

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 30, 2021

Volume 14 Issue 82

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 3 |

Tonight's Research Points

- High-volume outside days that close at a 50-day high often lead to selling.

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 30, 2021 | Outside day to 50-high rising volume | 1-2 days | Bearish | | | |
| 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 | 1-6 days | Bullish | 1.60% | -1.10% | -2.15% |
| 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 | | | |

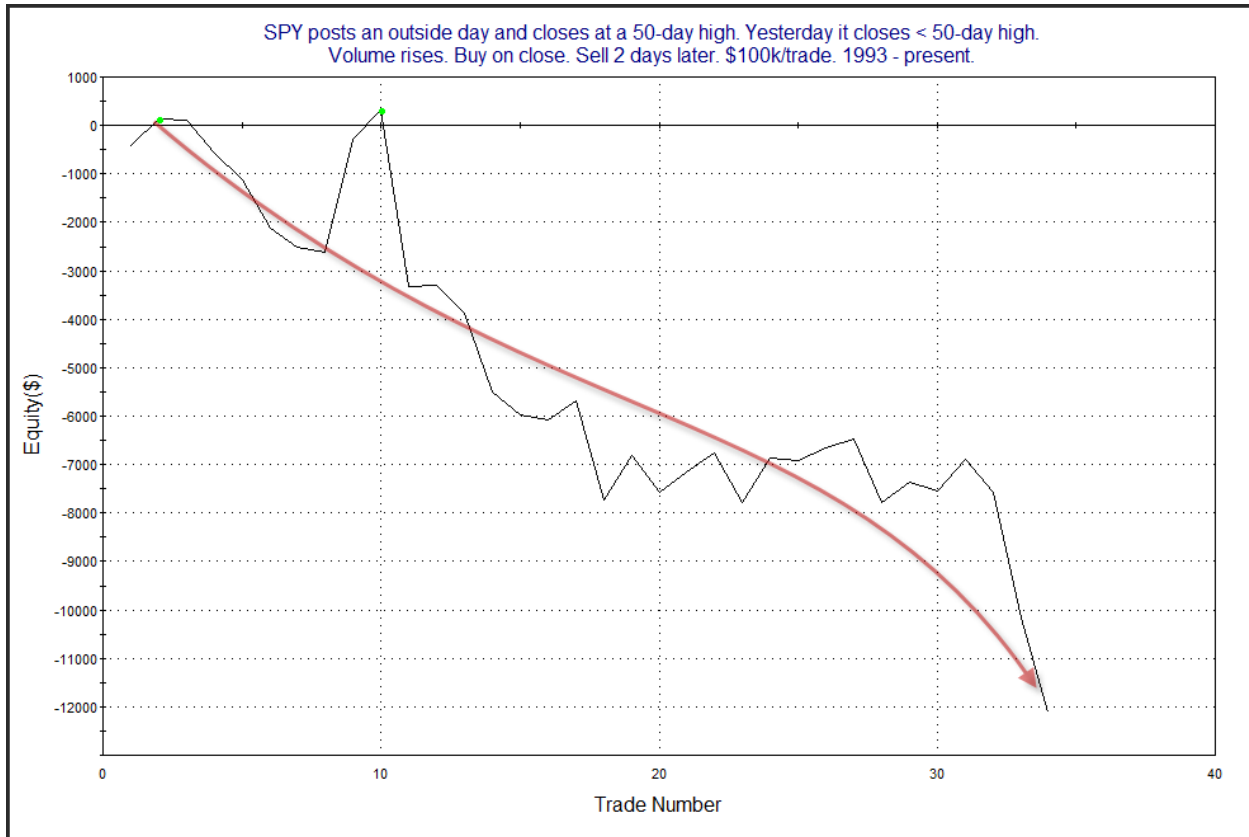
The Evidence

Thursday started strong, took a mid-day dive, and then finished mixed. SPX closed up 0.7%, the NASDAQ gained 0.2%, and the Russell 2000 lost 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 52% and the Up Volume % at 50.1%. NYSE total volume rose some from Wednesday's level.

An interesting study that triggered was seen recently in the 3/18/21 subscriber letter. It noted the fact that SPY posted a large "outside" day, meaning it made both a higher high, and a lower low than the day before. It also made a 50-day high close on rising volume. The stats table below is updated.

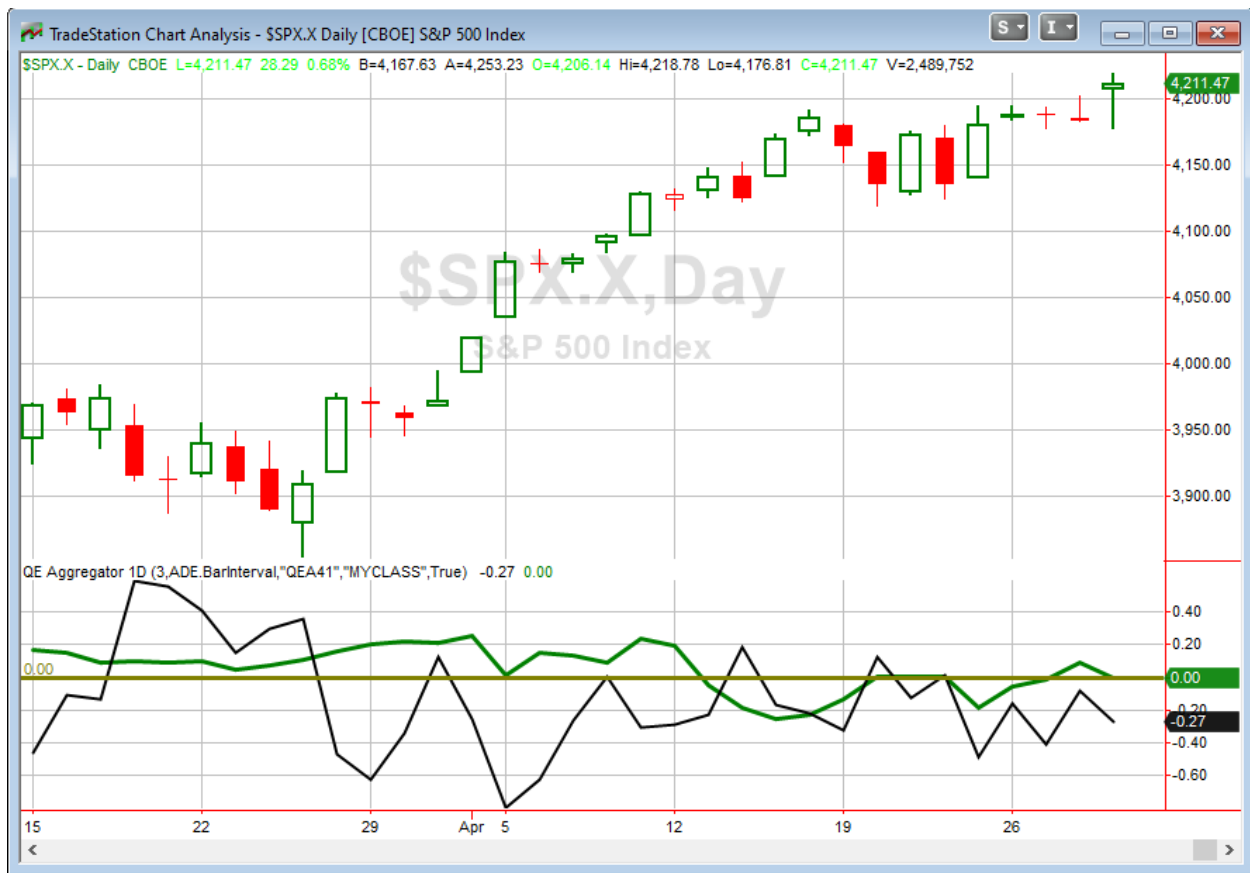
| SPY posts an outside day and closes at a 50-day high. Yesterday it closes < 50-day high. Volume rises. Buy on close. Sell X days later. \$100k/trade. 1993 - present. | | | | | | | | | | | | |
|--|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 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 | -13,327.27 | 33 | 17 | 16 | 51.52 | 2,590.50 | -4,473.36 | 938.24 | -1,829.83 | 0.51 | 0.54 | -403.86 |
| 4 | -7,570.08 | 33 | 18 | 15 | 54.55 | 2,371.65 | -4,518.34 | 922.00 | -1,611.08 | 0.57 | 0.69 | -229.40 |
| 3 | -9,275.54 | 34 | 15 | 19 | 44.12 | 2,927.90 | -5,133.72 | 964.52 | -1,249.65 | 0.77 | 0.61 | -272.81 |
| 2 | -12,112.92 | 34 | 13 | 21 | 38.24 | 2,324.90 | -3,640.86 | 622.72 | -962.30 | 0.65 | 0.40 | -356.26 |
| 1 | -7,574.10 | 34 | 14 | 20 | 41.18 | 918.96 | -2,448.72 | 416.00 | -669.91 | 0.62 | 0.43 | -222.77 |

It appears the scenario above has often been followed by brief downside. The most consistently bearish results occurred in the 2-day timeframe. Below is a profit curve for a 2-day exit strategy.



Choppy but downward sloping and again at new lows, this study also seems worth consideration.

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



Despite tonight's bearish evidence the green Aggregator line finished just barely 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 stayed flat at the close.

Based on the current active studies, expectations are slated to remain positive on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4175.76 on Friday. That is 0.85% below Thursday's close. Therefore, SPX will need to close down about 0.85% in order to flip from overbought to oversold vs recent expectations.

A neutral Aggregator formation and basically neutral expectations. This is not the kind of combination that suggests a solid short-term directional edge. I'll continue to exercise patience with new index trades.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

LOW @ \$196.06 (buy @ Limit) – *not filled – cancel for now*

AMGN @ \$236.71 (bought @ Limit)

New

AMGN @ \$234.71 (buy @ Limit)

Broad Market Large Cap CBI – 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.

AMGN – Buy 1/3 Catapult position @ \$234.71 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 | \$380.35 | 0.46% | | sell on open |
| LMT(1/3) | 4/26/2021 | \$374.28 | \$380.35 | 1.62% | | sell on open |
| LMT(1/3) | 4/27/2021 | \$371.50 | \$380.35 | 2.38% | | sell on open |
| AMGN(1/3) | 4/29/2021 | \$235.07 | \$234.71 | -0.15% | | Catapult |
| | | | | | | |
| | | | | | | |

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