

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 21, 2021

Volume 14 Issue 97

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Opex Friday has often seen bearish intraday returns, especially for the NASDAQ 100.

Short-term Outlook

The Bottom Line

The Aggregator is neutral, and could easily swing in either direction on Friday. There does not appear to be a substantial multi-day directional 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						
None						
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)						
May 20, 2021	3-day pullback not frm 20-hi. HV > 1 day		Bullish			
May 14, 2021	2% dn to 10-low then 1% up	1-5 days	Bullish	3.00%	-1.40%	-2.70%
May 13, 2021	3 dn from 50-high to 10 low	1-8 days	Bullish	2.45%	-1.40%	-3.50%

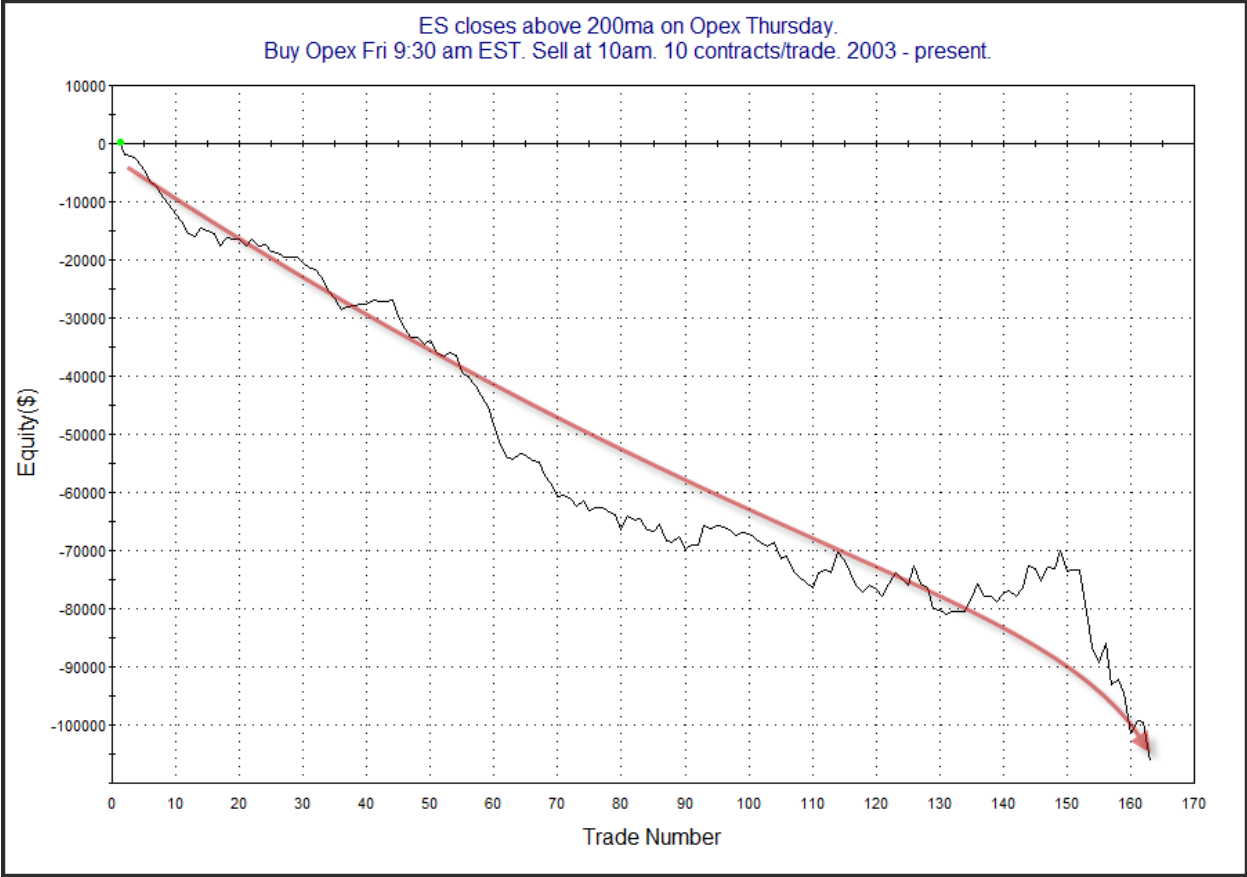
The Evidence

Thursday was a strong day for the indices. SPX finished up 1.1%, the NASDAQ rallied 1.8%, and the Russell 2000 gained 0.6%. Breadth was positive with the NYSE Up Issues % coming in at 66% and the Up Volume % at 57%. NYSE total volume declined some from Wednesday's level.

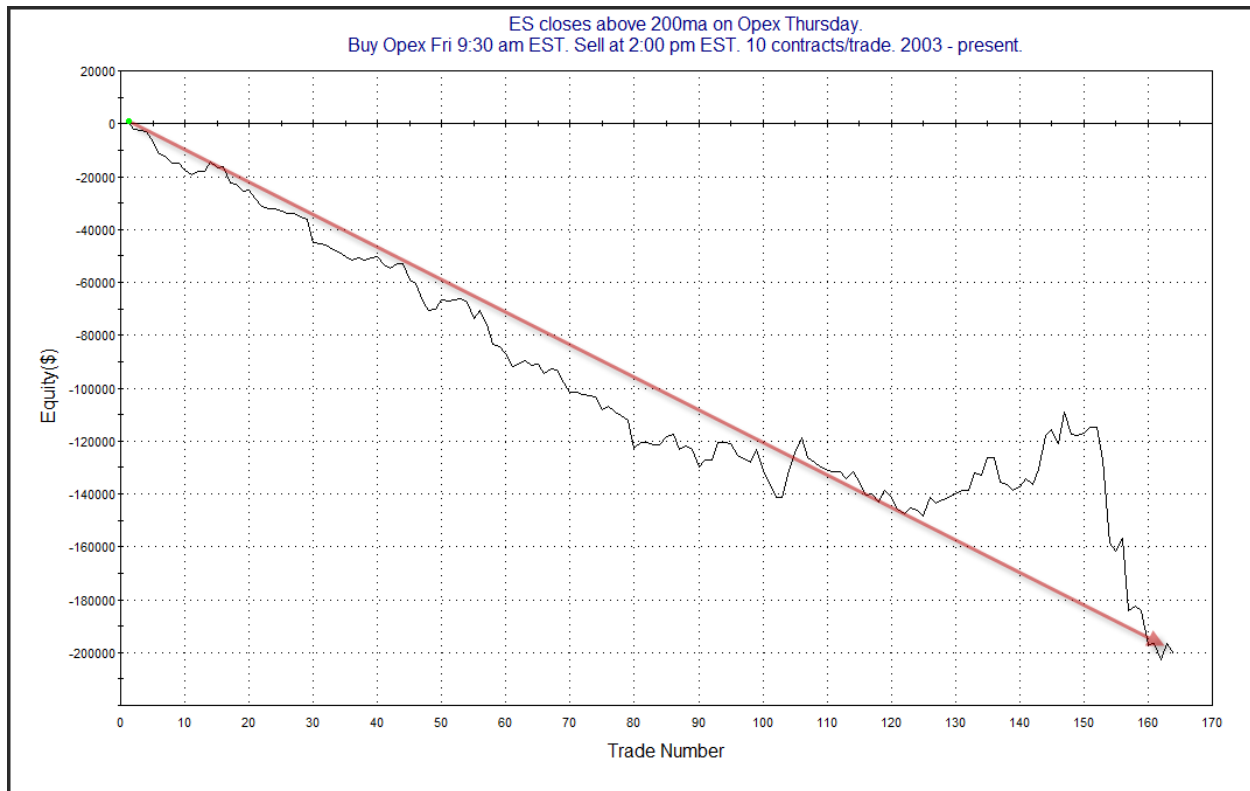
It is notable that Friday is options expiration. Options expiration has long been a day that has seen weakness after the opening bell (and strength before it). Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. The tables and charts are updated from the 1/15/21 letter.

ES closes above 200ma on Opex Thursday. Buy Opex Fri 9:30 am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-214,000.00	163	68	92	41.72	13,875.00	-28,500.00	2,875.00	-4,451.09	0.65	0.48	-1,312.88
1,500	-158,375.00	163	64	94	39.26	11,625.00	-24,250.00	3,171.88	-3,844.41	0.83	0.56	-971.63
1,400	-196,625.00	163	55	101	33.74	12,500.00	-31,625.00	2,877.27	-3,513.61	0.82	0.45	-1,206.29
1,300	-160,250.00	163	57	105	34.97	11,375.00	-22,125.00	2,813.60	-3,053.57	0.92	0.50	-983.13
1,200	-138,875.00	163	58	105	35.58	12,000.00	-12,750.00	2,545.26	-2,728.57	0.93	0.52	-851.99
1,100	-119,500.00	163	61	100	37.42	14,625.00	-12,625.00	2,090.16	-2,470.00	0.85	0.52	-733.13
1,000	-106,250.00	163	49	110	30.06	3,875.00	-7,000.00	1,255.10	-1,525.00	0.82	0.37	-651.84

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 2pm. Below is a look at a profit curve for the 1st half-hour.



The strong move from upper left to lower right supports the bearish case. Next is the 2pm exit.

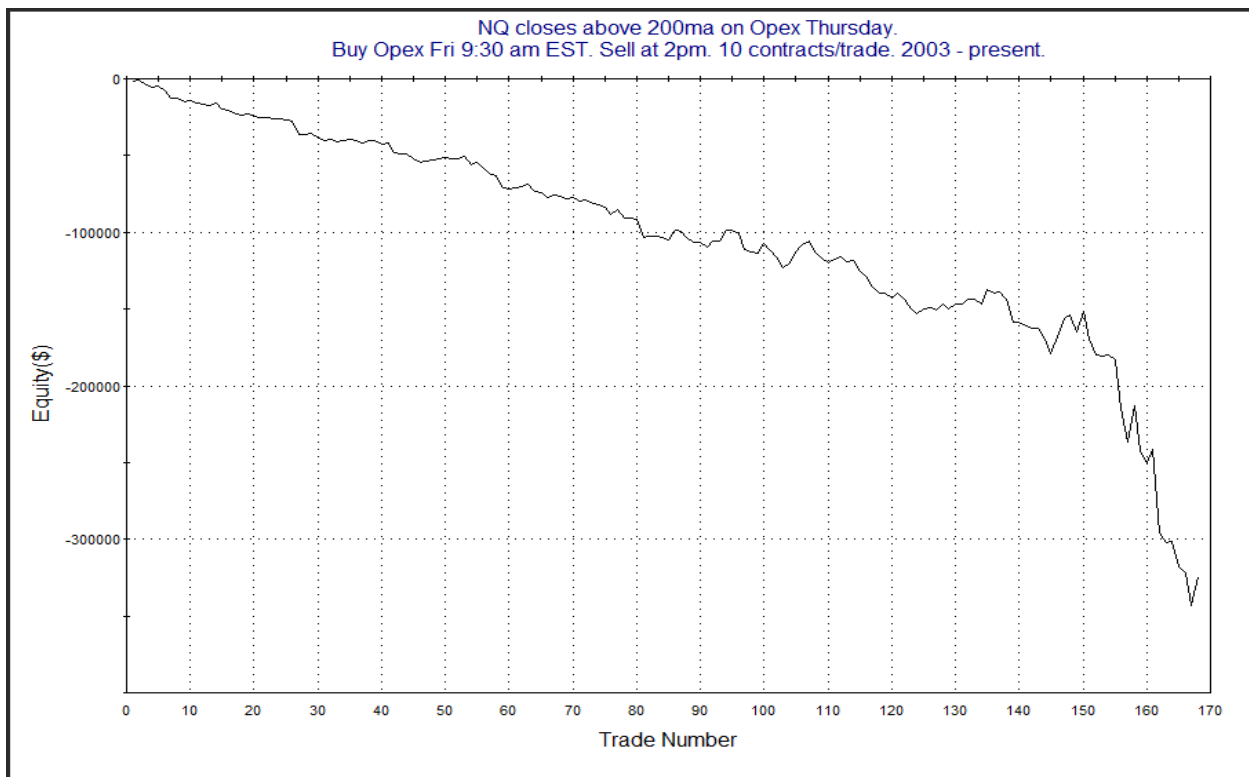
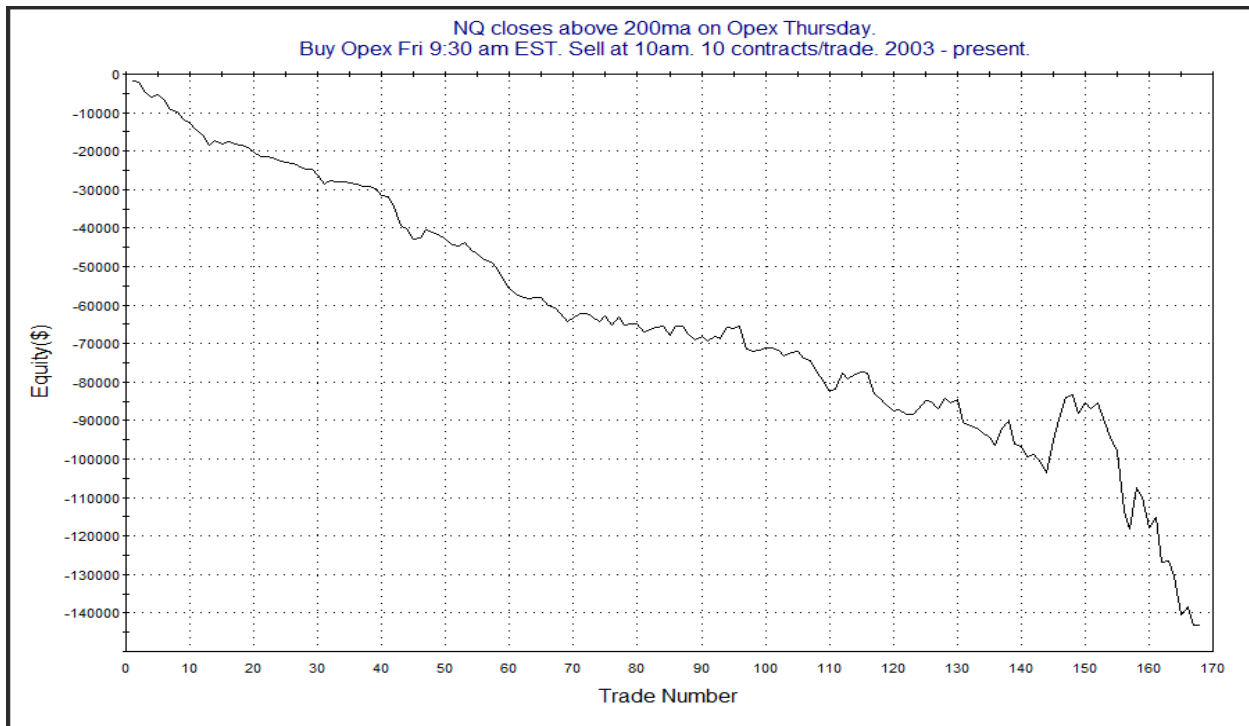


This is also impressive.

NQ (the NASDAQ 100 future) has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

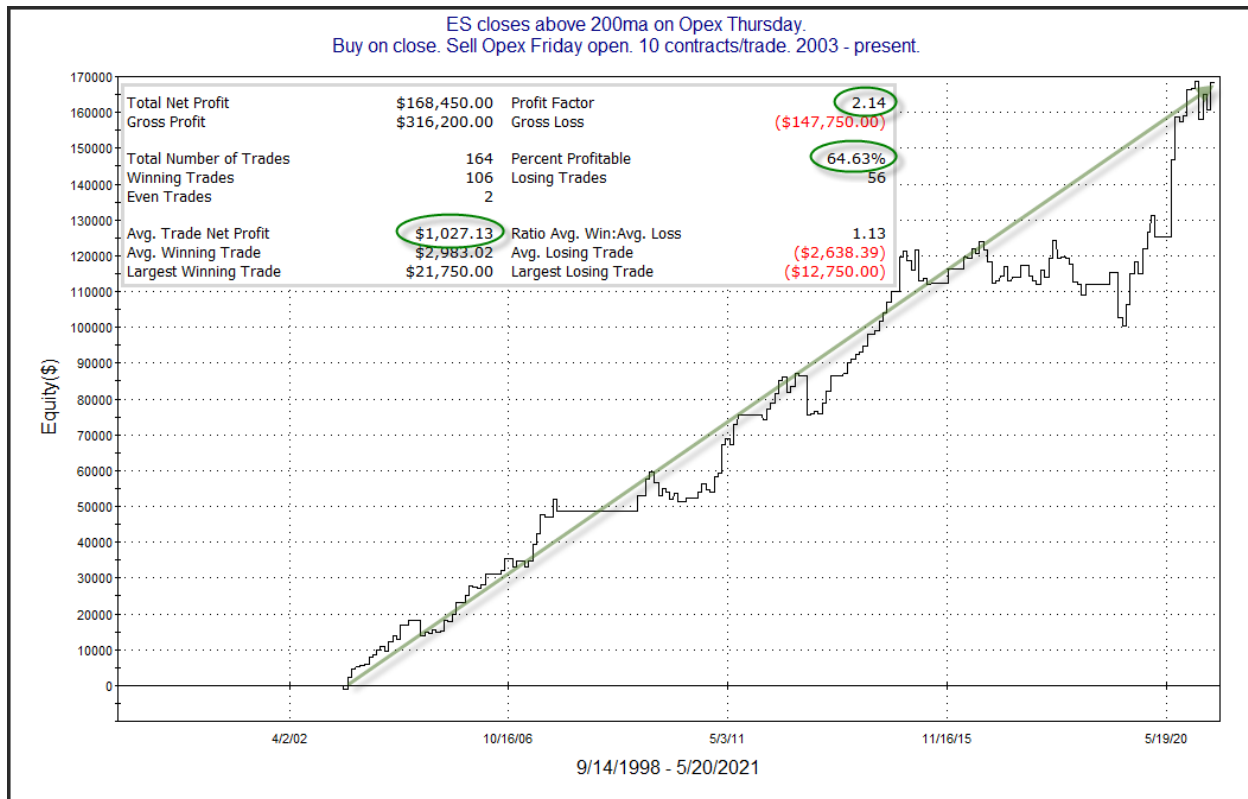
NQ closes above 200ma on Opex Thursday.
Buy Opex Fri 9:30 am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-345,500.00	168	66	102	39.29	36,850.00	-39,500.00	3,493.18	-5,647.55	0.62	0.40	-2,056.55
1,500	-290,950.00	168	63	104	37.50	22,850.00	-44,750.00	3,611.90	-4,985.58	0.72	0.44	-1,731.85
1,400	-324,350.00	168	56	112	33.33	23,550.00	-54,100.00	3,345.54	-4,568.75	0.73	0.37	-1,930.65
1,300	-263,300.00	168	61	105	36.31	20,750.00	-53,400.00	3,243.44	-4,391.90	0.74	0.43	-1,567.26
1,200	-239,150.00	168	63	104	37.50	13,750.00	-32,550.00	2,653.97	-3,907.21	0.68	0.41	-1,423.51
1,100	-176,700.00	168	59	109	35.12	17,650.00	-31,300.00	2,936.44	-3,210.55	0.91	0.50	-1,051.79
1,000	-143,150.00	168	51	113	30.36	10,700.00	-15,500.00	1,680.39	-2,025.22	0.83	0.37	-852.08



The bearish edge appears alive and well here.

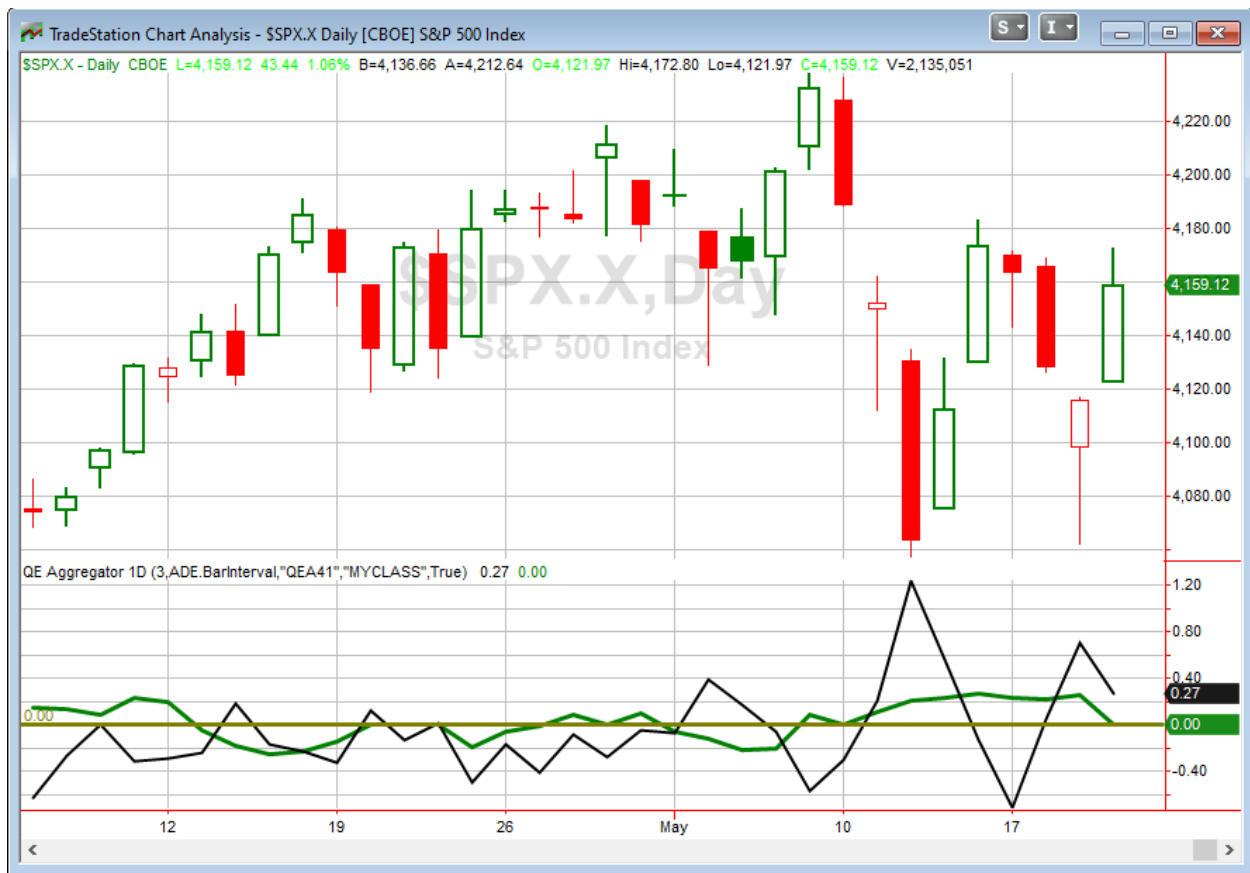
Not many people realize this downside edge even exists. I think the reason for that is that it is basically imperceptible on a daily chart. The downside intraday edge is almost completely obscured by the upside edge that occurs in the night prior to opex Friday. This can be seen below:



So the common action for opex Friday is a gap up followed by a selloff. We'll see if that plays out tomorrow.

I'll note that the studies on the active list all expired or hit their targets, or both. So the short-term active list is blank tonight. (I did not include the intraday study since it is just an intraday edge.)

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



With all the short-term active studies expiring, the green Aggregator line finished at zero. Zero readings mean net expectations are flat over the next few days. Meanwhile the black Differential Line held above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are flat and SPX is oversold. 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 turned flat at the close.

With the short-term active studies list blank and the intermediate-term neutral, expectations over the next few days will be largely dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be *inverted* at 4157.71 on Friday. That is just 1 ½ points below Thursday's close. Therefore, SPX will be considered "overbought" vs expectations on any up close and "oversold" on almost any down close.

So the Aggregator is neutral. Evidence is lacking. And the outlook could easily flip either way based on Friday's action. Very nimble traders could consider looking for short-side opportunities for intraday trades on Friday. I don't see a substantial edge for the multi-day timeframe. I'll wait until a more defined edge emerges before looking to take on my next index swing trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/17 – neutral

The intermediate-term outlook was last updated in the 5/17/21 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.

Current Open Trade Ideas

None.

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