

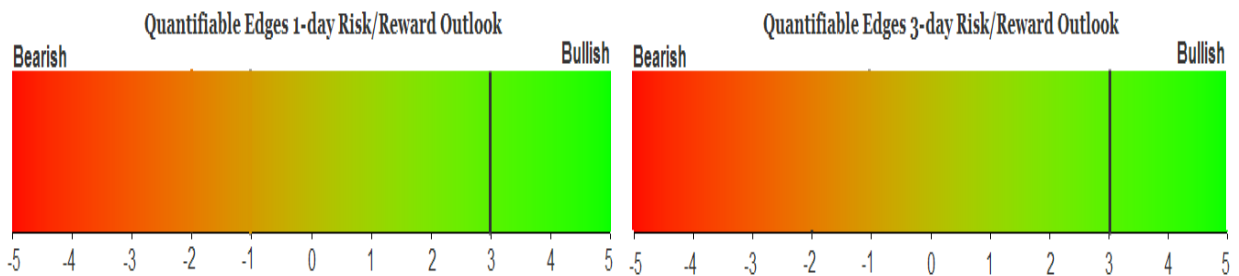
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 24, 2021

Volume 14 Issue 227

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The tight consolidation near a 50-day high suggests an upside edge.
- Wed-Fri around Thanksgiving has been bullish historically.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is building and I like the long side and the reward/risk potential.

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 24, 2021	50-high then sideways for 5 days	1-3 days	Bullish	1.10%	-0.65%	-1.30%
November 24, 2021	Thanksgiving Wed-Fri bullish	1-2 days	Bullish			
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 24, 2021	50-high then sideways for 5 days	1-10 days	Bullish	2.10%	-1.10%	-2.30%
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

Tuesday saw a morning selloff, but a decent rebound in the afternoon left the market mixed. The SPX finished up 0.2%, the NASDAQ declined 0.5%, and the Russell 2000 declined 0.15%. Breadth was mixed with the NYSE Up Issues % coming in at 47% and the Up Volume % at 55%. NYSE total volume declined some from Monday's level.

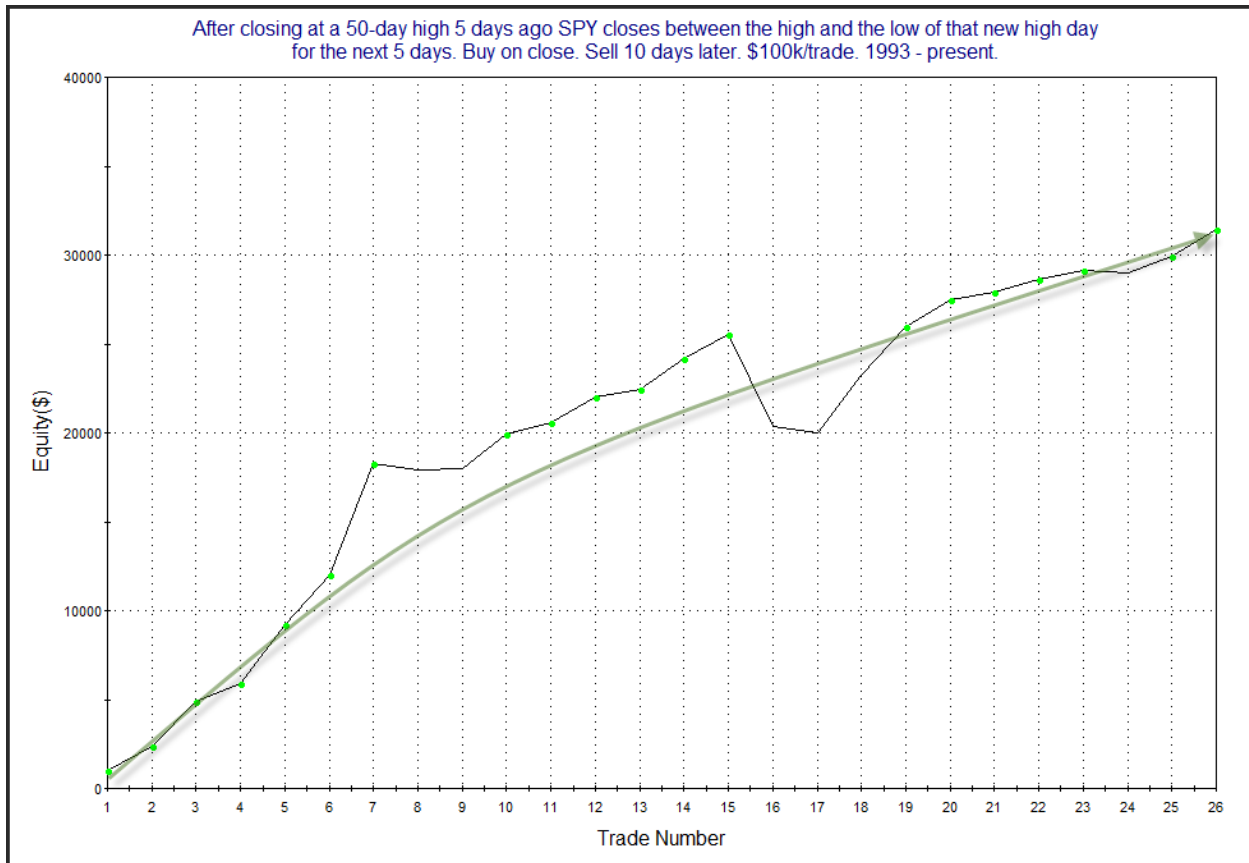
The range over the last week has been extremely tight. Every SPY close in the 5 days since 11/6 has been within the intraday range of that 11/16/21 bar. It is said that consolidations are often resolved in the direction of the trend. This guideline suggests that we're more likely to see another leg up from here than a breakdown. The study below tests this concept. It was last seen in the 11/15/19 letter and has been updated.

After closing at a 50-day high 5 days ago SPY closes between the high and the low of that new high day for the next 5 days. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

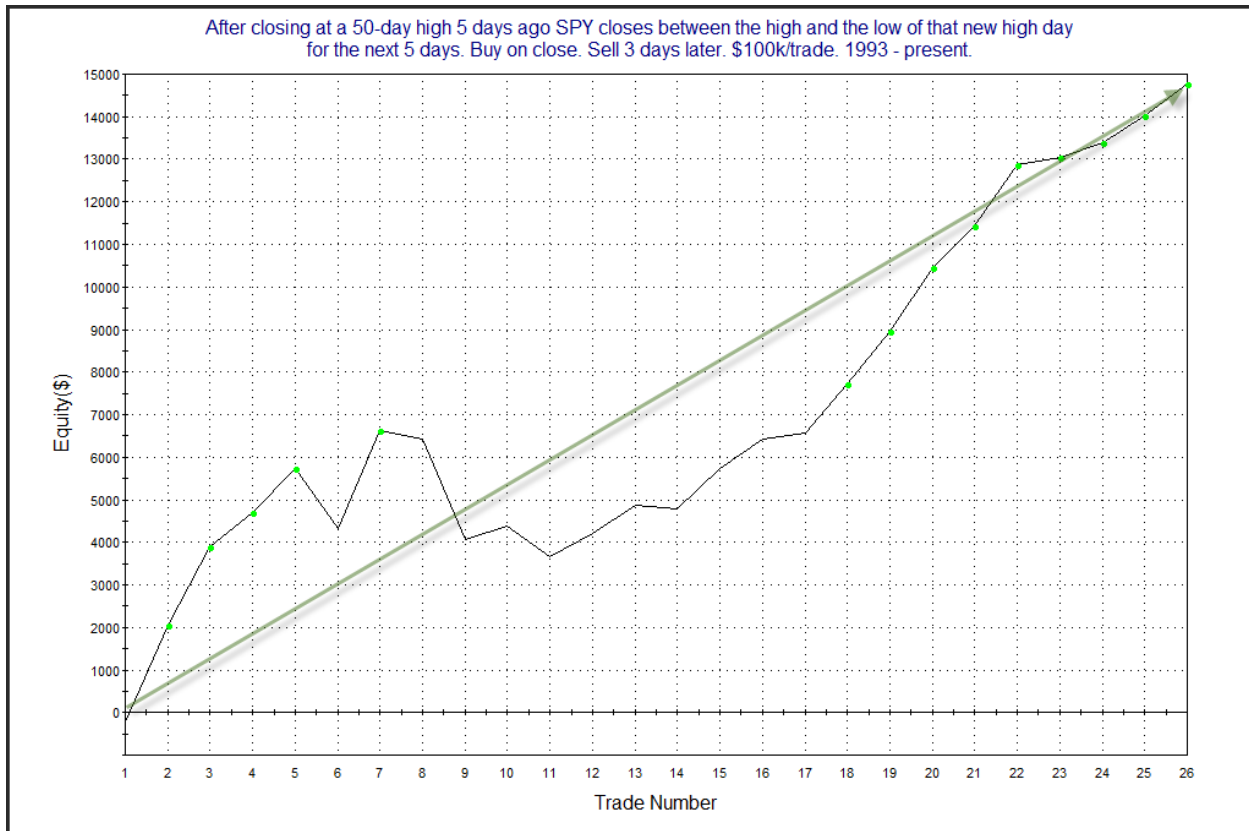
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	31,442.20	26	22	4	84.62	6,287.04	-5,182.56	1,702.32	-1,502.23	1.13	6.23	1,209.32
9	29,732.19	26	23	3	88.46	6,322.56	-2,251.44	1,428.17	-1,038.54	1.38	10.54	1,143.55
8	27,493.41	26	22	4	84.62	6,287.04	-2,060.28	1,460.12	-1,157.31	1.26	6.94	1,057.44
7	19,311.11	26	20	6	76.92	5,339.84	-3,472.29	1,346.15	-1,268.65	1.06	3.54	742.73
6	11,784.65	26	18	8	69.23	3,362.56	-2,992.38	1,172.09	-1,164.12	1.01	2.27	453.26
5	12,553.23	26	15	11	57.69	3,031.04	-2,425.20	1,359.18	-712.22	1.91	2.60	482.82
4	14,960.91	26	18	8	69.23	2,806.08	-1,541.60	1,110.42	-628.33	1.77	3.98	575.42
3	14,777.11	26	20	6	76.92	2,296.96	-2,368.80	989.57	-835.71	1.18	3.95	568.35
2	8,137.35	27	19	7	70.37	1,817.10	-1,627.93	750.22	-873.84	0.86	2.33	301.38
1	1,641.80	27	15	12	55.56	1,433.49	-1,100.97	511.20	-502.18	1.02	1.27	60.81

- 24 of 27 instances (89%) closed above the entry price within 3 days.
- All instances closed above the entry price within the next 2 weeks.
- 24 of 27 instances (89%) closed at a new 50-day high within the next 2 weeks.

It certainly appears to confirm the old technical adage. Results favor the long side over the immediate 3-day period and they are even more impressive when looking out 8 to 10 days. Below are some equity curves to see how the edge has played out over time. First, the 10-day.



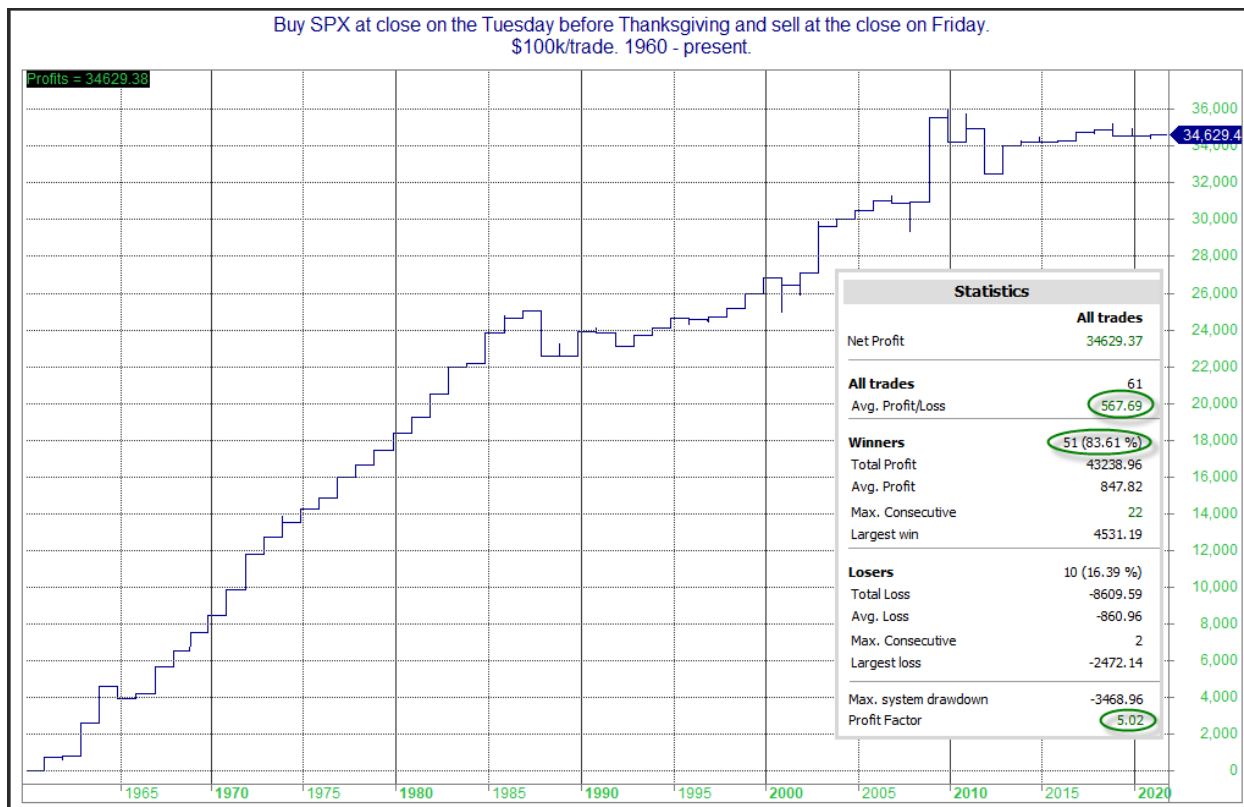
The persistent move from lower left to upper right serves as some confirmation of the upside edge. Next is the 3-day curve.



While mostly up the curve is a bit choppy. Of the 5 losses, two of them were fairly large. This suggests perhaps a little more risk in this setup than in some others we examine. Over the 3-day period the average run-up was 1.1% and the average drawdown was 0.7%. That is a comparatively large drawdown. It isn't very surprising though. Risks tend to be higher when you are trading near the upper end of a range. And a tight consolidation near a 50-day high seems to qualify. I will also note that the last 12 instances, dating back to January of 2007, have all been winners. All considered, I find this study appealing and believe it is worth considering over both very short and intermediate-term timeframes.

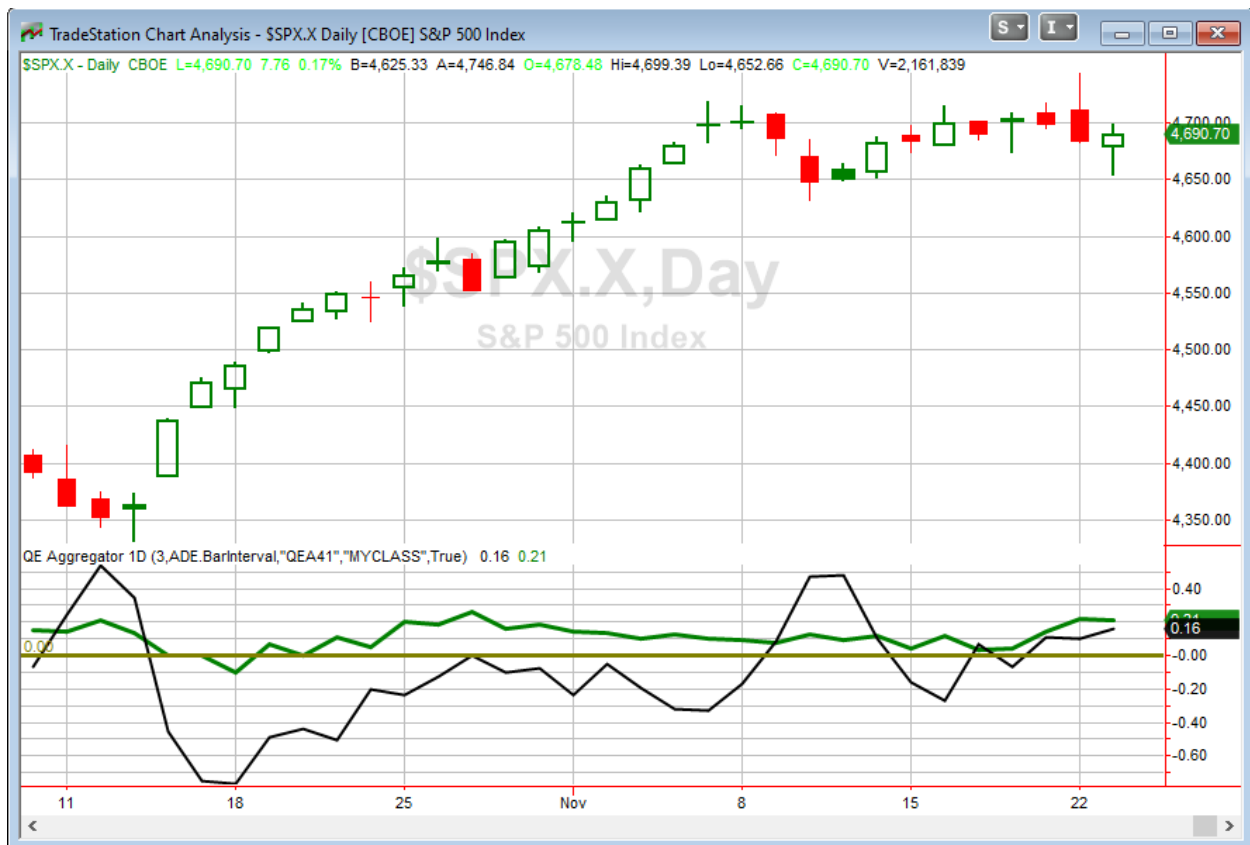
In the Sunday letter I showed a Thanksgiving week breakdown. Wednesday and Friday were the bullish days, and they are now up. From Sundays letter...

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 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 Wednesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4708.23 on Tuesday. That is 0.4% above Monday's close. So SPX will need to close up at least 0.4% on Wednesday 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 now in a 2-day bullish holiday period. This still appears to be a solid upside opportunity. I took some long exposure on Tuesday. If Wednesday closes down much, I'll view that as a sale price and add another lot.

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

SPY – Buy ¼ index position @ \$467.00 LIMIT ON CLOSE. From the short-term outlook above, I will look to add another lot if Wednesday fails to rally.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AIG(1/3)	11/17/2021	\$56.98	\$58.90	3.37%		sell on open
AIG(1/3)	11/18/2021	\$56.95	\$58.90	3.42%		sell on open
AIG(1/3)	11/19/2021	\$55.20	\$58.90	6.70%		sell on open
IBM(1/3)	11/19/2021	\$116.49	\$116.79	0.26%		sell on open
IBM(1/3)	11/22/2021	\$116.00	\$116.79	0.68%		sell on open
BLK(1/3)	11/22/2021	\$914.95	\$935.43	2.24%		sell on open
SPY(1/4)	11/23/2021	\$467.22	\$468.19	0.21%		Aggregator

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