

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 15, 2021

Volume 14 Issue 220

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The bounce appears that it has further to go, based on action over the last 3 days.
- This upcoming week is the least bullish of the month, based on the QE Seasonality Calendar for SPX.
- Despite the slowed pace of QE, last week was a big one.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but SPX will flip to overbought vs recent expectations on Monday unless it declines a fair amount. So I'm looking to sell my long position into any rallying on Monday.

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 15, 2021	SPY up 2 < 3 ago.	1-2 days	Bullish			
November 12, 2021	SPY bottom 10% on up day	1-2 days	Bullish			
November 11, 2021	1st close < 10ma in > 15 days	1-3 days	Bullish			
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%
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 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			

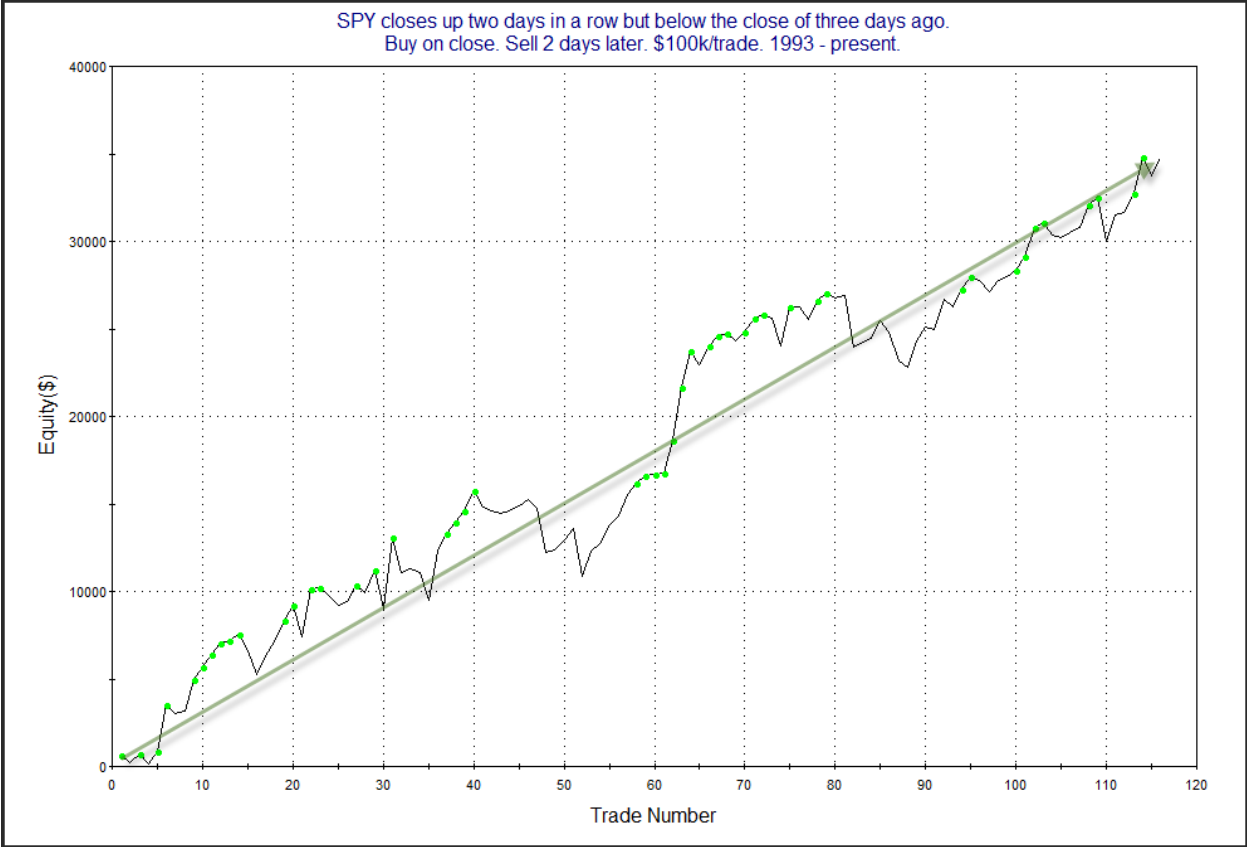
The Evidence

Friday saw the market rally. The SPX closed up 0.7%, the NASDAQ rose 1.0%, and the Russell 2000 gained 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 52.0% and the Up Volume % at 51.7%. NYSE total volume declined from Thursday's level.

One way to look at the bounce over the last couple of days is noting that the rally failed to closed above the close of 3 days ago. In other words, the last 2 days have failed to make up for the losses of the 1-day drop on Wednesday. This triggered the below study from the 8/23/21 letter.

SPY closes up two days in a row but below the close of three days ago. 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	24,131.13	113	66	46	58.41	4,717.70	-6,549.84	1,466.57	-1,579.62	0.93	1.33	213.55
4	34,896.91	115	76	39	66.09	4,698.60	-4,384.89	1,271.52	-1,583.04	0.80	1.57	303.45
3	30,297.74	116	74	42	63.79	3,000.00	-4,092.24	1,132.60	-1,274.15	0.89	1.57	261.19
2	34,762.43	116	78	38	67.24	4,088.25	-2,932.22	902.00	-936.67	0.96	1.98	299.68
1	20,474.27	116	69	45	59.48	3,732.75	-1,777.90	683.89	-593.65	1.15	1.77	176.50

This suggests a 2-day upside edge. Let's check the curve for confirmation.



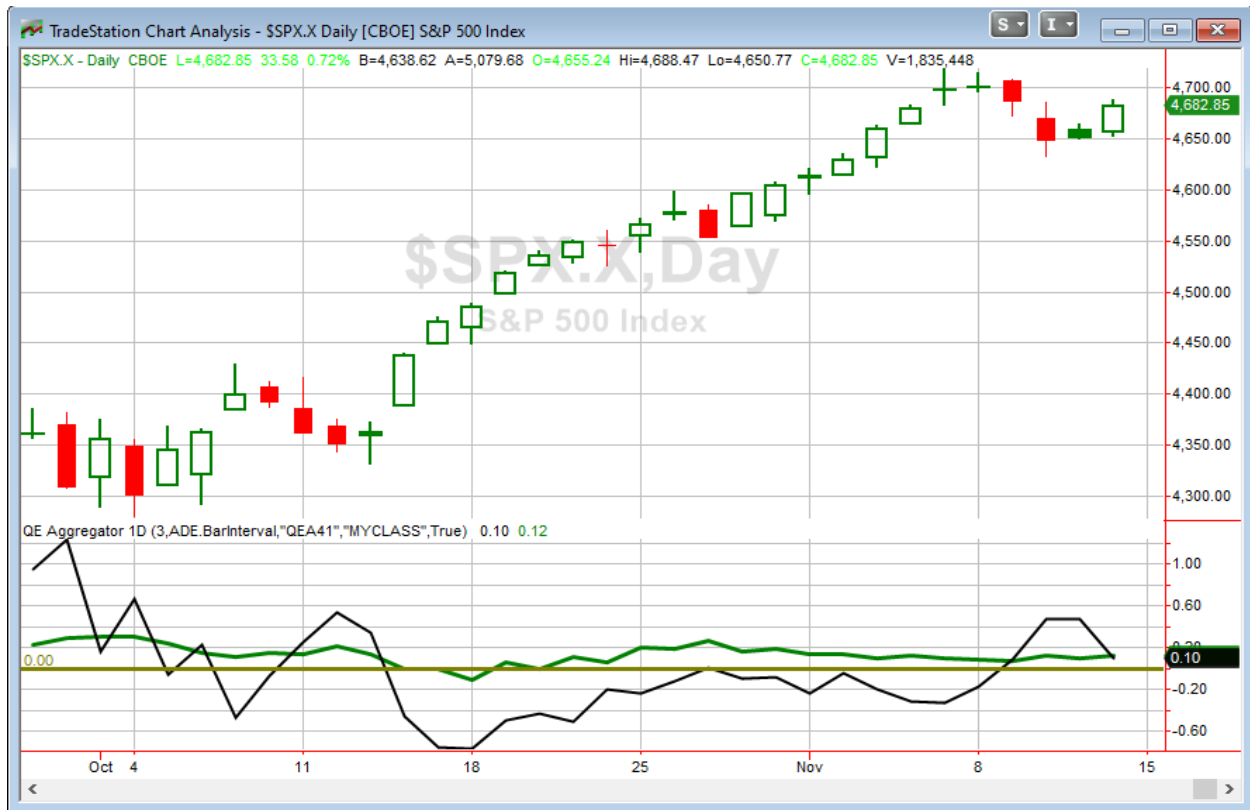
This is an appealing curve. So it appears this bounce has a pretty good chance of continuing higher over the next day or two.

The current SPX Seasonality Calendar from the website can be seen below.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
11/1/2021	56.60	1.592	0.160
11/2/2021	51.00	1.165	0.052
11/3/2021	53.54	1.433	0.115
11/4/2021	53.45	1.182	0.057
11/5/2021	54.39	1.265	0.084
11/8/2021	55.87	1.059	0.018
11/9/2021	55.39	1.239	0.069
11/10/2021	56.06	1.008	-0.003
11/11/2021	59.20	1.084	0.025
11/12/2021	59.91	1.513	0.127
11/15/2021	55.09	0.996	-0.003
11/16/2021	54.00	1.422	0.087
11/17/2021	54.11	1.033	0.010
11/18/2021	53.09	1.003	0.001
11/19/2021	52.06	0.987	-0.005
11/22/2021	53.68	1.198	0.024
11/23/2021	56.94	1.321	0.065
11/24/2021	57.09	1.467	0.084
11/26/2021	52.99	1.057	0.014
11/29/2021	48.54	1.261	0.058
11/30/2021	51.80	1.383	0.098
Baseline	54.96	1.187	0.058

Notable about this upcoming week is that it is the weakest of the month. We are not seeing bearish numbers, but it is the only week in November with multiple neutral days. So it may be easier for the bears to put in some work this week than it has been in a while. I will also note that the [preliminary December Calendars](#) have been posted to the website as well.

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 also remained 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 stayed long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Monday. This could change if new bearish evidence were to emerge. Meanwhile, the Differential Pivot will be *inverted* at 4660.03 on Monday. That is 0.5% *below* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down at least 0.5% in order to remain oversold. Anything other than that and it will flip to "overbought" vs recent expectations as of Monday's close.

So the Aggregator is bullish, but the signal is tenuous. I often view times with inverted pivots as good opportunities to take early profits. That is because upside is quite limited. And while there are a good number of studies on the short-term active list right now, all but one will be expiring on Monday. So evidence beyond Monday is quite weak. So if the market rallies some during the day on Monday, I am inclined to take profits on open index positions and the wait for the next favorable setup to emerge.

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

Combo #1	Combo #2	Combo #3
Long	Long	Long

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week the “Combo Systems” all stayed “Long”.*

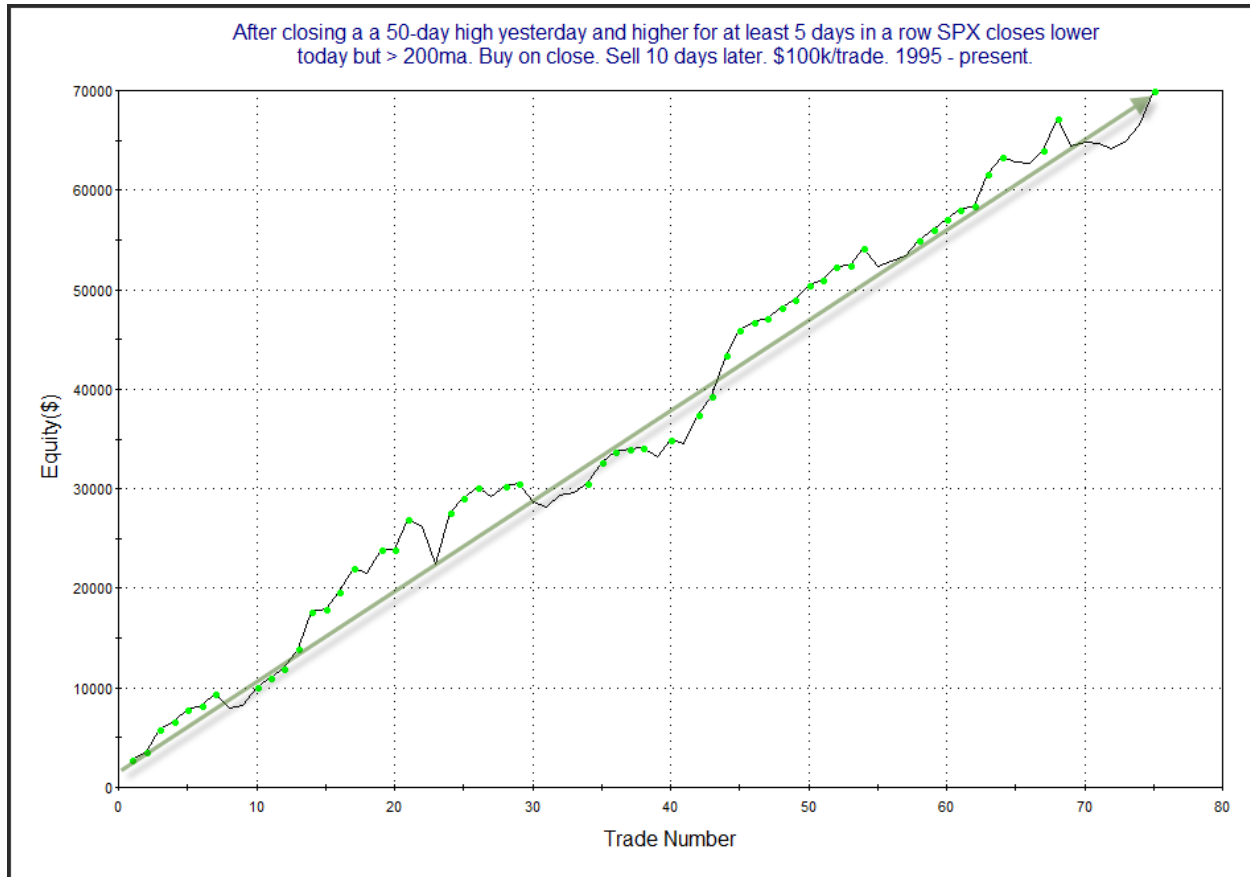
The market posted it first down week in a while. The SPX lost 0.3%, the NASDAQ fell 0.7%, and the Russell 2000 declined 1.0%. Still, none are very far from a new all-time high, and the long-term trend certainly appears to remain upward. There was one study in the Tuesday night letter that suggested intermediate-term implications. I have copied it below.

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...

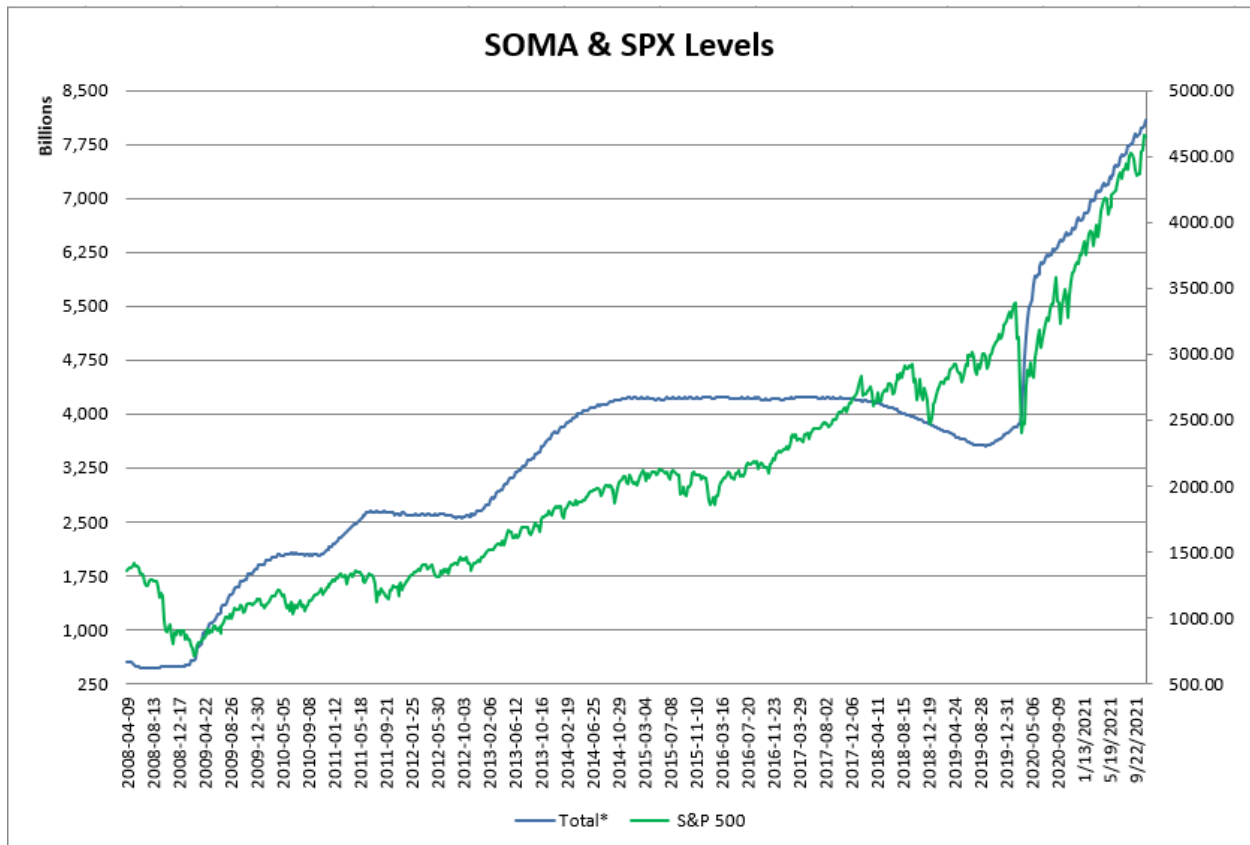
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of
[◀ Previous](#) **November 10, 2021** 📅
Posted November 12, 2021 at 4:30 PM

SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,761,229,524.5
US Treasury Floating Rate Notes (FRNs)	24,346,178.7
US Treasury Inflation-Protected Securities (TIPS)*	374,041,901.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,583,974,779.1
Agency Commercial Mortgage-Backed Securities***	9,391,658.1
Total SOMA Holdings	8,081,375,041.4
Change From Prior Week	84,541,506.0

This past week saw the SOMA rise by \$84.5 billion. That is a really large number, but not unusual for what we would expect at this time of the month. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is in the midst of the largest expansion in history, but the pace of the expansion is now slowing. It is not yet visible on the chart, but the blue line is going to start to flatten. And by June, the line will basically be horizontal. QE has provided incredible support, and the market has flourished. As QE goes away, it will likely become more and more difficult for the gains to continue. A lack of liquidity could also mean increased volatility. I'd be very surprised if 2022 saw the same kind of steady rise that we have seen over the last year and a half.

Overall, the bulls still appear to have a lot going for them. Seasonality is helping, the NASDAQ is leading, the market is making new highs and clearly in an uptrend, and momentum-based studies suggesting more upside continue to emerge. There are plenty of issues the bears could grab onto, including valuations, inflation, supply-chain backups, the debt-ceiling negotiations, and more. And the more QE tapers, the less it can help to backstop the market when selloffs begin. Those things may all matter at some point. They just don't matter yet. I still favor the bullish case. But being nimble in the coming months may be more important than it has been since March of 2020. I will continue to consider all evidence and be sure I am open to changing my mind when the evidence changes.

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	11/11/2021	\$463.75	\$467.27	0.76%		Sell @ \$467.50 LIMIT

With the Differential Pivot inverted and expectations after Monday uncertain, I'll be looking to take profits on the current SPY position if it rises even a small amount at some point on Monday.

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