

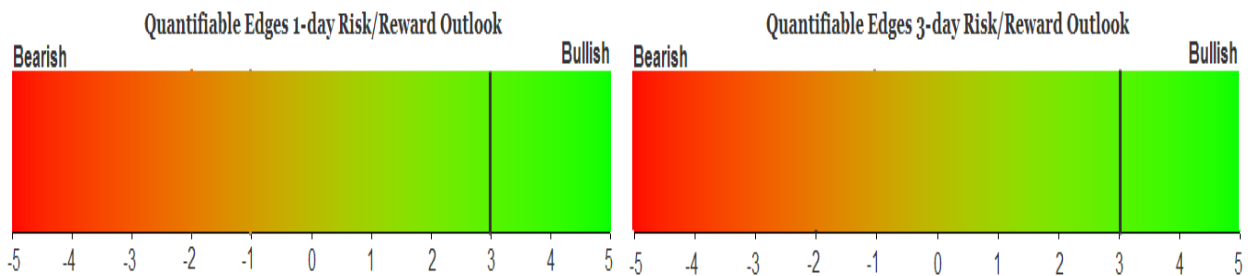
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 12, 2021

Volume 14 Issue 90

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The 1st 10-day low in a while is often buyable.

Short-term Outlook

The Bottom Line

The Aggregator is bullish and the setup looks fairly appealing for a short-term trade.

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 12, 2021	1st 10-low close in > 30 days	1-8 days	Bullish	2.55%	-1.90%	-4.20%
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			

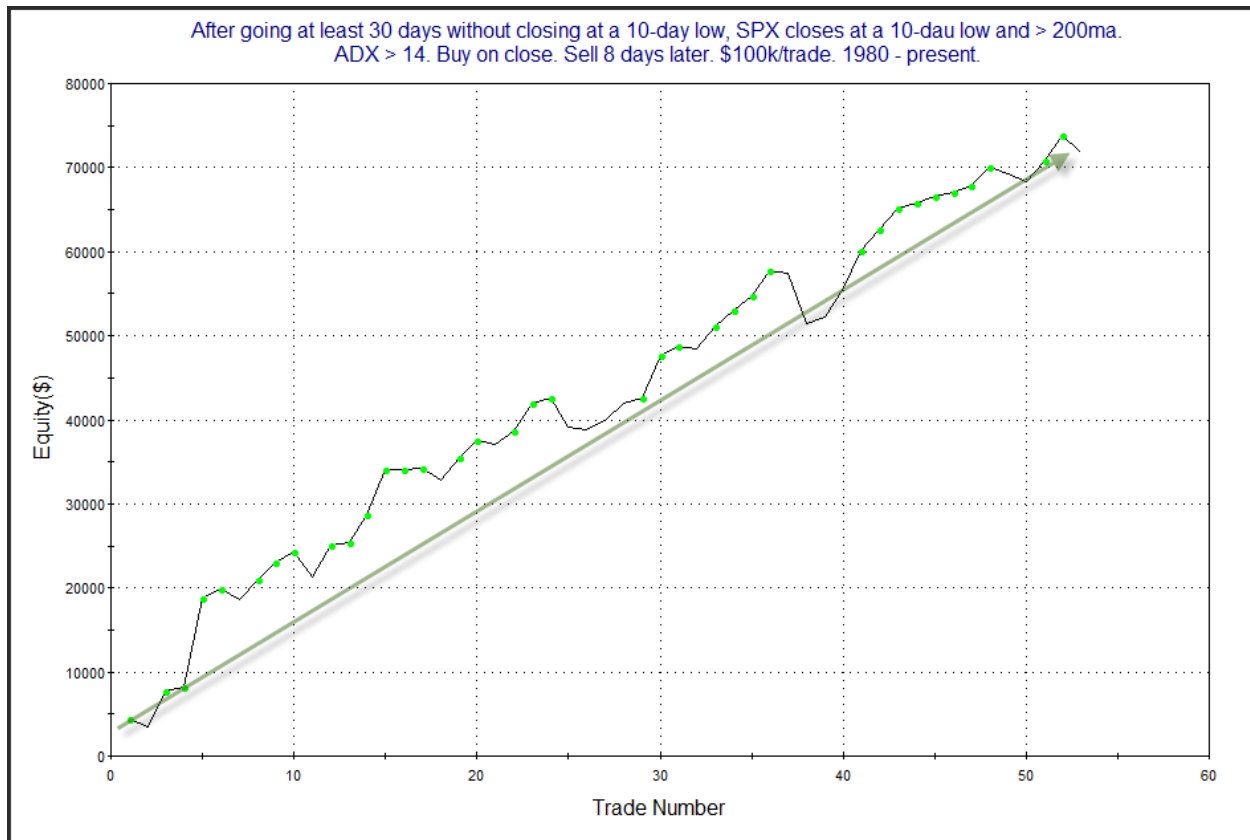
The Evidence

Tuesday started off with strong selling, but it partially turned around and numbers were more moderate at the close. SPX declined 0.9%, the NASDAQ lost 0.1%, and the Russell 2000 fell 0.3%. Breadth was negative with the NYSE Up Issues % coming in at 26% and the Up Volume % at 38%. NYSE total volume rose some for the 2nd day in a row.

Notable about the close on Tuesday is that it was the 1st 10-day low close since March 24th. Before today SPX had gone 32 trading days without closing at a 10-day low. That is a fairly long time. Historically the 1st pullback to a 10-day low after a long time without one has provided a solid upside edge. In the past I also found that the edge is more prevalent when SPX has been trending than when it has been chopping sideways for an extended period. I used ADX to determine trend strength. I found that a reading of 20 or higher seemed to be a decent filter. I last shared the study below in the 9/8/20 letter. Results are updated.

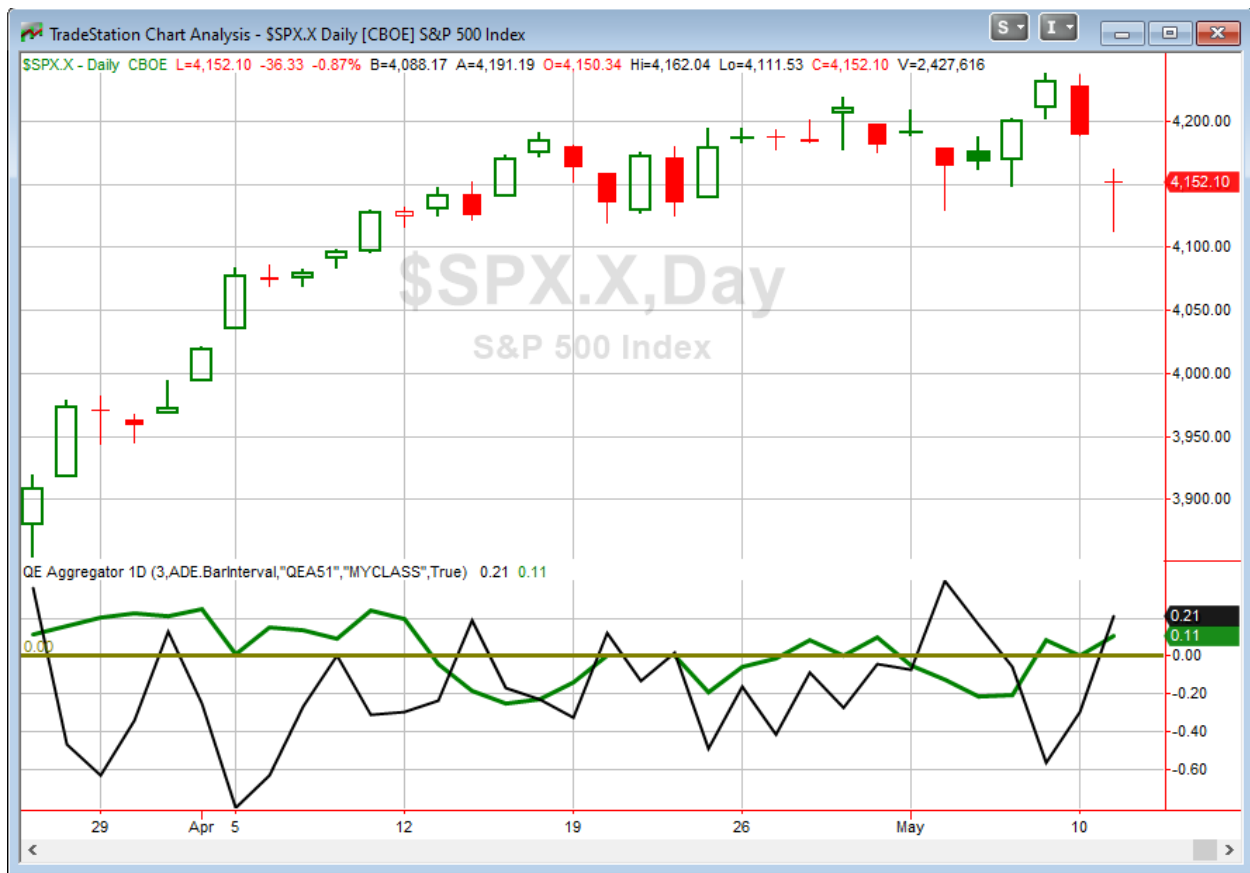
After going at least 30 days without closing at a 10-day low, SPX closes at a 10-day low and > 200ma. ADX > 14. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	73,615.10	53	35	18	66.04	12,395.76	-5,362.24	2,859.72	-1,470.85	1.94	3.78	1,388.96
9	71,337.18	53	38	15	71.70	10,529.82	-3,753.36	2,521.74	-1,632.59	1.54	3.91	1,345.98
8	71,806.09	53	40	13	75.47	10,554.48	-6,117.72	2,323.50	-1,625.68	1.43	4.40	1,354.83
7	52,243.99	53	37	16	69.81	7,743.24	-8,141.12	2,257.95	-1,956.25	1.15	2.67	985.74
6	51,129.13	53	39	14	73.58	5,893.74	-4,111.40	1,855.49	-1,516.79	1.22	3.41	964.70
5	42,360.87	53	36	17	67.92	4,608.35	-3,502.11	1,743.68	-1,200.69	1.45	3.08	799.26
4	34,542.70	53	39	14	73.58	4,690.50	-2,616.60	1,490.20	-1,683.95	0.88	2.47	651.75
3	17,590.85	53	35	18	66.04	3,940.55	-4,464.88	1,179.86	-1,316.90	0.90	1.74	331.90
2	5,570.67	53	32	21	60.38	3,744.45	-7,559.56	974.07	-1,219.03	0.80	1.22	105.11
1	3,233.56	53	30	23	56.60	2,287.60	-2,758.48	687.92	-756.69	0.91	1.19	61.01
48 of 53 instances (90.5%) closed above the entry price at some point in the next week.												

The numbers here are quite good, suggesting a short-term upside edge. Below is an 8-day profit curve.



The profit curve shows a strong steady upslope. This supports the numbers, suggesting an upside edge. I have added this study to the active list tonight.

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 also moved above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. Of course, this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4217.81 on Wednesday. That is 1.6% above Tuesday's close. Therefore, SPX would need to close up at least 1.6% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. Evidence is not overwhelming, but it does seem to lean bullish. What I like about the current setup is that there is ample room to the upside before SPX would turn overbought. This improves reward potential. So I will look to start an index position on Wednesday if I can get a decent fill. If the market continues to fall over the next few days, there is a good chance I will continue to scale in.

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.

SPY - Buy ¼ index position @ \$414.21 LIMIT. Based on the short-term section above, I am looking to start scaling into a SPY position.

Current Open Trade Ideas

None

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