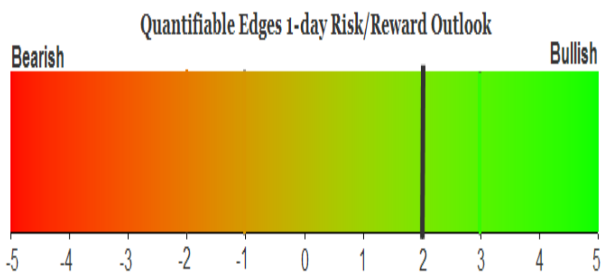
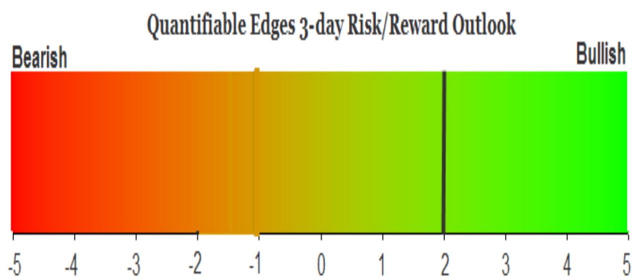
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 18, 2022 Volume 15 Issue 72

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- QQQ price action over the past couple of days is suggesting a short-term bullish edge.
- Tax Day is Monday, and that has typically been a strong day for the market along with the following day.
- The SOMA rose some last week. It will continue to chop around until QT arrives, likely in early May, when the SOMA will then start to decline.

Short-term Outlook
The Bottom Line

The Aggregator is still bullish. Up seems more likely than down, but evidence is still mixed, the market is volatile, and the intermediate-term outlook is neutral. So I like the long side, but not for aggressive positioning.

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 14, 2022	Tax Day & Day After Bullish	1-2 days	Bullish			
April 14, 2022	SPX up > 1% on lowest volume 20 days	1-2 days	Bearish			
Active - Long Term						
April 12, 2022	QQQ 5 lower lows, today the largest dn	1-20 days	Bullish	10.05%	-4.40%	-7.60%
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 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 14, 2022	Holy Thursday bullish	1 day	Bullish			
April 13, 2022	Gap up > 0.5%, down close, < 200ma	1-2 days	Bullish			
April 13, 2022	Gap up, go up, then reverse to 10-low	1-2 days	Bullish			

The Evidence

Thursday was a flop. The SPX dropped 1.2%, the NASDAQ tumbled 2.1%, and the Russell 2000 fell 1.0%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 33%. NYSE total volume rose higher, boosted by monthly options expiration.

When a rebound immediately fails it is often viewed as a bad sign. Wednesday's bounce was completely wiped out by the selloff on Thursday. Bulls were hoping the gap up Thursday morning would hold and then perhaps they could gain some upside momentum. Instead the market fell to new lows. From a technical standpoint Thursday sure looked bad. But a QQQ study from way back in the 8/27/10 letter suggests otherwise.

After closing at a 20-day low 2 days ago, QQQ closes up yesterday. It then gaps up this morning but closes at a new 20-day low. Close < 200ma. Buy on close. Sell X days later. $100k/trade. 2000 - 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	18,785.94	13	8	5	61.54	7,252.90	-6,916.00	4,149.18	-2,881.50	1.44	2.30	1,445.07
4	14,493.48	13	9	4	69.23	7,322.98	-4,204.20	2,751.40	-2,567.28	1.07	2.41	1,114.88
3	26,958.90	13	8	5	61.54	7,185.33	-998.92	3,673.41	-485.67	7.56	12.10	2,073.76
2	18,731.10	14	11	3	78.57	7,722.10	-9,045.00	2,671.43	-3,551.56	0.75	2.76	1,337.94
1	4,629.90	14	10	4	71.43	3,913.00	-7,398.00	1,275.22	-2,030.56	0.63	1.57	330.71

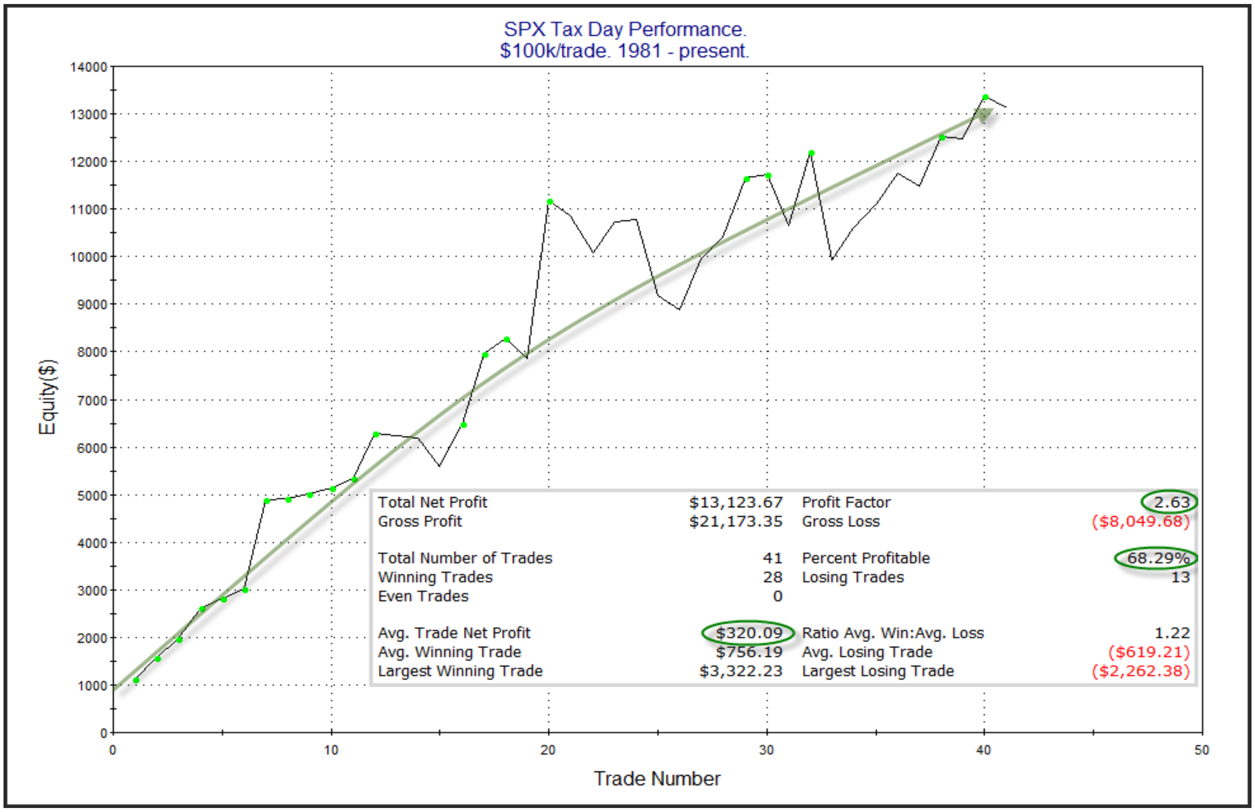
Instances are low, but there has been a strong tendency for QQQ to bounce in the past when this has happened. Below is a look at all the instances along with their 2-day returns.

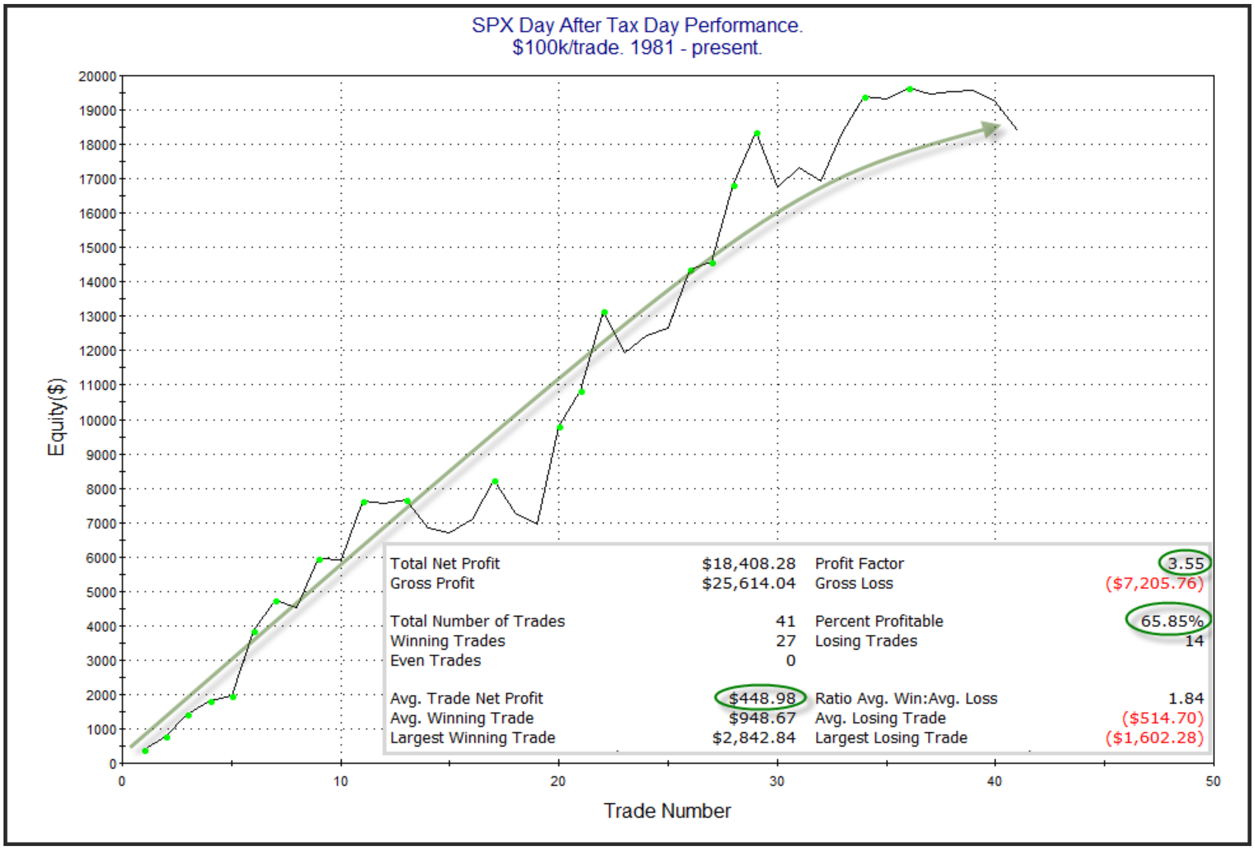
After closing at a 20-day low 2 days ago, QQQ closes up yesterday. It then gaps up this morning but closes at a new 20-day low. Close < 200ma. Buy on close. Sell 2 days later. $100k/trade. 2000 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
2/13/2001	Buy	$54.93	5.64%	$9,445.80
2/15/2001	Sell	$58.03		($2,147.60)
3/20/2001	Buy	$39.98	6.13%	$6,127.45
3/22/2001	Sell	$42.43		($2,150.86)
4/2/2001	Buy	$37.03	-9.05%	$4,995.00
4/4/2001	Sell	$33.68		($10,260.00)
6/18/2001	Buy	$41.66	1.78%	$3,672.00
6/20/2001	Sell	$42.40		($1,872.00)
7/10/2001	Buy	$40.13	7.72%	$8,295.03
7/12/2001	Sell	$43.23		($1,569.33)
8/21/2001	Buy	$36.32	1.73%	$4,872.81
8/23/2001	Sell	$36.95		($412.95)
6/25/2002	Buy	$25.09	2.99%	$3,148.15
6/27/2002	Sell	$25.84		($4,263.95)
2/7/2003	Buy	$23.44	1.45%	$3,412.80
2/11/2003	Sell	$23.78		($810.54)
7/21/2004	Buy	$34.03	-0.56%	$2,085.98
7/23/2004	Sell	$33.84		($1,087.06)
3/18/2005	Buy	$36.14	-1.05%	$664.08
3/22/2005	Sell	$35.76		($1,106.80)
3/22/2005	Buy	$35.76	0.39%	$1,453.92
3/24/2005	Sell	$35.90		($167.76)
1/25/2008	Buy	$43.62	0.96%	$1,581.48
1/29/2008	Sell	$44.04		($962.64)
7/2/2008	Buy	$44.34	0.43%	$1,691.25
7/7/2008	Sell	$44.53		($1,059.85)
8/26/2010	Buy	$43.17	0.16%	$1,644.36
8/30/2010	Sell	$43.24		($1,320.12)

You'll note the reason I have not shared this study since way back in that 2010 letter is that this is the 1st time it has triggered since then. Overall, the numbers look volatile but compelling. I will also note that SPX did not show nearly the upside over the 2-3 day period. This may suggest that QQQ is more primed for a bounce than SPX.

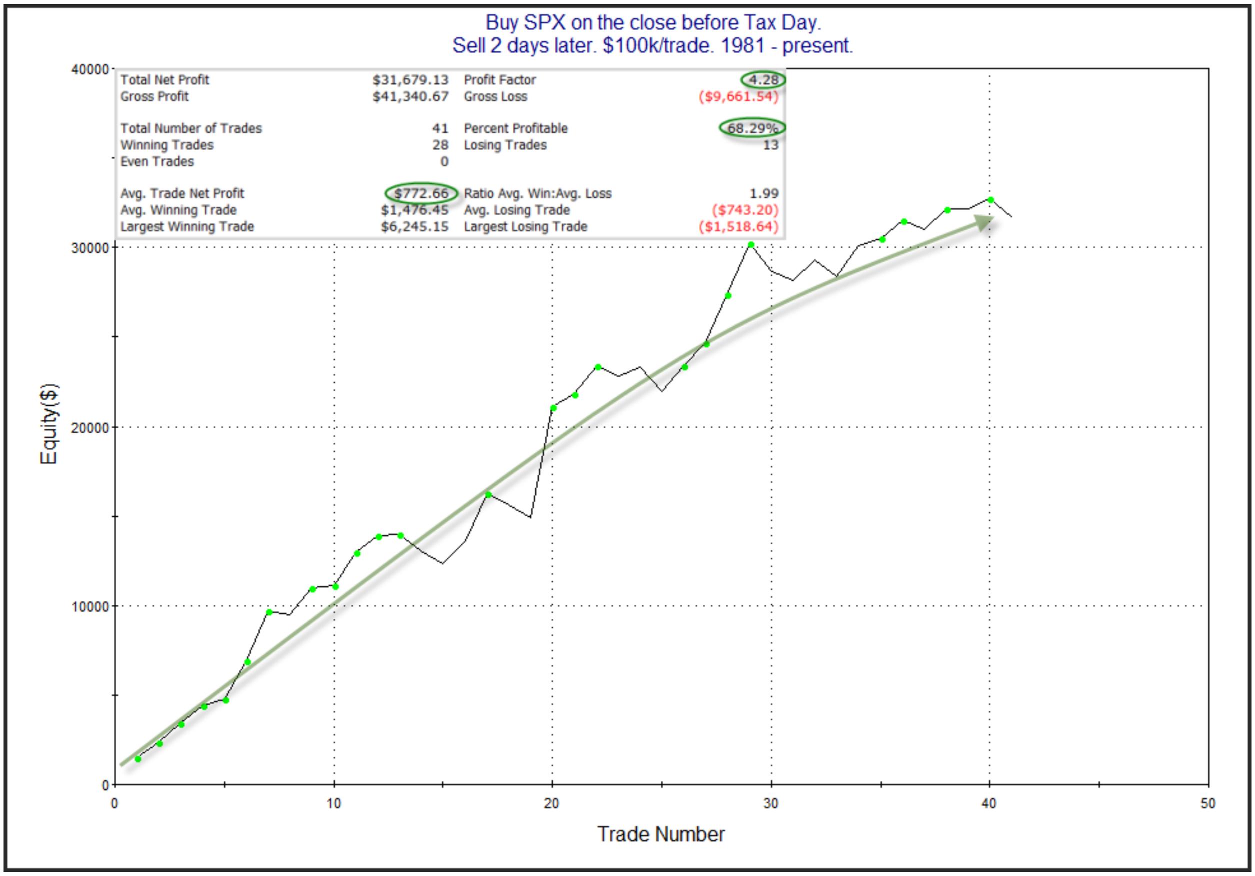
In Wednesday night's letter I discussed tax day seasonality. I have copied that commentary below.

In the 5/17/21 letter (and many times over the years) I showed that there has been a bullish historical tendency on tax day (normally April 15th) and the day immediately after. The reason tax day may be important is that it is the last day that people can make IRA contributions to count for the previous tax year. This can create a last-minute rush and you will often have an inflow of funds heading into the market right around and on April 15th. Fund managers will often put this money to work immediately and it creates a positive bias for the market. Below are some updated studies that demonstrate this.



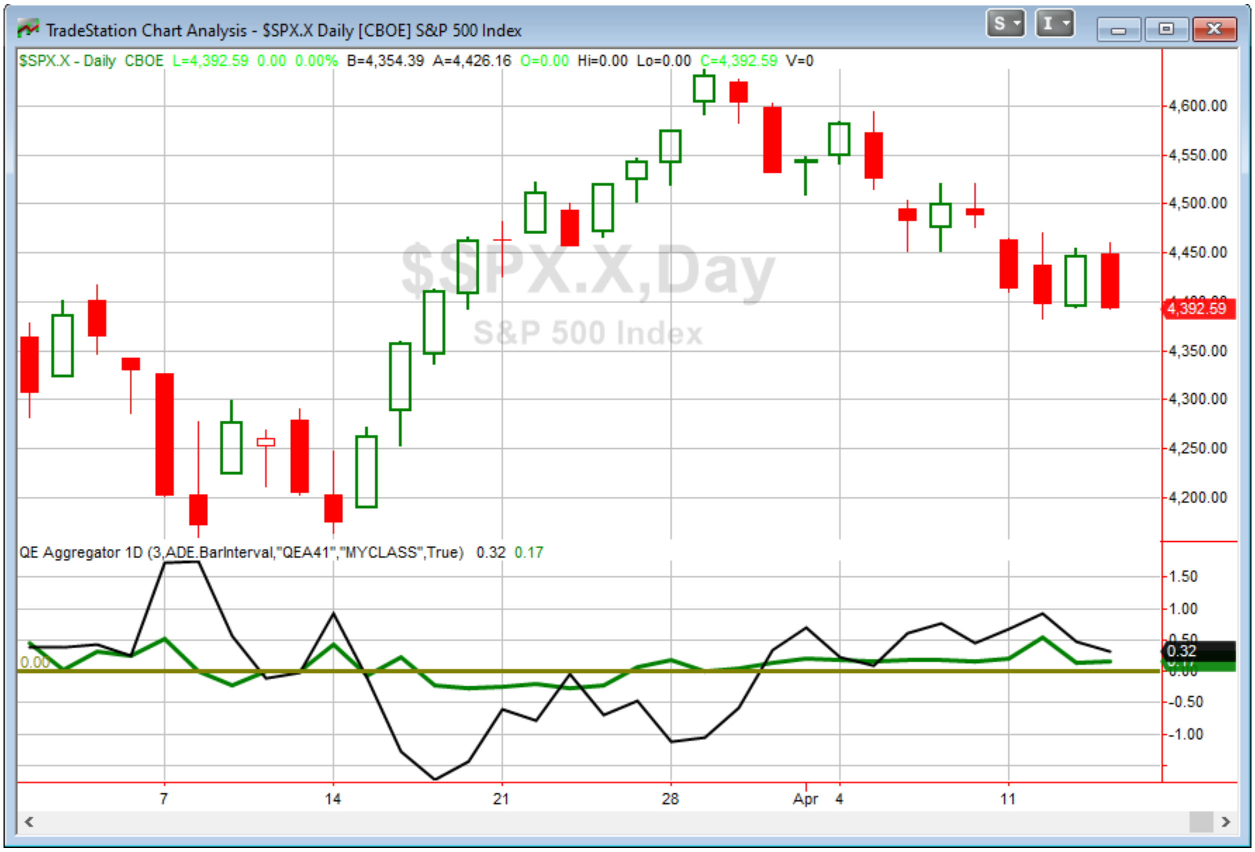


As you can see, both of these days seem to contain very solid upside edges. The study below looks at what happens if you hold for both days instead of just one.



As you would expect, the numbers and the profit curve are impressive. I'll share this study again in the weekend letter, and will include it on the Active List over the weekend.

I have updated the Aggregator chart below.



With today's evidence 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 above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current active list, expectations are set to remain bullish on Monday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4435.96 on Monday. That is 1.0% above Thursday's close. Therefore, SPX will need to close up at least 1.0% on Monday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is still bullish. We have some evidence pointing higher over the next couple of days, and the market is substantially oversold. If we close lower again on Monday, then I expect we will see some Turnaround Tuesday studies trigger. I have a small amount of long exposure already. I won't look to add to it right away, but if Monday closes lower, then I may look to take some QQQ exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/18 – neutral

Combo #1	Combo #2	Combo #3
Flat	Flat	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 all 2 combo systems remained "flat".*

For the 2nd week in a row, the market struggled. The SPX lost 2.1%, and the NASDAQ fell 2.6%, but the Russell 2000 actually rose 0.5%. Bonds got hit again also. The US Aggregate Bond ETF (AGG) lost 0.7%, while TLT, the 20-year Treasury Bond ETF lost a whopping 3.5%. Bonds are in their worst bear market of all time. Long-term trend indicators for the equity markets remain mostly lower. There was one study with intermediate-term implications that triggered on Monday. I have copied it from Monday night's letter below.

Another concept I have discussed a number of times in the past is that when short-term moves that are already a bit extended see a quick acceleration, it often leads to a reversal. QQQ made its 5th lower low on Monday. It also suffered the worst decline of the short-term down move. This triggered the study below, which was last discussed in the 1/24/22 letter.

QQQ posts a lower low for at least the 5th day in a row. It also suffers the worst 1-day drop of the selloff. Buy on close. Sell X days later. $100k/trade. 2000 - 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
20	167,235.31	26	22	4	84.62	32,745.57	-5,951.82	8,441.16	-4,617.56	1.83	10.05	6,432.13
19	164,930.15	26	21	5	80.77	31,061.82	-6,666.66	8,627.10	-3,247.80	2.66	11.16	6,343.47
18	163,336.70	26	21	5	80.77	31,573.68	-6,377.35	8,533.52	-3,173.46	2.69	11.29	6,282.18
17	132,375.33	26	20	6	76.92	26,522.43	-5,596.45	7,556.48	-3,125.70	2.42	8.06	5,091.36
16	116,737.59	26	18	8	69.23	25,848.93	-6,793.83	7,740.52	-2,823.97	2.74	6.17	4,489.91
15	94,571.60	26	18	8	69.23	22,818.18	-9,344.77	7,033.53	-4,003.99	1.76	3.95	3,637.37
14	126,300.21	26	21	5	80.77	26,522.43	-7,080.16	7,045.74	-4,332.07	1.63	6.83	4,857.70
13	112,277.43	26	20	6	76.92	21,807.93	-6,429.41	6,605.59	-3,305.72	2.00	6.66	4,318.36
12	99,136.05	26	18	8	69.23	25,848.93	-7,357.68	7,057.77	-3,487.99	2.02	4.55	3,812.92
11	82,669.30	26	17	9	65.38	25,175.43	-7,718.34	6,760.22	-3,583.82	1.89	3.56	3,179.59
10	81,111.79	26	17	9	65.38	25,754.64	-8,010.21	6,789.79	-3,812.75	1.78	3.36	3,119.68
9	89,453.06	27	18	9	66.67	22,481.43	-7,199.46	6,470.60	-3,001.96	2.16	4.31	3,313.08
8	88,755.63	27	17	10	62.96	25,997.10	-8,820.96	6,475.41	-2,132.63	3.04	5.16	3,287.25
7	84,848.69	27	20	7	74.07	25,673.82	-8,204.79	5,300.81	-3,023.94	1.75	5.01	3,142.54
6	81,464.88	27	19	8	70.37	17,255.07	-6,748.20	5,244.45	-2,272.46	2.31	5.48	3,017.22
5	52,806.80	27	17	10	62.96	12,720.30	-5,156.37	4,039.73	-1,586.87	2.55	4.33	1,955.81
4	42,901.99	27	15	12	55.56	14,897.82	-9,761.43	4,639.24	-2,223.89	2.09	2.61	1,588.96
3	30,089.04	27	16	11	59.26	11,520.90	-7,231.89	3,355.01	-2,144.65	1.56	2.28	1,114.41
2	36,190.02	29	19	10	65.52	15,687.50	-6,651.64	3,010.78	-2,101.47	1.43	2.72	1,247.93
1	37,881.82	30	21	9	70.00	12,236.25	-3,528.46	2,354.42	-1,284.56	1.83	4.28	1,262.73

Decent odds of a quick pop, but the 1-day profit curve has flattened out a good bit lately, so I decided to just consider the intermediate-term. Below is the full list of 20-day instances.

QQQ posts a lower low for at least the 5th day in a row. It also suffers the worst 1-day drop of the selloff. Buy on close. Sell 20 days later. $100k/trade. 2000 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/28/2000	Buy	$85.63	21.02%	$25,090.50
2/28/2000	Sell	$103.63		($2,917.50)
4/14/2000	Buy	$79.63	10.44%	$21,171.85
5/15/2000	Sell	$87.94		($2,510.00)
5/23/2000	Buy	$74.19	32.77%	$33,890.52
6/21/2000	Sell	$98.50		($3,111.57)
7/28/2000	Buy	$86.38	13.06%	$15,272.40
8/25/2000	Sell	$97.66		($3,980.08)
9/17/2001	Buy	$30.83	10.38%	$13,134.15
10/15/2001	Sell	$34.03		($13,620.60)
1/16/2002	Buy	$38.41	-4.95%	$3,097.57
2/14/2002	Sell	$36.51		($9,917.43)
2/21/2002	Buy	$33.11	10.69%	$17,244.20
3/21/2002	Sell	$36.65		($1,177.80)
4/26/2002	Buy	$30.67	0.65%	$8,443.40
5/24/2002	Sell	$30.87		($8,541.20)
7/23/2002	Buy	$22.03	12.66%	$14,479.41
8/20/2002	Sell	$24.82		($4,992.90)
9/23/2002	Buy	$20.65	15.84%	$16,608.06
10/21/2002	Sell	$23.92		($6,100.92)
12/9/2002	Buy	$24.85	2.74%	$6,881.04
1/8/2003	Sell	$25.53		($3,782.56)
3/10/2003	Buy	$23.64	8.80%	$14,255.10
4/7/2003	Sell	$25.72		($1,988.10)
12/9/2003	Buy	$34.06	10.42%	$10,477.95
1/8/2004	Sell	$37.61		($880.50)
8/6/2004	Buy	$32.35	4.39%	$6,676.56
9/3/2004	Sell	$33.77		($1,143.67)
1/14/2009	Buy	$28.26	6.86%	$10,790.90
2/12/2009	Sell	$30.20		($2,370.46)
6/29/2010	Buy	$43.00	6.23%	$7,788.75
7/28/2010	Sell	$45.68		($3,720.00)
11/12/2010	Buy	$52.14	3.43%	$4,274.91
12/13/2010	Sell	$53.93		($2,453.76)
4/8/2011	Buy	$56.58	3.08%	$4,223.13
5/9/2011	Sell	$58.32		($2,880.21)
8/4/2011	Buy	$53.80	0.72%	$2,917.06
9/1/2011	Sell	$54.19		($7,877.92)
5/4/2012	Buy	$64.33	-5.95%	$574.98
6/4/2012	Sell	$60.50		($7,241.64)
3/13/2014	Buy	$89.28	-4.68%	$1,545.60
4/10/2014	Sell	$85.10		($4,950.40)
9/25/2014	Buy	$97.74	0.08%	$1,595.88
10/23/2014	Sell	$97.82		($7,672.50)
1/15/2015	Buy	$99.65	7.29%	$7,301.84
2/13/2015	Sell	$106.91		($290.87)
6/29/2015	Buy	$106.69	4.16%	$7,214.90
7/28/2015	Sell	$111.13		($805.82)
8/2/2019	Buy	$187.35	0.06%	$1,241.89
8/30/2019	Sell	$187.47		($4,343.95)
1/21/2022	Buy	$351.69	-2.89%	$5,228.44
2/18/2022	Sell	$341.51		($4,981.36)

The January instance was a loser, but not before a 5% run-up. Overall, the numbers and individual instances look impressive, and I have included this study on the intermediate-term active list.

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

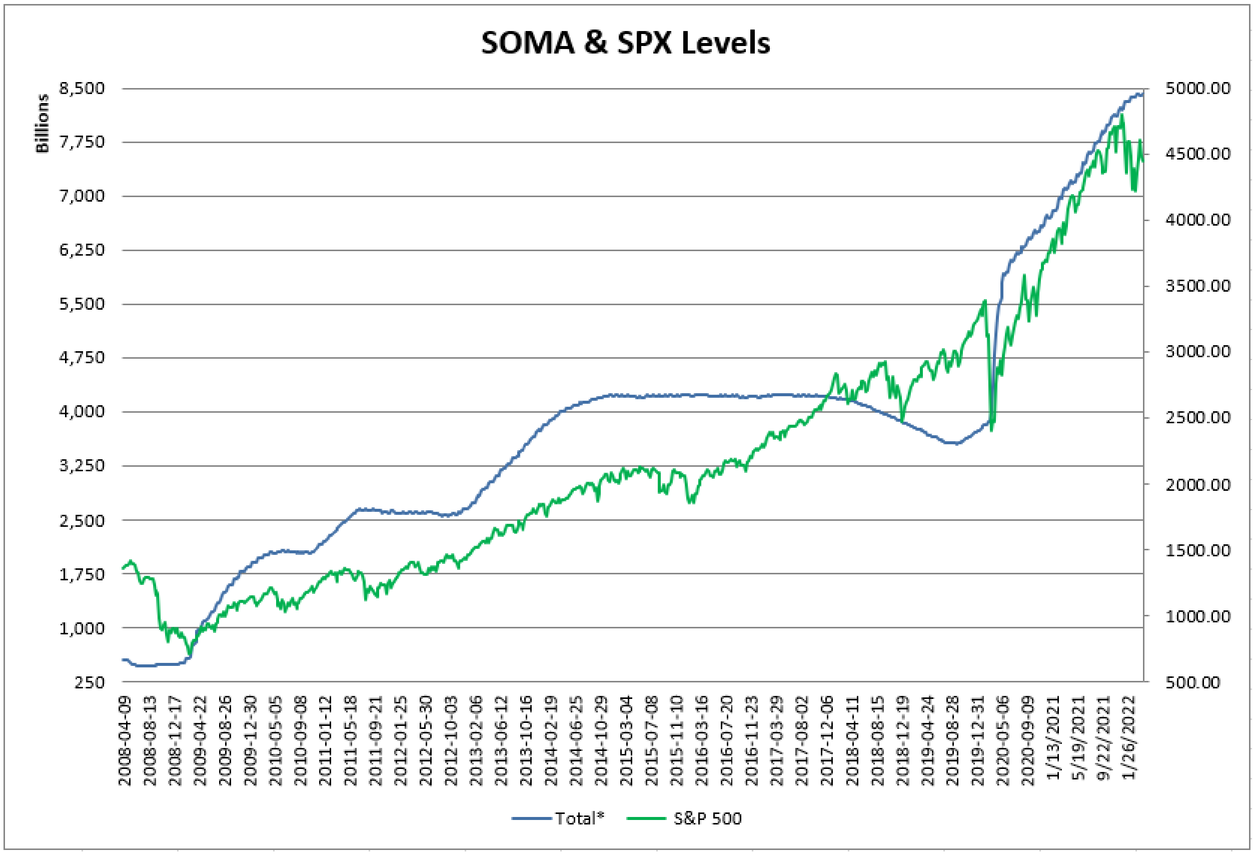
Previous **April 13, 2022**

Posted April 14, 2022 at 4:30 PM

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)	4,934,726,325.4
US Treasury Floating Rate Notes (FRNs)	29,152,660.9
US Treasury Inflation-Protected Securities (TIPS)*	390,839,538.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,731,168,362.2
Agency Commercial Mortgage-Backed Securities***	9,016,938.7
Total SOMA Holdings	8,423,294,825.8
Change From Prior Week	24,830,145.8

This week the SOMA rose a fairly sizable $24 billion. We will continue to see moves up and down in the SOMA, but I expect it will move generally sideways until the Fed meeting in May. After that, I expect the rolloff to begin, with the SOMA slowly starting to shrink. Below is an updated SOMA/SPX chart from 2008 – present.



The largest expansion in the history of the SOMA is over. So the blue line is flattening. The Fed will likely increase rates another 0.50% and begin Quantitative Tightening in May after its meeting. The Fed is no longer a friend to the market, and they won't be for as long as they are fighting inflation and the economy appears stable.

Overall, market action remains volatile. Seasonality looks mostly favorable for the next few weeks. The bulls also got a little evidence with the QQQ study from earlier this week. For the bears, trend is still down by almost all measures, the Fed is hawkish, the NASDAQ is lagging, and there is a ton of uncertainty with regards to geopolitics and the global economy. 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.*

QQQ – Buy @ $337.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take some long QQQ exposure if QQQ closes down a fair amount on Monday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	*4/6/2022*	*$446.52*	*$443.55*	*-0.67%*	*sold on open*
SPY(1/4)	4/13/2022	$438.03	$437.79	-0.05%	Aggregator