

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 7, 2021

Volume 14 Issue 65

## 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.
- While SPY closed down, its series of higher highs and higher lows continued, suggesting a rally in the coming days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Evidence is pointing higher for the next few days, but SPX remains overbought. Reward/risk therefore does not appear great.

**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>						
April 7, 2021	3 higher hi,low,close. Dn close.	1-2 days	Bullish			
April 7, 2021	5-hi. Down close. 60% breadth	1 day	Bullish			
April 6, 2021	3 unfilled up gaps & a 50-day high	1-5 days	Bullish	1.10%	-0.70%	-1.30%
April 6, 2021	VIX up. SPX 50-high. Monday.	1-2 days	Bearish			
<b>Active - Long Term</b>						
March 25, 2021	RUT down 9% from 200hi in < 10 days	int term	Warning			
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**

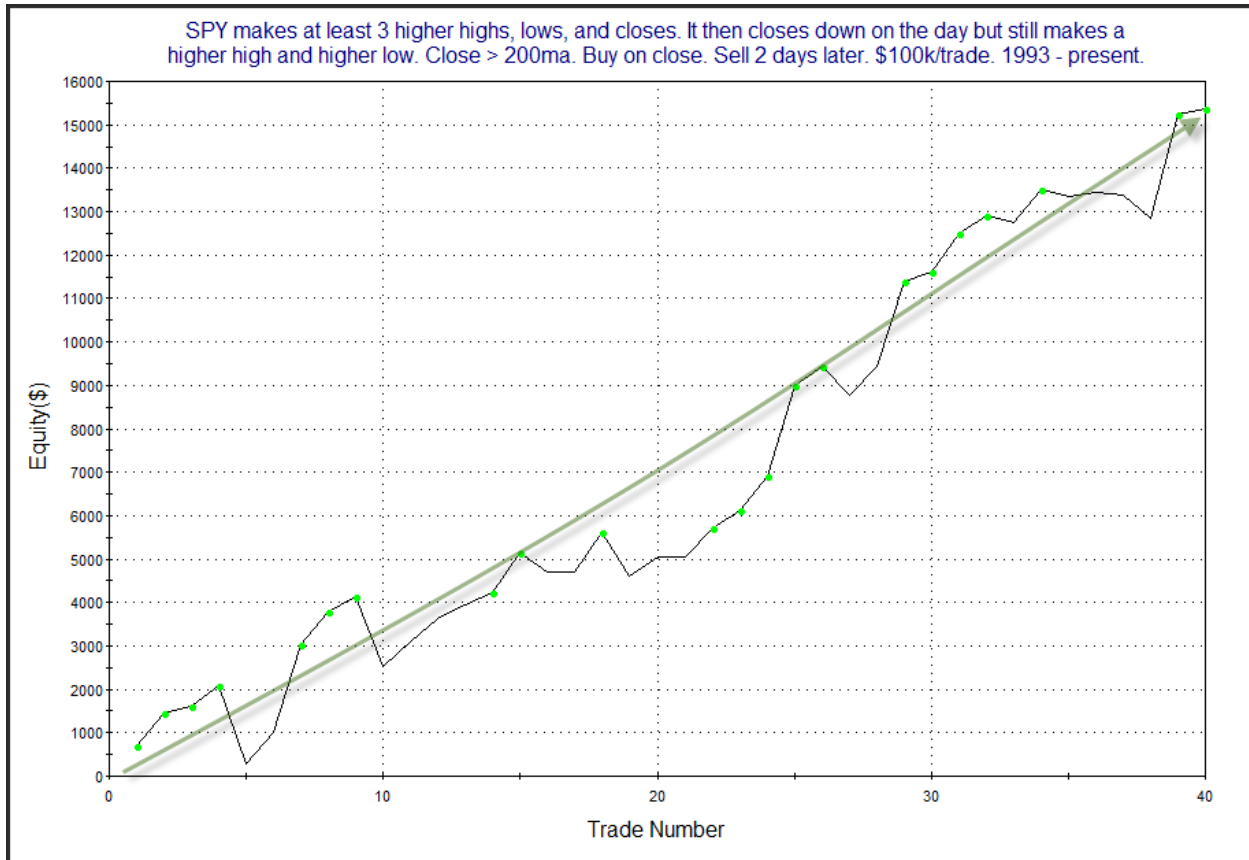
Tuesday was back and forth, but in the end the major indices all closed lower. SPX declined 0.1%, the NASDAQ dipped 0.05%, and the Russell 2000 lost 0.25%. Breadth was positive with the NYSE Up Issues % coming in at 60% and the Up Volume % at 63%. NYSE total volume declined some from Monday's level.

SPY finished lower, but SPY did manage to register a higher high and a higher low. The study below was last seen in the 11/20/19 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs, lows, and closes. It then closes down on the day but still makes a higher high and higher low. 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	17,974.80	40	25	15	62.50	3,602.64	-4,604.60	1,336.52	-1,029.21	1.30	2.16	449.37
4	24,143.90	40	28	12	70.00	2,962.96	-2,191.22	1,221.30	-837.71	1.46	3.40	603.60
3	16,892.16	40	27	13	67.50	2,762.41	-2,640.33	941.83	-656.70	1.43	2.98	422.30
2	15,353.15	40	30	9	75.00	2,399.54	-1,804.67	727.83	-720.18	1.01	3.37	383.83
1	9,409.31	40	25	15	62.50	1,395.93	-1,137.92	543.00	-277.71	1.96	3.26	235.23

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 2-day holding period.



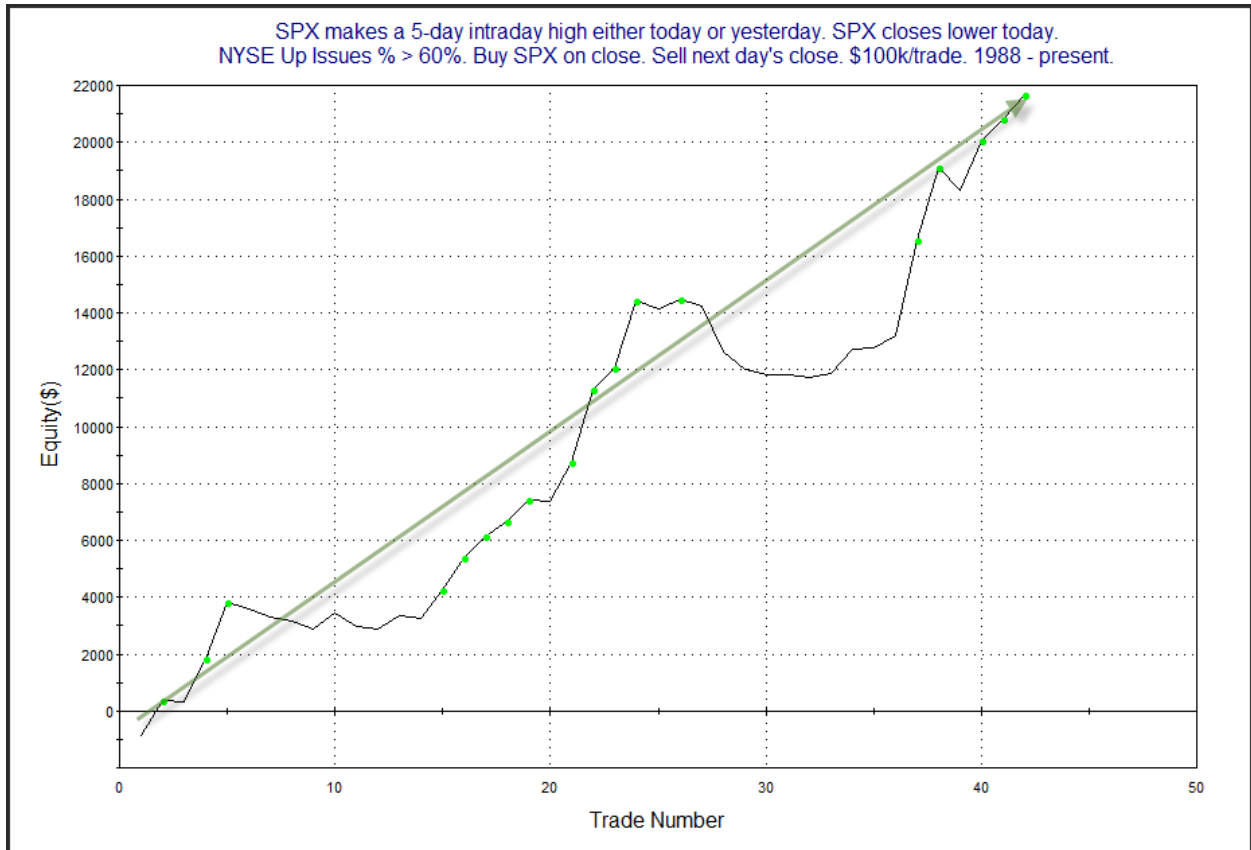
The persistent move higher is impressive. This study certainly seems worth consideration, and I have added it to the Active List tonight.

The action also triggered an interesting study that we saw just recently in the 3/31/21 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.

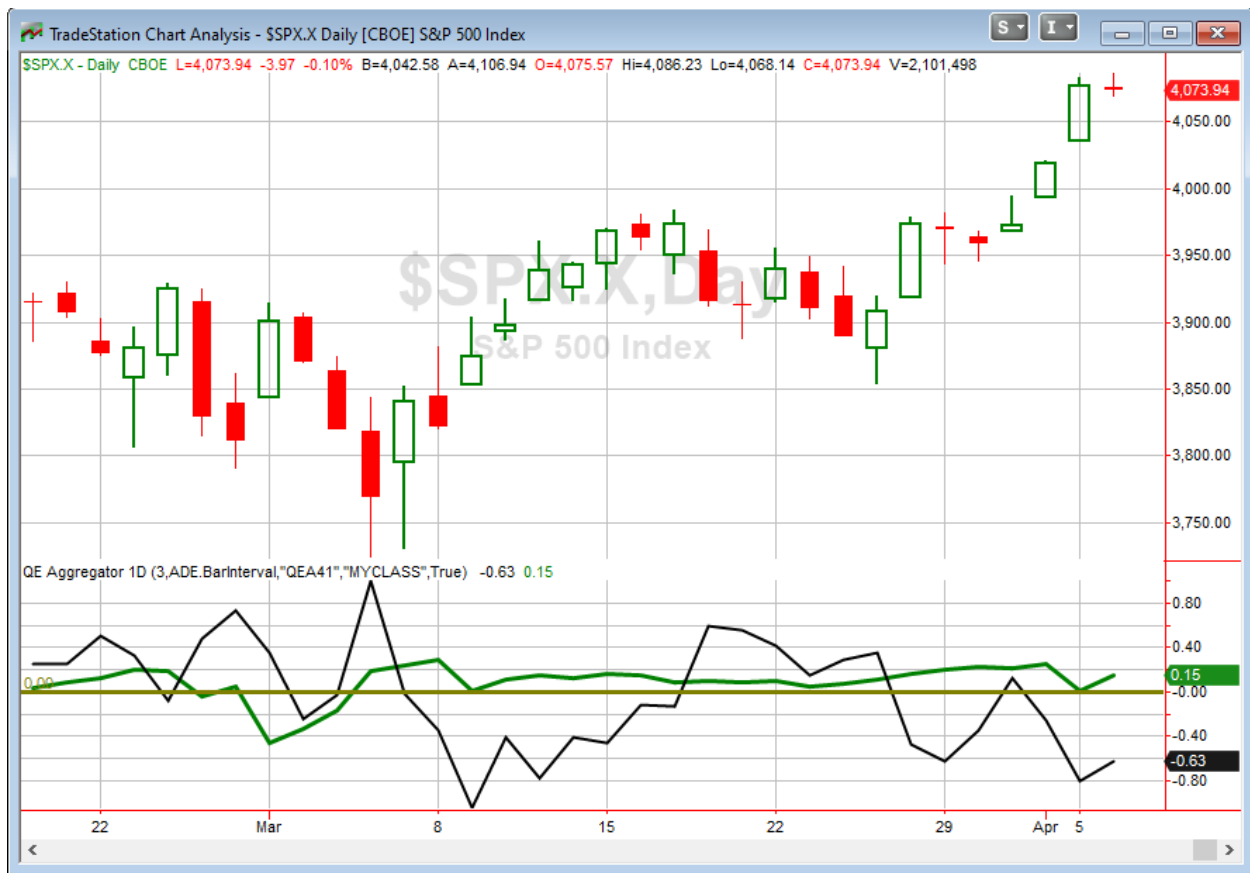
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	13,259.09	41	26	15	63.41	4,586.15	-6,119.33	1,597.10	-1,884.37	0.85	1.47	323.39
4	34,369.14	43	26	17	60.47	8,095.62	-3,969.70	2,132.97	-1,240.47	1.72	2.63	799.28
3	28,138.89	43	28	15	65.12	4,370.82	-3,028.47	1,574.75	-1,063.60	1.48	2.76	654.39
2	25,469.39	43	30	13	69.77	4,825.17	-2,625.30	1,281.20	-997.42	1.28	2.96	592.31
1	22,039.77	43	26	17	60.47	3,351.09	-1,606.00	1,095.17	-378.50	2.89	4.43	512.55

Stats here are solidly bullish. A big chunk of the gains have come on the 1<sup>st</sup> 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 10 of the last 11 instances have closed higher. I have included this study on the active list tonight.

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 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 above 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 4047.28 on Wednesday. That is 0.65% below Tuesday's close. Therefore, SPX would need to close down at least 0.65% in order to flip from overbought to oversold versus expectations.

So the Aggregator is again neutral. The bullish evidence is compelling, but the market is still too overbought to offer enticing reward/risk. I would like to see more of a pullback before getting excited about a long entry. I will continue to wait for the next favorable setup to arrive before putting new capital at risk.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 4/5 – somewhat bullish*

## **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**

None.

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