

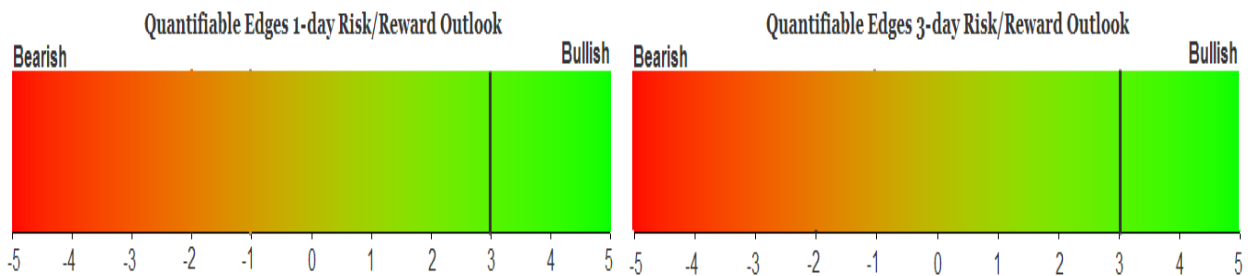
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 14, 2021

Volume 14 Issue 92

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- A 2%+ drop to a 10-day low followed by a 1%+ (but weaker) rally has often led to upside follow through over the next several days.
- SPY unfilled gap higher on an inside day suggests Friday could see a dip.

Short-term Outlook

The Bottom Line

Thursday saw the market bounce. Evidence suggests we should see the bounce continue further.

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 14, 2021	2% dn to 10-low then 1% up	1-5 days	Bullish	3.00%	-1.40%	-2.70%
May 14, 2021	Unfilled up gap inside day > 200	1 day	Bearish			
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%
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			

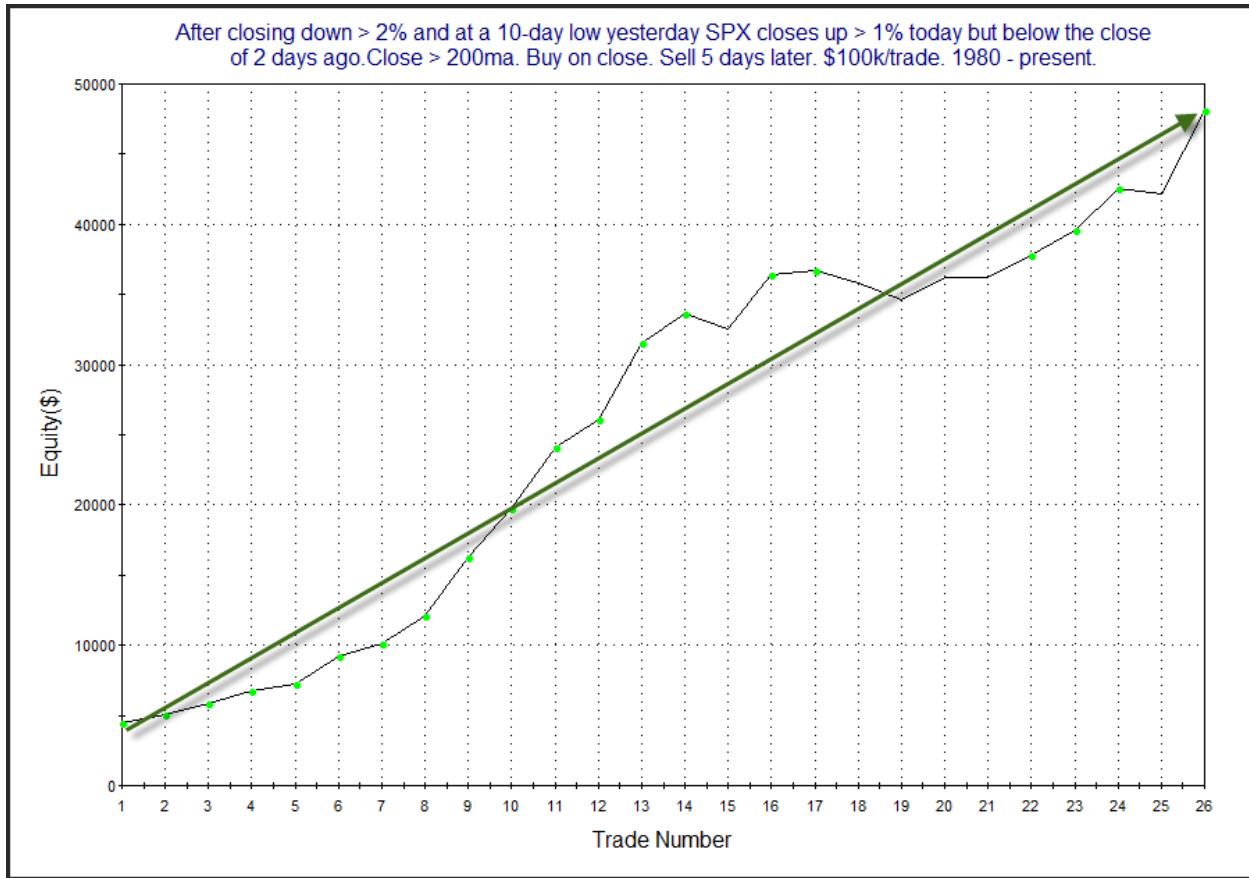
The Evidence

The market put in a decent bounce and recovered some losses on Thursday. SPX finished up 1.2%, the NASDAQ gained 0.7%, and the Russell 2000 climbed 1.7%. Breadth was positive with the NYSE Up Issues % coming in at 66% and the Up Volume % at 65%. NYSE total volume rose some for the 4th day in a row.

The rebound on Thursday did look encouraging. In the 6/30/20 letter I looked at other times that a strong decline was followed by a sizable rebound that failed to completely make up for the previous day's loss. I have updated that study below.

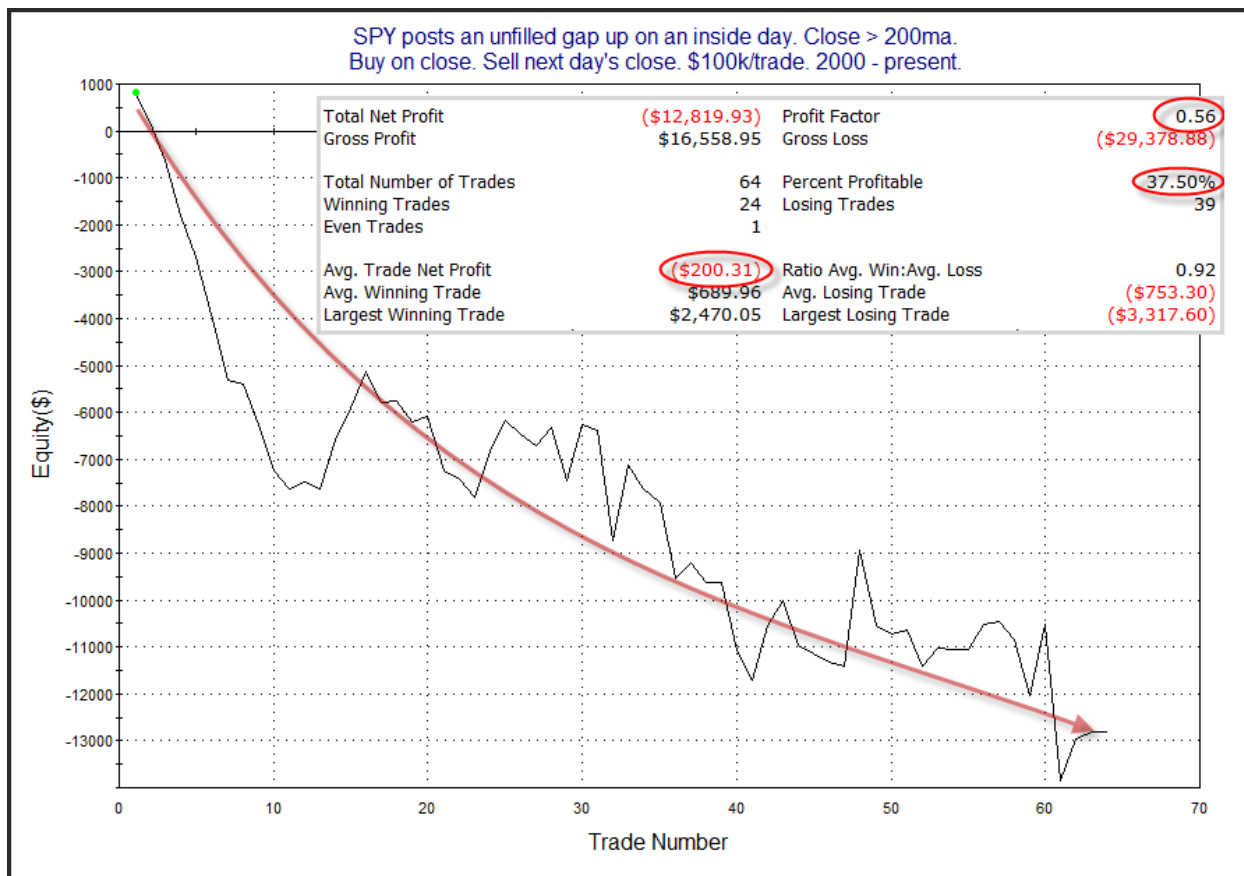
After closing down > 2% and at a 10-day low yesterday SPX closes up > 1% today but below the close of 2 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	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
5	48,137.15	26	22	4	84.62	6,010.20	-1,191.40	2,347.20	-875.34	2.68	14.75	1,851.43
4	40,592.94	26	21	5	80.77	4,997.19	-1,448.18	2,129.48	-825.23	2.58	10.84	1,561.27
3	37,167.51	27	20	7	74.07	4,134.33	-2,796.83	2,216.16	-1,022.24	2.17	6.19	1,376.57
2	25,192.86	27	20	7	74.07	4,001.40	-4,223.18	1,860.91	-1,717.91	1.08	3.09	933.07
1	10,087.02	27	16	11	59.26	2,842.84	-1,733.33	1,154.41	-762.14	1.51	2.20	373.59

There appears to be a strong tendency for a further bounce over the next few days. Below is a look at a 5-day profit curve.



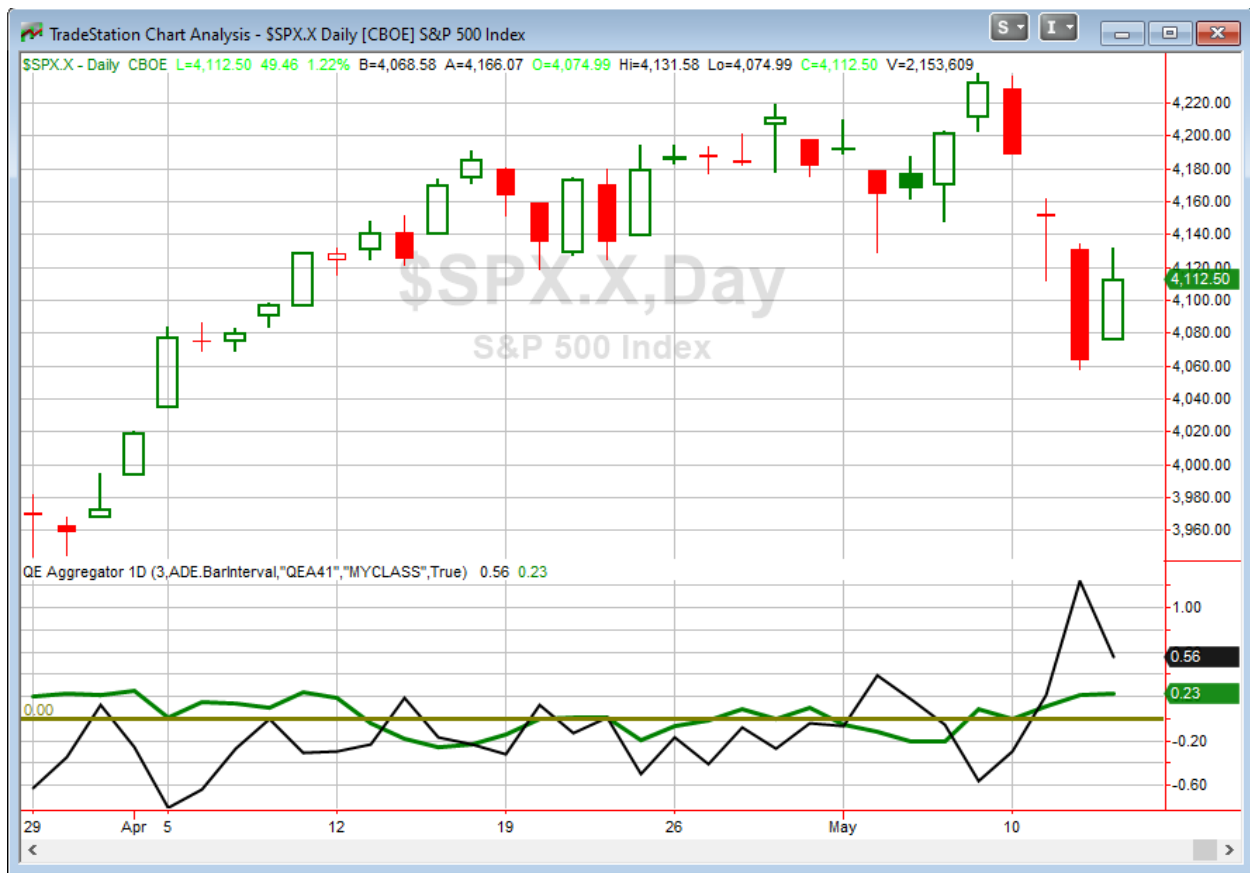
A strong move from lower left to upper right serves as some confirmation of the bullish numbers. I have included this study on the active list.

But we did have another study suggesting possible *1-day* bearish implications based on Thursday's action. The study looks at days like Thursday where the market gaps higher, never fills, and moves higher from open to close without making a higher high. Last seen in the 2/4/20 letter, results below are updated.



Implications here appear somewhat bearish. The profit curve is not ideal, but it still appears to suggest a downside edge. Overall, this study appears to be worth some consideration, and I have included it on the active list tonight.

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



With tonight's mix of 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 still far 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 stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4158.64 on Friday. That is 1.1% above Thursday's close. Therefore, SPX would need to close up at least 1.1% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Evidence still points higher and it appears there should likely be more to this bounce. Unfortunately, the unfilled gap up on Thursday also left me without a fill on the 2nd lot of SPY. I'd still look to take on another lot if I can get a favorable fill either at the open or the close on Friday.

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

ACN @ \$279.39 (buy 1/3 @ limit) – not filled, cancel for now

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 @ \$408.00 LIMIT ON OPEN. If not filled on open, cancel and then look to buy @ \$409.00 LIMIT ON CLOSE. Based on the short-term section above, I am looking to add a 2nd lot to my SPY position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	5/12/2021	\$411.23	\$410.28	-0.23%		Aggregator

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