

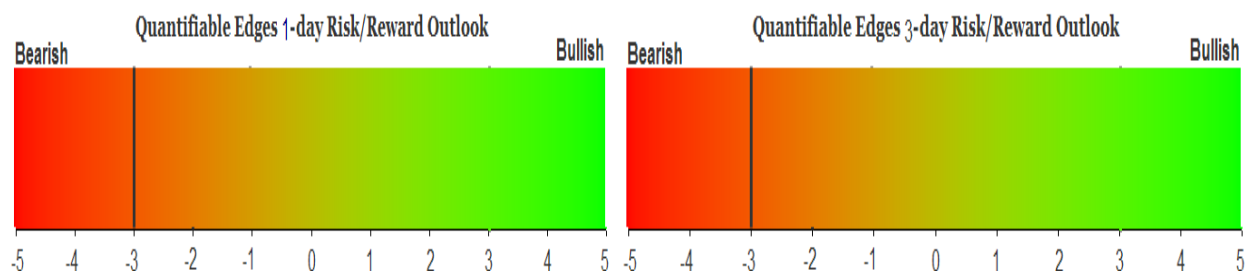
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 19, 2021

Volume 14 Issue 73

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- There was a large number of NASDAQ stocks making new lows on Friday despite NDX closing at a new high. That has often led to weakness over the next few days.
- SPX has had a nice streak of weekly gains and weekly new highs. And that has often led to weakness or consolidation in the following weeks.
- The SOMA increased greatly this past week, and the Fed remains supportive of the market.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. It appears there is a decent chance of a short-term pullback in the coming days.

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 19, 2021	NDX new high. NASDAQ new lows 10-hi	1-2 days	Bearish			
April 14, 2021	NDX up > 1%. SOX down.	1-6 days	Bearish	-2.90%	1.75%	3.80%
Active - Long Term						
April 19, 2021	SPX 4 weekly 1% gains and new highs	1-2 weeks	Bearish			
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

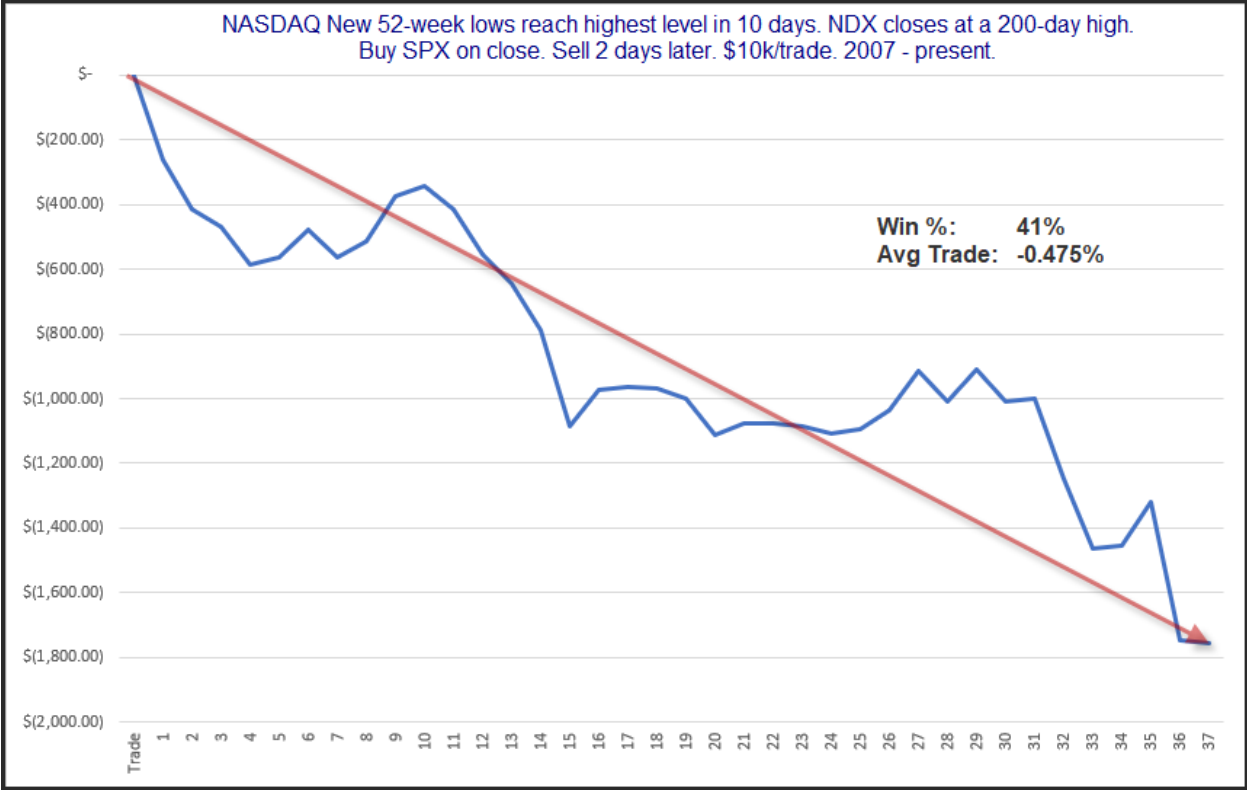
The market pushed higher again on Friday. SPX gained 0.4%, the NASDAQ climbed 0.1%, and the Russell 2000 rose 0.25%. Breadth was positive with the NYSE Up Issues % coming in at 56% and the Up Volume % at 69%. NYSE total volume came in high as it typically does on opex Friday.

While the stats above all looked strong, I did notice that the number of NASDAQ stocks making new 52-week lows spiked up to the highest level since March 25th. This seems unusual on a day that the NDX made a new all-time high. Interestingly, the NDX had zero 52-week lows. All 96 new lows were in smaller NASDAQ stocks. I looked back at other times NDX made a 200-day high while the number of NASDAQ stocks making new lows reached a 2-week high. The table below shows the forward performance of the NDX for the next several days.

NASDAQ New 52-week lows reach highest level in 10 days. NDX closes at a 200-day high. Forward performance shown. 2007 - present.

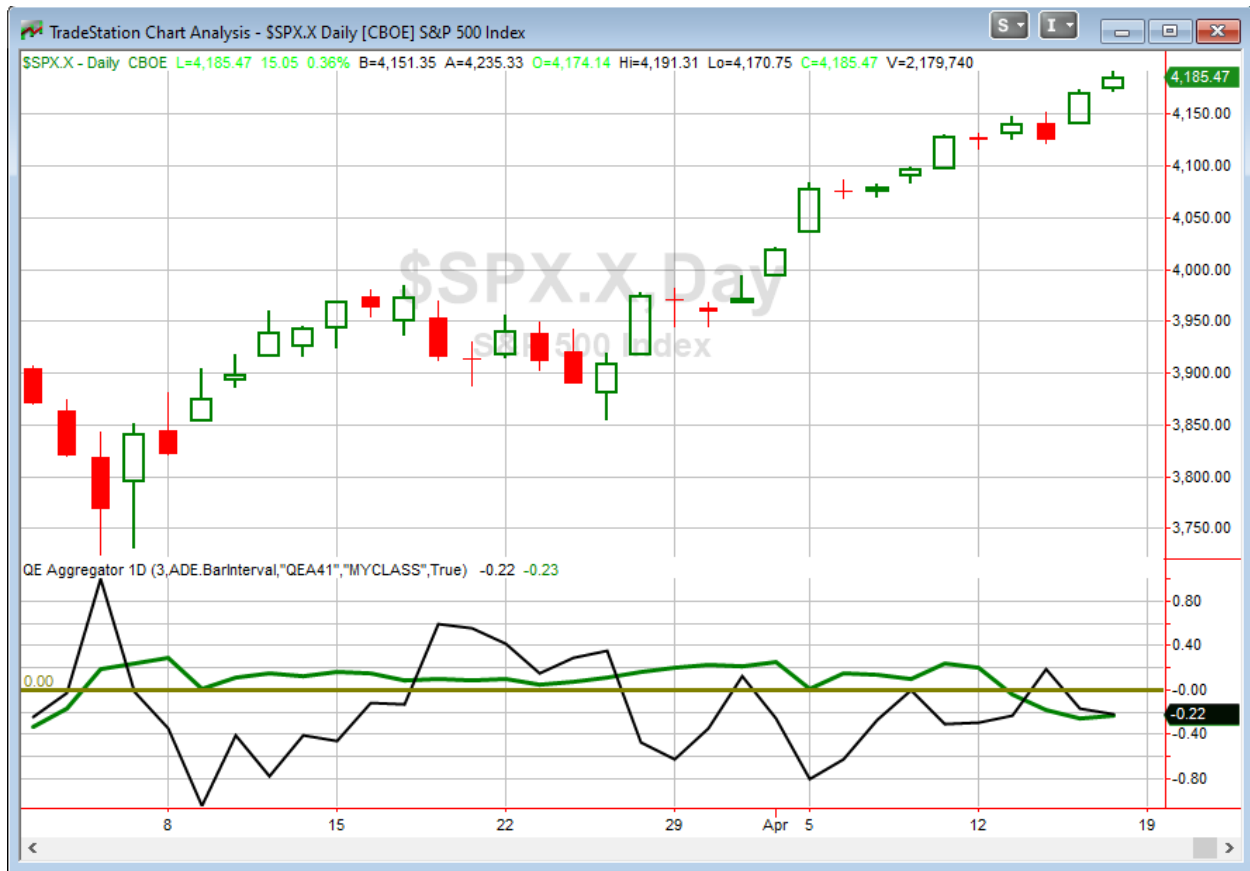
Date	Next Day % Chg	2-Day % Chg	3-Day % Chg	4-Day % Chg	5-Day % Chg
10/17/2007	0.38	-2.21	-1	1.19	0.43
10/19/2009	-0.03	-0.18	0.37	-0.17	-0.57
3/17/2010	0.4	-0.2	0.69	1.39	0.81
4/15/2010	-1.27	-1.23	-0.74	-0.2	0.32
10/22/2010	0.44	0.71	1.03	1.21	0.96
12/17/2010	0.21	0.73	0.79	0.54	0.52
1/14/2011	0.23	-0.87	-1.61	-2.37	-0.99
2/16/2011	-0.02	-0.23	-3.13	-4.05	-3.53
2/2/2012	1.34	1.3	1.45	2	2.73
2/23/2012	0.36	0.46	1.48	1.09	1.87
3/1/2012	-0.07	-1.08	-2.07	-1.35	-0.24
4/2/2012	-0.06	-1.42	-0.79	-1.6	-3.21
9/18/2013	0.19	-0.2	-0.37	-0.39	-0.7
12/9/2013	-0.06	-1.34	-1.59	-1.7	-1.15
1/22/2014	-0.38	-2.38	-3.27	-3.36	-4.41
6/4/2014	0.89	1.36	1.39	1.53	1.45
11/13/2014	0.27	0.01	0.68	0.22	0.68
11/28/2014	-1.15	-0.73	-0.57	-0.6	-0.6
8/1/2016	-0.77	-0.46	-0.26	0.74	0.6
10/10/2016	-1.47	-1.51	-1.85	-1.74	-1.99
1/20/2017	0.05	0.75	1.74	1.85	2.07
5/1/2017	0.26	-0.08	-0.06	0.29	0.52
10/11/2017	-0.19	0.18	0.55	0.68	0.54
10/27/2017	0.23	0.56	0.57	0.37	1.32
11/3/2017	0.29	0.4	0.8	0.26	0.21
1/9/2018	-0.23	0.46	1.21	0.89	1.98
1/18/2018	0.34	1.39	2.23	1.59	1.54
7/25/2018	-1.44	-2.82	-4.2	-3.68	-3.14
4/18/2019	0.31	1.57	1.23	1.65	1.78
7/15/2019	-0.5	-0.98	-0.79	-1.66	-0.78
11/7/2019	0.44	0.27	0.54	0.49	0.46
1/23/2020	-0.82	-2.87	-1.37	-1.25	-0.88
6/22/2020	0.78	-1.26	-0.28	-2.77	-1.67
7/9/2020	0.76	-1.42	-0.61	-0.49	-1.19
8/21/2020	0.61	1.44	3.61	3.21	3.81
9/2/2020	-5.23	-6.43	-10.89	-8.25	-10.2
12/28/2020	0.04	0.05	0.38	-1.12	-0.28
Average	-0.13	-0.49	-0.40	-0.42	-0.30
Win %	57%	43%	49%	51%	54%

There appears to be a bit of a downside tendency over the next few days. I also checked to see how SPX performed following this setup, and the results were very similar. Below is a look at a 2-day profit curve for SPX.



That is a fairly persistent move from upper left to lower right.

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 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 stayed short at the close.

Expectations are currently set to remain negative on Monday. This could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4122.64 on Monday. That is 1.5% below Friday's close. Therefore, SPX will need to close down at least 1.5% in order to flip from overbought to oversold vs expectations on Monday.

So the Aggregator is bearish. There is a decent amount of room to the downside before the market would flip to short-term oversold, and we are seeing some additional evidence suggesting a downside edge. Interestingly, both of the bearish studies on the Short-Term Active List are related to NASDAQ behavior. In light of this, I will look to take on some short NDX exposure on Monday, but only if I can get a favorable fill near the open or near the close of the day. I don't want to sell into an intraday rally as strong as the intraday has been in recent weeks.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/19 – somewhat bullish

Combo #1	Combo #2	Combo #3
Long	Long	Flat

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week there were no changes to the Combo systems.*

This past week saw gains for the major indices. The SPX rose 1.4%, the NASDAQ gained 1.1% and the Russell 2000 advanced 0.9%. The long-term trends still appear up, especially the SPX which closed at another all-time high on Friday. The SPX has been closing at new highs every week for the last four.

On Twitter, Steve Deppe (@SJD10304) noted that there has been 4 straight weeks in which SPX posted 1% weekly gains and made all-time high weekly closes. I took this observation and tweaked it a little bit to concoct the below study:

SPX closes up over 1% on the week and at a new 52-week high for the 4th week in a row. Forward performance shown. 1928 - present.										
Date/Time	Close	1-Week %Chg	2-Week %Chg	3-Week %Chg	4-Week %Chg	5-Week %Chg	10-Week %Ch	26-Week %Ch	52-Week %Chg	
3/30/1928	19.28	-0.26	2.33	0.31	2.07	4.98	0.47	9.65	32.42	
11/30/1928	24.28	-7.91	-7.21	-3.91	-1.24	2.35	0.66	2.27	-13.84	
8/16/1935	11.64	-0.69	-3.44	0.09	1.37	-3.26	6.79	25.95	36.34	
11/15/1935	13.25	-0.83	-2.34	-0.75	-3.09	-2.79	4.53	7.85	30.11	
1/19/1951	21.36	-0.47	2.81	3.79	3.6	2.62	0.56	2.43	13.53	
6/24/1955	40.96	0.56	4.1	3.52	4.98	6.25	6.45	11.08	13.75	
2/12/1971	98.43	-1.72	-1.71	0.54	1.16	2.62	5.71	-2.78	6.76	
1/30/1976	100.86	-1.39	-1.18	1.23	-1.14	-1.74	-0.51	2.56	1.06	
5/6/1983	166.1	-0.72	-2.38	-0.99	-1.01	-2.06	-1.09	-2.2	-4.21	
2/21/1986	224.62	1.02	0.42	5.31	3.88	6.39	4.53	11.38	27.09	
1/30/1987	274.08	2.17	2.05	4.16	3.69	6.05	6.72	16.27	-6.21	
7/17/1998	1186.69	-3.87	-5.56	-8.19	-10.44	-8.89	-11.96	4.77	19.56	
Average		-1.18	-1.01	0.43	0.32	1.04	1.91	7.44	13.03	
Win %		25%	42%	67%	58%	58%	75%	83%	75%	
Avg since 1971		-0.75	-1.39	0.34	-0.64	0.40	0.57	5.00	7.34	
Win % Since 1971		33%	33%	67%	50%	50%	50%	67%	67%	

Results here are interesting, and seem to suggest a bit of a mean reversion is likely in the coming weeks. One and two weeks out show negative numbers for both the 1928 – present and 1971 – present. And even looking out 5 weeks, numbers are pretty weak, with only slight average gains. Of course, instances are a little low to get too excited about results, and there have not been any

instances since 1998. So I am not overly concerned about these results. But perhaps we are at a point where momentum has taken the market a bit far, and it is due for at least a brief pause.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

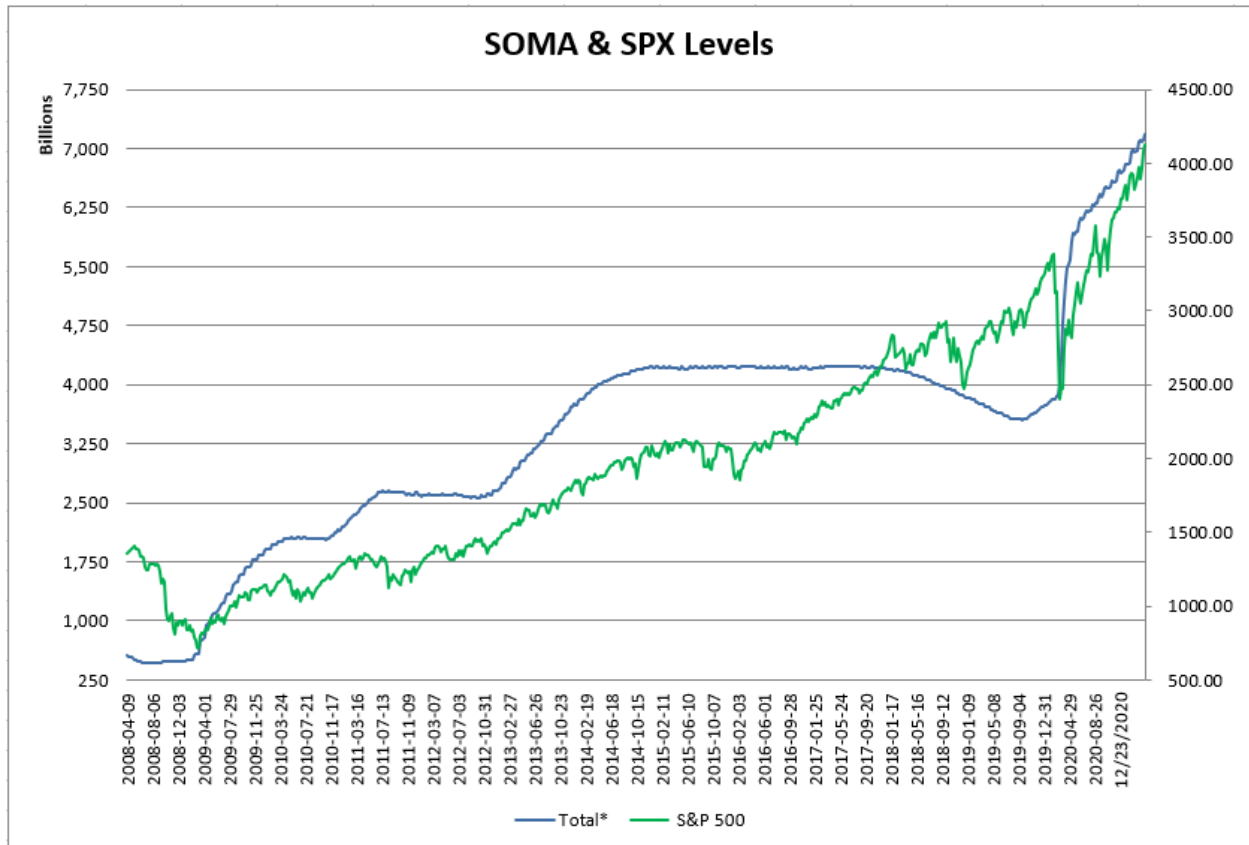
Domestic Security Holdings as of

◀ Previous **April 14, 2021** 📅
Posted April 15, 2021 at 4:30 PM

SUMMARY | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,241,960,507.5
US Treasury Floating Rate Notes (FRNs)	21,038,668.5
US Treasury Inflation-Protected Securities (TIPS)*	337,157,825.5
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,239,076,353.9
Agency Commercial Mortgage-Backed Securities***	9,943,086.4
Total SOMA Holdings	7,177,567,441.8
Change From Prior Week	78,073,180.0

This past week saw the SOMA rise by a moderate \$78 billion. That is a big number. The Fed is certainly not backing off the bond purchases yet. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is in the midst of the largest expansion in history, and the expansion is expected to continue for the foreseeable future. Before they cut off the flow of liquidity, its expected they will reduce the size of the flows. There has been no real indication of a timetable yet, but it appears it could become a discussion point as we get into the later part of the year. To this point, the Fed has indicated they will remain aggressive in their efforts to stimulate the economy. And that is good for the market for as long as it lasts. Of course, we'll be watching closely for hints of any change in policy that could disrupt the market.

My intermediate-term outlook again remains leaning bullish and is much the same as last week. We do have the new momentum study above suggesting a possible pause in the coming weeks. And I would still prefer to see the NASDAQ and Russell 2000 retake leadership, but SPX continues to plow forward even without their help. The long-term trend remains up, and the Fed's continued pumping is a massive plus for the bulls. We also have positive seasonality as a potential plus into the early part of May. Overall, I remain somewhat bullish. I will still be more cautious when considering short positions than with long positions.

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.

QQQ – Short ¼ index position @ \$342.24 LIMIT ON OPEN. If not filled on open, cancel order and look to enter at \$342.24 LIMIT ON CLOSE. Either a gap up or close above Friday's high will get me to take on a partial short position in QQQ. This is a counter-trend trade, so I will likely be looking for a quick exit if I get filled.

Current Open Trade Ideas

None.

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