

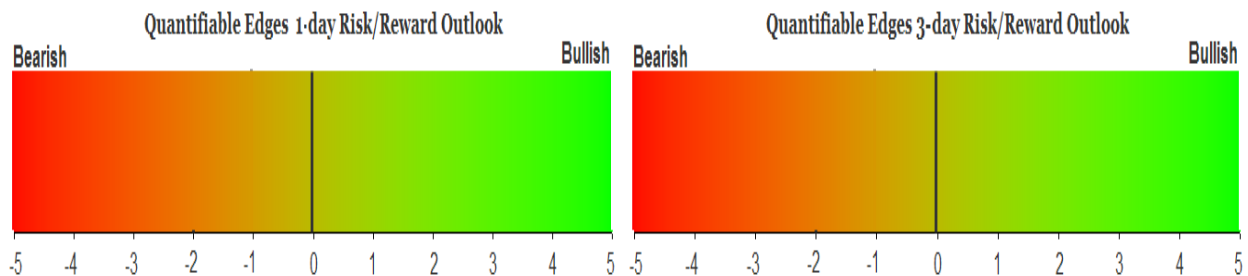
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 4, 2021

Volume 14 Issue 213

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 100-day highs on Fed Days have often led to follow-on buying.
- SPX has strong momentum, closing above its 50-day Bollinger Band. This has typically been an intermediate-term positive for the market.
- SPX has risen 14 of the last 16 days and is at a 1-year high, a setup that has typically seen follow through in the coming weeks.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

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						
November 3, 2021	SPX up. Up Vol % < 40%	1-7 days	Bullish	1.70%	-1.15%	-2.25%
November 2, 2021	VIX up. SPX 50-high on Monday.	1-2 days	Bearish			
November 1, 2021	End of month on high of month	1-5 days	Bullish			
Active - Long Term						
November 1, 2021	NASDAQ Leading	int term	Bullish			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
October 25, 2021	5 up to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
October 21, 2021	RSI2 > 99	1-10 days	Bullish			
October 20, 2021	5 up over 3% < 50-high > 200ma	1-15 days	Bullish	3.00%	-1.70%	-3.20%
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			

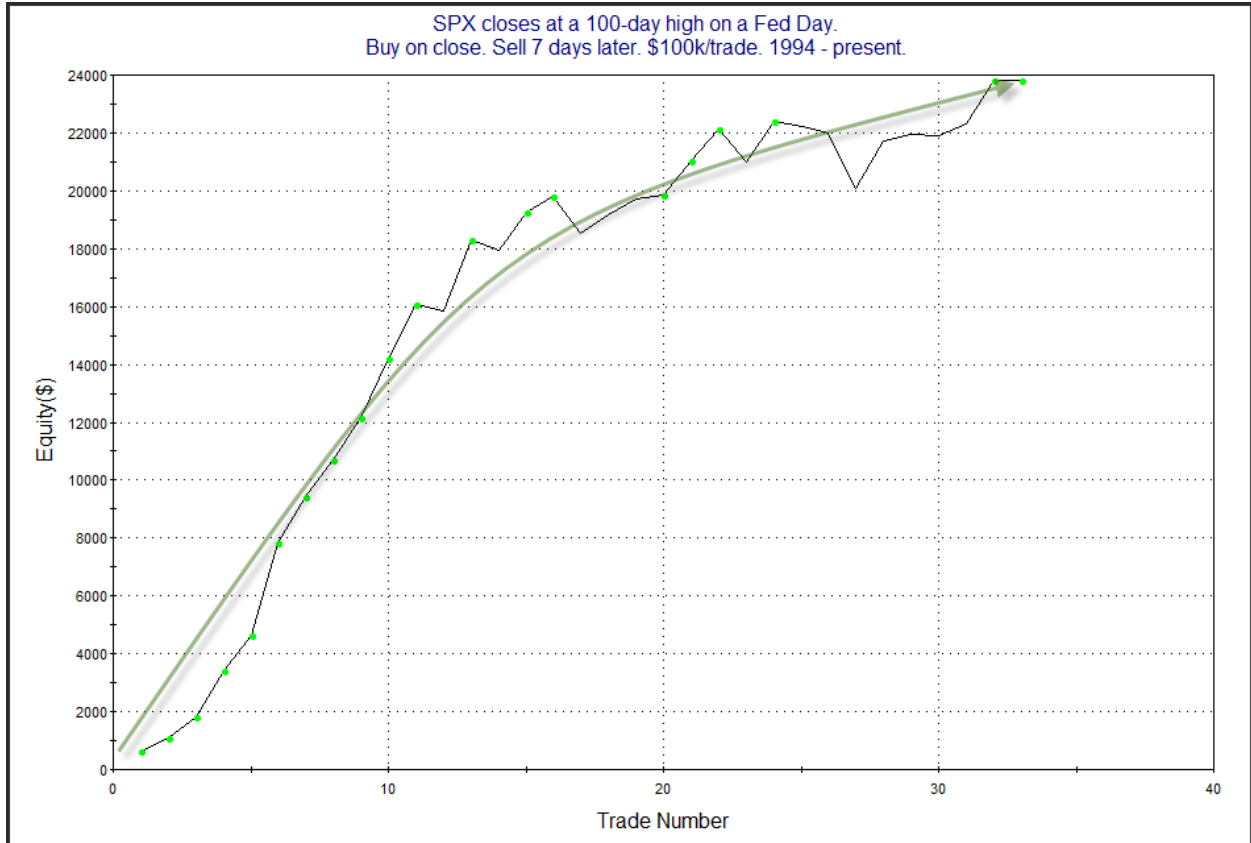
The Evidence

The market reacted favorably to the Fed announcement and plan to taper at a rate of \$15 billion per month. The SPX closed up 0.65%, the NASDAQ rose 1.0%, and the Russell 2000 climbed 1.8%. Breadth was positive with the NYSE Up Issues % coming in at 67% and the Up Volume % at 71%. NYSE total volume rose some from Tuesday's level.

In "The Quantifiable Edges Guide to Fed Days" I discussed Fed Days that close at new highs. The basic finding was that when the market closed at a short-term high on a Fed Day, then it was likely to pull back over the next few days. But when it closed at a long-term high, then the rally was likely to continue. Below is a study from the guide that last appeared in the 3/18/21 Subscriber Letter.

SPX closes at a 100-day high on a Fed Day. Buy 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
10	28,054.95	33	23	10	69.70	5,492.11	-2,161.08	1,690.73	-1,083.18	1.56	3.59	850.15
9	28,581.49	33	24	9	72.73	5,708.74	-2,346.69	1,699.24	-1,355.59	1.25	3.34	866.11
8	29,819.03	33	26	7	78.79	3,995.65	-2,506.29	1,360.90	-794.91	1.71	6.36	903.61
7	23,829.33	33	25	8	75.76	3,198.09	-1,924.89	1,171.03	-680.80	1.72	5.38	722.10
6	21,793.52	33	26	7	78.79	3,147.85	-1,615.00	1,076.29	-884.28	1.22	4.52	660.41
5	17,716.07	33	24	9	72.73	2,353.88	-2,124.50	1,031.01	-780.90	1.32	3.52	536.85
4	14,322.63	33	21	12	63.64	3,173.92	-1,601.70	1,100.60	-732.49	1.50	2.63	434.02
3	8,062.40	33	19	14	57.58	2,227.50	-1,349.76	867.46	-601.39	1.44	1.96	244.32
2	8,508.59	33	20	13	60.61	2,314.87	-1,562.33	837.93	-634.61	1.32	2.03	257.84
1	3,574.65	33	18	15	54.55	2,073.34	-1,466.50	577.43	-454.61	1.27	1.52	108.32

This suggests further upside is likely over the next 1-2 weeks. Below is the profit curve assuming an 7-day holding strategy.



There were a couple of sizable losers in 2012-2013, but since then it has rebounded nicely to get the profit curve back on track. I believe this study is worth some consideration.

It is also notable that the rally has been exceptionally persistent. Wednesday marked the 14th day in the last 16 in which SPX closed higher. I looked back at all instances where SPX closed higher 14 of the last 16 days and also hit a 252-day high. Results are below.

SPX closes up for the 14th time in the last 16 days and at a 252-day (1-yr) high.
Forward performance shown. 1928 - present.

Ticker	Date/Time	Close	Next Day % Chg	2-Day % Chg	3-Day % Chg	4-Day % Chg	5-Day % Chg	6-Day % Chg	7-Day % Chg	8-Day % Chg	9-Day % Chg	10-Day % Chg	10-Day % Chg
\$SPX	9/4/1928	20.97	0.48	-0.14	0.57	-0.24	0.52	0.91	0.81	0.81	1.72	1	
\$SPX	7/2/1929	28.06	0.43	0.93	1.1	0.78	0.5	0.71	1.82	1.39	2.1	2.35	
\$SPX	9/22/1954	32	0.56	1.25	1.66	2.16	1.56	0.97	0.91	1.47	1.97	2.37	
\$SPX	6/22/1955	40.6	0.37	0.89	0.96	0.42	0.47	1.06	1.45	2.68	6.35	4.88	
\$SPX	1/25/1961	60.53	0.15	1.17	2.38	2.07	2.26	2.92	2.79	2.03	1.85	2.78	
\$SPX	7/7/1964	83.12	0	0.12	0.29	0.23	-0.07	0.26	0.63	1.07	0.75	0.51	
\$SPX	1/18/1966	93.95	-0.28	-0.63	-0.51	-0.26	-0.11	-0.27	-0.3	-0.68	-1.14	-1.91	
\$SPX	11/26/1968	107.26	0.47	1.03	0.8	0.71	0.38	0.62	0.37	0.12	0.06	0.3	
\$SPX	2/2/1971	96.43	0.21	0.2	0.52	1.06	1.12	1	1.53	2.07	2.31	1.84	
\$SPX	4/15/1971	103.52	-0.03	0.47	0.09	-0.15	0.04	0.51	0.41	1.03	1.21	1.07	
\$SPX	9/13/1995	578.77	0.84	0.79	0.69	0.94	1.38	0.73	0.51	0.53	0.46	0.39	
\$SPX	12/22/2010	1258.84	-0.16	-0.1	-0.03	0.07	-0.08	-0.1	1.04	0.9	1.41	1.19	
		Avg	0.25	0.50	0.71	0.65	0.66	0.78	1.00	1.12	1.59	1.40	
		% Wins	66.7%	75.0%	83.3%	75.0%	75.0%	83.3%	91.7%	91.7%	91.7%	91.7%	

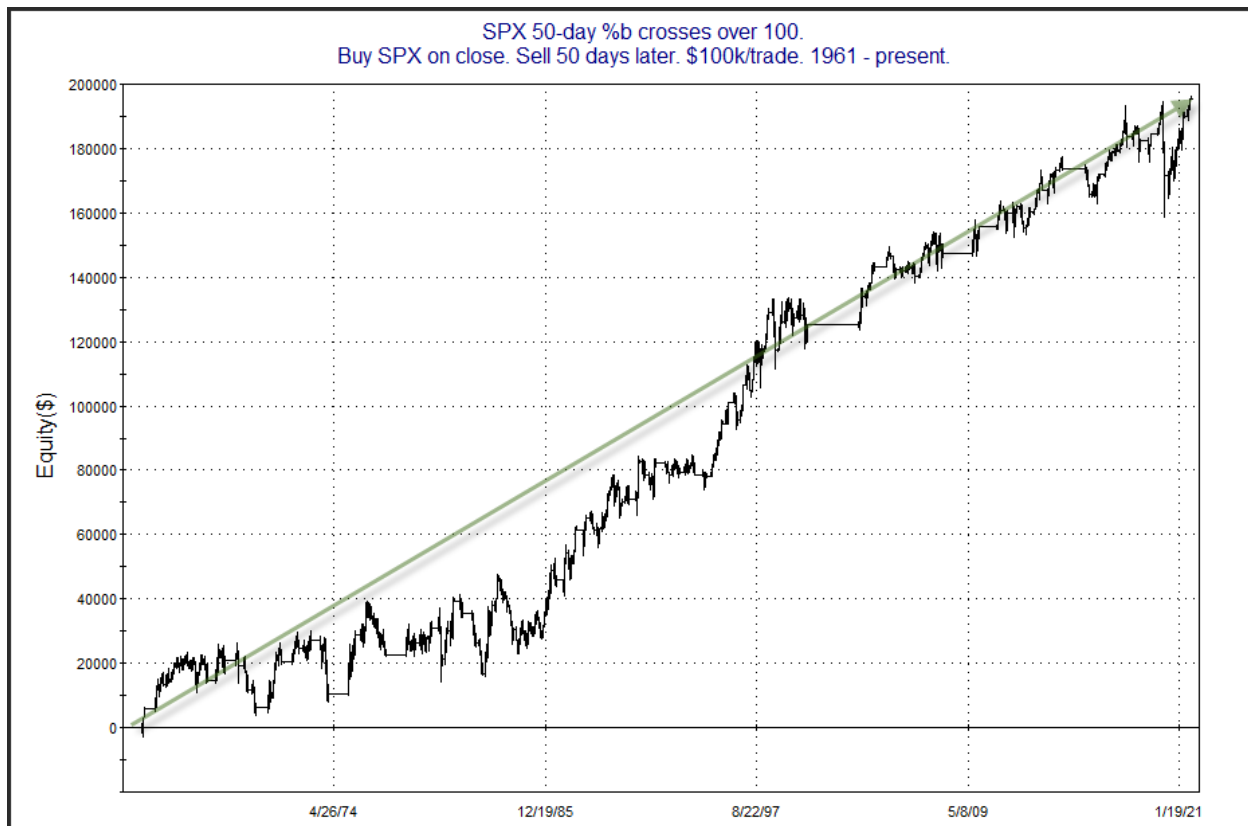
We see this has been a fairly rare setup, with the last instance occurring in 2010, and the previous one in 1995. But 11 of 12 instances have closed higher on day 7 through day 10, with 1966 being the only exception. The strong momentum over the last 16 days is something that has typically continued over next 1-2 weeks. I have added this study to the intermediate-term active list.

Another interesting study that triggered looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 6/28/21 letter. Updated results are below.

SPX 50-day %b crosses over 100.
Buy SPX on close. Sell 50 days later. \$100k/trade. 1961 - present.

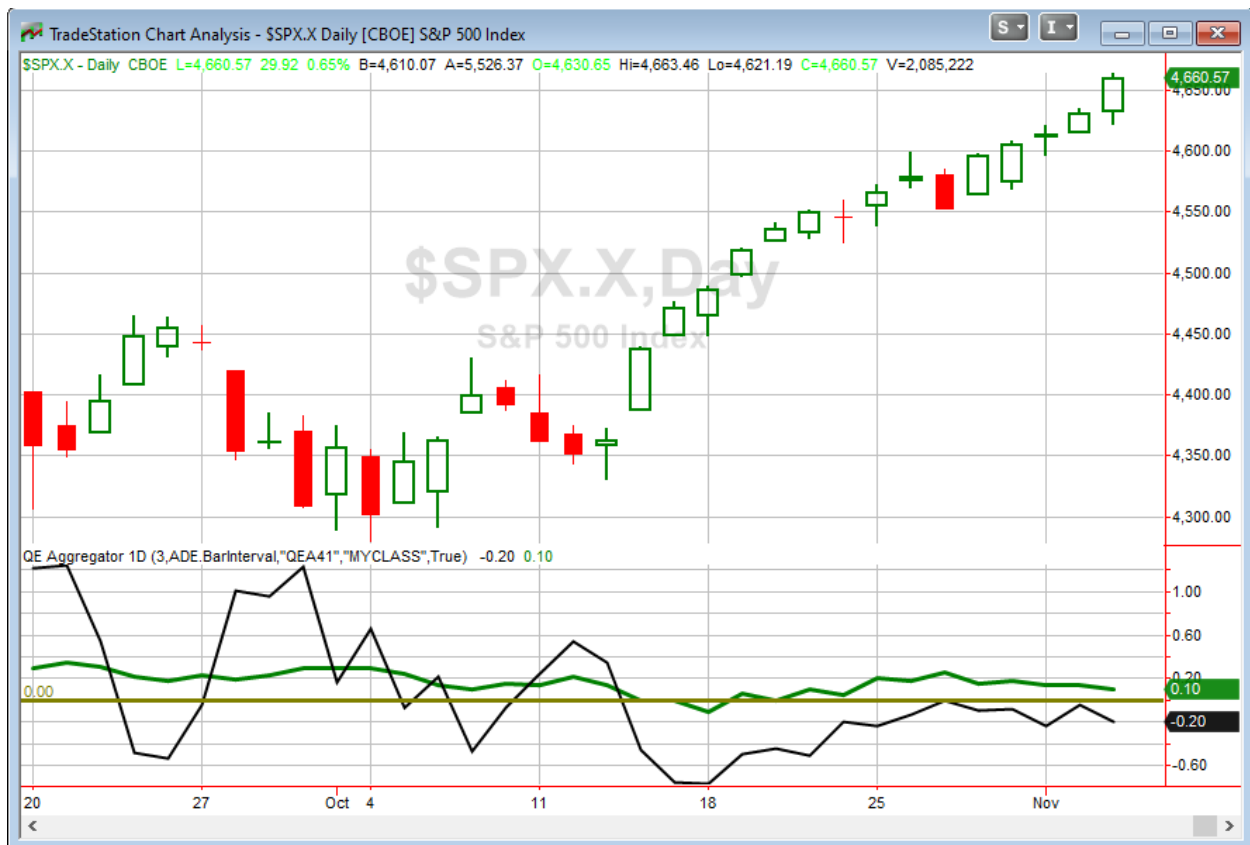
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	195,524.81	144	89	55	61.81	18,408.18	-20,704.80	4,856.80	-4,304.19	1.13	1.83	1,357.81
45	152,487.94	150	87	63	58.00	15,816.57	-32,382.30	5,057.60	-4,563.86	1.11	1.53	1,016.59
40	158,740.38	156	95	61	60.90	17,624.67	-27,920.40	4,431.28	-4,298.88	1.03	1.61	1,017.57
35	160,565.53	164	100	64	60.98	15,782.13	-13,617.00	3,979.54	-3,709.20	1.07	1.68	979.06
30	106,704.25	171	103	68	60.23	11,920.74	-10,485.00	3,268.65	-3,381.86	0.97	1.46	624.00
25	73,142.88	179	103	76	57.54	10,859.94	-8,732.16	2,956.86	-3,044.92	0.97	1.32	408.62
20	70,589.22	192	111	81	57.81	9,501.30	-10,205.38	2,611.13	-2,706.75	0.96	1.32	367.65
15	55,948.84	212	123	89	58.02	7,843.46	-9,763.44	2,322.54	-2,581.17	0.90	1.24	263.91
10	43,802.44	236	144	92	61.02	8,239.16	-9,133.53	1,681.59	-2,155.94	0.78	1.22	185.60
5	13,454.36	289	161	128	55.71	5,030.81	-6,524.55	1,139.56	-1,328.25	0.86	1.08	46.55

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside over a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That’s a pretty steady upslope for a study without a very high “% Profitable”. Overall, I like this study enough to add it to the intermediate-term active list.

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 below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4635.93 on Thursday. That is 0.5% below Wednesday's close. So SPX will need to close down at least 0.5% on Thursday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Momentum is strong and we are seeing evidence suggesting a continued move higher is more likely than a decline over the next few weeks. But with the market so overbought, potential reward/risk is not great. So I will remain sidelined until the next strongly favorable opportunity arrives.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 11/1 – somewhat bullish***

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 tonight.

Current Open Trade Ideas

None

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