

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 16, 2021

Volume 14 Issue 135

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Thursday was the 1st time SPY closed at a 5-day low in a while, while still closing above its 10ma. That has typically meant a bounce in the next several days.
- Opex Friday has often seen bearish intraday returns, especially for the NASDAQ 100.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but opex Fridays tend to sell off after the open. I like the long side, but will wait until later in the day to look for an entry.

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						
July 16, 2021	SPY 1st 5 low in 10 days. Close >10ma	1-5 days	Bullish			
July 15, 2021	SPX up. Up Vol % < 40%. SPX > 200	1-7 days	Bullish	1.80%	-1.10%	-2.20%
July 14, 2021	SPX 20-high & close btm 10% daily rng	1-6 days	Bullish	1.60%	-1.10%	-2.10%
Active - Long Term						
July 8, 2021	Russell btm 25% 20-day rng. SPX top 25%	1-40 days	Bullish			
July 6, 2021	SPX 200 hi. Mc Osc < 0 12 days in row	1-45 days	Bearish	-6.50%	2.45%	4.50%
July 2, 2021	SPX RSI2 > 99	1-15 days	Bullish	2.30%	-1.50%	-3.00%
June 28, 2021	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.80%
June 14, 2021	NASDAQ leading	int term	Bullish			
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			

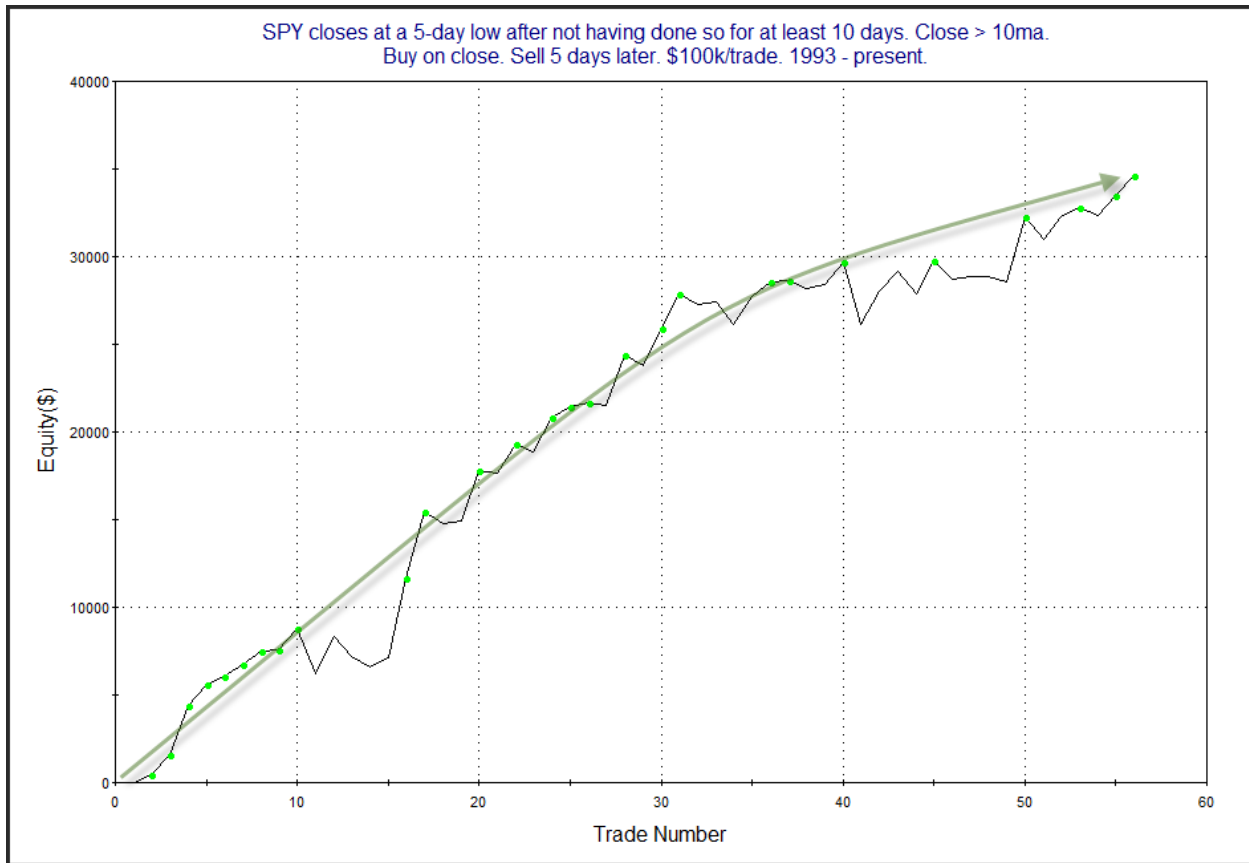
The Evidence

The market was down across the board on Thursday. The SPX lost 0.3%, the NASDAQ declined 0.7%, and the Russell 2000 fell 0.55%. Breadth was negative with the NYSE Up Issues % coming in at 38.4% and the Up Volume % at 38.2%. NYSE total volume declined some from Wednesday’s level.

Thursday’s action caused SPY to close in an interesting position. Traders could look at the chart and say it is “short-term oversold” due to the fact that it closed at a 5-day low. They might also say it is “short-term overbought” since it closed above its 10-day moving average. I have found that edges often arise when something is short-term overdone in one timeframe, but overdone in another direction in another timeframe. The study below looks at the current discrepancy. It was last seen in the 6/4/21 letter and has been updated.

SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	34,639.73	56	37	19	66.07	4,496.34	-3,570.00	1,384.64	-873.25	1.59	3.09	618.57
4	29,394.52	56	37	19	66.07	3,240.45	-2,475.20	1,240.29	-868.22	1.43	2.78	524.90
3	24,678.85	56	39	17	69.64	3,452.40	-3,393.78	1,094.74	-1,059.76	1.03	2.37	440.69
2	15,440.30	56	35	21	62.50	3,809.72	-3,737.28	975.22	-890.12	1.10	1.83	275.72
1	6,879.03	56	32	24	57.14	2,225.48	-3,909.03	708.89	-658.57	1.08	1.44	122.84

Results here suggest a solid edge over the next 1-5 days. Below is the 5-day profit curve.



The strong and persistent upslope is impressive, and serves as some confirmation of the bullish edge suggested by the numbers. I have added this study to the Active List tonight.

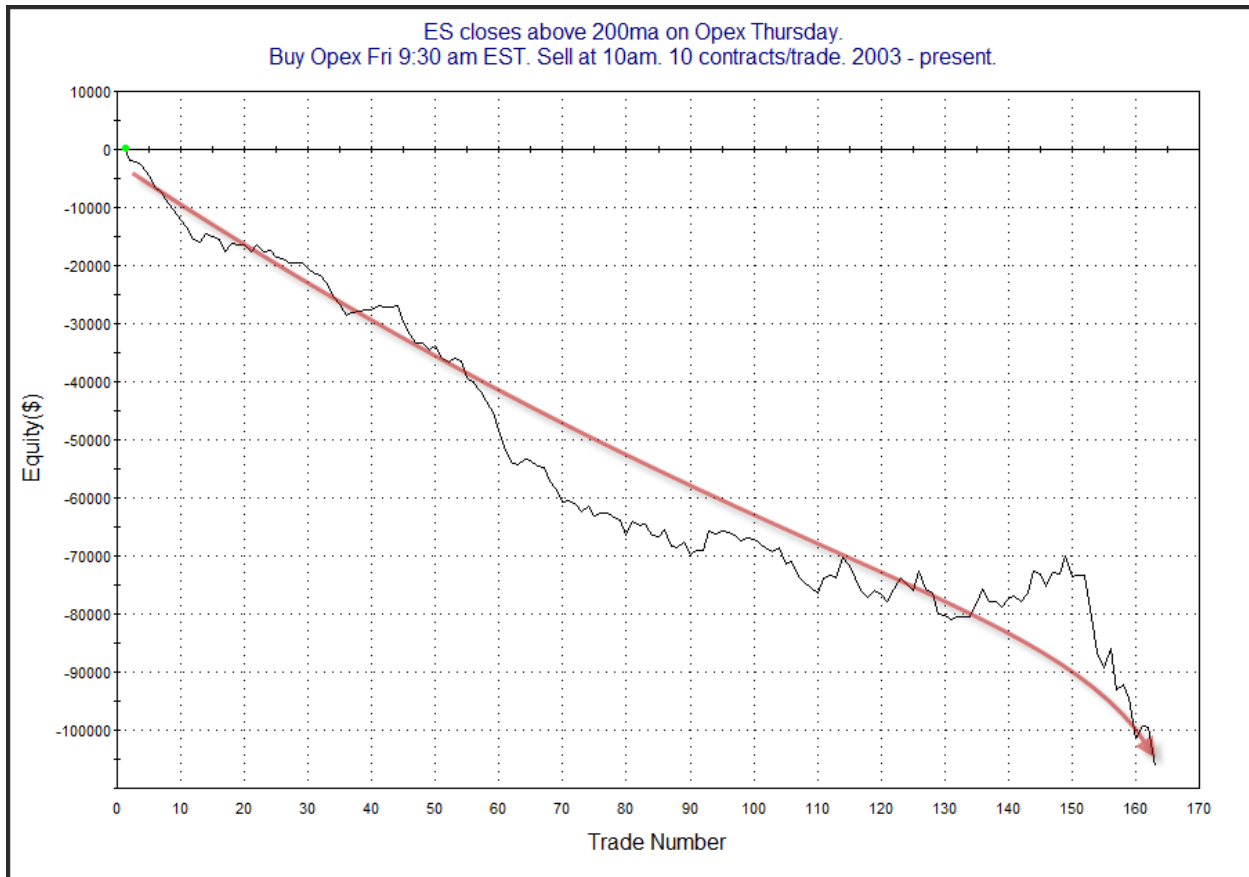
Below is research I published in May with regards to opex Friday action. Due to a busy schedule tonight, I have not updated the studies. The message would not have changed, anyway...

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.

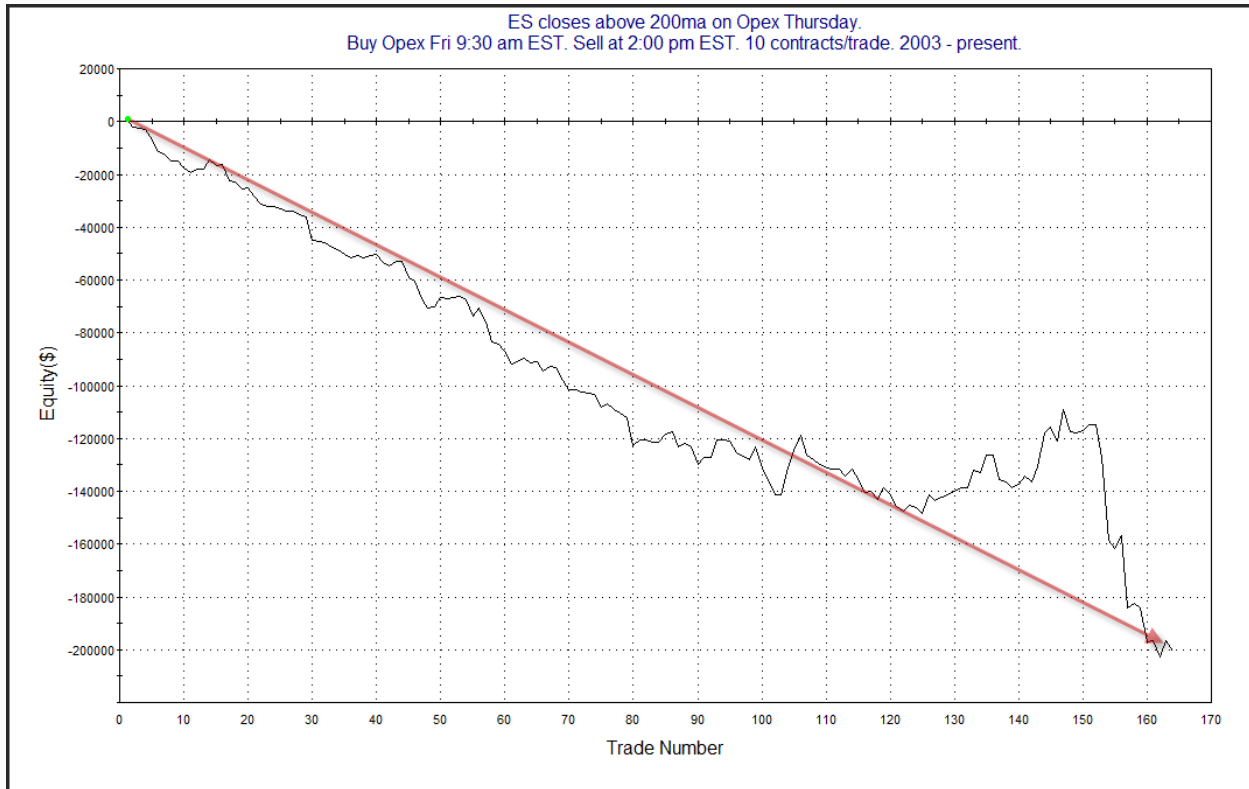
ES closes above 200ma on Opex Thursday.
Buy Opex Fri 9:30 am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

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.

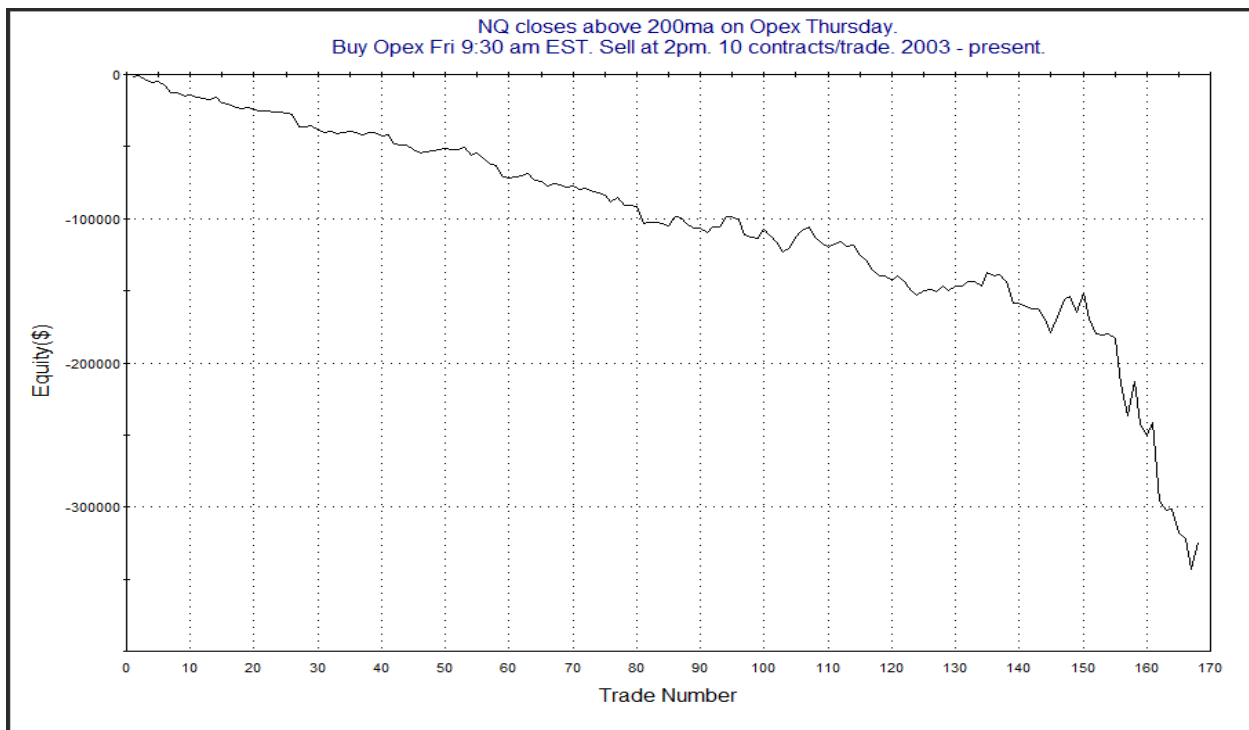
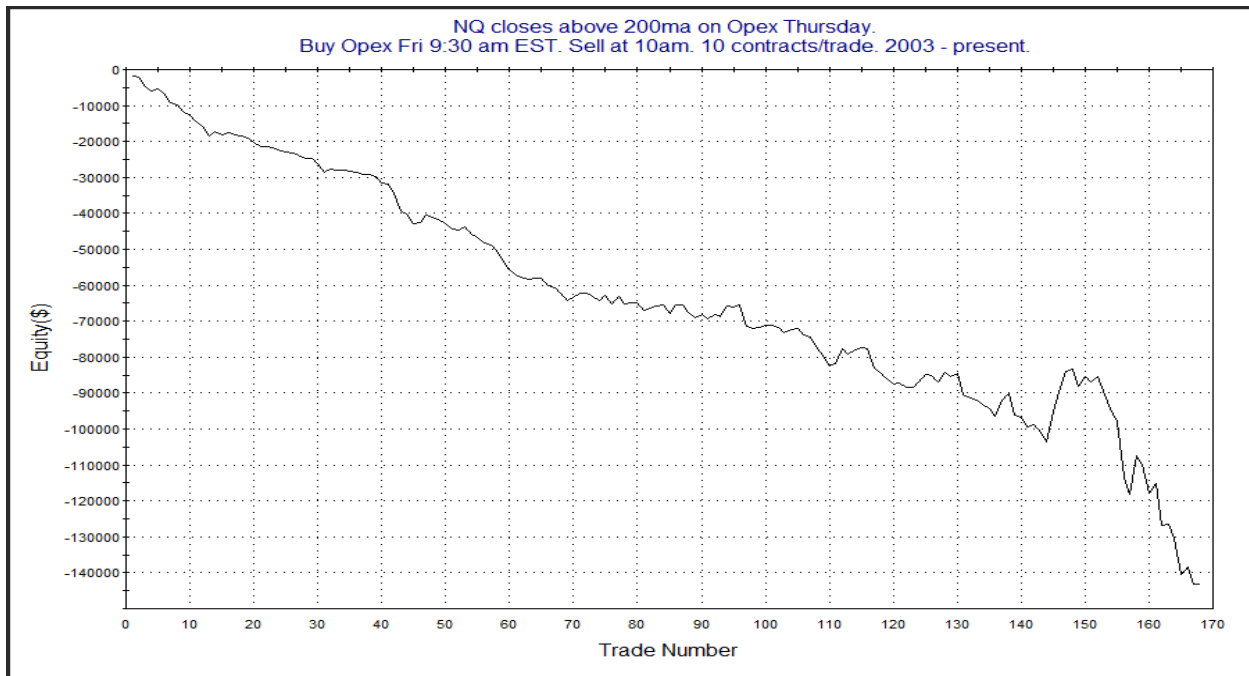


This is also impressive.

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.

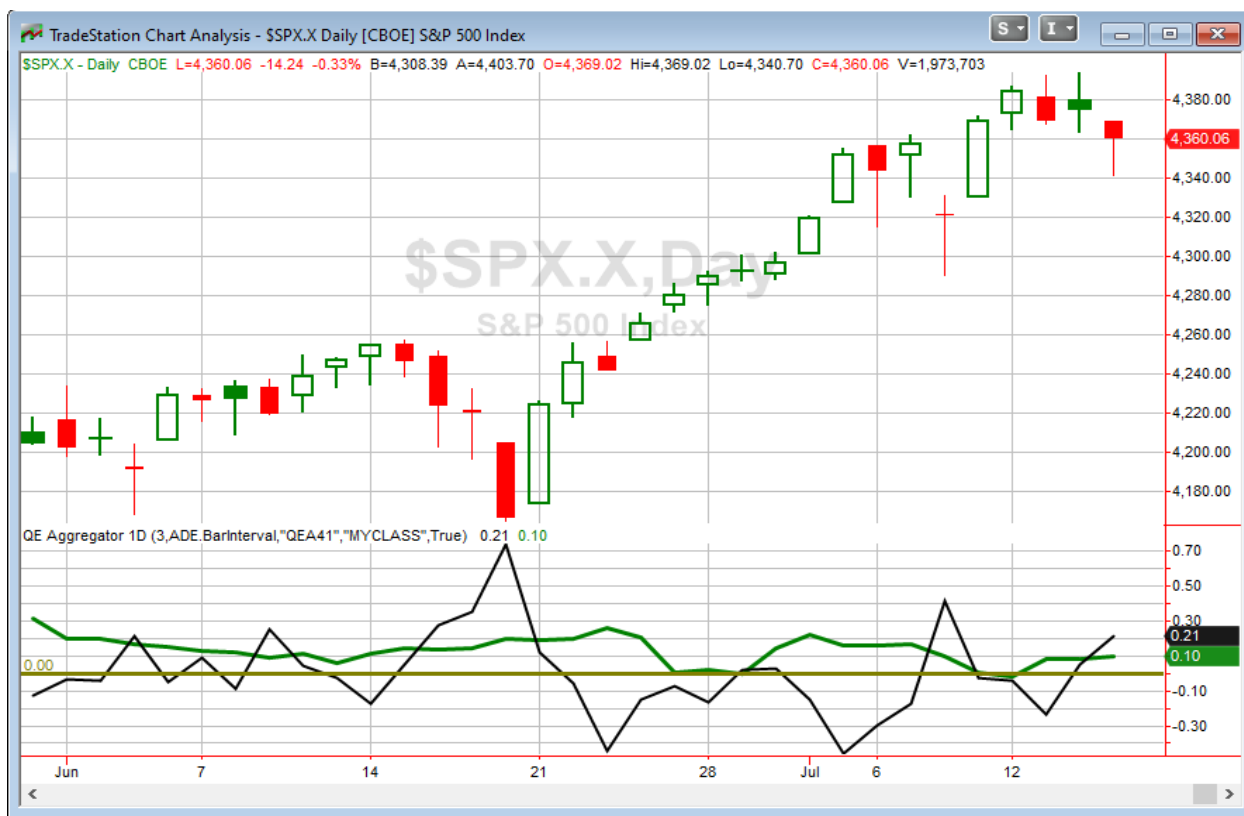
NQ closes above 200ma on Opex Thursday.
Buy Opex Fri 9:30 am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

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.

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



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained 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 formation stayed long at the close.

Based on the current active list, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4372.15 on Friday. That is 0.3% above Thursday's close. Therefore, SPX will need to close up at least 0.3% if it is to flip from oversold to overbought vs recent expectations on Friday afternoon.

So the Aggregator is bullish. But action on Thursday was a little disappointing for a setup. I was looking for a close in the lower half of the days range in order to get long. On the other hand, if QQQ had run higher and was overbought, then a possible short-side trade on Friday could have been interesting for a day trade. The unfilled gap down and late rally ruined both potential setups. But evidence is building for a swing-term bounce. I don't see a need to jump in early in the day. But I will look to take on some long exposure on Friday if SPX posts another down day.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/12 – somewhat bullish

The intermediate-term outlook was last updated in the 7/12 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 @ \$434.74 LIMIT ON CLOSE. Based on the short-term section above, I'll look to take some long SPY exposure if it closes down at all on Friday.

Current Open Trade Ideas

None

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