

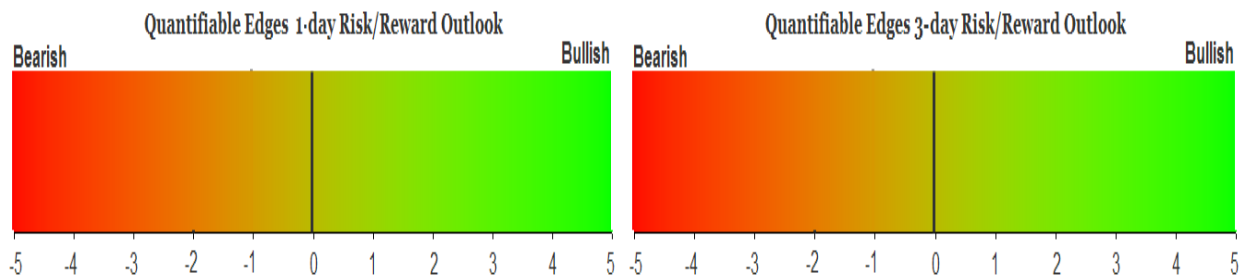
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 18, 2021

Volume 14 Issue 52

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- High-volume outside days that close at a 50-day high also often lead to selling.
- 100-day highs on Fed Days have often led to follow-on buying.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. It could easily turn bullish on Thursday, but even then I might want more evidence or a deeper pullback before getting excited about an index trade.

**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			

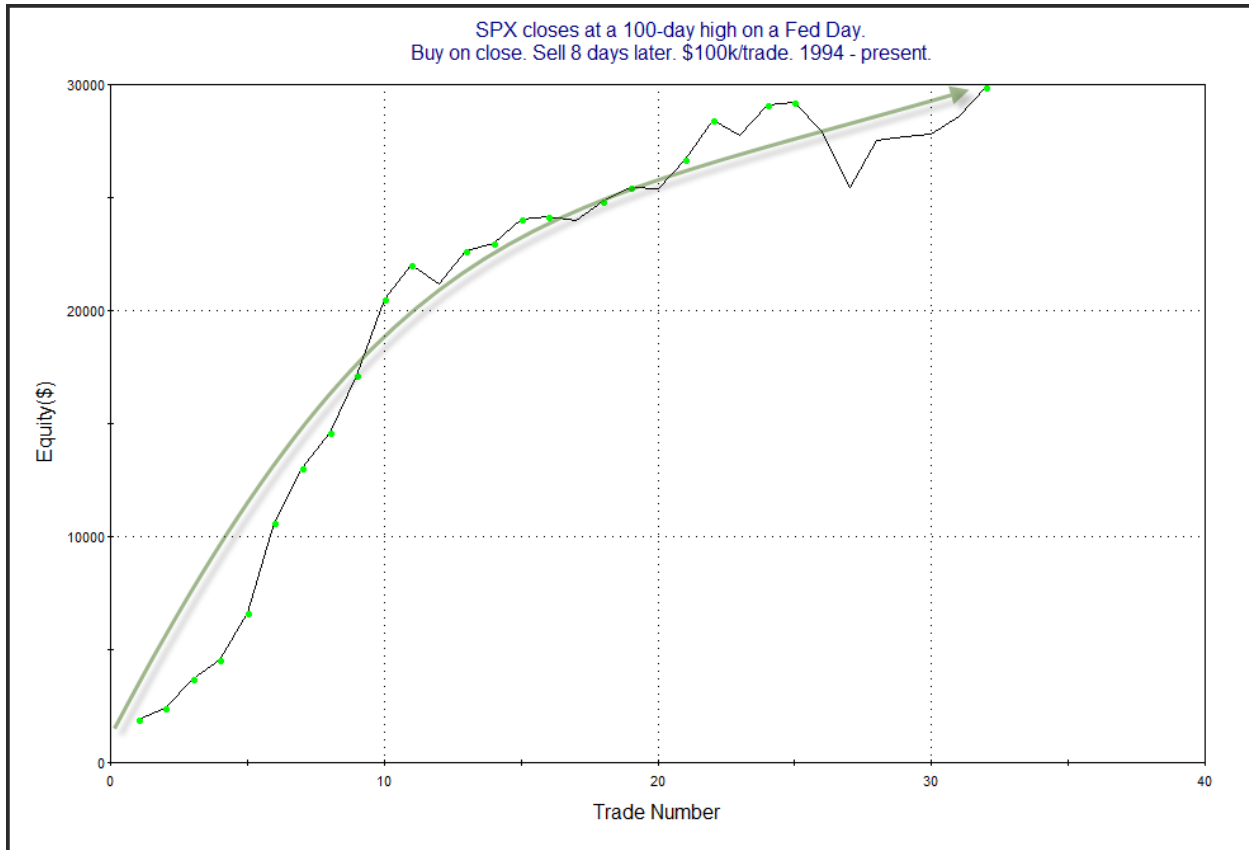
**The Evidence**

Wednesday started off rough, but the market liked what the Fed had to say, and reversed those morning selloffs. The SPX closed up 0.3%, the NASDAQ rose 0.4%, and the Russell 2000 gained 0.7%. Breadth was positive with the NYSE Up Issues % coming in at 56% and the Up Volume % at 71%. NYSE total volume rose some from Tuesday’s level.

Evidence that emerged tonight was mixed. In “The Quantifiable Edges Guide to Fed Days” I discussed Fed Days that close at new highs. The basic finding was that when the market closed at a short-term high on a Fed Day, then it was likely to pull back over the next few days. But when it closed at a long-term high, then the rally was likely to continue. Below is a study from the guide that last appeared in the 10/31/19 Subscriber Letter.

SPX closes at a 100-day high on a Fed Day. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	28,085.70	32	23	9	71.88	5,492.11	-2,161.08	1,690.73	-1,200.11	1.41	3.60	877.68
9	28,970.74	32	24	8	75.00	5,708.74	-2,346.69	1,699.24	-1,476.39	1.15	3.45	905.34
8	29,894.78	32	26	6	81.25	3,995.65	-2,506.29	1,360.90	-914.77	1.49	6.45	934.21
7	23,818.83	32	24	8	75.00	3,198.09	-1,924.89	1,219.39	-680.80	1.79	5.37	744.34
6	23,408.52	32	26	6	81.25	3,147.85	-1,530.45	1,076.29	-762.50	1.41	6.12	731.52
5	19,840.57	32	24	8	75.00	2,353.88	-1,866.75	1,031.01	-612.95	1.68	5.05	620.02
4	15,912.63	32	21	11	65.63	3,173.92	-1,601.70	1,100.60	-654.54	1.68	3.21	497.27
3	8,900.65	32	19	13	59.38	2,227.50	-1,349.76	867.46	-583.17	1.49	2.17	278.15
2	10,034.09	32	20	12	62.50	2,314.87	-1,562.33	837.93	-560.37	1.50	2.49	313.57
1	5,041.15	32	18	14	56.25	2,073.34	-1,393.26	577.43	-382.33	1.51	1.94	157.54

This suggests further upside is likely over the next 1-2 weeks. Below is the profit curve assuming an 8-day holding strategy.



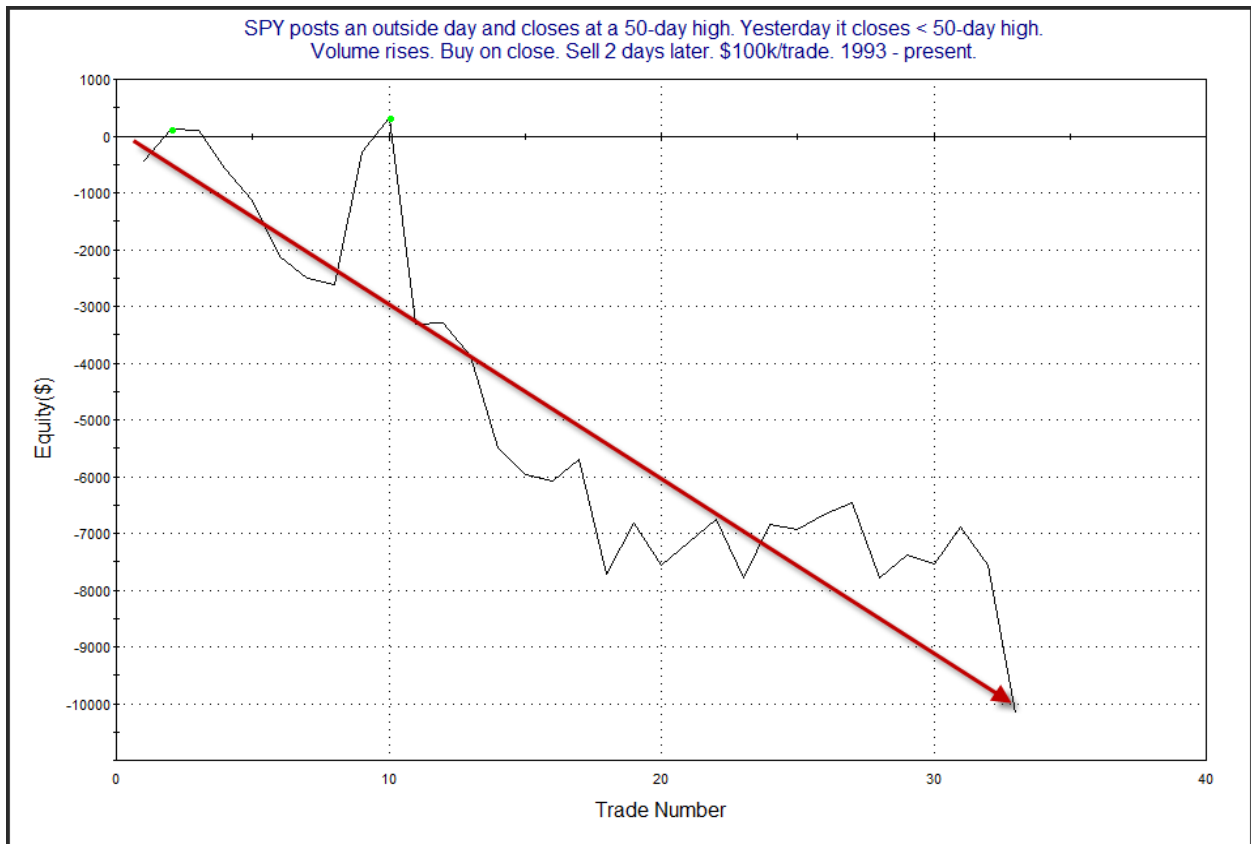
There were a couple of sizable losers in 2012-2013, but since then we have seen 5 consecutive winner and a new high to get the profit curve back on track. I believe this study is worth some consideration.

This next study was from the 5/22/13 subscriber letter. It takes into consideration a number of observations that many would consider bullish. This includes an outside day and a 50-day high on rising volume. All stats are updated.

SPY posts an outside day and closes at a 50-day high. Yesterday it closes < 50-day high.  
Volume rises. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

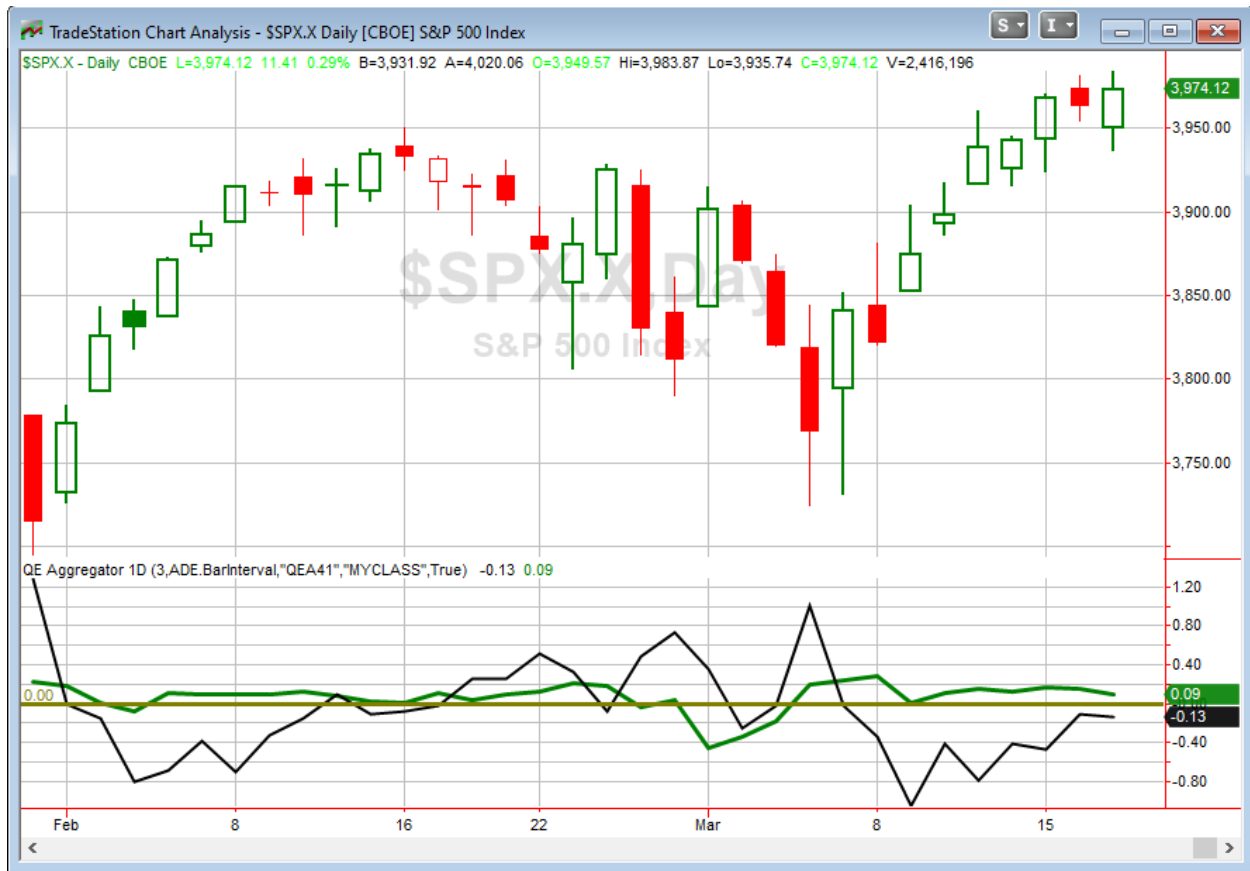
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-10,882.53	32	17	15	53.13	2,590.50	-4,473.36	938.24	-1,788.84	0.52	0.59	-340.08
4	-5,622.32	32	18	14	56.25	2,371.65	-4,518.34	922.00	-1,587.03	0.58	0.75	-175.70
3	-8,103.37	33	15	18	45.45	2,927.90	-5,133.72	964.52	-1,253.95	0.77	0.64	-245.56
2	-10,160.14	33	13	20	39.39	2,324.90	-3,640.86	622.72	-912.78	0.68	0.44	-307.88
1	-6,123.32	33	14	19	42.42	918.96	-2,448.72	416.00	-628.81	0.66	0.49	-185.56

Rather than combining for a bullish edge it appears the scenario above has often been followed by brief downside. The most consistently bearish results occurred in the 2-day timeframe. Below is a profit curve for a 2-day exit strategy.



Choppy but downward sloping and again at new lows, this study also seems worth consideration.

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



With tonight's mix of 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. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 3986.23* on Thursday. That is 0.3% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to rise by about 0.3% on Thursday in order to remain "overbought" vs recent expectations. Anything shy of that and it will be considered "oversold" vs expectations as of Thursday's close.

So the Aggregator is still neutral, but we could easily see it turn bullish on Thursday. That does not mean I'll be jumping in immediately if Thursday sees the Aggregator turn bullish. I have been waiting several days for a favorable reward/risk opportunity. I might demand a multi-day pullback before looking to get involved on the long side. But that may depend on what new evidence emerges. In any case, I am not yet ready to commit new capital to 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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