

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 13, 2021

Volume 14 Issue 69

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- When an overbought SPX has pulled back as little as it did Monday, it may not want to pullback at all, and has often continued higher over the next 1 to 2 days.

Short-term Outlook

The Bottom Line

The market is overbought, and evidence suggests it could go higher. This is leaving me with a neutral bias.

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						
April 13, 2021	SPX down. RSI(2) > 90	1-2 days	Bullish			
April 12, 2021	April Opex bullish	1-3 days	Bullish			
Active - Long Term						
March 25, 2021	RUT down 9% from 200hi in < 10 days	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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
April 12, 2021	SPX 20-high VIX 20-low Volume 10-low	1 day	Bearish			
April 6, 2021	3 unfilled up gaps & a 50-day high	1-5 days	Bullish	1.10%	-0.70%	-1.30%

The Evidence

The indices were mostly lower on Monday, but the damage was light. SPX declined 0.02%, the NASDAQ lost 0.4%, and the Russell 2000 also fell 0.4%. Breadth was negative with the NYSE Up Issues % coming in at 49.9% and the Up Volume % at 42%. NYSE total volume rose some from Friday's level.

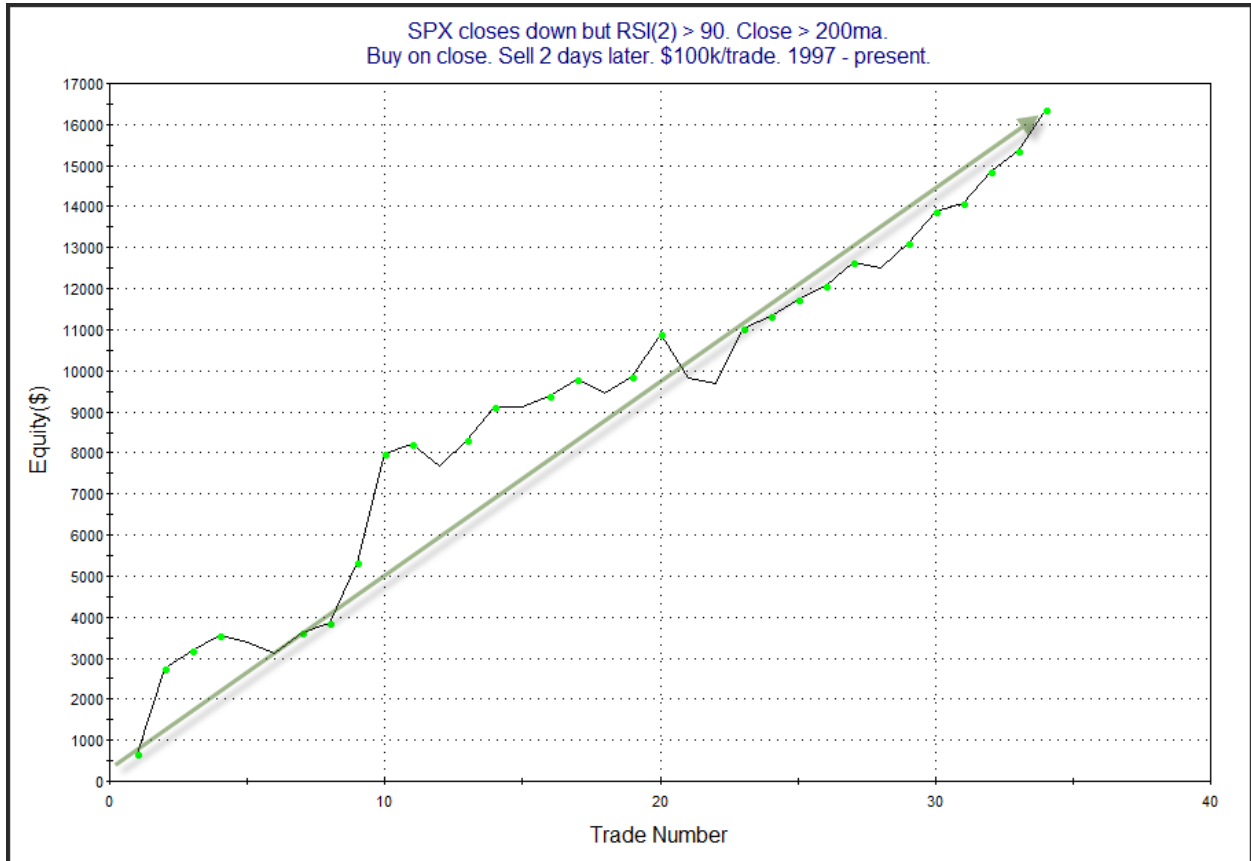
While SPX closed down, SPY did manage to close above its opening price. And Monday was the 12th day in a row that SPY rose from open to close. That's quite the run. In fact, it has only happened 4 other times; 8/30/93, 2/15/95, 9/14/95, and 1/25/2013. Short-term results were mixed following those instances, but its still impressive to me how much buying there has been during the day recently. I'll also note that Monday was the 11th day in a row in which SPY made a higher low on its daily chart. That has happened 10 times since the inception of SPY in 1993. But never before has SPY closed above its open for 12 days in a row and made a higher high for at least 11...until Monday.

The move higher also has many oscillators strongly overbought short-term. With such a small SPX decline on Monday, it is still strongly overbought as measured by the 2-day RSI. The 2-day RSI is a sensitive indicator so it would take a very small decline from a very overbought position in order for it to remain above 90 on a down day. This is what happened on Monday. It triggered the study below which was last seen in the 12/26/19 letter. Results are updated.

SPX closes down but RSI(2) > 90. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1997 - present.

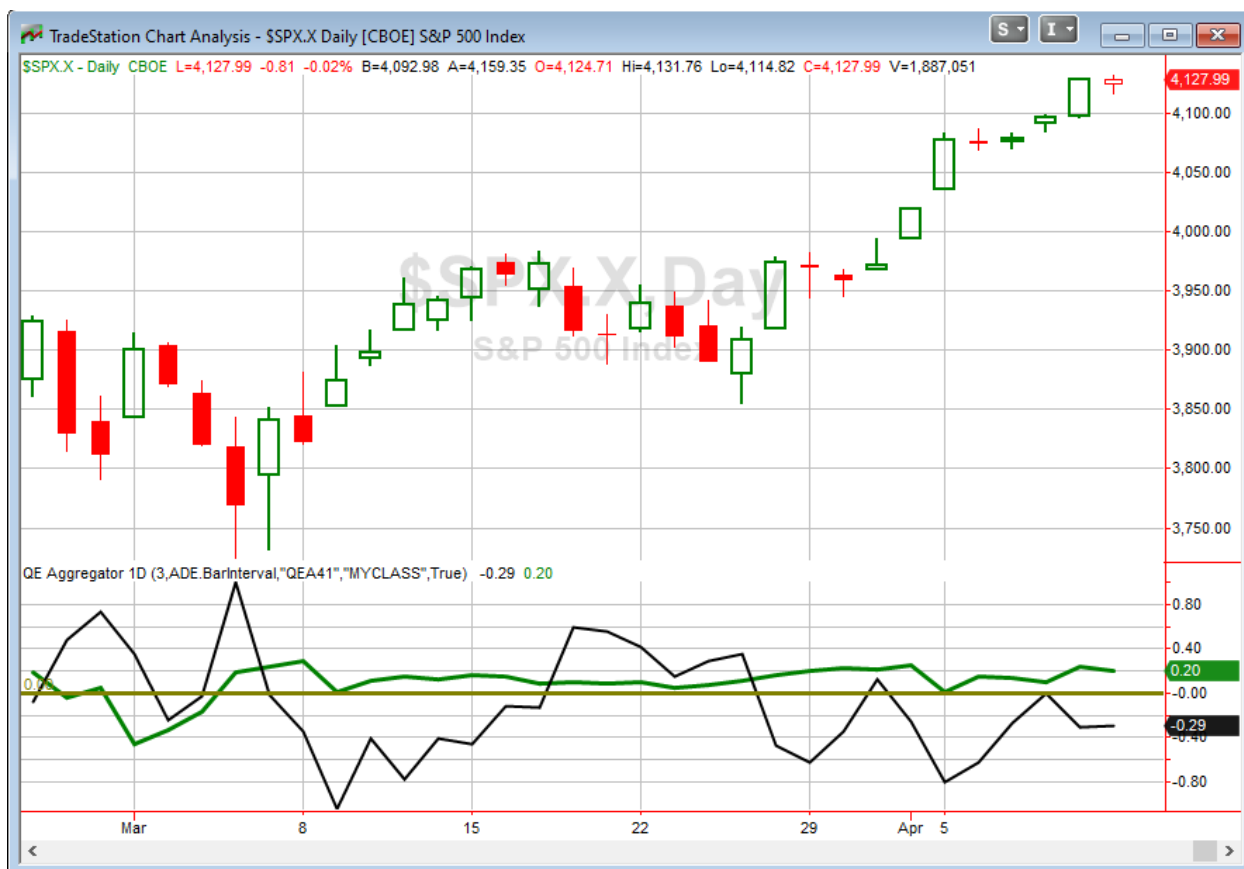
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	9,639.91	31	16	15	51.61	4,121.28	-2,008.73	1,271.20	-713.28	1.78	1.90	310.96
4	7,717.45	32	19	13	59.38	3,806.46	-1,717.70	918.55	-748.85	1.23	1.79	241.17
3	15,079.47	34	21	13	61.76	2,923.44	-1,123.50	973.84	-413.17	2.36	3.81	443.51
2	16,367.03	34	26	8	76.47	2,619.76	-1,054.68	731.01	-329.91	2.22	7.20	481.38
1	7,793.16	34	23	11	67.65	2,310.88	-704.76	486.63	-309.04	1.57	3.29	229.21

The stats here are all appealing over the 1-2 day period. Winning %, win/loss ratio, and profit factor all strongly favor the bulls. Below is a profit curve assuming a 2-day holding period.



The profit curve shows a strong upslope. I have added this study to the Active List.

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 on opposite sides of zero. Therefore, the Aggregator signal stayed flat at the close.

Expectations are currently set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4112.77 on Tuesday. That is 0.4% below Monday's close. Therefore, SPX would need to close down at about 0.4% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again neutral. And Monday's action did not really change anything. Evidence continues to point higher despite being overbought. That's not a great reward/risk scenario for new long entries. So I'll continue to wait until a more compelling setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/12 – somewhat bullish

The intermediate-term outlook was last updated in the 4/12 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.

None.

Current Open Trade Ideas

None.

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