

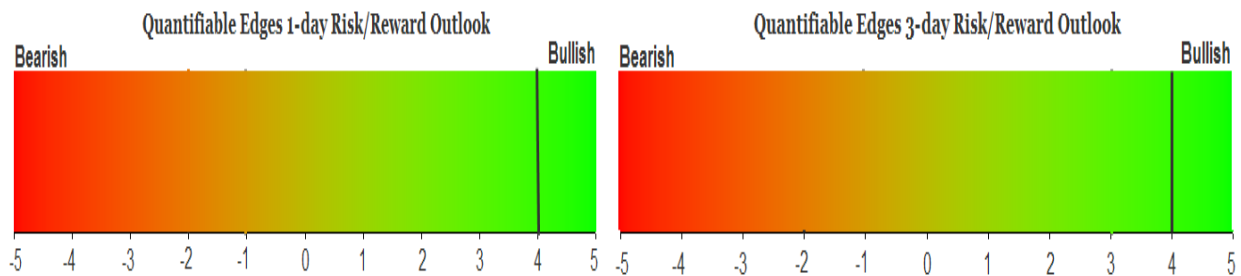
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 26, 2022

Volume 15 Issue 17

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	10

Tonight's Research Points

- Several studies tonight suggest an upside edge.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I think we should see a strong short-term bounce arrive soon.

The Evidence

Tuesday saw more selling as the market remains nervous ahead of Wednesday's Fed announcement. The SPX closed down 1.2%, the NASDAQ fell 2.3%, and the Russell 2000 dropped 1.45%. Breadth was negative with the NYSE Up Issues % coming in at 42% and the Up Volume % at 44%. NYSE total volume dipped a little from Monday's extremely high level.

After closing at an intermediate-term low on Friday, the market put in a bounce attempt on Monday. Tuesday's decline left that attempt looking like a possible failure. But it also triggered a study that suggested an upside edge moving forward. Last seen in the 10/16/18 Letter, I have updated the results below.

SPY either closes at a 20-day low 2 days ago, or makes a 20-day intraday low yesterday. Yesterday it closed up. Today is an inside day with a down close. 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	58,212.76	19	18	1	94.74	20,713.48	-3,836.56	3,447.18	-3,836.56	0.90	16.17	3,063.83
9	42,347.67	19	15	4	78.95	12,624.80	-3,301.48	3,295.28	-1,770.39	1.86	6.98	2,228.82
8	33,006.74	19	15	4	78.95	15,898.44	-5,475.84	2,884.68	-2,565.85	1.12	4.22	1,737.20
7	25,124.93	19	13	6	68.42	17,351.76	-7,242.24	3,384.08	-3,144.69	1.08	2.33	1,322.36
6	22,532.18	19	13	6	68.42	14,782.76	-6,447.36	2,971.35	-2,682.55	1.11	2.40	1,185.90
5	11,386.59	19	13	6	68.42	11,377.00	-11,713.44	2,915.91	-4,420.03	0.66	1.43	599.29
4	24,895.99	19	14	5	73.68	11,714.64	-9,229.44	3,141.38	-3,816.66	0.82	2.30	1,310.32
3	22,198.54	19	15	4	78.95	10,848.52	-6,458.40	2,469.71	-3,711.79	0.67	2.50	1,168.34
2	18,125.73	19	15	4	78.95	6,650.04	-3,047.04	1,907.83	-2,622.92	0.73	2.73	953.99
1	9,762.74	19	11	7	57.89	5,960.08	-1,883.84	1,532.15	-1,012.99	1.51	2.38	513.83

The stats certainly appear bullish and the edge seems to occur both right off the bat and after a couple of weeks. Below are the list of instances with their 3-day results.

SPY either closes at a 20-day low 2 days ago, or makes a 20-day intraday low yesterday
 Yesterday it closed up. Today is an inside day with a down close.
 Buy on close. Sell 3 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/3/1994	Buy	\$46.56	0.41%	\$944.68
3/8/1994	Sell	\$46.75		(\$300.58)
5/9/2002	Buy	\$107.75	2.29%	\$2,431.36
5/14/2002	Sell	\$110.22		(\$1,995.20)
7/16/2002	Buy	\$90.56	-6.46%	\$3,024.96
7/19/2002	Sell	\$84.71		(\$6,911.04)
10/2/2002	Buy	\$83.15	-4.83%	\$1,742.90
10/7/2002	Sell	\$79.13		(\$5,529.20)
12/17/2002	Buy	\$90.85	-0.95%	\$0.00
12/20/2002	Sell	\$89.99		(\$2,475.00)
8/30/2005	Buy	\$121.05	1.01%	\$1,734.60
9/2/2005	Sell	\$122.27		(\$256.06)
1/22/2009	Buy	\$82.75	2.15%	\$3,152.88
1/27/2009	Sell	\$84.53		(\$2,633.44)
3/9/2009	Buy	\$68.11	10.85%	\$11,215.52
3/12/2009	Sell	\$75.50		\$0.00
5/28/2010	Buy	\$109.37	1.23%	\$1,544.66
6/3/2010	Sell	\$110.71		(\$1,828.00)
8/30/2010	Buy	\$105.31	3.95%	\$3,966.82
9/2/2010	Sell	\$109.47		(\$778.18)
6/17/2011	Buy	\$127.05	1.28%	\$2,172.12
6/22/2011	Sell	\$128.67		(\$369.89)
8/10/2011	Buy	\$112.29	7.42%	\$7,520.50
8/15/2011	Sell	\$120.62		\$0.00
12/19/2013	Buy	\$181.49	0.81%	\$841.50
12/24/2013	Sell	\$182.96		(\$506.00)
10/9/2014	Buy	\$192.74	-2.61%	\$471.38
10/14/2014	Sell	\$187.70		(\$2,952.60)
7/8/2015	Buy	\$204.53	2.56%	\$2,620.56
7/13/2015	Sell	\$209.77		\$0.00
5/23/2016	Buy	\$205.21	2.01%	\$2,220.72
5/26/2016	Sell	\$209.34		\$0.00
9/13/2016	Buy	\$213.23	0.07%	\$1,170.00
9/16/2016	Sell	\$213.37		(\$341.64)
4/18/2017	Buy	\$233.87	0.31%	\$845.46
4/21/2017	Sell	\$234.59		(\$294.63)
10/15/2018	Buy	\$274.40	0.73%	\$2,457.00
10/18/2018	Sell	\$276.40		\$0.00

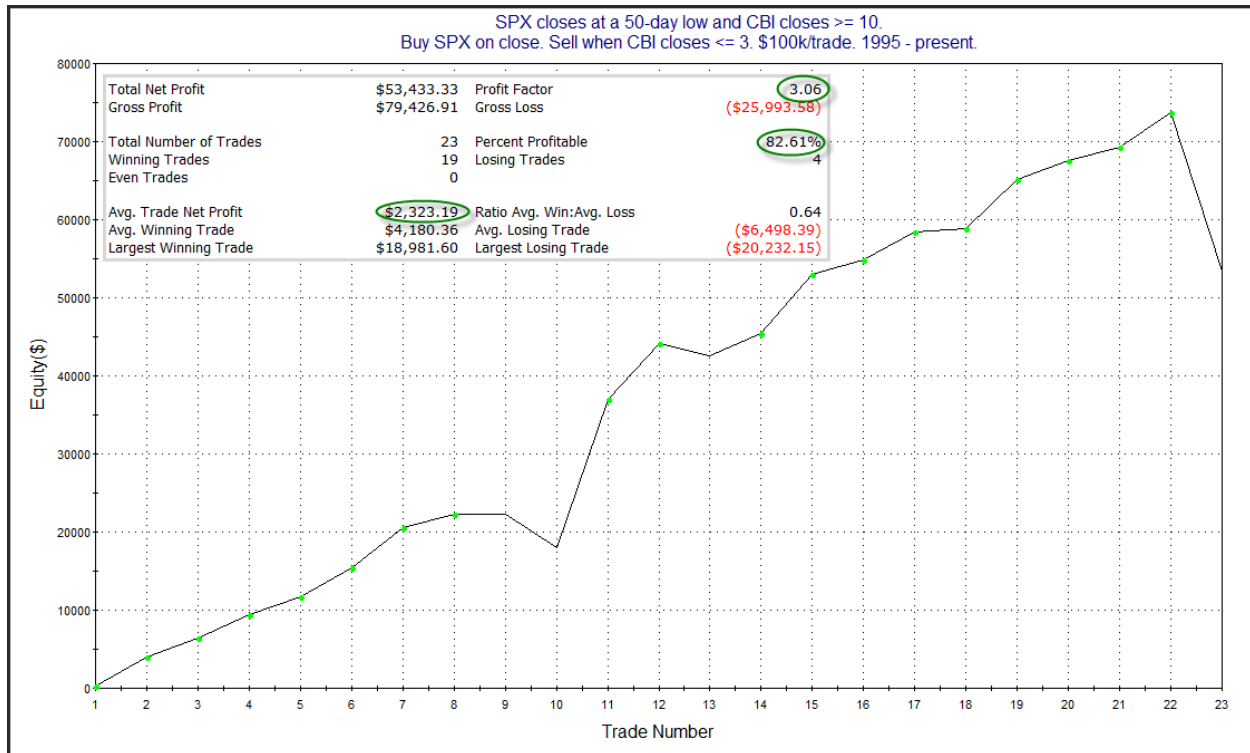
Since 2003, the results have been near perfect. I believe this study is worth some consideration.

It is also notable that the Quantifiable Edges Capitulative Breadth Indicator (CBI) closed at 10 on Tuesday. Readings of 10 or higher suggest broad exhaustion and are often followed by a sharp

rebound. The study below looks at other such instances that also coincided with SPX closing at a 50-day low.

SPX closes at a 50-day low and CBI closes >= 10. Buy SPX on close. Sell when 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
20	94,423.16	23	20	3	86.96	17,878.08	-21,107.28	5,797.74	-7,177.19	0.81	5.39	4,105.35
19	109,404.82	24	20	4	83.33	25,773.44	-27,615.11	7,058.96	-7,943.60	0.89	4.44	4,558.53
18	109,284.45	24	22	2	91.67	21,269.09	-25,521.99	6,252.47	-14,135.00	0.44	4.87	4,553.52
17	110,804.92	24	21	3	87.50	21,217.68	-22,283.42	6,640.34	-9,547.42	0.70	4.87	4,616.87
16	100,059.09	24	21	3	87.50	23,269.02	-22,633.41	6,171.60	-9,848.15	0.63	4.39	4,169.13
15	91,555.69	24	19	5	79.17	19,638.53	-18,569.62	6,190.69	-5,213.48	1.19	4.51	3,814.82
14	53,961.76	25	20	5	80.00	15,991.80	-23,004.48	4,671.20	-7,892.46	0.59	2.37	2,158.47
13	68,539.00	25	19	6	76.00	19,377.60	-12,932.89	5,217.17	-5,097.88	1.02	3.24	2,741.56
12	62,722.87	25	19	6	76.00	17,982.36	-20,074.67	5,230.07	-6,108.06	0.86	2.71	2,508.91
11	67,757.86	25	17	8	68.00	20,758.32	-11,991.73	5,794.96	-3,844.55	1.51	3.20	2,710.31
10	57,720.57	25	18	7	72.00	16,319.16	-9,569.52	4,641.90	-3,690.52	1.26	3.23	2,308.82
9	56,020.33	26	19	7	73.08	12,246.96	-15,899.04	4,746.78	-4,881.21	0.97	2.64	2,154.63
8	50,268.90	27	20	7	74.07	15,615.60	-12,138.12	4,146.82	-4,666.78	0.89	2.54	1,861.81
7	59,522.21	27	19	8	70.37	12,720.84	-12,544.56	4,696.70	-3,714.38	1.26	3.00	2,204.53
6	67,297.77	27	20	7	74.07	18,349.11	-8,839.00	4,653.67	-3,682.22	1.26	3.61	2,492.51
5	57,680.70	28	19	9	67.86	18,981.60	-12,975.48	5,110.69	-4,380.26	1.17	2.46	2,060.02
4	62,452.32	29	19	10	65.52	17,851.68	-4,365.00	4,480.83	-2,268.34	1.98	3.75	2,153.53
3	40,610.39	36	25	11	69.44	13,853.40	-9,701.00	3,673.38	-4,656.73	0.79	1.79	1,128.07
2	42,175.39	41	26	15	63.41	13,116.84	-8,631.00	3,315.25	-2,934.74	1.13	1.96	1,028.67
1	54,073.24	59	34	25	57.63	11,558.43	-9,386.64	3,503.16	-2,601.36	1.35	1.83	916.50

Short and intermediate-term results here are quite impressive. I also looked to see results if rather than a time-based exit, you simply waited for the CBI to return to 3 or lower. Those results can be seen below.



The last instance with the large drop at the end of the chart was the March 2020 COVID Crash. Other than that, it is a very impressive looking curve.

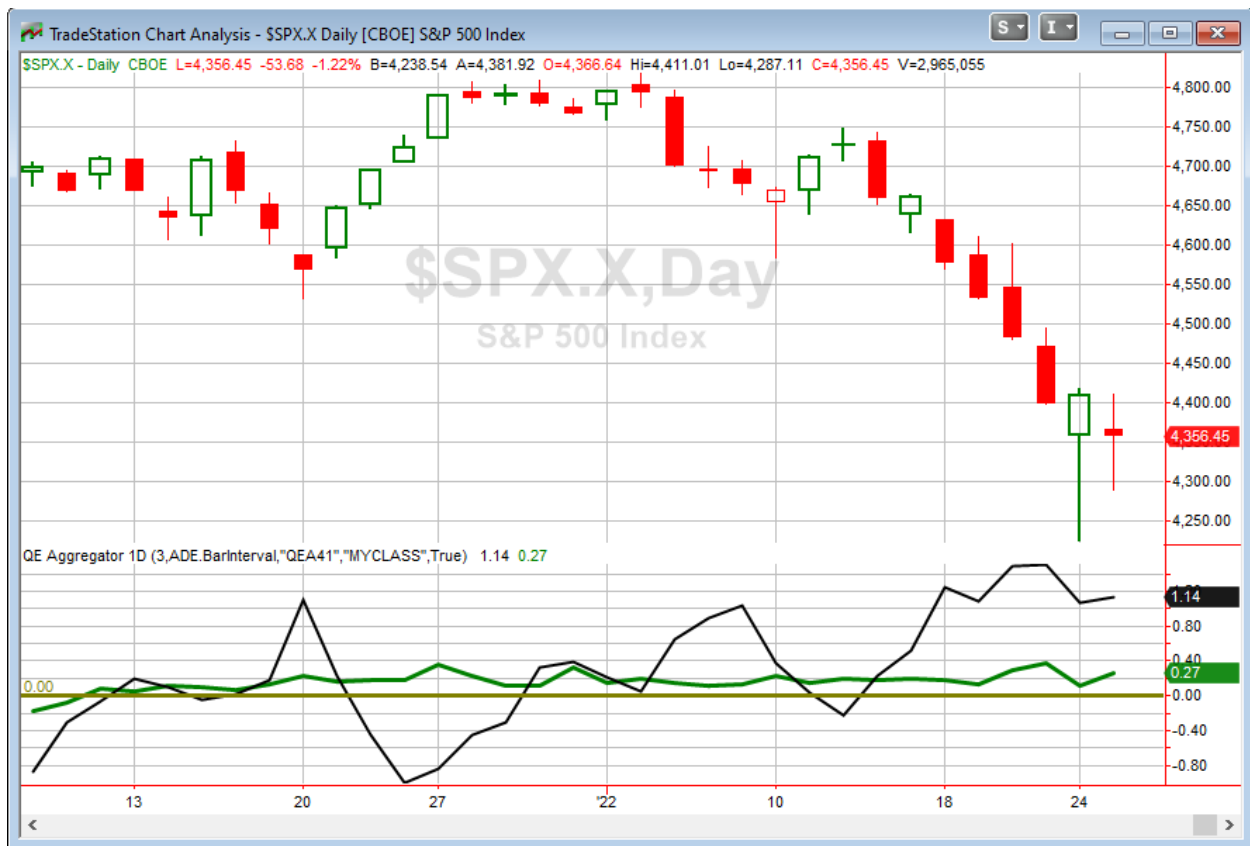
Of course Wednesday is a Fed Day. And the market has been spooked by the possibilities of what the Fed might say, and how hawkish it will be. It is rare that you see such strong selling ahead of a Fed Day like we saw on Tuesday. The study below is from the 1/31/18 letter, and has been updated.

SPY closes down at least 1% on the day before a Fed Day.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/18/1995	Buy	\$60.63	1.07%	\$1,187.28
12/19/1995	Sell	\$61.28		(\$82.45)
12/16/1996	Buy	\$72.56	0.54%	\$992.16
12/17/1996	Sell	\$72.95		(\$937.04)
12/10/2001	Buy	\$114.38	-0.20%	\$1,171.16
12/11/2001	Sell	\$114.15		(\$419.52)
1/29/2002	Buy	\$110.28	1.44%	\$2,817.66
1/30/2002	Sell	\$111.87		(\$1,703.28)
5/6/2002	Buy	\$105.47	-0.35%	\$805.80
5/7/2002	Sell	\$105.10		(\$540.36)
6/25/2002	Buy	\$97.56	0.16%	\$604.75
6/26/2002	Sell	\$97.72		(\$2,429.25)
12/9/2002	Buy	\$89.50	1.34%	\$1,787.20
12/10/2002	Sell	\$90.70		\$0.00
1/27/2004	Buy	\$114.68	-1.14%	\$522.60
1/28/2004	Sell	\$113.37		(\$1,515.54)
3/15/2004	Buy	\$111.20	0.53%	\$773.14
3/16/2004	Sell	\$111.79		(\$323.64)
3/17/2008	Buy	\$128.30	4.15%	\$4,198.81
3/18/2008	Sell	\$133.63		\$0.00
9/15/2008	Buy	\$120.09	1.67%	\$1,855.36
9/16/2008	Sell	\$122.10		(\$2,570.88)
12/15/2008	Buy	\$87.75	4.71%	\$4,863.53
12/16/2008	Sell	\$91.88		\$0.00
8/11/2009	Buy	\$99.73	1.07%	\$1,833.66
8/12/2009	Sell	\$100.80		(\$220.44)
4/27/2010	Buy	\$118.48	0.76%	\$1,012.80
4/28/2010	Sell	\$119.38		(\$177.24)
6/22/2010	Buy	\$109.57	-0.31%	\$419.52
6/23/2010	Sell	\$109.23		(\$994.08)
8/8/2011	Buy	\$112.26	4.65%	\$4,788.20
8/9/2011	Sell	\$117.48		(\$1,771.10)
11/1/2011	Buy	\$122.00	1.63%	\$1,965.60
11/2/2011	Sell	\$123.99		\$0.00
12/12/2011	Buy	\$124.21	-0.93%	\$1,094.80
12/13/2011	Sell	\$123.05		(\$1,416.80)
10/23/2012	Buy	\$141.42	-0.28%	\$480.76
10/24/2012	Sell	\$141.02		(\$438.34)
1/27/2015	Buy	\$202.74	-1.28%	\$764.15
1/28/2015	Sell	\$200.14		(\$1,395.19)
1/30/2018	Buy	\$281.76	0.05%	\$545.16
1/31/2018	Sell	\$281.90		(\$382.32)
Total Net Profit		\$19,268.72	Profit Factor	5.28
Gross Profit		\$23,769.99	Gross Loss	(\$4,501.27)
Total Number of Trades		21	Percent Profitable	66.67%
Winning Trades		14	Losing Trades	7
Even Trades		0		
Avg. Trade Net Profit		\$917.56	Ratio Avg. Win:Avg. Loss	2.64
Avg. Winning Trade		\$1,697.86	Avg. Losing Trade	(\$643.04)
Largest Winning Trade		\$4,704.07	Largest Losing Trade	(\$1,281.80)

The average instance saw the SPY rise 0.9%, with the average winner rising almost 1.7%. The next few days seem to be setting up for a strong rebound.

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 still 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. It would take some extremely compelling new bearish evidence to change this. Meanwhile, the Differential Pivot will be 4431.76 on Wednesday. That is 1.7% above Tuesday's close. Therefore, SPX will need to close up over 1.7% on Wednesday to flip from oversold to overbought vs recent expectations.

So the Aggregator is still long. Between price action, the CBI, and the Fed, there is ample new evidence that the market is set to bounce. There is also plenty of upside potential. I like the long side. I currently have a partial index position. I will look to add to it if I can get a bargain at the open, or on a down close.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/24 – neutral

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)
AVGO – 1/3 @ \$596.37 (bought @ limit)
AVGO – 1/3 @ \$596.37 (bought @ limit)
NFLX – 1/3 @ \$397.50 (bought @ limit)
F – 1/3 @ \$20.65 (bought @ limit)
NFLX – 1/3 @ \$387.15 (bought @ limit)
F – 1/3 @ \$20.39 (bought @ limit)
BRK.B – 1/3 @ \$303.73 (bought @ limit)

New

F – 1/3 @ \$19.98 (buy @ limit)

Broad Market Large Cap CBI – 10(AVGO-3, NFLX-3, F-3, BRK.B)

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.

F – Buy 1/3 Catapult position @ \$19.98 LIMIT. From the Catapult section above, this is the 3rd and final possible lot of F.

SPY – Buy ¼ Index position @ \$432.50 LIMIT ON OPEN. If not filled on open, cancel order and look to buy @ \$434.00 LIMIT ON CLOSE. Based on the short-term outlook above, I'll buy more on Wednesday if we get sizable gap down or a somewhat lower close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
AVGO(1/3)	1/14/2022	\$595.78	\$534.14	-10.35%	Catapult
NFLX(1/3)	1/14/2022	\$517.60	\$366.42	-29.21%	Catapult
AVGO(1/3)	1/18/2022	\$588.32	\$534.14	-9.21%	Catapult
SPY(1/4)	1/18/2022	\$459.74	\$434.47	-5.50%	Aggregator
SPY(1/4)	1/19/2022	\$451.75	\$434.47	-3.83%	Aggregator
AVGO(1/3)	1/19/2022	\$577.79	\$534.14	-7.55%	Catapult
NFLX(1/3)	1/24/2022	\$383.91	\$366.42	-4.56%	Catapult
F(1/3)	1/24/2022	\$19.93	\$19.98	0.25%	Catapult
NFLX(1/3)	1/25/2022	\$379.14	\$366.42	-3.35%	Catapult
F(1/3)	1/25/2022	\$20.00	\$19.98	-0.10%	Catapult
BRK.B(1/3)	1/25/2022	\$301.87	\$307.19	1.76%	Catapult

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