

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 31, 2021

Volume 14 Issue 61

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Strong breadth near a short-term high and a down close suggest short-term bullish implications.
- A poor close Wednesday could make for a bullish setup for Thursday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral, but it will likely turn bullish if SPX closes down again on Wednesday.

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
Active - Short Term						
March 31, 2021	5-hi then down close on strong breadth	1 day	Bullish			
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%
Active - Long Term						
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			

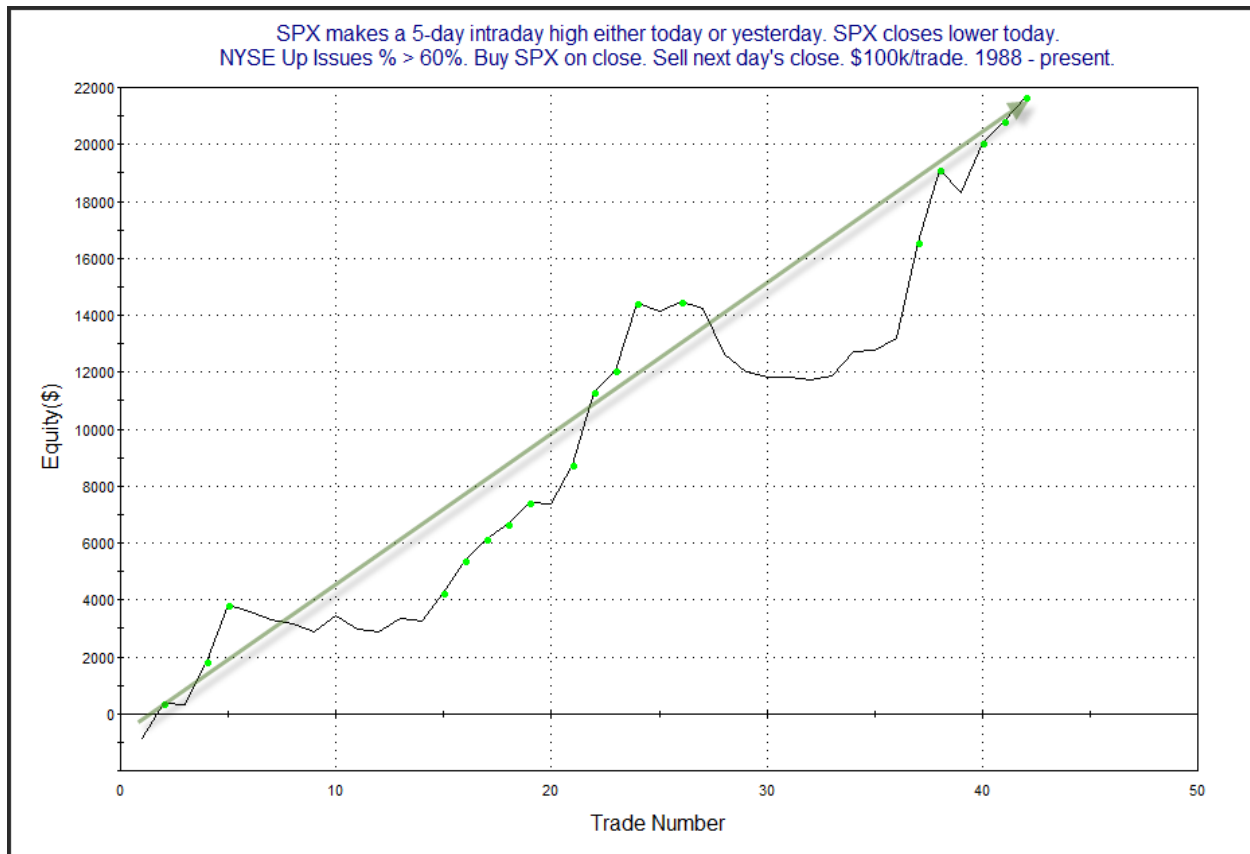
The Evidence

The indices were mixed on Tuesday. The SPX closed down 0.3%, the NASDAQ sank 0.1%, and the Russell 2000 rallied 1.7%. Breadth was positive with the NYSE Up Issues % coming in at 60% and the Up Volume % at 65%. NYSE total volume declined some from Monday's level.

The action triggered an interesting study that we saw last in the 12/4/20 letter. It noted the positive breadth that accompanied the move lower from the short-term high. I have updated the results below.

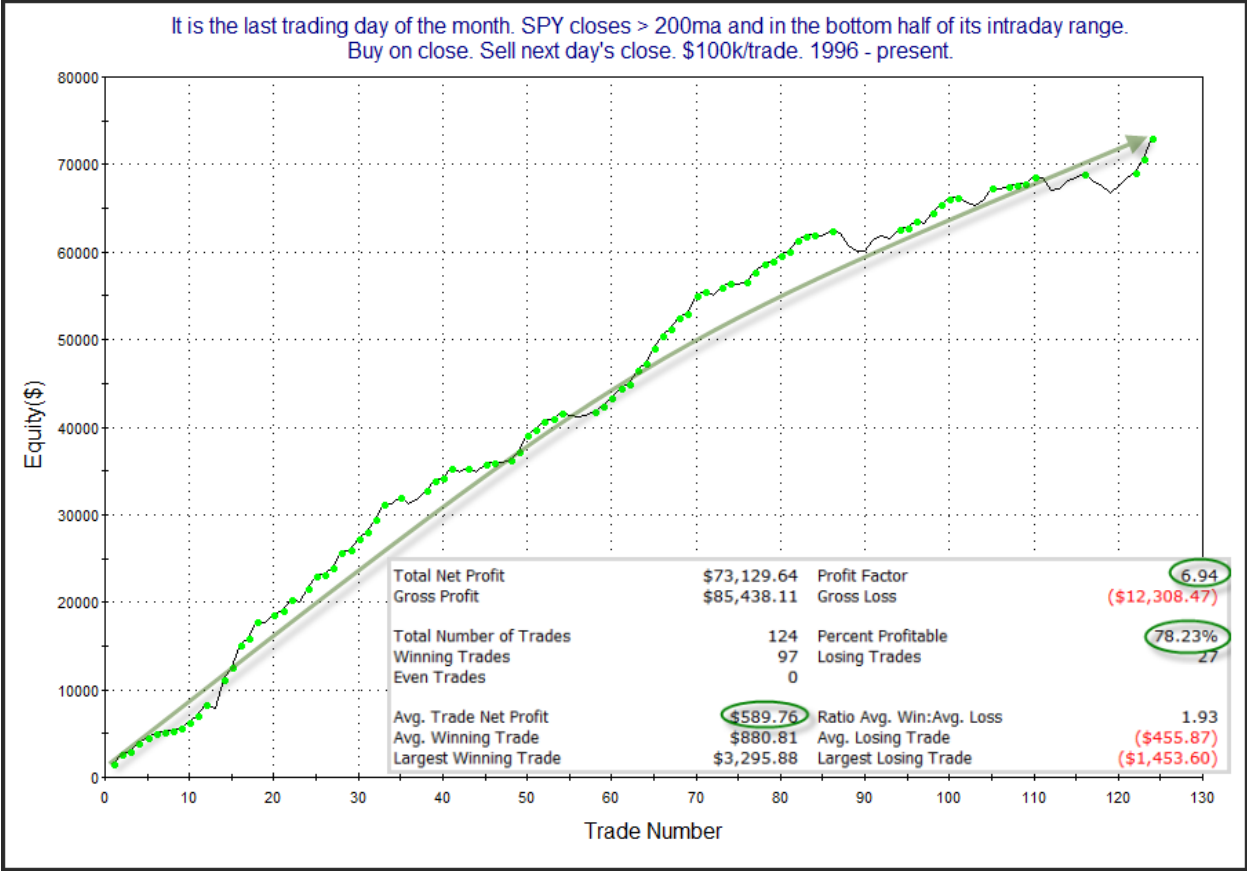
SPX makes a 5-day intraday high either today or yesterday. SPX closes lower today. NYSE Up Issues % > 60%. Buy SPX on close. Sell X days later. \$100k/trade. 1988 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	13,259.09	41	26	15	63.41	4,586.15	-6,119.33	1,597.10	-1,884.37	0.85	1.47	323.39
4	31,484.39	42	25	17	59.52	8,095.62	-3,969.70	2,102.90	-1,240.47	1.70	2.49	749.63
3	25,154.89	42	27	15	64.29	4,370.82	-3,028.47	1,522.55	-1,063.60	1.43	2.58	598.93
2	23,936.39	42	29	13	69.05	4,825.17	-2,625.30	1,272.51	-997.42	1.28	2.85	569.91
1	21,681.27	42	25	17	59.52	3,351.09	-1,606.00	1,124.63	-378.50	2.97	4.37	516.22

Stats here are solidly bullish. A big chunk of the gains have come on the 1st day. Below is a look at a 1-day profit curve.



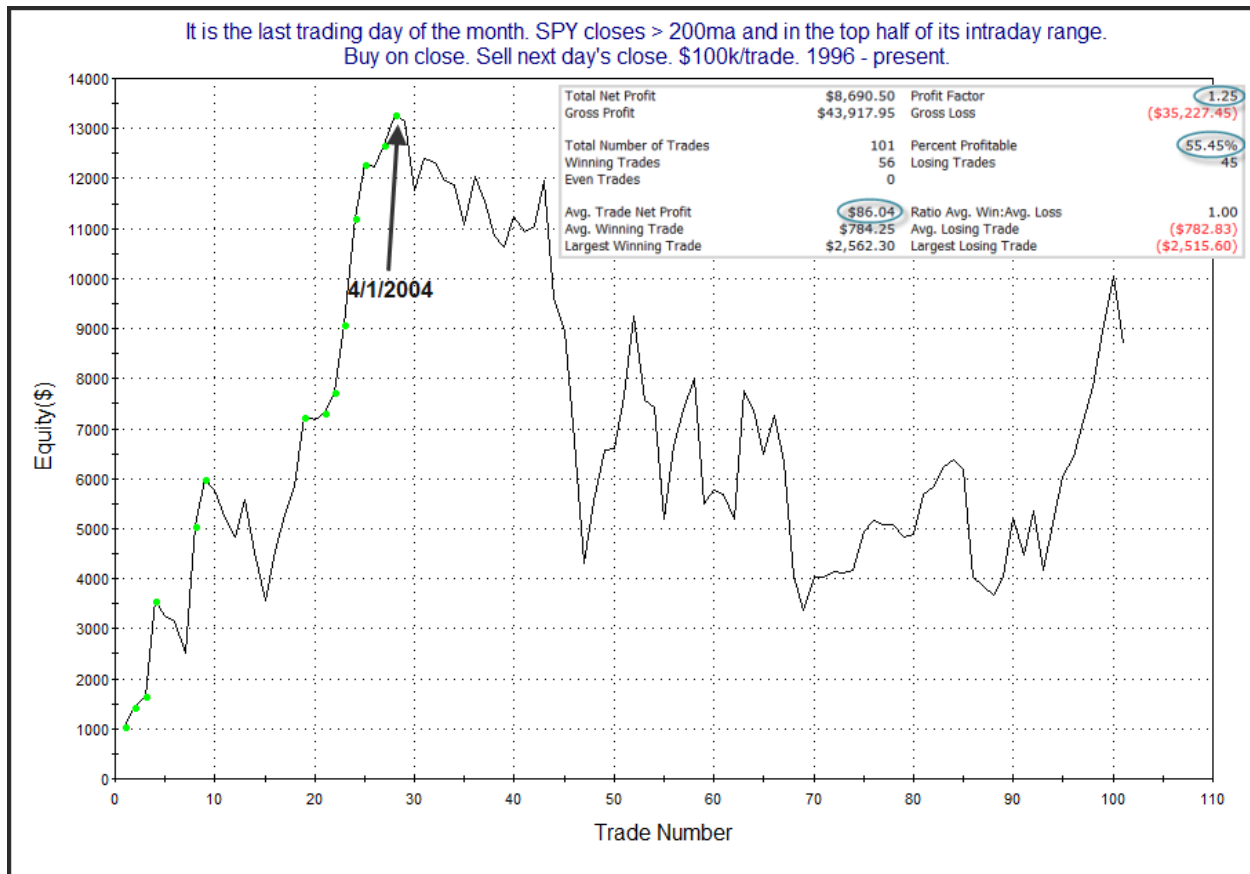
The curve is certainly choppy. But it has made its way from lower left to upper right, and 9 of the last 10 instances have closed higher. I have included this study on the active list tonight.

Monday is also the last trading day in November. As we look towards Tuesday, it is worth examining turn-of-the-month behavior. The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. This can be seen in the studies below, which also use a 200ma filter. First let's look at times when the market closed in the bottom half of its range on the last day of the month.



The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are nearly 7x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 124 instances. And the curve has shown progress over a long period of time and is again at a new high. This setup certainly appears to provide a 1-day bullish edge.

But what about times where SPY closed in the top half of its intraday range?

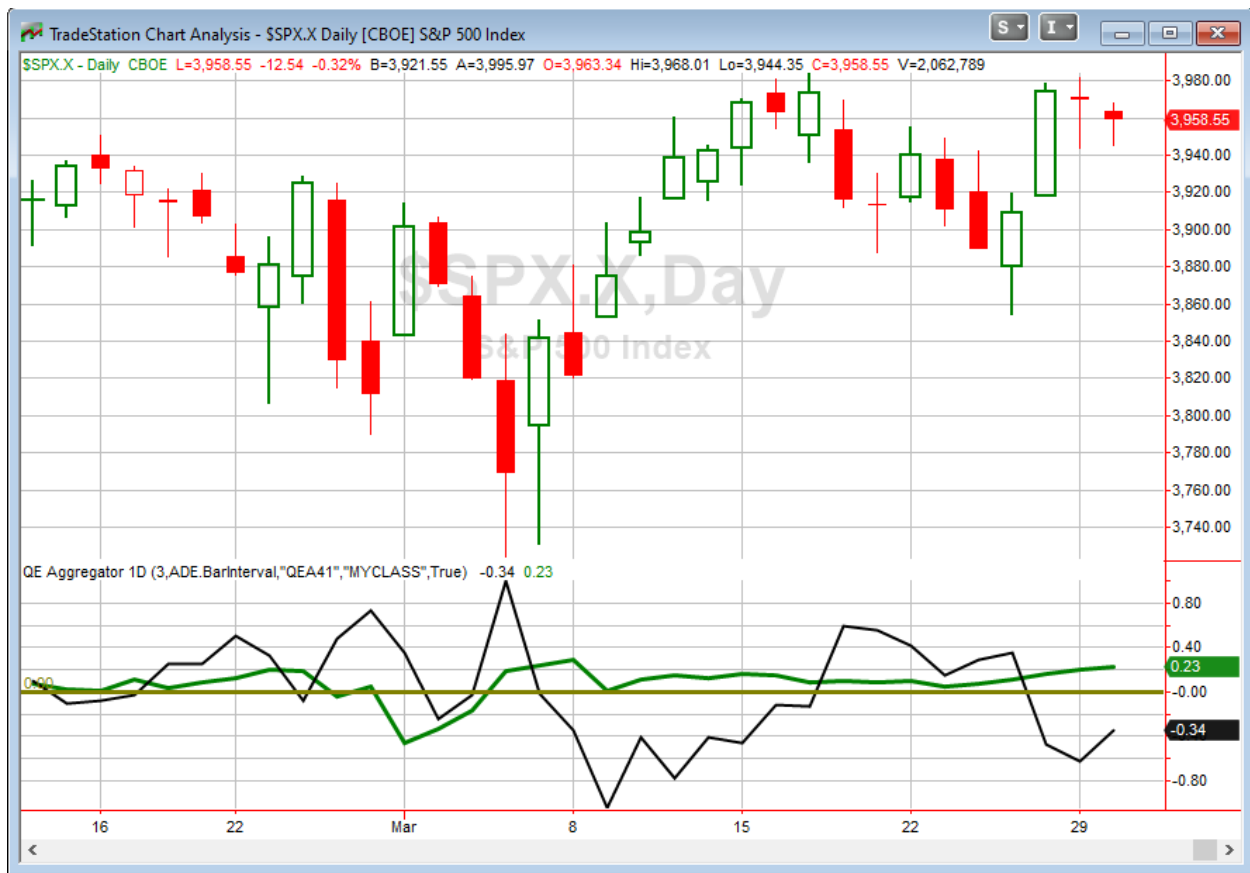


We see here the upside edge nearly completely wiped away. And since 2004 there have been (inconsistent) net losses, even with the recent hot streak. The 1st day of the month has performed much better with some afternoon selling leading up to the day. This will be worth watching on Wednesday.

Of course last night I shared a study showing there is a tendency for the market to sell off in the last hour or so of the quarter. So if that plays out, then the bullish setup above could kick in. And as we look towards Thursday, that is also going to show a bullish tilt, thanks to it being Holy Thursday. I'll be updating that study tomorrow night, but you can sneak peek it on the blog from a few years back:

<https://quantifiableedges.com/holy-bullish-thursday-2/>

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 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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3988.36 on Wednesday. That is 0.75% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to rise at least 0.75% in order to remain overbought vs recent expectations. Anything less than that and it will flip to oversold as of Wednesday's close.

So the Aggregator is still neutral. But evidence is starting to set up suggesting an upside edge could emerge on Thursday. If Wednesday finishes down and in the lower half of its daily range, I will look to take a small long position at the close in anticipation of the Aggregator turning bullish. Otherwise, I will remain flat.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/29 – somewhat bullish

The intermediate-term outlook was last updated in the 3/29 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 – But ¼ index position @ \$394.72 LIMIT ON CLOSE IF SPY ALSO CLOSES IN THE LOWER HALF OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will be a buyer at the close on Wednesday if SPY closes down and in the bottom half of its intraday range.

Current Open Trade Ideas

None.

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