

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 27, 2022

Volume 15 Issue 79

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- A VIX crossing over 35% above its 10ma and with a reading over 30 suggests strong reward/risk for the bulls.

Short-term Outlook

The Bottom Line

Fear has spiked to a level that suggests a bounce is in order. The Aggregator is bullish. I like the long side – at least for a day or two.

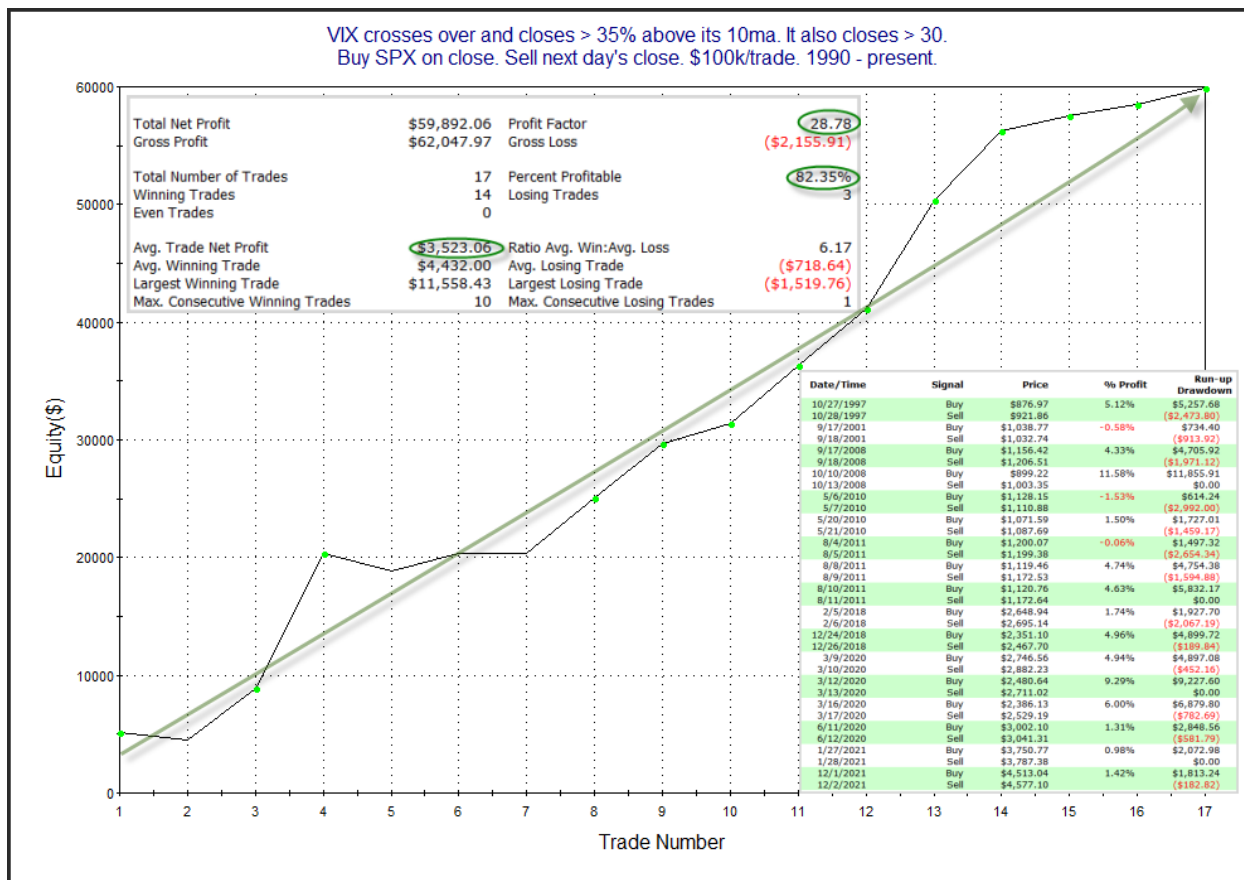
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
April 25, 2022	VIX > 35% above 10ma and > 30	1 day	Bullish			
April 25, 2022	SPX down 1.5x 20-day ATR on Fri < 200	1-6 days	Bullish	3.10%	-1.40%	-2.70%
April 25, 2022	SPX drops 2.5% on Friday	1-6 days	Bullish	4.20%	-2.60%	-5.60%
April 25, 2022	VIX up 20% on last day of week	1-8 days	Bullish	2.65%	-1.65%	-3.60%
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%
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 26, 2022	Gap Dn 10-low, reversal up < 200	1-3 days	Bearish			

The Evidence

The stock market got pummeled on Tuesday. The SPX dropped 2.8%, the NASDAQ tumbled 3.95%, and the Russell 2000 fell 3.3%. Breadth was strongly negative with the NYSE Up Issues % coming in at 17.5% and the Up Volume % at 10.6%. NYSE total volume declined some from Monday's level.

Especially notable was the action in the VIX, which rose 24% on Tuesday. An interesting VIX-related study was from the 12/2/21 letter. It notes not only that the VIX is relatively stretched on a short-term basis, but that the VIX reading is also somewhat high on an absolute basis. Over the years I have found that short-term stretches are not as impactful when the stretch is coming from a very low level. This is the reason the VIX > 30 is also included as a filter.



Instances are a little lower than I'd prefer, but the stats are very strong. The average performance the day after the setup has been a 3.5% gain. That is a huge average for just a 1-day trade.

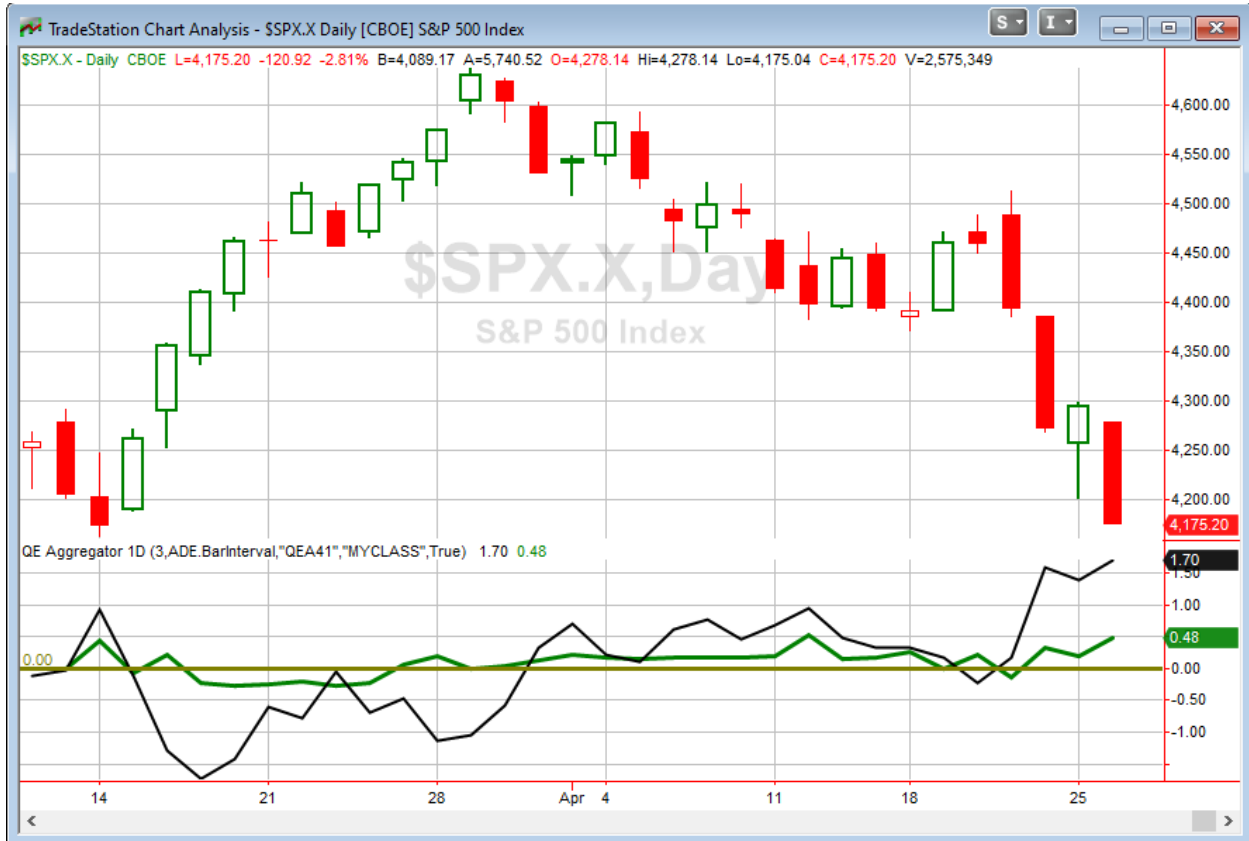
I looked at SPX price action a number of ways – several of which were inspired by some Quantifinder studies. Surprisingly, the strong selloff to a new low did not trigger anything that I was particularly fond of. The study below is an example of the kinds of things I was looking at, and results are typical of what I was seeing.

SPY declines over 2%. It closes at a 50-day low for the first time in over 10 days.
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	49,042.74	38	24	14	63.16	9,158.22	-6,375.96	3,160.02	-1,914.13	1.65	2.83	1,290.60
4	11,489.98	38	21	17	55.26	5,581.02	-10,531.08	2,676.35	-2,630.19	1.02	1.26	302.37
3	14,552.63	38	22	16	57.89	5,963.04	-8,183.00	2,311.30	-2,268.50	1.02	1.40	382.96
2	4,685.86	38	20	18	52.63	5,477.88	-7,065.80	1,841.59	-1,785.89	1.03	1.15	123.31
1	6,792.87	38	23	15	60.53	5,764.38	-7,417.30	1,282.56	-1,513.73	0.85	1.30	178.76

The numbers were not impressive and neither were the profit curves. I did not add any new price-action based studies to the active list tonight.

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



With tonight's evidence considered, the green Aggregator remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line is still far above zero. The positive Differential Line reading means that SPX is strongly 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 list of active studies, expectations are set to remain positive on Wednesday. This could change if very compelling bearish evidence emerges on Wednesday. Meanwhile, the Differential Pivot will be 4285.68 on Wednesday. That is a sizable 2.65% above Tuesday's close. Therefore, SPX would need to close up at least 2.65% on Wednesday in order to flip from oversold to overbought vs recent expectations. A more likely scenario is that it will take a few days to work off this oversold condition.

So the Aggregator is bullish. SPX is oversold and the spike in the VIX appears strong enough that there is a good chance we see a bounce on Wednesday. There is ample room to the upside before SPX would turn overbought, so reward/risk appears favorable. I already have some long exposure. I will look to add another lot on Wednesday if I can get a favorable fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/25 – neutral

The intermediate-term outlook was last updated in the 4/25/22 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

LLY – 1/3 @ \$289.61 (bought @ limit)

LLY – 1/3 @ \$289.61 (bought @ limit)

LLY – 1/3 @ \$278.73 (bought @ limit)

Broad Market Large Cap CBI – 3(LLY-3)

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 @ \$416.10 LIMIT. Based on the short-term outlook above, I will look to add a 2nd lot to my SPY position on Wednesday if I can get fill at a price equal to or better than Tuesday's close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LLY(2/3)	4/22/2022	\$289.30	\$282.83	-2.24%	Catapult
LLY(1/3)	4/25/2022	\$278.73	\$282.83	1.47%	Catapult
SPY(1/4)	4/25/2022	\$423.67	\$416.10	-1.79%	Aggregator

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