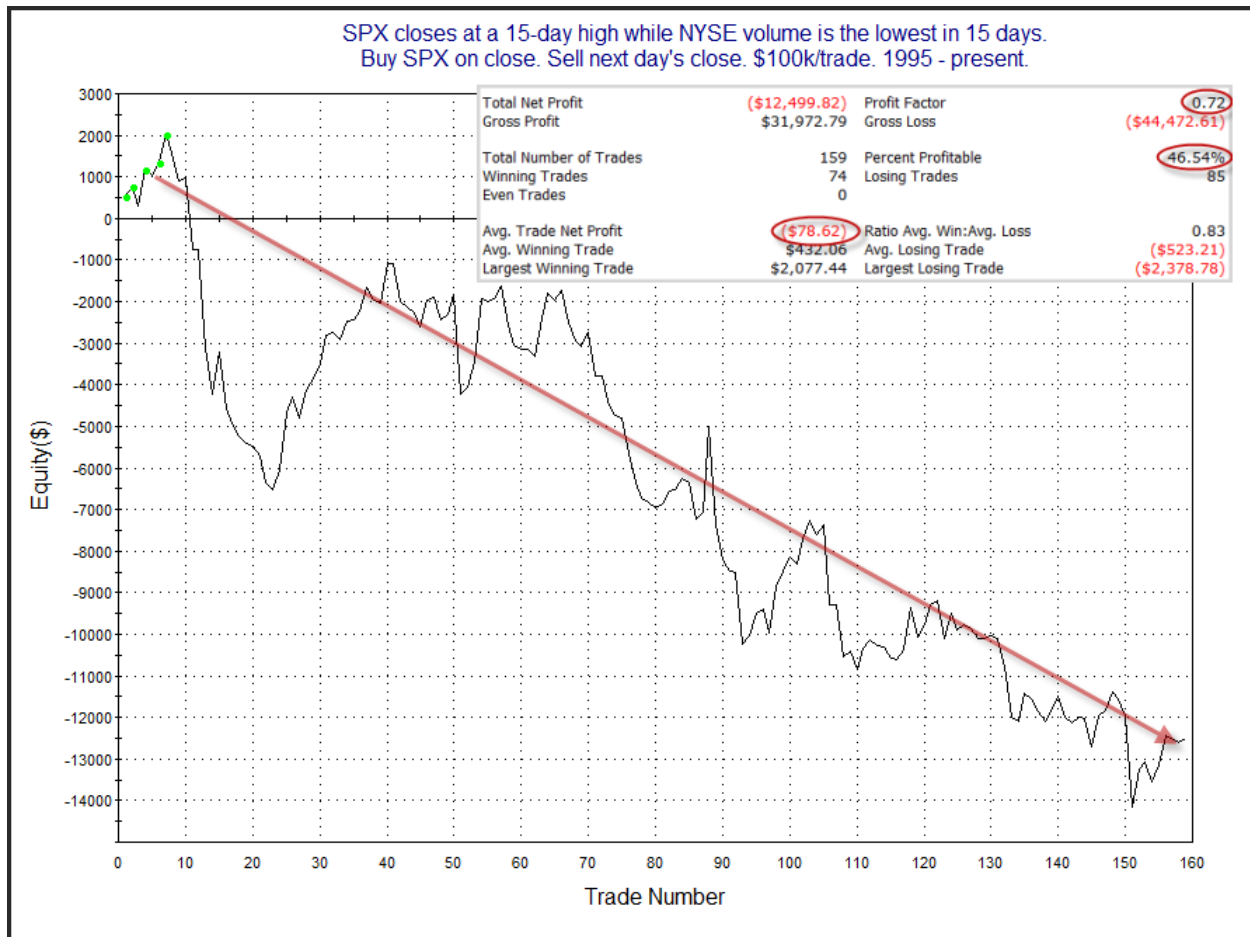
Friday started weak, but finished mixed. The SPX closed up 0.1%, the NASDAQ declined 0.6%, and the Russell 2000 gained 0.6%. Breadth was positive with the NYSE Up Issues % coming in at 55% and the Up Volume % at 67%. NYSE total volume came in light.

The struggle to scratch out small gains for the S&P generated an interesting study. The study below suggests that when SPY closes strong (in the top 10% of its intraday range) but still only manages a small gain on the day, the next day has shown a downside tendency. It last appeared in the 12/3/20 letter. I have updated the stats and the profit curve.



While there was a recent spike higher, the bearish edge has persisted since the inception of SPY in 1993. It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day. I have added this study to the Active List tonight.

Very light volume is not something you typically want to see when the market is making new highs. Back in the 2/25/19 letter I looked at times SPX made a 15-day high on a 15-day low in NYSE volume. I took a new look at that study tonight. I found that over the last several years the downside edge has persisted, but the bearish influence has been limited to just one day. Below is an updated look at the 1-day results.



While it has certainly been choppy, the downside tendency has persisted for a long time. These results seem worthy of some consideration, and I have added this study to the Active List.

There is a seasonal influence that could have a bullish impact on the market next week. Op-ex week in general is pretty bullish. March, April, October, and December it has been especially so - at least until last March. S&P 500 options began trading in mid-1983. The table below is one I have shown and updated basically every year since 2008. It goes back to 1984 and shows op-ex week performance broken down by month.

**Opex Week SPX Performance By Month. 1984 - present.**  
(Excludes September 2001)

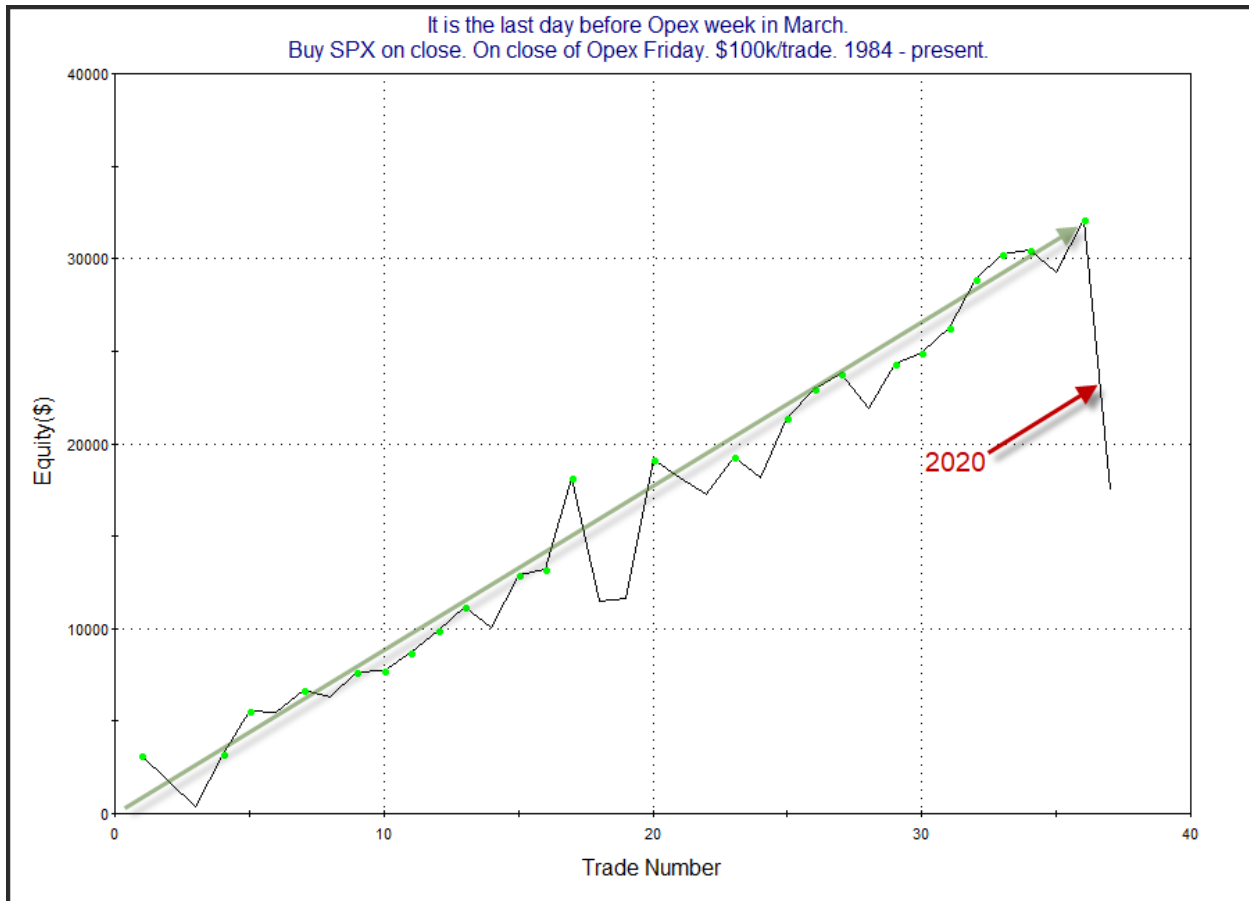
Month	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
12	24,931.38	37	28	9	75.68	5,868.16	-6,968.06	1,456.23	-1,760.35	0.83	2.57	673.82
11	4,352.46	37	22	15	59.46	3,718.25	-8,351.64	1,394.28	-1,754.78	0.79	1.17	117.63
10	26,981.62	37	28	9	75.68	7,282.10	-9,109.98	1,939.17	-3,035.03	0.64	1.99	729.23
9	14,887.05	36	22	14	61.11	5,313.08	-4,975.04	1,492.41	-1,281.85	1.16	1.83	413.53
8	-1,678.50	37	20	17	54.05	4,329.72	-5,670.55	1,353.60	-1,691.20	0.80	0.94	-45.36
7	1,544.58	37	20	16	54.05	6,921.25	-7,953.12	1,339.26	-1,577.54	0.85	1.06	41.75
6	1,991.94	37	22	15	59.46	3,786.09	-3,998.19	1,193.36	-1,617.47	0.74	1.08	53.84
5	-1,176.19	37	17	20	45.95	4,850.40	-4,959.45	1,821.90	-1,607.43	1.13	0.96	-31.79
4	34,714.35	37	25	12	67.57	5,731.96	-3,580.15	2,114.57	-1,512.48	1.40	2.91	938.23
3	17,487.45	37	25	12	67.57	7,515.60	-14,619.60	1,970.53	-2,647.99	0.74	1.55	472.63
2	16,710.45	38	22	16	57.89	4,281.46	-6,814.80	1,643.32	-1,215.17	1.35	1.86	439.75
1	8,768.23	38	18	20	47.37	5,389.00	-5,383.93	2,125.65	-1,474.67	1.44	1.30	230.74

March has a strong win rate, but the average gains are not as high as the other highlighted months. Some people may recall that March used to have the largest avg trade of any month. The table below is the one from last year.

**Opex week SPX performance by month. 1984 - Feb 2020**  
(Excludes September 2001)

Month	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
12	23,690.73	36	27	9	75.00	5,868.16	-6,968.06	1,464.22	-1,760.35	0.83	2.50	658.08
11	5,097.93	36	22	14	61.11	3,718.25	-8,351.64	1,394.28	-1,826.87	0.76	1.20	141.61
10	26,794.86	36	27	9	75.00	7,282.10	-9,109.98	2,004.08	-3,035.03	0.66	1.98	744.30
9	15,510.55	35	22	13	62.86	5,313.08	-4,975.04	1,492.41	-1,332.49	1.12	1.90	443.16
8	-2,383.49	36	19	17	52.78	4,329.72	-5,670.55	1,387.73	-1,691.20	0.82	0.92	-66.21
7	314.19	36	19	16	52.78	6,921.25	-7,953.12	1,344.99	-1,577.54	0.85	1.01	8.73
6	186.18	36	21	15	58.33	3,786.09	-3,998.19	1,164.20	-1,617.47	0.72	1.01	5.17
5	1,071.21	36	17	19	47.22	4,850.40	-4,959.45	1,821.90	-1,573.74	1.16	1.04	29.76
4	31,748.45	36	24	12	66.67	5,731.96	-3,580.15	2,079.09	-1,512.48	1.37	2.75	881.90
3	32,107.04	36	25	11	69.44	7,515.60	-6,711.66	1,970.53	-1,559.66	1.26	2.87	891.86
2	17,413.45	37	22	15	59.46	4,281.46	-6,814.80	1,643.32	-1,249.31	1.32	1.93	470.63
1	10,235.41	37	18	19	48.65	5,389.00	-5,383.93	2,125.65	-1,475.07	1.44	1.37	276.63

So how did the average trade change so much? March 2020.



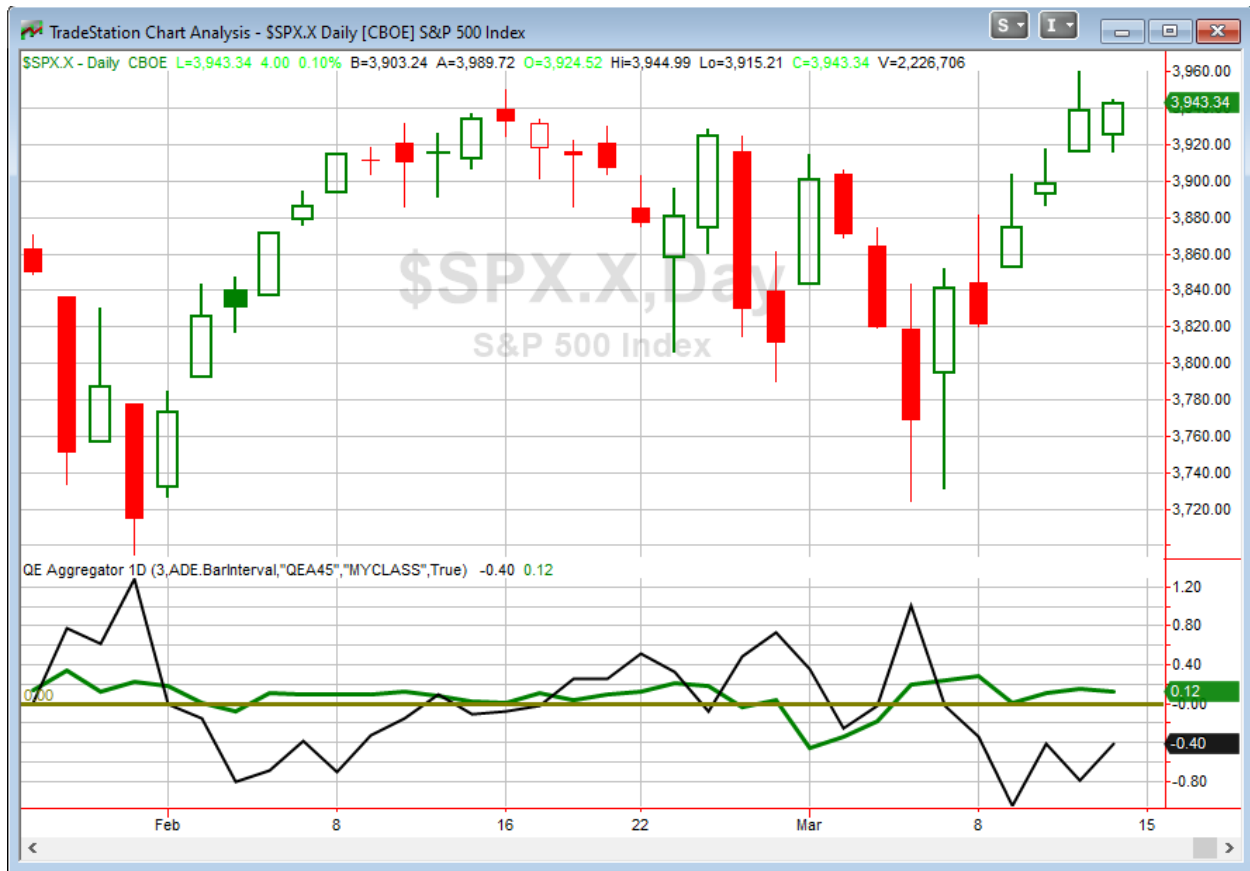
Last year really changed the look of the curve in a big way. It is most likely just an outlier, and March opex still seems to offer a potentially bullish seasonal opportunity. But the historical stats sure weakened a substantial amount.

I also checked the Quantifiable Edges Seasonality Calendar for SPX to see what that looked like for this upcoming week.

<b>Quantifiable Edges Seasonality Calendar</b>			
<b>\$SPX S&amp;P 500 Index</b>			
<b>Date</b>	<b>Win%</b>	<b>Profit Factor</b>	<b>Avg % Chg</b>
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
<b>Baseline</b>	<b>54.72</b>	<b>1.149</b>	<b>0.048</b>
QuantifiableEdges.com			

Here we see the 15<sup>th</sup> – 19<sup>th</sup> have some pretty mild numbers. Considering both seasonality studies together, I decided not to include March opex as a study on the Short-Term Active List. But the potentially bullish tendency still could be considered when looking at the total picture this week.

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



With this weekend'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 Monday. It would take some new and strongly bearish evidence to change this. Meanwhile, the Differential Pivot will be 3914.26 on Monday. That is 0.7% below Friday's close. Therefore SPX will need to close down at least 0.7% on Monday in order to flip from overbought to oversold vs expectations.

The bottom line is very similar to the last couple of nights. 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 3/15 – 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 there were no changes to the Combo systems.*

The market posted gains across the board for the week. The SPX closed up 2.6%, the NASDAQ rose 3.1% and the Russell 2000 rallied 7.3%. The SPX and the Russell both closed at new all-time highs on Friday. So the long-term uptrend certainly is intact. There were no new studies that triggered in the last few days suggesting an intermediate-term edge

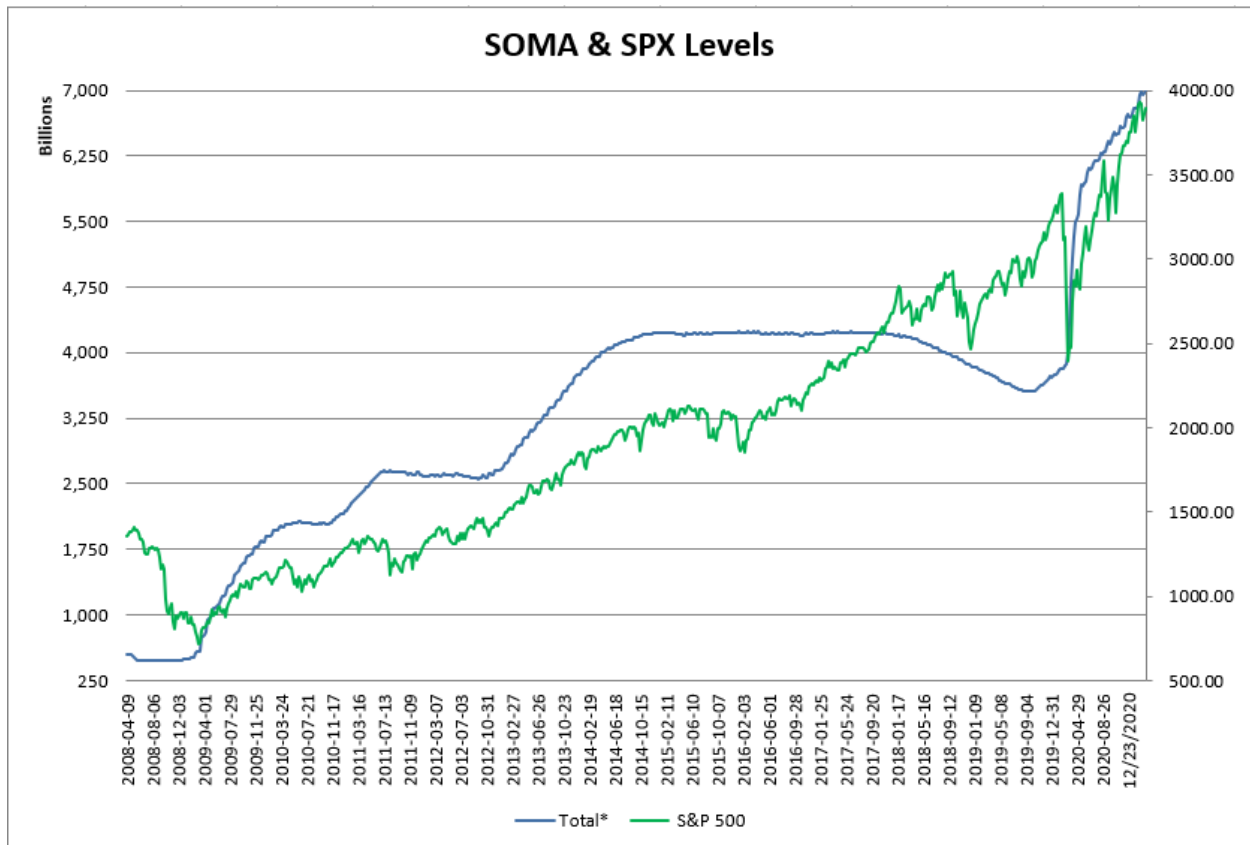
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Export current release to: CSV XML

Domestic Security Holdings as of  
◀ Previous **March 10, 2021** 📅  
Posted March 11, 2021 at 4:30 P.M

Security Type	Total (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,169,747,932.0
US Treasury Floating Rate Notes (FRNs)	21,038,668.5
US Treasury Inflation-Protected Securities (TIPS)*	327,623,401.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,123,541,703.8
Agency Commercial Mortgage-Backed Securities***	9,894,189.4
<b>Total SOMA Holdings</b>	<b>6,980,236,894.7</b>
Change From Prior Week	<b>21,373,999.4</b>

This past week saw the SOMA rise by \$21.4 billion. That is a sizable amount. 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. 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. I would prefer to see the NASDAQ performing better, but the broader SPX and Russell 2000 have not struggled yet despite the NASDAQ weakness. The long-term 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***

**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**

**None**

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