

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 4, 2021

Volume 14 Issue 84

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	3

Tonight's Research Points

- May 1st rallies have commonly been followed by dips.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but evidence is weak and the market is set to flip to oversold on Tuesday unless there is further rallying. I don't view this as a compelling setup.

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						
May 4, 2021	May 1st closes up	1-4 days	Bearish	-2.15%	0.90%	2.20%
April 29, 2021	20-day hi & bottom 10% intraday close	1-6 days	Bullish	1.60%	-1.10%	-2.15%
Active - Long Term						
May 3, 2021	Worst 6 Months	1-6 months	Bearish			
April 22, 2021	% of SPX stocks > 100ma exceeds 94%	int term	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)						
May 3, 2021	Unfilled gap dn from 50-high	1 day	Bearish			
May 3, 2021	Weak close to month	1 day	Bullish			
April 30, 2021	Outside day to 50-high rising volume	1-2 days	Bearish			

The Evidence

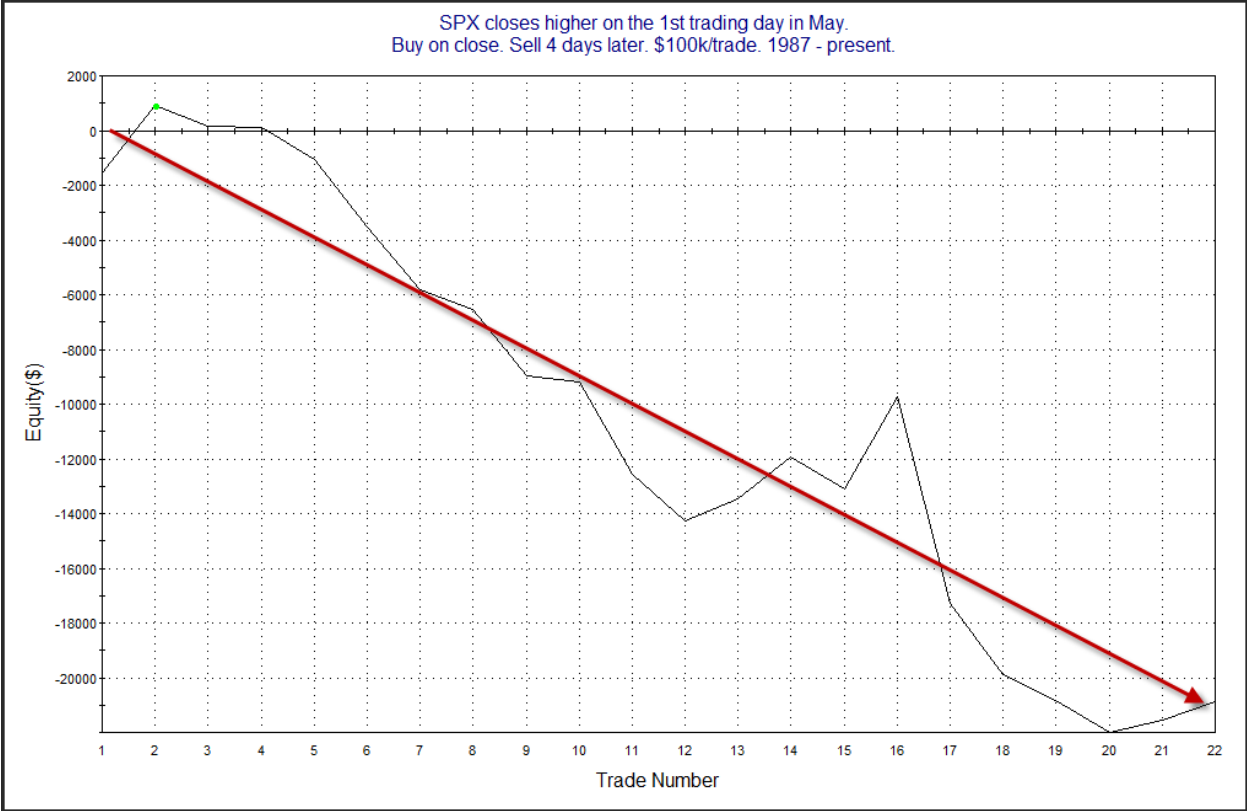
The market put in a mixed day on Monday. SPX closed up 0.3%, the NASDAQ fell 0.5%, and the Russell 2000 gained 0.5%. Breadth was positive with the NYSE Up Issues % coming in at 69% and the Up Volume % at 67%. NYSE total volume declined from Friday's level.

Price action has taken SPX basically sideways over the last several days, so there is nothing particularly interesting triggering in regards to price movement. There was an interesting seasonality study to consider.

Yesterday I showed the strong seasonal tendency of the SPX on the 1st trading day of month when the last day of the month closed poorly. In the May 2, 2018 letter I looked at what has happened after a positive start to May. Updated results may be found in the table below.

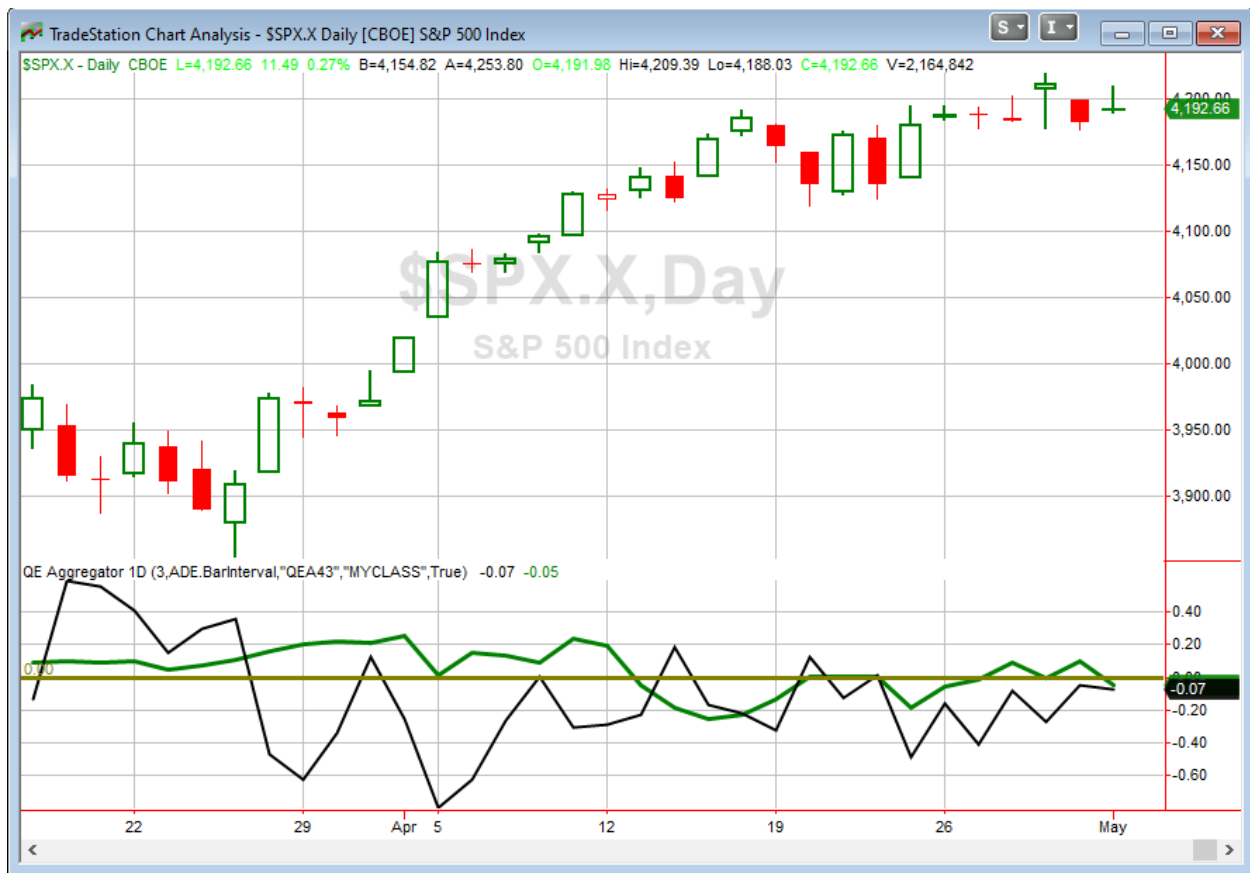
SPX closes higher on the 1st trading day in May. Buy on close. Sell X days later. \$100k/trade. 1987 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-9,578.81	22	9	13	40.91	5,843.23	-3,529.99	1,487.90	-1,766.92	0.84	0.58	-435.40
4	-20,882.27	22	6	16	27.27	3,375.31	-7,584.54	1,551.82	-1,887.07	0.82	0.31	-949.19
3	-15,671.42	22	9	13	40.91	4,747.13	-6,151.13	1,107.20	-1,972.02	0.56	0.39	-712.34
2	-12,326.35	22	7	15	31.82	2,969.64	-3,614.20	1,022.97	-1,299.14	0.79	0.37	-560.29
1	-2,602.86	22	13	9	59.09	3,358.36	-2,378.78	516.01	-1,034.55	0.50	0.72	-118.31

Of the 22 instances that rose on the first day in May since 1987, 16 of them closed down 4 days later. Below is an equity curve that shows how it has played out over time.



The big drop in instance 17 was the 2010 Flash Crash. Even without that instance there appears to be a solid downside inclination. I have added this study to the Short-Term Active List.

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



With tonight's evidence considered, the green Aggregator line dipped 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 turned short at the close.

Based on the current active studies, expectations are slated to remain negative on Tuesday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4214.65 on Tuesday. That is 0.5% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up over 0.5% in order to remain overbought. Anything other than that, and it will flip to "oversold" vs expectations as of Tuesday's close.

So the Aggregator is bearish, but evidence is mixed and the Differential Pivot is inverted. The inverted pivot is an issue because it means that potential reward is limited to just a 1-day move from this spot. So a short entry here would be very aggressive. I'd rather see things line up a bit better before taking on a new index position. I'll continue to exercise patience until that happens.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/3 – neutral

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)

AMGN @ \$234.71 (bought @ Limit)

Broad Market Large Cap CBI – 3(LOW, AMGN-2)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AMGN(1/3)	4/29/2021	\$235.07	\$245.38	4.39%		Catapult
AMGN(1/3)	4/30/2021	\$234.27	\$245.38	4.74%		Catapult

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2021 Quantifiable Edges, LLC.