

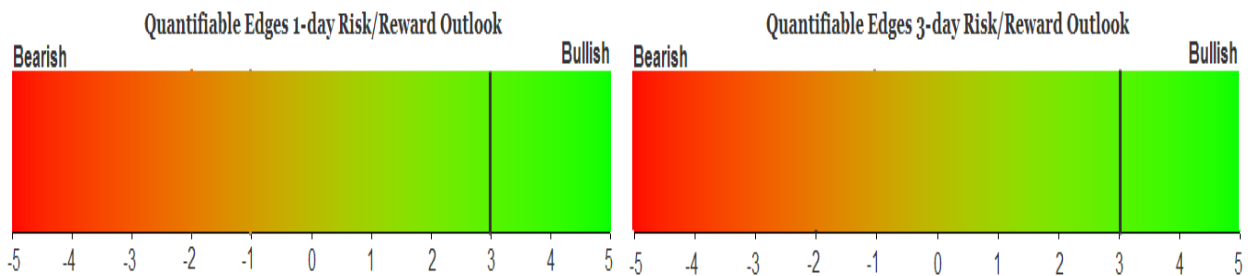
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 13, 2021

Volume 14 Issue 91

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- System 110524 triggered for SPX, which has been a reliable trigger over the years.
- The sharp VIX spike suggests a bounce in the next few days.
- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish and the market appears primed for a bounce.

**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>						
May 13, 2021	3 dn from 50-high to 10 low	1-8 days	Bullish	2.45%	-1.40%	-3.50%
May 13, 2021	VIX 35% over 10ma	1-2 days	Bullish			
May 13, 2021	System 110524	1-7 days	Bullish	2.40%	-1.60%	-3.40%
May 12, 2021	1st 10-low close in > 30 days	1-8 days	Bullish	2.55%	-1.90%	-4.20%
<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			

**The Evidence**

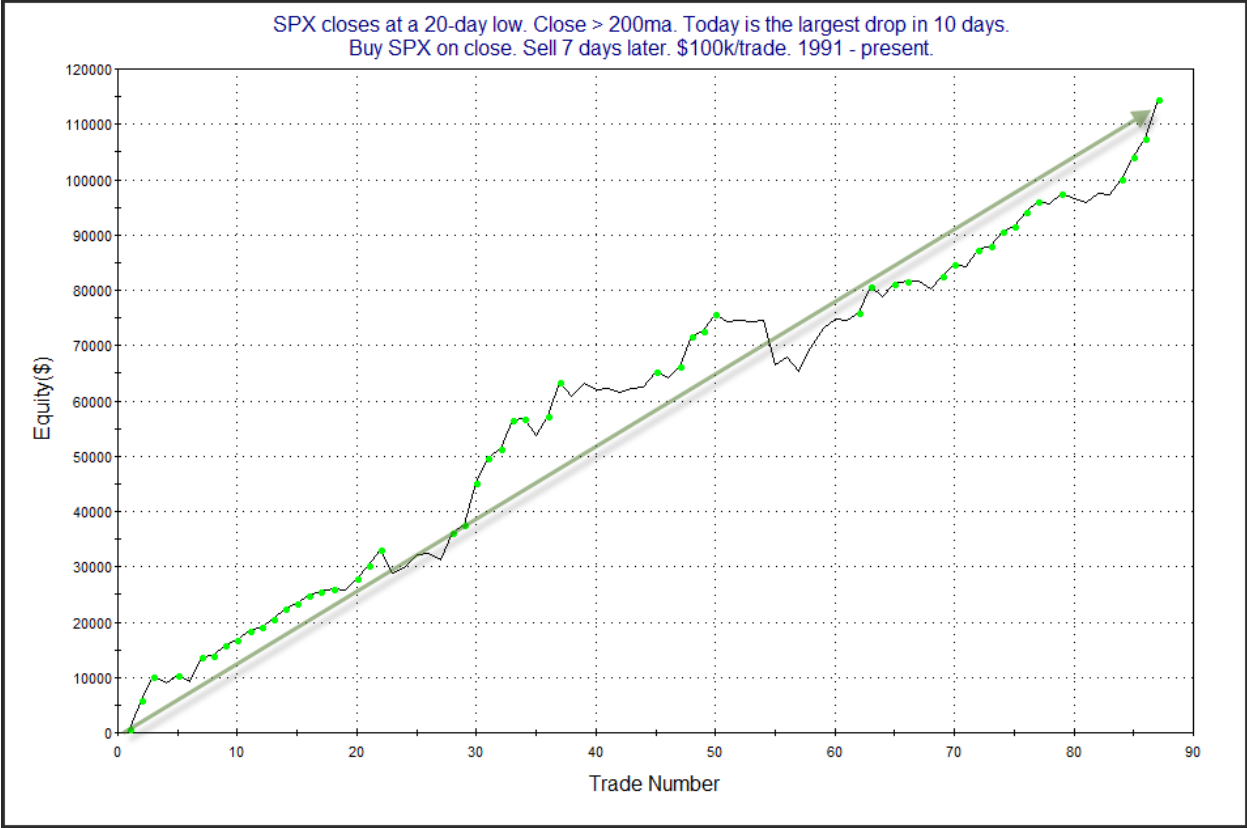
Wednesday started bad and got worse. SPX declined 2.1%, the NASDAQ lost 2.7%, and the Russell 2000 fell 3.3%. Breadth was negative with the NYSE Up Issues % coming in at 14.1% and the Up Volume % at 14.5%. NYSE total volume rose some for the 3<sup>rd</sup> day in a row.

There were several studies that triggered on Wednesday suggesting an upside edge. Below I have featured three of the most compelling ones.

The selloff in SPX put it at a 20-day low. In the 9/24/20 letter I showed a study that examined large losses that finished at intermediate-term lows. I have updated that study below.

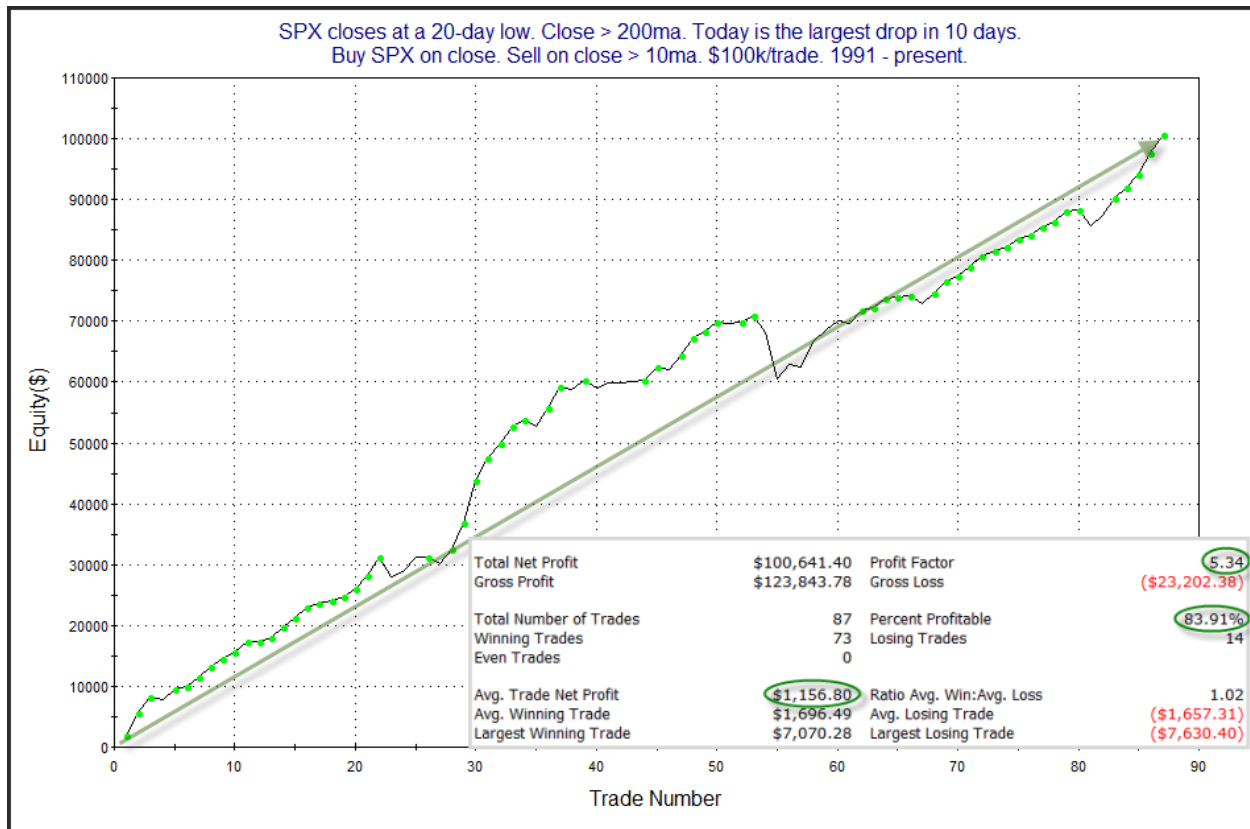
SPX closes at a 20-day low. Close > 200ma. Today is the largest drop in 10 days. Buy SPX on close. Sell X days later. \$100k/trade. 1991 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	101,861.28	84	60	24	71.43	9,048.90	-13,993.88	2,645.71	-2,370.05	1.12	2.79	1,212.63
9	121,062.92	85	66	19	77.65	8,235.00	-10,059.36	2,383.93	-1,909.29	1.25	4.34	1,424.27
8	107,066.54	86	64	22	74.42	8,384.10	-14,092.68	2,396.12	-2,103.88	1.14	3.31	1,244.96
7	114,668.91	87	64	23	73.56	7,500.06	-8,018.76	2,337.74	-1,519.41	1.54	4.28	1,318.03
6	108,288.55	89	66	23	74.16	7,272.06	-7,966.32	2,262.79	-1,785.03	1.27	3.64	1,216.73
5	92,617.47	90	59	31	65.56	7,070.28	-3,385.80	2,122.20	-1,051.37	2.02	3.84	1,029.08
4	65,804.52	92	61	31	66.30	4,731.13	-3,863.84	1,766.51	-1,353.31	1.31	2.57	715.27
3	52,130.18	92	61	31	66.30	4,277.94	-5,331.20	1,478.83	-1,228.34	1.20	2.37	566.63
2	50,649.78	93	62	31	66.67	4,809.66	-3,863.25	1,227.51	-821.16	1.49	2.99	544.62
1	18,348.89	95	61	34	64.21	5,117.46	-2,162.04	732.47	-774.47	0.95	1.70	193.15

Results here are quite bullish. Below is a look at the 7-day profit curve.



That is a nice looking curve heading in a fairly straight line from lower left to upper right.

Some subscribers may recognize the setup as numbered-system 110524. Results below are also updated and they utilize the system exit strategy rather than a simple day count.



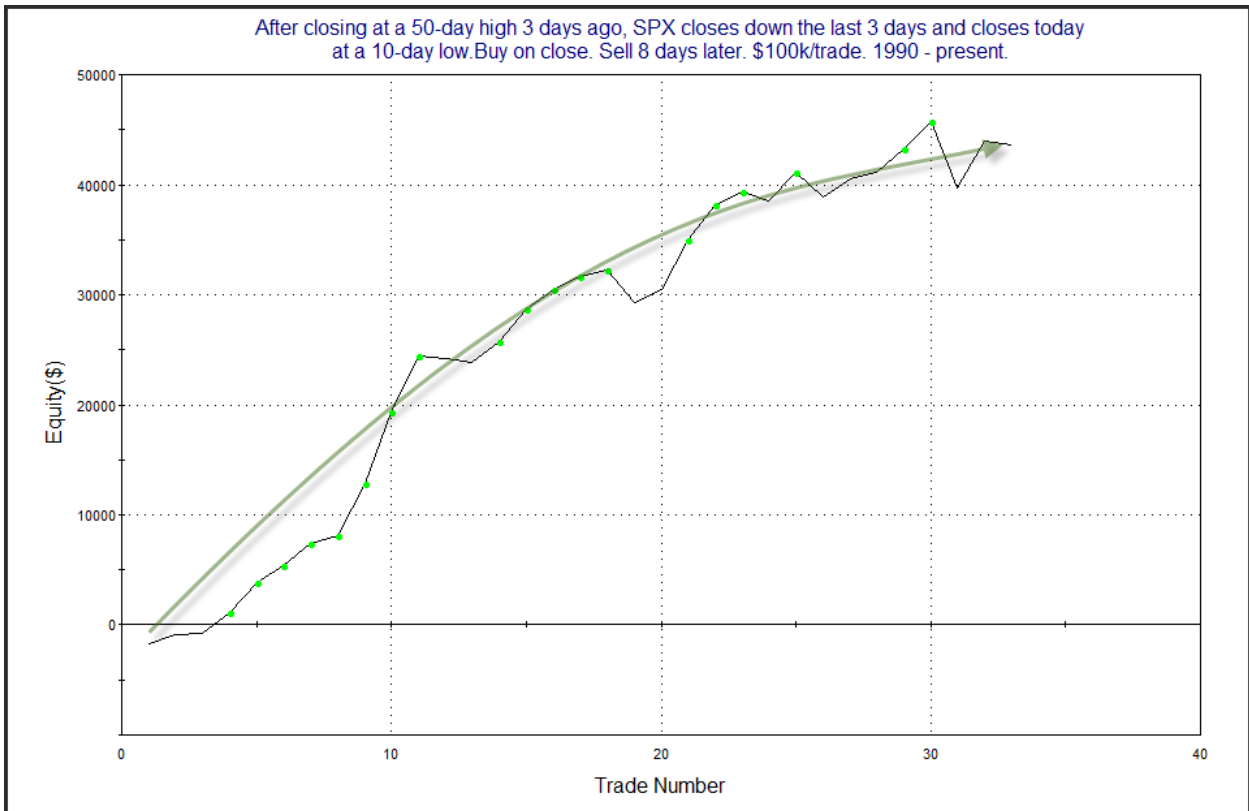
As you can see, waiting for a reversion to exit has often been a good way to go. You'll note the largest losing trade is a big one. It triggered shortly before the US debt downgrade in 2011. But the big drop was made up for fairly quickly and the upward slope continues to impress.

The decline in SPX also meant it was the 3rd day in a row in which it closed lower. Often 3-day pullbacks will trigger some bullish studies. In the 12/4/19 letter I showed a study that noted 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. I have updated that study below.

After closing at a 50-day high 3 days ago, SPX closes down the last 3 days and closes today at a 10-day low. Buy on close. Sell X days later. \$100k/trade. 1990 - 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	28,787.42	33	21	12	63.64	7,183.08	-14,379.90	2,840.49	-2,571.91	1.10	1.93	872.35
9	34,223.35	33	23	10	69.70	6,197.04	-7,605.60	2,471.64	-2,262.45	1.09	2.51	1,037.07
8	43,562.95	33	25	8	75.76	6,562.98	-6,058.50	2,330.44	-1,837.26	1.27	3.96	1,320.09
7	37,459.69	33	24	9	72.73	4,736.88	-2,873.10	2,045.10	-1,291.41	1.58	4.22	1,135.14
6	25,957.20	33	21	12	63.64	3,768.08	-6,675.60	1,977.85	-1,298.14	1.52	2.67	786.58
5	27,379.89	33	21	12	63.64	3,892.40	-4,069.80	1,980.08	-1,183.48	1.67	2.93	829.69
4	22,501.87	33	23	10	69.70	3,834.96	-8,150.10	1,787.03	-1,859.98	0.96	2.21	681.87
3	15,559.77	33	24	9	72.73	4,047.12	-7,413.90	1,328.72	-1,814.40	0.73	1.95	471.51
2	12,636.78	33	22	11	66.67	2,200.15	-3,285.00	1,137.76	-1,126.73	1.01	2.02	382.93
1	9,340.07	33	22	11	66.67	2,013.60	-2,930.40	796.04	-742.98	1.07	2.14	283.03

We see here that the odds favor a bounce, and that it has often persisted up to 8 days out. Below is a profit curve for the 8-day holding period.

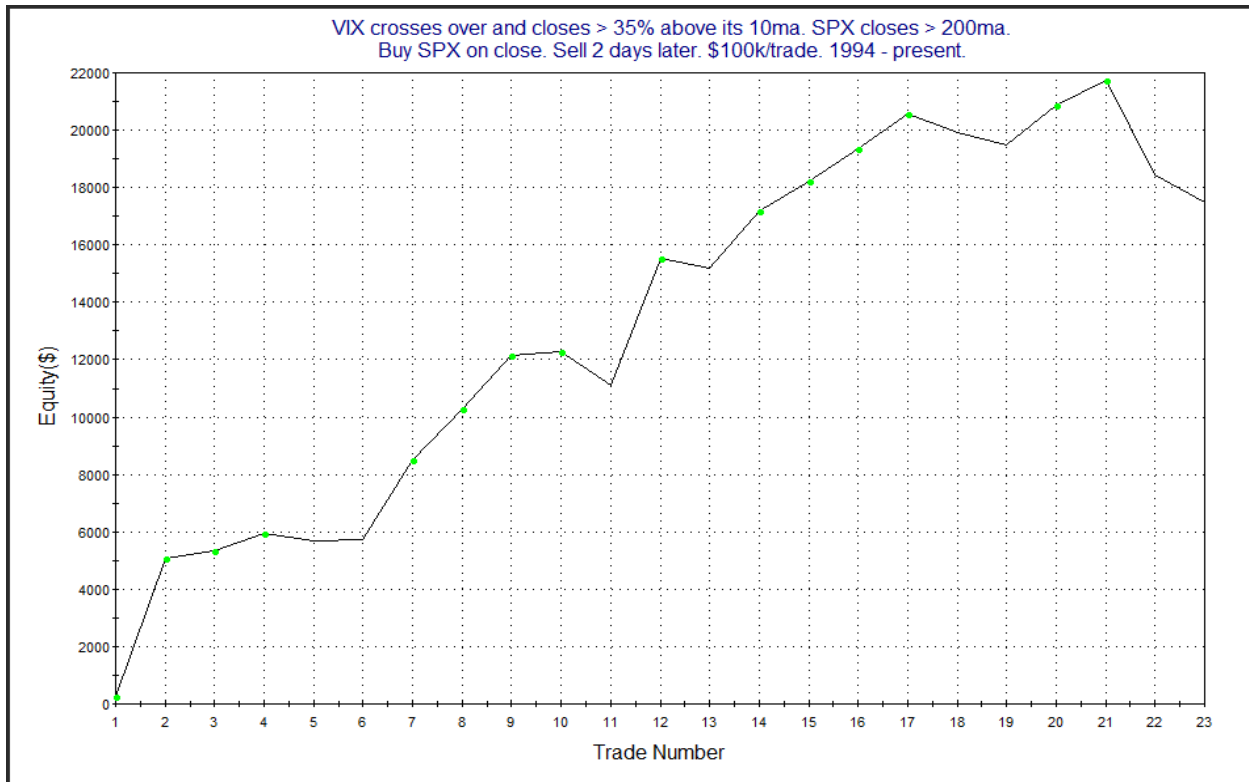


A small fade lately, but the overall move from lower left to upper right has been impressive.

The VIX underwent a large spike on Wednesday. This left it 39.8% above its 10-day ma. That is greatly stretched. In the 2/25/20 letter I looked at other stretches that took the VIX more than 35% above its 10ma while the SPX was above the 200ma. Tonight I updated that study.

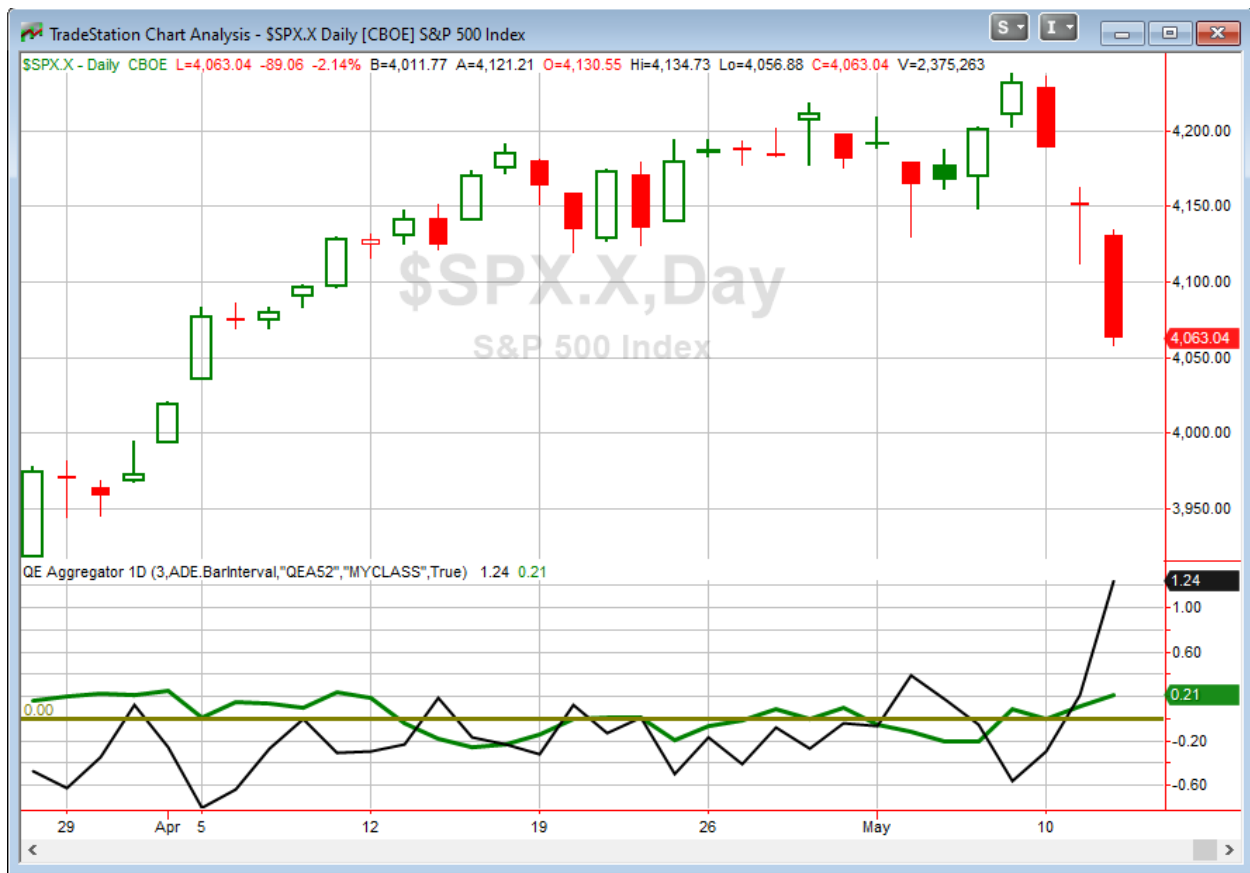
VIX crosses over and closes > 35% above its 10ma. SPX closes > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1994 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	15,189.66	21	13	8	61.90	7,070.28	-4,069.80	2,000.68	-1,352.40	1.48	2.40	723.32
4	13,496.11	22	13	9	59.09	5,290.00	-8,150.10	2,411.15	-1,983.20	1.22	1.76	613.46
3	12,693.21	23	15	8	65.22	4,895.50	-7,413.90	1,833.82	-1,851.76	0.99	1.86	551.88
2	17,508.53	23	16	7	69.57	4,809.66	-3,285.00	1,539.10	-1,016.72	1.51	3.46	761.24
1	8,999.28	23	15	8	65.22	5,117.46	-2,930.40	1,158.37	-1,047.03	1.11	2.07	391.27

This appears to suggest an edge, especially over the next 2 days. Below is a profit curve for the 2-day holding period.



The last 2 instances have struggled but this study still appears to be worth some consideration.

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



With tonight's evidence considered, the green Aggregator line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is now very far above 0. The positive Differential Line reading means that SPX is strongly 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 stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4180.60 on Thursday. That is a whopping 2.9% above Wednesday's close. Therefore, SPX would need to close up at least 2.9% on Thursday in order to flip from oversold to overbought vs recent expectations. A move that large is unlikely. A more likely scenario for working off the oversold condition is a multi-day rally or consolidation.

The Aggregator is bullish. The market is strongly oversold. And there is ample evidence suggesting it is about time that a bounce is likely. It may not be immediate, but I like the long side. I will be looking to add to my small SPY position on Thursday if I can get a decent fill.

**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***

***New***

ACN @ \$279.39 (buy 1/3 @ limit)

***Broad Market Large Cap CBI – 1(ACN)***

**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 @ \$405.41 LIMIT.** Based on the short-term section above, I am looking to add a 2<sup>nd</sup> lot to my SPY position.

**ACN - Buy 1/3 Catapult position @ \$279.39 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 lots for ACN.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	5/12/2021	\$411.23	\$405.41	-1.42%		Aggregator

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.