

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 10, 2021

Volume 14 Issue 217

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- NASDAQ momentum has been strong, and that suggests some follow through in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but I would prefer a deeper pullback before getting too excited.

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 10, 2021	5 up to 50 high then down 1	1-4 days	Bullish	1.10%	-0.80%	-1.60%
November 10, 2021	NASDAQ up 10 days then down 1	1-4 days	Bullish	1.50%	-0.80%	-1.50%
November 9, 2021	SPX up 8 to 50-hi	1-4 days	Bullish			
November 9, 2021	SPX 50-high. VXX 5-high.	1-4 days	Bearish			
November 8, 2021	VIX up > 6%. SPX up.	1-5 days	Bullish	1.80%	-0.90%	-1.80%
November 8, 2021	VIX up SPX 50-high Fri.	1-5 days	Bearish	-1.50%	0.70%	1.45%
November 4, 2021	SPX 100-day high on Fed Day	1-7 days	Bullish			
November 3, 2021	SPX up. Up Vol % < 40%	1-7 days	Bullish	1.70%	-1.15%	-2.25%
Active - Long Term						
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 21, 2021	RSI2 > 99	1-15 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			

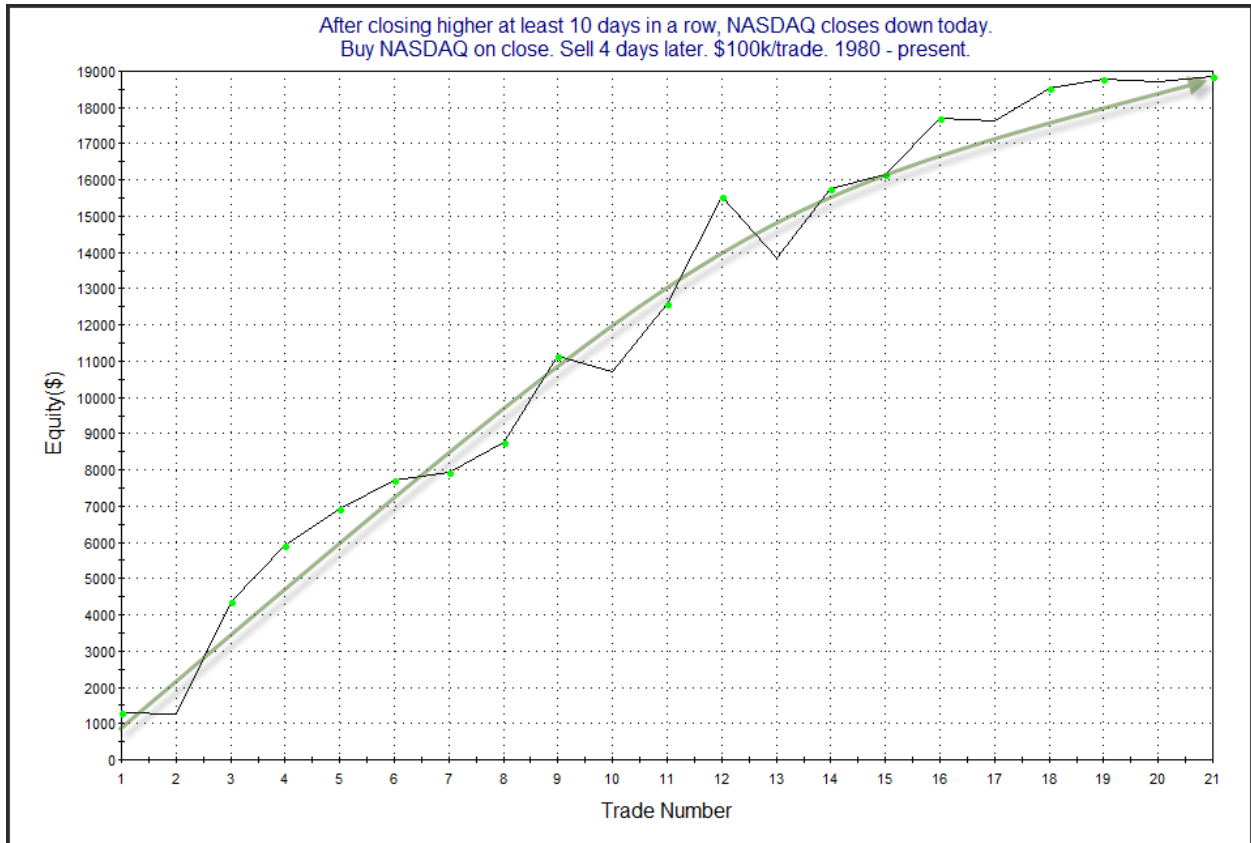
The Evidence

Tuesday saw some moderate selling. The SPX closed down 0.35%, the NASDAQ fell 0.6%, and the Russell 2000 also lost 0.6%. Breadth was negative with the NYSE Up Issues % coming in at 47% and the Up Volume % at 42%. NYSE total volume declined some from Monday's level.

Tuesday the NASDAQ posted its first down day since 10/22. That was a string of 11 up days before Tuesday. Momentum in the NASDAQ is often a good thing. We see this with the NASDAQ/SPX Relative Strength indicator we follow for the intermediate-term. And we also see it in the study below, which I last showed in the 12/30/19 letter.

After closing higher at least 10 days in a row, NASDAQ closes down today. Buy NASDAQ 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	17,314.51	21	15	5	71.43	3,590.00	-2,787.55	1,468.25	-941.86	1.56	4.68	824.50
4	18,861.36	21	16	5	76.19	3,123.30	-1,690.26	1,322.47	-459.64	2.88	9.21	898.16
3	14,803.06	21	17	4	80.95	2,449.44	-1,841.95	1,046.39	-746.39	1.40	5.96	704.91
2	9,066.88	21	16	5	76.19	2,083.90	-2,055.06	830.27	-843.50	0.98	3.15	431.76
1	3,762.30	21	14	7	66.67	990.00	-1,314.18	517.64	-497.81	1.04	2.08	179.16
19 of 21 instances (90%) closes above the entry price at some point in the next week.												

That 1st down day has rarely been the end of the up move. Results over the following week are impressive. Below is a look at the profit curve, assuming a 4-day hold.



That is a strong move higher, and serves as some confirmation of the upside edge. Of course past studies have shown that strong upward momentum in the NASDAQ has also been bullish for the SPX. So I ran results for SPX following the NASDAQ pattern as well.

After closing higher at least 10 days in a row, NASDAQ closes down today.
Buy **SPX** 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	14,006.30	21	16	5	76.19	3,612.42	-2,188.55	1,234.59	-1,149.44	1.07	3.44	666.97
4	19,336.34	21	16	5	76.19	3,500.00	-1,046.36	1,318.18	-350.92	3.76	12.02	920.78
3	10,239.38	21	14	7	66.67	2,514.40	-1,992.34	1,111.82	-760.88	1.46	2.92	487.59
2	9,531.85	21	13	8	61.90	3,376.80	-1,992.34	1,115.25	-620.80	1.80	2.92	453.90
1	5,086.02	21	9	12	42.86	2,045.97	-1,744.10	1,153.55	-441.33	2.61	1.96	242.19

20 of 21 instances (95%) closes above the entry price
at some point in the next week.

The numbers here are very close to the NASDAQ results. It appears both indices have seen the momentum continue when the NASDAQ has been as persistent as we've seen lately. I have also included this study on the Active List.

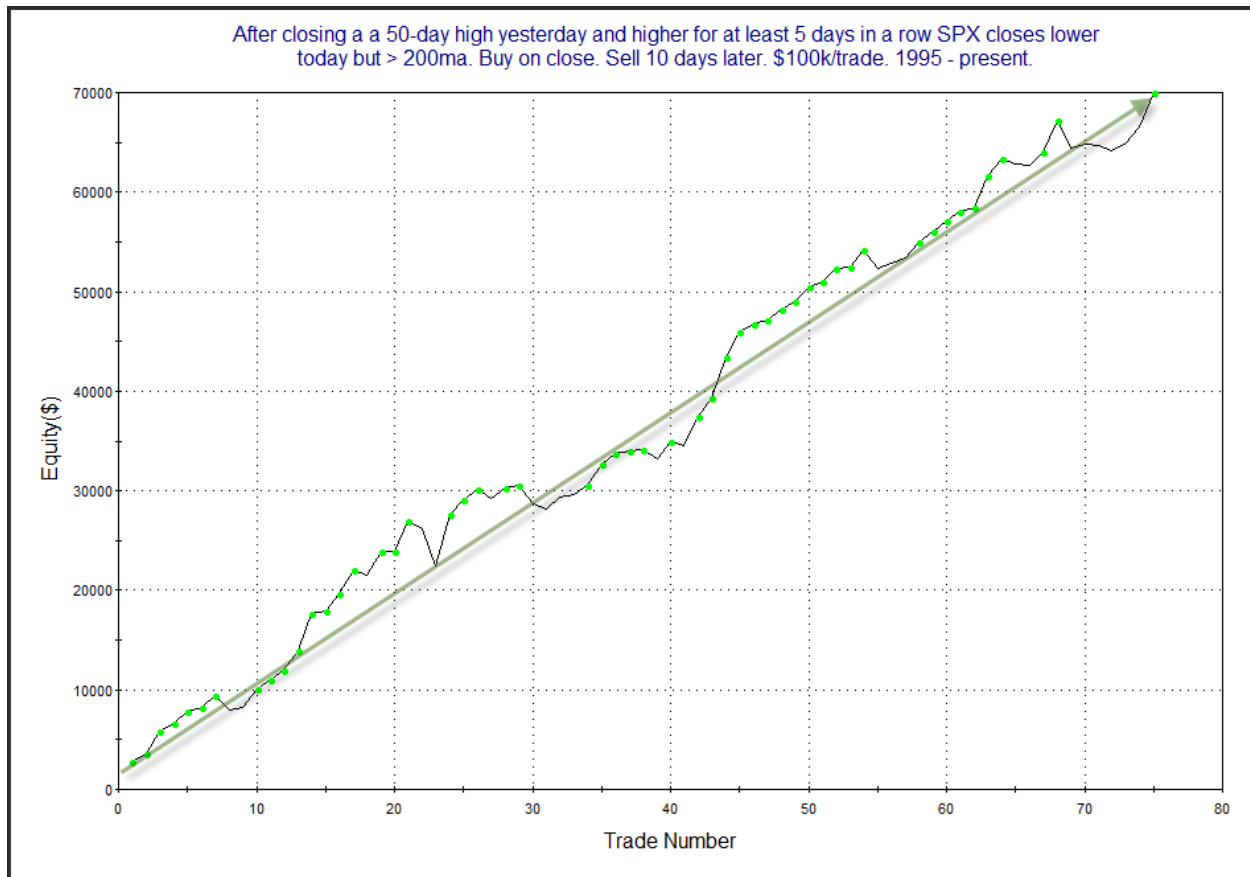
Another compelling study that triggered Tuesday suggested the recent persistent upmove in SPX is unlikely to abruptly end. It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 10/25/21 Letter. I have updated the stats in the table below.

After closing a a 50-day high yesterday and higher for at least 5 days in a row SPX closes lower today but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

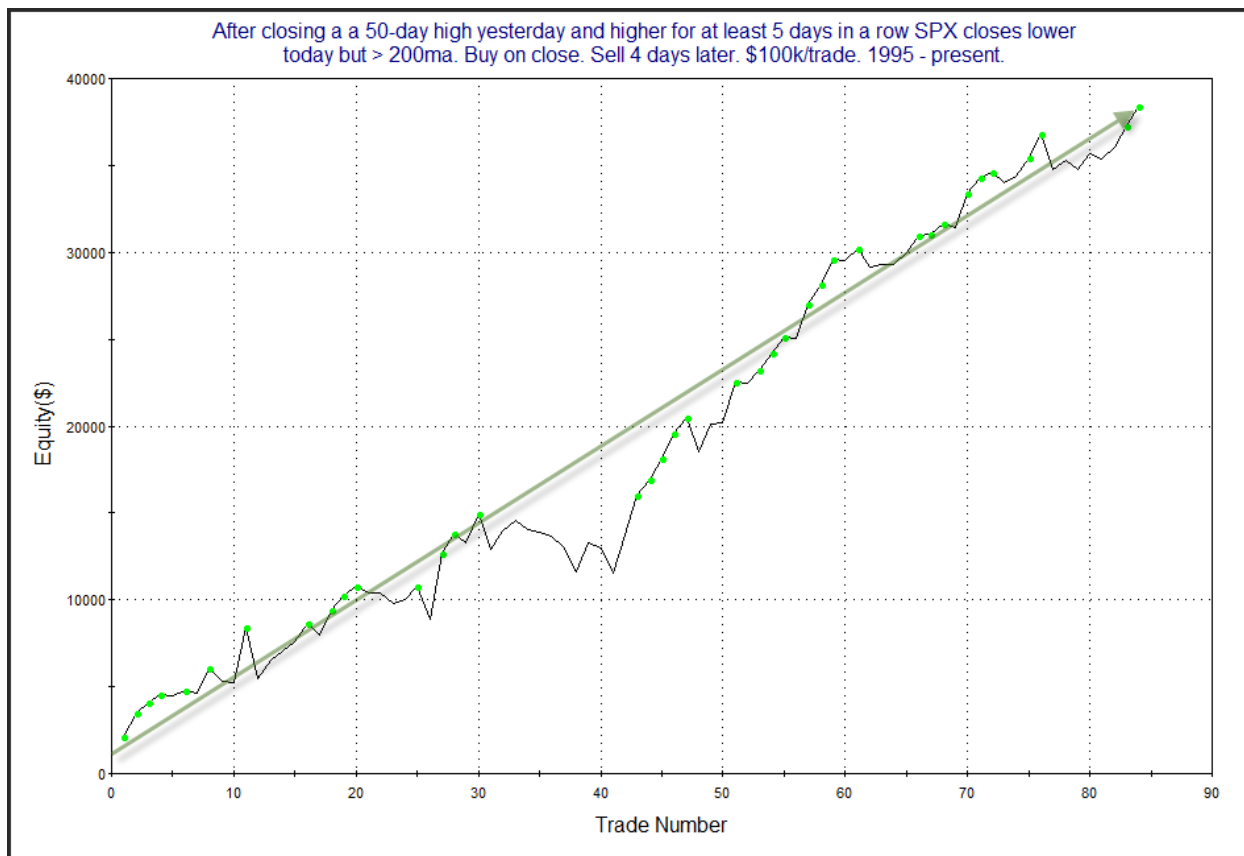
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	69,966.62	75	60	15	80.00	5,131.35	-3,672.90	1,448.92	-1,131.26	1.28	5.12	932.89
9	65,920.69	78	62	16	79.49	5,023.20	-4,151.40	1,423.53	-1,396.14	1.02	3.95	845.14
8	55,699.12	79	55	24	69.62	4,878.08	-4,874.10	1,538.28	-1,204.43	1.28	2.93	705.05
7	43,904.84	82	57	25	69.51	3,874.76	-4,511.36	1,323.74	-1,261.93	1.05	2.39	535.42
6	45,614.78	84	61	23	72.62	4,307.20	-3,637.71	1,207.31	-1,218.75	0.99	2.63	543.03
5	35,766.38	84	57	27	67.86	4,252.50	-4,717.16	1,075.95	-946.76	1.14	2.40	425.79
4	38,393.96	84	55	29	65.48	3,843.00	-3,003.39	1,093.91	-750.73	1.46	2.76	457.07
3	22,381.26	84	53	31	63.10	2,472.85	-1,992.34	843.29	-719.77	1.17	2.00	266.44
2	22,889.71	84	56	28	66.67	2,437.50	-2,614.95	762.94	-708.39	1.08	2.15	272.50
1	13,699.84	84	54	29	64.29	1,751.19	-1,744.10	514.95	-486.46	1.06	1.97	163.09

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests

a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.

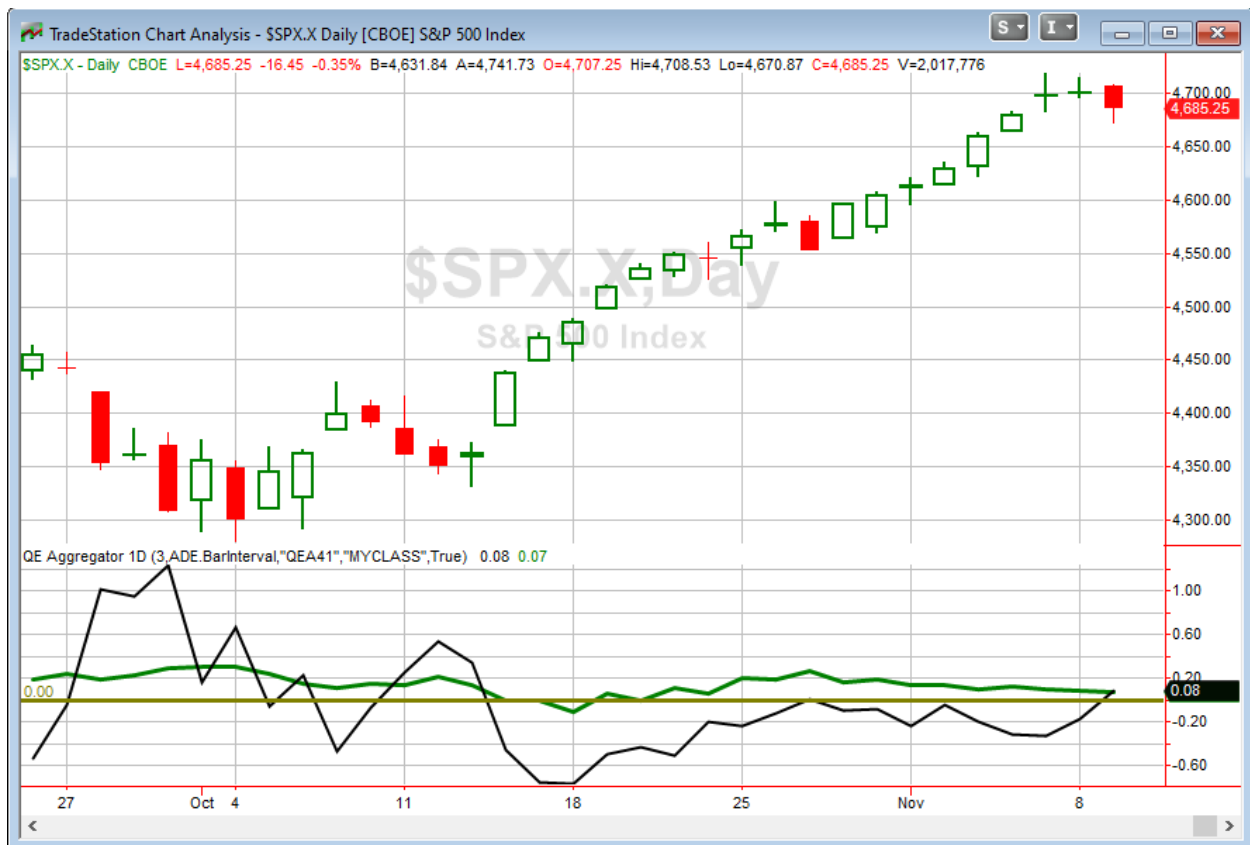


The strong upslope appears to confirm the bullish edge. Next let's look at the 4-day curve.



Results are a little choppier. But even with more whipsaws this curve is back at new highs and the study appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

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



With tonight's mix of 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 inched 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 above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4712.90 on Wednesday. That is 0.6% above Tuesday's close. So SPX will need to close up a least 0.6% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. But after such a large run-up the last few weeks, I am not overly excited about the "oversold" condition. SPX is only down 1 day, and it is not much of a decline. I am also feeling cautious due to the VXX-based study from last night. That showed potential for a larger drop in the days ahead. Aggressive traders could look to take on some long exposure here. There are a decent number of intermediate-term studies suggesting further upside. But I want better reward/risk before committing new capital. So I will continue to wait.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 11/8 – 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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