

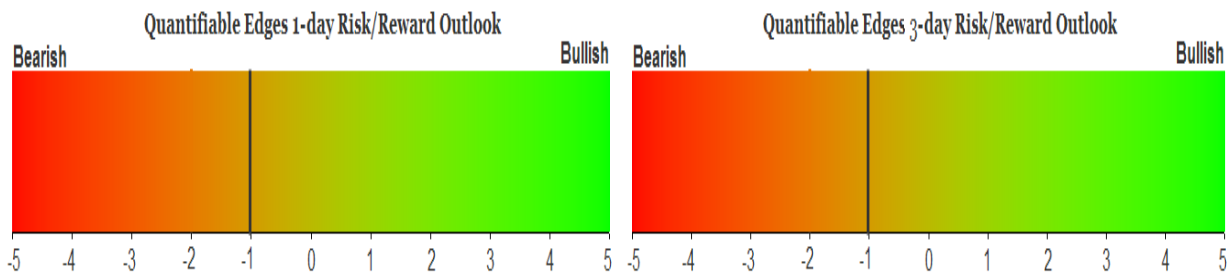
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 7, 2021

Volume 14 Issue 87

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Short | 0 |

Tonight's Research Points

- Friday is an employment day. Employment days have been streaky over time, and they are on a hot streak currently.

Short-term Outlook

The Bottom Line

The Aggregator formation is now bearish, and suggesting a mild downside edge.

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 6, 2021 | NDX 20-low. SPX > 20ma | 1-3 days | Bearish | | | |
| May 4, 2021 | May 1st closes up | 1-4 days | Bearish | -2.15% | 0.90% | 2.20% |
| 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) | | | | | | |
| April 29, 2021 | 20-day hi & bottom 10% intraday close | 1-6 days | Bullish | 1.60% | -1.10% | -2.15% |

The Evidence

Thursday was another back and forth day, but it finished well. SPX closed up 0.8%, the NASDAQ rose 0.4%, and the Russell 2000 closed near breakeven with a 0.06 point gain. Breadth was positive with the NYSE Up Issues % coming in at 55% and the Up Volume % at 50.2%. NYSE total volume rose some from Wednesday's level.

It has recently become more difficult to find edges to discuss. And that is because the SPX has been doing a lot of sideways chopping. The range has been very narrow over the last few weeks, and that has caused the Bollinger Band width to come in at its lowest readings of the year the last few days. Volatility is often mean reverting. So periods of low volatility are often followed by periods of high volatility, and visa-versa. But just because volatility is relatively low does not mean it will revert to high immediately. We may be entering an extended period of low volatility. So the low volatility condition is just that. A condition that, as far as I could find, provides no substantial directional edge for the short or intermediate-term. But when combined with other factors, it may help to provide us some hints in the upcoming days or weeks. So I'll keep an eye on it.

I will note that Friday is an employment day. The report will be released about an hour before the market opens, and could generate a large reaction. Employment days have been hot and cold over time. Recently, they have been hot, as can be seen in the table below.

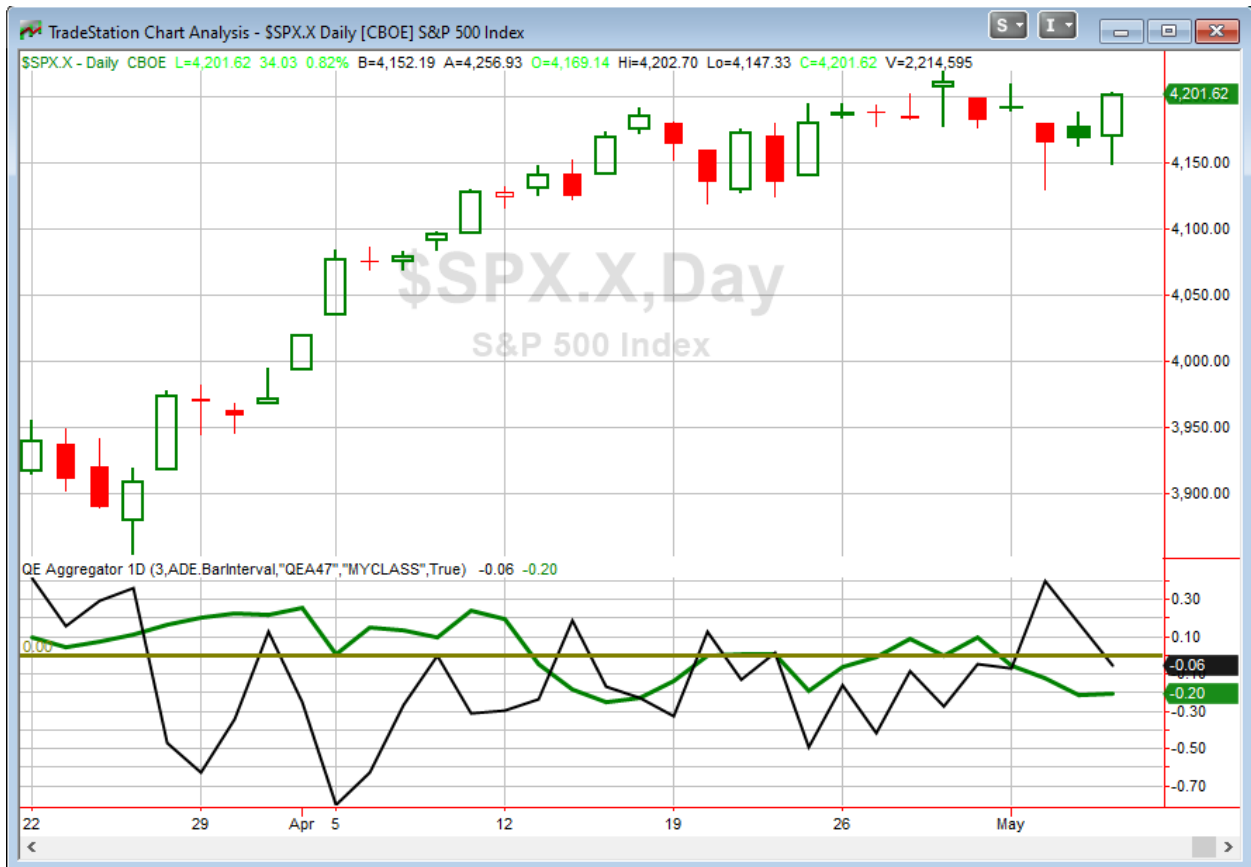
Recent SPX % Chg on Employment Days

| Date | SPX % Chg |
|-----------|-----------|
| 12/4/2020 | 0.88% |
| 1/8/2021 | 0.55% |
| 2/5/2021 | 0.39% |
| 3/5/2021 | 1.95% |
| 4/5/2021 | 1.44% |

Note that employment rpt was released on 4/2 but the market was closed for Good Friday.

Should be an interesting morning on Friday.

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



Without any new studies being added tonight, 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 dropped 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 Friday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4161.39 on Friday. That is 1.0% below Thursday's close. Therefore, SPX would need to close down at least 1.0% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is now bearish. This suggests a downside edge over the next few days. Aggressive traders could certainly look for a short entry. I'm still a bit hesitant. The setup is borderline, the intermediate-term outlook is neutral, and the employment report generates some extra risk on Friday. So I'll stay sidelined, and then take a fresh look at evidence this weekend.

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

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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