

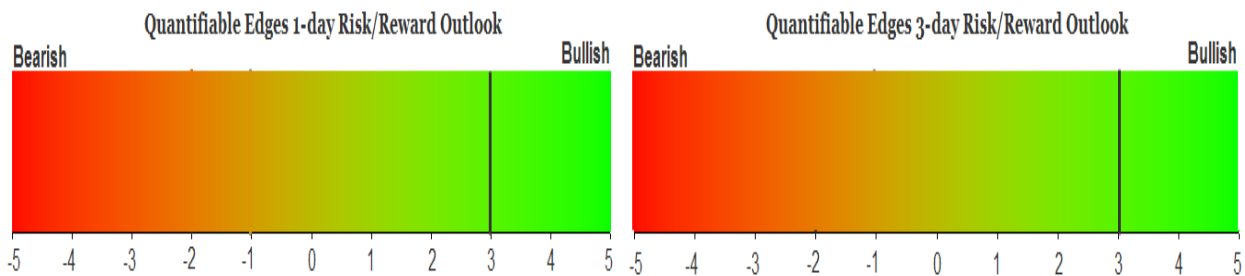
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 24, 2021

Volume 14 Issue 56

## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long       | 4           |

## Tonight's Research Points

- The strong RUT underperformance suggests a possible upside edge in the coming days.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is again bullish. I like the long side, but am holding off before adding anything to my small long index position.

**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 23, 2021   | SPX up & > 200ma. Up Vol % < 40%      | 1-7 days   | Bullish | 1.80%      | -1.05%     | -2.20%                 |
| 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             | 1-8 days   | Bullish |            |            |                        |
| <b>Active - Long Term</b>  |                                       |            |         |            |            |                        |
| 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 |            |            |                        |
| <b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b> |                                       |            |         |            |            |                        |
| March 22, 2021   | Gap dn from 5-low. Close below open   | 1-2 days   | Bullish |            |            |                        |

**The Evidence**

The market had a rough day on Tuesday. The SPX fell 0.8%, the NASDAQ lost 1.1%, and the Russell 2000 tumbled 3.6%. Breadth was negative with the NYSE Up Issues % coming in at 22% and the Up Volume % at 14%. NYSE total volume rose some from Monday's level.

The Quantifinder did not identify anything notable. Back and forth chop like we have seen the last few days will sometimes do that. But I found it curious that the Russell 2000 put in such a poor performance in comparison to the SPX. Wondering what it might mean when the market was in a similar situation, I played around with this concept a few ways. The study below showed some interesting results.

| SPX closes down but above the 200ma. RUT loses over 1.5% more than SPX and closes at a 10-day low and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. |                 |                   |                     |                    |                   |                        |                       |                        |                       |                     |                   |                |
|---|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 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   | 13,010.42       | 7                 | 7                   | 0                  | 100.00            | 4,564.16               | 0.00                  | 1,858.63               | 0.00                  | 100.00              | 100.00            | 1,858.63       |
| 4   | 10,123.99       | 7                 | 7                   | 0                  | 100.00            | 4,819.84               | 0.00                  | 1,446.28               | 0.00                  | 100.00              | 100.00            | 1,446.28       |
| 3   | 6,363.81        | 7                 | 5                   | 2                  | 71.43             | 4,804.88               | -1,034.10             | 1,624.12               | -878.40               | 1.85                | 4.62              | 909.12         |
| 2   | 3,353.65        | 7                 | 5                   | 2                  | 71.43             | 2,987.24               | -1,324.20             | 1,057.93               | -968.00               | 1.09                | 2.73              | 479.09         |
| 1   | 5,787.54        | 7                 | 5                   | 2                  | 71.43             | 2,524.84               | -635.58               | 1,310.52               | -382.53               | 3.43                | 8.56              | 826.79         |

In general it appears such an overdone RUT selloff led to a bounce over the next several days. Of course the SPX outperformance was over 2.5% Tuesday, not just the 1.5% that I required for the study. But I had to loosen that requirement in order to get even a sample size of 7. At 2.5% there were just two other instances. Below is the full list of instances along with their 5-day returns.

SPX closes down but above the 200ma. RUT loses over 1.5% more than SPX and closes at a 10-day low and > 200ma.  
Buy SPX on close. Sell 5 days later. \$100k/trade. 1988 - present.

| Date/Time  | Signal | Price      | % Profit | Run-up Drawdown |
|------------|--------|------------|----------|-----------------|
| 3/20/2000  | Buy    | \$1,456.69 | 4.61%    | \$6,540.24      |
| 3/27/2000  | Sell   | \$1,523.81 |          | (\$722.84)      |
| 4/4/2000   | Buy    | \$1,494.72 | 0.39%    | \$2,143.02      |
| 4/11/2000  | Sell   | \$1,500.58 |          | (\$1,100.22)    |
| 9/25/2003  | Buy    | \$1,003.27 | 1.69%    | \$1,841.40      |
| 10/2/2003  | Sell   | \$1,020.24 |          | (\$1,278.09)    |
| 2/4/2004   | Buy    | \$1,126.53 | 2.77%    | \$2,847.68      |
| 2/11/2004  | Sell   | \$1,157.76 |          | (\$183.92)      |
| 10/28/2009 | Buy    | \$1,042.63 | 0.37%    | \$2,299.00      |
| 11/4/2009  | Sell   | \$1,046.50 |          | (\$1,258.75)    |
| 1/19/2011  | Buy    | \$1,281.92 | 1.15%    | \$1,389.96      |
| 1/26/2011  | Sell   | \$1,296.63 |          | (\$831.48)      |
| 9/21/2020  | Buy    | \$3,281.06 | 2.15%    | \$2,390.40      |
| 9/28/2020  | Sell   | \$3,351.60 |          | (\$2,148.30)    |

These results are notable. But with the low number of instances, I elected to leave it off the Active List tonight. I did not feel the results were compelling enough to consider when generating estimates over the next several days. I could certainly add this one to the pipeline in the future if the results continue to hold up.

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



Without any new studies being added tonight, 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 stayed long at the close.

Expectations are currently set to remain positive on Wednesday. This is unlikely to change without some extremely compelling new bearish evidence emerging. Meanwhile, the Differential Pivot will be 3926.29 on Wednesday. That is 0.4% above Tuesday's close. Therefore, SPX will need to close up at least 0.4% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is again bullish. We had an inverted pivot last night, and I guess I got a little too cute with the exit requirement for Tuesday, because it just missed, and then SPY turned south. I still like the long side. I suspect we will see a better bounce take place in the coming days. But the low amount of evidence tonight does not have me excited about adding to the long SPY position at this price. I'll give it another day and then likely add to my position on Thursday if Wednesday see more selling. For traders looking for more action, there were 4 Catapult setups that triggered on Tuesday.

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

The intermediate-term outlook was last updated in the 3/22/21 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***

*New*

AXP @ \$136.08 (buy @ limit)

CVX @ \$101.97 (buy @ limit)

XOM @ \$55.22 (buy @ limit)

COP @ \$51.71 (buy @ limit)

***Broad Market Large Cap CBI – 4 (AXP, CVX, XOM, COP)***

**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.*

**AXP – Buy 1/3 Catapult position @ \$136.08 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of AXP.

**CVX – Buy 1/3 Catapult position @ \$101.97 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of CVX.

**XOM – Buy 1/3 Catapult position @ \$55.22 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of XOM.

**COP – Buy 1/3 Catapult position @ \$51.71 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of COP.

## **Current Open Trade Ideas**

| <b>Symbol</b> | <b>Entry Date</b> | <b>Entry Price</b> | <b>Current Price</b> | <b>% Gain/Loss</b> | <b>Stop</b> | <b>Notes</b> |
|---------------|-------------------|--------------------|----------------------|--------------------|-------------|--------------|
| SPY(1/4)      | 3/19/2021         | \$389.48           | \$389.50             | 0.01%              |             | Aggregator   |
|               |                   |                    |                      |                    |             |              |

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