

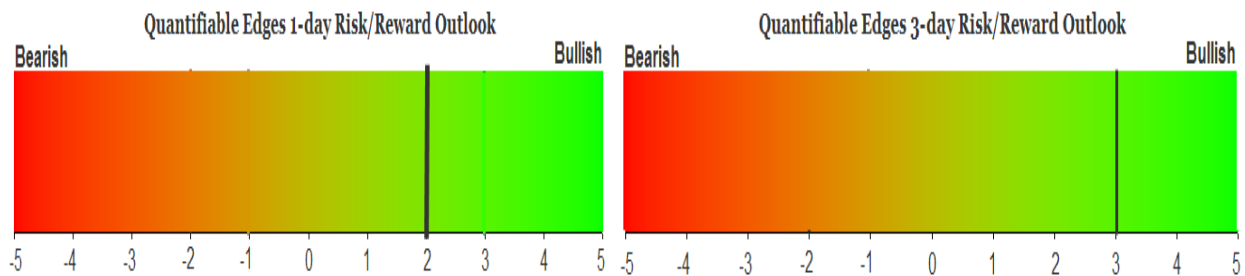
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 4, 2022

Volume 15 Issue 63

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- QQQ making the 1<sup>st</sup> 5-day low in over 10 days while below its 200ma suggests a short-term upside edge.
- The SPX April Seasonality Calendar appears quite strong.
- The SOMA shrunk some this past week. We may learn more about potential Quantitative Tightening plans when the Fed minutes are released this upcoming week.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Despite Friday's rally, the market remains oversold with higher expectations.

**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>						
April 4, 2022	QQQ 1st 5 low in 10 days < 200ma	1-3 days	Bullish	1.60%	-1.00%	-1.90%
April 1, 2022	Early April bullish	1-4 days	Bullish			
April 1, 2022	SPX 1st 5 low in 10 days > 10ma	1-5 days	Bullish			
March 31, 2022	Unfilled gap down after unfilled up 20-hi	1-3 days	Bearish			
March 30, 2022	Breakaway Gap	1-5 days	Bullish			
March 30, 2022	Up 2% over 3 days. Offse HV < 0.25	1-5 days	Bullish			
<b>Active - Long Term</b>						
April 4, 2022	QQQ 1st 5 low in 10 days < 200ma	1-10 days	Bullish	3.40%	-1.70%	-3.50%
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			

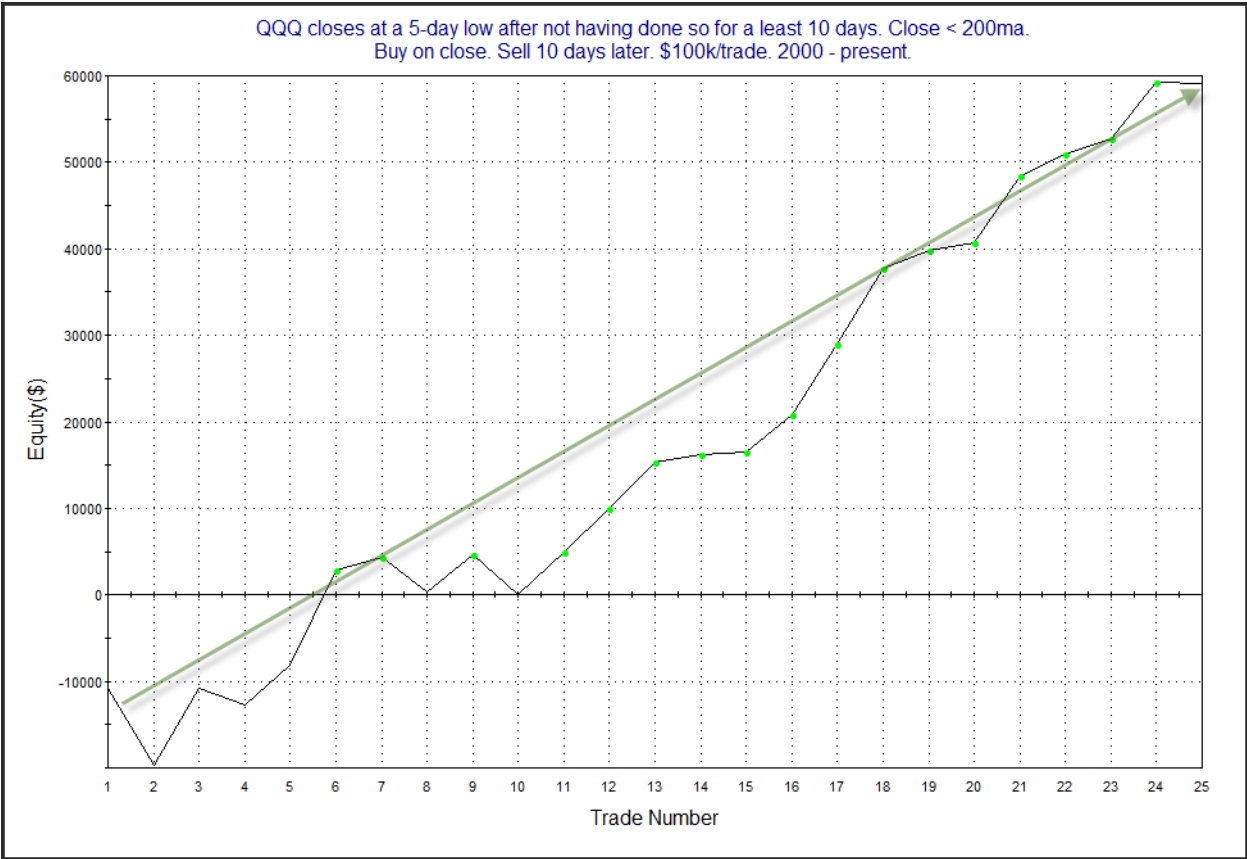
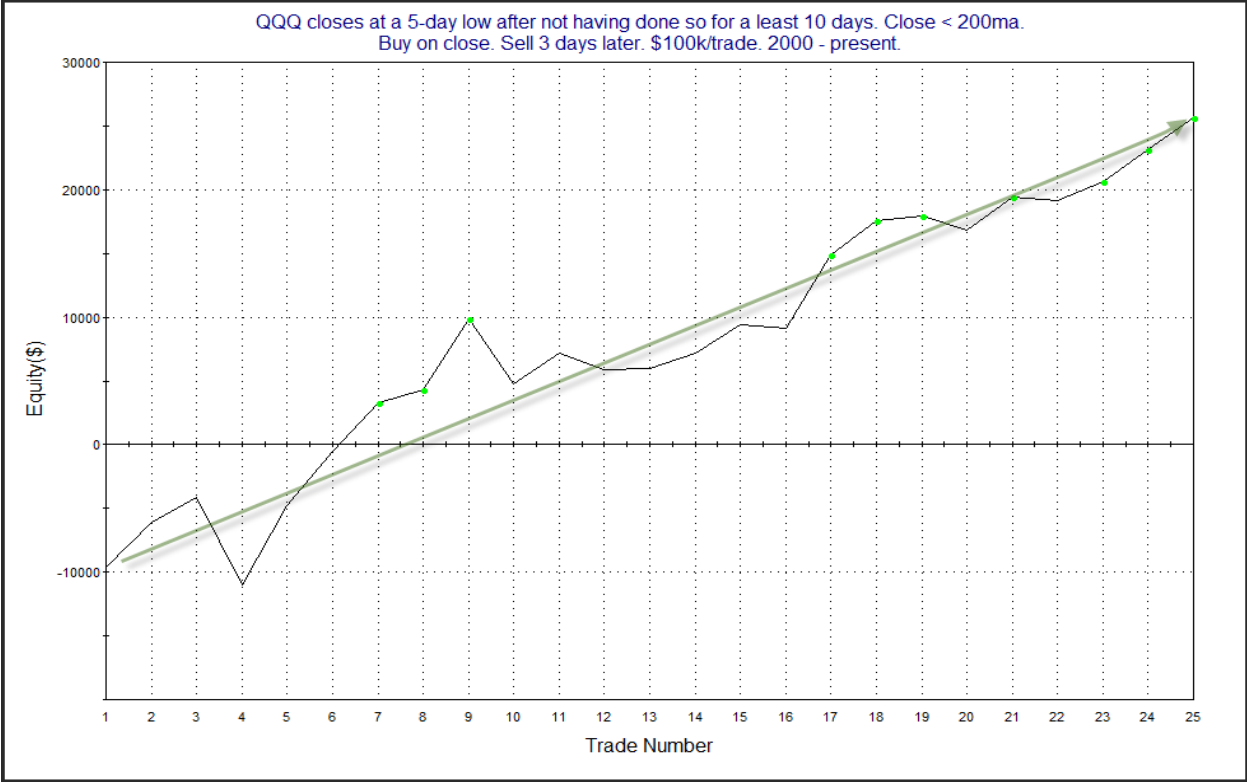
**The Evidence**

Back and forth action finish strong on Friday and the market closed mostly higher. The SPX gained 0.3%, the NASDAQ rose 0.3%, and the Russell 2000 rallied 1.0%. Breadth was positive with the NYSE Up Issues % coming in at 65% and the Up Volume % at 72%. NYSE total volume declined some from Thursday's level.

While the NASDAQ Composite closed higher, QQQ did not. And QQQ posted its lowest close of the week. This triggered the study below, which was last seen way back in the 9/23/15 letter. I have updated the results.

<p style="text-align: center;">QQQ closes at a 5-day low after not having done so for a least 10 days. Close &lt; 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.</p>												
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
10	59,163.93	25	19	6	76.00	11,057.22	-10,766.00	4,701.69	-5,028.02	0.94	2.96	2,366.56
9	57,880.96	25	19	6	76.00	9,531.44	-6,080.10	4,223.89	-3,728.82	1.13	3.59	2,315.24
8	58,721.01	25	17	8	68.00	9,699.84	-5,859.78	4,617.31	-2,471.66	1.87	3.97	2,348.84
7	48,470.32	25	16	9	64.00	11,096.52	-6,921.00	4,867.29	-3,267.37	1.49	2.65	1,938.81
6	53,604.28	25	17	8	68.00	13,558.95	-7,490.06	4,400.34	-2,650.19	1.66	3.53	2,144.17
5	31,669.01	25	19	6	76.00	9,256.28	-14,318.78	3,185.00	-4,807.65	0.66	2.10	1,266.76
4	23,100.53	25	17	8	68.00	8,407.08	-14,841.70	3,191.72	-3,894.85	0.82	1.74	924.02
3	25,680.73	25	18	7	72.00	6,234.00	-9,612.50	2,796.98	-3,523.55	0.79	2.04	1,027.23
2	19,170.75	25	16	9	64.00	3,897.50	-3,342.24	1,755.95	-991.60	1.77	3.15	766.83
1	5,857.56	25	17	8	68.00	2,742.96	-4,177.80	937.66	-1,260.33	0.74	1.58	234.30

The numbers here suggest a good chance of a bounce over the next few days. It also suggests the momentum could carry out a bit longer, which is interesting considering the long-term downtrend filter. Below are looks at both the 3-day and the 10-day profit curves.



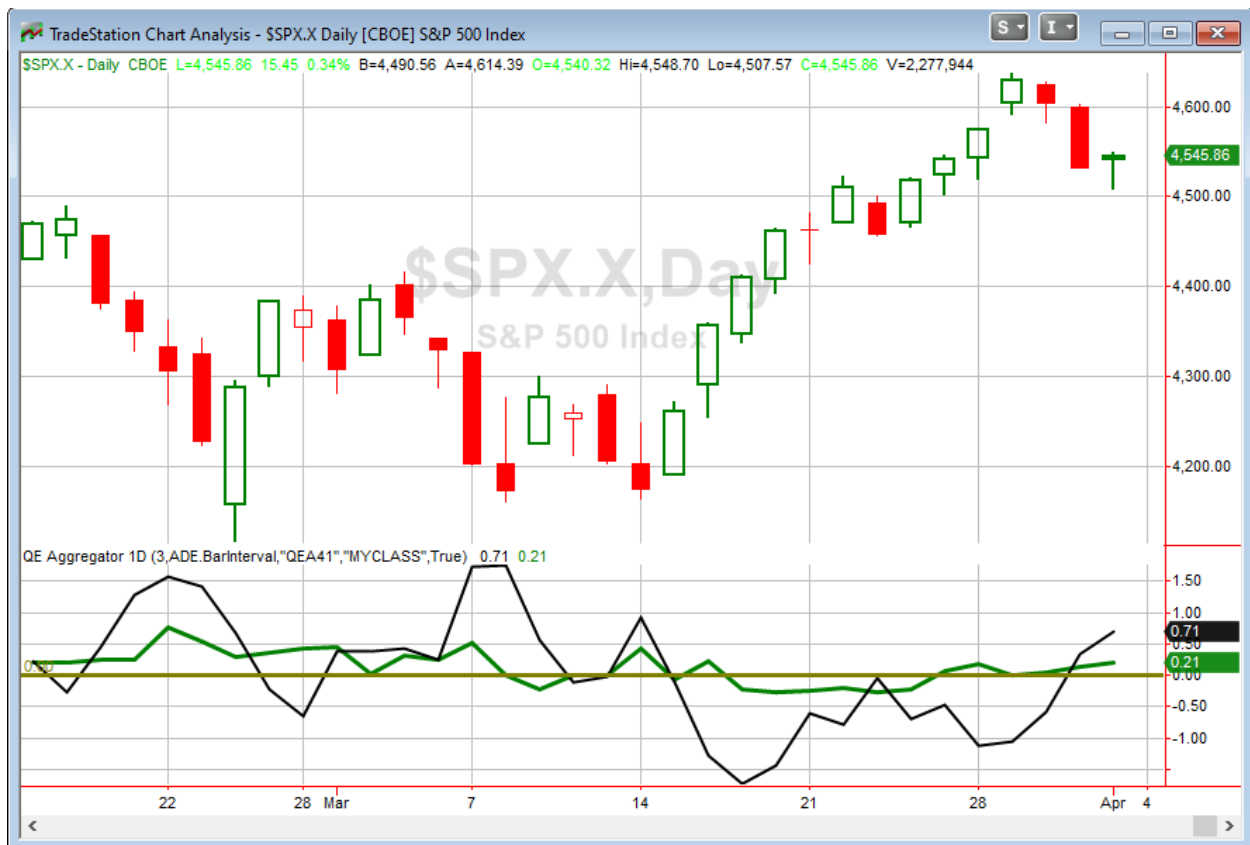
Both these curves are impressive and they support the idea of an upside edge suggested by the numbers.

Let's also take a quick look at the QE SPX Seasonality Calendar for April.

<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	59.17	1.497	0.135
4/4/2022	56.75	1.497	0.151
4/5/2022	55.06	1.449	0.131
4/6/2022	59.41	1.532	0.151
4/7/2022	56.52	1.357	0.106
4/8/2022	58.93	1.646	0.176
4/11/2022	52.11	1.102	0.025
4/12/2022	55.30	1.471	0.114
4/13/2022	56.41	1.373	0.085
4/14/2022	58.95	1.493	0.090
4/18/2022	63.79	1.564	0.106
4/19/2022	62.62	1.895	0.174
4/20/2022	56.92	1.321	0.080
4/21/2022	57.10	1.175	0.038
4/22/2022	58.76	1.249	0.061
<b>4/25/2022</b>	<b>49.32</b>	<b>0.961</b>	<b>-0.014</b>
4/26/2022	53.28	1.134	0.037
4/27/2022	52.81	1.093	0.027
4/28/2022	54.07	1.178	0.045
4/29/2022	53.98	1.049	0.015
<b>Baseline</b>	<b>54.56</b>	<b>1.167</b>	<b>0.052</b>

It is well publicized that April has been strong over the last several years. And this is reflected in the April Seasonality Calendar. The first 3 weeks look especially strong, with numbers consistently both positive and above the baseline numbers.

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



With this weekend's study 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 held 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 stayed long 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 4612.53 on Thursday. That is 1.5% above Friday's close. Therefore, SPX will need to close up at least 1.5% on Monday for SPX to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish for a 2<sup>nd</sup> day. I did not get filled on my long entry on Friday, but I believe reward/risk still favors the bulls. We have seen a decent amount of short-term bullish evidence over the last couple of days, and even with Friday's gains, SPX remains substantially oversold. If I can get a favorable entry on Monday, then I may take it.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 4/4 – 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 there were no changes to the combo systems.*

This past week did not see much change for the major indices. The SPX closed up 0.06%, the NASDAQ gained 0.65%, and the Russell 2000 rose 0.63%. Long-term trend indicators remain mixed. Other than the QQQ pullback study discussed in the short-term section above, there were no new studies that triggered over the past few days with intermediate-term implications.

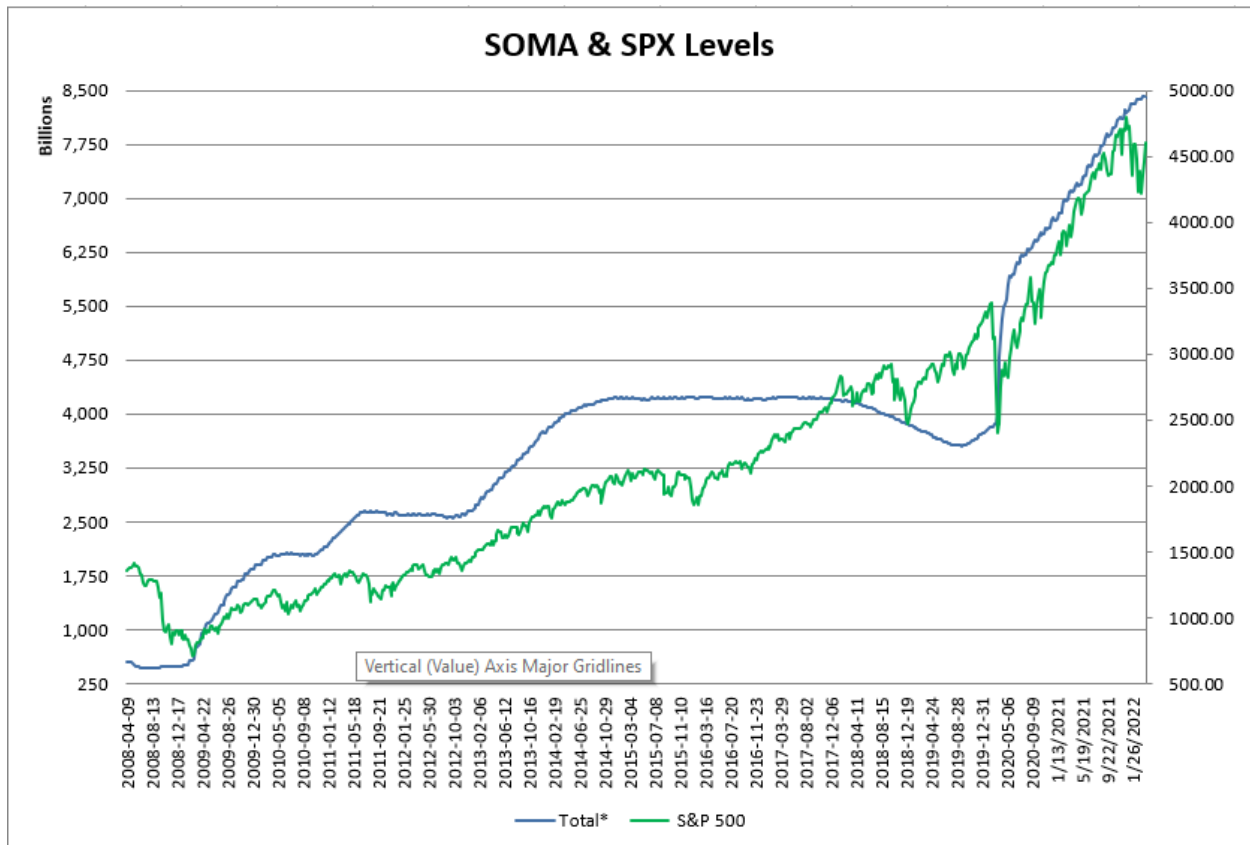
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of

◀ Previous **March 30, 2022** 📅  
Posted March 31, 2022 at 4:30 P.M

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***	2,706,233,220.5
Agency Commercial Mortgage-Backed Securities***	9,016,938.7
Total SOMA Holdings	8,398,359,684.1
Change From Prior Week	-23,509,435.7

QE is officially over. This week we saw a dip in the SOMA That typically happens at the end of the month – even during QE. We will continue to see moves up and down in the SOMA, but they will mostly net out for the time being. 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 this week. I expect they will soon be looking for an orderly reduction in the size of the SOMA. We may learn more about timing and/or aggressiveness when the minutes are released on Wednesday. I expect the 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 overall move higher over the last few 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 several 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 keeping my bias "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.*

**SPY – Buy ¼ index position @ \$451.00 LIMIT ON OPEN. If not filled on open, then cancel order and look to purchase @ \$452.00 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to take on some long exposure if I can get a favorable fill at either the open or the close on Monday.

## **Current Open Trade Ideas**

**None.**

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