

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 11, 2021

Volume 14 Issue 89

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Strong moves down from a 50-day high do not suggest an immediate bounce in the way that strong moves down do at other times.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator formation is neutral. Despite the big move on Monday, I am not seeing a compelling 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
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
May 10, 2021	COMP up 2 from 10-low. Close < 10ma	1 day	Bullish			
May 10, 2021	SPX short base breakout on low volume	1 day	Bullish			

**The Evidence**

Monday saw some substantial selling. SPX closed down 1.0%, the NASDAQ lost 2.55%, and the Russell 2000 fell 2.6%. Breadth was negative with the NYSE Up Issues % coming in at 32.9% and the Up Volume % at 33.3%. NYSE total volume rose as the selling intensified.

I've shown before that sharp drops on strongly negative breadth will often suggest a bounce. I've also demonstrated in the past the importance of considering the position of the market when trying to interpret the meaning of such a drop. Substantial drops coming from a high level do not carry the same upside edge as other times. I demonstrated this in some detail in the 2/5/13 Letter. The studies below are from that letter.

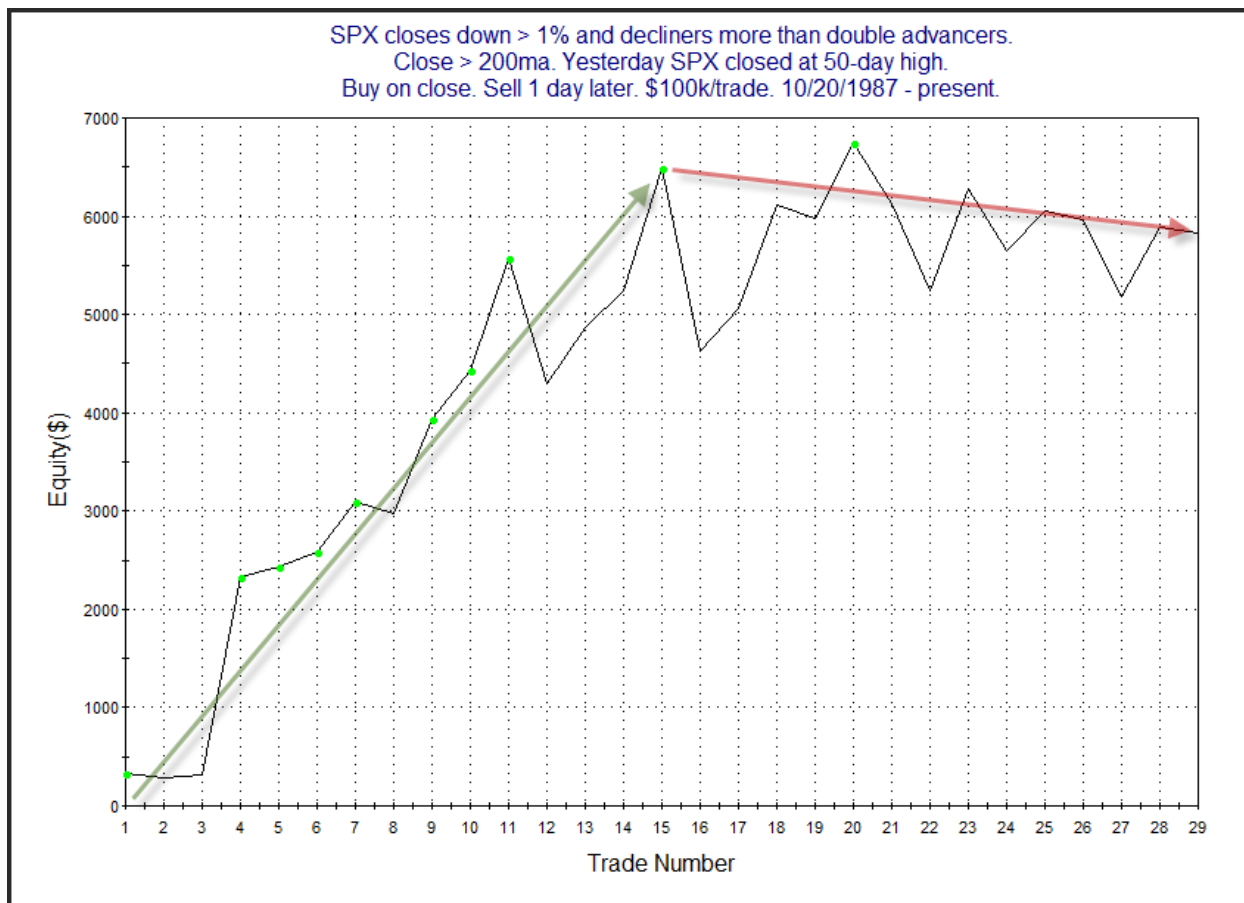
This first study looks at strong drops that do NOT immediately follow a 50-day high.

SPX closes down > 1% and decliners more than double advancers. Close > 200ma. Yesterday SPX closed below a 50-day high. Buy on close. Sell X days later. \$100k/trade. 10/20/1987 - 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
10	191,916.16	207	139	68	67.15	7,072.00	-13,993.88	2,486.34	-2,260.07	1.10	2.25	927.13
9	206,990.72	212	151	61	71.23	6,030.49	-10,059.36	2,253.01	-2,183.83	1.03	2.55	976.37
8	176,376.16	220	148	72	67.27	6,086.08	-14,092.68	2,160.69	-1,991.75	1.08	2.23	801.71
7	169,859.34	235	150	85	63.83	7,152.30	-9,697.02	2,101.01	-1,709.31	1.23	2.17	722.81
6	144,190.92	241	155	86	64.32	7,272.06	-7,966.32	1,916.97	-1,778.37	1.08	1.94	598.30
5	109,844.91	250	147	103	58.80	7,070.28	-11,122.37	1,799.48	-1,501.73	1.20	1.71	439.38
4	65,435.73	263	148	115	56.27	4,732.80	-10,410.71	1,579.55	-1,463.81	1.08	1.39	248.81
3	61,802.23	284	169	115	59.51	4,429.70	-6,419.44	1,295.76	-1,366.79	0.95	1.39	217.61
2	58,560.61	315	176	139	55.87	4,809.66	-7,740.60	1,189.66	-1,085.04	1.10	1.39	185.91
1	54,897.35	337	207	130	61.42	5,117.46	-4,074.84	744.14	-762.61	0.98	1.55	162.90

The edge here is apparent from day one and suggests upside over the next couple of weeks. But now let's look at times like now when the strong selloff DOES immediately follow a 50-day high.

SPX closes down > 1% and decliners more than double advancers. Close > 200ma. Yesterday SPX closed at 50-day high. Buy on close. Sell X days later. \$100k/trade. 10/20/1987 - 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
10	11,073.91	26	17	9	65.38	4,534.69	-6,566.95	1,996.11	-2,540.00	0.79	1.48	425.92
9	8,920.20	26	18	8	69.23	3,794.54	-5,470.08	1,715.42	-2,744.67	0.63	1.41	343.08
8	7,791.98	27	17	10	62.96	4,327.90	-4,532.00	1,478.03	-1,733.45	0.85	1.45	288.59
7	12,264.94	28	18	10	64.29	3,761.94	-5,123.95	1,714.66	-1,859.89	0.92	1.66	438.03
6	12,869.41	28	19	9	67.86	3,331.38	-3,912.35	1,594.67	-1,936.60	0.82	1.74	459.62
5	7,609.43	28	18	10	64.29	2,693.34	-4,884.75	1,450.31	-1,849.62	0.78	1.41	271.77
4	8,719.25	28	18	10	64.29	3,348.81	-3,895.76	1,312.69	-1,490.91	0.88	1.58	311.40
3	7,818.24	28	19	9	67.86	2,784.78	-1,808.21	990.98	-1,223.38	0.81	1.71	279.22
2	2,265.57	29	18	11	62.07	2,437.50	-4,026.36	905.70	-1,276.09	0.71	1.16	78.12
1	5,828.17	29	18	11	62.07	2,002.36	-1,875.72	684.64	-590.48	1.16	1.90	200.97

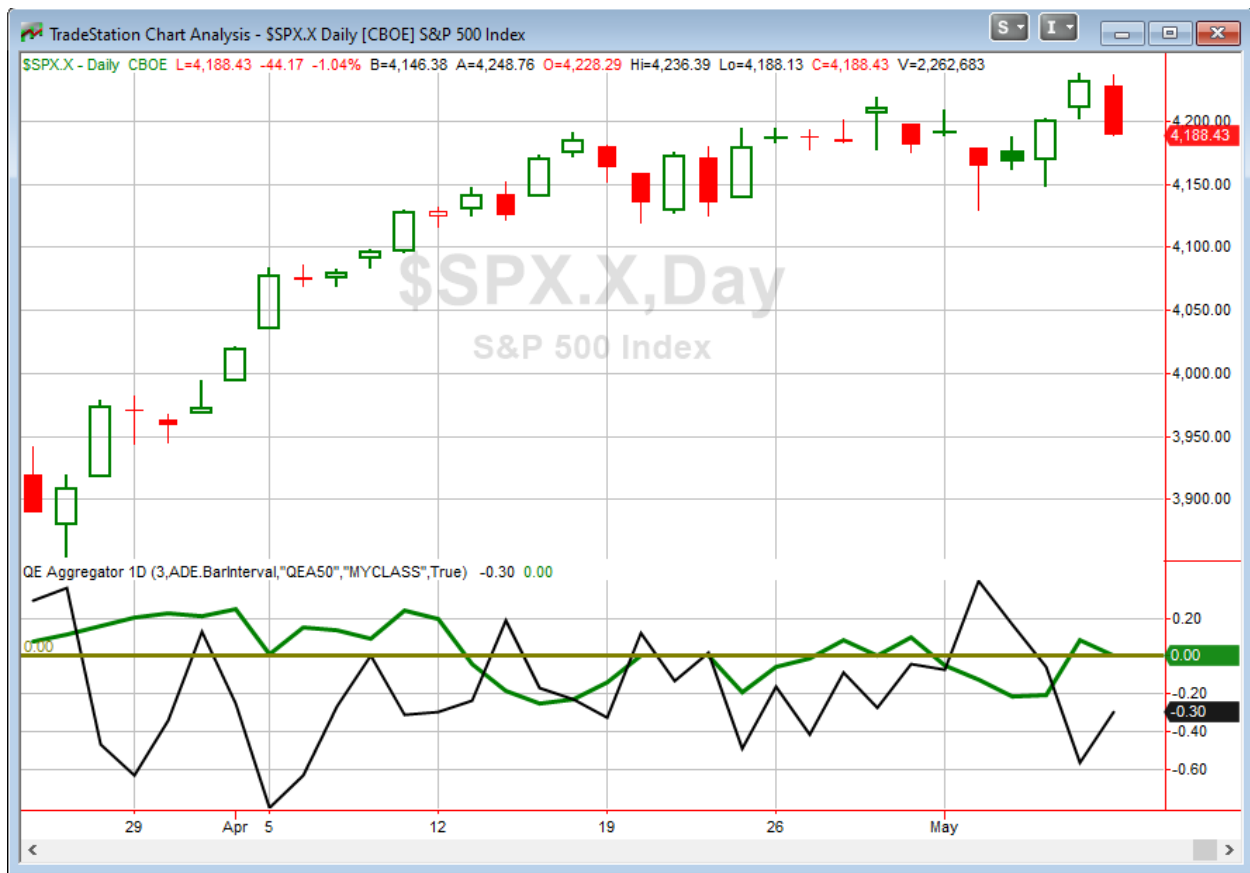
The chance of a bounce the next day appears good, but the whole edge is pretty much played out after day one. And we also need to consider the profit curve.



The upside edge suggested by the stats table is not evident upon closer examination. While the 1<sup>st</sup> half of the chart showed a solid propensity to move higher the next day, the 2<sup>nd</sup> half has not seen any progress, and it has simply chopped around.

Another bit of studying I did tonight was to look at other times SPX broke out to a 50-day high after a basing period of at least 5 days, and then the next day it lost all the gains of the breakout day. Results were basically breakeven over the next several days, and not suggestive of a compelling edge. Bottom line from all I looked at tonight is that despite the strong selloff, I am not seeing compelling evidence suggesting a directional edge.

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



With no compelling directional evidence appearing, the green Aggregator line closed at zero. Flat readings mean net expectations are neutral 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 flat but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of zero. Therefore, the Aggregator signal stayed flat at the close.

Expectations over the next few days will be highly dependent on how the market acts and what new studies emerge. Meanwhile, the Differential Pivot will be 4178.94 on Tuesday. That is 0.2% below Monday's close. Therefore, SPX would need to close down 0.2% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again neutral. This still does not appear to be a time for action. If the failed breakout pulls back over the next few days, we may see a short-term upside edge emerge. But it is not here yet.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 5/10 – neutral***

The intermediate-term outlook was last updated in the 5/10/21 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**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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