

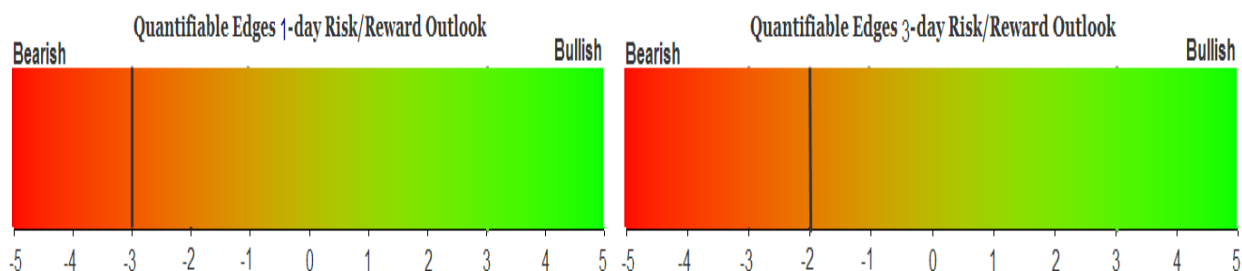
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 16, 2021

Volume 14 Issue 72

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- Opex Friday has often seen bearish intraday returns, especially for the NASDAQ 100.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish. Friday looks to have a decent downside edge, but beyond that, evidence remains light for attempting a counter-trend short trade.

*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 14, 2021	NDX up > 1%. SOX down.	1-6 days	Bearish	-2.90%	1.75%	3.80%
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
April 13, 2021	SPX down. RSI(2) > 90	1-2 days	Bullish			
April 12, 2021	April Opex bullish	1-3 days	Bullish			

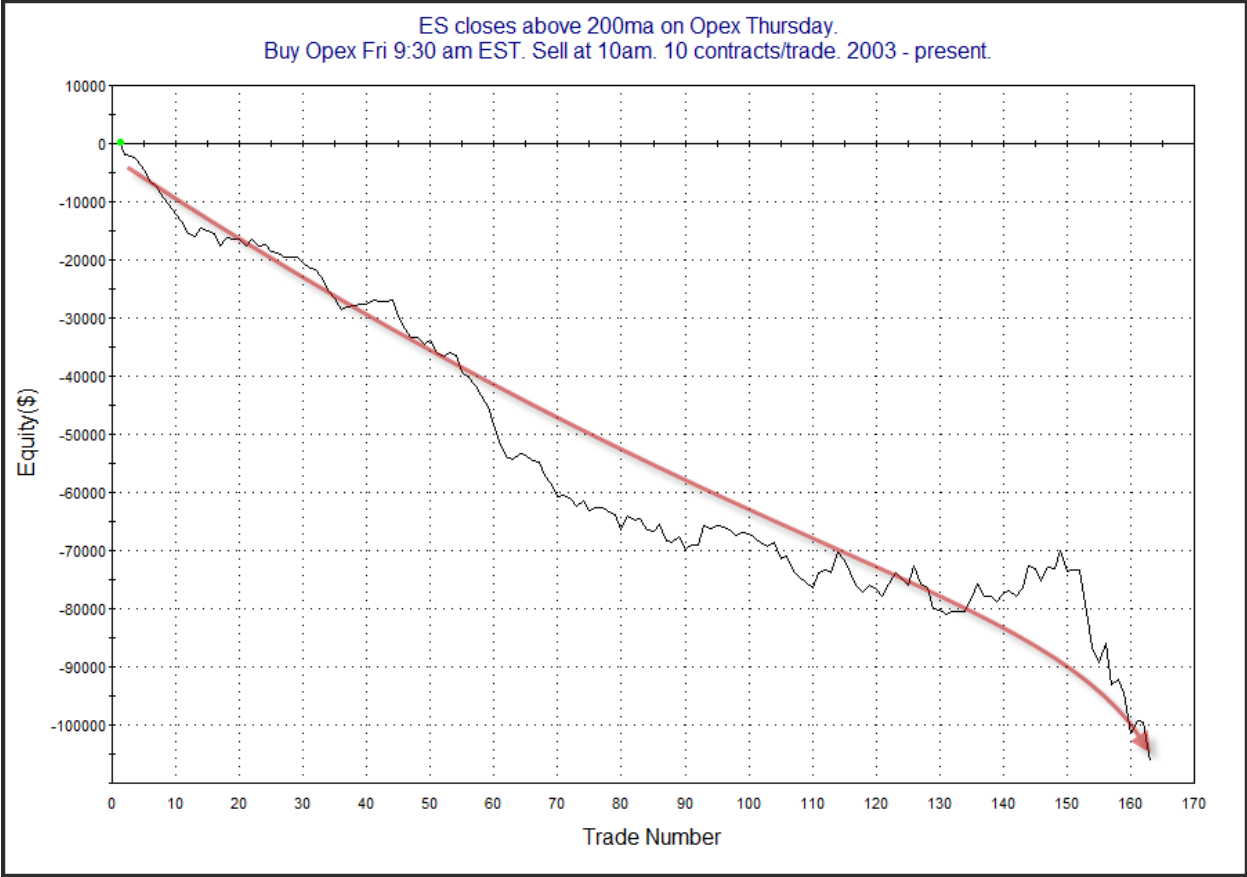
**The Evidence**

Thursday was a rally day for the markets. SPX gained 1.1%, the NASDAQ climbed 1.6%, and the Russell 2000 rose 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 63%. NYSE total volume rose some from Wednesday's level.

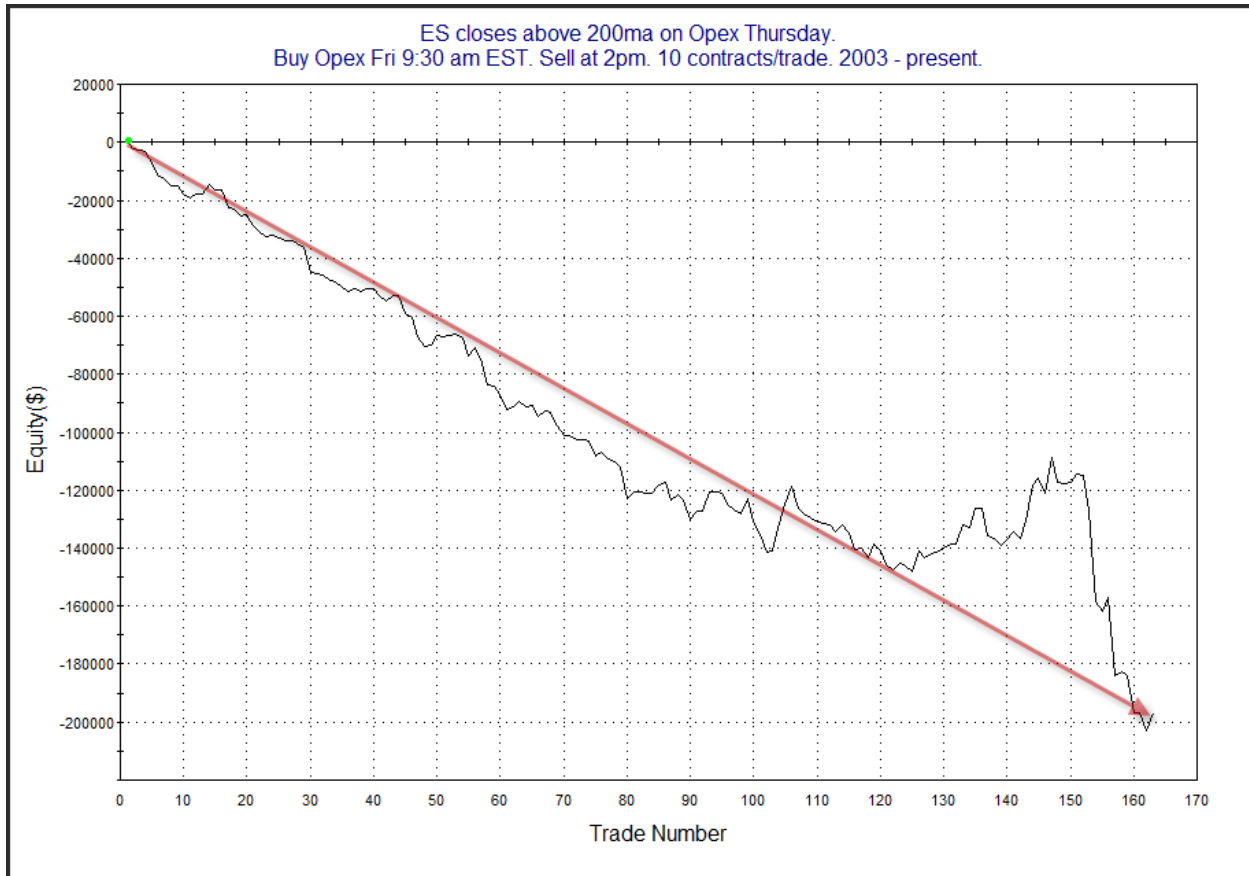
It is notable that Friday is options expiration. Options expiration has long been a day that has seen weakness after the opening bell (and strength before it). Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. The tables and charts are updated from the 1/15/21 letter.

ES closes above 200ma on Opex Thursday. Buy Opex Fri 9:30 am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-214,000.00	163	68	92	41.72	13,875.00	-28,500.00	2,875.00	-4,451.09	0.65	0.48	-1,312.88
1,500	-158,375.00	163	64	94	39.26	11,625.00	-24,250.00	3,171.88	-3,844.41	0.83	0.56	-971.63
1,400	-196,625.00	163	55	101	33.74	12,500.00	-31,625.00	2,877.27	-3,513.61	0.82	0.45	-1,206.29
1,300	-160,250.00	163	57	105	34.97	11,375.00	-22,125.00	2,813.60	-3,053.57	0.92	0.50	-983.13
1,200	-138,875.00	163	58	105	35.58	12,000.00	-12,750.00	2,545.26	-2,728.57	0.93	0.52	-851.99
1,100	-119,500.00	163	61	100	37.42	14,625.00	-12,625.00	2,090.16	-2,470.00	0.85	0.52	-733.13
1,000	-106,250.00	163	49	110	30.06	3,875.00	-7,000.00	1,255.10	-1,525.00	0.82	0.37	-651.84

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 2pm. Below is a look at a profit curve for the 1<sup>st</sup> half-hour.



The strong move from upper left to lower right supports the bearish case. Next is the 2pm exit.



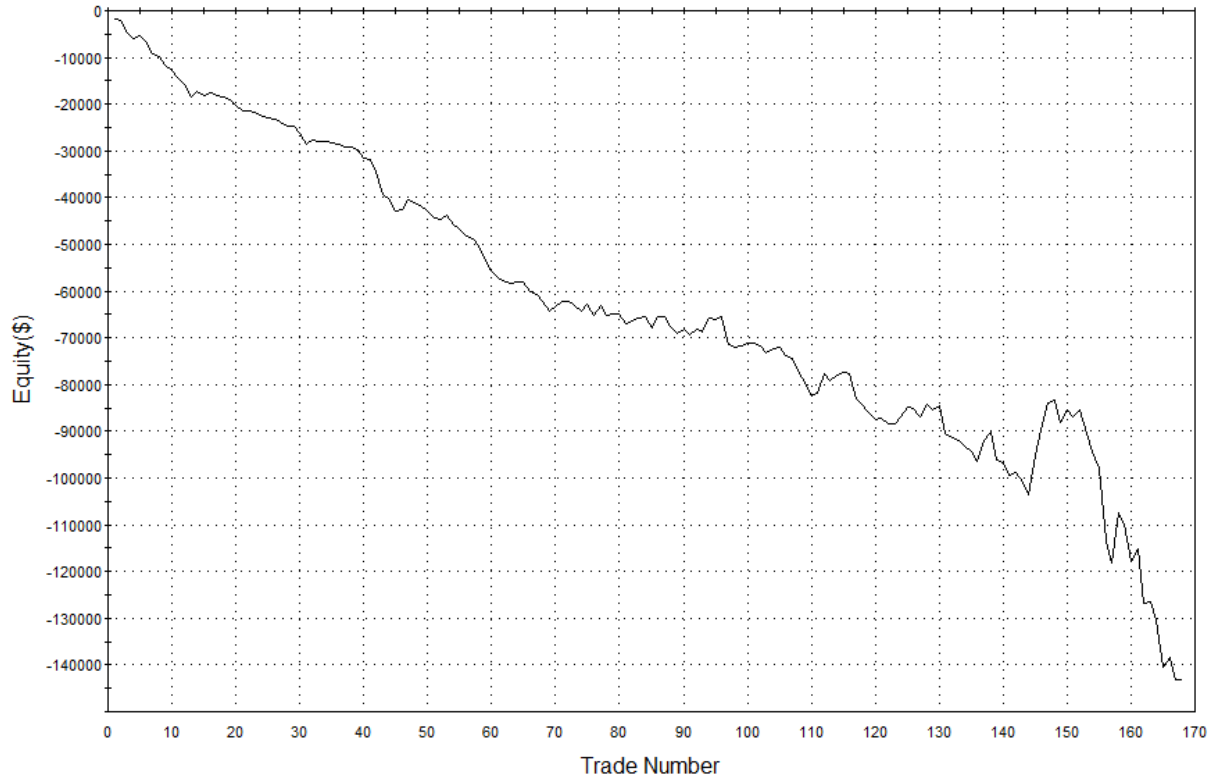
This is also impressive.

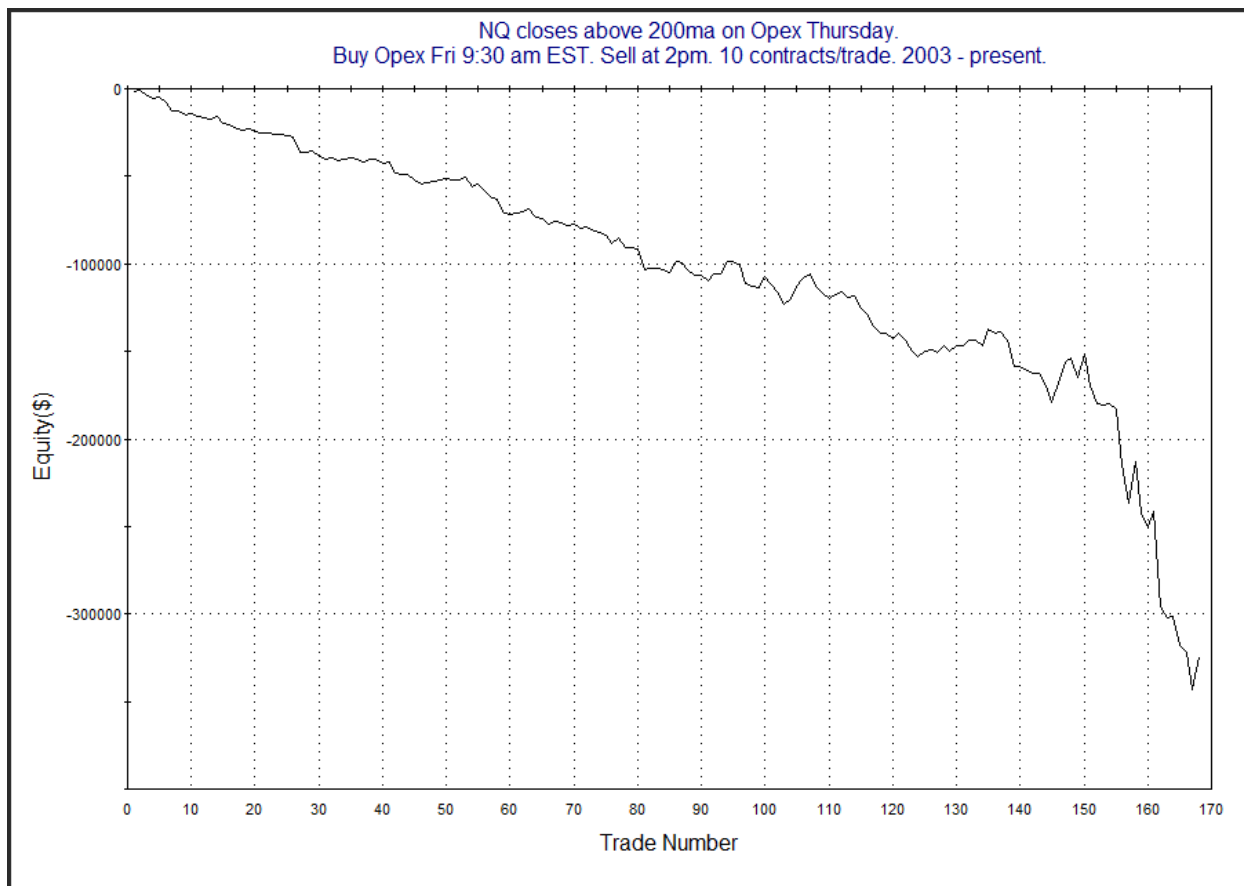
NQ (the NASDAQ 100 future) has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

NQ closes above 200ma on Opex Thursday.  
Buy Opex Fri 9:30 am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-345,500.00	168	66	102	39.29	36,850.00	-39,500.00	3,493.18	-5,647.55	0.62	0.40	-2,056.55
1,500	-290,950.00	168	63	104	37.50	22,850.00	-44,750.00	3,611.90	-4,985.58	0.72	0.44	-1,731.85
1,400	-324,350.00	168	56	112	33.33	23,550.00	-54,100.00	3,345.54	-4,568.75	0.73	0.37	-1,930.65
1,300	-263,300.00	168	61	105	36.31	20,750.00	-53,400.00	3,243.44	-4,391.90	0.74	0.43	-1,567.26
1,200	-239,150.00	168	63	104	37.50	13,750.00	-32,550.00	2,653.97	-3,907.21	0.68	0.41	-1,423.51
1,100	-176,700.00	168	59	109	35.12	17,650.00	-31,300.00	2,936.44	-3,210.55	0.91	0.50	-1,051.79
1,000	-143,150.00	168	51	113	30.36	10,700.00	-15,500.00	1,680.39	-2,025.22	0.83	0.37	-852.08

NQ closes above 200ma on Opex Thursday.  
Buy Opex Fri 9:30 am EST. Sell at 10am. 10 contracts/trade. 2003 - present.



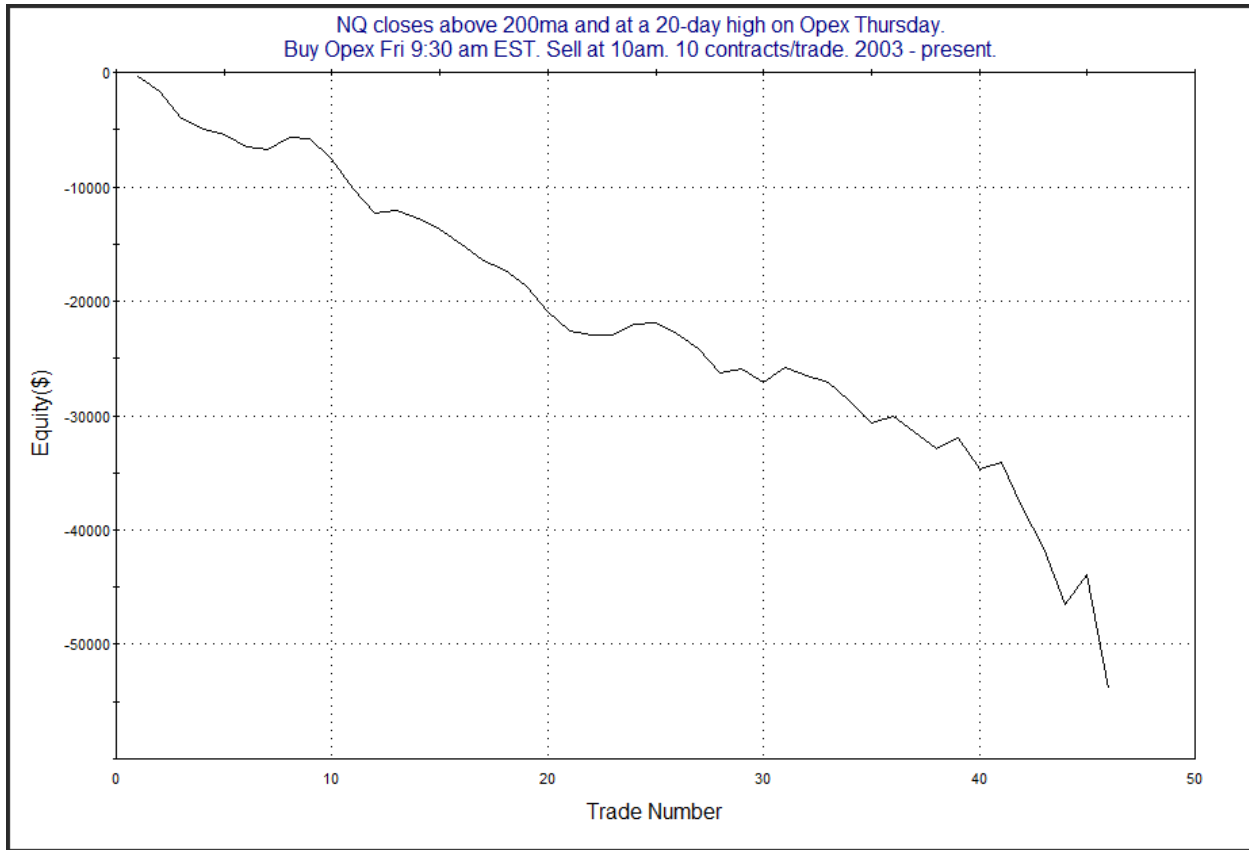


The bearish edge appears alive and well here.

Of course momentum is strong right now, and not only is the market above its long-term averages, but it is at a new high. So I decided to filter a little further and also require a 20-day closing high to see how that impacted results.

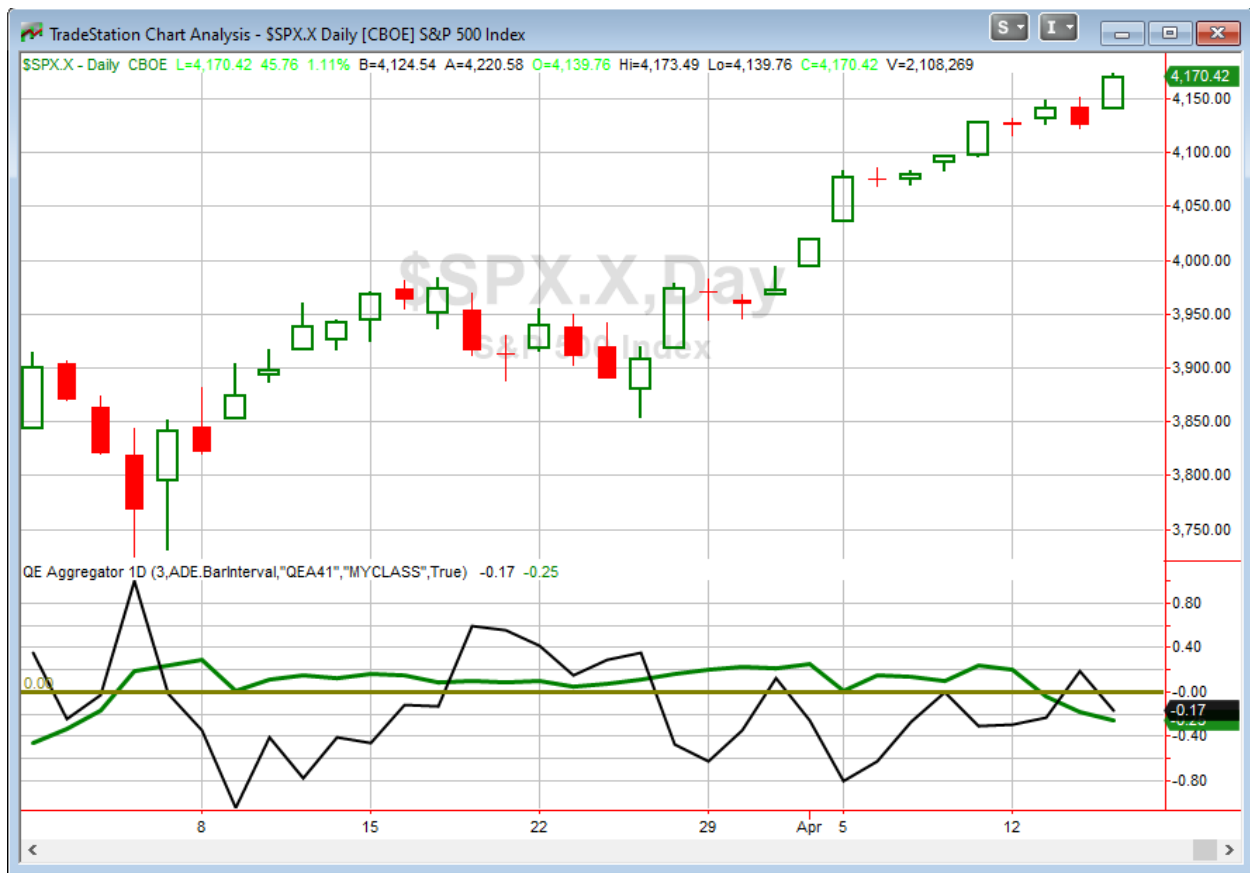
NQ closes above 200ma and at a 20-day high on Opex Thursday.  
Buy Opex Fri 9:30 am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-34,500.00	46	18	28	39.13	14,450.00	-14,650.00	3,097.22	-3,223.21	0.96	0.62	-750.00
1,500	-67,750.00	46	19	26	41.30	14,600.00	-24,550.00	2,534.21	-4,457.69	0.57	0.42	-1,472.83
1,400	-78,750.00	46	18	28	39.13	8,500.00	-22,200.00	1,852.78	-4,003.57	0.46	0.30	-1,711.96
1,300	-73,800.00	46	17	29	36.96	11,350.00	-18,400.00	1,870.59	-3,641.38	0.51	0.30	-1,604.35
1,200	-91,400.00	46	16	30	34.78	2,350.00	-20,500.00	1,025.00	-3,593.33	0.29	0.15	-1,986.96
1,100	-64,900.00	46	11	35	23.91	12,800.00	-16,250.00	2,463.64	-2,628.57	0.94	0.29	-1,410.87
1,000	-53,850.00	46	10	35	21.74	2,600.00	-10,000.00	855.00	-1,782.86	0.48	0.14	-1,170.65



If anything, Opex mornings under these scenarios have been even more bearish. So traders may want to remain aware of this bearish tendency during the day on Friday.

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



With tonight's evidence considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line dropped 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 Friday. This could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4157.46 on Friday. That is 0.3% below Thursday's close. Therefore, SPX will need to close down at least 0.3% in order to flip from overbought to oversold vs expectations on Friday.

So the Aggregator is bearish. And we are seeing evidence that opex Friday has a downward tendency until early afternoon as well. Nimble traders could look to take advantage of this. In a newsletter format, it is not something I intend to post as a trade idea. From a swing-trade perspective, evidence is still fairly light for me to attempt a counter-trend 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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