

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 28, 2022

Volume 15 Issue 58

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- We are entering a seasonally bullish week.
- The NASDAQ has shown relative strength over the SPX in recent weeks, which is a positive for the bulls.
- QE is done, but the SOMA rose slightly this past week.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator has now turned neutral. I am looking to cover my short positions if I can get decent fills.

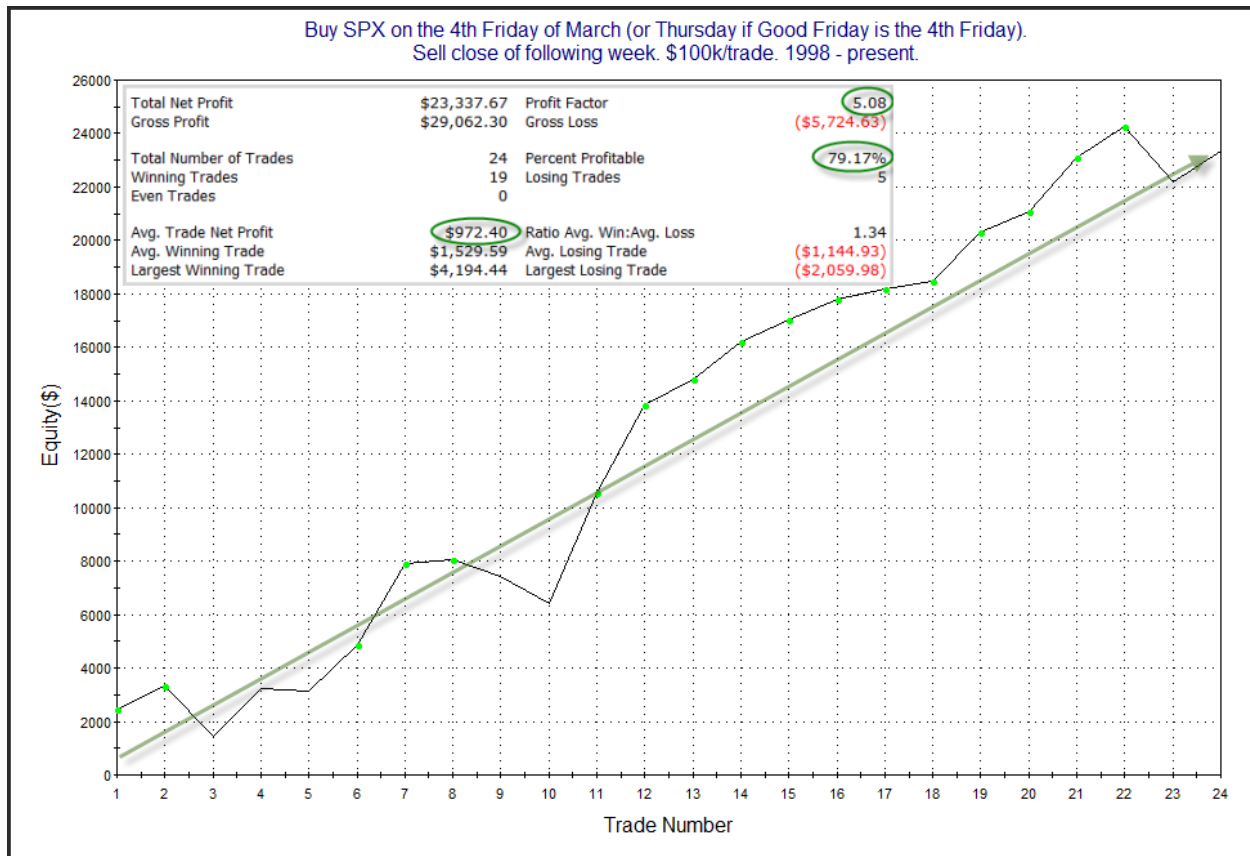
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
March 25, 2022	1% up day & 20-low volume	1-2 days	Bearish			
March 25, 2022	SPX 20-hi, VIX 20-low, low volume	1 day	Bearish			
March 25, 2022	1% gain & cross through 200	1 day	Bearish			
March 24, 2022	20-low volume. Close > 10ma < 200ma	1-2 days	Bearish			
March 24, 2022	Unfilled gap up. Unfilled gap down.	1-2 days	Bearish			
<b>Active - Long Term</b>						
March 14, 2022	Pres Cycle neg, NAS lagging, SP Death X	int term	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
November 1, 2021	Best 6 Months	1-6 months	Bullish			

***The Evidence***

Friday was mostly higher for the market. The SPX rose 0.5%, the NASDAQ declined 0.2%, and the Russell 2000 gained 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 51% and the Up Volume % at 62%. NYSE total volume rose some from Thursday's low level.

From a price action standpoint, I was not able to identify anything suggesting a substantial short-term edge. But seasonality looks interesting. The week after the 4th Friday in March has been a strong one over the last 24 years. (Not as much before that.) We can see this in the study below, updated from the 3/29/21 letter.

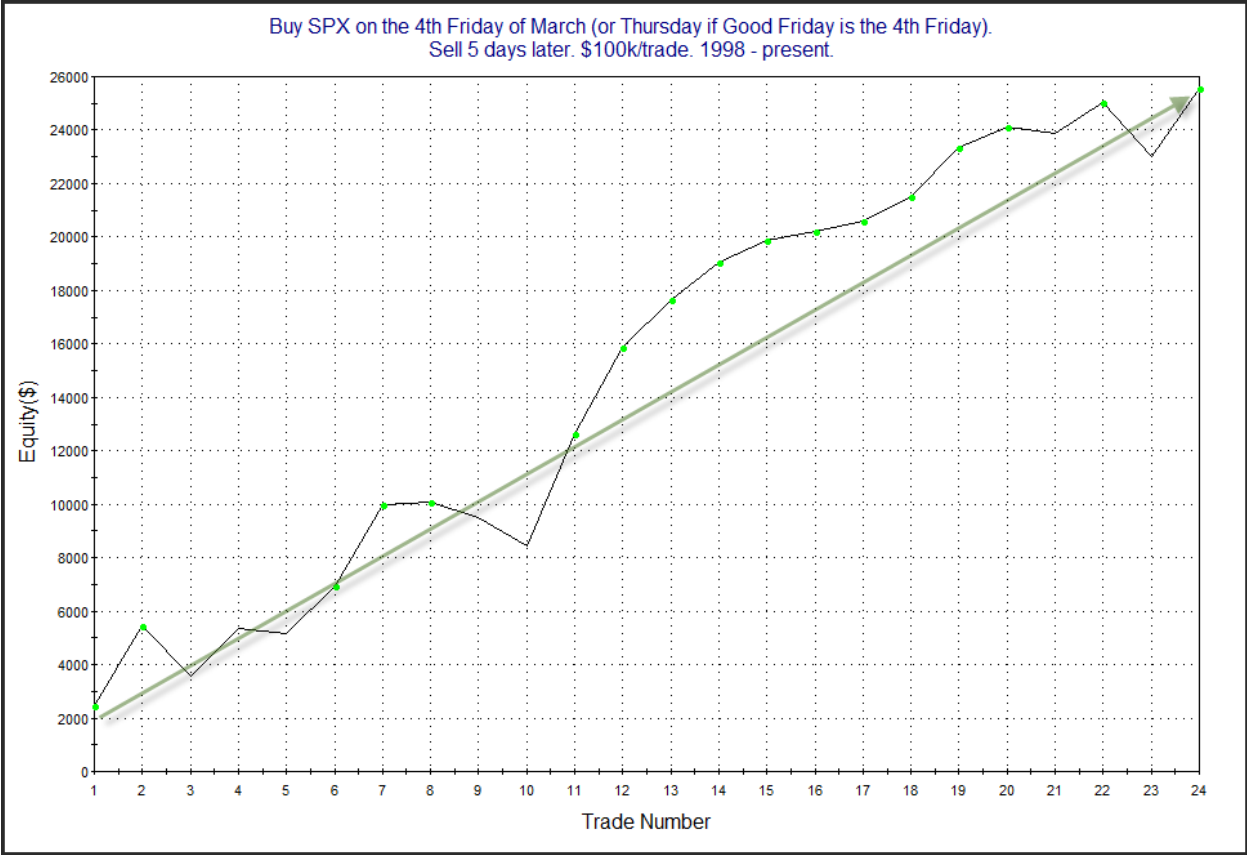


That is an encouraging looking curve and bullish stats. Let's see how it has broken down on a daily basis.

Buy SPX on the 4th Friday of March (or Thursday if Good Friday is the 4th Friday).  
Sell X days later. \$100k/trade. 1998 - 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	25,583.20	24	18	6	75.00	4,194.44	-2,059.98	1,756.90	-1,006.84	1.74	5.23	1,065.97
4	21,082.12	24	19	5	79.17	4,111.60	-2,575.30	1,341.15	-879.94	1.52	5.79	878.42
3	11,685.32	24	16	8	66.67	3,977.08	-2,767.83	1,128.45	-796.23	1.42	2.83	486.89
2	13,529.62	24	16	8	66.67	4,175.44	-2,204.54	1,291.12	-891.04	1.45	2.90	563.73
1	7,351.66	24	13	11	54.17	3,322.02	-3,466.02	1,187.19	-734.70	1.62	1.91	306.32

Numbers here are very good. Though they are slightly different than those above. That is because Easter will sometimes fall during this period and so the following week is sometimes 4 days and sometimes it is 5 days. Below is a look at the 5-day profit curve.



Again, no red flags based on the curve. There appears to be a good chance the market will have a seasonal wind at its back this upcoming week.

Below is the current SPX Seasonality Calendar.

<b>Quantifiable Edges Seasonality Calendar</b>			
<b>\$SPX S&amp;P 500 Index</b>			
<u>Date</u>	<u>Win%</u>	<u>Profit Factor</u>	<u>Avg % Chg</u>
3/1/2022	50.75	0.999	-0.061
3/2/2022	55.81	1.308	0.116
3/3/2022	57.45	1.176	0.084
3/4/2022	56.89	1.423	0.173
3/7/2022	56.94	1.050	-0.079
3/8/2022	48.83	1.274	0.120
3/9/2022	53.45	0.991	0.004
3/10/2022	59.94	1.032	0.018
3/11/2022	58.56	1.513	0.157
3/14/2022	54.67	0.732	-0.180
3/15/2022	50.78	1.465	0.149
3/16/2022	57.72	1.980	0.177
3/17/2022	56.89	0.991	0.004
3/18/2022	53.19	1.081	0.041
3/21/2022	52.36	0.899	-0.110
3/22/2022	44.16	1.257	0.129
3/23/2022	47.49	1.170	0.071
3/24/2022	52.79	1.260	0.093
3/25/2022	50.59	1.239	0.109
3/28/2022	52.65	0.928	-0.101
3/29/2022	50.01	1.348	0.161
3/30/2022	53.34	1.262	0.102
3/31/2022	58.64	1.352	0.124
<b>Baseline</b>	<b>54.68</b>	<b>1.169</b>	<b>0.052</b>

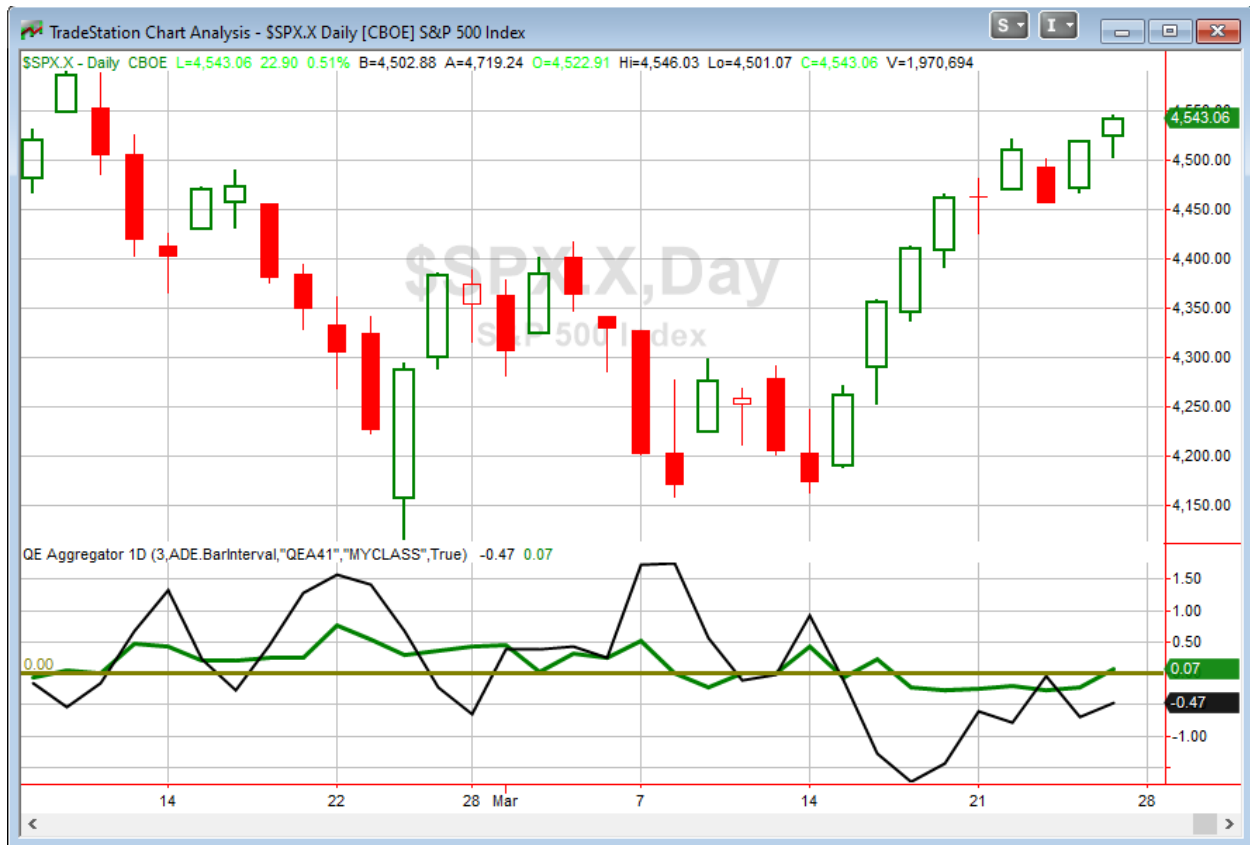
Pretty good numbers after Monday on the Calendar. To see Friday the 1<sup>st</sup>, we need to look at next month's preliminary Calendar.

<b>Quantifiable Edges Seasonality Calendar</b>			
<b>\$SPX S&amp;P 500 Index</b>			
<b>Date</b>	<b>Win%</b>	<b>Profit Factor</b>	<b>Avg % Chg</b>
4/1/2022	53.72	1.101	-0.058
4/4/2022	57.58	1.355	0.011
4/5/2022	51.76	1.631	0.244
4/6/2022	59.40	1.663	0.228
4/7/2022	59.71	1.473	0.167
4/8/2022	60.14	1.814	0.260
4/11/2022	52.95	0.959	-0.115
4/12/2022	49.54	1.284	0.087
4/13/2022	50.65	1.187	0.058
4/14/2022	59.72	1.385	0.135
4/18/2022	64.56	1.457	0.151
4/19/2022	63.39	1.787	0.219
4/20/2022	62.38	1.445	0.136
4/21/2022	60.29	1.292	0.099
4/22/2022	60.06	1.419	0.146
4/25/2022	50.16	0.822	-0.153
4/26/2022	49.78	1.304	0.147
4/27/2022	52.90	1.230	0.105
4/28/2022	57.26	1.306	0.108
4/29/2022	55.29	1.218	0.100
<b>Baseline</b>	<b>54.56</b>	<b>1.169</b>	<b>0.052</b>

The 1<sup>st</sup> week in April shows even stronger numbers than this upcoming week. I'll talk more about that next weekend.

For now, it is sufficient to say we have entered a bullish seasonal period.

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



With tonight's evidence considered, the green Aggregator line inched above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line held 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 neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current active list, expectations are set to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4422.51 on Monday. That is 2.65% below Friday's close. Therefore, SPX will need to close down at least 2.65% on Monday for SPX to flip from overbought to oversold vs recent expectations.

So the Aggregator has now moved to neutral. While the market is still quite overbought, bearish evidence is expiring and bullish evidence is emerging. I have some short exposure at the moment. I will be looking to exit that on Monday. With the market this overbought, and with bearish evidence still on the board, I am not inclined to exit at just any price, but if I can get decent fills, I will scale out of my SPY shorts on Monday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 3/28 – 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 Combo Systems #1 and #2 changed from “flat” to “long”.*

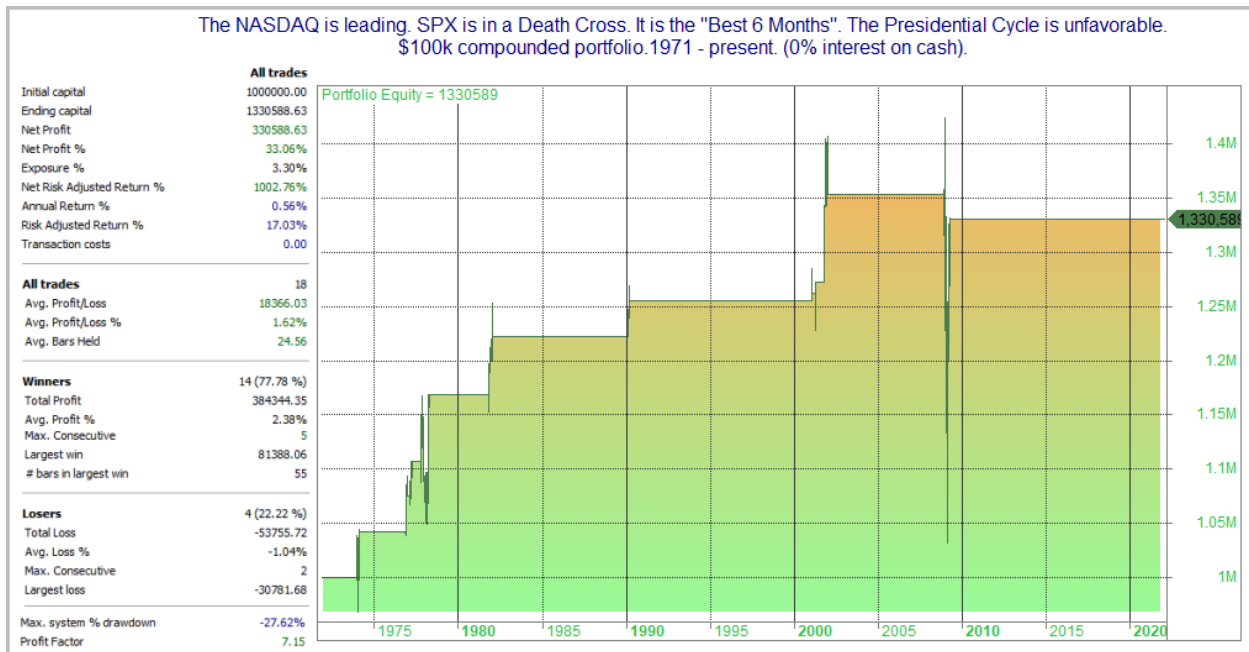
This past week saw mixed results for the major indices. The SPX rallied 1.8%, the NASDAQ jumped 2.0%, and the Russell 2000 lost 0.4%. The SPX climbed back above the 200ma, leaving long-term trend indicators mixed.

The relative outperformance of the NASDAQ vs SPX this week helped it to retake a leading position based on our NASDAQ/SPX Relative Strength Indicator. Below is a chart of the indicator from the website.



The movement of the red line (which is about to turn green) above the blue line is our indication that the NASDAQ is in a leading position. Since 12/31/1971, the market has performed substantially better when the NASDAQ has been leading. Over that time, the SPX has gained 2964.27 points when the NASDAQ has been leading versus 1377.25 points when the NASDAQ has lagged. The difference for the NASDAQ has been even more dramatic, with the point gains being 11,463.77 vs. just 2360.19. More on this indicator can be found in the Market Timing Course, or on its page (which can be found by clicking on the chart on the charts page). <http://quantifiableedges.com/nasdaq-weekly-strength-model/>

I decided tonight to take a look at how the market has done when all 4 Market Timing Course indicators have been aligned as they are now. That means: 1) a leading NASDAQ, 2) SPX “Death Cross” in effect, 3) unfavorable Presidential Cycle, and 4) “Best” 6 months in effect. Below are updated stats showing SPX performance during this alignment.



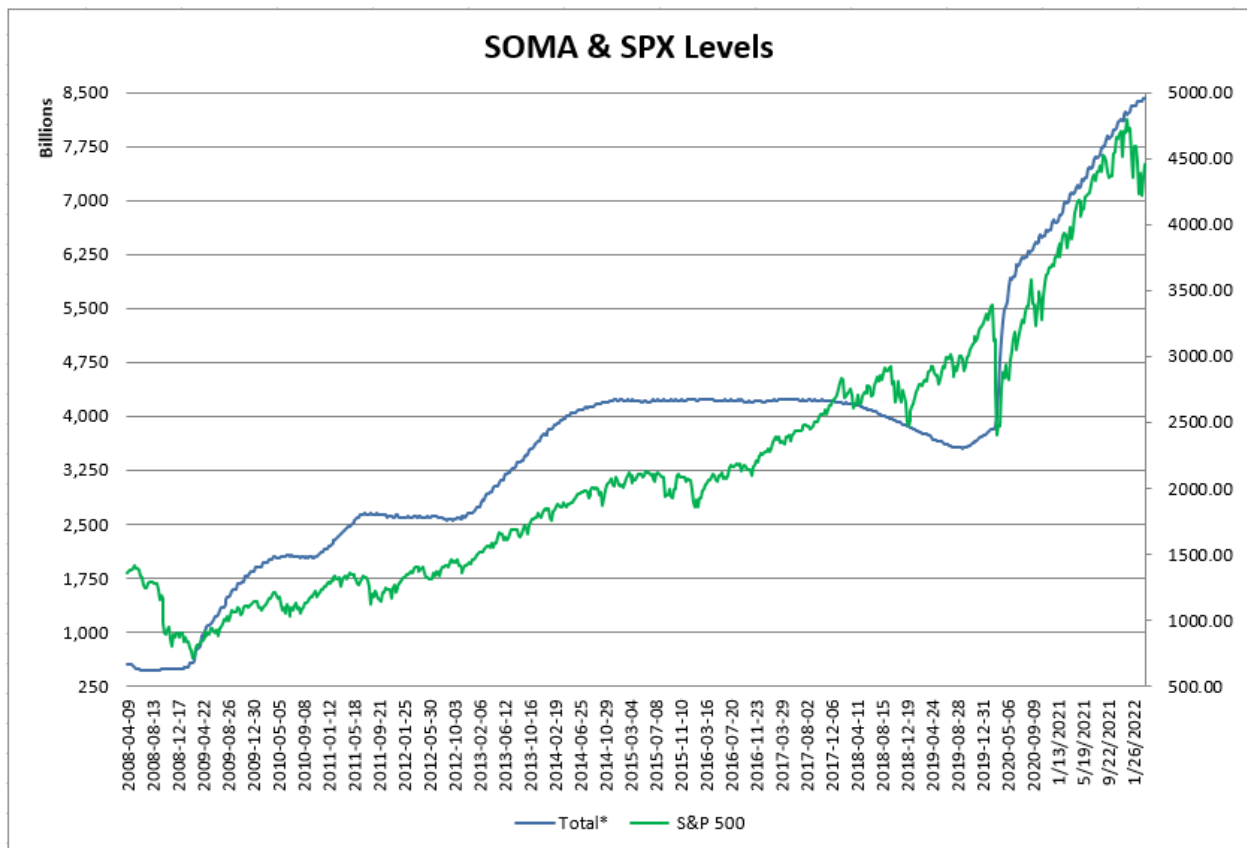
We see here that this formation has been rare – only in effect 3.3% of the time. There have been gains over the long run, but it has mostly been flat over the last 30+ years.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

**SUMMARY** T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,937,332,611.1
US Treasury Floating Rate Notes (FRNs)	29,152,660.9
US Treasury Inflation-Protected Securities (TIPS)*	388,233,252.9
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,729,727,440.8
Agency Commercial Mortgage-Backed Securities***	9,032,154.1
Total SOMA Holdings	8,421,869,119.8
Change From Prior Week	8,828,585.1

While QE is officially over, we still saw a small rise in the SOMA this past week. Below is an updated SOMA/SPX chart from 2008 – present.



The largest expansion in the history of the SOMA is effectively over. So the blue line will likely turn flat-ish for a period. It appears the Fed will soon begin to institute Quantitative Tightening (QT) to lower the size of the SOMA. The Fed did raise rates the expected 0.25% already. And we will likely learn more about QT when the Fed meeting minutes come out in a few weeks. Continued rising interest rates along with QT should present challenges for the market in the coming months.

Overall, market action remains volatile. The leading NASDAQ and the move higher over the last couple of weeks support the bullish case, as does seasonality. The bears seem to have just as much to point to. The trend is still down by most measures, the Fed is no longer friendly, and there is a ton of uncertainty with regards to geopolitics and the global economy. In addition to the war, there are still potential liquidity crisis looming thanks to sanctions, changes in global trade and corporate policy, skyrocketing commodity prices, and overall inflation. I'm going to move my bias to "neutral" for the time being. I'll look for short-term trades in either direction, but won't be overly aggressive in either case.

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

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

None

#### ***Broad Market Large Cap CBI – 0***

### **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.

None.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(S)(1/4)	3/18/2022	\$439.71	\$452.69	-2.95%	cover @ \$452.69 LIMIT
SPY(S)(1/4)	3/21/2022	\$444.52	\$452.69	-1.84%	cover @ \$452.69 LIMIT ON CLOSE

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