

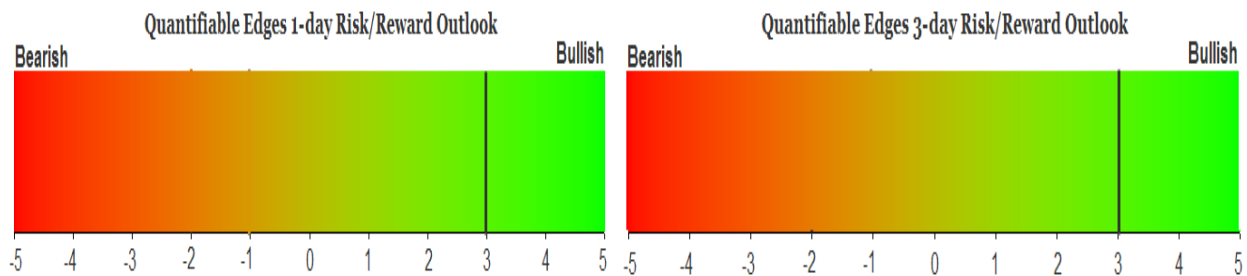
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 14, 2022

Volume 15 Issue 30

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	3

## Tonight's Research Points

- The 1<sup>st</sup> 5-day low in over 10 days has SPY and QQQ set up for a bounce.
- The strongly negative breadth days in a row without a 20-day closing low suggests a good chance that SPX rises on Monday.

## *Short-term Outlook*

### *The Bottom Line*

Bullish evidence arrived and the market is oversold. I believe there is an upside edge over the next few days.

**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
<b>Active - Short Term</b>						
February 14, 2022	Up Issue % < 30% 2 days. Close > 20-low	1 day	Bullish			
February 14, 2022	1st 5-low in 10 days. Close < 200ma	1-3 days	Bullish	2.50%	-1.20%	-2.80%
<b>Active - Long Term</b>						
January 31, 2022	Up close from 21-day low on a Friday	1-20 days	Bullish			
January 27, 2022	CBI >= 10. SPX 50-day low.	1-18 days	Bullish			
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			

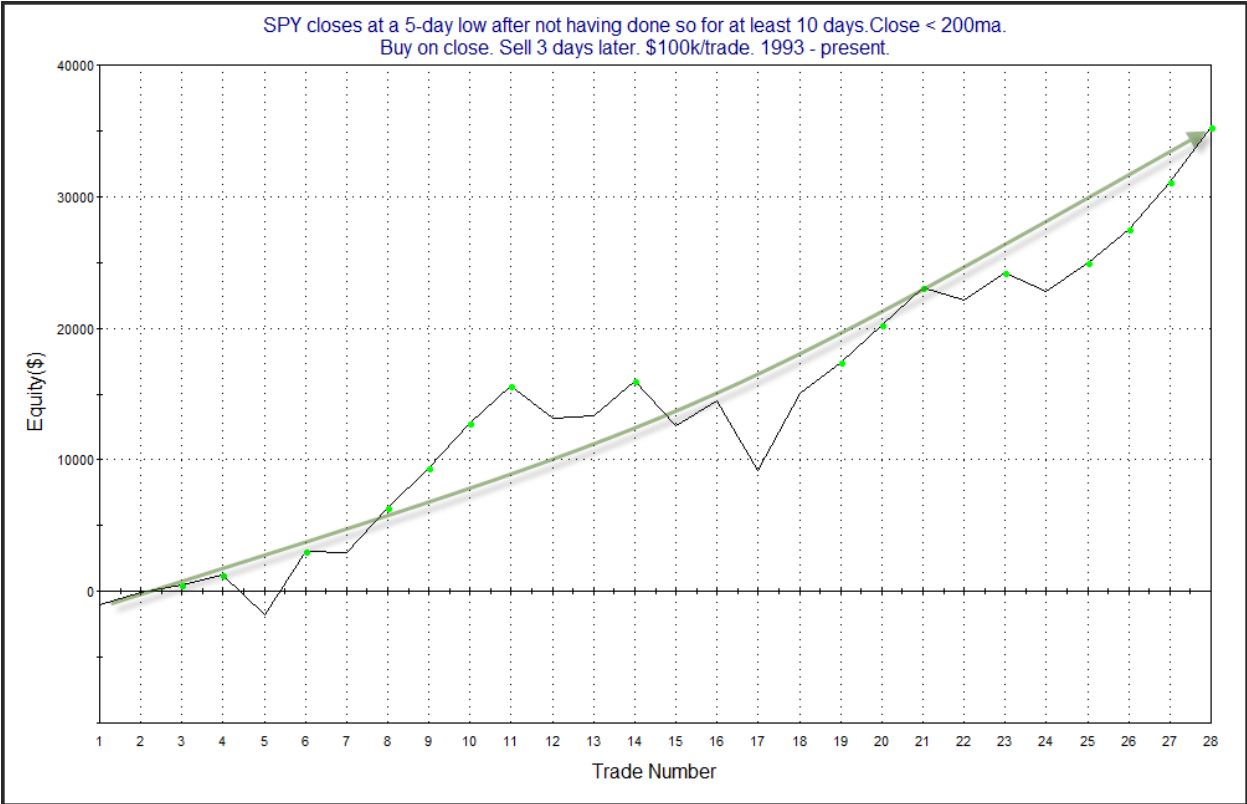
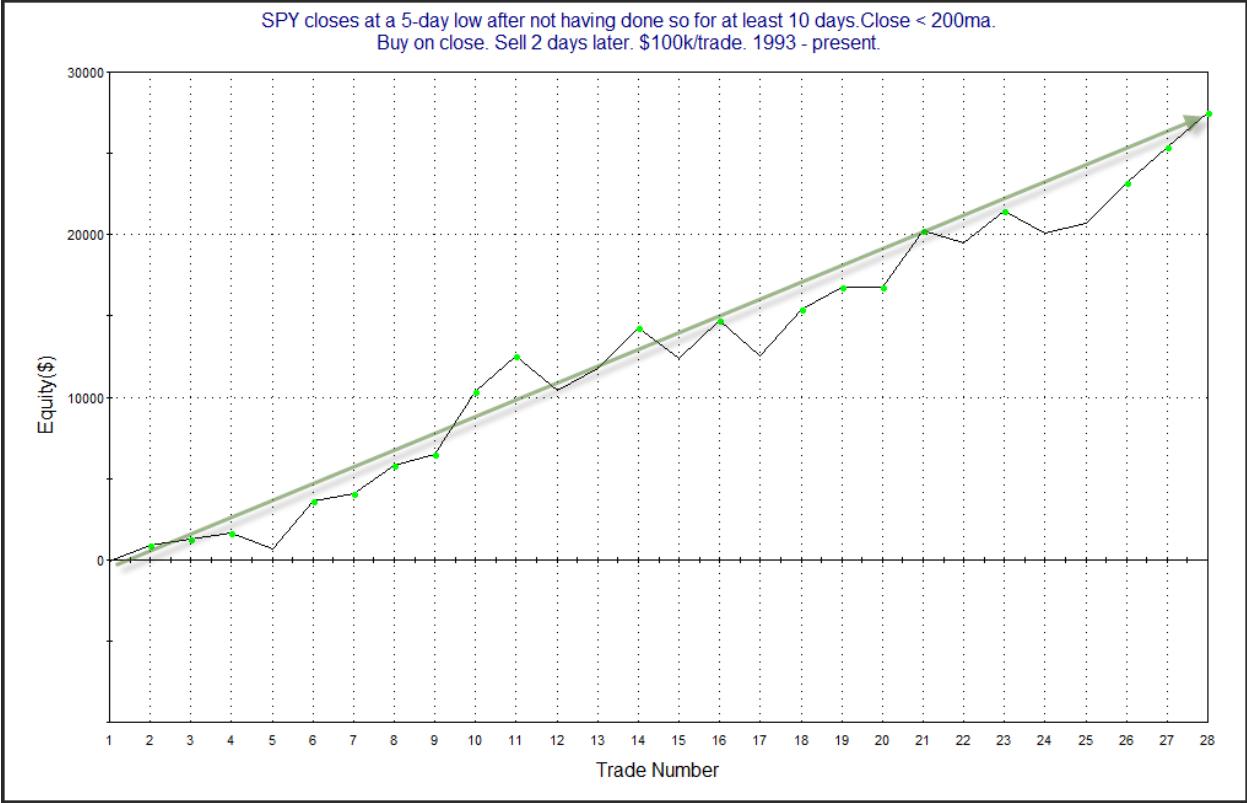
**The Evidence**

Friday was another day of selling, based on fears of a Russian invasion of the Ukraine. The SPX finished down 1.9%, the NASDAQ lost 2.8%, and the Russell 2000 dropped 1.0%. Breadth was negative with the NYSE Up Issues % coming in at 29% and the Up Volume % at 33%. NYSE total volume declined some from Thursday's level.

Action did trigger some interesting studies. I'll discuss the most compelling ones that I found. The one below looked at times SPY closed at a 5-day low for the 1st time in over 2 weeks. It is updated from the 4/22/20 letter.

SPY closes at a 5-day low after not having done so for at least 10 days. 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	46,946.40	28	21	7	75.00	8,925.10	-8,623.54	3,358.07	-3,367.59	1.00	2.99	1,676.66
9	44,156.63	28	20	8	71.43	8,933.76	-6,709.56	3,295.21	-2,718.46	1.21	3.03	1,577.02
8	41,522.57	28	21	7	75.00	8,908.38	-7,113.48	3,218.58	-3,723.93	0.86	2.59	1,482.95
7	34,258.38	28	22	6	78.57	6,851.52	-7,790.40	2,768.70	-4,442.17	0.62	2.29	1,223.51
6	19,322.06	28	20	8	71.43	7,382.22	-9,559.44	2,590.78	-4,061.69	0.64	1.59	690.07
5	30,909.06	28	19	9	67.86	6,103.89	-4,906.44	2,821.29	-2,521.73	1.12	2.36	1,103.89
4	30,250.44	28	20	8	71.43	6,941.43	-6,244.56	2,759.22	-3,116.75	0.89	2.21	1,080.37
3	35,234.60	28	20	8	71.43	5,888.16	-5,295.84	2,645.34	-2,209.02	1.20	2.99	1,258.38
2	27,510.48	28	21	7	75.00	3,809.72	-2,221.56	1,761.35	-1,353.98	1.30	3.90	982.52
1	18,653.79	28	22	6	78.57	2,812.20	-2,887.08	1,306.17	-1,680.32	0.78	2.85	666.21

The odds here point to an upside edge over the next few days. Below are looks at the 2-day and the 3-day profit curves.

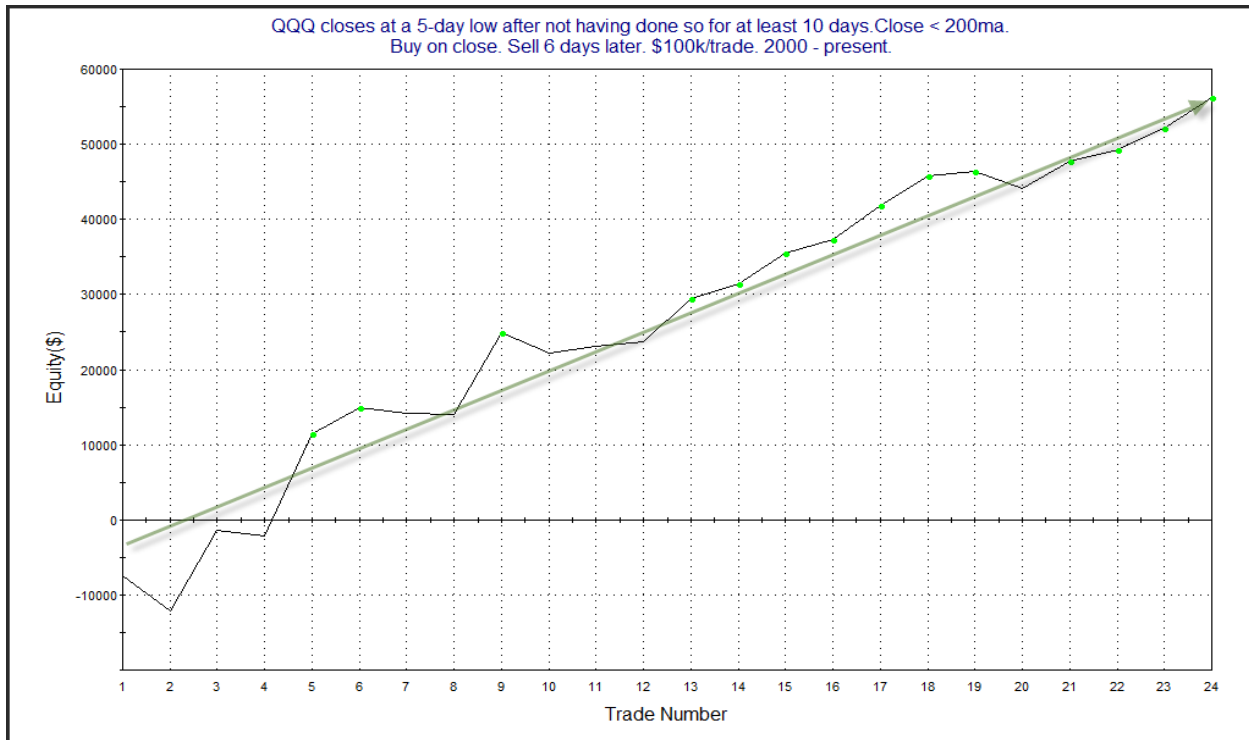


The 2-day has been a bit more consistent, but the 3-day has really ramped up lately. Both are impressive.

The QQQ version of the above study also triggered on Friday. I showed the QQQ version last in the 9/23/15 subscriber letter. Previously I found that the edge played out favorably below the 200ma but above it the edge was not apparent. Results below the 200ma are updated.

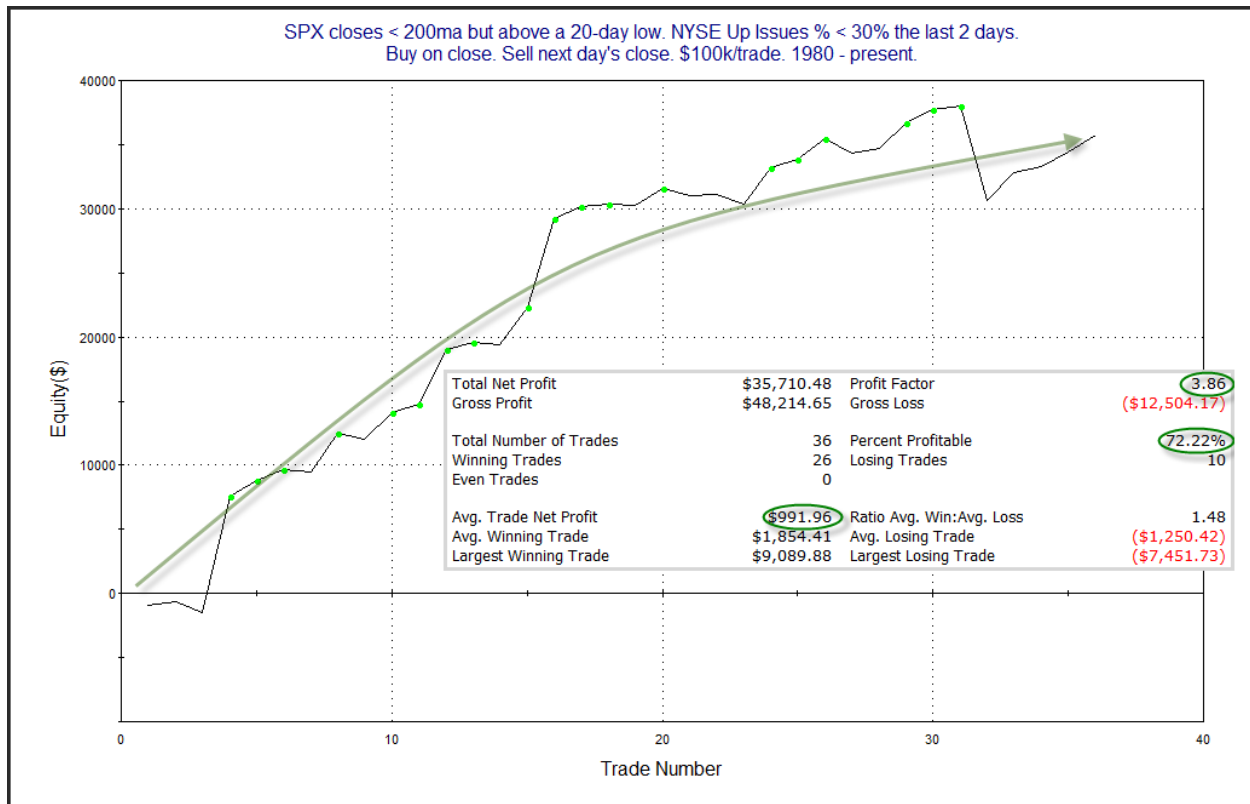
QQQ closes at a 5-day low after not having done so for at least 10 days. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	59,238.81	24	19	5	79.17	11,057.22	-10,766.00	4,701.69	-6,018.64	0.78	2.97	2,468.28
9	58,252.48	24	19	5	79.17	9,531.44	-6,080.10	4,223.89	-4,400.28	0.96	3.65	2,427.19
8	60,613.17	24	17	7	70.83	9,699.84	-5,859.78	4,617.31	-2,554.44	1.81	4.39	2,525.55
7	53,550.64	24	16	8	66.67	11,096.52	-6,921.00	4,867.29	-3,040.75	1.60	3.20	2,231.28
6	56,190.52	24	17	7	70.83	13,558.95	-7,490.06	4,400.34	-2,659.32	1.65	4.02	2,341.27
5	33,267.41	24	19	5	79.17	9,256.28	-14,318.78	3,185.00	-5,449.50	0.58	2.22	1,386.14
4	23,564.21	24	17	7	70.83	8,407.08	-14,841.70	3,191.72	-4,385.01	0.73	1.77	981.84
3	23,094.49	24	17	7	70.83	6,234.00	-9,612.50	2,809.37	-3,523.55	0.80	1.94	962.27
2	16,558.59	24	15	9	62.50	3,897.50	-3,342.24	1,698.87	-991.60	1.71	2.86	689.94
1	5,733.72	24	16	8	66.67	2,742.96	-4,177.80	988.52	-1,260.33	0.78	1.57	238.90

QQQ has also shown good numbers over the 1<sup>st</sup> 3 days. But the results have been especially strong looking out a little further. Below is a look at the 6-day curve.



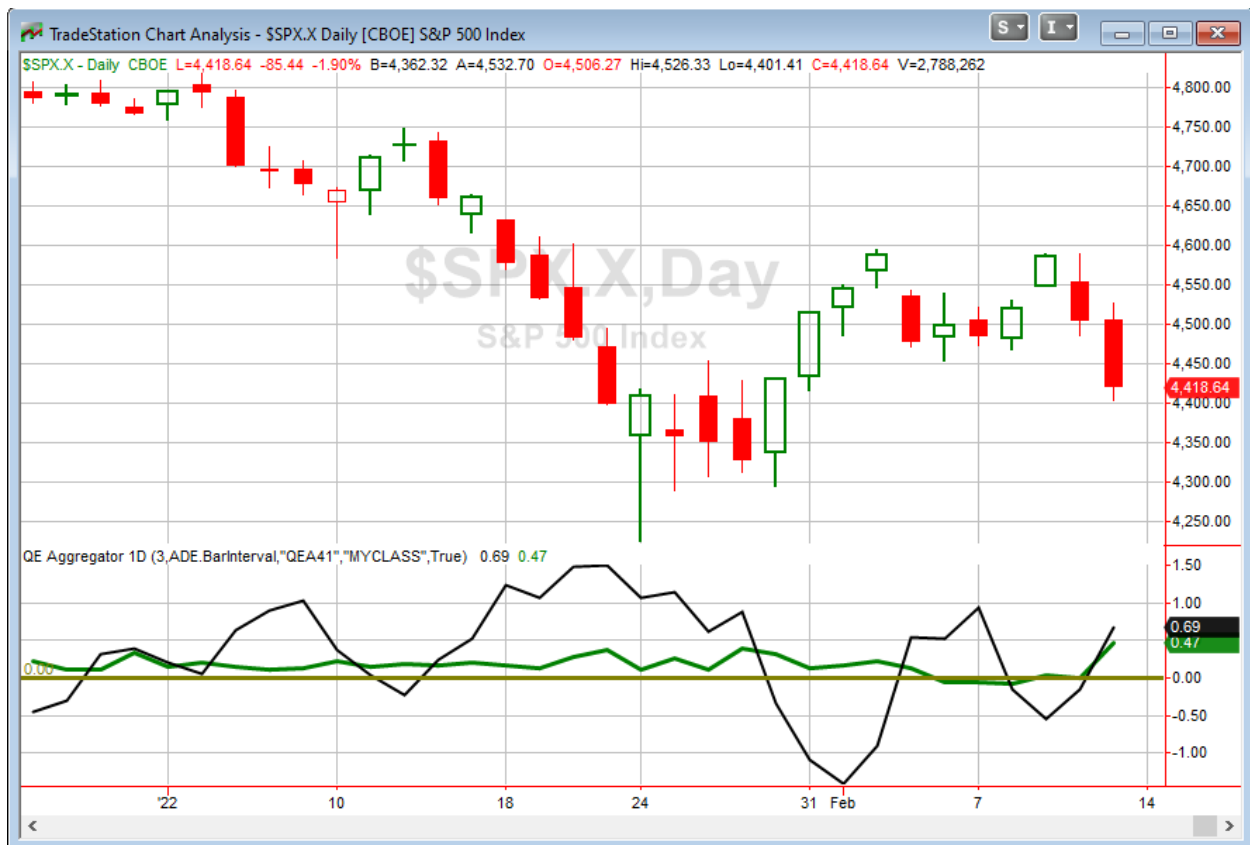
Another impressive curve. This all suggests an upside edge over at least the next few days.

The next study was last seen in the 5/14/20 letter. It looks at 2 days of strongly negative breadth during a long-term downtrend where the market avoids closing at an intermediate-term low.



The one-day results have been strong, and aside from the 1 big loser (which occurred in March 2020), the curve has been quite persistent. I also have included this study on the Active List tonight.

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



With Friday's evidence considered, the green Aggregator line closed well above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line rose 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 active list, expectations are set to remain positive on Monday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4578.34 on Monday. That is a whopping 3.6% above Friday's close. So it would take a rally of at least 3% on Monday in order to flip SPX from oversold to overbought vs recent expectations. More likely, it will take at least a few days to work off the oversold condition.

So after a quiet week, we are seeing some directional evidence. The Aggregator is now bullish with the studies showing an upside edge and the SPX now strongly oversold. Evidence is solid, but not overwhelming, so I am not going bet too heavy at this point. I like the chances of a bounce. But, between inflation, Fed policy worries and Russia/Ukraine tensions, the market has become more volatile and reactive lately. So I will look to take advantage of the upside edge with a small starter position in SPY on Monday if I can get a decent fill.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 2/14 – neutral**

Combo #1	Combo #2	Combo #3
Long	Long	Flat

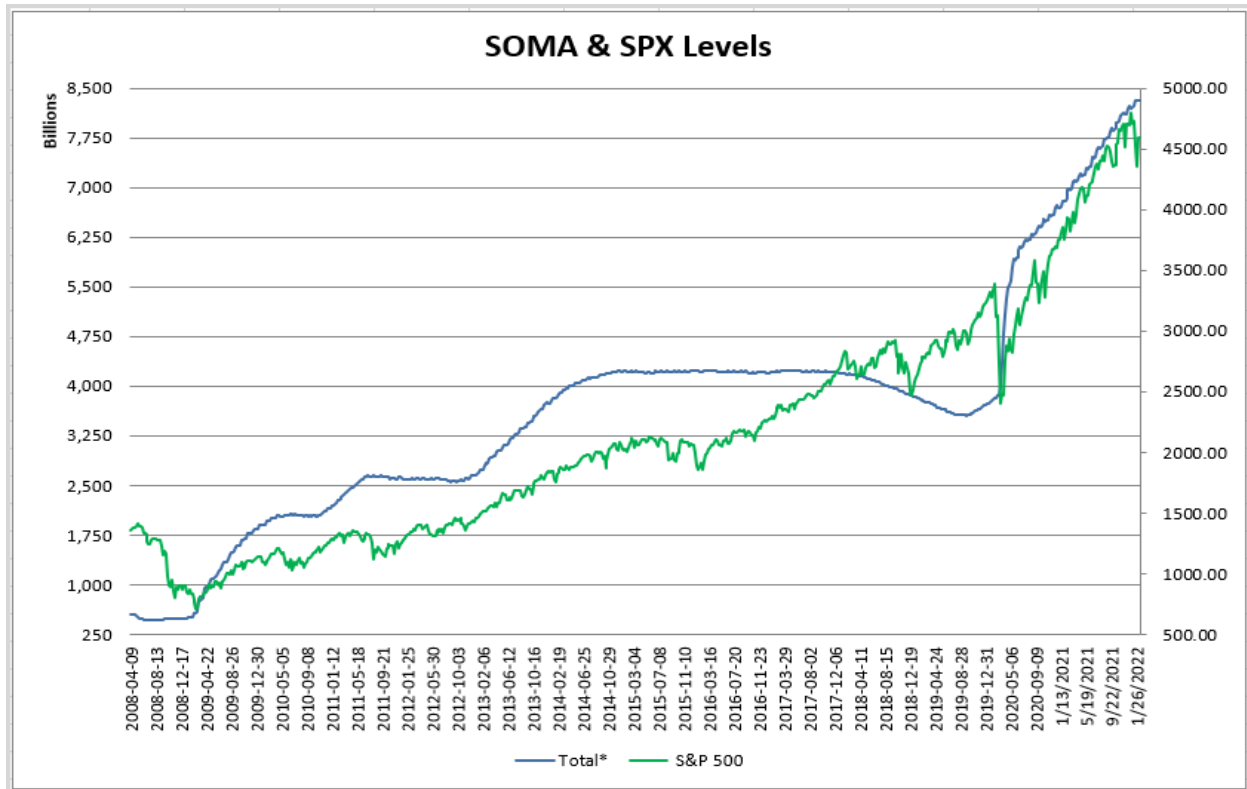
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), 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 there were no changes to the Combo Systems.*

This past week finished mixed for the indices. The SPX lost 1.8% on the week, the NASDAQ dropped 2.2%, and the Russell 2000 climbed 1.4%. Most long-term trend indicators are pointing sideways or down, though the Golden Cross formation is still in effect for the SPX. It is also in effect for the NASDAQ, but only likely for a few more days. There were no new studies that emerged in the last few days that suggested an intermediate-term edge.

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	February 9, 2022 📅 <small>Posted February 10, 2022 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; border-bottom: 1px solid black; padding-bottom: 5px;"> <span>SUMMARY</span> <span>T-BILLS</span> <span>T-NOTES AND T-BONDS</span> <span>FRNS</span> <span>TIPS</span> <span>AGENCY DEBTS</span> <span>MBS</span> <span>CMBS</span> </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,917,271,451.7
US Treasury Floating Rate Notes (FRNs)	29,152,660.9
US Treasury Inflation-Protected Securities (TIPS)*	385,089,412.3
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,651,752,914.7
Agency Commercial Mortgage-Backed Securities***	9,097,648.3
Total SOMA Holdings	8,320,755,087.9
Change From Prior Week	3,407,999.3

This past week saw the SOMA rise by \$3.4 billion. That is a small amount, but not unexpected with QE winding down. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is now in its last month of the largest expansion in history. The Fed has been working to stimulate the economy for a long time now, and that has greatly benefitted the stock market. But the massive liquidity infusions are almost done. The Fed is likely to not only halt QE, but also increase overnight rates at its March meeting. And with CPI having come out at 7% on Thursday, there has been some talk of Fed action occurring before the next scheduled meeting. The Fed is going from a wind at the back of the market to a wind in its face. That is going to create challenges, and the market has recognized that recently. I expect both Fed policy and inflation concerns to continue to be sources of volatility throughout 2022.

A couple of weeks ago we had several studies show that the January selloff was strong enough and broad enough that a multi-week low should be in place. But those studies have already begun to expire, and they will all be done in a couple of more weeks. So it will be important to remain alert to any new clues that will suggest either another leg down, or a chance to get back to new highs. Seasonality is generally favorable, but will also weaken in the 2<sup>nd</sup> half of the month. Trend indications are mixed and weakening. The Fed is becoming more hawkish, and that will continue to be a challenge for the market for the next several months. And a Russian invasion of the Ukraine and fallout from that could create a whole new set of problems. I will keep my bias “neutral” for the time being, and remain open to trades in either direction. I’ll also remain alert to new intermediate-term bullish or bearish evidence that emerges.

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

GILD – 1/3 @ \$63.76 (bought @ limit)

GILD – 1/3 @ \$63.70 (bought @ limit)

GILD – 1/3 @ \$63.38 (buy @ limit)

### ***Broad Market Large Cap CBI – 3(GILD-3)***

## **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 @ \$440.46 LIMIT.** Based on the short-term outlook above, I will look to take on some long exposure on Monday if I can get a decent fill.

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
GILD(1/3)	2/8/2022	\$63.76	\$62.07	-2.65%	Catapult
GILD(1/3)	2/9/2022	\$63.70	\$62.07	-2.56%	Catapult
GILD(1/3)	2/10/2022	\$63.00	\$62.07	-1.48%	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 © 2022 Quantifiable Edges, LLC.