

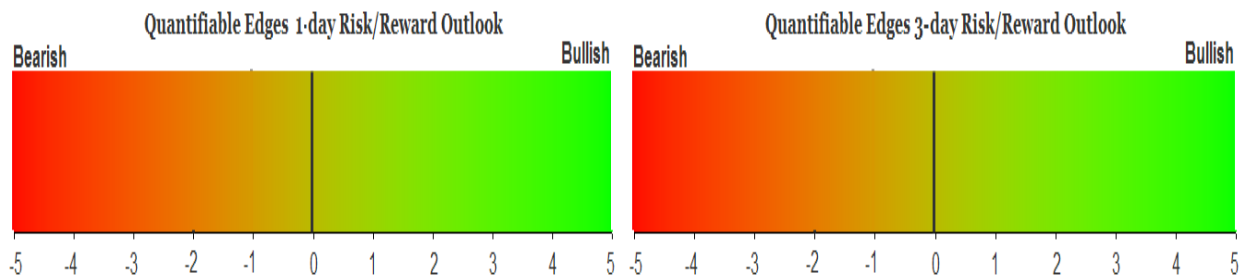
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 16, 2021

Volume 14 Issue 50

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- DJI closing up 7 days in a row bodes well for the intermediate-term.
- The Fed Day edge on Wednesday will be greatly influenced by action on Tuesday.

## *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 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 16, 2021	DJI closes up 7 days in a row	1-19 days	Bullish			
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%
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</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			

**The Evidence**

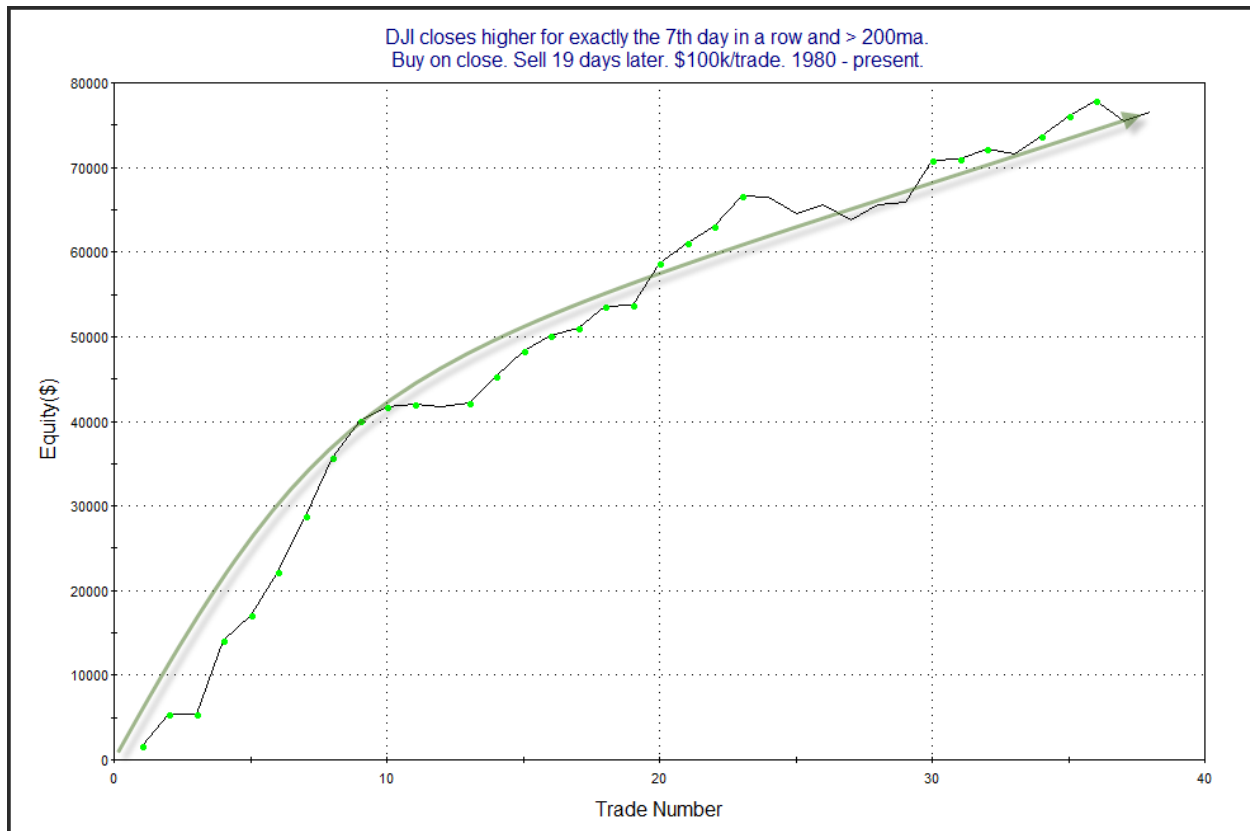
With the help of an afternoon rally, Monday saw the market post solid numbers. The SPX closed up 0.65%, the NASDAQ rose 1.05%, and the Russell 2000 gained 0.3%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 67%. NYSE total volume rose some from Friday's level.

The continued push higher on Monday did not trigger much of interest. There was one study from the 9/13/19 letter that was notable. It looked at performance after 7-day win streaks in the Dow Industrials since 1980. I've updated the stats table below.

DJI closes higher for exactly the 7th day in a row and > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1980 - 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
20	68,675.67	37	27	10	72.97	8,198.68	-3,332.50	2,974.12	-1,162.57	2.56	6.91	1,856.10
19	76,482.27	38	32	6	84.21	8,695.05	-2,509.32	2,618.07	-1,216.01	2.15	11.48	2,012.69
18	75,926.02	38	30	8	78.95	9,411.43	-3,131.59	2,895.04	-1,365.66	2.12	7.95	1,998.05
17	71,152.50	38	28	10	73.68	8,908.69	-3,757.81	2,990.00	-1,256.75	2.38	6.66	1,872.43
16	69,340.23	38	30	7	78.95	7,792.47	-2,497.15	2,630.12	-1,366.20	1.93	8.25	1,824.74
15	63,132.16	38	28	10	73.68	8,330.00	-2,944.23	2,687.71	-1,212.37	2.22	6.21	1,661.37
14	55,523.12	38	29	9	76.32	7,282.38	-3,311.49	2,374.80	-1,482.90	1.60	5.16	1,461.13
13	48,723.37	39	26	13	66.67	7,378.91	-3,665.00	2,461.66	-1,175.36	2.09	4.19	1,249.32
12	43,788.44	39	25	14	64.10	7,544.53	-3,171.51	2,441.75	-1,232.53	1.98	3.54	1,122.78
11	37,956.50	39	24	15	61.54	6,910.47	-2,343.12	2,320.40	-1,182.21	1.96	3.14	973.24
10	39,330.12	39	26	13	66.67	4,795.14	-2,876.67	2,062.09	-1,098.78	1.88	3.75	1,008.46
9	41,483.36	40	29	11	72.50	4,512.90	-3,132.90	1,795.24	-961.69	1.87	4.92	1,037.08
8	38,727.16	40	26	14	65.00	6,676.25	-2,237.31	1,841.26	-653.25	2.82	5.23	968.18
7	33,049.36	40	28	12	70.00	4,147.36	-2,345.95	1,524.51	-803.07	1.90	4.43	826.23
6	18,889.91	40	26	14	65.00	4,657.45	-3,410.35	1,306.25	-1,076.62	1.21	2.25	472.25
5	16,836.11	40	25	15	62.50	4,560.92	-2,927.07	1,249.31	-959.78	1.30	2.17	420.90
4	12,968.78	40	24	16	60.00	3,293.29	-2,425.90	1,128.71	-882.51	1.28	1.92	324.22
3	8,908.88	40	20	20	50.00	3,004.19	-1,664.47	1,048.78	-603.34	1.74	1.74	222.72
2	4,442.85	40	20	20	50.00	2,153.92	-847.62	599.64	-377.49	1.59	1.59	111.07
1	1,316.36	40	20	20	50.00	1,996.48	-1,220.94	390.99	-325.17	1.20	1.20	32.91

There is not much of an edge over the 1st few days. But once you get out a little further, the stats appear solidly bullish. Below is a look at the profit curve assuming a 19-day holding period.



The strong move from lower left to upper right appears to offer some confirmation of the bullish tendency. I have added this study to the intermediate-term active list.

It is also worth noting that Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. [I have documented this tendency](#) in great detail over the years, including the 2011 book, [The Quantifiable Edges Guide to Fed Days](#). One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. Below are updated stats for the 4 quartiles from highest to lowest in the daily range.

Tomorrow is a Fed Day. SPY closes in the top 25% of the intraday range.  
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

**TradeStation Performance Summary**

Expand ▾

All Trades

Total Net Profit	\$6,110.74	Profit Factor	1.24
Gross Profit	\$31,924.29	Gross Loss	(\$25,813.55)
Total Number of Trades	86	Percent Profitable	47.67%
Winning Trades	41	Losing Trades	43
Even Trades	2		
Avg. Trade Net Profit	\$71.06	Ratio Avg. Win:Avg. Loss	1.30
Avg. Winning Trade	\$778.64	Avg. Losing Trade	(\$600.32)
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day. SPY closes > 50% and <= 75% of intraday range.  
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

**TradeStation Performance Summary**

Expand ▾

All Trades

Total Net Profit	\$14,477.74	Profit Factor	1.92
Gross Profit	\$30,261.13	Gross Loss	(\$15,783.39)
Total Number of Trades	51	Percent Profitable	52.94%
Winning Trades	27	Losing Trades	23
Even Trades	1		
Avg. Trade Net Profit	\$283.88	Ratio Avg. Win:Avg. Loss	1.63
Avg. Winning Trade	\$1,120.78	Avg. Losing Trade	(\$686.23)
Largest Winning Trade	\$4,704.07	Largest Losing Trade	(\$2,246.40)

Tomorrow is a Fed Day. SPY closes > 25% and <= 50% of the intraday range.  
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

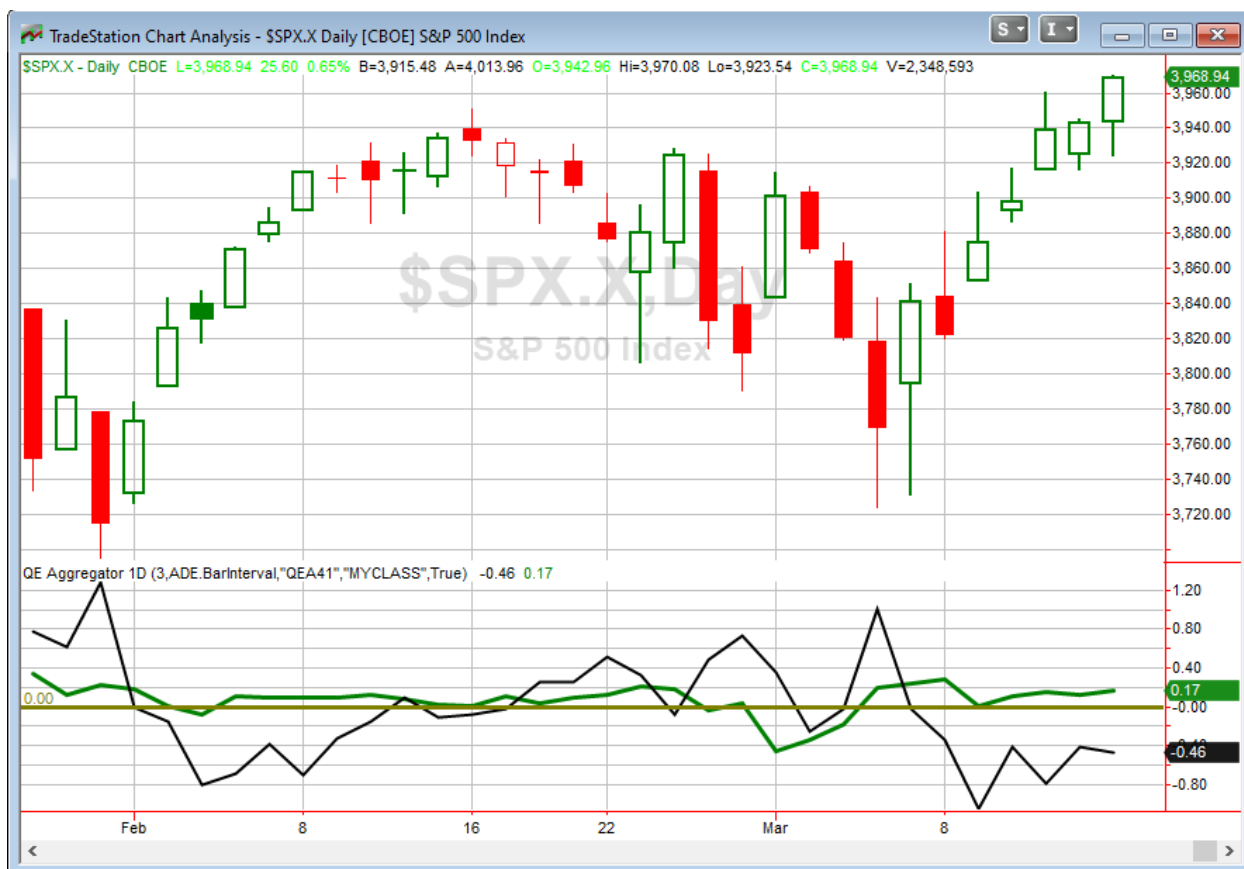
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$13,238.85	Profit Factor	2.15	
Gross Profit	\$24,735.12	Gross Loss	(\$11,496.27)	
Total Number of Trades	44	Percent Profitable	65.91%	
Winning Trades	29	Losing Trades	15	
Even Trades	0			
Avg. Trade Net Profit	\$300.88	Ratio Avg. Win:Avg. Loss	1.11	
Avg. Winning Trade	\$852.94	Avg. Losing Trade	(\$766.42)	
Largest Winning Trade	\$2,943.00	Largest Losing Trade	(\$2,066.62)	

Tomorrow is a Fed Day. SPY closes in the bottom 25% of the intraday range.  
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$24,746.31	Profit Factor	3.63	
Gross Profit	\$34,166.21	Gross Loss	(\$9,419.90)	
Total Number of Trades	42	Percent Profitable	73.81%	
Winning Trades	31	Losing Trades	11	
Even Trades	0			
Avg. Trade Net Profit	\$589.20	Ratio Avg. Win:Avg. Loss	1.29	
Avg. Winning Trade	\$1,102.14	Avg. Losing Trade	(\$856.35)	
Largest Winning Trade	\$4,645.80	Largest Losing Trade	(\$2,945.28)	

So what we see here, is that the lower SPY has closed in its range the day before, the stronger the Fed day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

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 Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3949.55 on Tuesday. That is 0.5% below Monday's close. Therefore SPX will need to close down at least 0.5% on Tuesday in order to flip from overbought to oversold vs expectations.

No real change in my outlook from the past couple of days. The Aggregator is neutral. SPX is quite overbought, but evidence still is saying that over the next few days the market is more likely to continue higher than it is to decline. 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***

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

**None**

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