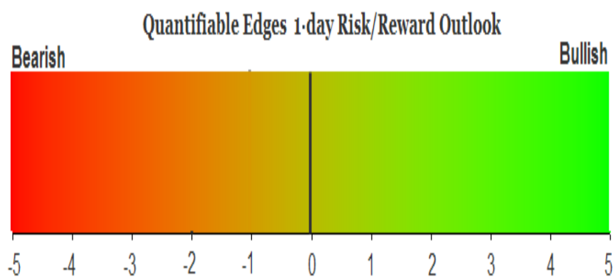
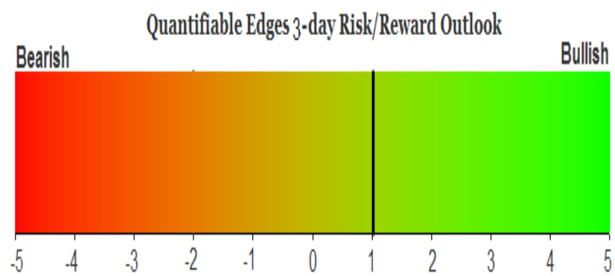
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 22, 2021 Volume 14 Issue 225

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- Thanksgiving week tends to be favorable for the bulls.
- A 3rd Hindenburg Omen signal triggered. With a cluster now building, this suggests possible trouble down the road for the market.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But evidence is a little weak and the Differential Pivot is inverted. So I am leaning more neutral than bullish.

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 17, 2021	SPX up. Up Vol % < 40%	1-7 days	Bullish	1.70%	-1.15%	-2.25%
Active - Long Term						
November 22, 2021	Hindenburg Omen Cluster	1-35 days	Bearish	-6.90%	3.20%	5.80%
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 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			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

The Evidence

Friday saw mixed results for the market. The SPX lost 0.1%, the NASDAQ rose 0.4%, and the Russell 2000 declined 0.9%. Breadth was quite weak with the NYSE Up Issues % coming in at 34% and the Up Volume % at 26%. NYSE total volume rose some from Thursday’s level.

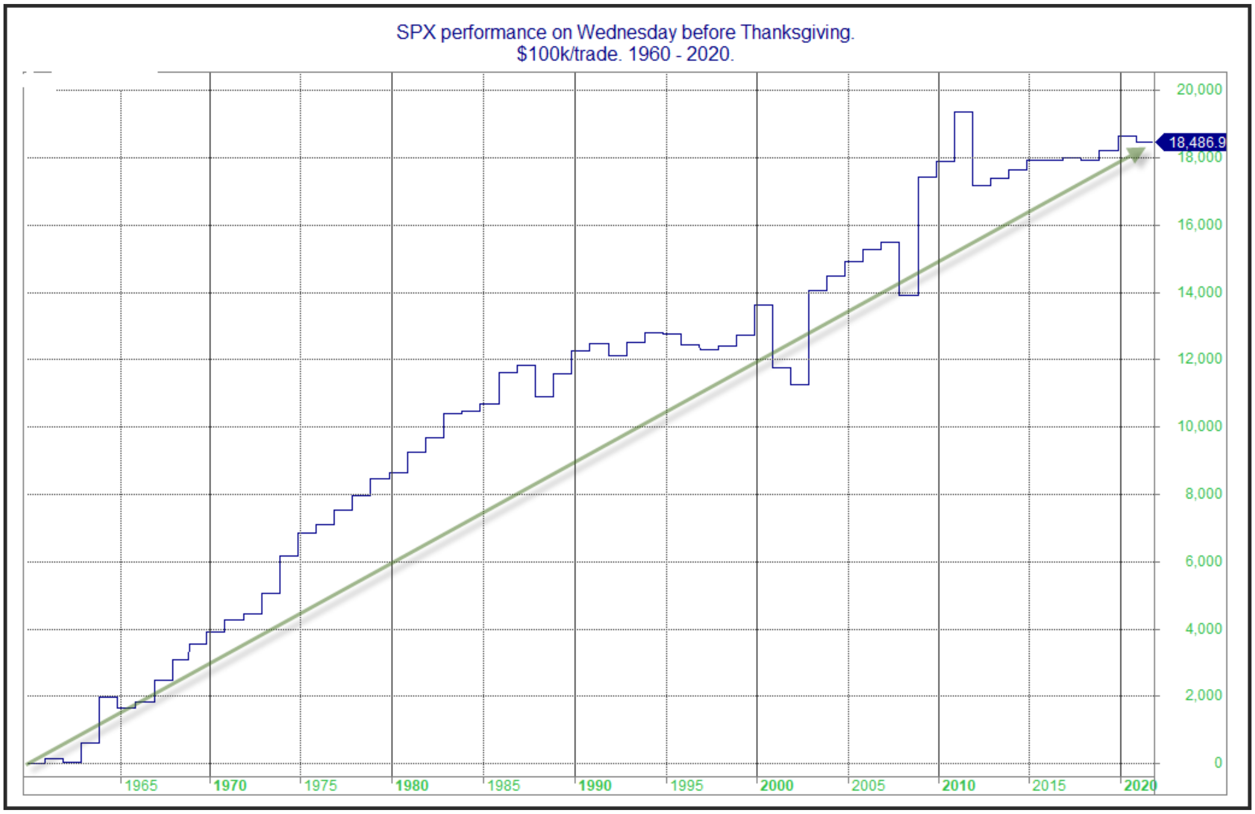
Thanksgiving week has shown some strong seasonal tendencies over the years. This is something I last showed in the 11/23/20 subscriber letter. I have re-run those studies and updated them below.

This first one breaks down performance during Thanksgiving week by day.

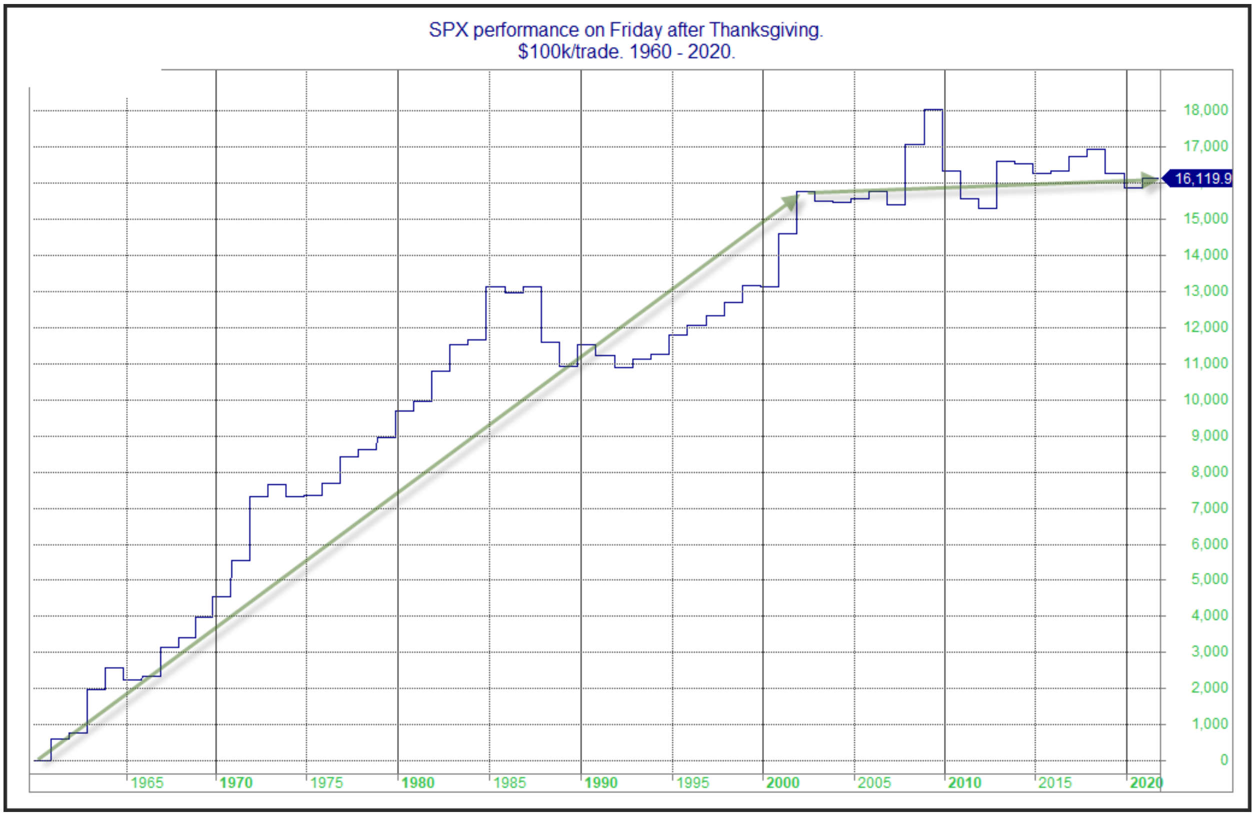
Thanksgiving Week Performance Broken Down By Day Of Week.
$100k/trade in SPX. 1960 - 2020.

Day	Net Profit	# Trades	# of Wins	# of Losers	Win %	W. Avg. Profit	L. Avg. Loss	Avg Profit/Loss	Profit Factor
Monday After	-$20,995.04	61	21	40	34.43	$943.14	-$1,020.02	-$344.18	0.49
Friday	$16,119.94	61	43	18	70.49	$572.54	-$472.19	$264.26	2.9
Wednesday	$18,486.90	61	47	14	77.05	$576.69	-$615.53	$303.06	3.15
Tuesday	$3,177.87	61	37	24	60.66	$579.11	-$760.38	$52.10	1.17
Monday	$3,160.21	61	29	32	47.54	$1,007.92	-$814.67	$51.81	1.12

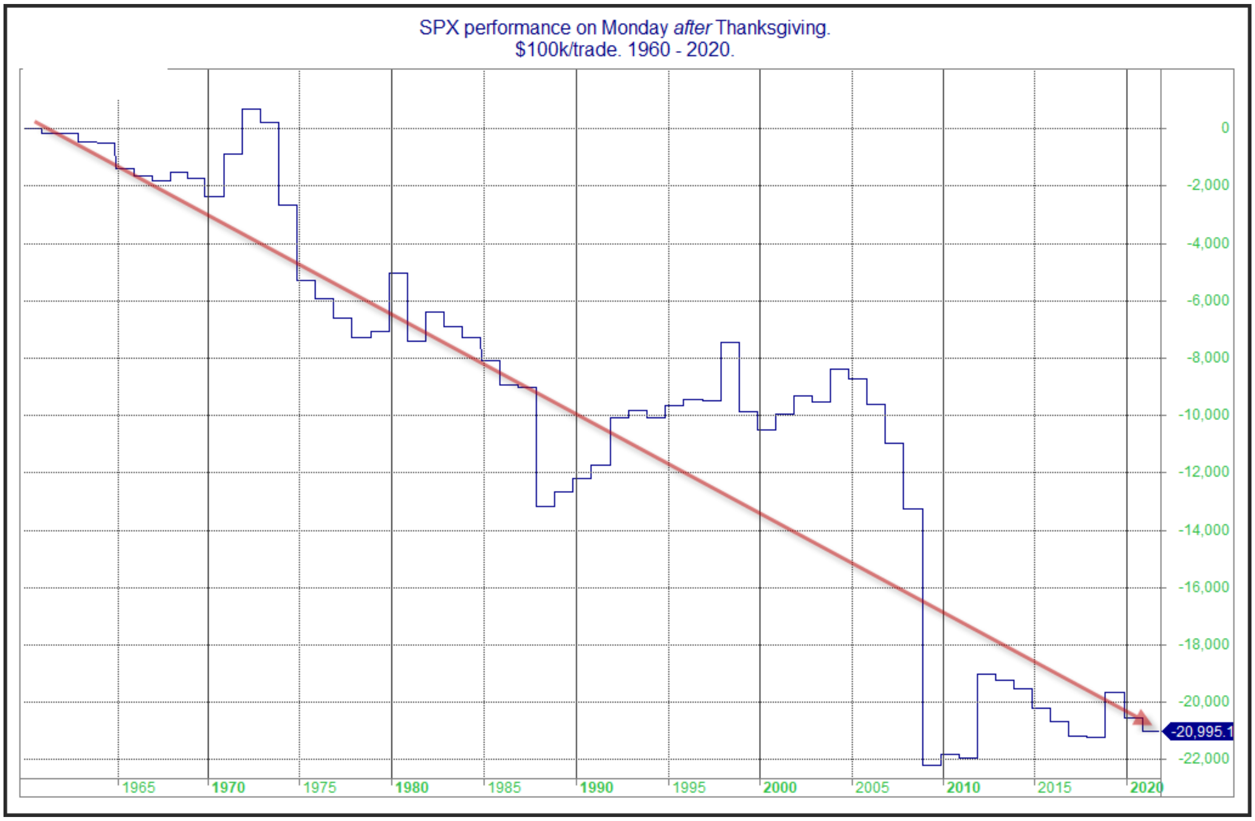
Monday and Tuesday don't show anything suggesting an edge. Wednesday and Friday, on the other hand, appear to be strongly bullish. And the Monday after Thanksgiving appears to exhibit a possible bearish edge. But before we jump to conclusions, let's examine the profit curves for Wednesday, Friday, and the following Monday. First below is Wednesday.



This curve looks to be strong. While there were a few bad Wednesdays, they were overwhelmed by the good ones. The next chart looks at Fridays after Thanksgiving.

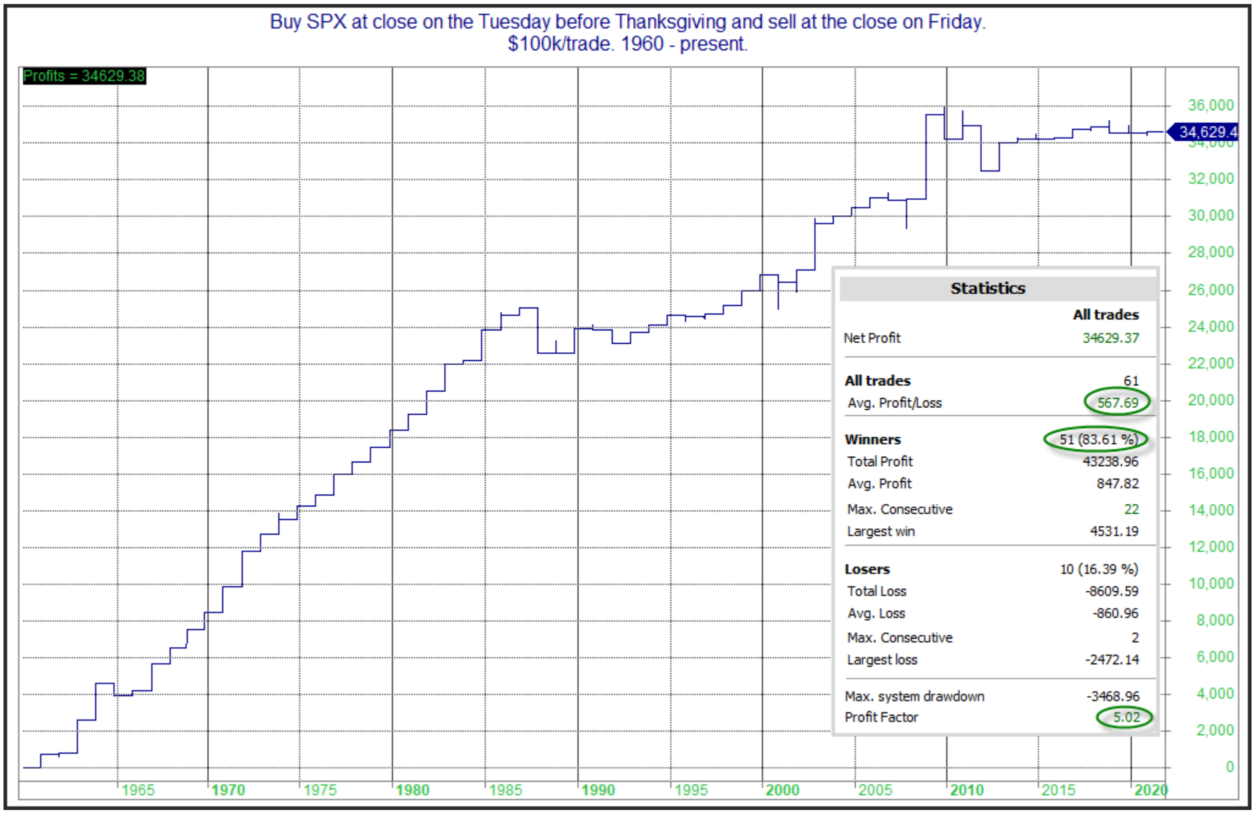


This curve doesn't appear quite as strong as the Wednesday curve. It has flattened out in recent years, but may still contain a bit of a seasonal upside edge. Now let's look at what has happened on the Monday after Thanksgiving.



The numbers from the results table were extremely negative, but as you can see the downside edge has not been steady at all. While the trend has been down pretty much the entire time, a large portion of the downside move is thanks to a 9% drop in 2008. This suggests a seasonal downside edge does exist, but it is perhaps not as strong as the raw numbers would suggest.

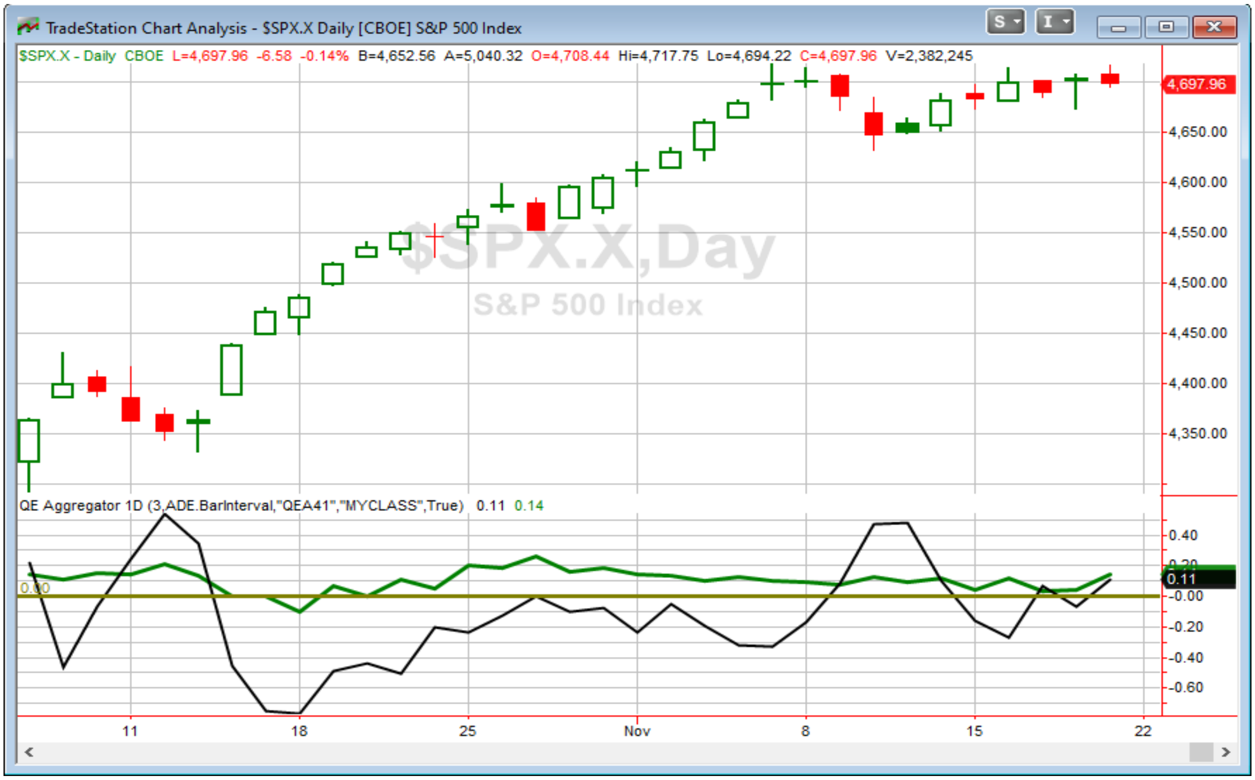
With Wednesday and Friday both showing seasonal strength an obvious play would be to buy on Tuesday's close, and then sell at Friday's close. This strategy was first suggested by Yale Hirsch many years ago. I looked at it the last few years and have updated the results again below.



From 1960 through 1986 this trade would've worked fantastically. There was only one year during this period when it would have failed to make money. From 1987 to the present it has continued to do ok, but not nearly to the same degree as it had before. There have in fact been 9 losing years over this time period. Still, the curve looks generally positive and traders could consider a trade along these lines if other indicators also seem to be lining up.

I will also note that there has been a vast difference in performance during recent times depending on how the market moved leading up to Wednesday. To examine this, I used SPY instead of SPX, because SPY has better intraday data. Since 1993, I found that years in which SPY closed in the bottom half of its intraday range on Thanksgiving Tuesday posted a 10-2 record with an average gain of 0.7% from Tuesday's close to Friday's close. When SPY closed in the top half of its range on Tuesday the performance over Wednesday to Friday was 11-5 with an average result of just a 0.15% gain. So Tuesday's action appears worth watching as we approach this potentially seasonally bullish period.

I have updated the Aggregator chart below.



With this weekend'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 moved back 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 set to remain positive on Monday. Of course this course change if strong bearish new evidence emerges. Meanwhile, the Differential Pivot will be *inverted at* 4697.67 on Monday. That is a fraction of a point *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 slightly in order to remain oversold versus recent expectations. Any flat or up close and it will be considered "overbought" as of Monday's close.

So the Aggregator is bullish. And positive seasonality will be kicking in starting Wednesday. But evidence is light, we are only one day down from a 50-day high, and the Differential Pivot is inverted. I rarely get excited about long trades when we have just a 1-day pullback from a high. It could be just the start of something. And I also do not like taking on new index trades with an inverted pivot, because that suggests limited potential reward. So I am not yet excited about a new long position. But a little more selling on Monday and/or Tuesday could get me interested in at least a Thanksgiving trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/22 – 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 was greatly mixed this past week. The SPX gained 0.3%, the NASDAQ rallied 1.2%, and the Russell 2000 tumbled 2.85%. The NASDAQ is at an all-time high, and the SPX made one on Thursday. So the long-term trend certainly appears to remain up.

One intermediate-term notable is that we have seen multiple Hindenburg Omen signals trigger over the last few days. Wednesday Thursday, and Friday all saw Hindenburg Omen signals. I last discussed the Hindenburg Omen in detail in the 2/3/20 letter. I have updated the notes and research below.

The Hindenburg Omen was created by Jim Miekka in 1995. It looks to identify times when there is a split market developing, which could signal trouble ahead. Friday marked the 3rd recent Hindenburg Omen signal. Note, there have been some discrepancy in the rules over the years. To get larger sample sizes, I have used the less-strict rules in my testing. The rules I use are below.

1. The daily number of NYSE new 52 week highs and the daily number of new 52 week lows are both greater than or equal to 2.8 percent (typically about 84) of the sum of NYSE issues that advance or decline that day (typically, around 3000). The original version of the indicator used 2.2%. When I originally researched the Hindenburg Omens a few years ago, 2.2% was the number I used, and it is the number I again use in the studies below. (Two side notes: 1) If I use 2.8% rather than 2.2% there have been substantially less signals, making it difficult to utilize the stats. This is why I have stuck to the 2.2% to this point. 2) Over time I have also seen published different places levels of 2.4% and 2.5%, so there is often some confusion over this requirement.
2. The NYSE index is greater in value than it was 50 trading days ago. Originally, this was expressed as a rising 10 week moving average, but the new rule is more relevant to the daily data used to look at new highs and lows.
3. The McClellan Oscillator is negative on the same day.
4. New 52 week highs cannot be more than twice the new 52 week lows (though new 52 week lows may be more than double new highs).

It is generally viewed that a single Hindenburg Omen signal is not a reliable indication of a market top, but that numerous signals provide a more reliable indication of danger. This is something I explored in the past and updated today. So let's look at some numbers. This first table shows results of entering the market when the 1st signal triggers.

Buy SPX when 1st Hindenburg Omen signal triggers.
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
100	84,241.67	38	24	14	63.16	19,927.11	-19,079.85	7,404.45	-6,676.09	1.11	1.90	2,216.89
95	66,993.43	38	23	15	60.53	19,052.91	-22,416.88	7,340.49	-6,789.20	1.08	1.66	1,762.98
90	53,899.89	38	22	16	57.89	17,492.37	-20,624.32	7,661.30	-7,165.55	1.07	1.47	1,418.42
85	62,904.84	39	25	14	64.10	17,010.63	-21,465.22	7,231.94	-8,420.98	0.86	1.53	1,612.94
80	64,271.73	39	24	15	61.54	16,583.84	-21,552.30	6,967.29	-6,862.88	1.02	1.62	1,647.99
75	47,463.67	40	24	16	60.00	14,501.70	-22,917.59	6,263.27	-6,428.43	0.97	1.46	1,186.59
70	31,178.98	41	25	16	60.98	17,714.32	-20,289.64	6,173.45	-7,697.33	0.80	1.25	760.46
65	27,795.73	42	25	17	59.52	16,609.84	-21,508.76	6,587.60	-8,052.60	0.82	1.20	661.80
60	28,872.63	44	26	18	59.09	17,197.44	-24,323.31	6,125.76	-7,244.29	0.85	1.22	656.20
55	-2,311.38	46	28	18	60.87	14,306.24	-27,246.71	5,111.03	-8,078.90	0.63	0.98	-50.25
50	2,366.34	47	28	19	59.57	14,509.04	-29,846.67	5,058.55	-7,330.16	0.69	1.02	50.35
45	9,832.16	47	28	19	59.57	13,151.98	-23,971.88	4,799.09	-6,554.86	0.73	1.08	209.19
40	-5,815.65	48	28	20	58.33	12,520.58	-23,889.00	4,451.44	-6,522.80	0.68	0.96	-121.16
35	-11,101.85	51	28	23	54.90	12,021.20	-24,659.19	4,157.57	-5,544.07	0.75	0.91	-217.68
30	7,842.37	52	30	22	57.69	9,855.58	-22,460.42	4,006.08	-5,106.36	0.78	1.07	150.81
25	7,954.98	54	29	25	53.70	9,781.64	-27,340.01	3,947.58	-4,260.99	0.93	1.07	147.31
20	-3,549.73	57	33	24	57.89	9,257.67	-19,533.91	2,897.75	-4,132.32	0.70	0.96	-62.28
15	14,424.95	63	37	26	58.73	9,103.68	-8,166.80	2,307.38	-2,728.77	0.85	1.20	228.97
10	-8,471.65	72	37	35	51.39	9,012.33	-7,899.90	1,880.28	-2,229.77	0.84	0.89	-117.66
5	-32,383.70	93	41	52	44.09	4,926.56	-7,160.65	1,223.46	-1,587.41	0.77	0.61	-348.21

The numbers here certainly aren't encouraging for the bull case, but they don't appear to be terribly dire either.

Let's now look at results if instead of entering after the 1st trigger, you purchase only if the trigger is at least the 2nd one in a 30-day period, which is a common time-period that Hindenburg watchers look for.

Buy SPX when 2nd Hindenburg Omen signal triggers.
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
100	67,425.36	27	20	7	74.07	17,883.98	-18,879.12	6,373.10	-8,576.67	0.74	2.12	2,497.24
95	43,011.14	27	18	9	66.67	17,605.78	-21,212.88	6,549.66	-8,320.30	0.79	1.57	1,593.01
90	44,278.67	27	19	8	70.37	20,476.59	-20,011.68	6,237.59	-9,279.44	0.67	1.60	1,639.95
85	27,168.16	28	17	11	60.71	20,455.19	-22,270.08	7,059.60	-8,440.46	0.84	1.29	970.29
80	36,896.89	28	19	9	67.86	18,961.47	-21,961.68	5,746.09	-8,030.97	0.72	1.51	1,317.75
75	44,199.92	29	19	10	65.52	17,861.51	-23,181.60	6,257.23	-7,468.75	0.84	1.59	1,524.14
70	19,133.56	31	21	10	67.74	21,700.67	-19,060.08	5,185.81	-8,976.85	0.58	1.21	617.21
65	5,262.09	31	20	11	64.52	20,504.41	-23,131.68	5,441.84	-9,415.89	0.58	1.05	169.74
60	16,376.13	32	20	12	62.50	19,457.95	-22,011.60	5,354.41	-7,559.34	0.71	1.18	511.75
55	555.75	34	21	13	61.76	18,625.49	-26,329.68	4,864.15	-7,814.72	0.62	1.01	16.35
50	-3,184.62	36	21	15	58.33	17,961.02	-29,889.60	5,131.82	-7,396.86	0.69	0.97	-88.46
45	-6,515.52	37	19	18	51.35	16,345.32	-24,766.56	5,286.24	-5,941.89	0.89	0.94	-176.10
40	-28,855.50	37	19	18	51.35	14,615.13	-24,853.92	4,449.07	-6,299.32	0.71	0.75	-779.88
35	-33,649.27	37	19	18	51.35	13,303.31	-29,362.20	4,146.76	-6,246.54	0.66	0.70	-909.44
30	-17,445.77	37	22	15	59.46	11,007.09	-20,354.88	3,409.28	-6,163.33	0.55	0.81	-471.51
25	-12,372.90	38	21	17	55.26	10,173.56	-23,381.28	3,414.90	-4,946.23	0.69	0.85	-325.60
20	-33,057.34	42	21	21	50.00	8,886.35	-22,295.52	2,888.01	-4,462.17	0.65	0.65	-787.08
15	-1,701.31	45	26	19	57.78	8,305.02	-6,748.56	1,926.09	-2,725.24	0.71	0.97	-37.81
10	-17,748.08	52	21	31	40.38	9,247.23	-6,913.55	1,993.88	-1,923.21	1.04	0.70	-341.31
5	-8,228.98	68	33	35	48.53	6,245.73	-7,160.65	1,438.63	-1,591.54	0.90	0.85	-121.01

Some of these numbers look a little worse, but they aren't exactly outright bearish. I next checked instances that triggered a 3rd signal in a 30-day period.

Buy SPX when 3rd Hindenburg Omen signal triggers.
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
100	28,101.54	20	13	7	65.00	18,512.90	-16,085.07	5,484.31	-6,170.64	0.89	1.65	1,405.08
95	4,858.48	20	12	8	60.00	16,070.66	-18,231.36	4,885.65	-6,721.16	0.73	1.09	242.92
90	-1,235.98	20	11	9	55.00	18,595.58	-19,277.67	5,567.02	-6,941.46	0.80	0.98	-61.80
85	8,414.75	20	13	7	65.00	18,884.96	-21,991.68	5,520.58	-9,050.39	0.61	1.13	420.74
80	-15,391.86	21	11	10	52.38	16,528.58	-19,711.68	5,278.17	-7,345.18	0.72	0.79	-732.95
75	14,580.57	21	11	10	52.38	18,289.24	-22,758.23	7,037.54	-6,283.24	1.12	1.23	694.31
70	-12,591.59	23	13	10	56.52	19,119.22	-21,021.08	5,177.46	-7,989.85	0.65	0.84	-547.46
65	-28,817.79	23	10	13	43.48	17,909.76	-23,731.66	5,351.17	-6,333.04	0.84	0.65	-1,252.95
60	-16,591.73	23	12	10	52.17	17,209.10	-22,576.69	4,812.55	-7,434.23	0.65	0.78	-721.38
55	-16,094.45	24	12	12	50.00	17,905.52	-20,673.65	5,360.58	-6,701.79	0.80	0.80	-670.60
50	-20,746.98	26	13	13	50.00	17,255.74	-22,263.69	4,735.43	-6,331.35	0.75	0.75	-797.96
45	-35,149.98	26	11	15	42.31	15,507.80	-25,143.29	4,977.59	-5,993.57	0.83	0.61	-1,351.92
40	-48,326.75	27	13	14	48.15	13,700.50	-26,846.01	3,919.00	-7,090.99	0.55	0.51	-1,789.88
35	-60,670.66	27	11	16	40.74	11,461.78	-30,631.72	4,050.18	-6,576.41	0.62	0.42	-2,247.06
30	-40,995.23	27	16	11	59.26	10,991.14	-26,021.09	3,155.52	-8,316.69	0.38	0.55	-1,518.34
25	-40,437.48	27	15	12	55.56	9,841.04	-25,105.73	2,693.07	-6,736.12	0.40	0.50	-1,497.68
20	-42,569.46	28	14	14	50.00	8,458.80	-21,406.07	2,451.22	-5,491.89	0.45	0.45	-1,520.34
15	-40,638.23	32	16	16	50.00	7,078.68	-26,924.26	1,932.20	-4,472.09	0.43	0.43	-1,269.94
10	-53,859.37	36	13	23	36.11	4,793.84	-25,784.94	1,706.02	-3,305.98	0.52	0.29	-1,496.09
5	-23,228.67	44	16	28	36.36	4,174.28	-4,975.25	1,159.48	-1,492.15	0.78	0.44	-527.92

Between 10 and 40 days out there appears to be somewhat weak returns.

I also updated the stats when 4 signals occur. (We are not quite there yet – need one more signal to get there.)

Buy SPX when 4th Hindenburg Omen signal triggers. 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
100	36,143.84	14	11	3	78.57	9,905.22	-5,914.30	4,607.65	-4,846.77	0.95	3.49	2,581.70
95	24,813.43	14	9	5	64.29	8,855.98	-8,014.48	4,897.06	-3,852.02	1.27	2.29	1,772.39
90	10,732.93	14	8	6	57.14	6,815.98	-8,906.30	4,467.15	-4,167.38	1.07	1.43	766.64
85	19,784.62	14	9	5	64.29	7,141.18	-9,965.06	4,682.28	-4,471.17	1.05	1.88	1,413.19
80	10,675.93	14	9	5	64.29	7,248.39	-12,512.68	4,295.68	-5,597.04	0.77	1.38	762.57
75	-8,017.04	15	9	6	60.00	8,515.03	-17,916.30	4,616.00	-8,260.18	0.56	0.84	-534.47
70	8,060.08	16	11	5	68.75	6,006.50	-11,291.74	3,317.49	-5,686.46	0.58	1.28	503.75
65	-9,654.10	16	9	7	56.25	4,971.48	-10,467.60	2,591.63	-4,711.25	0.55	0.71	-603.38
60	-739.40	16	11	5	68.75	8,260.16	-11,602.80	2,696.15	-6,079.42	0.44	0.98	-46.21
55	-7,443.10	16	9	7	56.25	8,665.90	-8,851.04	3,626.10	-5,725.43	0.63	0.81	-465.19
50	-18,914.19	18	10	8	55.56	9,300.50	-13,966.80	3,151.44	-6,303.57	0.50	0.62	-1,050.79
45	-28,599.12	18	8	10	44.44	6,917.52	-17,685.30	3,304.00	-5,503.12	0.60	0.48	-1,588.84
40	-32,062.36	18	9	9	50.00	6,232.96	-19,929.90	3,001.89	-6,564.37	0.46	0.46	-1,781.24
35	-58,413.93	18	7	11	38.89	4,885.44	-24,047.70	2,469.12	-6,881.62	0.36	0.23	-3,245.22
30	-25,769.82	18	11	7	61.11	5,262.60	-21,591.90	2,148.20	-7,057.15	0.30	0.48	-1,431.66
25	-21,410.38	18	9	9	50.00	6,253.80	-12,334.96	2,244.81	-4,623.74	0.49	0.49	-1,189.47
20	-27,710.20	18	6	12	33.33	4,796.40	-9,664.24	2,361.89	-3,490.13	0.68	0.34	-1,539.46
15	-25,791.06	20	8	12	40.00	4,301.89	-8,405.92	1,996.55	-3,480.29	0.57	0.38	-1,289.55
10	-14,845.04	26	11	15	42.31	3,641.10	-6,566.95	1,548.18	-2,125.00	0.73	0.53	-570.96
5	-21,587.25	31	12	19	38.71	3,095.10	-8,434.30	1,275.86	-1,941.98	0.66	0.41	-696.36

There are only 18 instances when looking out 35 days, but with 11 of them being down 35 days later, and a large average loss, these results warrant closer investigation. Below are the individual instances.

Buy SPX when 4th Hindenburg Omen signal triggers. Sell 35 days later. $100k/trade. 1980 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
2/14/1980	Buy	$116.72	-14.16%	$1,010.08
4/7/1980	Sell	$100.19		($19,251.44)
7/24/1986	Buy	$237.94	-3.06%	$6,846.00
9/12/1986	Sell	$230.66		($3,864.00)
12/8/1999	Buy	$1,403.88	-3.11%	$5,262.52
1/28/2000	Sell	$1,360.16		($3,385.28)
9/28/2005	Buy	$1,216.90	1.18%	$1,725.28
11/16/2005	Sell	$1,231.21		($3,993.40)
4/24/2006	Buy	$1,308.11	-6.45%	$1,412.84
6/13/2006	Sell	$1,223.69		($6,504.84)
7/20/2007	Buy	$1,534.10	-5.37%	$853.45
9/10/2007	Sell	$1,451.70		($10,627.50)
10/25/2007	Buy	$1,514.39	-3.07%	$2,532.42
12/14/2007	Sell	$1,467.95		($7,147.14)
6/4/2013	Buy	$1,631.38	3.34%	$4,111.40
7/24/2013	Sell	$1,685.94		($4,334.05)
8/9/2013	Buy	$1,691.42	-0.58%	$2,267.96
9/30/2013	Sell	$1,681.55		($3,773.05)
12/17/2013	Buy	$1,781.00	0.90%	$3,911.04
2/7/2014	Sell	$1,797.02		($2,412.48)
12/8/2014	Buy	$2,060.31	-1.90%	$1,595.52
1/29/2015	Sell	$2,021.25		($4,212.00)
6/16/2017	Buy	$2,433.15	1.96%	$2,086.49
8/7/2017	Sell	$2,480.91		($1,125.45)
11/8/2017	Buy	$2,594.38	3.05%	$3,822.42
12/29/2017	Sell	$2,673.61		($1,403.34)
2/1/2018	Buy	$2,821.98	-8.28%	$0.00
3/23/2018	Sell	$2,588.26		($10,125.15)
9/6/2018	Buy	$2,878.05	-5.99%	$2,137.24
10/25/2018	Sell	$2,705.57		($7,689.44)
8/2/2019	Buy	$2,932.05	2.04%	$3,057.96
9/23/2019	Sell	$2,991.78		($3,737.62)
11/18/2019	Buy	$3,122.03	4.89%	$4,913.60
1/9/2020	Sell	$3,274.70		($1,654.40)
2/3/2020	Buy	$3,248.92	-24.67%	$4,338.00
3/24/2020	Sell	$2,447.33		($31,711.80)

The last instance occurred in Feb 2020, leading up to the big COVID crash. The average drawdown for the 18 instances is almost 2.5x the size of the average run-up. I also pointed arrows at the 13 instances that saw at least a 3.5% drawdown from the entry point over the next 35 days. Lastly, I ran the same test using the 2.8% NH/NL requirement, rather than 2.2%. Instances are limited there, but you can see the 35 days results below.

Buy SPX when 4th Hindenburg Omen signal triggers (2.8% rather than 2.2%). Sell 35 days later. $100k/trade. 1980 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
4/26/2006	Buy	$1,305.41	-3.77%	$1,618.04
6/15/2006	Sell	$1,256.16		($6,545.12)
11/6/2007	Buy	$1,520.27	-2.89%	$214.50
12/27/2007	Sell	$1,476.27		($7,421.05)
8/13/2013	Buy	$1,694.16	-0.02%	$2,106.30
10/2/2013	Sell	$1,693.87		($3,934.71)
12/8/2014	Buy	$2,060.31	-1.90%	$1,595.52
1/29/2015	Sell	$2,021.25		($4,212.00)
11/14/2017	Buy	$2,578.87	6.37%	$6,254.04
1/5/2018	Sell	$2,743.15		($813.96)
2/1/2018	Buy	$2,821.98	-8.28%	$0.00
3/23/2018	Sell	$2,588.26		($10,125.15)
9/10/2018	Buy	$2,877.13	-8.20%	$2,168.52
10/29/2018	Sell	$2,641.25		($9,302.06)
8/7/2019	Buy	$2,883.98	3.25%	$4,692.34
9/26/2019	Sell	$2,977.62		($1,987.98)

With 6 of the 8 closing down, and also having substantial dips over the 35 days, the inclination here also appears to point lower. Overall, the Hindenburg study results seem to favor the bears. In my opinion the setup does not appear as menacing as the name might suggest, but there has been enough market damage, and enough sizable drops following these signals, that it is worth remaining cognizant of it.

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

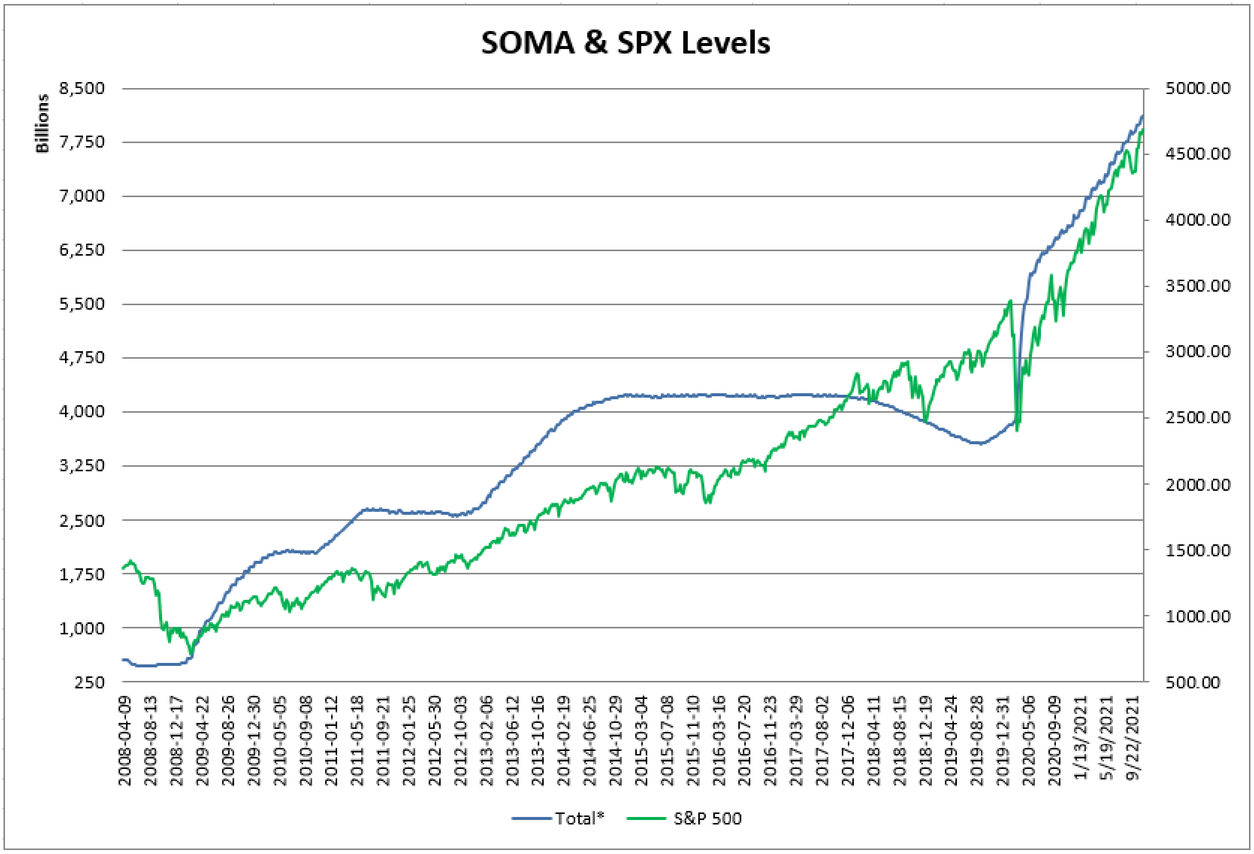
Previous **November 17, 2021**

Posted November 18, 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)	4,781,933,524.5
US Treasury Floating Rate Notes (FRNs)	24,321,178.7
US Treasury Inflation-Protected Securities (TIPS)*	374,041,901.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,594,064,771.1
Agency Commercial Mortgage-Backed Securities***	9,365,812.4
Total SOMA Holdings	8,112,118,187.7
Change From Prior Week	30,743,146.3

This past week saw the SOMA rise by $31 billion. That is a very 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 should 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 more going for them. Seasonality is helping, the NASDAQ is leading, the market is making new highs and clearly in an uptrend, and there are still some momentum-based studies suggesting more upside. There are plenty of issues the bears could grab onto, including valuations, inflation, supply-chain backups, the debt-ceiling negotiations, and more. We also now have potential breadth issues with the Hindenburg Omen cluster that is building. And the more QE tapers, the less it can help to backstop the market when selloffs begin. I still favor the bullish case, but there is a chance I could move to neutral after we get through Thanksgiving – especially if more Hindenburgs trigger this week. I believe being nimble in the coming months could 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 as the evidence changes.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

AIG – 1/3 @ $57.19 (bought at limit)
AIG – 1/3 @ $56.95 (bought at limit)
AIG – 1/3 @ $56.12 (bought at limit)
IBM – 1/3 @ $116.66 (bought at limit)
New
BLK – 1/3 @ $914.95 (buy at limit)
IBM – 1/3 @ $116.05 (buy at limit)

Broad Market Large Cap CBI – 6 (AIG-3, IBM-2, BLK)

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.*

BLK – But 1/3 Catapult position @ $914.95 LIMIT. From the Catapult section above, this is the 1st of up to 3 lots of BLK.

IBM – But 1/3 Catapult position @ $116.05 LIMIT. From the Catapult section above, this is the 2nd of up to 3 lots of IBM.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AIG(1/3)	11/17/2021	$56.98	$54.95	-3.56%		Catapult
AIG(1/3)	11/18/2021	$56.95	$54.95	-3.51%		Catapult
AIG(1/3)	11/19/2021	$55.20	$54.95	-0.45%		Catapult
IBM(1/3)	11/19/2021	$116.49	$116.05	-0.38%		Catapult