

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 20, 2021

Volume 14 Issue 74

## Market Overview



## Signals Overview

Aggregator	CBI Reading
<b>Short</b>	<b>0</b>

## Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day, but that has not been the case as much in recent years.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish. I don't view this as a great entry point on the short-side, though.

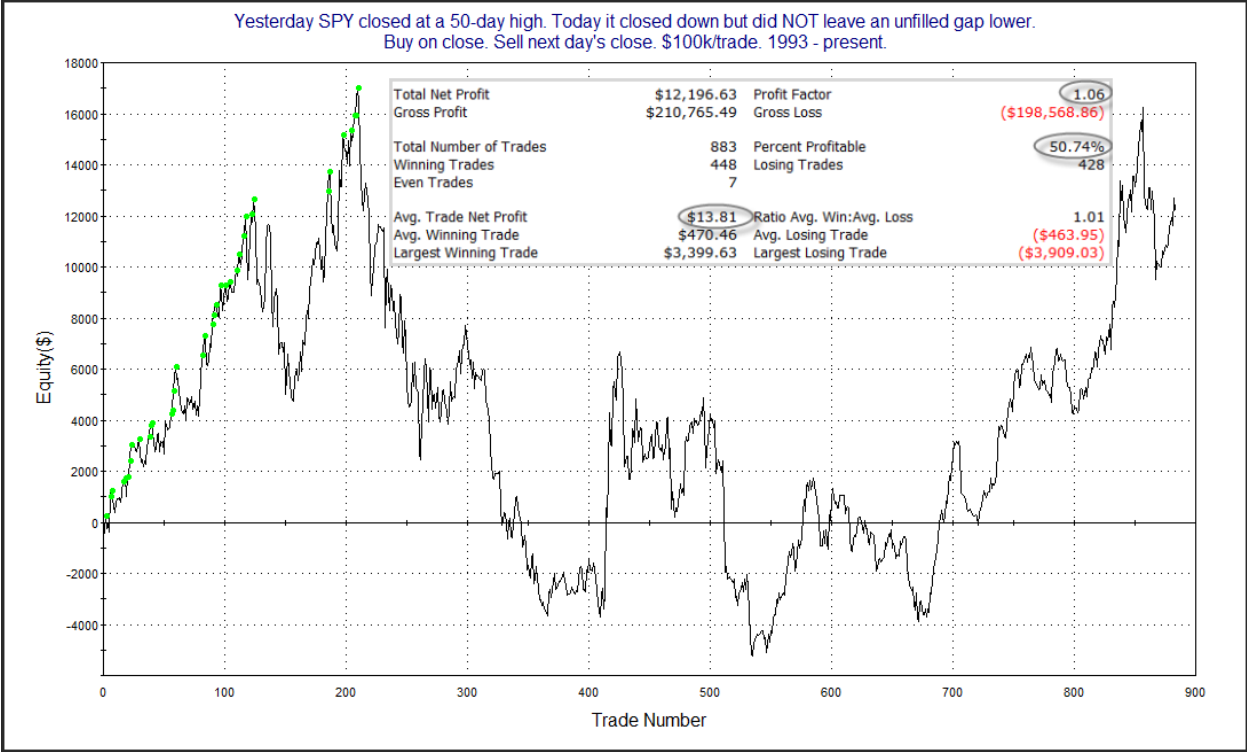
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
April 20, 2021	Unfilled gap down from 50-high	1 day	Bearish			
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%
<b>Active - Long Term</b>						
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			

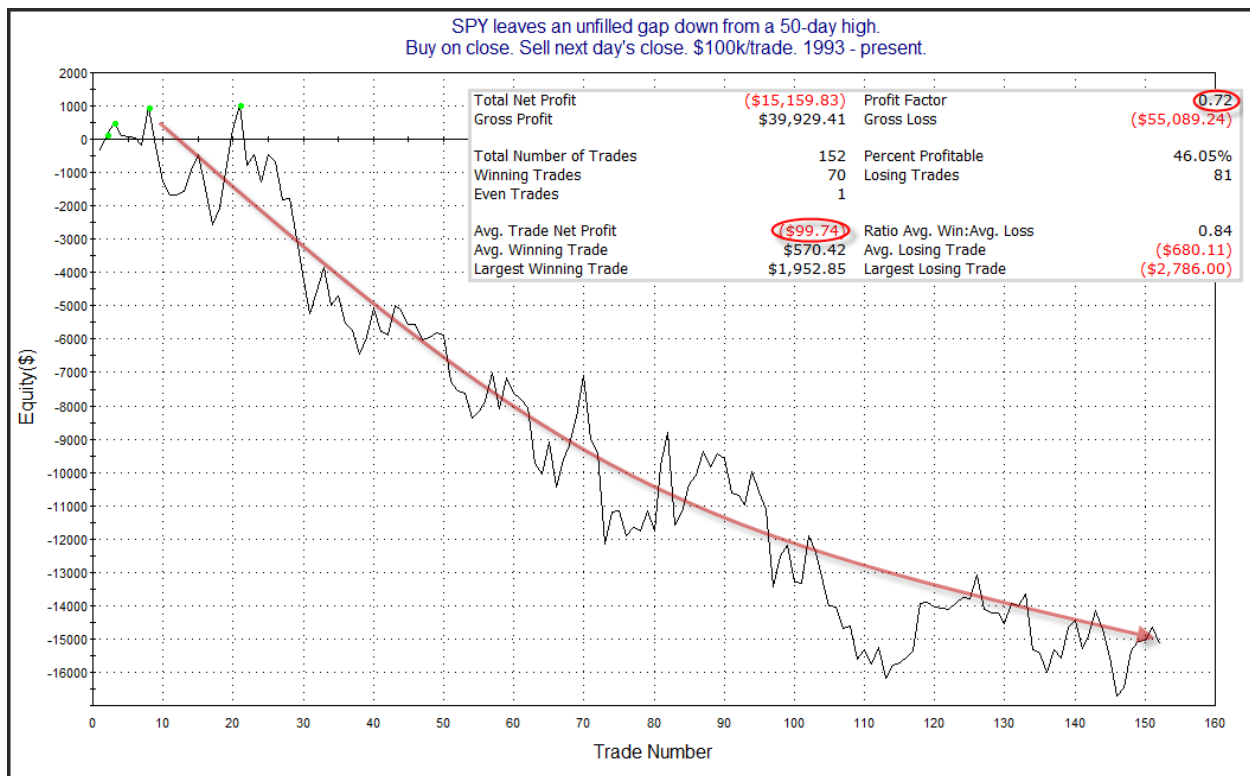
**The Evidence**

The market sold off some on Monday. SPX lost 0.5%, the NASDAQ fell 1.0%, and the Russell 2000 tumbled 1.4%. Breadth was negative with the NYSE Up Issues % coming in at 34% and the Up Volume % at 40%. NYSE total volume declined from the level of the past few days.

The 1<sup>st</sup> day down from a high does not often suggest a strong edge. But when the 1<sup>st</sup> day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They are updated from the 11/12/19 letter. The 1<sup>st</sup> one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.

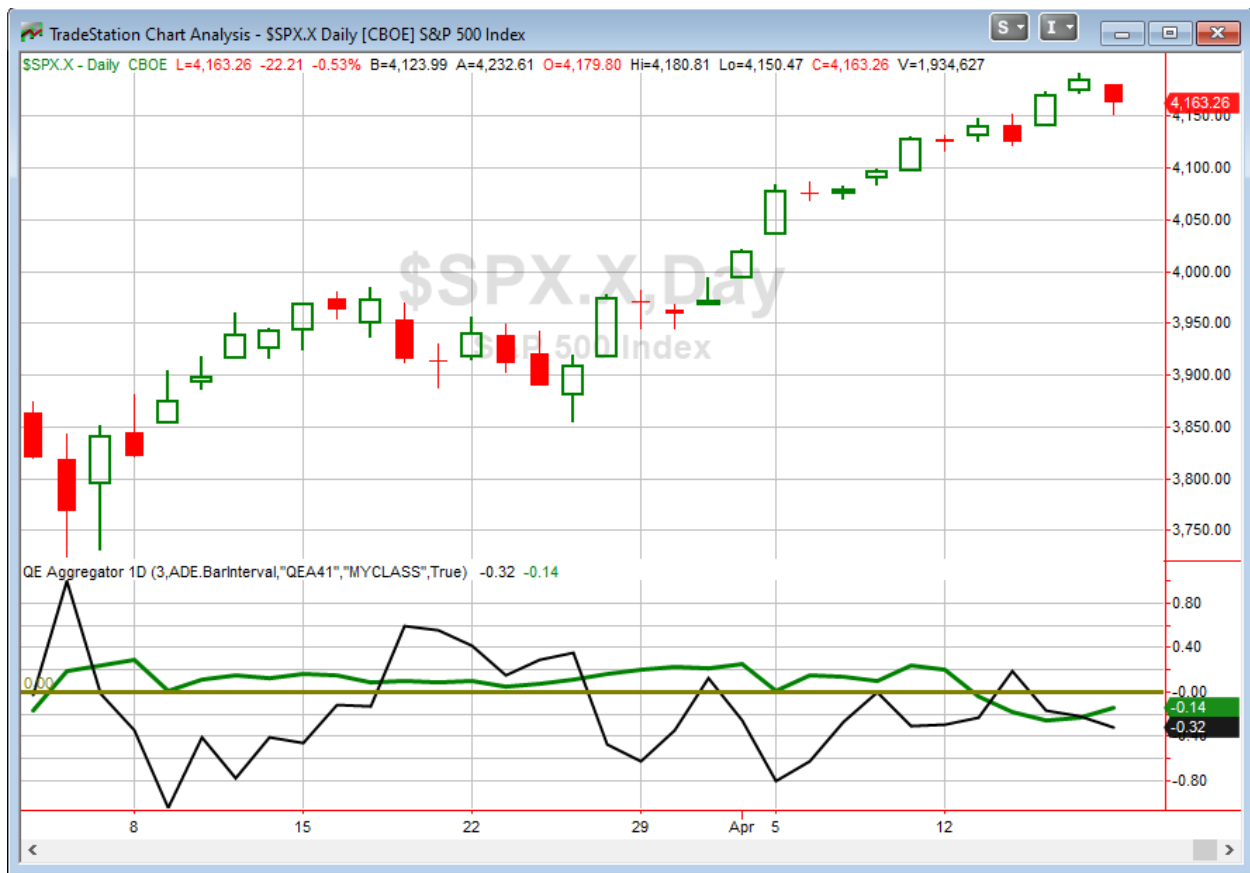


There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



While the curve has flattened some in recent years, it did make a new low just last fall. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Monday did *not* include an unfilled gap lower.

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 Tuesday. This could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4150.39 on Tuesday. That is 0.3% below Monday's close. Therefore, SPX will need to close down at least 0.3% in order to flip from overbought to oversold vs expectations on Tuesday.

So the Aggregator is again bearish. The unfortunate thing about the unfilled gap down is that it prevented Sunday's short trade idea from filling. With "short" being a counter-trend trade, I am not inclined to look again for an entry on Tuesday. Since the Differential Pivot is now close by, and 2 of the 3 active short-term bearish studies are set to expire on Tuesday, I just don't feel the edge is strong enough for a counter-trend trade. So I will stand by and re-evaluate again tomorrow night.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 4/19 – 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 tonight.**

## **Current Open Trade Ideas**

**None.**

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