

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 23, 2021

Volume 14 Issue 226

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce – especially heading into a “Turnaroud” Tuesday.
- The gap, run-up, and poor close for SPY suggest a short-term move higher as well.
- A 4th Hindenburg Omen signal triggered. This suggests possible trouble down the road for the market.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is building and I like the setup. I'll be looking to take on some long exposure if I can get a decent fill.

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 23, 2021	5-low and btm 10% on a Monday	1-5 days	Bullish	2.00%	-1.00%	-2.10%
November 23, 2021	Gap higher and reverse > 10low > 200	1-6 days	Bullish	2.60%	-1.30%	-2.30%
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			

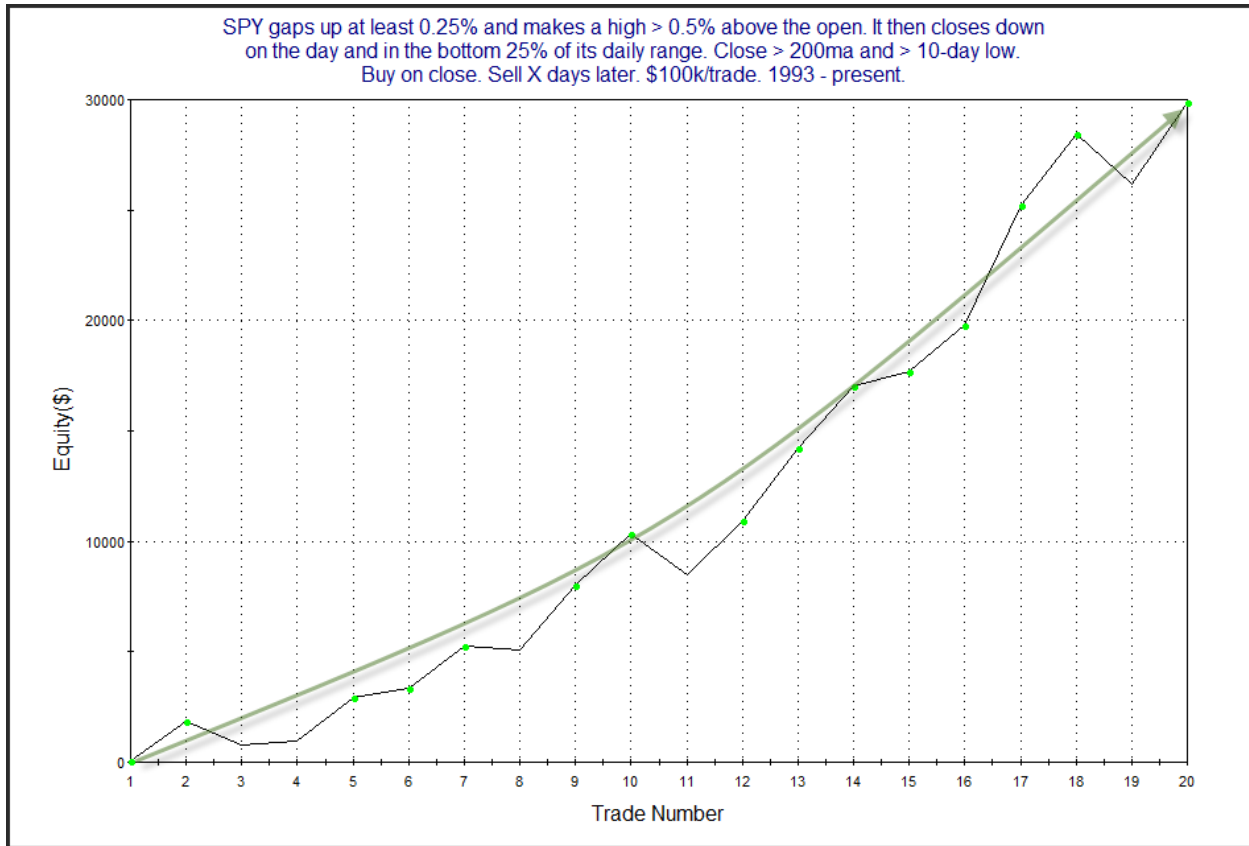
The Evidence

Monday looked like a pretty good day up until the last hour. Then the wheels fell off. The SPX finished down 0.3%, the NASDAQ tumbled 1.3%, and the Russell 2000 declined 0.5%. Breadth was mixed with the NYSE Up Issues % coming in at 45% and the Up Volume % at 56%. NYSE total volume rose some from Friday's level.

The afternoon selloff may have felt bearish to many traders. But there were several studies in the Quantifinder suggesting the poor close could set the market up for a bounce in the coming days. I went through those that triggered, and decided to feature a couple of them. This first one was last discussed way back in the 1/14/15 letter. It looked at SPY's gap up, run higher, and then the reversal. Results are updated.

SPY gaps up at least 0.25% and makes a high > 0.5% above the open. It then closes down on the day and in the bottom 25% of its daily range. Close > 200ma and > 10-day low. 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
10	22,251.57	20	11	9	55.00	6,438.74	-5,955.25	3,184.66	-1,419.96	2.24	2.74	1,112.58
9	34,815.88	20	15	5	75.00	6,845.74	-4,967.97	2,968.77	-1,943.13	1.53	4.58	1,740.79
8	29,473.33	20	15	5	75.00	5,880.60	-5,920.81	2,805.83	-2,522.83	1.11	3.34	1,473.67
7	35,426.67	20	14	6	70.00	6,675.90	-2,604.42	3,143.29	-1,429.90	2.20	5.13	1,771.33
6	29,868.27	20	16	4	80.00	5,402.10	-2,267.30	2,198.06	-1,325.16	1.66	6.63	1,493.41
5	22,502.02	20	15	5	75.00	3,834.09	-1,498.84	1,798.91	-896.32	2.01	6.02	1,125.10
4	24,221.50	21	15	6	71.43	4,533.98	-2,259.92	2,031.45	-1,041.72	1.95	4.88	1,153.40
3	15,652.73	21	14	7	66.67	3,858.36	-2,990.26	1,756.21	-1,276.32	1.38	2.75	745.37
2	13,388.47	21	15	6	71.43	2,772.48	-1,348.62	1,136.12	-608.88	1.87	4.66	637.55
1	6,594.98	22	14	8	63.64	2,319.36	-1,515.36	860.20	-680.98	1.26	2.21	299.77

The numbers here are very appealing. Below is a look at the 6-day profit curve.



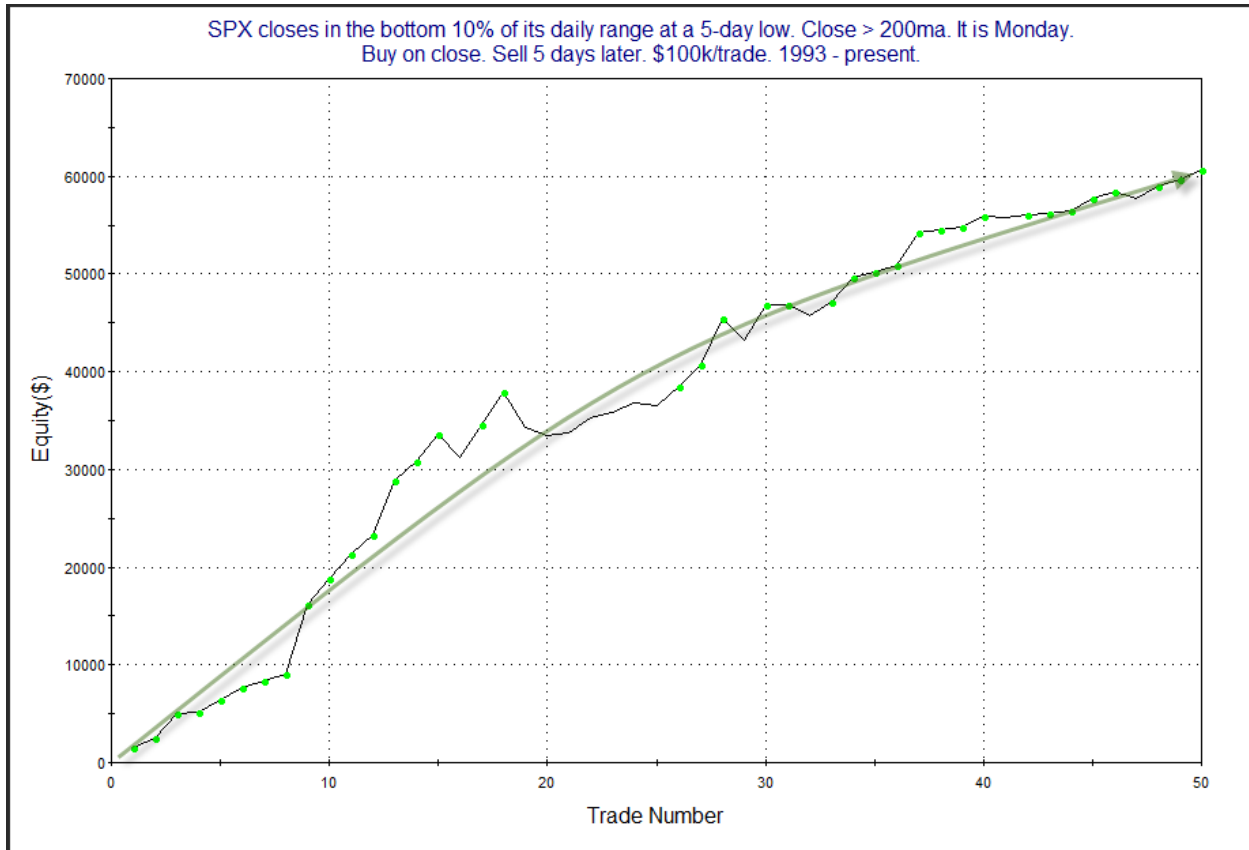
That is an impressive move from lower left to upper right. This serves as some confirmation of the bullish edge suggested by the table. I have included this study on the active list.

Another study that looked at the poor close also considered the fact that tomorrow is a potential “Turnaround Tuesday”. It was last seen in the 12/3/19 letter, and has been updated below.

SPX closes in the bottom 10% of its daily range at a 5-day low. Close > 200ma. It is Monday. 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	60,606.25	50	42	8	84.00	7,070.28	-3,720.99	1,712.68	-1,415.81	1.21	6.35	1,212.12
4	44,799.72	50	41	9	82.00	5,187.49	-3,019.20	1,446.37	-1,611.26	0.90	4.09	895.99
3	34,338.34	50	35	15	70.00	5,339.18	-3,515.67	1,419.99	-1,024.10	1.39	3.24	686.77
2	28,444.61	50	34	16	68.00	4,809.66	-2,261.76	1,195.09	-761.78	1.57	3.33	568.89
1	27,746.05	50	38	12	76.00	5,117.46	-1,611.03	884.88	-489.96	1.81	5.72	554.92

The table suggests a compelling upside edge over the next few days. Below is a look at the 5-day profit curve.



Here again we see a strong, persistent move from lower left to upper right. I have also included this study on the active list.

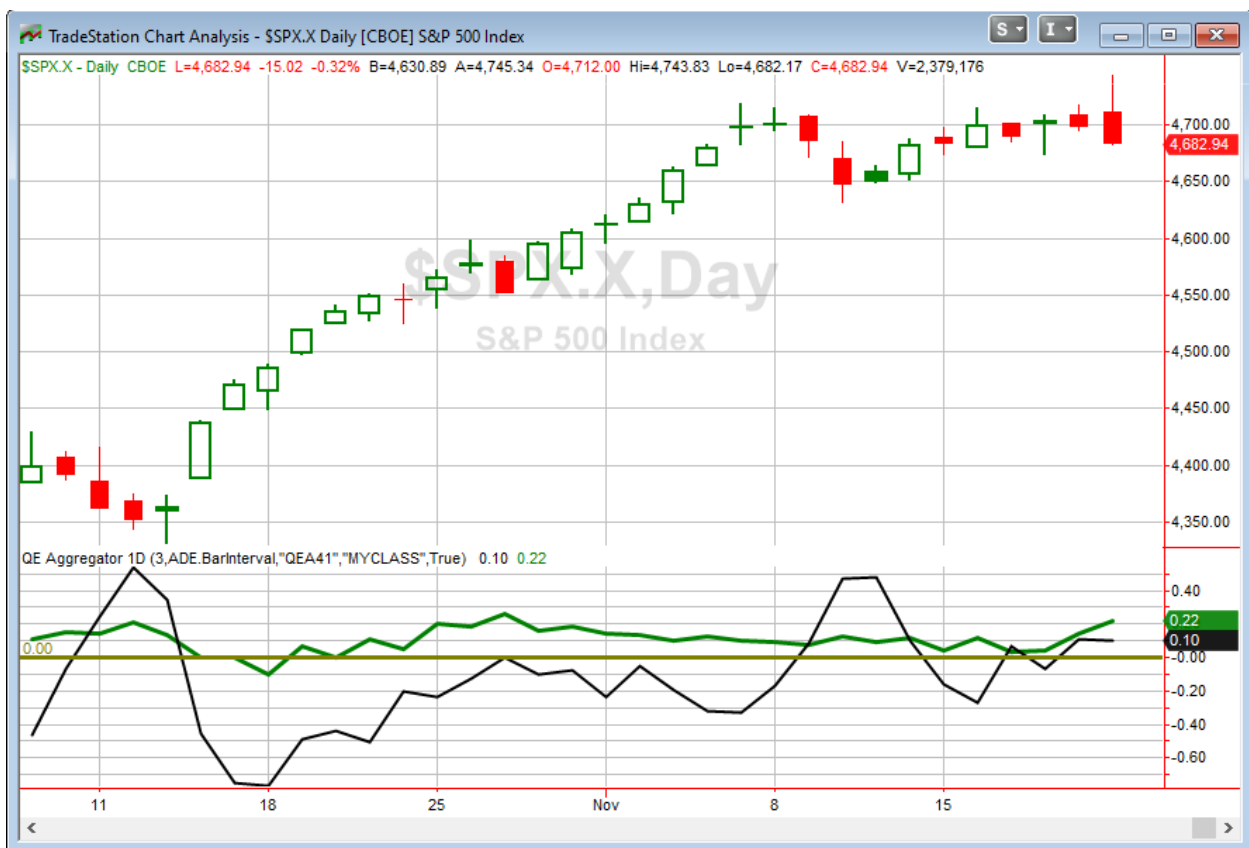
Over the weekend I discussed the fact that Wednesday and Friday showed bullish seasonality. I also discussed Wednesday's results in the context of Tuesday's action. My comments from the Sunday letter are pasted below.

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.

Lastly, I will note that Monday marked the 4th Hindenburg Omen signal in a row (using the looser definition). That is a sizable cluster now, and worth considering when setting your longer-term bias. More details on Hindenburgs can be found in 11/22/21 subscriber letter.

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



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 held 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 set to remain positive on Tuesday. This is unlikely to change without some very strong new bearish evidence. Meanwhile, the Differential Pivot will be 4713.40 on Tuesday. That is 0.65% above Monday's close. So SPX will need to close up at least 0.65% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Price action is suggesting a bounce, and we are about to head into a 2-day bullish holiday period. There is also ample room to the upside before SPX would turn overbought. This all seems to suggest a compelling upside edge. I like the setup enough to try and take on some long exposure on Tuesday. And if the market sells off further during the day, I may look to take on a 2nd lot of SPY. Details are in the trade ideas section down below.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/22 – somewhat bullish

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)

BLK – 1/3 @ \$914.95 (bought at limit)

IBM – 1/3 @ \$116.05 (bought 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.

SPY – Buy ¼ index position @ \$467.57 LIMIT. From the short-term outlook above, I will look to start taking on some long index exposure if I can get filled at a price equal to or better than Monday's close.

SPY – Buy ¼ index position @ \$467.56 LIMIT ON CLOSE IF IT ALSO CLOSSES IN THE LOWER HALF OF ITS INTRADAY RANGE. I'll take a 2nd lot of SPY if it suffers more selling and closes poorly on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AIG(1/3)	11/17/2021	\$56.98	\$56.94	-0.07%		Catapult
AIG(1/3)	11/18/2021	\$56.95	\$56.94	-0.02%		Catapult
AIG(1/3)	11/19/2021	\$55.20	\$56.94	3.15%		Catapult
IBM(1/3)	11/19/2021	\$116.49	\$116.47	-0.02%		Catapult
IBM(1/3)	11/22/2021	\$116.00	\$116.47	0.41%		Catapult
BLK(1/3)	11/22/2021	\$914.95	\$919.33	0.48%		Catapult

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2021 Quantifiable Edges, LLC.