

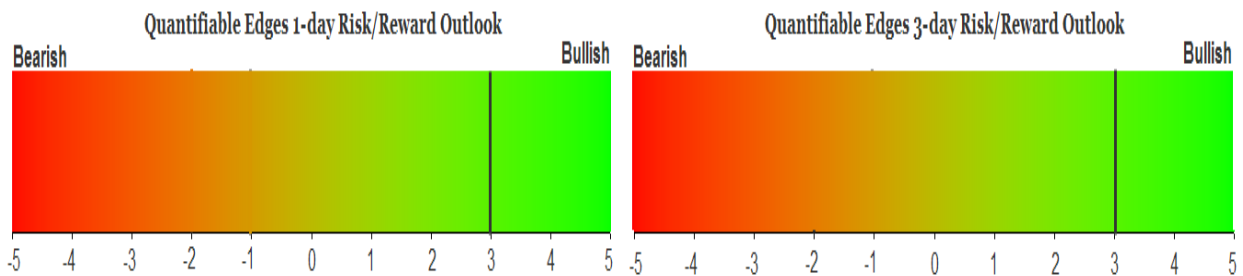
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 22, 2021

Volume 14 Issue 54

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The gap down and close below the open after closing at a short-term low the day before, suggests a bounce is likely.
- Seeing mixed seasonal evidence for the upcoming week.
- Intermediate-term evidence built up some for the bulls this past week.
- The Fed continues to flood the market with liquidity.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side. If we fail to see a bounce on Monday, I expect to see more bullish evidence emerge.

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 22, 2021	Gap dn from 5-low. Close below open	1-2 days	Bullish			
March 22, 2021	Opex week lower in Mar, Apr, Oct, Dec	1-5 days	Bullish			
March 22, 2021	Week after Quad-witch Mar, Jun, Sep	1-5 days	Bearish			
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 17, 2021	5 up to 50-high then down 1	1-10 days	Bullish			
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			

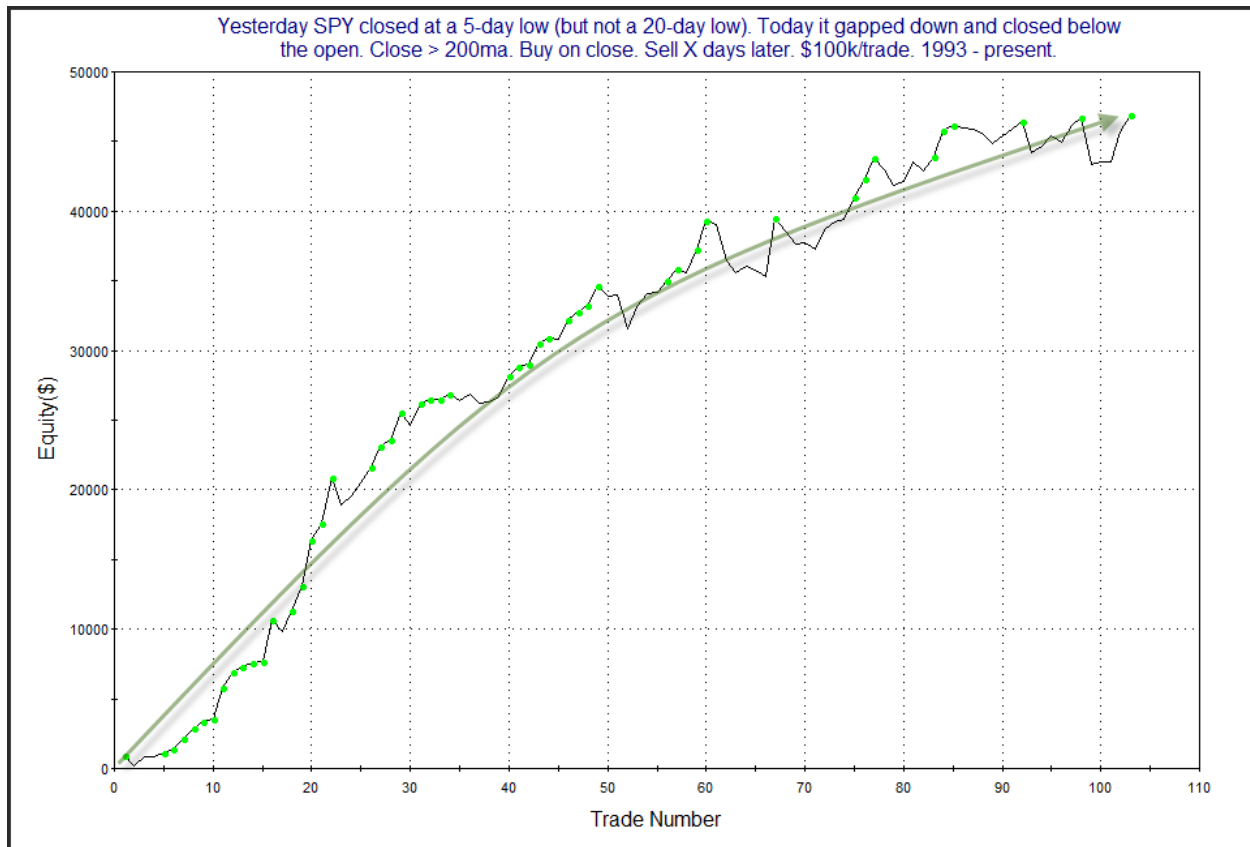
The Evidence

Friday was a back and forth day that finished mixed. The SPX lost 0.1%, the NASDAQ gained 0.8%, and the Russell 2000 rose 0.9%. Breadth was also mixed with the NYSE Up Issues % coming in at 55% and the Up Volume % at 49%. NYSE total volume spiked higher as it often does on opex Friday.

In the 5/3/19 letter I showed a study that examined gaps down and poor closes following a 5-day low. The setup appeared bullish. But I also noted that it was even more bullish if the gap down followed a 20-day low. The resulting study excluded 20-day low instances. Updated stats are below.

Yesterday SPY closed at a 5-day low (but not a 20-day low). Today it gapped down and closed below the open. Close > 200ma. 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	72,700.72	100	69	30	69.00	5,165.28	-5,063.85	1,605.35	-1,268.95	1.27	2.91	727.01
4	40,039.13	100	67	33	67.00	4,647.50	-8,109.60	1,425.40	-1,680.69	0.85	1.72	400.39
3	44,662.17	102	65	36	63.73	4,290.00	-7,722.10	1,408.54	-1,302.57	1.08	1.95	437.86
2	46,916.62	103	73	30	70.87	4,305.42	-3,385.20	1,003.77	-878.63	1.14	2.78	455.50
1	25,903.86	107	74	33	69.16	2,143.68	-4,181.76	757.15	-912.88	0.83	1.86	242.09

Odds here appear bullish, especially over the 1st 2 days. Below is a profit curve assuming a 2-day exit strategy.



The persistent upslope and continued new highs serve as confirmation of the bullish potential. I have included this study on the Active List tonight.

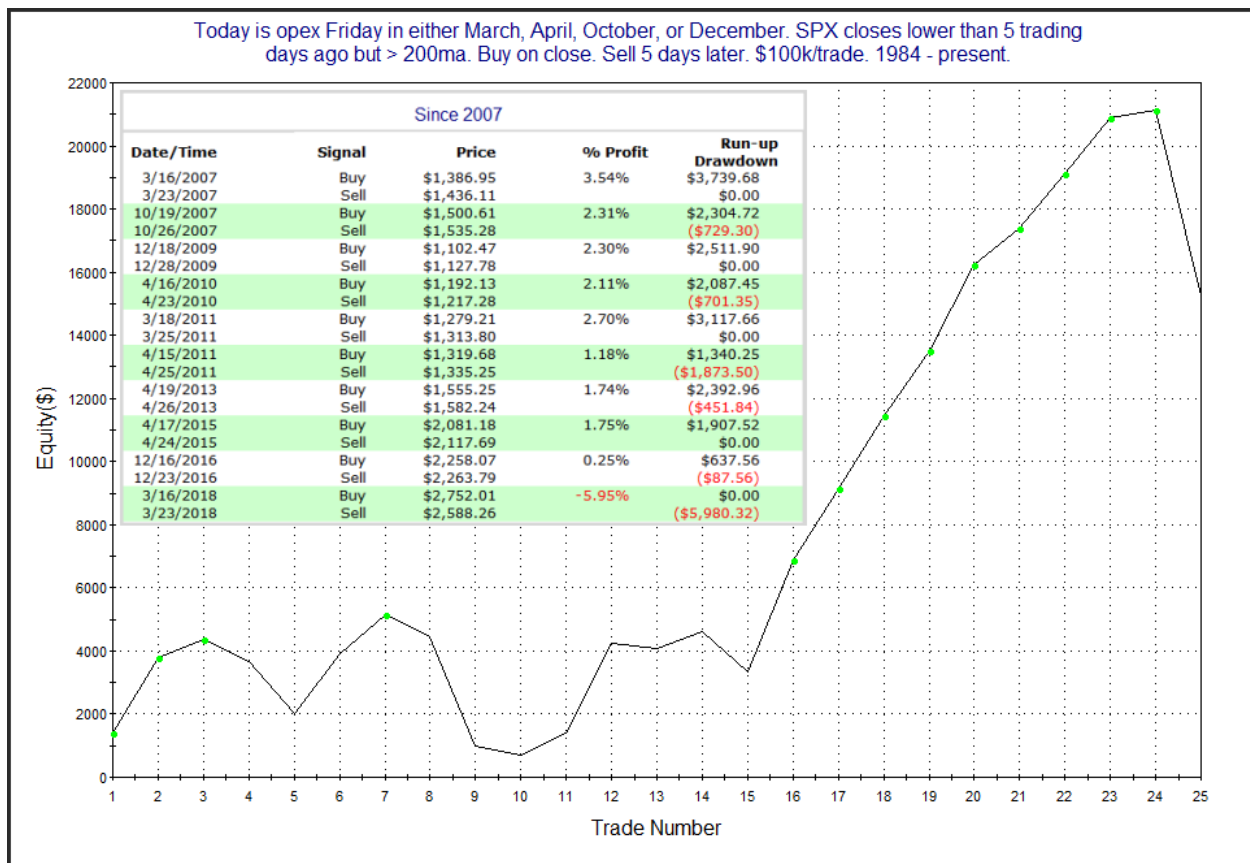
From a seasonal standpoint we are entering an odd week, where I am seeing some conflict among studies.

I discussed last weekend that monthly option expiration (opex) week is typically a bullish week, especially during the months of March, April, October, and December. Obviously, the bullish tendency did not play out this past week. So does this mean the bullish tendency may be delayed a week? Or is the market not doing what it is “supposed” to a sign that it is likely to continue lower? Or neither? I constructed some studies to find out. This 1st one looks at instances like we are currently experiencing where typically bullish opex weeks fail to deliver.

Today is opex Friday in either March, April, October, or December. SPX closes lower than 5 trading days ago but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1984 - 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	15,227.04	25	17	8	68.00	3,539.52	-5,895.00	1,726.57	-1,765.57	0.98	2.08	609.08
4	12,767.40	25	17	8	68.00	3,426.48	-3,899.52	1,453.13	-1,491.97	0.97	2.07	510.70
3	10,215.97	25	16	9	64.00	3,462.48	-1,686.42	1,349.54	-1,264.08	1.07	1.90	408.64
2	4,913.68	25	14	11	56.00	2,950.50	-1,869.00	1,187.22	-1,064.30	1.12	1.42	196.55
1	1,556.04	25	16	9	64.00	1,495.26	-2,214.00	737.51	-1,138.24	0.65	1.15	62.24

The numbers here all point towards an upside edge. The edge improves as we look out from 1 to 5 days. Below is a profit curve showing the how the 5-day edge has evolved.



The list of instances is also shown. The setup was certainly on a hot streak until the most recent instance in 2018. But how does this differ from performance following instances that saw the bullish opex week tendency play out? For comparison, I flipped that requirement and have shared those results below.

Today is opex Friday in either March, April, October, or December. SPX closes **higher** than 5 trading days ago and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1984 - 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	-7,432.82	76	33	43	43.42	7,247.22	-3,596.40	1,227.09	-1,114.58	1.10	0.84	-97.80
4	-2,902.71	76	37	39	48.68	5,007.78	-3,039.18	1,062.14	-1,082.10	0.98	0.93	-38.19
3	-6,200.35	76	34	42	44.74	4,592.40	-2,880.45	936.01	-905.35	1.03	0.84	-81.58
2	-7,980.09	76	34	42	44.74	3,170.82	-2,823.40	756.04	-802.04	0.94	0.76	-105.00
1	-4,370.91	76	32	44	42.11	2,523.24	-3,515.37	582.22	-522.77	1.11	0.81	-57.51

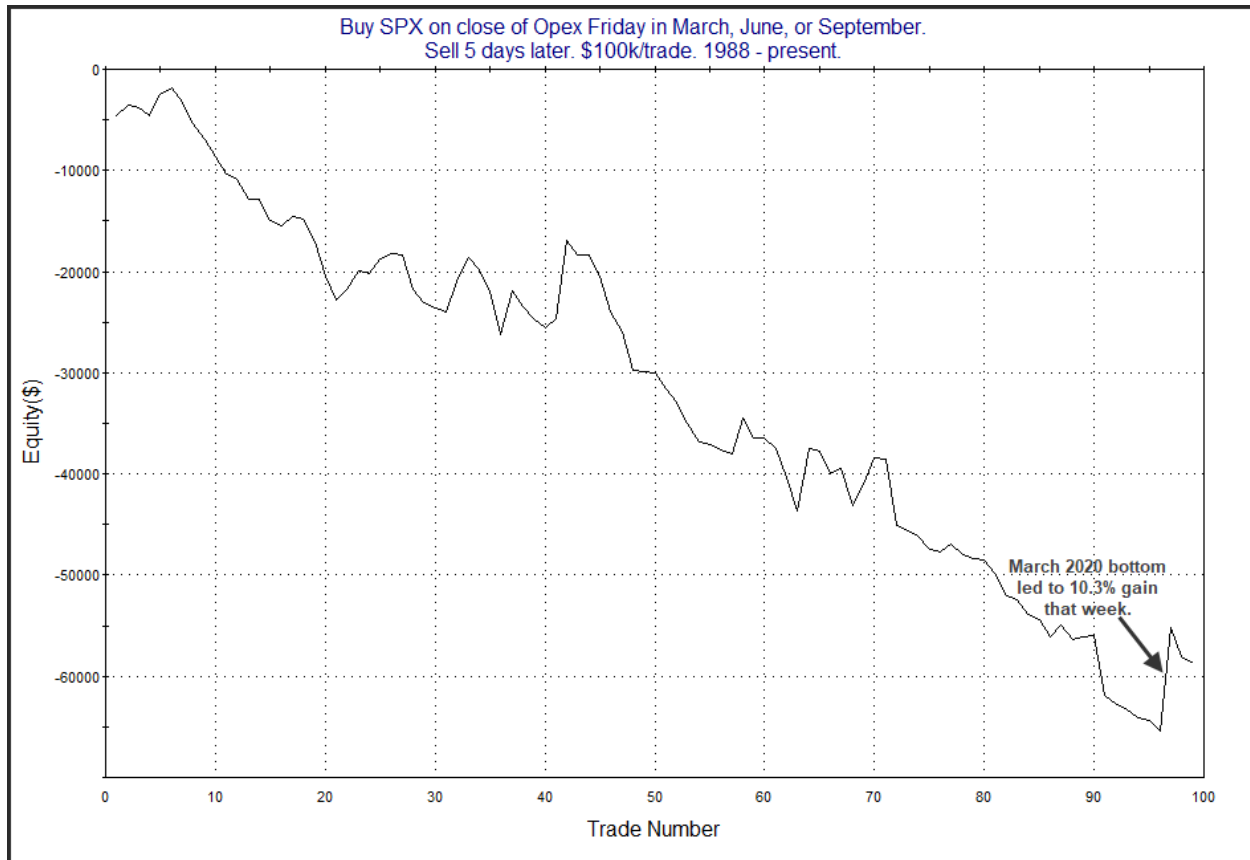
So without the opex-week selloff, the following week has not shown a bullish tendency. Based on this, it appears the bullish tendency has typically arrived late, rather than never.

Also worth noting from a seasonal standpoint is that the week after opex quad-witching in March, June, and September can often be especially weak. December is also a quad-witching month, but it has more often enjoyed end-of-year strength. The study below is from the 6/24/19 letter. It looked at performance following similar weeks.

Buy SPX on close of Opex Friday in March, June, or September. Sell X days later. \$100k/trade. 1988 - 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	-58,661.81	99	25	74	25.25	10,171.65	-6,525.56	2,219.97	-1,542.72	1.44	0.49	-592.54
4	-35,803.07	99	31	68	31.31	13,981.45	-7,088.90	1,966.32	-1,422.92	1.38	0.63	-361.65
3	-29,600.45	99	34	65	34.34	7,337.52	-5,455.74	1,440.47	-1,208.87	1.19	0.62	-298.99
2	-21,315.55	99	37	62	37.37	6,123.63	-5,283.52	1,101.05	-1,000.88	1.10	0.66	-215.31
1	-16,669.60	99	37	62	37.37	7,069.40	-3,791.21	887.89	-798.73	1.11	0.66	-168.38

We see here what appears to be a fairly sizable downside tendency. Here is a look at a profit curve.

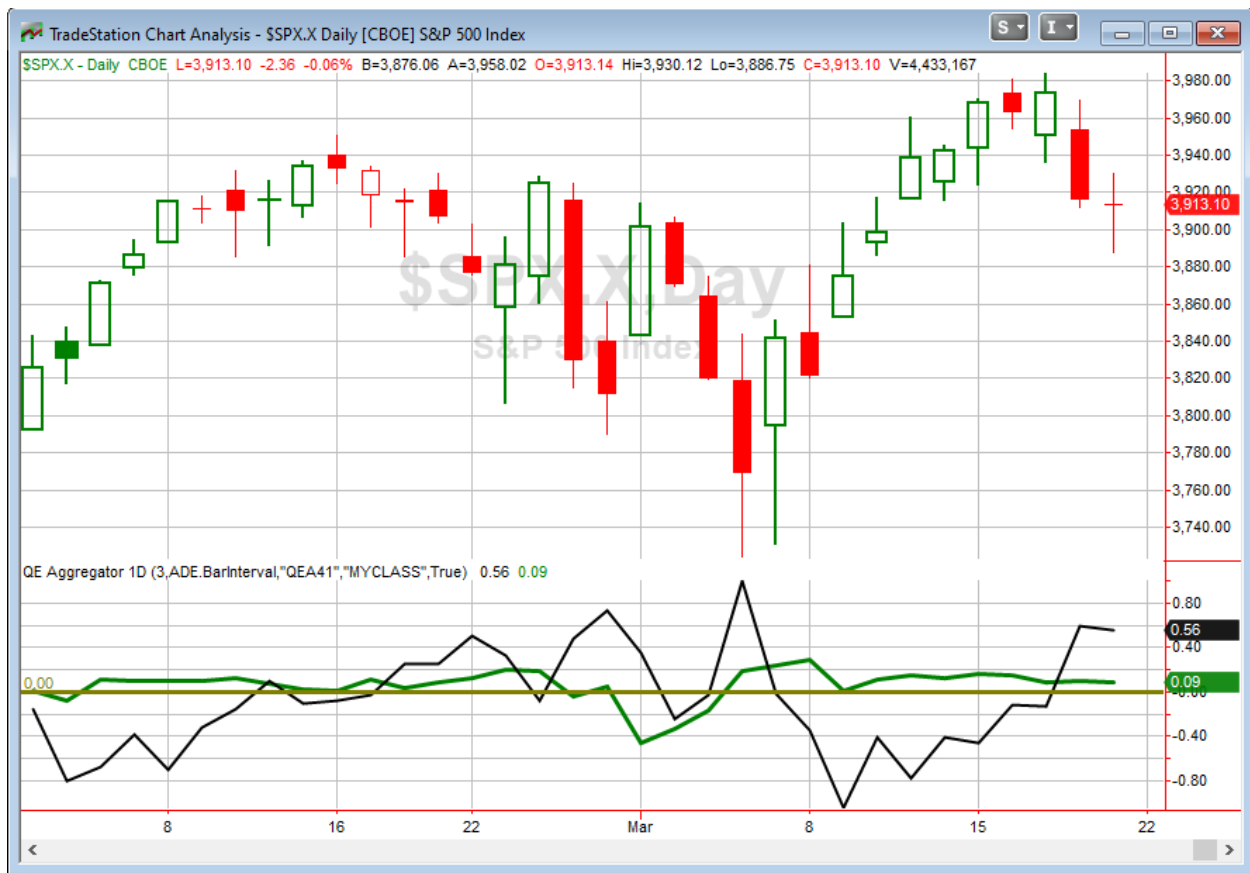


March 2020 bucked the curve, but nothing was normal that month. Overall, the downward progress suggests a bearish tendency.

I have listed both of the seasonal studies in the Active List tonight. Rather than try and guess which one will be “right”, I will let the Aggregator formula do its work. I would not be surprised to see a flat week, where neither of the seasonal studies really impresses. I’ll also note the QE Seasonality Calendar for SPX is showing a neutral to bearish tendency for the upcoming days. This can be seen below.

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

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



With this weekend'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 also held 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 Monday. This is unlikely to change without some extremely compelling new bearish evidence emerging. Meanwhile, the Differential Pivot will be 3989.23 on Monday. That is 1.9% above Friday's close. So SPX would need to close up a sizable 1.9% in order to flip from oversold to overbought versus recent expectations.

Like Friday, 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. While seasonality is a bit iffy, we do have other evidence suggesting a bounce. And if it does not arrive on Monday, then we will have 3 lower closes heading into a potential Turnaround Tuesday. So I would expect to see more bullish evidence build up in that case. I took some long index exposure at the close on Friday. I'll do the same Monday if SPX again closes lower. I expect we will see a bounce at some point in the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/22 – 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.*

This past week saw the market give back some gains. The SPX declined 0.8%, the NASDAQ also lost 0.8% and the Russell 2000 tumbled 2.8%. Despite the dips, the long-term trends all appear higher. There were a couple of studies that triggered during the week that suggested intermediate-term implications.

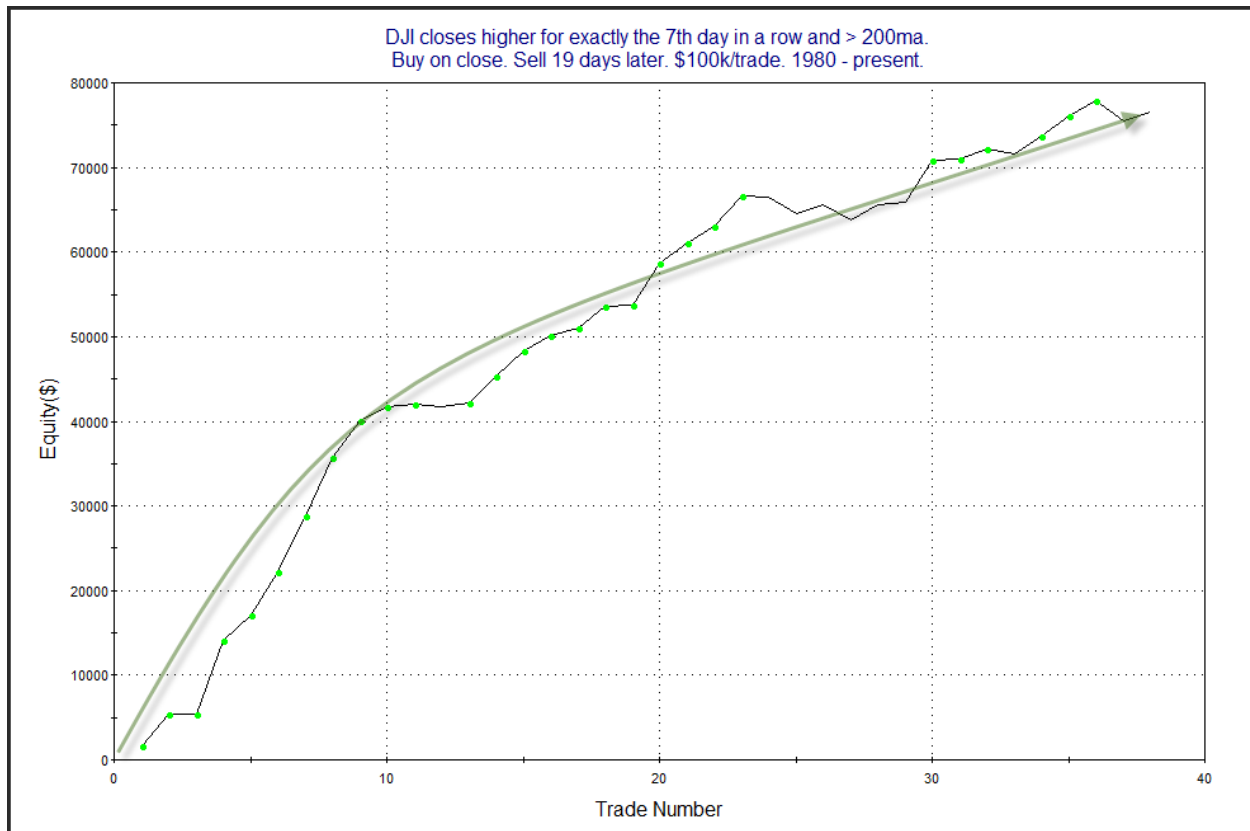
The 1st appeared in the Monday night letter. I have copied it below.

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.

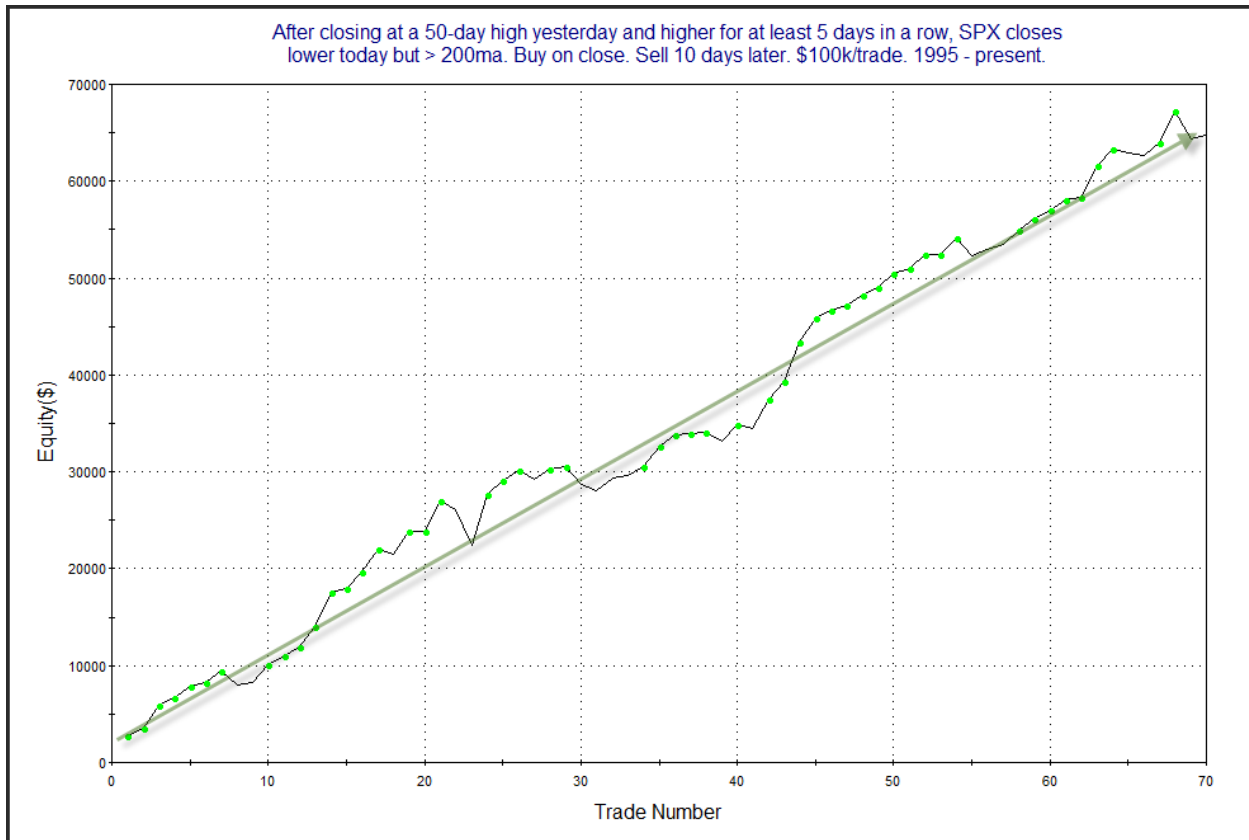
This next one is from the Tuesday night letter.

One compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was from the 2/10/21 Letter. I have updated the stats in the table below.

After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes lower today but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	64,766.22	70	57	13	81.43	5,131.35	-3,672.90	1,423.86	-1,261.06	1.13	4.95	925.23
9	62,238.62	73	58	15	79.45	5,023.20	-4,151.40	1,424.49	-1,358.81	1.05	4.05	852.58
8	51,115.67	74	51	23	68.92	4,878.08	-4,874.10	1,561.67	-1,240.42	1.26	2.79	690.75
7	40,777.84	76	52	24	68.42	3,874.76	-4,511.36	1,365.31	-1,259.10	1.08	2.35	536.55
6	42,709.34	78	56	22	71.79	4,307.20	-3,637.71	1,230.38	-1,190.54	1.03	2.63	547.56
5	32,360.78	78	52	26	66.67	4,252.50	-4,717.16	1,088.82	-932.99	1.17	2.33	414.88
4	35,301.17	78	51	27	65.38	3,843.00	-3,003.39	1,102.06	-774.21	1.42	2.69	452.58
3	21,992.57	78	50	28	64.10	2,472.85	-1,992.34	855.76	-742.69	1.15	2.06	281.96
2	23,183.54	78	53	25	67.95	2,437.50	-2,614.95	761.97	-688.04	1.11	2.35	297.22
1	12,807.98	78	50	27	64.10	1,751.19	-1,744.10	516.91	-482.87	1.07	1.98	164.20

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.



The strong upslope appears to confirm the bullish edge.

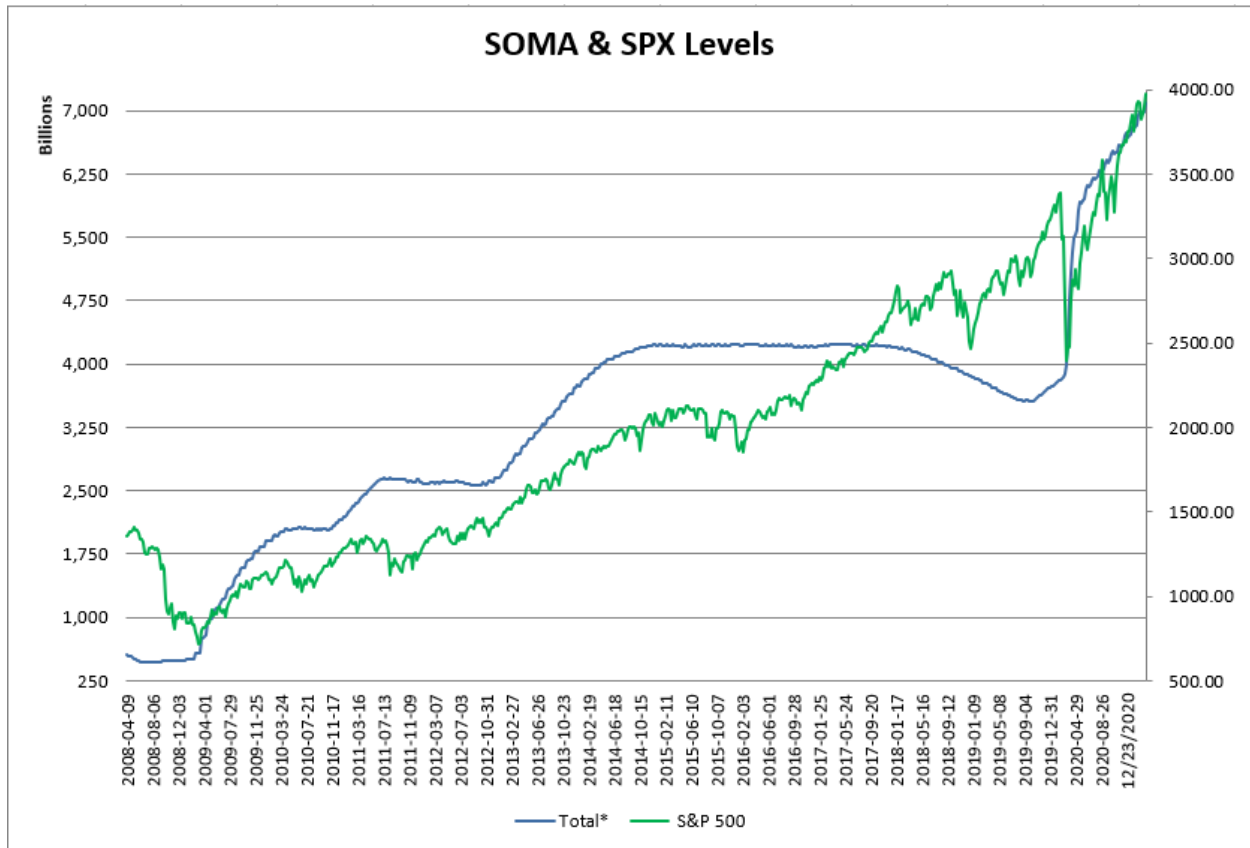
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of
◀ Previous **March 17, 2021** 📅
Posted March 18, 2021 at 4:30 P.M

SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS

Security Type	Total (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,192,016,932.0
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***	2,211,508,823.0
Agency Commercial Mortgage-Backed Securities***	9,919,686.9
Total SOMA Holdings	7,090,498,511.4
Change From Prior Week	110,261,616.7

This past week saw the SOMA rise by a whopping \$110 billion. Certainly no hint of the Fed slowing down yet (or anytime soon). 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 generally held up well despite the NASDAQ weakness. We saw some studies during the week suggesting the recent persistent moves to new highs were an intermediate-term positive. 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.

SPY – Buy ¼ index position @ \$389.47 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take a 2nd lot of SPY if it closes down again on Monday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	3/19/2021	\$389.48	\$389.48	0.00%		bought on close

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