

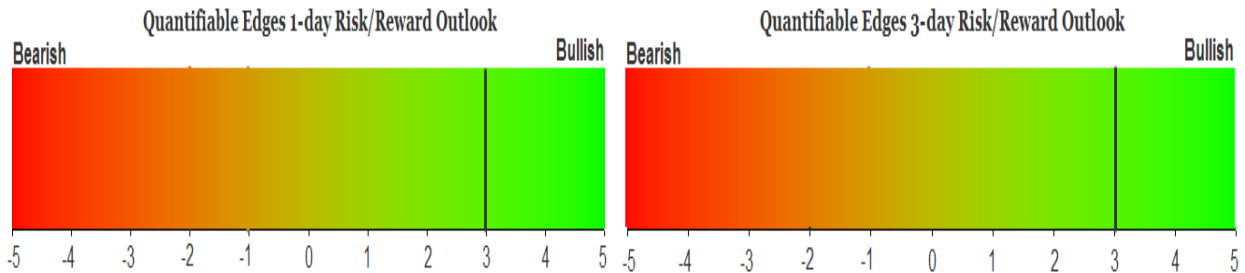
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 24, 2022

Volume 15 Issue 37

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	15

## Tonight's Research Points

- The month is looking pretty bad, but that can mean a bounce is likely to finish the month and start the new one.

## *Short-term Outlook*

### *The Bottom Line*

Evidence suggests a bounce and risk/reward appears favorable. I like the long side, but I'm remaining a bit cautious in this news-driven environment.

**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 24, 2022	Dn 4%+ on month. 3 days left	1-4 days	Bullish			
February 22, 2022	CBI hits 10. SPX < 200ma.	1-5 days	Bullish	4.10%	-3.20%	-7.00%
<b>Active - Long Term</b>						
February 22, 2022	CBI hits 10. SPX < 200ma.	1-17 days	Bullish	6.70%	-3.80%	-7.80%
January 31, 2022	Up close from 21-day low on a Friday	1-20 days	Bullish			
November 8, 2021	QE4 tapering	int term	Bullish but Weakening			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			

***The Evidence***

Wednesday was another tough day for the market as the SPX and NASDAQ both broke their 1/24 intraday lows. The SPX closed down 1.8%, the NASDAQ declined 2.6%, and the Russell 2000 dropped 1.8%. Breadth was negative with the NYSE Up Issues % coming in at 26% and the Up Volume % at 27%. NYSE total volume declined some from Tuesday's level.

Despite the strong selloff of late, I am still not seeing a whole lot of new and compelling evidence suggesting a bounce is imminent. The high CBI reading is exceptional, but that is about it.

Tonight I decided to look at times the market was facing a bad month heading into the last few days of the month. I've heard it said before, and noted anecdotally, that when there are only a few days left in the month and the market has been struggling, that allocation programs will often kick in and rebalance large portfolios back to their intended equity allocation. This can give a boost to equities. At the close on Wednesday, SPX was down 6.4% for February. I decided to look at other times SPX was down at least 4% with 3 trading days left. I also required a 5-day low to make sure the market had not already begun to bounce. Results are below.

There are 3 days left in the month. SPX closes at a 5-day low and down at least 4% on the month. Forward returns shown. 1990 - present.

Ticker	Date	MTD %Chg	Close	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg
\$\$SPX	1/26/1990	-7.81	325.8	-0.18	-0.87	1.01	0.92
\$\$SPX	6/25/1991	-4.92	370.65	0.25	1.01	0.14	1.96
\$\$SPX	11/25/1991	-4.36	375.34	0.7	0.32	-0.03	1.61
\$\$SPX	8/26/1997	-4.32	913.02	0.07	-1.02	-1.48	1.59
\$\$SPX	9/26/2000	-5.96	1427.21	-0.04	2.18	0.65	0.63
\$\$SPX	10/26/2000	-5.02	1364.44	1.11	2.51	4.76	4.16
\$\$SPX	2/23/2001	-8.8	1245.86	1.75	0.97	-0.48	-0.37
\$\$SPX	8/28/2001	-4.1	1161.51	-1.11	-2.8	-2.4	-2.46
\$\$SPX	4/25/2002	-4.87	1091.48	-1.39	-2.38	-1.33	-0.46
\$\$SPX	6/25/2002	-8.53	976.14	-0.27	1.49	1.4	-0.77
\$\$SPX	8/26/2010	-4.94	1047.22	1.66	0.16	0.2	3.16
\$\$SPX	11/25/2011	-7.55	1158.67	2.92	3.15	7.62	7.41
\$\$SPX	6/27/2016	-4.6	2000.54	1.78	3.51	4.91	5.12
\$\$SPX	5/28/2019	-4.87	2802.39	-0.69	-0.48	-1.8	-2.07
\$\$SPX	1/26/2022	-8.73	4349.93	-0.54	1.88	3.81	4.52
			<b>Avg % Chg</b>	<b>0.40</b>	<b>0.64</b>	<b>1.13</b>	<b>1.66</b>
			<b>Win %</b>	<b>53%</b>	<b>67%</b>	<b>60%</b>	<b>67%</b>

Odds here look pretty good. The 4-day returns run through the 1<sup>st</sup> day of the following month. They appear to be the most favorable. I also looked at the setup with just 2 days or 1 day left in the month.

There are **2** days left in the month. SPX closes at a 5-day low and down at least 4% on the month. Forward returns shown. 1990 - present.

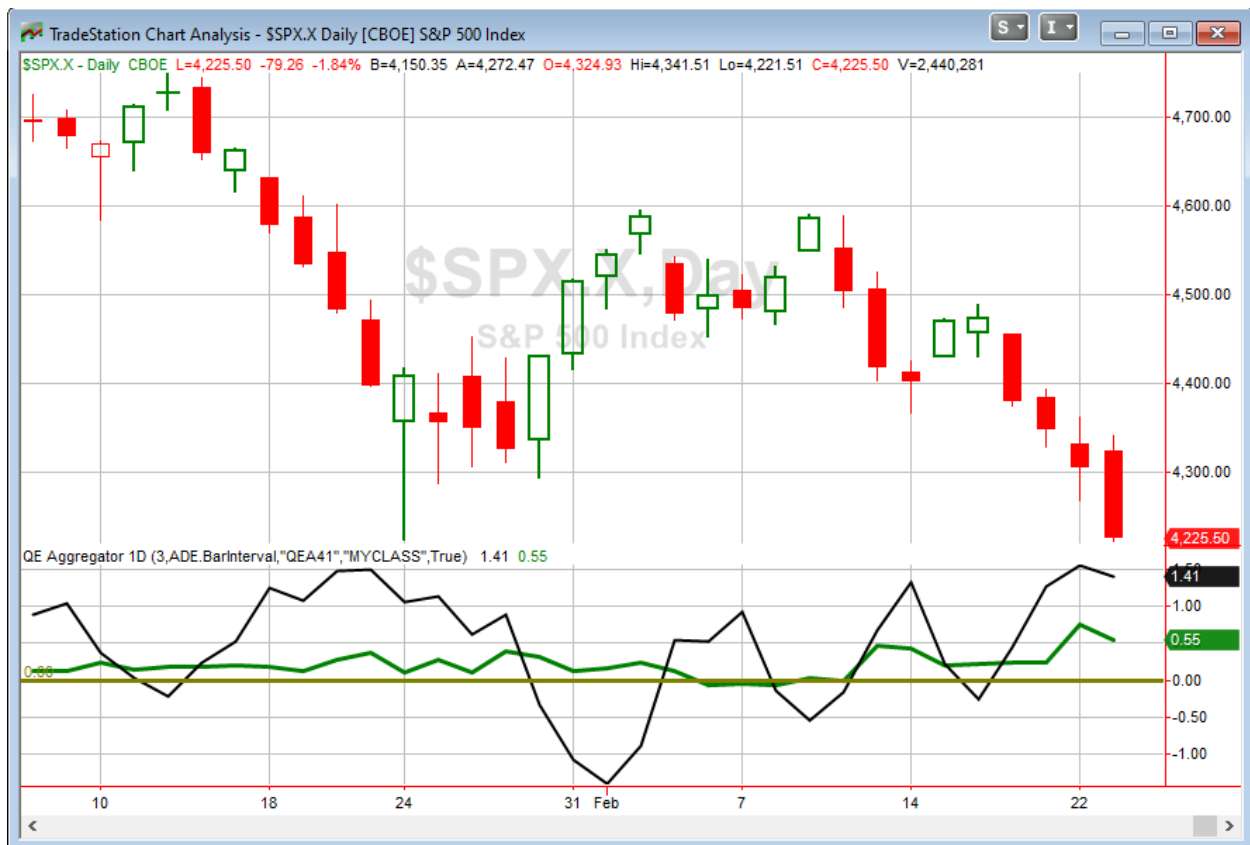
Ticker	Date	MTD %Chg	Close	Next Day % Chg	2-Day %Chg	3-Day %Chg
\$\$SPX	1/29/1990	-7.98	325.2	-0.68	1.19	1.1
\$\$SPX	8/27/1998	-6.97	1042.51	-1.46	-8.15	-4.63
\$\$SPX	1/27/2000	-4.81	1398.56	-2.75	-0.29	0.77
\$\$SPX	2/25/2000	-4.38	1333.36	1.1	2.48	3.44
\$\$SPX	9/27/2000	-6	1426.57	2.22	0.7	0.68
\$\$SPX	8/29/2001	-5.17	1148.56	-1.7	-1.3	-1.36
\$\$SPX	1/29/2002	-4.13	1100.64	1.17	2.69	1.96
\$\$SPX	4/26/2002	-6.19	1076.32	-1.01	0.06	0.94
\$\$SPX	6/26/2002	-8.77	973.53	1.76	1.67	-0.5
\$\$SPX	12/27/2002	-6.51	875.4	0.46	0.5	3.84
\$\$SPX	10/27/2005	-4.06	1178.9	1.65	2.38	2.02
\$\$SPX	6/26/2008	-8.37	1283.15	-0.37	-0.25	0.14
\$\$SPX	5/26/2010	-10.01	1067.95	3.29	2.01	0.26
\$\$SPX	1/29/2014	-4.01	1774.2	1.13	0.47	-1.82
\$\$SPX	9/28/2015	-4.58	1881.77	0.12	2.03	2.23
\$\$SPX	10/29/2018	-9.36	2641.25	1.57	2.67	3.75
\$\$SPX	5/29/2019	-5.53	2783.02	0.21	-1.11	-1.39
\$\$SPX	1/27/2022	-9.22	4326.51	2.43	4.37	5.09
				0.51	0.67	0.92
				67%	72%	72%

There is **1** day left in the month. SPX closes at a 5-day low & down at least 4% on the month. Forward returns shown. 1990 - present.

Ticker	Date	MTD %Chg	Close	Next Day % Chg	2-Day %Chg
\$SPX	1/30/1990	-8.61	322.98	1.89	1.8
\$SPX	9/27/1990	-6.69	300.97	1.69	4.64
\$SPX	3/30/1994	-4.62	445.55	0.05	-1.49
\$SPX	8/28/1997	-5.3	903.67	-0.46	2.65
\$SPX	8/28/1998	-8.34	1027.25	-6.79	-3.21
\$SPX	5/27/1999	-4.03	1281.41	1.59	1
\$SPX	1/28/2000	-7.43	1360.15	2.52	3.61
\$SPX	8/30/2001	-6.79	1129.03	0.4	0.35
\$SPX	4/29/2002	-7.14	1065.45	1.08	1.97
\$SPX	1/30/2003	-4	844.61	1.31	1.86
\$SPX	6/27/2008	-8.71	1278.38	0.13	0.51
\$SPX	9/29/2008	-13.75	1106.39	5.42	4.94
\$SPX	6/29/2010	-4.42	1041.24	-1.01	-1.33
\$SPX	5/30/2012	-6.05	1313.32	-0.23	-2.69
\$SPX	2/27/2020	-7.65	2978.76	-0.82	3.74
				0.45	1.22
				67%	73%

In all cases it appears there has often been some buying to close out the month and begin the new month. Perhaps this is due to portfolio rebalances. Perhaps other reasons. But the setup does appear to suggest a moderate upside edge.

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 also remained 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 active list, expectations are set to remain positive on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4375.48 on Thursday. That is 3.5% above Wednesday's close. So SPX will need to close up at least 3.5% on Thursday to turn overbought vs recent expectations. No likely. We will probably need a bounce of a multiple days.

So the Aggregator is bullish. Evidence is looking up and the market is strongly oversold. But news and fear have taken over for the time being. As I am finishing writing the letter tonight, Russia is busy invading the Ukraine, and this is wreaking havoc on the futures markets. The market is oversold and overdue for a bounce. But that does not mean that the bounce has to come right away, or exactly when we want it to. Fear is spiking, and we could see another few days of capitulation. When the bounce does arrive, I expect it to be a very strong short-covering rally. One way to play a setup like this is to continue to scale into a position, and then sell on the reversion. I'm not eager

to do that just yet. I have a small amount of index exposure, and I will hold that since I believe there is an upside edge. But I will wait another day to see the reaction to this new war before potentially looking to increase my position in the next few days.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 2/22 – neutral***

The intermediate-term outlook was last updated in the 2/22/22 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***

GILD – 1/3 @ \$63.76 (bought @ limit)  
GILD – 1/3 @ \$63.70 (bought @ limit)  
GILD – 1/3 @ \$63.38 (bought @ limit)  
TMO – 1/3 @ \$556.67 (bought @ limit)  
TMO – 1/3 @ \$550.35 (bought @ limit)  
TMO – 1/3 @ \$540.54 (bought @ limit)  
MMM – 1/3 @ \$148.64 (bought @ limit)  
MMM – 1/3 @ \$147.62 (bought @ limit)  
MMM – 1/3 @ \$146.75 (bought @ limit)

***New***

AMT – 1/3 @ \$227.45 (buy @ limit)  
ADBE – 1/3 @ \$429.45 (buy @ limit)  
FB – 1/3 @ \$198.45 (buy @ limit)  
HD – 1/3 @ \$308.45 (buy @ limit)  
PYPL – 1/3 @ \$100.72 (buy @ limit)  
TGT – 1/3 @ \$189.90 (buy @ limit)

***Broad Market Large Cap CBI – 15(GILD-3, TMO-3, AMT, MMM-3, ADBE, FB, HD, PYPL, TGT)***

### 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.

**AMT – Buy 1/3 Catapult position @ \$227.45 LIMIT.** From the Catapult section above, this is 1<sup>st</sup> of a new set of AMT Catapult triggers. Previous triggers signaled an exit on Wednesday for Thursday morning.

**ADBE – Buy 1/3 Catapult position @ \$429.45 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of ADBE.

**FB – Buy 1/3 Catapult position @ \$198.45 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of FB.

**HD – Buy 1/3 Catapult position @ \$308.45 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of HD.

**PYPL – Buy 1/3 Catapult position @ \$100.72 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of PYPL.

**TGT – Buy 1/3 Catapult position @ \$189.90 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of TGT.

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
GILD(1/3)	2/8/2022	\$63.76	\$61.35	-3.78%	Catapult
GILD(1/3)	2/9/2022	\$63.70	\$61.35	-3.69%	Catapult
GILD(1/3)	2/10/2022	\$63.00	\$61.35	-2.62%	Catapult
TMO(1/3)	2/17/2022	\$550.80	\$528.58	-4.03%	Catapult
TMO(1/3)	2/17/2022	\$550.35	\$528.58	-3.96%	Catapult
TMO(1/3)	2/18/2022	\$540.54	\$528.58	-2.21%	Catapult
AMT(1/3)	2/18/2022	\$228.67	\$227.45	-0.53%	<i>sell on open</i>
MMM(1/3)	2/18/2022	\$148.20	\$144.38	-2.58%	Catapult
AMT(1/3)	2/22/2022	\$228.24	\$227.45	-0.35%	<i>sell on open</i>
MMM(1/3)	2/22/2022	\$147.62	\$144.38	-2.19%	Catapult
SPY(1/4)	2/22/2022	\$431.89	\$421.95	-2.30%	Aggregator
AMT(1/3)	2/23/2022	\$228.37	\$227.45	-0.40%	<i>sell on open</i>
MMM(1/3)	2/23/2022	\$146.75	\$144.38	-1.61%	Catapult

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