

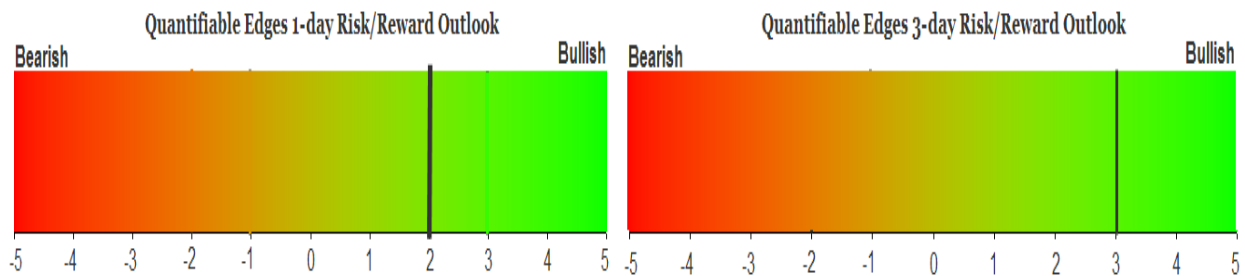
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 19, 2021

Volume 14 Issue 53

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce.
- Opex Friday has often seen bearish intraday returns, especially for the NASDAQ 100.

Short-term Outlook

The Bottom Line

The Aggregator has turned bullish, but the pullback is only 1 day old, and opex Friday often sees intraday selling. I like the long side, but will be patient on an entry.

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 19, 2021	SPX bottom 10% intraday 5-day low	1-5 days	Bullish			
March 18, 2021	100-day high on a Fed Day	1-5 days	Bullish			
March 17, 2021	5 up to 50-high then down 1	1-4 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%
Active - Long Term						
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			

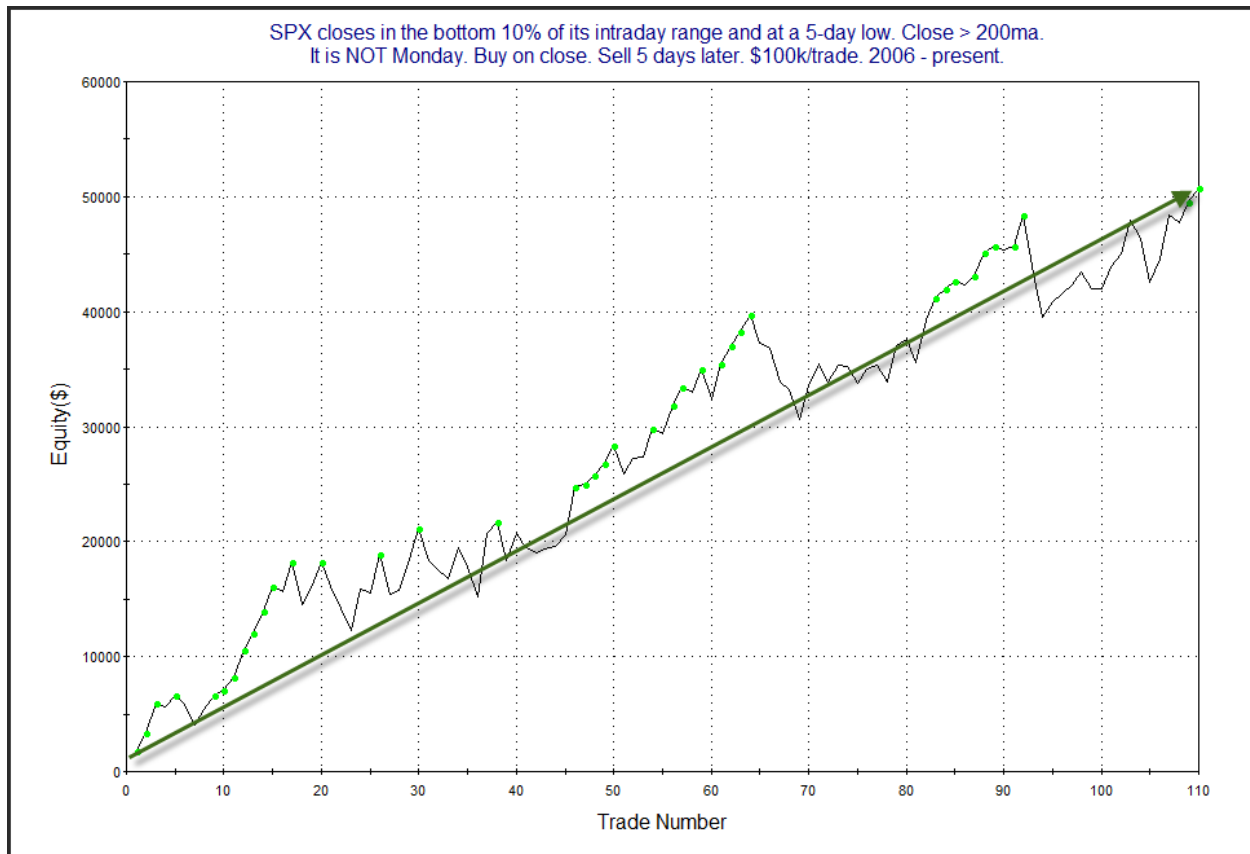
The Evidence

Thursday was a tough day for the market. The SPX lost 1.5%, the NASDAQ tumbled 3.0%, and the Russell 2000 fell 2.9%. Breadth was negative with the NYSE Up Issues % coming in at 21% and the Up Volume % at 28%. NYSE total volume rose some from Tuesday's level.

One interesting study that triggered was last seen in the 10/28/20 letter. It looked at times SPX closed at a 5-day low and near the lows of the day. Mondays were excluded, because in a separate study it was found that Monday's showed an even greater edge. Below are updated results.

SPX closes in the bottom 10% of its intraday range and at a 5-day low. Close > 200ma. It is NOT Monday. Buy on close. Sell X days later. \$100k/trade. 2006 - 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	50,756.36	110	70	40	63.64	5,555.16	-5,132.88	1,723.21	-1,746.71	0.99	1.73	461.42
4	43,852.61	115	72	43	62.61	5,290.00	-6,520.68	1,560.85	-1,593.69	0.98	1.64	381.33
3	28,985.12	117	75	42	64.10	4,895.50	-5,393.69	1,189.18	-1,433.41	0.83	1.48	247.74
2	26,970.66	126	74	52	58.73	4,424.50	-4,632.95	1,066.92	-999.65	1.07	1.52	214.05
1	18,031.01	137	83	54	60.58	2,671.02	-4,074.84	764.21	-840.72	0.91	1.40	131.61

The stats table shows moderate odds of a move higher over the next few days. Below is a look at the 5-day profit curve.



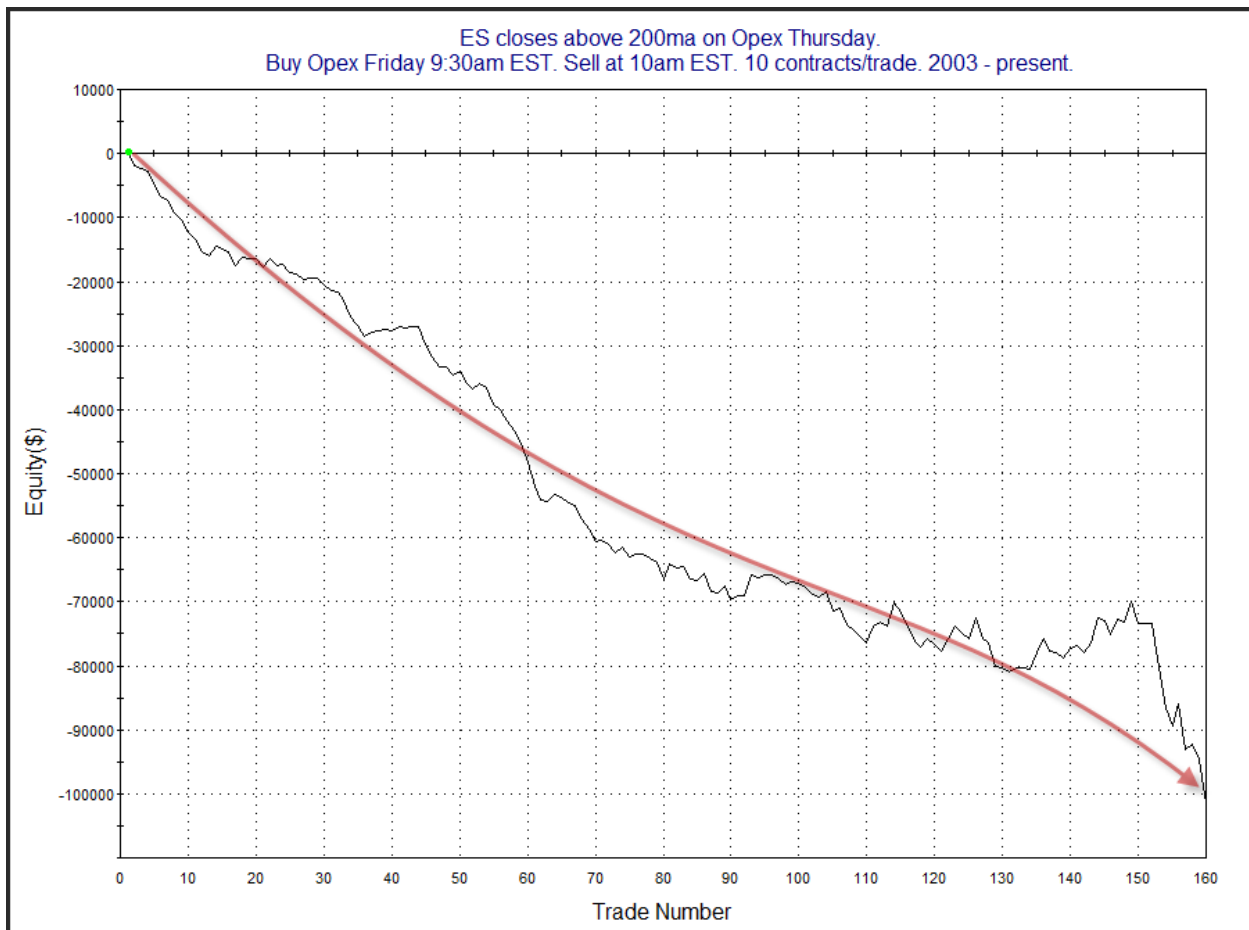
The stats were not overwhelming, but I do like the profit curve. While it is certainly choppy, it is also very persistent in its move higher. The curve strengthens my confidence in the study. I have included it on the Active List tonight.

It is also notable that Friday is options expiration. Options expiration has long been a day that has seen weakness after the opening bell (and strength before it). Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. The tables and charts are *not* updated from the 1/15/21 letter, since I am short on time tonight, but you should get the general idea. I'll also note that both the 1/15 and 2/19/21 instances opex days did see weakness after the open.

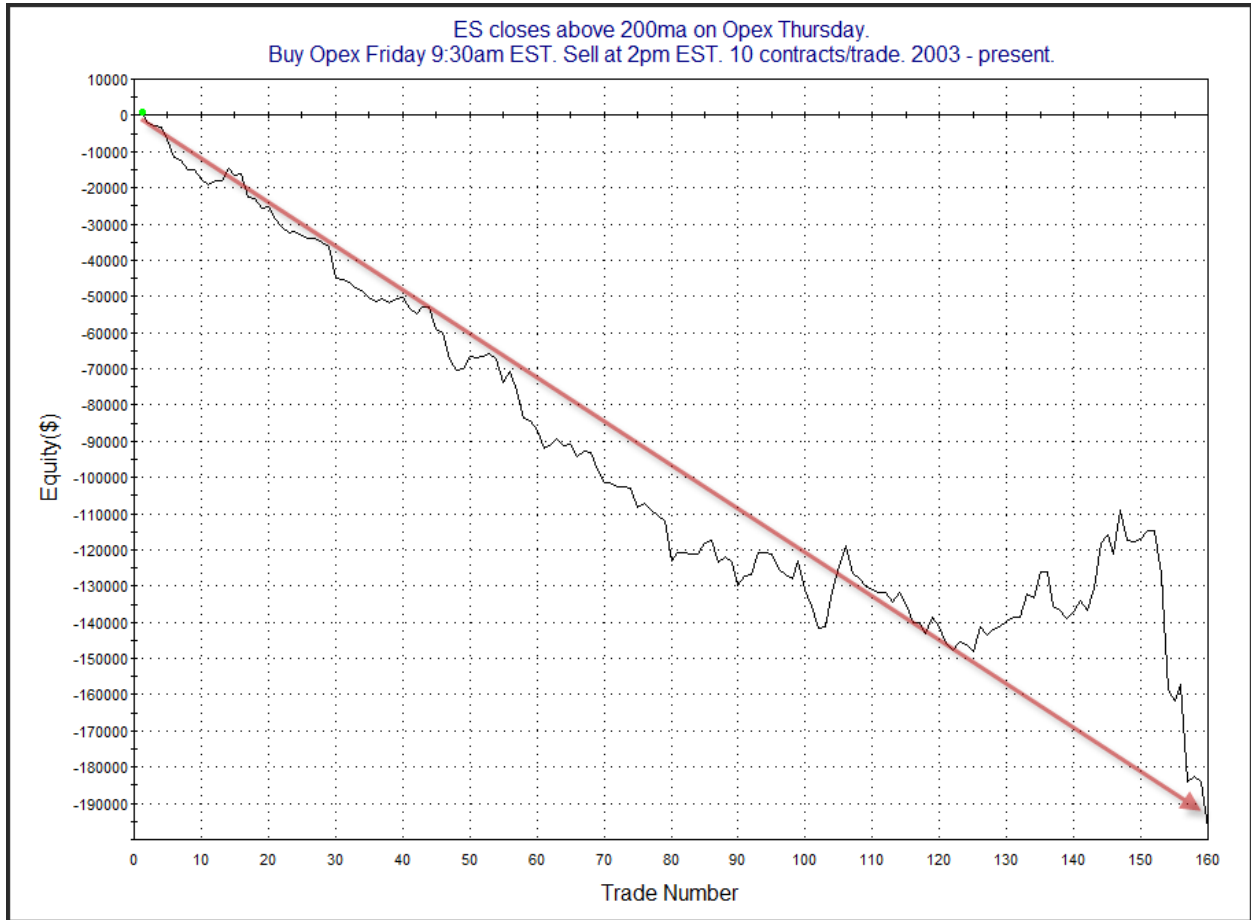
ES closes above 200ma on Opex Thursday.
Buy Opex Friday 9:30am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-196,875.00	160	68	89	42.50	13,875.00	-28,500.00	2,875.00	-4,408.71	0.65	0.50	-1,230.47
1,500	-157,125.00	160	63	92	39.38	11,625.00	-24,250.00	3,095.24	-3,827.45	0.81	0.55	-982.03
1,400	-197,000.00	160	53	100	33.13	12,500.00	-31,625.00	2,860.85	-3,486.25	0.82	0.43	-1,231.25
1,300	-158,750.00	160	56	103	35.00	11,375.00	-22,125.00	2,756.70	-3,040.05	0.91	0.49	-992.19
1,200	-138,500.00	160	57	103	35.63	12,000.00	-12,750.00	2,528.51	-2,743.93	0.92	0.51	-865.63
1,100	-112,375.00	160	60	98	37.50	14,625.00	-12,625.00	2,122.92	-2,446.43	0.87	0.53	-702.34
1,000	-101,500.00	160	48	108	30.00	3,875.00	-7,000.00	1,236.98	-1,489.58	0.83	0.37	-634.38

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 2pm. Below is a look at a profit curve for the 1st half-hour.



The strong move from upper left to lower right supports the bearish case. Next is the 2pm exit.



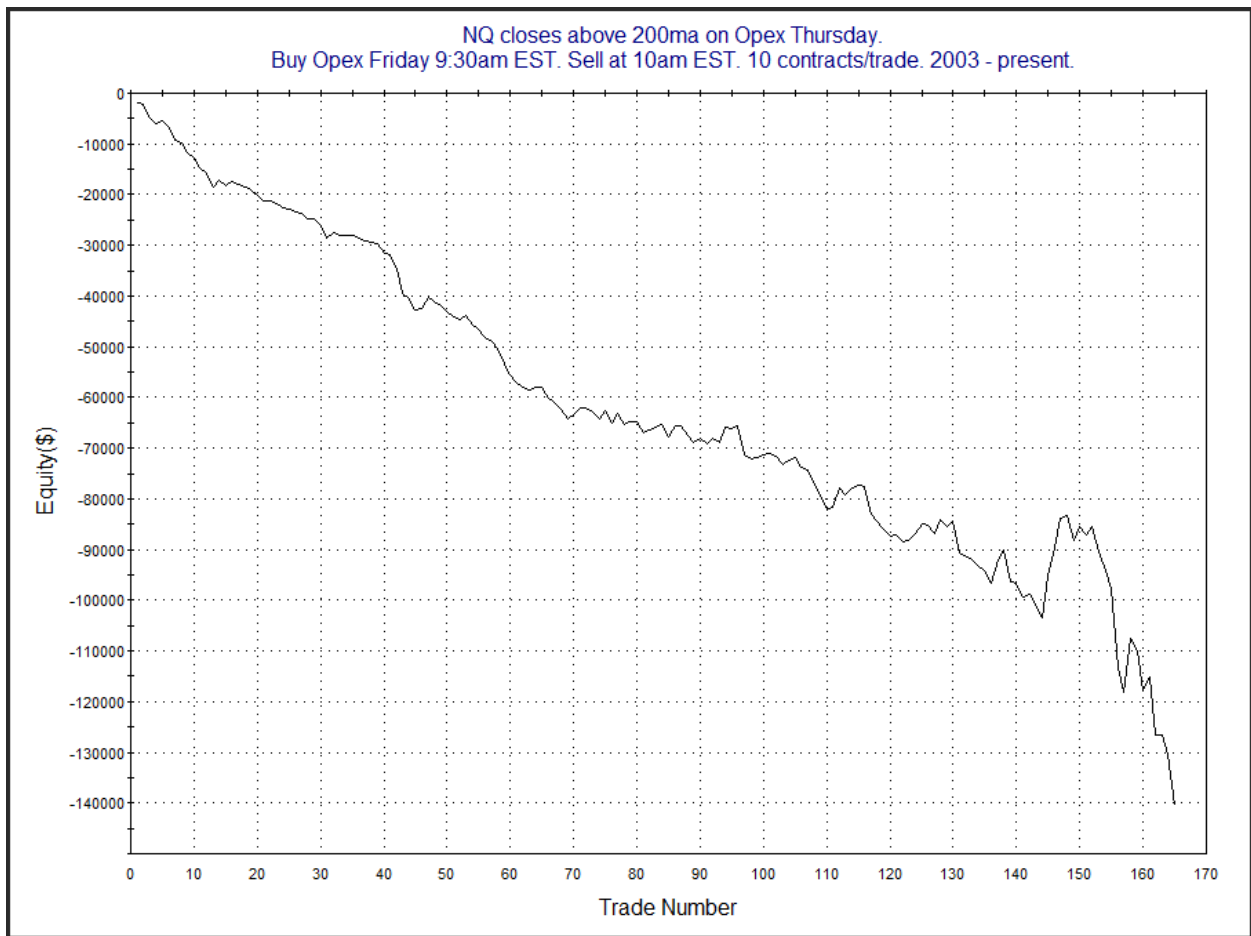
This is also impressive.

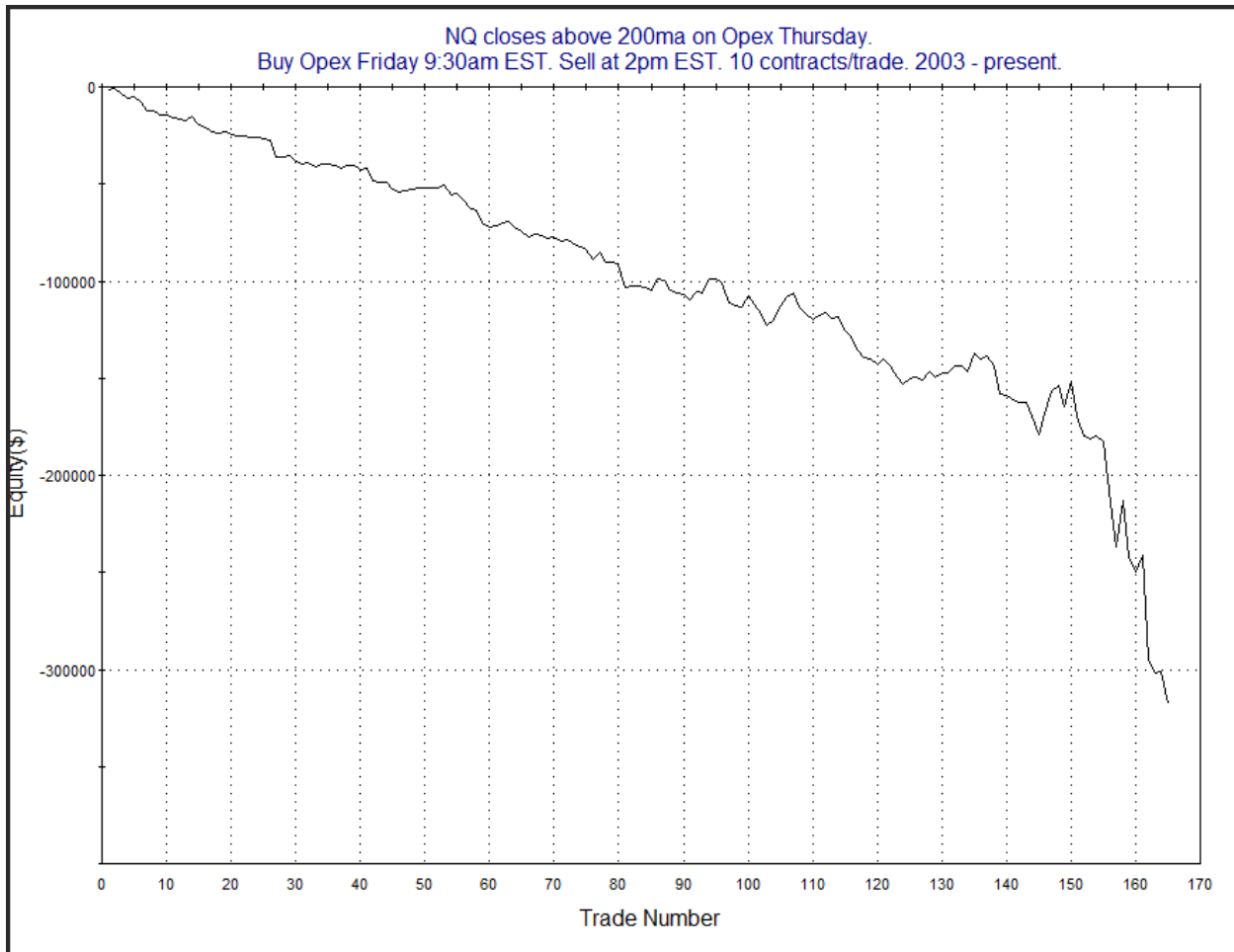
NQ (the NASDAQ 100 future) has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

NQ closes above 200ma on Opex Thursday.
Buy Opex Friday 9:30am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-316,050.00	165	65	100	39.39	36,850.00	-39,500.00	3,359.23	-5,344.00	0.63	0.41	-1,915.45
1,500	-278,000.00	165	62	102	37.58	22,850.00	-44,750.00	3,341.94	-4,756.86	0.70	0.43	-1,684.85
1,400	-318,000.00	165	55	110	33.33	23,550.00	-54,100.00	3,062.73	-4,422.27	0.69	0.35	-1,927.27
1,300	-253,500.00	165	60	103	36.36	19,200.00	-53,400.00	2,951.67	-4,180.58	0.71	0.41	-1,536.36
1,200	-236,200.00	165	62	102	37.58	11,050.00	-32,550.00	2,475.00	-3,820.10	0.65	0.39	-1,431.52
1,100	-167,400.00	165	58	107	35.15	17,650.00	-31,300.00	2,786.21	-3,074.77	0.91	0.49	-1,014.55
1,000	-140,450.00	165	50	111	30.30	10,700.00	-15,500.00	1,670.00	-2,017.57	0.83	0.37	-851.21

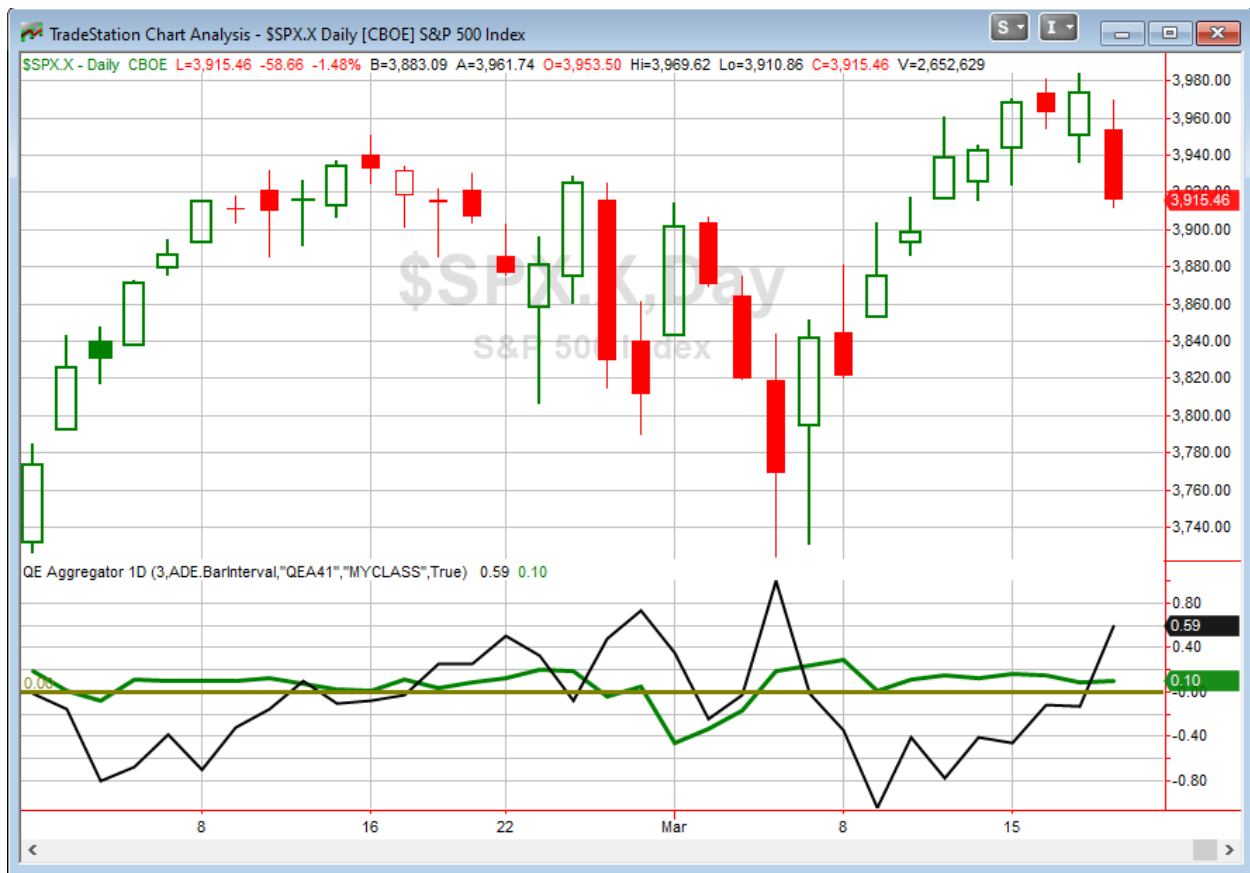
NQ closes above 200ma on Opex Thursday.
Buy Opex Friday 9:30am EST. Sell at 10am EST. 10 contracts/trade. 2003 - present.





The bearish edge appears alive and well here. So traders may want to remain aware of this during the day on Friday.

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 spiked above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal turned long at the close.

Expectations are currently set to remain positive on Friday. This could change if very compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3979.13 on Friday. That is 1.6% above Thursday's close. So SPX would need to close up a sizable 1.6% in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish and there is some room to the upside before SPX would flip from oversold to overbought. That generally makes for a favorable setup. But I am always a bit wary of buying the 1st down day from a long-term high, and as we saw above, opex Friday has a downside intraday edge. So rather than look to enter right off the bat on Friday, I will look to enter a small SPX position at the close if I can get a favorable fill.

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.

SPY – Buy ¼ index position @ \$391.47 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to start scaling in if SPY closes down on Friday.

Current Open Trade Ideas

None

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