

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 1, 2022

Volume 15 Issue 62

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Early April has shown bullish seasonality since the mid-90s.
- The poor close to the month sets up a bounce for Day 1.
- Friday is the release of the BLS employment report, and Employment Days have done well over the last 10 years.
- Closing at a 5-day low but above the 10ma is leaving SPY in a place where it normally rallies short-term.

Short-term Outlook

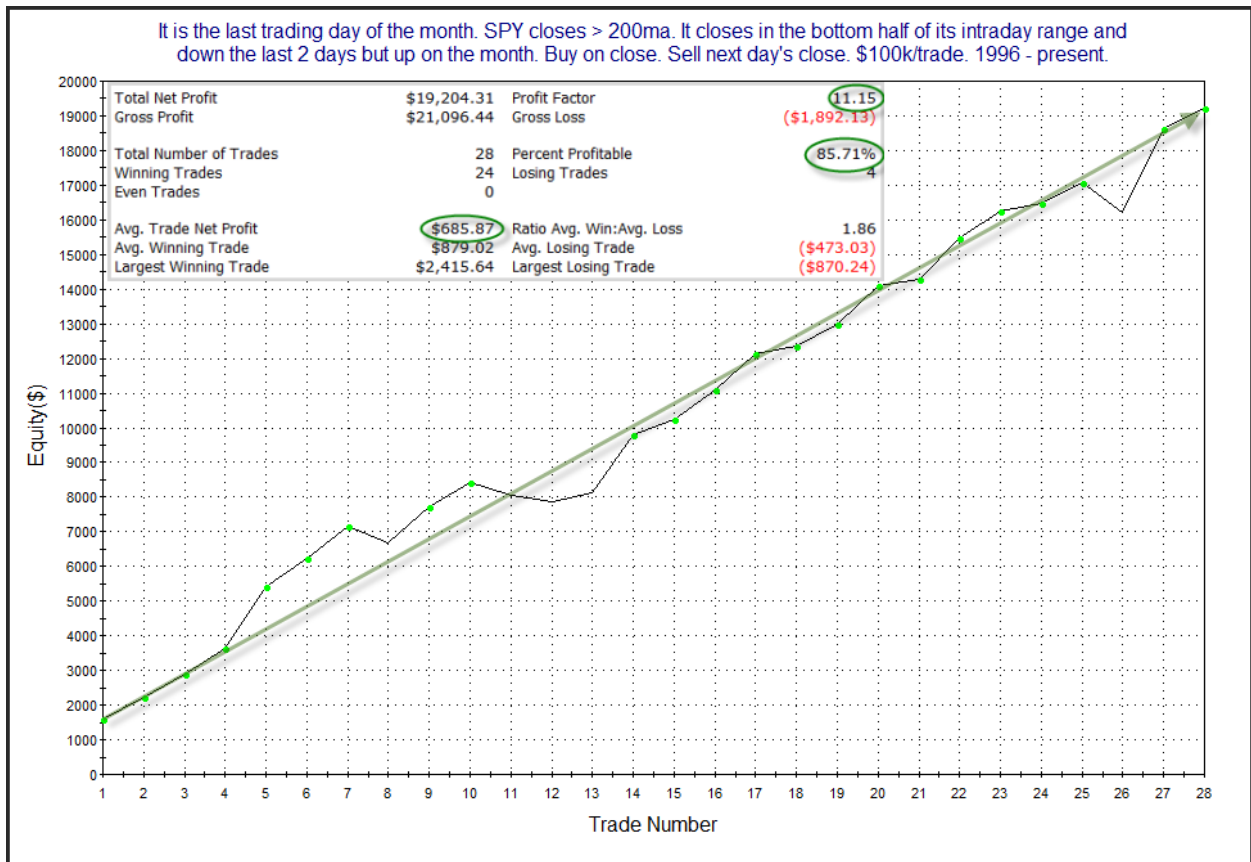
The Bottom Line

The Aggregator is bullish. We are oversold into a strong seasonal period and also seeing price action suggesting a bounce. This appears to be a favorable combination for the bulls.

The Evidence

Thursday was a selloff, with the selling accelerating into the close as we saw was likely in last night's letter. The SPX closed down 1.6%, the NASDAQ fell 1.5%, and the Russell 2000 lost 1.0%. Breadth was negative with the NYSE Up Issues % coming in at 39% and the Up Volume % at 20%. NYSE total volume rose some from Wednesday's level.

Turn of the month will often trigger some bullish studies. Most especially when the market is above its long-term moving average and closes poorly on the last day of the month. In the 1/3/22 letter I shared a study that showed 2+ down days into the end of a month when the month closed overall positive, was often followed by a rebound. Below are updated results to that study.

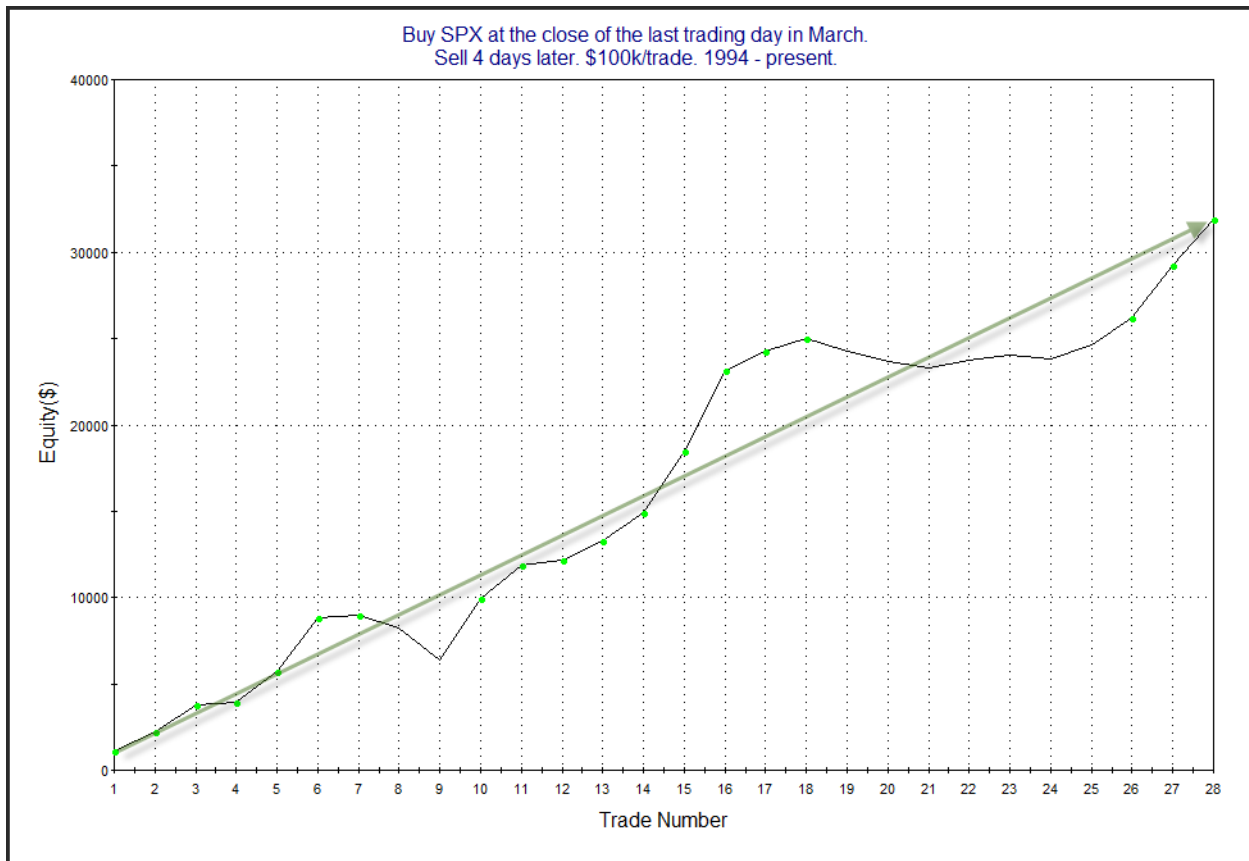


The numbers here are extremely encouraging for the bullish case. And the curve is nearly as straight as the arrow. This study seems worth taking into consideration.

Another seasonal edge worth noting tonight is that since the mid-90s the beginning of April has generally provided market gains. The study below was last seen in the 4/1/20 letter. Stats are updated.

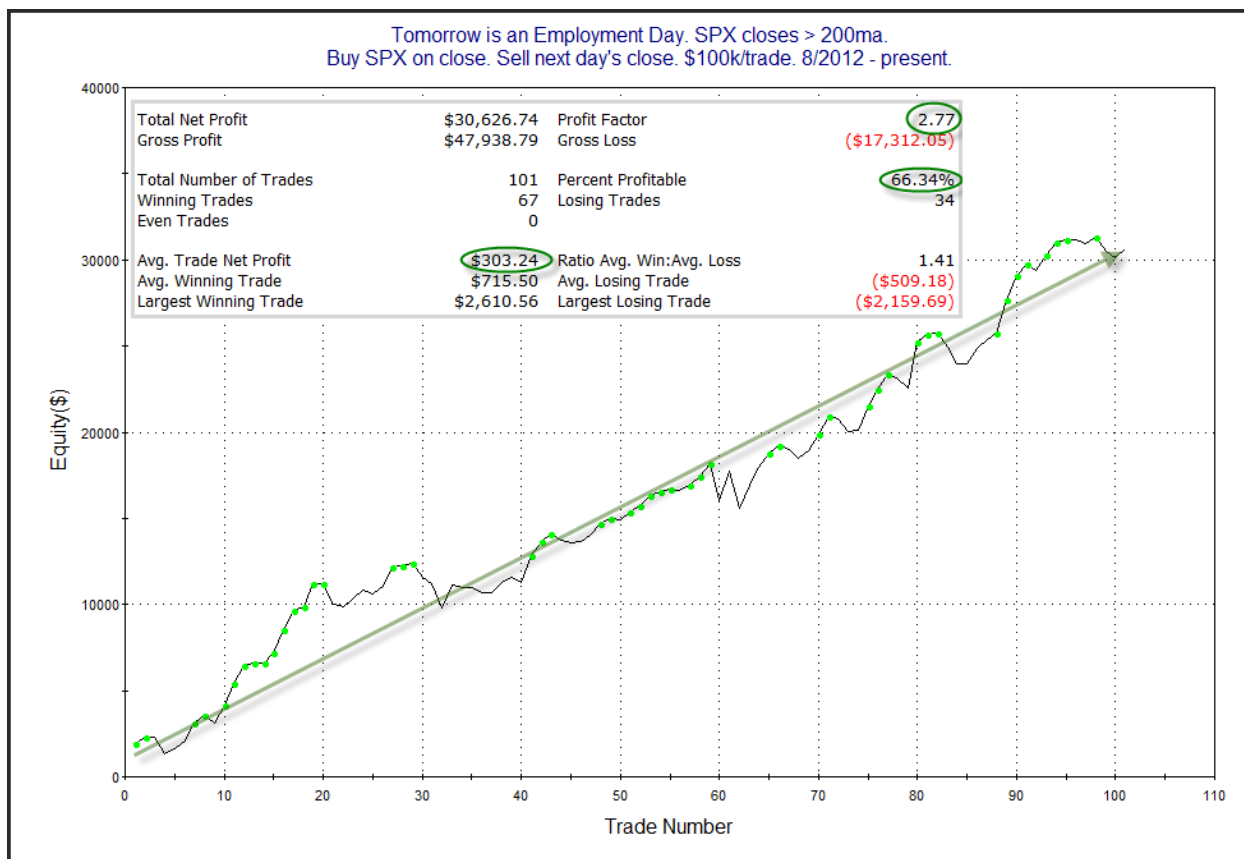
Buy SPX at the close of the last trading day in March. Sell X days later. \$100k/trade. 1994 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	20,731.55	28	19	9	67.86	4,435.97	-2,745.12	1,716.23	-1,319.66	1.30	2.75	740.41
4	31,902.58	28	22	6	78.57	4,701.25	-1,831.35	1,654.96	-751.08	2.20	8.08	1,139.38
3	18,497.28	28	20	8	71.43	5,578.75	-4,909.74	1,630.77	-1,764.76	0.92	2.31	660.62
2	19,549.03	28	19	9	67.86	4,563.75	-4,638.84	1,578.34	-1,159.94	1.36	2.87	698.18
1	5,474.36	28	19	9	67.86	3,559.50	-4,335.42	867.69	-1,223.52	0.71	1.50	195.51

The numbers look compelling. Let's look at the 4-day profit curve to see how the edge has played out over time.



The curve also seems to support the idea of a bullish edge.

I will also note that Friday morning will be the release of the employment report. Since mid-2012 that has generally meant a strong market day. This can be seen in the study below.



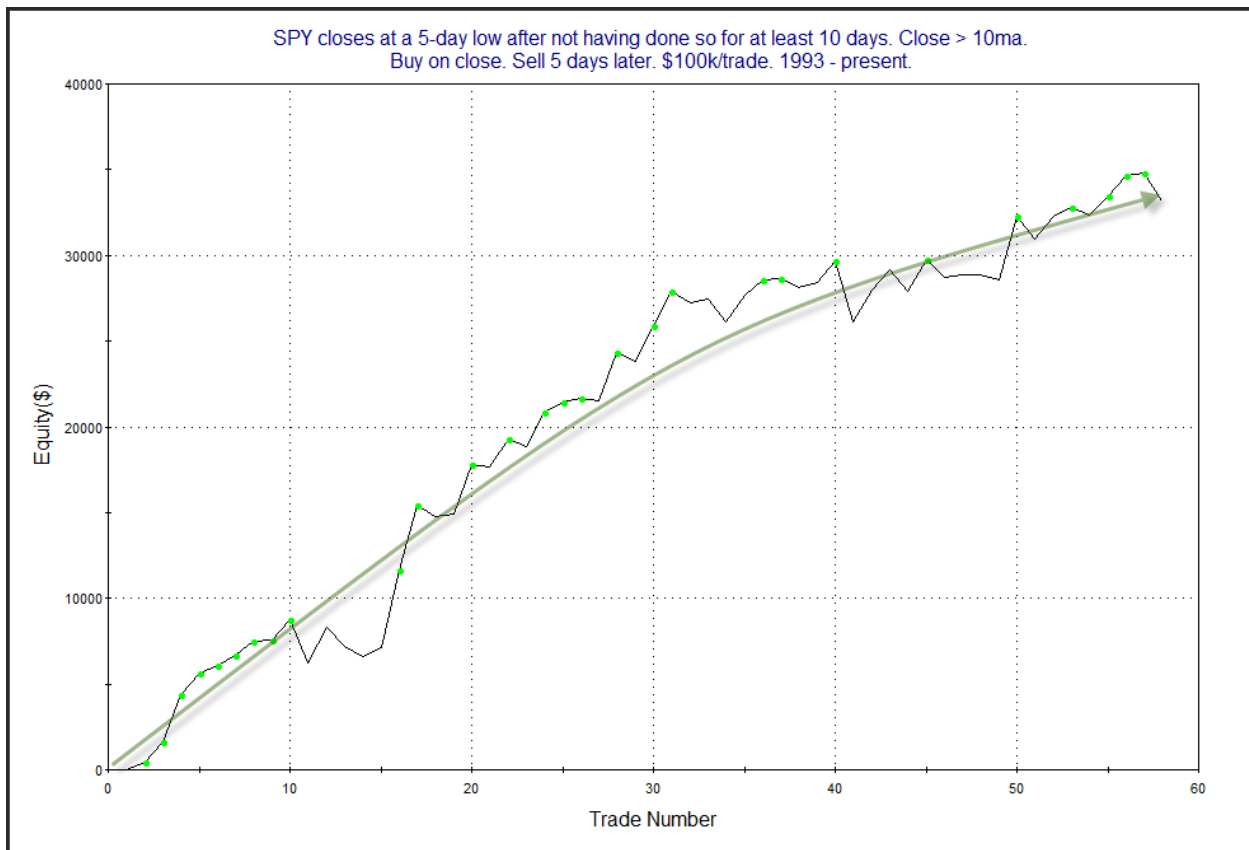
Impressive numbers and an impressive suggests another bullish factor for the bulls.

Thursday's action caused SPY to close in an interesting position. Traders could look at the chart and say it is "short-term oversold" due to the fact that it closed at a 5-day low. They might also say it is "short-term overbought" since it closed above its 10-day moving average. I have found that edges often arise when something is short-term overdone in one timeframe, but overdone in another direction in another timeframe. The study below looks at the current discrepancy. It was last seen in the 9/8/21 letter and has been updated.

SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

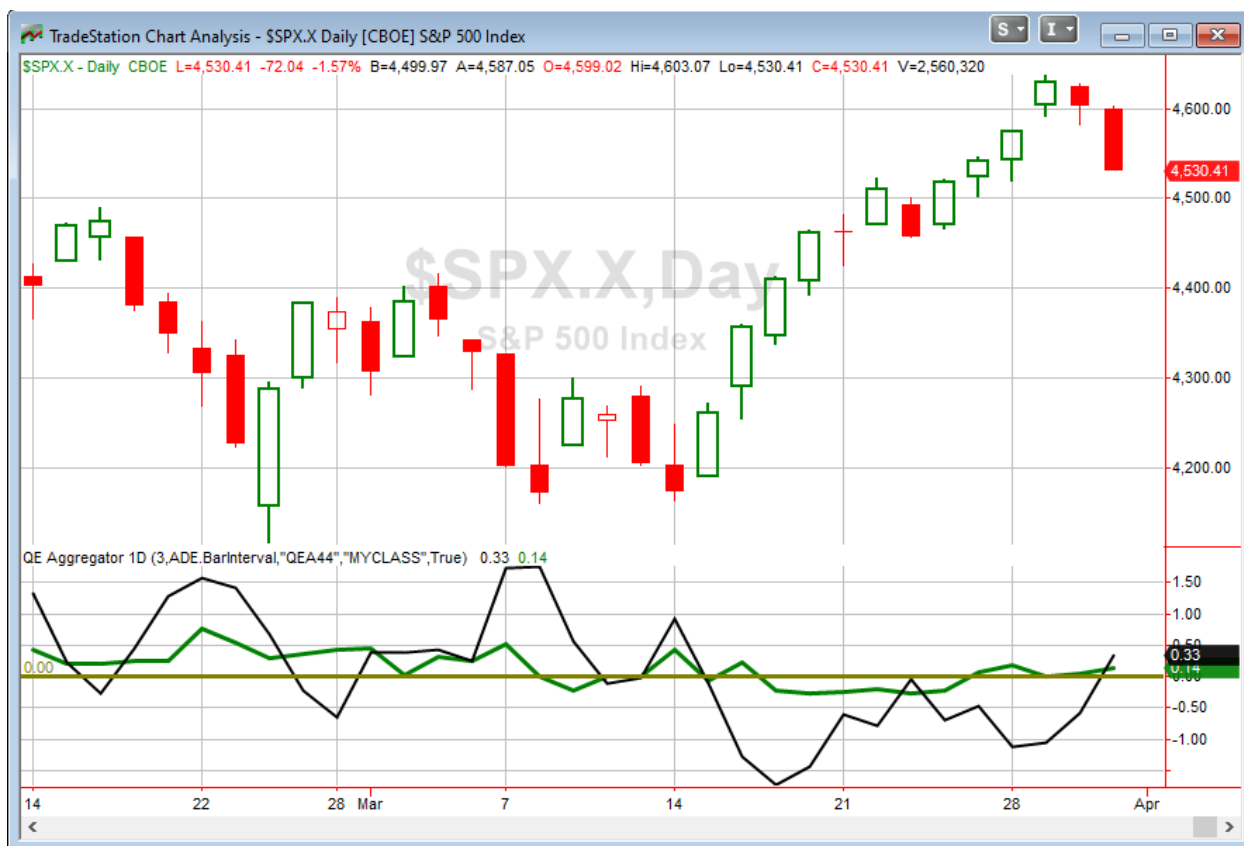
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	33,191.95	58	38	20	65.52	4,496.34	-3,570.00	1,352.50	-910.15	1.49	2.82	572.27
4	28,270.04	58	37	21	63.79	3,240.45	-2,475.20	1,240.29	-839.08	1.48	2.60	487.41
3	22,499.73	58	39	19	67.24	3,452.40	-3,393.78	1,094.74	-1,062.89	1.03	2.11	387.93
2	12,642.82	58	35	23	60.34	3,809.72	-3,737.28	975.22	-934.35	1.04	1.59	217.98
1	5,973.18	58	32	26	55.17	2,225.48	-3,909.03	708.89	-642.75	1.10	1.36	102.99

Results here suggest a solid edge over the next 1-5 days. Below is the 5-day profit curve.



The strong and persistent upslope is impressive, and serves as some confirmation of the bullish edge suggested by the numbers. I have added this study to the Active List tonight.

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



With tonight's mix of studies included, the green Aggregator line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line also moved 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 on above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current active list, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4641.77 on Thursday. That is 2.5% above Thursday's close. Therefore, SPX will need to close up at least 2.5% on Friday for SPX to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. SPX remains high is its 10-day range, but oversold shorter-term after 2 strong days of selling. Friday looks like a good time for a bounce. Of course the employment report could cause the market to gap in either direction. If it is lower, I'll take the discount price and look to get long some SPY at the open. If it gaps up, then I will wait for the close before looking to get involved. Bottom line is there appears to be a short-term upside edge.

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.

SPY – Buy ¼ index position @ \$451.63 LIMIT ON OPEN. If not filled on open, then cancel order and look to purchase @ \$451.63 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take on some long exposure if I can get a decent fill at either the open or the close on Friday.

Current Open Trade Ideas

None.

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