

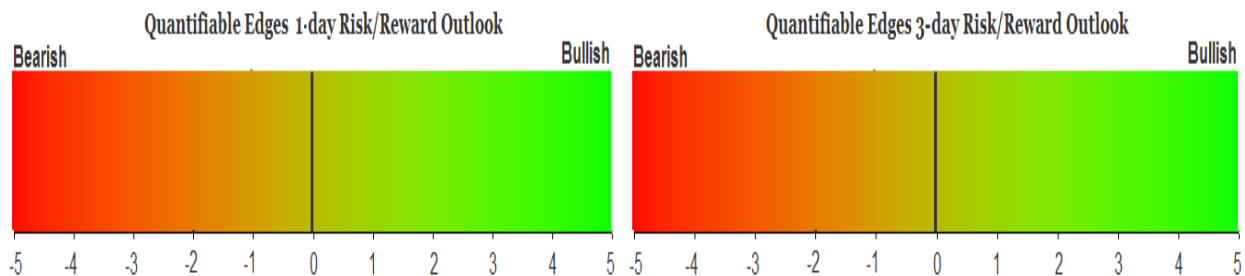
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 29, 2021

Volume 14 Issue 59

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The NASDAQ action over the last few days suggests some possible follow through, but SPX is not confirming that.
- We are entering a seasonally bullish week.
- The strong selling in the Russell up until Wednesday provided an intermediate-term warning.
- The SOMA rose by a moderate amount his past week.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am looking to flatten out and wait for the next favorable reward/risk setup before taking on new index exposure.

**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 29, 2021	Week after 4th Fri in March bullish	1-5 days	Bullish	2.10%	-1.10%	-2.30%
March 23, 2021	SPX up & > 200ma. Up Vol % < 40%	1-7 days	Bullish	1.80%	-1.05%	-2.20%
March 18, 2021	100-day high on a Fed Day	1-8 days	Bullish			
<b>Active - Long Term</b>						
March 25, 2021	RUT down 9% from 200hi in < 10 days	int term	Warning			
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	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			

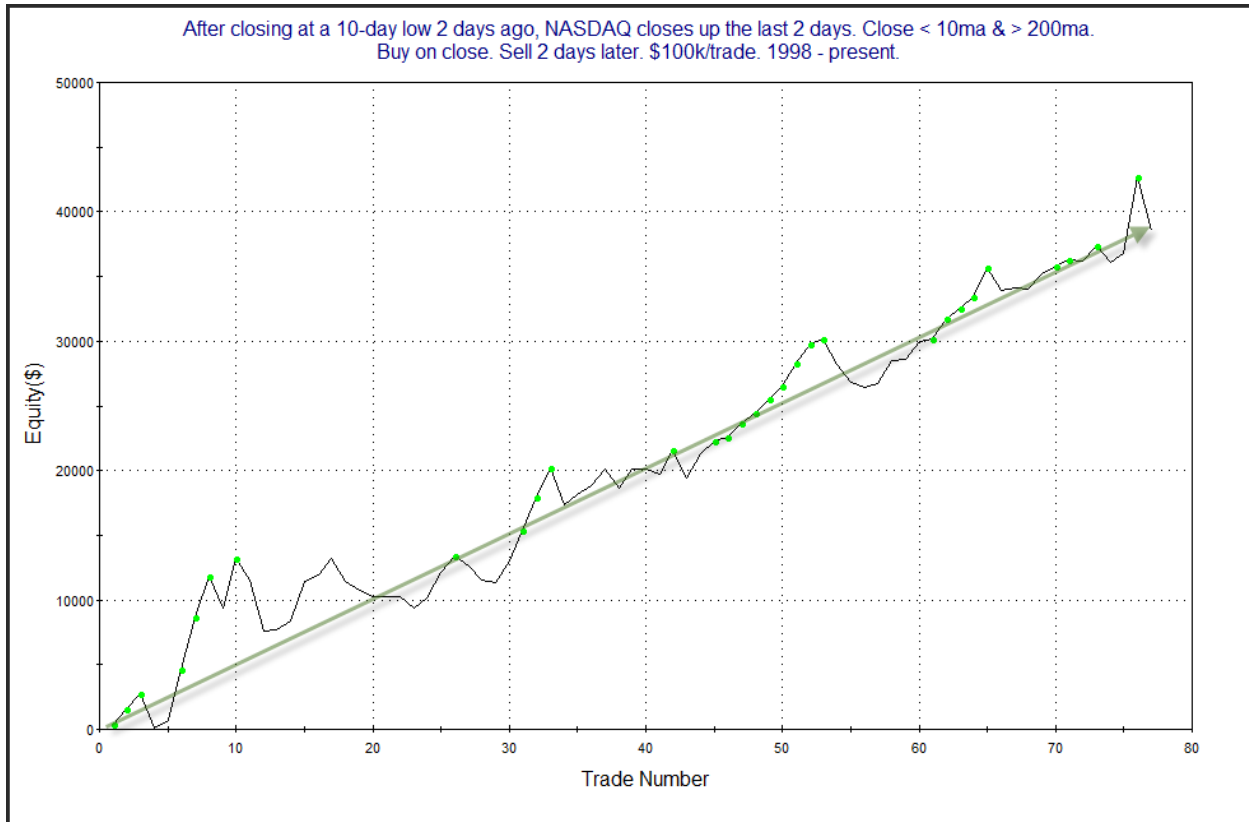
**The Evidence**

Friday saw the market rally, with most of the upside occurring in an afternoon ramp. The SPX closed up 1.7%, the NASDAQ rose 1.2%, and the Russell 2000 gained 1.8%. Breadth was positive with the NYSE Up Issues % coming in at 77% and the Up Volume % at 64%. NYSE total volume rose some from Thursday's level.

The rebound the last couple of days has been impressive for SPX; less so for the NASDAQ Composite. There was a study from the 1/30/20 letter that looked at other 2-day bounces in the NASDAQ that originated from a 10-day low and failed to close back above the 10ma. I have updated that study below.

After closing at a 10-day low 2 days ago, NASDAQ closes up the last 2 days. Close < 10ma & > 200ma. Buy on close. Sell X days later. \$100k/trade. 1998 - 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	31,630.59	76	48	28	63.16	8,967.60	-11,016.39	2,022.08	-2,336.77	0.87	1.48	416.19
4	45,776.21	76	48	28	63.16	6,444.48	-4,986.40	2,014.83	-1,819.13	1.11	1.90	602.32
3	29,114.51	77	45	32	58.44	6,518.80	-8,084.18	1,799.95	-1,621.36	1.11	1.56	378.11
2	38,535.43	77	53	24	68.83	5,842.88	-4,137.56	1,380.63	-1,443.24	0.96	2.11	500.46
1	23,761.97	77	50	27	64.94	3,441.68	-3,682.80	957.95	-893.91	1.07	1.98	308.60

The numbers here suggested the bounce could have further to go over the next couple of days. Below is a look at the 2-day profit curve.



The strong move from lower left to upper right acts as some confirmation of the upside edge.

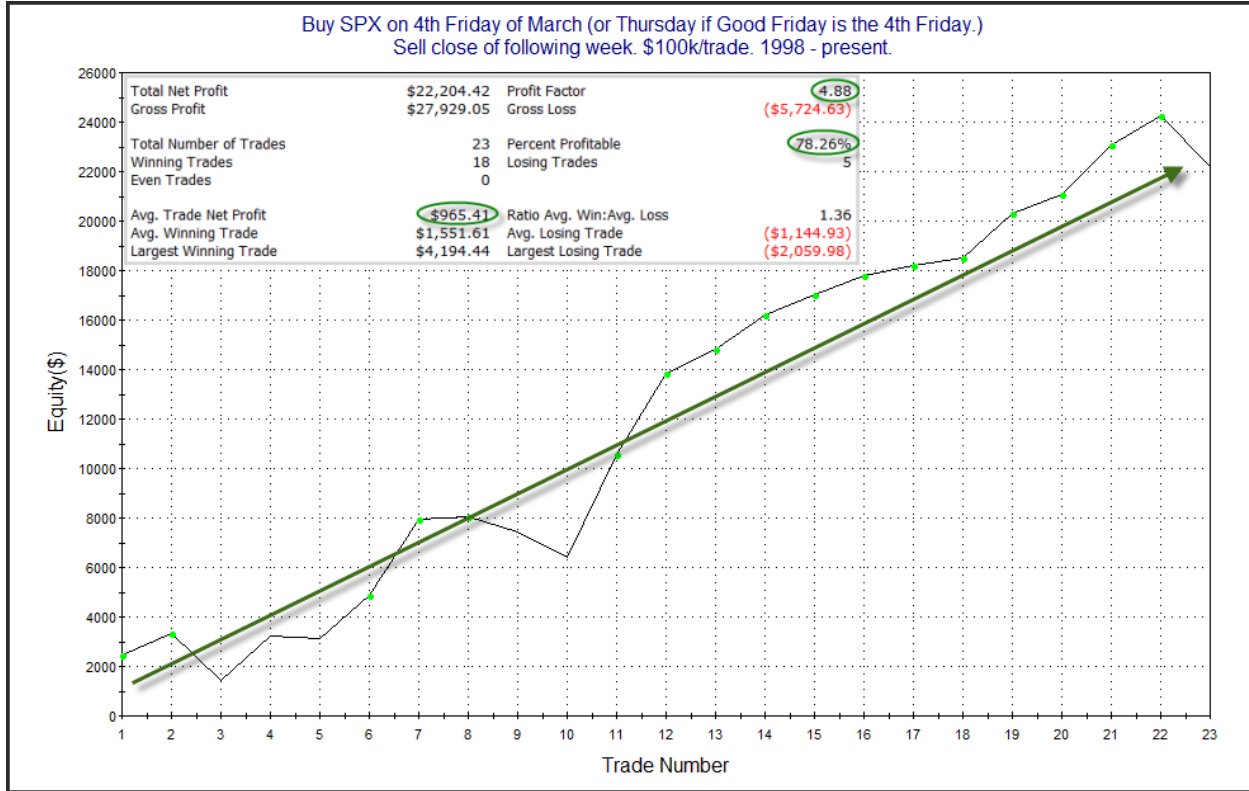
But as I mentioned earlier, SPX did manage to post strong gains over the last 2 days. In fact, it moved from a 10-day low up to a new closing high. Here is a similar study to the one above, but it looks for times SPX went from a 10-day low to a 10-day high in 2 days.

After closing at a 10-day low 2 days ago, SPX closes up the last 2 days and now at a 10-day high.  
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1998 - 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	3,310.61	13	7	6	53.85	2,127.50	-2,288.31	1,436.83	-1,124.54	1.28	1.49	254.66
4	-557.19	13	7	6	53.85	2,038.33	-2,675.09	1,053.63	-1,322.10	0.80	0.93	-42.86
3	-938.27	13	6	7	46.15	1,866.28	-2,337.28	1,043.46	-1,028.44	1.01	0.87	-72.17
2	-29.75	13	7	6	53.85	1,285.70	-1,707.31	762.55	-894.60	0.85	0.99	-2.29
1	-852.32	13	5	8	38.46	1,091.58	-942.05	366.69	-335.72	1.09	0.68	-65.56

Instances here are pretty rare. They also don't suggest an edge in either direction. So perhaps we could see some follow through over the next couple of days, and perhaps not. There has been very split performance in the market lately, and maybe the big takeaway from these little studies is that the indices and sectors are likely to continue to trade independently, rather than in unison.

With regards to possible seasonality, we are in an interesting period right now. The week after the 4<sup>th</sup> Friday in March has been a strong one over the last 23 years. (Not as much before that.) We can see this in the study below, updated from the 3/30/20 letter.

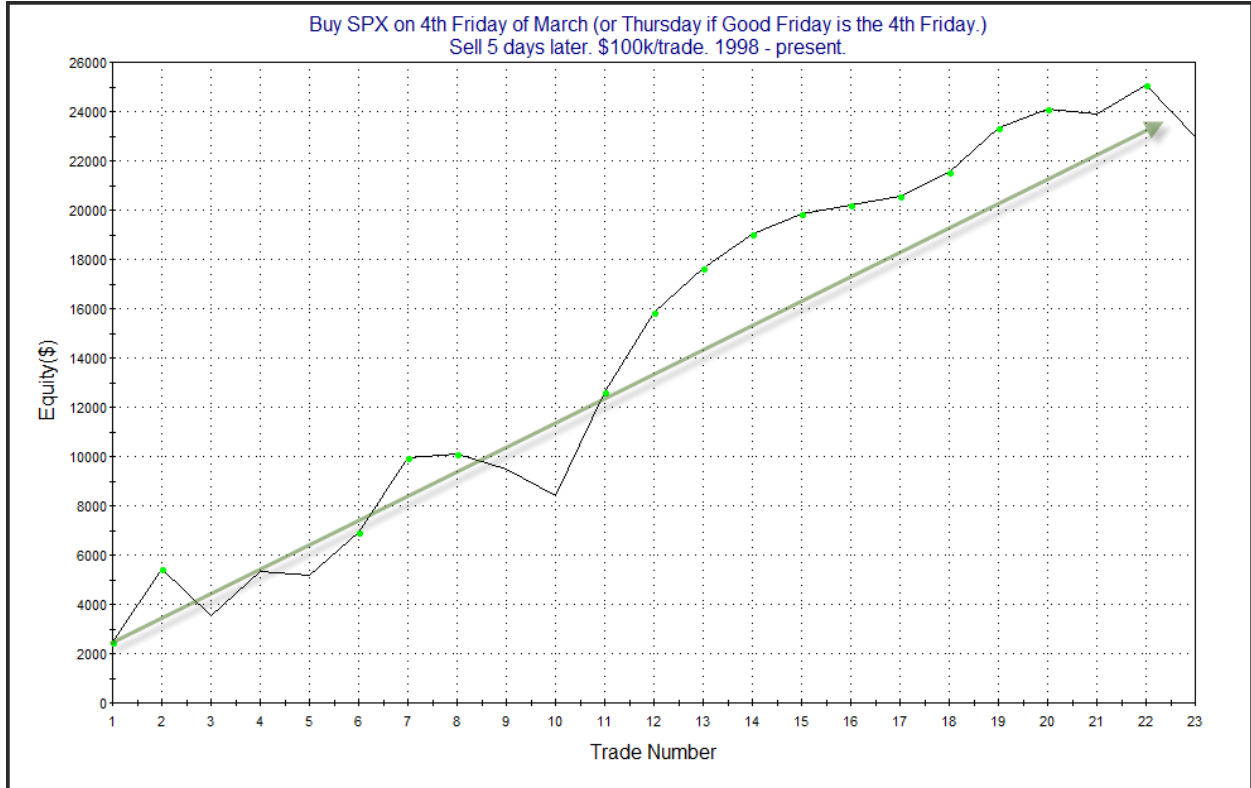


That is an encouraging looking curve and bullish stats. Let's see how it has broken down on a daily basis.

Buy SPX on 4th Friday of March (or Thursday if Good Friday is the 4th Friday.)  
Sell X days later. \$100k/trade. 1998 - 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	22,998.95	23	17	6	73.91	4,194.44	-2,059.98	1,708.23	-1,006.84	1.70	4.81	999.95
4	19,948.87	23	18	5	78.26	4,111.60	-2,575.30	1,352.70	-879.94	1.54	5.53	867.34
3	11,726.57	23	16	7	69.57	3,977.08	-2,767.83	1,128.45	-904.08	1.25	2.85	509.85
2	13,929.37	23	16	7	69.57	4,175.44	-2,204.54	1,291.12	-961.22	1.34	3.07	605.62
1	7,437.91	23	13	10	56.52	3,322.02	-3,466.02	1,187.19	-799.55	1.48	1.93	323.39

Numbers here are very good. Though they are slightly different than those above. That is because Easter will sometime fall during this period and sometimes the following week is 4 days and sometimes it is 5 days. Below is a look at the 5-day profit curve.



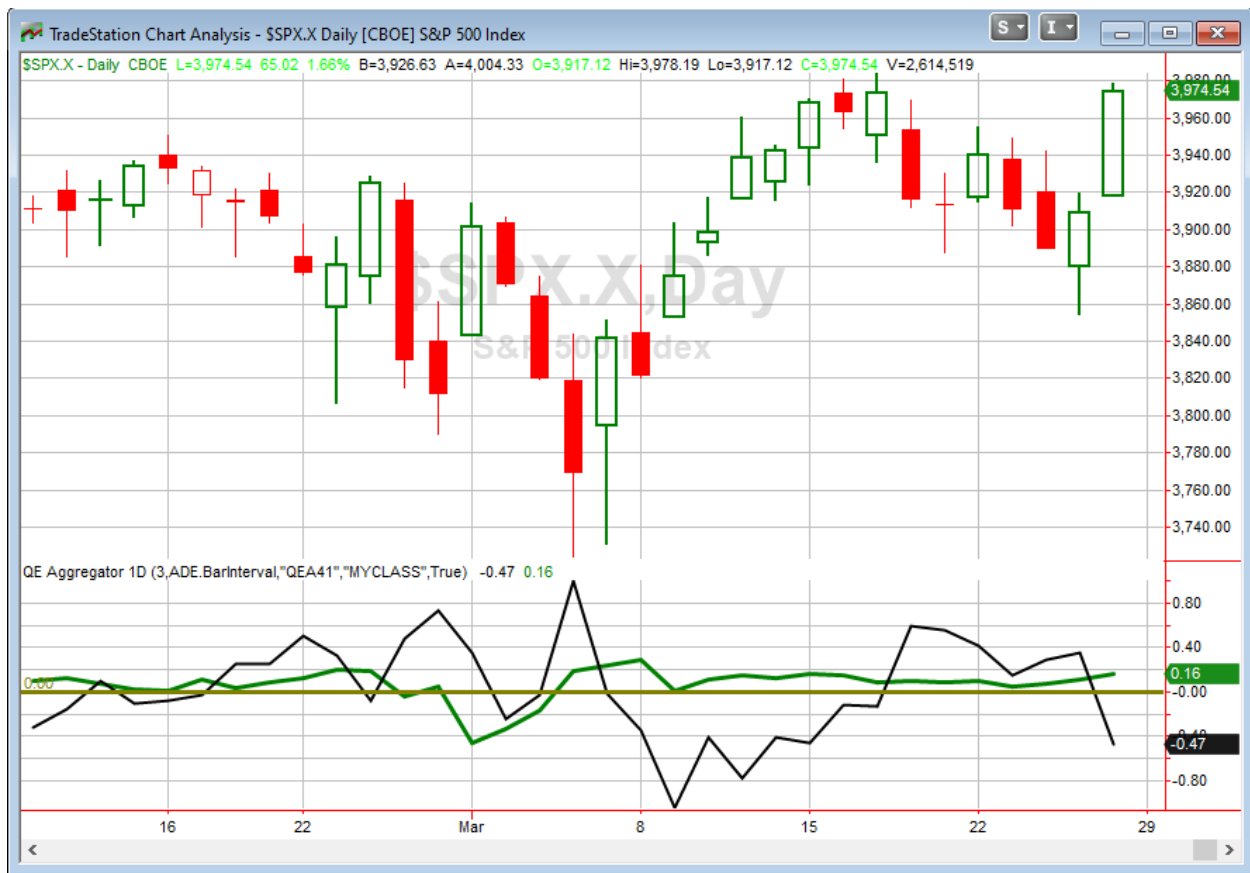
Again, no red flags based on the curve. There appears to be a good chance the market will have a seasonal wind at its back this upcoming week.

The seasonality calendar for SPX can be found below.

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

The 30<sup>th</sup> and 31<sup>st</sup> are showing some of the strongest numbers of the month. So this would seem to serve as some additional confirmation of the seasonal edge. I'll post a preliminary April calendars probably on Tuesday night or Wednesday morning, then I will finalize those calendars Wednesday night after the close. At this point I will say that the 1<sup>st</sup> couple days of April look strong as well.

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



Once again 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 dove down 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 turned flat at the close.

Expectations are currently set to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3896.41 on Monday. That is 2.0% below Friday's close. Therefore, SPX will need to close down about 2.0% on Monday in order to flip from overbought to oversold vs recent expectations. That is an unlikely 1-day drop from an all-time high. A more likely scenario for working off the overbought condition would be a multi-day pullback or consolidation.

So the Aggregator is now neutral. While seasonality is positive and we still have some bullish evidence suggesting more upside in the coming days, SPX is solidly overbought. That hurts reward/risk for the bulls. I exited part of my long position on Friday afternoon, and I will look to get flat on the index trade ideas on Monday, and then wait for the next compelling setup to emerge.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 3/29 – 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 mixed results for the major indices. The SPX rose 1.6%, the NASDAQ lost 0.6% and the Russell 2000 tumbled 2.9%. The long-term trends still appear up, especially the SPX which closed at an all-time high on Friday. The action in the Russell led to an interesting intermediate-term study that I shared in the Wednesday night letter. I have copied that study below.

*The speed in which the Russell 2000 has fallen from its high just 7 trading days ago is quite remarkable. Wednesday it closed 9.6% below its 3/15/21 close. I decided to look back at other sharp selloffs from 200-day highs for the RUT. Based on the criteria I used, there were a very short list of instances. Here are all 4 along with their 4-day returns.*

After closing at a 200-day high at some point in the last 10 days, RUT crosses down more than 9% below that high on a closing basis. Buy on close. Sell 4 days later. \$100k/trade. 1988 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/27/1997	Buy	\$420.13	3.13%	\$4,203.08
10/31/1997	Sell	\$433.26		(\$3,512.88)
3/20/2000	Buy	\$549.21	4.52%	\$6,198.92
3/24/2000	Sell	\$574.01		(\$3,345.16)
10/28/2009	Buy	\$566.49	0.71%	\$2,648.80
11/3/2009	Sell	\$570.52		(\$2,319.68)
5/6/2010	Buy	\$672.46	6.48%	\$6,476.48
5/12/2010	Sell	\$716.05		(\$3,673.36)

*So 4 days later all 4 instances closed up by between 0.7% and 6.5%. That seems impressive. But I'll also note that every instance saw a drawdown during those 4 days of between 2.3% - 3.7%. So they all bounced, but they all also had further to sell off before the bounce arrived. Let's take a look at the 4 charts.*





*Tough to put much faith in just 4 instances. But what I will note is that none of them turned out to be an “ordinary” looking pullback that saw the market quickly recover to new highs. There was generally a good bit more volatility ahead following these instances. Such a strong selloff from a long-term high is rare. Good chance we see a short-term bounce. But there also seems to be a good chance that the damage that was done will take some time to recover from, and the market could be in for some additional choppy, and perhaps scary, trading ahead.*

*One last note about this...below is a look at what happens if I loosened the criteria to an 8% drop instead of 9%.*

After closing at a 200-day high at some point in the last 10 days, RUT crosses down more than 8% below that high on a closing basis. Buy on close. Sell 4 days later. \$100k/trade. 1988 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/4/1994	Buy	\$247.04	3.09%	\$3,623.88
4/8/1994	Sell	\$254.68		\$0.00
10/27/1997	Buy	\$420.13	3.13%	\$4,203.08
10/31/1997	Sell	\$433.26		(\$3,512.88)
3/20/2000	Buy	\$549.21	4.52%	\$6,198.92
3/24/2000	Sell	\$574.01		(\$3,345.16)
5/18/2006	Buy	\$718.47	-1.00%	\$1,257.95
5/24/2006	Sell	\$711.27		(\$3,114.99)
3/5/2007	Buy	\$760.13	3.29%	\$3,584.16
3/9/2007	Sell	\$785.11		\$0.00
7/27/2007	Buy	\$777.87	0.77%	\$2,144.00
8/2/2007	Sell	\$783.87		(\$1,617.92)
10/28/2009	Buy	\$566.49	0.71%	\$2,648.80
11/3/2009	Sell	\$570.52		(\$2,319.68)
5/6/2010	Buy	\$672.46	6.48%	\$6,476.48
5/12/2010	Sell	\$716.05		(\$3,673.36)

*Doesn't change the short-term much. Bounce likely. Chop likely.*

*I did not think these studies showed a consistent enough edge to warrant inclusion on the short-term list. I did put the study on the intermediate-term list as a potential warning.*

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

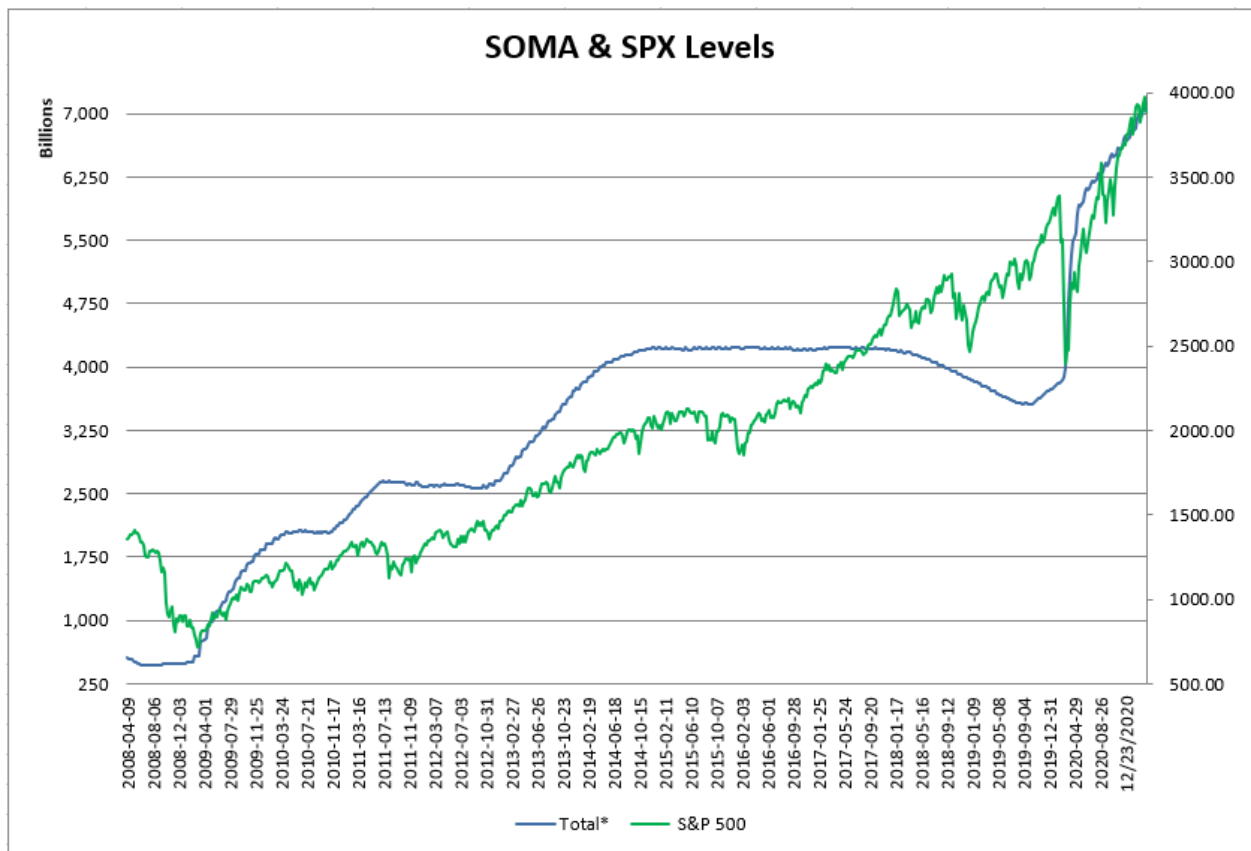
Domestic Security Holdings as of

◀ Previous **March 24, 2021** 📅  
 Posted March 25, 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)	4,197,351,932.0
US Treasury Floating Rate Notes (FRNs)	21,038,668.5
US Treasury Inflation-Protected Securities (TIPS)*	331,223,401.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,224,887,026.4
Agency Commercial Mortgage-Backed Securities***	9,919,686.9
<b>Total SOMA Holdings</b>	<b>7,112,811,714.8</b>
Change From Prior Week	<b>22,313,203.4</b>

This past week saw the SOMA rise by a fairly typical \$22 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. I will note that the last week of the month will often see a dip in the SOMA. That could easily happen this upcoming week. It would not be of any concern, and is just a calendar quirk.

My intermediate-term outlook again remains leaning bullish. I would prefer to see the NASDAQ and Russell 2000 performing better, but SPX has managed to plow forward even without their help. If conditions remain split, that could be a concern for the overall market. We saw some studies a couple of weeks ago 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.*

None.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	3/19/2021	\$389.48	\$395.98	1.67%		<i>sold on close</i>
SPY(1/4)	3/25/2021	\$385.98	\$395.98	2.59%		<i>sell on open</i>

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