

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 1, 2022

Volume 15 Issue 39

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	5

## Tonight's Research Points

- NASDAQ up 3 days under the 200ma will often suggest a downside edge, but NOT when the move is not confirmed by SPX.
- No turn of the month edge when SPX < 200ma.
- A big down Jan and big down Feb has been rare.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am as well.

**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 28, 2022	1% Gap dn. Reverse up 4% in 2 days.	1-2 days	Bearish			
February 25, 2022	50 low yest. 5th lower low up close	1-4 days	Bullish	3.95%	-2.40%	-5.70%
<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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
February 22, 2022	CBI hits 10. SPX < 200ma.	1-5 days	Bullish	4.10%	-3.20%	-7.00%

**The Evidence**

Monday had a horrible start, but by the close, the indices were mixed. The SPX finished down 0.2%, the NASDAQ rose 0.4%, and the Russell 2000 gained 0.35%. Breadth was negative with the NYSE Up Issues % coming in at 46% and the Up Volume % at 44%. NYSE total volume rose some from Friday's level.

Way back in the 10/31/2008 subscriber letter I looked at times the NASDAQ closed up 3 days in a row while below its 200ma. Below are updated results of that study.

NASDAQ Composite closes up for exactly the 3rd day in a row and below the 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
5	1,065.02	94	53	41	56.38	14,540.76	-11,082.28	2,508.82	-3,217.13	0.78	1.01	11.33
4	-10,632.59	102	54	48	52.94	9,205.56	-10,225.32	2,251.56	-2,754.52	0.82	0.92	-104.24
3	-37,926.08	102	51	51	50.00	5,386.95	-13,213.64	1,975.73	-2,719.38	0.73	0.73	-371.82
2	-24,947.91	102	50	52	49.02	5,024.25	-7,529.72	1,404.13	-1,829.89	0.77	0.74	-244.59
1	-3,562.75	102	49	53	48.04	5,014.71	-4,039.88	1,313.01	-1,281.14	1.02	0.95	-34.93

There appears to be a mild downside edge. But with SPX declining today, I noted that it did not confirm the NASDAQ action. So I broke this study down to see times the SPX also closed up 3 days in a row and times it did not.

NASDAQ Composite closes up for exactly the 3rd day in a row and below the 200ma. SPX closes up at least 3 days in a row. Buy NASDAQ on close. Sell X days later. \$100k/trade. 2000 - present.

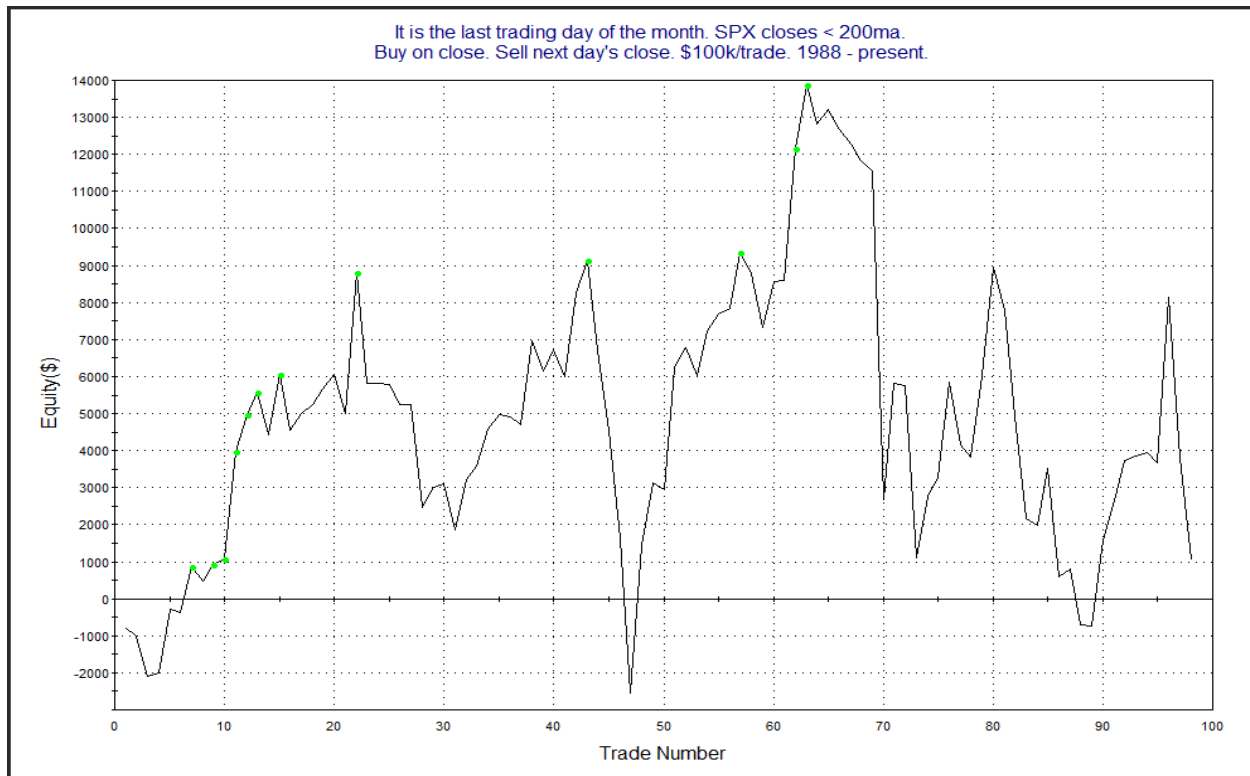
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-12,256.99	56	32	24	57.14	7,218.72	-11,082.28	2,180.78	-3,418.41	0.64	0.85	-218.87
4	-32,294.68	61	30	31	49.18	5,453.73	-10,225.32	2,034.52	-3,010.65	0.68	0.65	-529.42
3	-50,724.03	61	26	35	42.62	5,386.95	-13,213.64	1,875.16	-2,842.24	0.66	0.49	-831.54
2	-38,965.19	61	23	38	37.70	5,024.25	-7,529.72	1,266.13	-1,791.74	0.71	0.43	-638.77
1	-13,735.77	61	27	34	44.26	5,014.71	-3,826.74	1,070.69	-1,254.25	0.85	0.68	-225.18

NASDAQ Composite closes up for exactly the 3rd day in a row and below the 200ma. SPX has NOT closed up 3 days in a row. Buy NASDAQ 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
5	12,629.32	40	22	18	55.00	14,540.76	-7,069.02	2,883.64	-2,822.82	1.02	1.25	315.73
4	21,662.10	41	24	17	58.54	9,205.56	-6,854.75	2,522.86	-2,287.45	1.10	1.56	528.34
3	12,797.94	41	25	16	60.98	4,732.80	-6,214.95	2,080.32	-2,450.64	0.85	1.33	312.14
2	14,017.25	41	27	14	65.85	4,118.40	-7,166.52	1,521.68	-1,933.43	0.79	1.52	341.88
1	10,173.02	41	22	19	53.66	3,879.72	-4,039.88	1,610.41	-1,329.26	1.21	1.40	248.12

Much different results. The profit curve was very choppy when looking at the setup without SPX confirmation, so I am not considering it a bullish setup. But the downside edge is certainly only attributable to those times when the SPX also posted a 3-day rally. That is not what we have here.

Subscribers are used to me talking about the seasonal edge that often occurs on the 1<sup>st</sup> trading day of the month. But I should note that the edge has really only played out when SPX has been above its 200ma. Below is a look at the 1<sup>st</sup> of the month when SPX has been in a downtrend.



That is a setup without an edge right there. So the turn of the month does not appear to be offering the kind of edge it often does in uptrends.

Lastly, here is a little study I posted to Twitter earlier:

SPX closes down over 3% in both Jan and Feb.  
Forward returns shown. 1928 - 2021. (Former S&P 90 used prior to inception of SPX.)

QuantifiableEdges.com

Ticker	Date/Time	Close	1-Month %Chg	2-Month %Chg	3-Month %Chg	4-Month %Chg	5-Month %Chg	6-Month %Chg	7-Month %Chg	8-Month %Chg	9-Month %Chg	10-Month %Chg
SSPX	2/28/1935	8.74	-3.32	6.18	9.61	17.16	26.77	28.6	32.61	42.56	48.05	53.66
SSPX	2/27/1948	13.93	8.26	11.13	19.81	20.17	13.78	14.64	11.2	18.45	5.89	9.12
SSPX	2/28/1957	43.26	1.96	5.73	9.64	9.5	10.75	4.53	-1.94	-5.09	-3.56	-7.56
SSPX	2/29/1968	89.36	0.94	9.06	10.43	11.44	9.38	10.63	14.89	15.72	21.27	16.23
SSPX	2/29/2008	1330.63	-0.6	4.13	5.24	-3.8	-4.75	-3.59	-12.35	-27.2	-32.65	-32.12
SSPX	2/27/2009	735.09	8.54	18.74	25.04	25.06	34.33	38.84	43.8	40.96	49.05	51.7

I'm not going to make much of a fuss about this one. There are only 6 other times where Jan and Feb closed lower by at least 3% each. And it has only happened twice since 1968. And those years (2008 and 2009) could not have been much more different. So bottom line is that despite some looks at the market tonight, I am not finding any truly compelling evidence.

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



Without any new evidence making the cut tonight, 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 remained below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neural configuration. Neural configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current active list, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4357.16 on Tuesday. That is 0.4% below Monday's close. So SPX will need to close down at least 0.4% on Tuesday to turn oversold vs recent expectations.

So the Aggregator is again neutral. I am as well. While the bounce could have further to go, it is already somewhat overdone and the market is extremely volatile. This does not make for great risk/reward. So I'll stand aside and wait for a more compelling setup to emerge.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 2/28 – 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)

HD – 1/3 @ \$308.45 (bought @ limit)

PM – 1/3 @ \$102.79 (buy @ limit) – *not filled – look for new entry*

***Broad Market Large Cap CBI – 5(GILD-3, HD, PM)***

**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.

**PM – Buy 1/3 Catapult position @ \$101.07 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of PM.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
GILD(1/3)	2/8/2022	\$63.76	\$60.40	-5.27%	Catapult
GILD(1/3)	2/9/2022	\$63.70	\$60.40	-5.18%	Catapult
GILD(1/3)	2/10/2022	\$63.00	\$60.40	-4.13%	Catapult
<b>TMO(1/3)</b>	<b>2/17/2022</b>	<b>\$550.80</b>	<b>\$545.12</b>	<b>-1.03%</b>	<b><i>sold on open Monday</i></b>
<b>TMO(1/3)</b>	<b>2/17/2022</b>	<b>\$550.35</b>	<b>\$545.12</b>	<b>-0.95%</b>	<b><i>sold on open Monday</i></b>
<b>TMO(1/3)</b>	<b>2/18/2022</b>	<b>\$540.54</b>	<b>\$545.12</b>	<b>0.85%</b>	<b><i>sold on open Monday</i></b>
<b>MMM(1/3)</b>	<b>2/18/2022</b>	<b>\$148.20</b>	<b>\$149.29</b>	<b>0.74%</b>	<b><i>sold on open Monday</i></b>
<b>MMM(1/3)</b>	<b>2/22/2022</b>	<b>\$147.62</b>	<b>\$149.29</b>	<b>1.13%</b>	<b><i>sold on open Monday</i></b>
<b>SPY(1/4)</b>	<b>2/22/2022</b>	<b>\$431.89</b>	<b>\$432.03</b>	<b>0.03%</b>	<b><i>sold on open Monday</i></b>
<b>MMM(1/3)</b>	<b>2/23/2022</b>	<b>\$146.75</b>	<b>\$149.29</b>	<b>1.73%</b>	<b><i>sold on open Monday</i></b>
<b>FB(1/3)</b>	<b>2/24/2022</b>	<b>\$191.06</b>	<b>\$207.68</b>	<b>8.70%</b>	<b><i>sold on open Monday</i></b>
HD(1/3)	2/24/2022	\$300.00	\$315.83	5.28%	Catapult
<b>PYPL(1/3)</b>	<b>2/24/2022</b>	<b>\$94.74</b>	<b>\$110.31</b>	<b>16.43%</b>	<b><i>sold on open Monday</i></b>
<b>TGT(1/3)</b>	<b>2/24/2022</b>	<b>\$184.49</b>	<b>\$197.36</b>	<b>6.98%</b>	<b><i>sold on open Monday</i></b>

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