

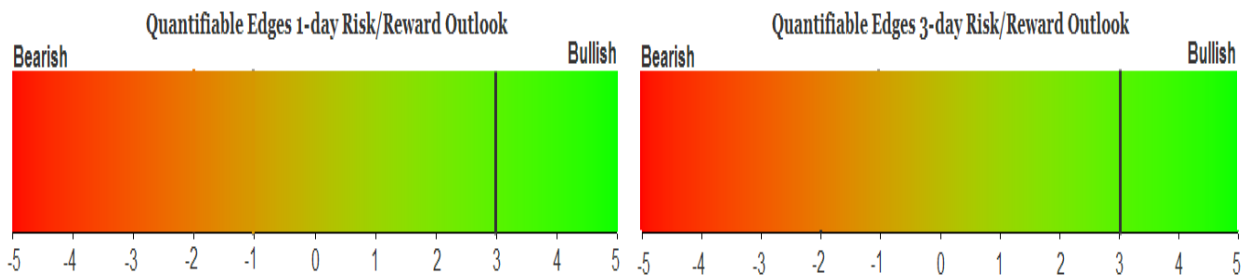
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 7, 2022

Volume 15 Issue 66

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The Fed laid out a potential plan for Quantitative Tightening in their minutes, which was released on Wednesday.
- Multiple broad selling days that leave SPX < 200ma but above a 20-day low have typically been followed by a bounce the next day.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side and feel that risk/reward favors the bulls.

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
Active - Short Term						
April 7, 2022	2 days bad breadth < 200 > 20-low	1 day	Bullish			
April 6, 2022	Big down. Bad Breadth. 4-day low > 200	1-5 days	Bullish	2.30%	-2.00%	-4.50%
April 1, 2022	SPX 1st 5 low in 10 days > 10ma	1-5 days	Bullish			
Active - Long Term						
April 6, 2022	3 1% down days in 10 days > 200	1-20 days	Bullish	4.20%	-3.50%	-8.50%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
April 5, 2022	Up 2 < 3 ago. Close > 200ma.	1-2 days	Bullish			
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 6, 2022	3 1% down days in 10 days > 200	1 day	Bullish			

The Evidence

Wednesday was a 2nd down day for both stocks and bonds. The SPX lost 1.0%, the NASDAQ dropped 2.2%, and the Russell 2000 fell 1.4%. Breadth was negative with the NYSE Up Issues % coming in at 29% and the Up Volume % at 32%. NYSE total volume moved higher from Tuesday's level.

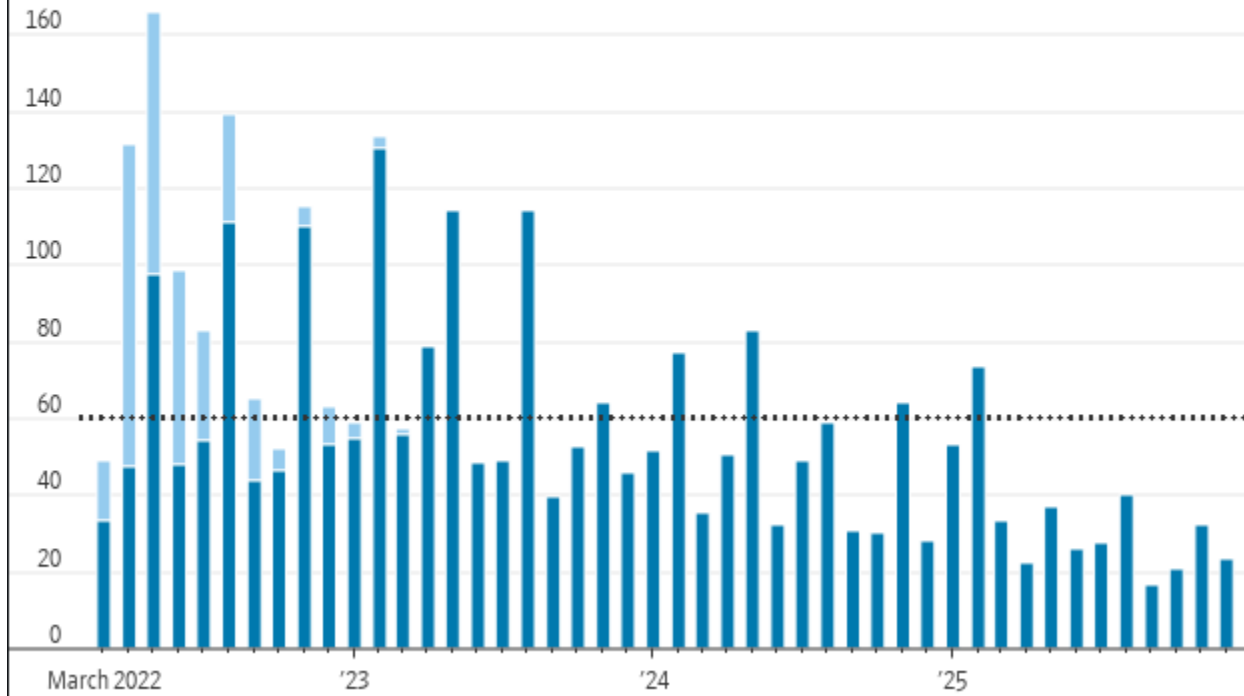
The big news on Wednesday was the release of the Fed meeting minutes. In the minutes, the Fed outlined a potential plan for Quantitative Tightening. It was also noted that several Fed governors were in favor of a 50 basis point hike a few weeks ago, but they ended up doing 25 basis points due to uncertainties surrounding the Ukraine/Russia war. Fifty basis points is likely for May. The numbers found in the minutes suggested the Fed may roll off up to \$60 billion in treasuries and \$35 billion in MBS every month, though it may take a few months to ramp up to those levels. There was also some talk of outright selling of MBS securities down the road if they did not feel they were rolling off the books fast enough through maturities. I will note that the \$60/\$35 billion per month numbers are max numbers. And that cap would not get hit every month. In fact, based on the chart below, from @NickTimiraos on Twitter, it appears treasury rollofs would only reach \$60 billion about once every three months.

Bond Runoff

Projected principal payments on Federal Reserve holdings of Treasuries as of March 30

■ Other securities ■ Bills

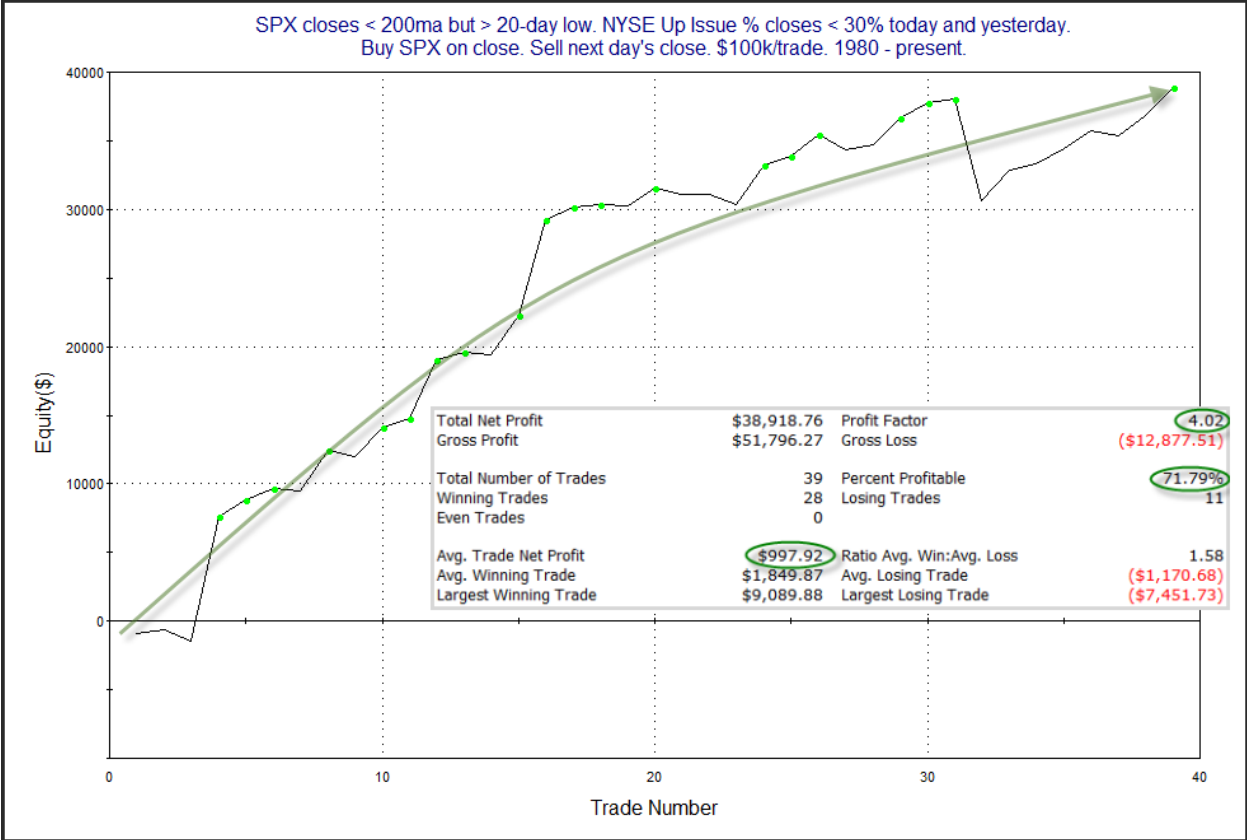
\$180 billion



Source: Federal Reserve Bank of New York

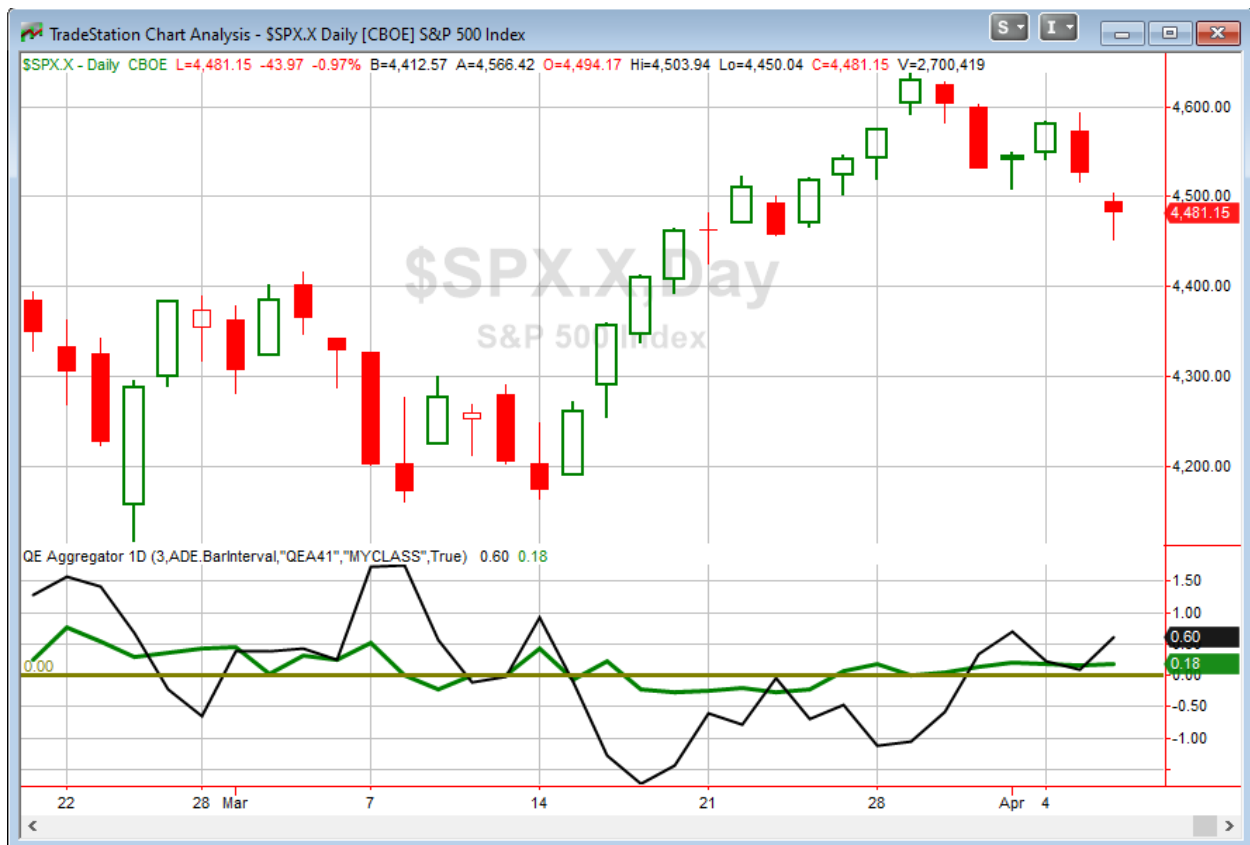
So while the numbers are large, they are not quite as large as they sound. Either way, the Fed is now hawkish, interest rates are on the rise, and QT will likely start just after the May Fed meeting. As I have been saying for a while, all this should present challenges to the market over the next several months or more.

Also notable is that we had a study trigger that looked at the weak NYSE breadth along with the SPX price action over the last couple of days. Last seen recently in the 3/15/22 letter, I have updated the results below.



Impressive numbers and an impressive profit curve. I have added this study to the active list again tonight.

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



With tonight'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 Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4604.44 on Thursday. That is 2.75% above Wednesday's close. Therefore, SPX will need to close up over 2.75% on Thursday in order to flip from oversold to overbought vs recent expectations. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is bullish. Evidence is pointing higher and there is plenty of room to the upside before SPX would turn overbought. I like the long side, and I took some long exposure near the close on Wednesday. If we close down a substantial amount again on Thursday, I may add another lot to my long position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/4 – neutral

The intermediate-term outlook was last updated in the 4/4/22 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

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 @ \$443.25 LIMIT ON CLOSE. Based on the short-term section above, I will look add to my long exposure if SPY closes down a little below Wednesday’s intraday low.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	4/6/2022	\$446.52	\$446.52	0.00%	bought on close

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