

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 29, 2021

Volume 14 Issue 81

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	5

Tonight's Research Points

- When SPX has posted a 20-day high and a poor close in the past it has typically led to more gains.
- Very mild 2-day declines from 50-day highs have typically been followed by mild rises over the next couple of days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and I am too.

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 29, 2021	2 dn from 50-high but < 0.25%	1-2 days	Bullish			
April 29, 2021	20-day hi & bottom 10% intraday close	1-2 days	Bullish			
Active - Long Term						
April 22, 2021	% of SPX stocks > 100ma exceeds 94%	int term	Bullish			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
April 27, 2021	2 unfilled gaps up and 50-day high	1-2 days	Bullish			
April 27, 2021	VIX up SPX 50-high on Monday	1-2 days	Bearish			

The Evidence

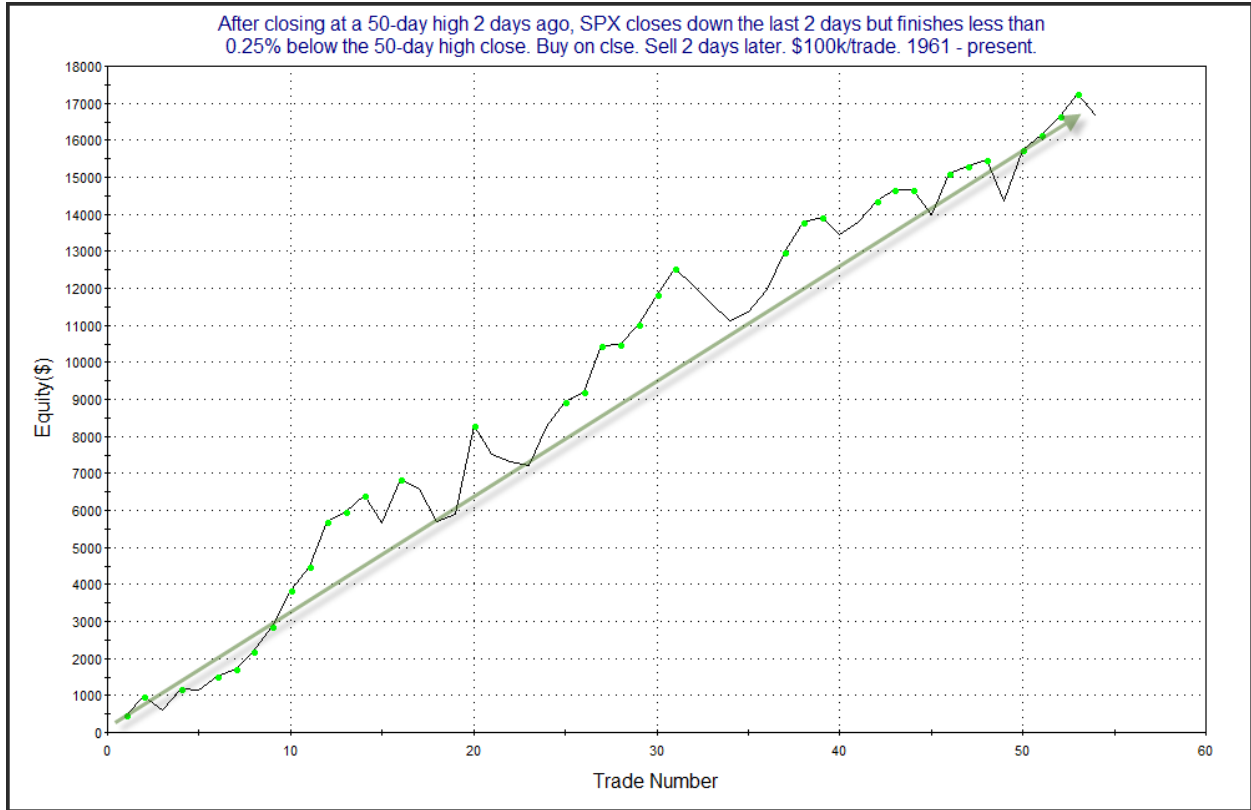
The market could not hold onto its gains on Wednesday, and it sold off late, finishing mostly down and near the bottom end of the day's range. SPX closed down 0.1%, the NASDAQ lost 0.3%, and the Russell 2000 gained 0.1%. Breadth was mixed with the NYSE Up Issues % coming in at 59% and the Up Volume % at 62%. NYSE total volume rose some from Tuesday's level.

Before the dip near the end of the day, the SPX managed to make a new 20-day intraday high. The new high followed by a poor and downward close triggered the study below, which was last seen in the 1/27/21 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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	48,859.83	52	39	13	75.00	4,119.18	-3,210.80	1,746.31	-1,480.49	1.18	3.54	939.61
9	46,258.98	52	39	13	75.00	3,613.36	-3,775.10	1,693.42	-1,521.89	1.11	3.34	889.60
8	44,430.27	53	40	13	75.47	4,483.84	-3,803.24	1,684.19	-1,764.42	0.95	2.94	838.31
7	36,472.80	54	41	13	75.93	3,761.94	-4,159.32	1,467.64	-1,823.12	0.81	2.54	675.42
6	35,874.23	55	40	15	72.73	3,703.30	-2,942.40	1,375.00	-1,275.05	1.08	2.88	652.26
5	25,507.74	55	38	17	69.09	4,377.84	-3,566.84	1,108.20	-976.69	1.13	2.54	463.78
4	17,450.53	57	37	20	64.91	5,024.25	-2,332.44	1,032.43	-1,037.46	1.00	1.84	306.15
3	13,944.76	57	35	22	61.40	3,368.93	-3,384.50	916.95	-824.94	1.11	1.77	244.64
2	15,366.90	57	33	24	57.89	3,288.48	-1,575.22	881.29	-571.48	1.54	2.12	269.59
1	9,437.75	58	37	21	63.79	2,588.08	-2,471.25	572.81	-559.81	1.02	1.80	162.72

55 of 58 instances (95%) closed above the entry price at some point in the next 5 days. The failures triggered on 12/30/04, 12/31/04, and 1/26/21.

Results here seem to suggest an upside edge. Below are profit curves for both the 3-day and 10-day holding periods.



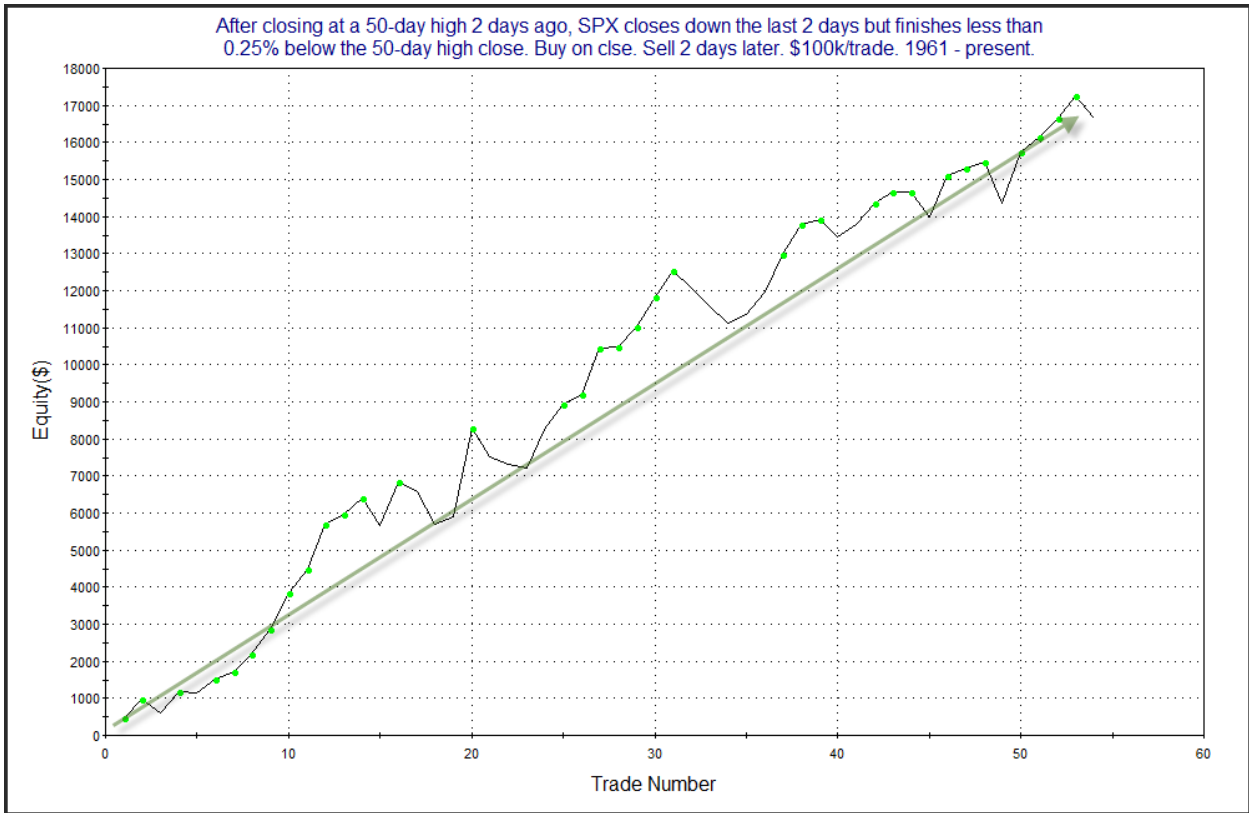
The curve shows a strong, persistent move from lower left to upper right. I have added this study to the active list.

SPX closed at a 50-day high 2 days ago, and while it has closed lower the last 2 days, the combined 2-day selloff has it only 0.19% below Monday's close. Often if an uptrending market tries to pull back, and it just cannot, then the next move will be higher. Tonight I looked at other instances of SPX closing down 2 days in a row from a 50-day high, but still closing less than 0.25% below that closing high. This study was last seen in the 2/18/21 letter. Updated results can be seen below.

After closing at a 50-day high 2 days ago, SPX closes down the last 2 days but finishes less than 0.25% below the 50-day high close. Buy on close. Sell X days later. \$100k/trade. 1961 - present.

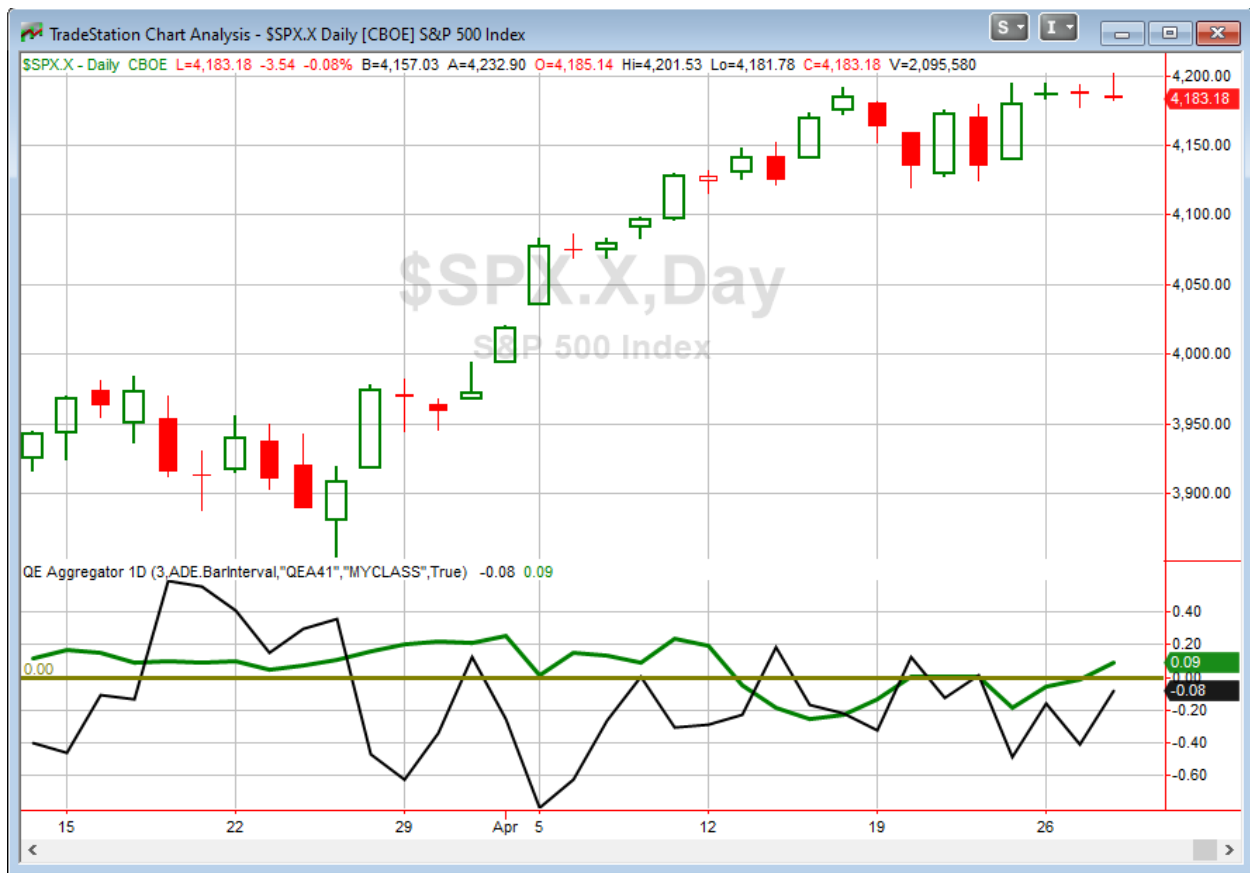
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	12,588.93	52	32	20	61.54	4,579.74	-3,618.28	911.77	-829.38	1.10	1.76	242.09
4	12,442.54	54	33	21	61.11	3,712.50	-3,370.08	911.11	-839.24	1.09	1.71	230.42
3	11,840.25	54	38	16	70.37	2,141.37	-3,892.32	686.94	-891.48	0.77	1.83	219.26
2	16,643.96	54	39	15	72.22	2,399.76	-1,107.75	622.18	-508.07	1.22	3.18	308.22
1	7,340.61	54	32	22	59.26	1,502.82	-960.05	446.78	-316.19	1.41	2.06	135.94

The stats suggest a propensity for a rise over the next 2 days. Below is a look at the 2-day profit curve.



The strong, steady upslope serves as some confirmation of the upside edge. So while a deeper pullback could happen, evidence suggesting that is lacking. We are instead seeing studies suggesting more upside.

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



With tonight's evidence considered, the green Aggregator Line moved 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 turned flat at the close.

Based on the current active studies, expectations are slated to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4177.51 on Thursday. That is 0.1% below Wednesday's close. Therefore, SPX will only need to close down about 0.1% in order to flip from overbought to oversold vs recent expectations.

So the Aggregator formation is neutral. The fact that the pullback was so mild over the last couple of days suggests an upside edge, but it also leaves the market still overbought, hurting reward/risk. I'll continue to exercise patience and give it another day before considering a new index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/26 – somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

LMT @ \$379.88 (bought @ Limit)

LMT @ \$377.29 (bought @ Limit)

LMT @ \$371.98 (bought @ Limit)

New

LOW @ \$196.06 (buy @ Limit)

AMGN @ \$236.71 (buy @ Limit)

Broad Market Large Cap CBI – 5(LMT-3, LOW, AMGN)

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.

LOW – Buy 1/3 Catapult position @ \$196.06 LIMIT. This is a Catapult trade from above. It is the 1st of up to 3 possible lots for LOW.

AMGN – Buy 1/3 Catapult position @ \$236.71 LIMIT. This is a Catapult trade from above. It is the 1st of up to 3 possible lots for AMGN.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
LMT(1/3)	4/23/2021	\$378.59	\$373.01	-1.47%		Catapult
LMT(1/3)	4/26/2021	\$374.28	\$373.01	-0.34%		Catapult
LMT(1/3)	4/27/2021	\$371.50	\$373.01	0.41%		Catapult

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