

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 29, 2022

Volume 15 Issue 59

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- While the market is strong overbought, and volatility has imploded over the last couple of weeks, I am not seeing anything new suggesting a sizable short-term directional edge.

### *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>						
March 28, 2022	Week after 4th Fri in March bullish	1-5 days	Bullish			
<b>Active - Long Term</b>						
March 28, 2022	NASDAQ leading	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
March 25, 2022	1% up day & 20-low volume	1-2 days	Bearish			

**The Evidence**

After a back and forth start to the day, Monday finished strongly. The SPX rose 0.7%, the NASDAQ gained 1.3%, and the Russell 2000 closed up a fraction of a point. Breadth was neutral with the NYSE Up Issues % coming in at 49% and the Up Volume % at 51%. NYSE total volume rose some from Friday’s level.

The market is hitting some extremely overbought readings, but I am not seeing anything suggesting a very compelling directional edge. For instance, SPX is up over 9.5% over the last 10 trading days. That’s an unusually strong move, but looking at past instances did not seem to suggest a substantial edge. In looking at NDX, I noticed that over 90% of its constituents are above their 20ma, but less than 50% above their 200ma. This led to the following study:

% of NDX stocks above their 20ma > 90 while the % of NDX stocks above their 200ma < 50 Forward NDX returns shown. 1986 - present.																		
Ticker	Date/Time	Close	Next Day % Chg	2-Day % Chg	3-Day % Chg	4-Day % Chg	5-Day % Chg	6-Day % Chg	7-Day % Chg	8-Day % Chg	9-Day % Chg	10-Day % Chg	1-mo % Chg	2-mo % Chg	3-mo % Chg	6-mo % Chg	12-mo % Chg	
SNDX	10/26/1998	1368.93	-1.14	0.81	2	2.31	3.64	2.4	4.75	5.34	6.53	7.21	15.48	31.93	48.32	57.09	80.17	
SNDX	4/18/2001	1830.79	6.69	5.61	-1.03	-3.75	-0.9	-3.68	-1.11	1.33	4.82	7.19	5.15	-8.97	-8.95	-24.46	-28.87	
SNDX	10/11/2001	1389.87	0.29	-0.79	1.07	-5.4	-4.28	-3.04	-0.49	-0.42	2.51	6.42	9	19.53	17.58	-2.5	-35.92	
SNDX	11/26/2001	1619.65	-0.6	-3.87	-1.26	-1.46	-3.22	0.9	6.25	6.07	3.35	1.59	-1.78	-3.38	-14.89	-24.76	-30.41	
SNDX	8/21/2002	1035.47	1.31	-2.41	-1.8	-5.89	-8.75	-7.12	-8.99	-13.12	-11.06	-14.73	-15.83	-5.42	-0.92	-1.89	26.96	
SNDX	10/25/2002	995.55	-1.62	-3.49	-0.95	-0.6	2.36	5.17	5.51	7.06	3.04	1.29	13.21	2.1	0.59	12.18	38.36	
SNDX	1/2/2009	1263.7	-0.09	0.85	-1.99	-0.88	-3.22	-4.95	-4.83	-7.94	-6.34	-5.19	-3.8	-14.97	4.15	14.03	49.3	
SNDX	3/23/2009	1259.81	-2.02	-1.84	1.71	-0.66	-3.1	-1.81	-0.58	2.74	4.47	4.23	6.03	8.54	13.24	37.45	55.83	
SNDX	8/31/2011	2241.01	-0.98	-3.27	-3.28	-0.77	-1.19	-3.45	-2.19	-0.91	0.52	2.03	-4.54	5.31	2.42	17.87	22.88	
SNDX	3/1/2016	4333.61	0.02	-0.18	-0.11	-0.7	-1.57	-0.93	-1.08	0.65	0.78	0.77	3.46	0.18	4.39	10.56	24.4	
SNDX	1/15/2019	6669.64	-0.02	0.73	1.72	-0.34	-0.16	0.49	1.77	0.41	-0.55	2.07	5.29	9.85	14.77	18.28	35.47	
SNDX	4/7/2020	8049.31	2.24	2.35	3.52	7.99	6.74	8.8	9.73	8.41	4.39	7.64	13.08	23.01	32.52	40.28	70.93	
			Average	0.34	-0.46	-0.03	-0.85	-1.14	-0.60	0.73	0.80	1.04	1.71	3.73	5.64	9.44	12.84	25.76
			% Wins	42%	42%	42%	17%	25%	42%	42%	67%	75%	83%	67%	67%	75%	67%	75%
SNDX	3/22/2022	14654.33	-1.41	0.76	0.68	2.27	x	x	x	x	x	x	x	x	x	x	x	

The next 5 days have generally headed lower. Longer-term is has been more bullish. But neither have been as consistent as I would like to see for such a low number of instances. And the current instance actually triggered last week, before re-triggering today. Anyway, somewhat interesting, ticker not worth much consideration.

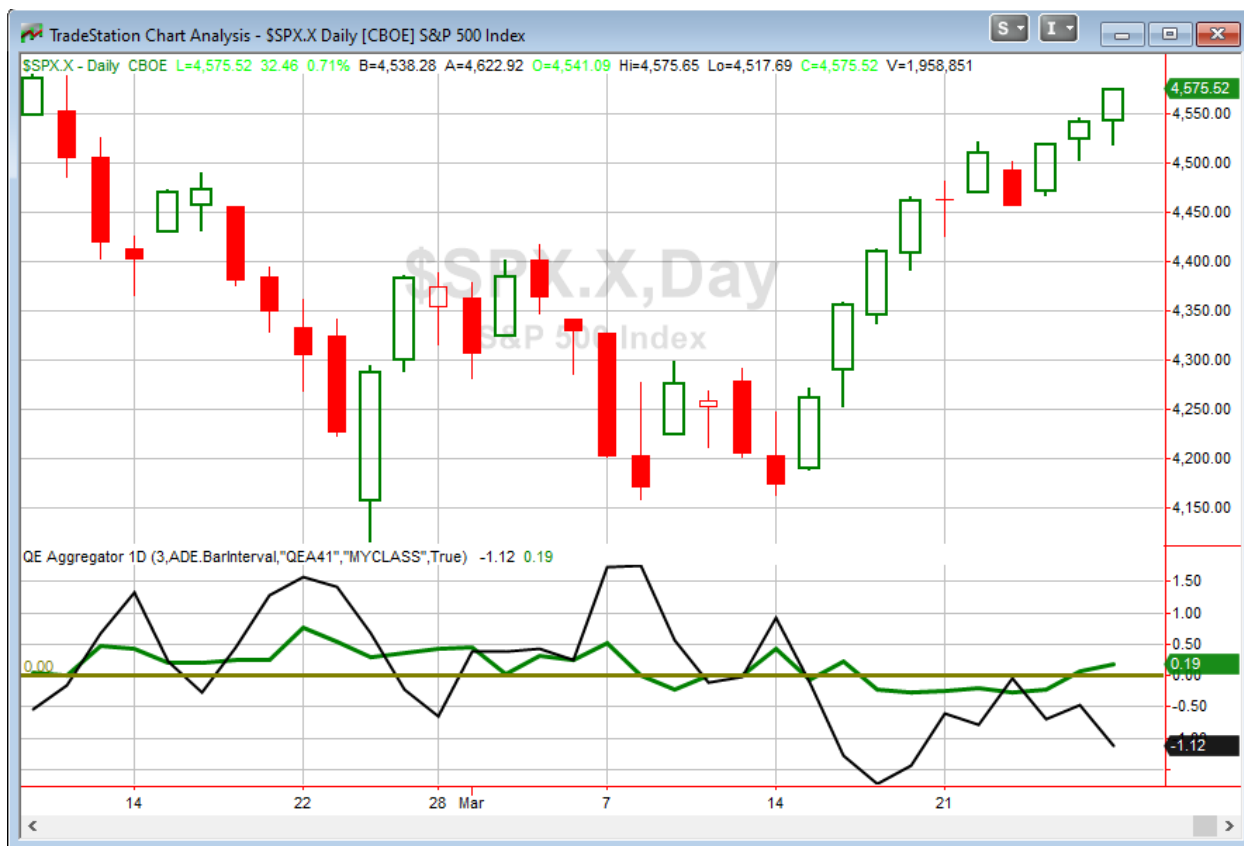
I’ll also note that Monday marked the 9<sup>th</sup> day in a row that \$VIX closed at least 12% below its 10ma. That is quite the collapse. There have only been 3 other instances, and I have listed them below along with their forward 10-day returns.

VIX closes over 12% below its 10ma for the 9th day in a row.  
 Buy SPX on close. Sell 10 days later. \$100k/trade. 1990 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/30/2014	Buy	\$1,994.65	2.24%	\$2,576.50
11/13/2014	Sell	\$2,039.33		\$0.00
11/21/2016	Buy	\$2,198.18	0.64%	\$716.40
12/6/2016	Sell	\$2,212.23		(\$483.30)
11/16/2020	Buy	\$3,626.91	0.98%	\$1,391.58
12/1/2020	Sell	\$3,662.45		(\$2,242.89)

Here again, interesting, but not significant. The biggest takeaway is that the market is historically overbought on a short-term basis. Momentum and mean reversion will need to battle here, but there is not a clear favorite.

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



Without any new evidence being added tonight, the green Aggregator line remained 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 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 4487.56 on Tuesday. That is 1.9% below Monday's close. Therefore, SPX will need to close down at least 1.9% on Tuesday for SPX to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Evidence is slightly bullish, but SPX is strongly overbought. Seems like the overdue downward reversion is more likely than further unchecked momentum. But I'm not seeing solid evidence to truly support that. I still have a small amount of short exposure, which I will look to exit on Tuesday if I can get a favorable fill.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 3/28 – neutral***

### **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**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
<i>SPY(S)(1/4)</i>	<i>3/18/2022</i>	<i>\$439.71</i>	<i>\$452.06</i>	<i>-2.81%</i>	<i>covered on open</i>
SPY(S)(1/4)	3/21/2022	\$444.52	\$455.91	-2.56%	see note below

I will look to cover my SPY position if it trades as low as \$451 intraday or closes <= \$455.50.

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.