

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 18, 2021

Volume 14 Issue 223

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day, but that has not been the case as much in recent years.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but the setup is not terribly strong. I'm not feeling compelled to get involved in a new trade just yet.

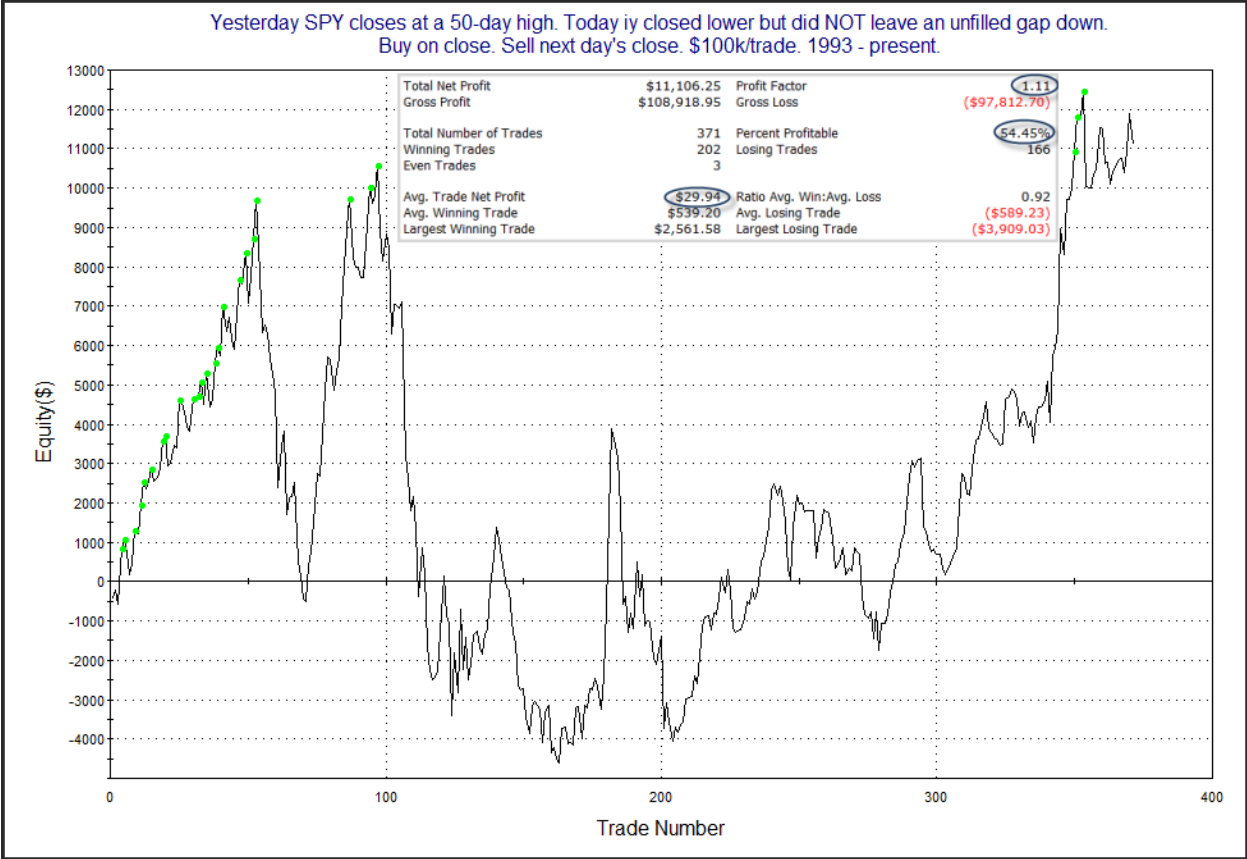
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 18, 2021	Unfilled gap down from 50-high	1 day	Bearish			
November 17, 2021	SPX up. Up Vol % < 40%	1-7 days	Bullish	1.70%	-1.15%	-2.25%
<b>Active - Long Term</b>						
November 10, 2021	5 up to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
November 4, 2021	SPX up 14 of 16 days and new high	1-10 days	Bullish			
November 4, 2021	SPX 50-day %b > 100	1-50 days	Bullish			
November 1, 2021	NASDAQ Leading	int term	Bullish			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
October 4, 2021	21-day low Thursday. Up Friday	1-25 days	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

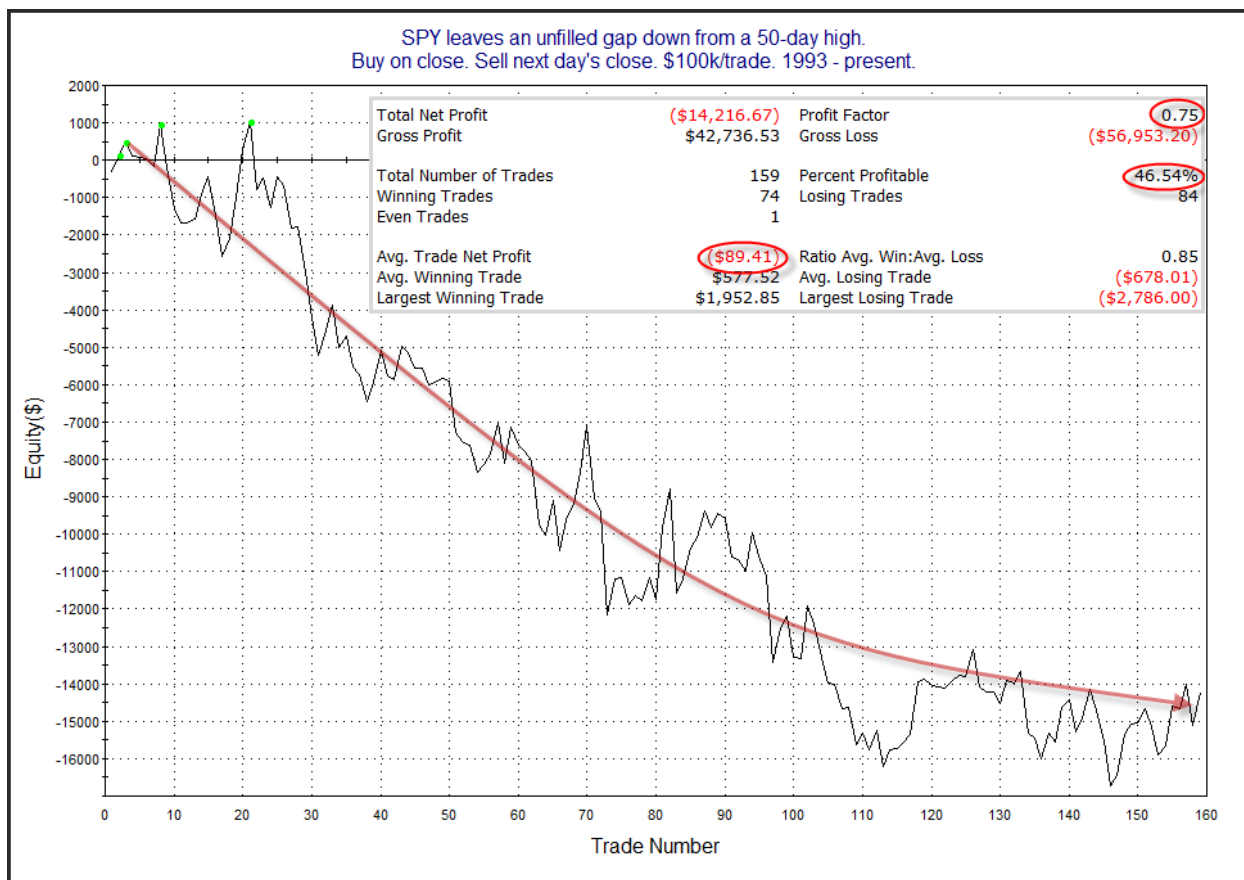
***The Evidence***

The market struggled a bit on Wednesday. The SPX declined 0.3%, the NASDAQ lost 0.3%, and the Russell 2000 tumbled 1.2%. Breadth was negative with the NYSE Up Issues % coming in at 34% and the Up Volume % also at 34%. NYSE total volume rose some from Tuesday's level.

The 1<sup>st</sup> day down from a high does not often suggest a strong edge. But when the 1<sup>st</sup> day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They are updated from the 8/5/21 letter. The 1<sup>st</sup> one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.



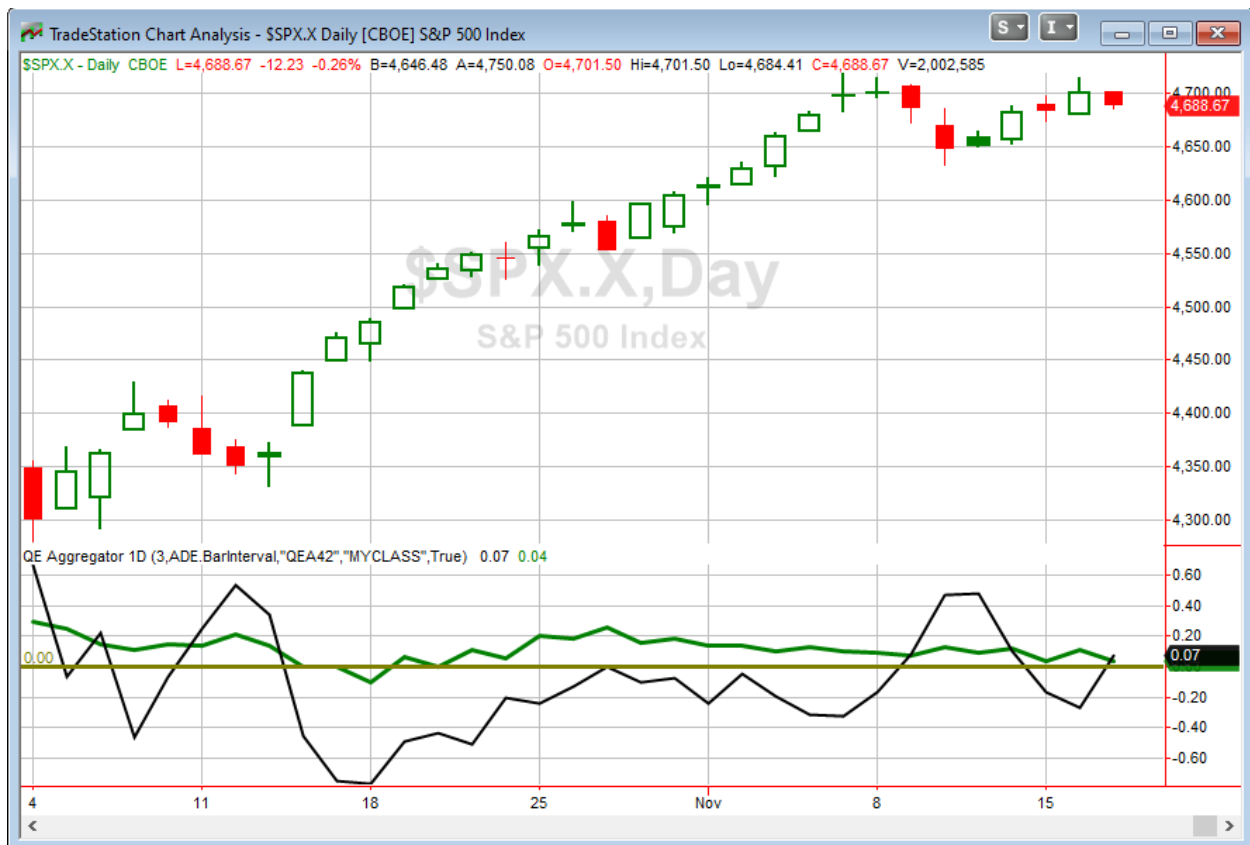
There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



While the curve has flattened some in recent years, it did make a new low fairly recently. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Wednesday did *not* include an unfilled gap lower.

The Quantifinder also noted a Hindenburg Omen signal triggered on Wednesday. Hindenburg Omens look for split market conditions where (among other things) there are a large number of new highs and new lows being made. The threshold used by the Quantifinder is just 2.2% of NYSE stocks, while a more common threshold used these days is 2.8%. The 2.8% threshold would not have been reached. Regardless, one day is not significant. But if we get a cluster of 3 or 4 days with conditions like this, that could be notable, and I would provide more information on Hindenburg clusters at that time. For now, just something to keep an eye on.

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



Even 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 nudged above zero. 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 on above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. Of course this course change if bearish new evidence emerges. Meanwhile, the Differential Pivot will be 4694.69 on Thursday. That is 0.1% above Wednesday's close. Therefore, SPX will only need to close up about 0.1% in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. But tomorrow looks questionable based on tonight's gap down study. Additionally, potential reward appears muted with the Differential Pivot so close by. In other words, while the Aggregator is bullish, I am not excited by the setup. I'll hold out for a more favorable reward/risk opportunity. Perhaps tomorrow if the pullback continues on Thursday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 11/15 – somewhat bullish**

The intermediate-term outlook was last updated in the 11/15 Letter. It can be found [in the most recent weekly letter](#) on the website.

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

***Open Catapult Triggers***

AIG – 1/3 @ \$57.19 (bought at limit)

*New*

AIG – 1/3 @ \$56.95 (buy at limit)

***Broad Market Large Cap CBI – 2 (AIG-2)***

**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.*

**AIG – But 1/3 Catapult position @ \$56.95 LIMIT.** From the Catapult section above, this is the 2<sup>nd</sup> of up to 3 lots of AIG.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AIG(1/3)	11/17/2021	\$56.98	\$56.95	-0.05%		Catapult

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