

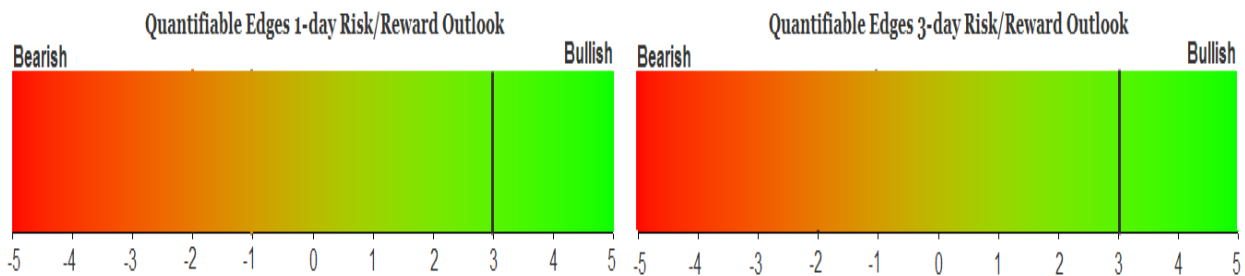
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 19, 2022

Volume 15 Issue 12

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 5 |

Tonight's Research Points

- A gap down to a short-term low followed by further selling during a long-term uptrend has often led to higher prices in the next few days.
- Strong selloffs that don't originate from high levels and leave the market short-term oversold will often produce an upside edge in the coming days.
- SPX closed down > 1% for the 3rd time recently. Other bouts of similar volatility above the 200ma have typically been followed by short and intermediate-term gains.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side, but am a little wary about getting aggressive with the volatile conditions and NDX and RUT making multi-month lows.

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 | | | | | | |
| January 19, 2022 | Dn 1% & advancers 2x decliners. 4-lo | 1-5 days | Bullish | 2.30% | -2.00% | -4.50% |
| January 19, 2022 | Gap < 5-day low. Close < open > 200 | 1-2 days | Bullish | | | |
| January 19, 2022 | SPX dn > 1% 3x in 10 days > 200ma | 1 day | Bullish | | | |
| January 7, 2022 | SPX down 3 from 50-high to 10-low | 1-8 days | Bullish | 2.50% | -1.40% | -3.40% |
| Active - Long Term | | | | | | |
| January 19, 2022 | SPX dn > 1% 3x in 10 days > 200ma | 1-20 days | Bullish | 4.30% | -3.40% | -8.40% |
| November 8, 2021 | QE4 tapering | int term | Bullish but Weakening | | | |
| November 4, 2021 | SPX 50-day %b > 100 | 1-50 days | Bullish | | | |
| November 1, 2021 | Best 6 Months | 1-6 months | Bullish | | | |
| July 9, 2020 | Golden Cross | int term | Bullish | | | |

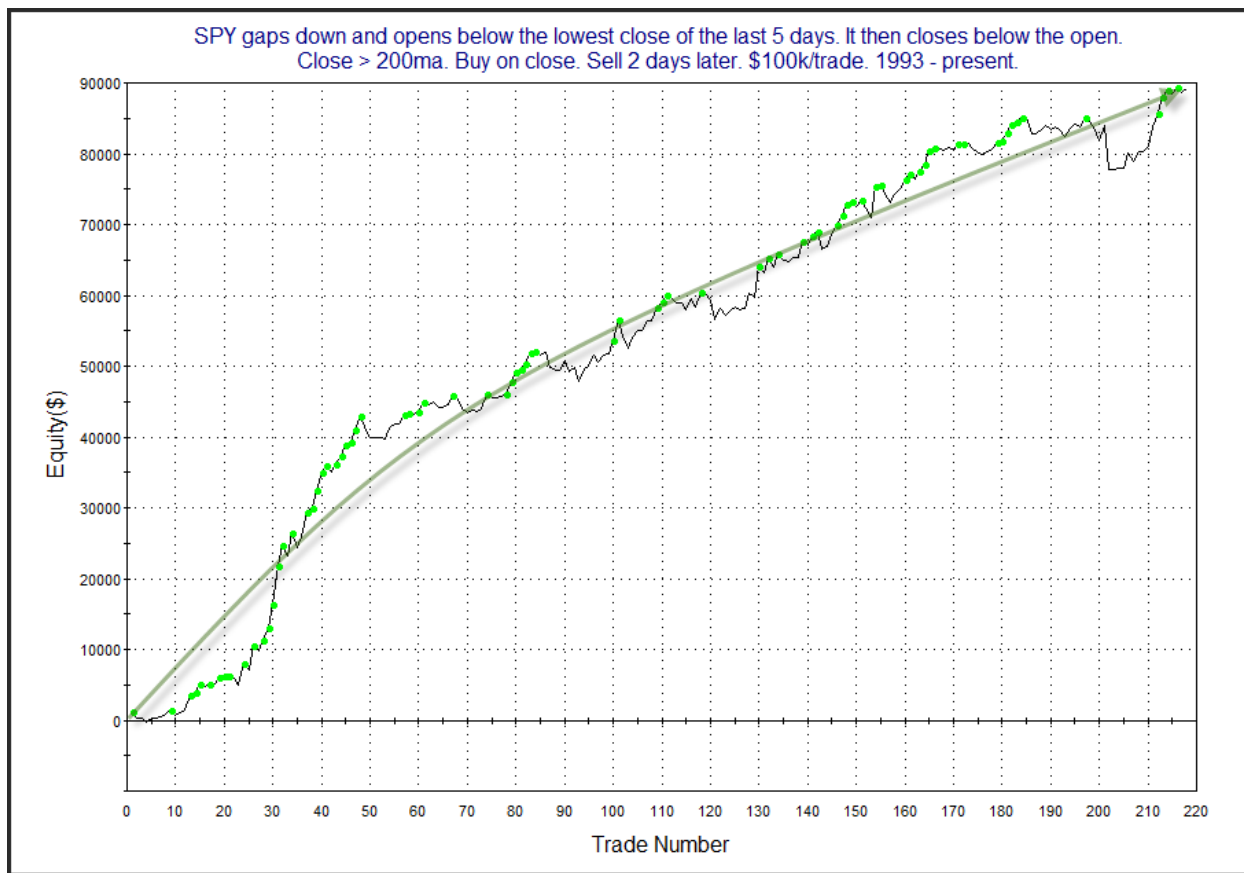
The Evidence

Tuesday was another tough day for the market. It gapped down big, and kept on selling. The SPX closed down 1.8%, the NASDAQ dropped 2.6%, and the Russell 2000 tumbled 3.1%. Breadth was negative with the NYSE Up Issues % coming in at 16% and the Up Volume % at 15%. NYSE total volume rose some from Friday's level.

Tonight I am seeing a bit more evidence emerge than we have seen lately. The study below is one that is worth noting. It was last seen in the 12/20/21 letter, and it looks at other instances of gaps down below recent lows that see further selling on the day. Stats are updated.

| SPY gaps down and opens below the lowest close of the last 5 days. It then closes below the open. Close > 200ma. 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 | 156,742.96 | 163 | 105 | 58 | 64.42 | 9,282.24 | -14,007.15 | 2,703.96 | -2,192.64 | 1.23 | 2.23 | 961.61 |
| 9 | 157,790.08 | 171 | 110 | 61 | 64.33 | 8,378.28 | -10,036.80 | 2,588.43 | -2,080.93 | 1.24 | 2.24 | 922.75 |
| 8 | 151,756.16 | 173 | 118 | 54 | 68.21 | 8,537.40 | -14,030.10 | 2,313.33 | -2,244.76 | 1.03 | 2.25 | 877.20 |
| 7 | 128,472.05 | 182 | 118 | 64 | 64.84 | 8,324.13 | -9,938.76 | 2,109.57 | -1,882.14 | 1.12 | 2.07 | 705.89 |
| 6 | 140,391.74 | 186 | 125 | 61 | 67.20 | 7,873.02 | -7,910.10 | 1,945.72 | -1,685.63 | 1.15 | 2.37 | 754.79 |
| 5 | 129,001.61 | 187 | 126 | 60 | 67.38 | 8,239.74 | -11,128.78 | 1,759.17 | -1,544.22 | 1.14 | 2.39 | 689.85 |
| 4 | 114,176.73 | 196 | 132 | 64 | 67.35 | 5,581.02 | -10,755.03 | 1,629.36 | -1,576.55 | 1.03 | 2.13 | 582.53 |
| 3 | 97,734.51 | 205 | 126 | 78 | 61.46 | 5,117.85 | -6,572.02 | 1,516.07 | -1,196.03 | 1.27 | 2.05 | 476.75 |
| 2 | 89,297.92 | 218 | 138 | 77 | 63.30 | 5,477.88 | -6,228.17 | 1,162.45 | -923.63 | 1.26 | 2.26 | 409.62 |
| 1 | 58,050.55 | 237 | 154 | 83 | 64.98 | 5,764.38 | -4,181.76 | 817.58 | -817.55 | 1.00 | 1.86 | 244.94 |

You can see here a moderate upside edge suggested. Win/loss ratio, profit factor, and avg trade all look bullish. Below is the profit curve for the 2-day holding period.



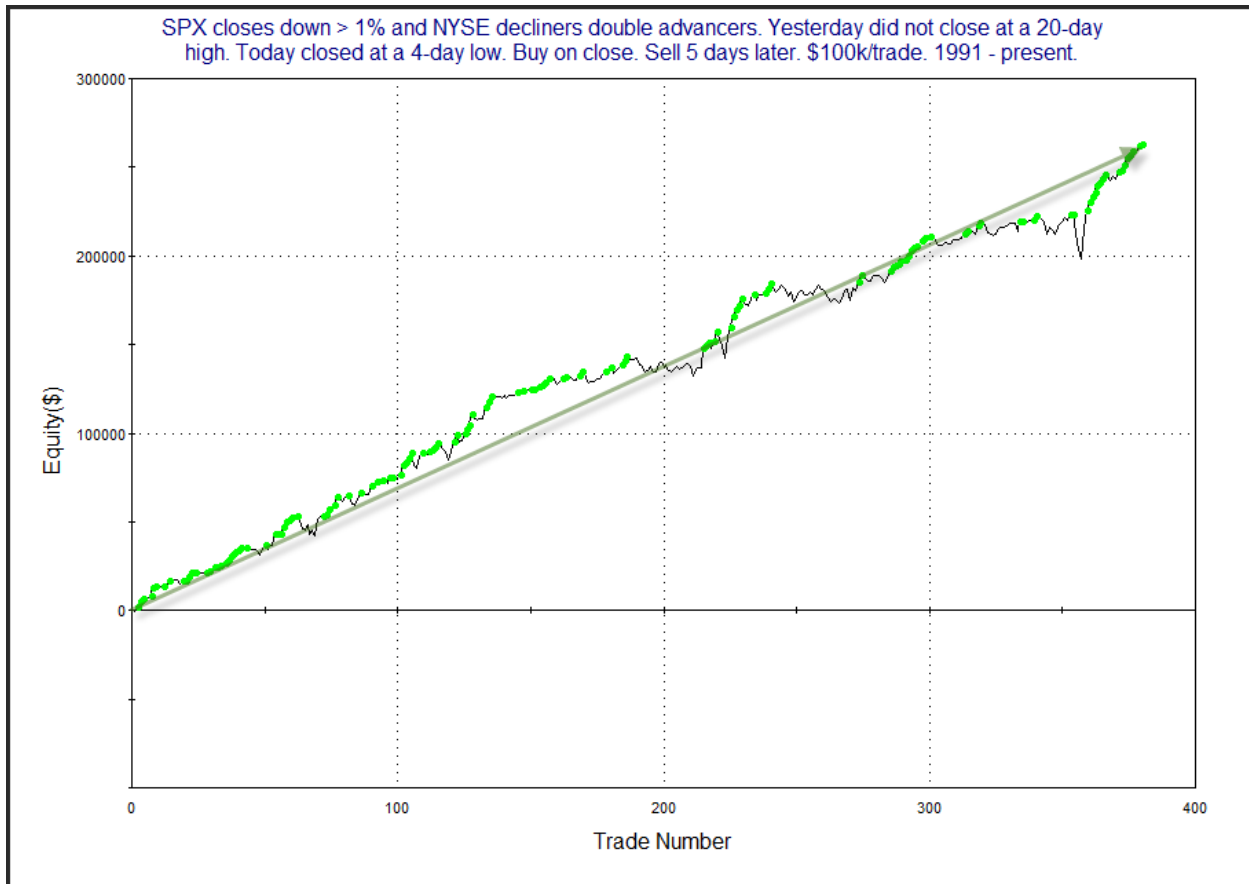
I have decided to include this study on the Active List.

There was another study that appeared in the Quantifinder considered the size of the move, the poor breadth, and the position of the market. It was previously featured in the 5/13/20 letter. I have updated it below.

SPX closes down > 1% and NYSE decliners double advancers. Yesterday did not close at a 20-day high. Today closed at a 4-day low. Buy on close. Sell X days later. \$100k/trade. 1991 - 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 | 307,628.81 | 294 | 196 | 98 | 66.67 | 18,756.32 | -22,025.85 | 3,093.83 | -3,048.58 | 1.01 | 2.03 | 1,046.36 |
| 9 | 303,184.66 | 299 | 206 | 93 | 68.90 | 12,095.67 | -18,578.34 | 2,806.97 | -2,957.55 | 0.95 | 2.10 | 1,014.00 |
| 8 | 239,842.97 | 314 | 203 | 110 | 64.65 | 12,738.00 | -18,950.91 | 2,685.26 | -2,775.14 | 0.97 | 1.79 | 763.83 |
| 7 | 264,805.13 | 339 | 213 | 126 | 62.83 | 11,645.20 | -14,624.94 | 2,695.71 | -2,455.41 | 1.10 | 1.86 | 781.14 |
| 6 | 259,870.22 | 356 | 225 | 131 | 63.20 | 14,933.73 | -19,345.92 | 2,508.51 | -2,324.76 | 1.08 | 1.85 | 729.97 |
| 5 | 263,234.63 | 380 | 233 | 147 | 61.32 | 17,127.00 | -11,122.37 | 2,359.94 | -1,949.87 | 1.21 | 1.92 | 692.72 |
| 4 | 190,853.91 | 407 | 243 | 164 | 59.71 | 13,379.08 | -16,227.09 | 2,163.80 | -2,042.38 | 1.06 | 1.57 | 468.93 |
| 3 | 186,422.72 | 444 | 269 | 175 | 60.59 | 17,277.48 | -13,815.18 | 1,928.60 | -1,899.26 | 1.02 | 1.56 | 419.87 |
| 2 | 155,599.97 | 504 | 282 | 222 | 55.95 | 10,479.04 | -8,657.72 | 1,624.57 | -1,362.75 | 1.19 | 1.51 | 308.73 |
| 1 | 151,331.97 | 567 | 341 | 226 | 60.14 | 10,716.03 | -9,386.64 | 1,180.44 | -1,111.50 | 1.06 | 1.60 | 266.90 |

The implications here appear to be moderately bullish. Below is a look at the 5-day profit curve.



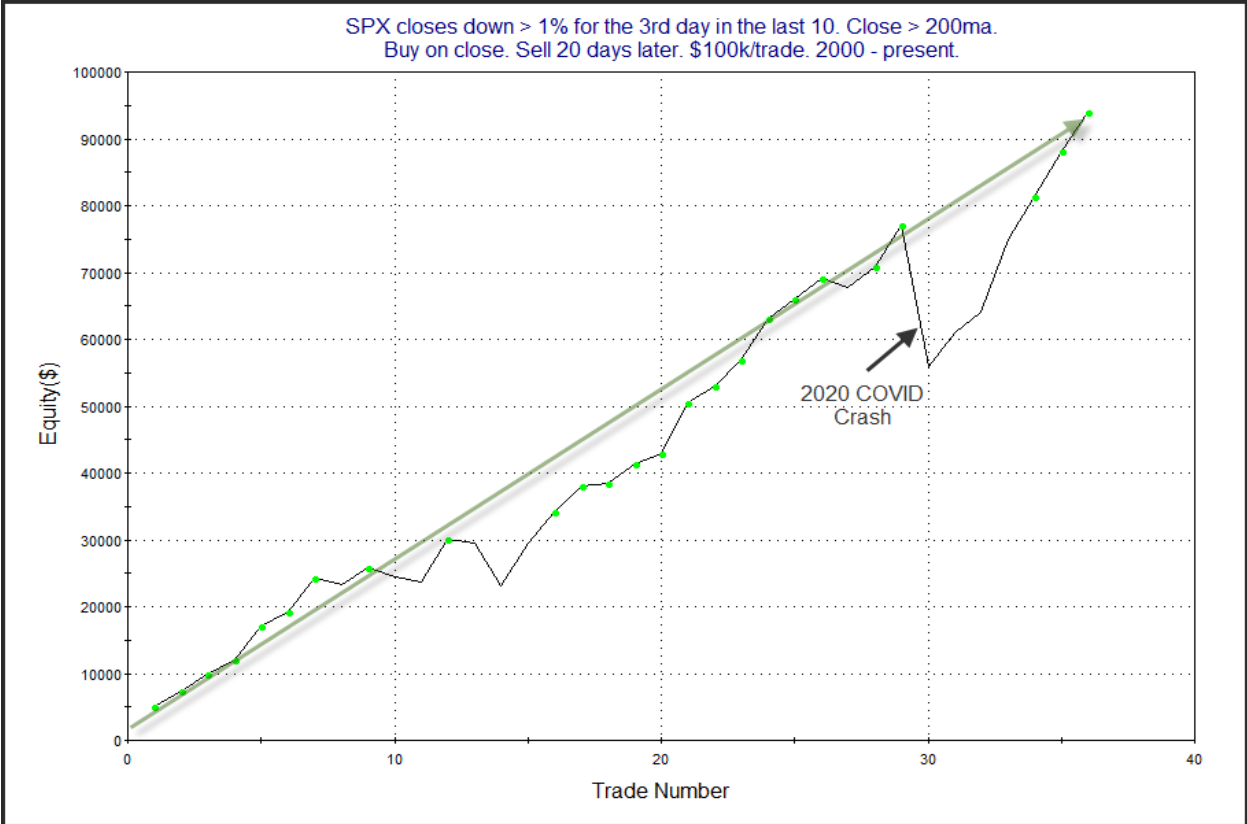
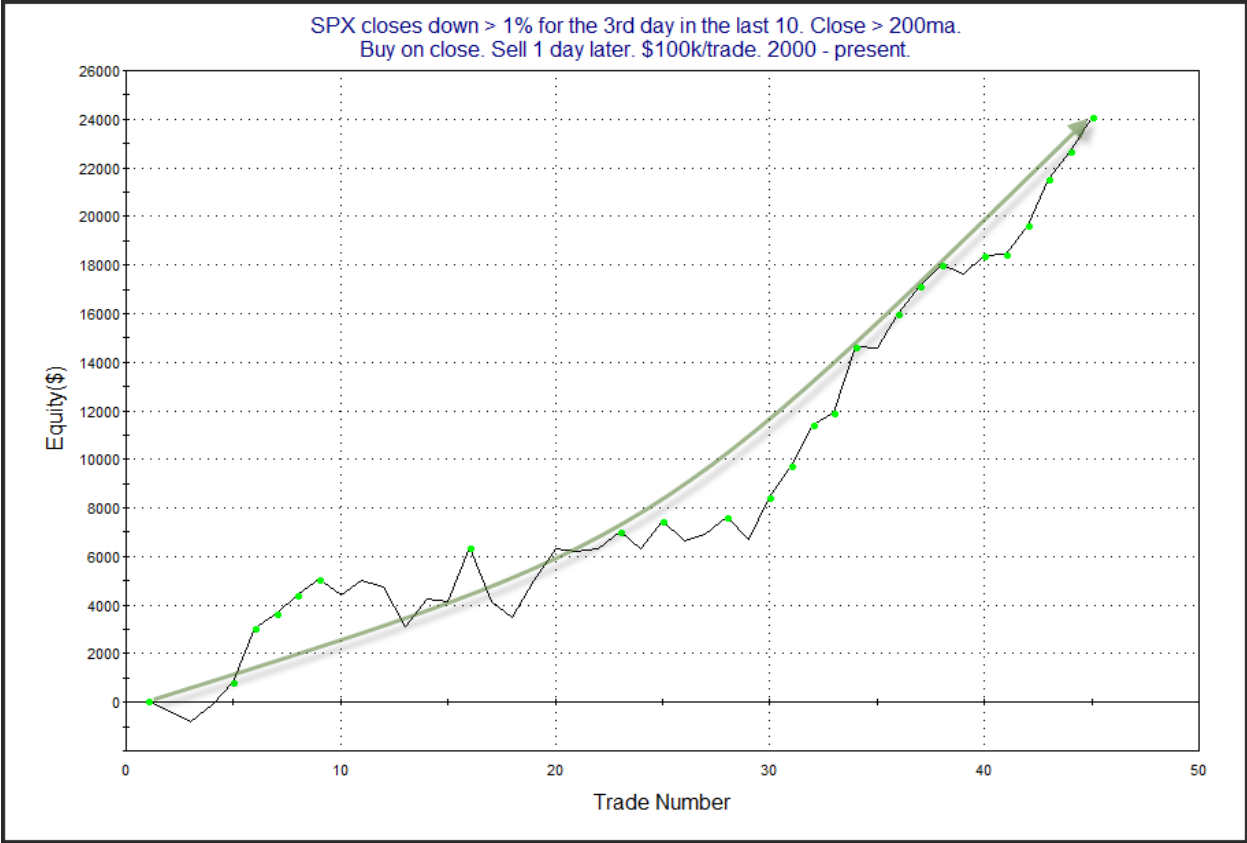
The long-term upslope is impressive. I have decided to include this study on the active list as well.

The SPX has made some sizable moves over the last couple of weeks as volatility has been high. It is unusual to see such high volatility when the SPX is trading above its 200ma. Tuesday marked the 3rd day in the last 9 in which SPX closed down over 1%. In the 10/1/21 letter I looked back at other times where SPX closed down more than 1% for the 3rd time in the last 10 days, but above its 200ma. Results appeared compelling both short and intermediate-term. Below are updated results of that study.

SPX closes down > 1% for the 3rd day in the last 10. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 2000 - present.

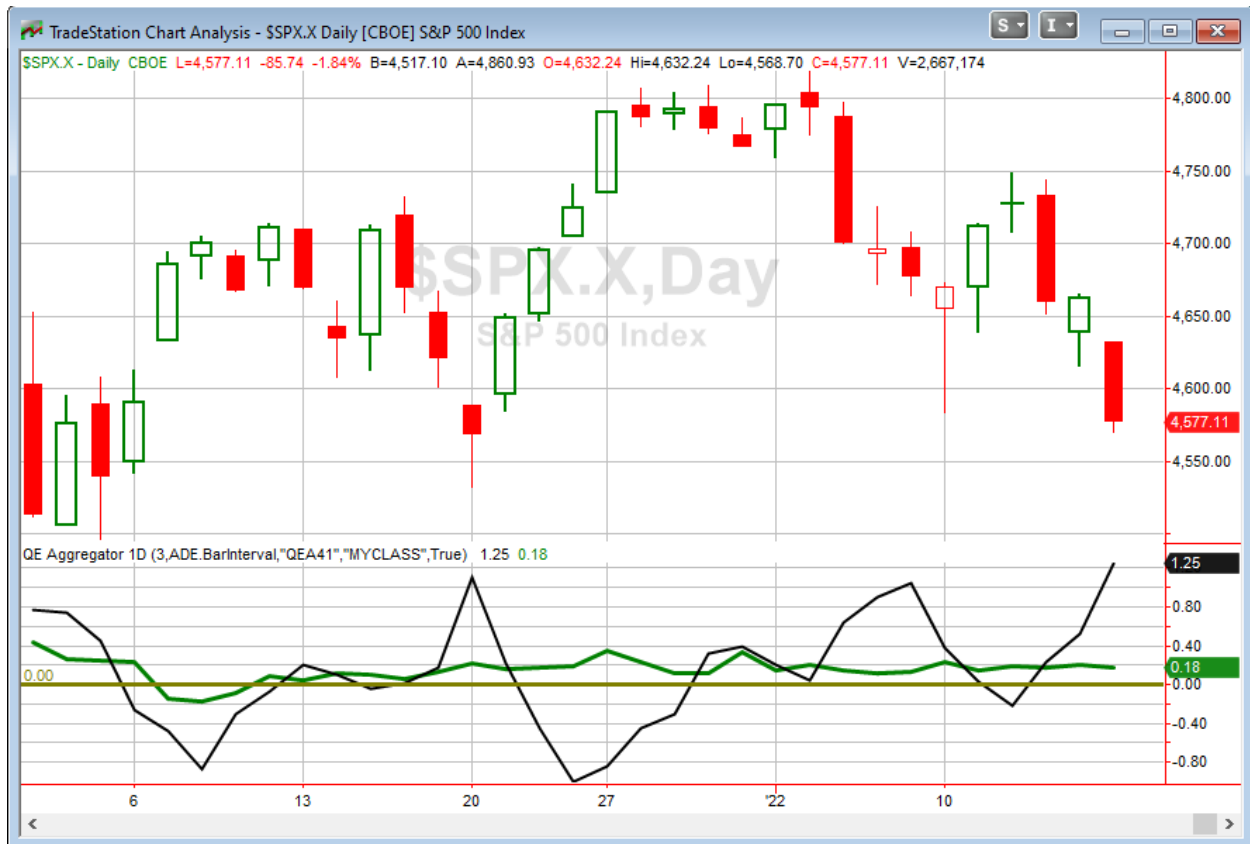
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Max Winning Trade | All: Max Losing Trade | All: Avg Winning Trade | All: Avg Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 20 | 93,908.00 | 36 | 29 | 7 | 80.56 | 10,758.60 | -21,107.28 | 4,372.61 | -4,699.67 | 0.93 | 3.85 | 2,608.56 |
| 19 | 65,933.91 | 36 | 29 | 7 | 80.56 | 10,931.40 | -27,615.11 | 3,837.87 | -6,480.63 | 0.59 | 2.45 | 1,831.50 |
| 18 | 58,001.73 | 36 | 28 | 8 | 77.78 | 9,196.80 | -25,521.99 | 3,657.98 | -5,552.73 | 0.66 | 2.31 | 1,611.16 |
| 17 | 50,768.06 | 36 | 26 | 10 | 72.22 | 8,595.30 | -22,283.42 | 3,561.72 | -4,183.68 | 0.85 | 2.21 | 1,410.22 |
| 16 | 55,443.49 | 38 | 29 | 9 | 76.32 | 9,325.20 | -22,633.41 | 3,521.12 | -5,185.44 | 0.68 | 2.19 | 1,459.04 |
| 15 | 57,439.25 | 38 | 28 | 10 | 73.68 | 8,902.80 | -18,569.62 | 3,588.80 | -4,304.71 | 0.83 | 2.33 | 1,511.56 |
| 14 | 42,686.59 | 38 | 27 | 11 | 71.05 | 10,155.00 | -23,004.48 | 3,524.90 | -4,771.43 | 0.74 | 1.81 | 1,123.33 |
| 13 | 45,039.44 | 38 | 23 | 15 | 60.53 | 10,676.40 | -12,932.89 | 3,653.02 | -2,598.67 | 1.41 | 2.16 | 1,185.25 |
| 12 | 41,643.45 | 39 | 28 | 11 | 71.79 | 9,423.60 | -20,074.67 | 3,012.16 | -3,881.54 | 0.78 | 1.98 | 1,067.78 |
| 11 | 50,893.45 | 39 | 27 | 12 | 69.23 | 7,979.40 | -11,991.73 | 3,119.59 | -2,777.95 | 1.12 | 2.53 | 1,304.96 |
| 10 | 49,566.90 | 39 | 27 | 12 | 69.23 | 9,048.90 | -7,625.38 | 2,960.88 | -2,531.41 | 1.17 | 2.63 | 1,270.95 |
| 9 | 50,949.38 | 41 | 28 | 13 | 68.29 | 8,235.00 | -11,831.15 | 2,952.13 | -2,439.25 | 1.21 | 2.61 | 1,242.67 |
| 8 | 54,762.54 | 41 | 28 | 13 | 68.29 | 8,384.10 | -4,831.04 | 2,790.14 | -1,797.03 | 1.55 | 3.34 | 1,335.67 |
| 7 | 47,714.93 | 42 | 29 | 13 | 69.05 | 7,152.30 | -4,591.08 | 2,621.77 | -2,178.18 | 1.20 | 2.69 | 1,136.07 |
| 6 | 41,583.25 | 42 | 30 | 12 | 71.43 | 7,182.60 | -3,963.24 | 2,197.44 | -2,028.32 | 1.08 | 2.71 | 990.08 |
| 5 | 30,486.79 | 43 | 26 | 17 | 60.47 | 5,172.30 | -3,870.04 | 2,279.62 | -1,693.13 | 1.35 | 2.06 | 709.00 |
| 4 | 22,581.98 | 44 | 27 | 17 | 61.36 | 3,838.00 | -4,056.48 | 1,809.30 | -1,545.24 | 1.17 | 1.86 | 513.23 |
| 3 | 10,120.49 | 44 | 29 | 15 | 65.91 | 3,388.00 | -5,393.69 | 1,285.31 | -1,810.22 | 0.71 | 1.37 | 230.01 |
| 2 | 6,727.41 | 45 | 26 | 19 | 57.78 | 2,752.00 | -4,632.95 | 1,152.12 | -1,222.50 | 0.94 | 1.29 | 149.50 |
| 1 | 24,090.07 | 45 | 31 | 14 | 68.89 | 2,671.02 | -2,200.08 | 1,080.34 | -671.46 | 1.61 | 3.56 | 535.33 |

Often the next day has seen a bounce. Then chop for the next 3 days or so. And then the market has often risen for the next few weeks. The 1 and 20-day numbers appear quite bullish. I also produced the profit curves.



Both of these curves are impressive and suggestive of an upside edge. I have added this study to both the short and intermediate-term active lists.

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 is now very far above zero. The positive Differential Line reading means that SPX is strongly 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 studies on the active list, expectations are scheduled to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4681.07 on Wednesday. That is 2.3% above Tuesday's close. Therefore, SPX will need to close up a very strong 2.3% on Wednesday to flip from oversold to overbought vs recent expectations.

So the Aggregator is long. Evidence is starting to build. The studies we are seeing are not the most compelling we've seen over the years, but in combination they do seem suggest a bounce is likely in the next few days. I started scaling into an index position at the open on Tuesday. I am a bit wary of getting very aggressive here. As a general rule, I tend to play things a bit more conservatively when I have a neutral intermediate-term bias. Adding to my concern is the fact that the SPX is more volatile than it has been in months, NDX is sitting at a 50-day low, and RUT is at the lowest closing level in almost a year. So I may increase my long index position on Wednesday, but only if SPX again closes lower. If I am too slow and the market begins to bounce with me only having a small allocation, I am ok with that.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/18 – neutral

The intermediate-term outlook was last updated in the 1/18/22 Letter. It can be found in the [most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

AVGO – 1/3 @ \$597.19 (bought @ limit)

NFLX – 1/3 @ \$519.20 (bought @ limit)

CL – 1/3 @ \$82.54 (bought @ limit)

AVGO – 1/3 @ \$596.37 (bought @ limit)

New

AVGO – 1/3 @ \$596.37 (buy @ limit)

Broad Market Large Cap CBI – 5(AVGO-3, NFLX, CL)

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.

AVGO – Buy 1/3 Catapult position @ \$577.79 LIMIT. From the Catapult and CBI section above, this is the 3rd and final lot of AVGO.

SPY – Buy ¼ index position @ \$456.48 LIMIT ON CLOSE. From the short-term section above, I will look to take add to my long SPY position if Wednesday gives us another lower close.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes |
|-----------|------------|-------------|---------------|-------------|------------|
| AVGO(1/3) | 1/14/2022 | \$595.78 | \$577.79 | -3.02% | Catapult |
| NFLX(1/3) | 1/14/2022 | \$517.60 | \$510.80 | -1.31% | Catapult |
| CL(1/3) | 1/14/2022 | \$82.61 | \$83.12 | 0.62% | Catapult |
| AVGO(1/3) | 1/18/2022 | \$588.32 | \$577.79 | -1.79% | Catapult |
| SPY(1/4) | 1/18/2022 | \$459.74 | \$456.49 | -0.71% | Aggregator |

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 © 2022 Quantifiable Edges, LLC.