

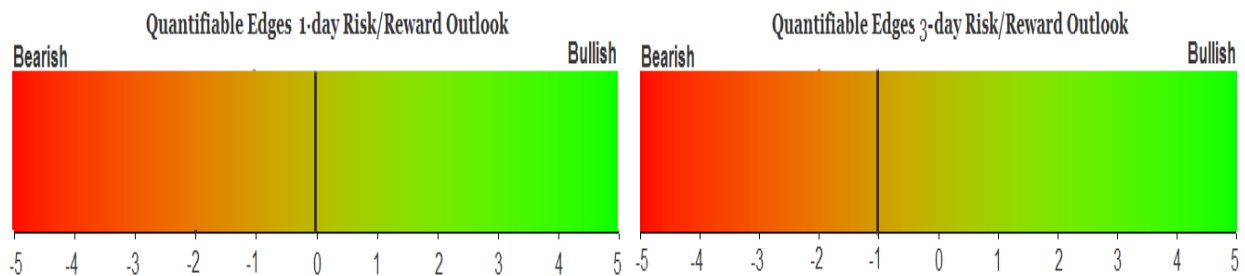
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 14, 2021

Volume 14 Issue 70

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- A SOX decline combined with a strong NDX has often been followed by a market pullback.

Short-term Outlook

The Bottom Line

The Aggregator has turned bearish, but the setup is not terribly enticing. There appears to be a mild downside edge to me.

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 14, 2021	NDX up > 1%. SOX down.	1-6 days	Bearish	-2.90%	1.75%	3.80%
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			

The Evidence

The indices were mixed on Tuesday. SPX rose 0.3%, the NASDAQ gained 1.05%, and the Russell 2000 fell 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 48% and the Up Volume % at 46%. NYSE total volume declined some from Monday's level.

An interesting aspect of Tuesday's action was the discrepancy between the NDX and the SOX. While the NDX rose 1.2% on Tuesday, the SOX declined 0.2%. This is somewhat unusual action. It brought about a study last seen in the 1/11/21 Letter, which I have updated below.

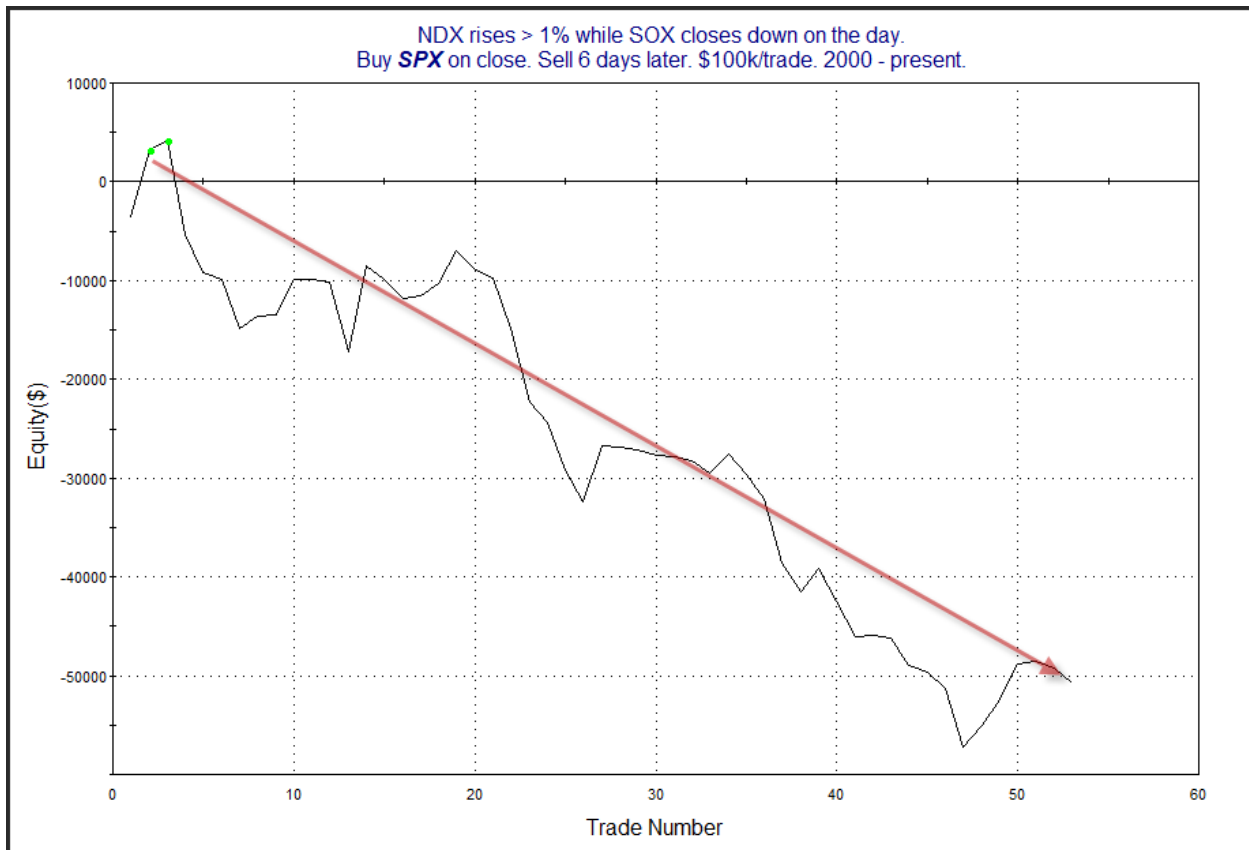
NDX rises > 1% while SOX closes down on the day. Buy NDX on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-89,086.52	50	21	29	42.00	18,826.33	-13,954.56	4,146.90	-6,074.87	0.68	0.49	-1,781.73
9	-77,480.93	50	18	32	36.00	22,154.89	-15,780.45	4,873.83	-5,162.81	0.94	0.53	-1,549.62
8	-75,785.95	51	17	34	33.33	30,307.45	-13,288.50	5,304.37	-4,881.18	1.09	0.54	-1,486.00
7	-97,373.56	53	14	39	26.42	31,628.02	-17,436.00	6,119.43	-4,693.48	1.30	0.47	-1,837.24
6	-125,077.38	53	13	40	24.53	23,421.19	-21,090.48	6,049.40	-5,092.99	1.19	0.39	-2,359.95
5	-86,444.81	54	18	36	33.33	12,749.43	-12,790.08	4,022.44	-4,412.46	0.91	0.46	-1,600.83
4	-50,121.42	55	24	31	43.64	11,322.33	-12,796.24	3,046.85	-3,975.67	0.77	0.59	-911.30
3	-29,394.96	56	24	32	42.86	15,615.69	-15,779.50	3,574.91	-3,599.78	0.99	0.74	-524.91
2	-3,236.82	58	28	30	48.28	16,624.43	-9,160.50	2,883.49	-2,799.15	1.03	0.96	-55.81
1	-1,154.88	60	29	31	48.33	9,397.52	-6,256.64	2,201.04	-2,096.29	1.05	0.98	-19.25

Six days later 75% of the instances were losers and the average occurrence was a 2.4% loss. That seems to be a fairly substantial edge. I also updated how the SPX performed while this was all going on.

NDX rises > 1% while SOX closes down on the day.
Buy **SPX** on close. Sell X days later. \$100k/trade. 2000 - present.

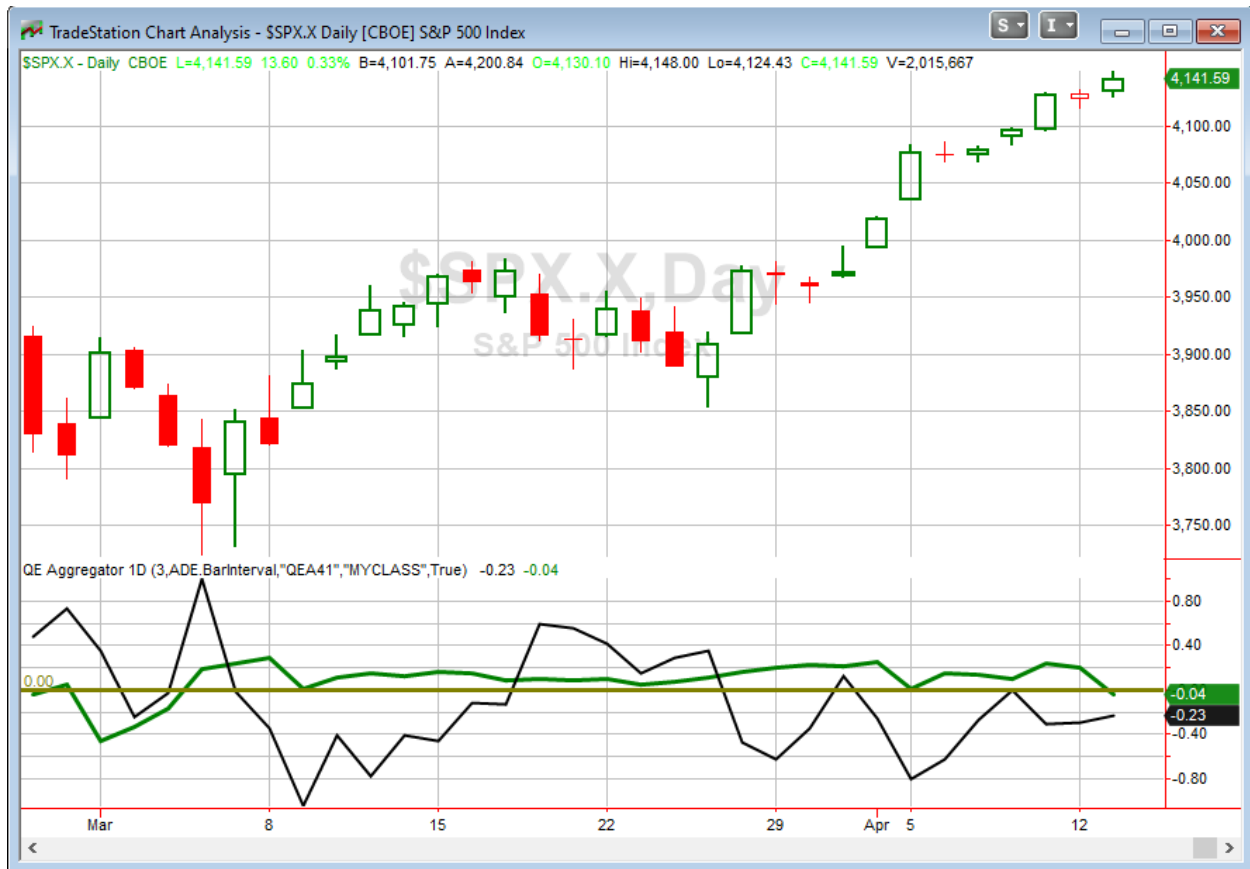
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-20,670.66	50	21	29	42.00	9,774.70	-8,478.02	2,766.62	-2,716.20	1.02	0.74	-413.41
9	-22,278.36	50	22	28	44.00	9,278.30	-8,963.07	2,794.96	-2,991.69	0.93	0.73	-445.57
8	-31,867.50	51	24	27	47.06	9,165.45	-7,574.41	2,301.61	-3,226.15	0.71	0.63	-624.85
7	-47,500.46	53	24	29	45.28	10,101.57	-11,391.59	2,037.24	-3,323.94	0.61	0.51	-896.24
6	-50,784.87	53	17	36	32.08	8,753.07	-9,589.14	2,659.36	-2,666.50	1.00	0.47	-958.21
5	-45,191.79	54	22	32	40.74	6,877.04	-7,519.22	1,777.29	-2,634.13	0.67	0.46	-836.88
4	-24,416.48	55	26	29	47.27	5,068.10	-11,917.40	1,673.87	-2,342.65	0.71	0.64	-443.94
3	-11,228.35	56	26	30	46.43	6,877.26	-9,480.90	1,662.70	-1,815.28	0.92	0.79	-200.51
2	-2,781.76	58	25	33	43.10	5,842.98	-6,411.90	1,568.46	-1,272.52	1.23	0.93	-47.96
1	5,468.34	60	31	29	51.67	5,396.04	-2,692.80	1,116.80	-1,005.26	1.11	1.19	91.14

The pullbacks haven't been quite as reliable or as strong as the NDX but there still appears to be a decent downside edge. Below is an equity curve that assumes a 6-day holding period.



That is a fairly steady downslope. There was a bump up recently, but we have used this study for years and I believe it still merits some consideration. So I have added it to the active list tonight.

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



With tonight's evidence considered, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

Expectations are currently set to remain negative on Wednesday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4148.26 on Wednesday. That is 0.2% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX will need to close up at least 0.2%

in order to remain overbought. Anything other than that, and it will flip to oversold vs recent expectations as of Wednesday's close.

I do not generally view setups with inverted pivots as prime entry opportunities. This is because the potential reward is small, since the signal will expire in just one day with any move in the anticipated direction. In this case, that direction (down) is also a counter-trend trade. Additionally, while tonight's study is compelling, it is not like we have a lot of other bearish evidence supporting it. So I'll take a hard pass on any thought of an index short at this point. Instead, I'll continue to wait for a setup with more compelling reward/risk before taking on my next index trade.

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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