

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 28, 2022

Volume 15 Issue 80

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- After closing at an intermediate-term low yesterday, SPY made a 5th lower low and then reversed to close higher. That almost always leads to some upside follow through.
- SPY closed higher, but well below its intraday high. That has often been followed by a move up over the next couple of days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence continues to build and SPX is oversold. I like the long side.

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 28, 2022	Up today but 1% below high of day	1-2 days	Bullish			
April 28, 2022	50-low yesterday . 5th lower low & up	1-4 days	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			

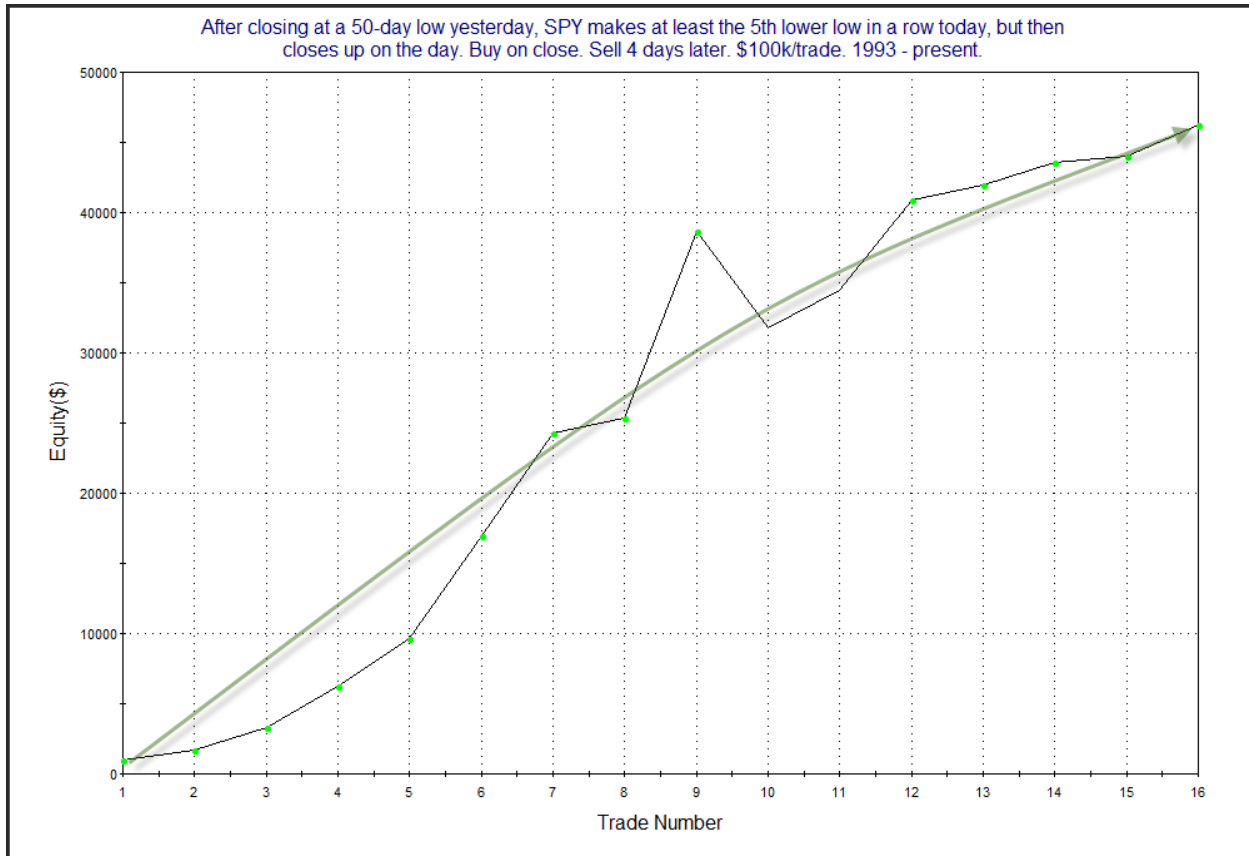
The Evidence

A strong start did not last, and the market finished mixed on Wednesday. The SPX rose 0.2%, the NASDAQ was near breakeven with a 0.01% decline, and the Russell 2000 fell 0.3%. Breadth was negative with the NYSE Up Issues % coming in at 44% and the Up Volume % at 49.9%. NYSE total volume declined some from Tuesday’s level.

One notable aspect of Wednesday’s move up for SPY is that it occurred off of a long-term low (though SPX did not as it just barely missed closing at a 50-day low on Tuesday). This wasn’t just some intraday dip that occurred in the middle of a trading range. The study below takes this into account and also considers the streak of lower lows that is in place. Results are updated from the 2/25/22 letter.

After closing at a 50-day low yesterday, SPY makes at least the 5th lower low in a row today, but then closes up on the day. 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	25,166.32	15	11	4	73.33	9,473.60	-10,992.96	3,438.20	-3,163.47	1.09	2.99	1,677.75
4	46,286.14	16	15	1	93.75	13,286.49	-6,882.48	3,544.57	-6,882.48	0.52	7.73	2,892.88
3	24,721.52	16	12	4	75.00	11,878.65	-11,016.72	3,337.80	-3,833.01	0.87	2.61	1,545.10
2	20,304.98	16	12	4	75.00	7,717.98	-4,823.28	2,351.74	-1,978.96	1.19	3.57	1,269.06
1	7,177.22	16	10	6	62.50	6,926.07	-4,680.72	2,060.95	-2,238.71	0.92	1.53	448.58

Results suggest a substantial upside edge. Below is an equity curve that assumes a 4-day exit strategy.



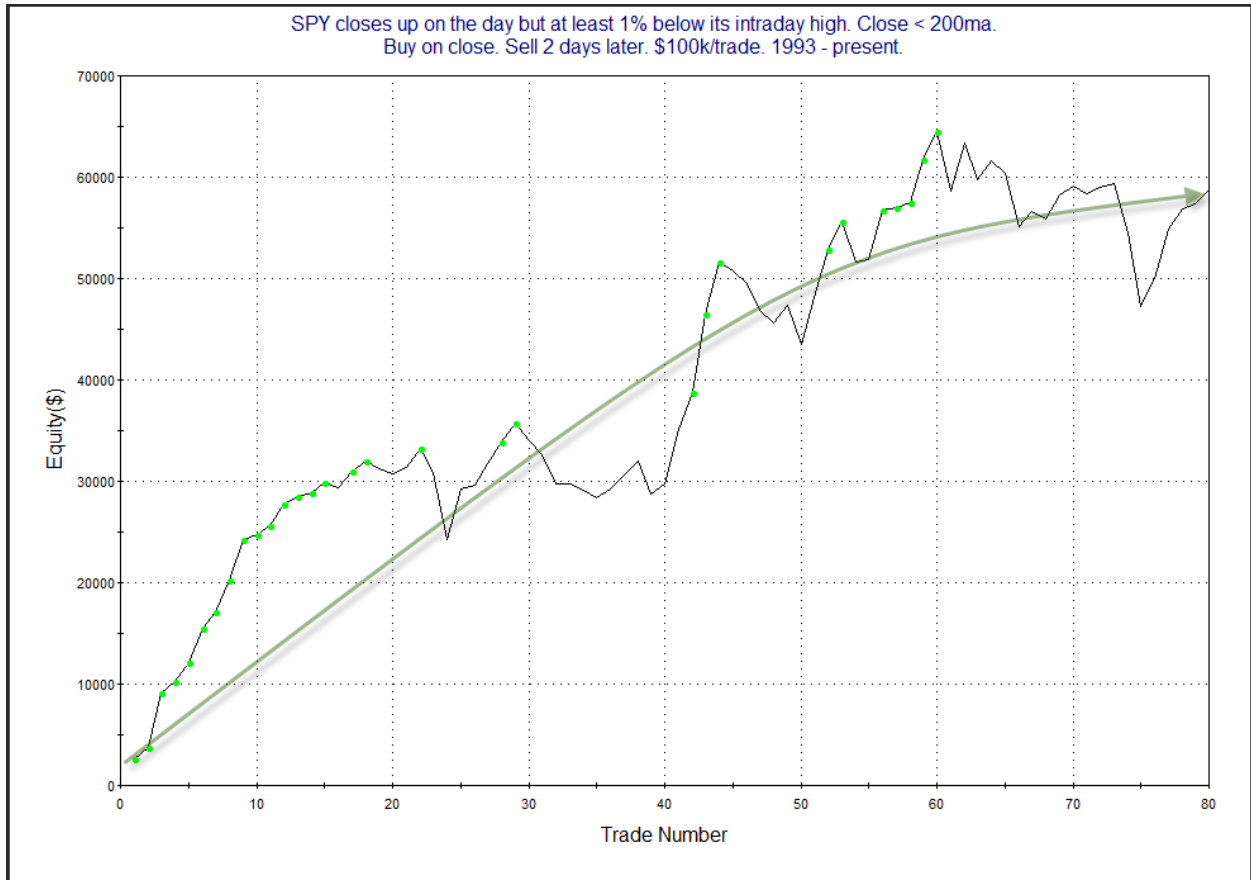
That is an impressive curve.

There was another study that looked at the SPY action that saw it a bit differently. It considered the fact that SPY managed to close positive, but still well below its intraday high. It was last seen in the 3/20/20 letter, and has been updated below.

SPY closes up on the day but at least 1% below its intraday high. Close < 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

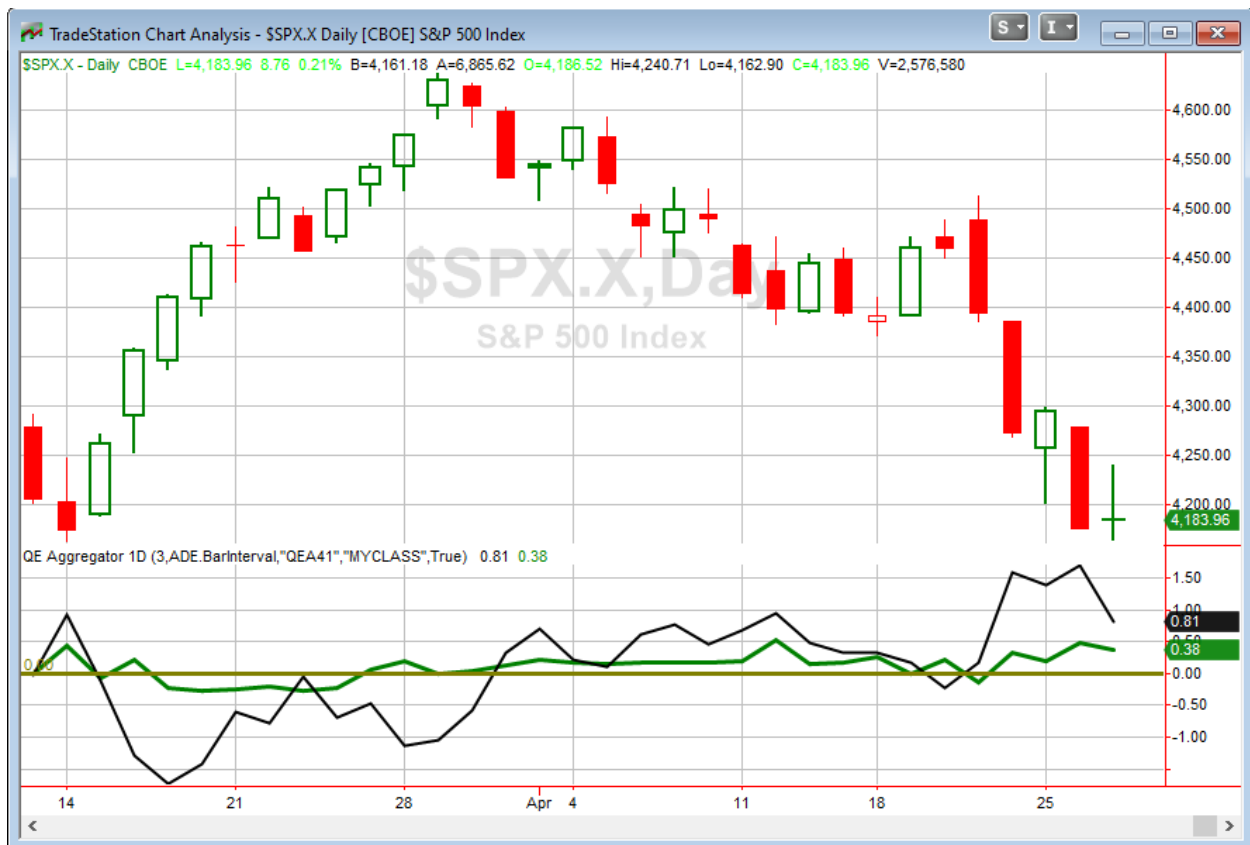
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	46,123.21	67	37	29	55.22	10,362.52	-6,798.84	3,450.18	-2,811.50	1.23	1.57	688.41
4	38,095.12	69	41	28	59.42	13,286.49	-11,890.58	3,133.29	-3,227.48	0.97	1.42	552.10
3	47,545.47	71	42	29	59.15	11,878.65	-9,480.00	2,961.70	-2,649.86	1.12	1.62	669.65
2	58,705.81	80	54	26	67.50	7,717.98	-7,287.40	2,294.09	-2,506.73	0.92	1.90	733.82
1	26,876.60	88	51	37	57.95	6,926.07	-5,275.75	1,831.76	-1,798.46	1.02	1.40	305.42

Based on the stats table this pattern appears to suggest a solid upside edge over the next couple of days. Below I have produced an equity curve to see how the edge has played out over time.



Not as impressive as the first study, but perhaps still worth some consideration. The large recent dip occurred in March 2020, and it has fought out of that nicely.

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 Thursday. This could change if very compelling bearish evidence emerges on Thursday. Meanwhile, the Differential Pivot will be 4308.45 on Thursday. That is a sizable 3.0% above Wednesday's close. Therefore, SPX would need to close up at least 3% on Thursday in order to flip from oversold to overbought vs recent expectations. A more likely scenario is that it will take a few more days to work off this oversold condition.

So the Aggregator is bullish. Upside evidence continues to build, and the market is still substantially oversold. I have some long index exposure already. Being that the market is volatile and the intermediate and long-term trends are down, I will not get more aggressive and add to it at this point. But I will look to hold onto my long exposure for at least another day.

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)

New

SO – 1/3 @ \$73.48 (buy @ limit) (*neglected to list yesterday*)

SO – 1/3 @ \$73.48 (buy @ limit)

NFLX – 1/3 @ \$188.54 (buy @ limit)

Broad Market Large Cap CBI – 6 (LLY-3, SO-2, NFLX)

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.

SO – Buy 2/3 Catapult position @ \$73.48 LIMIT. From the Catapult section above this would be the 1st two lots of up to 3 for SO.

NFLX – Buy 1/3 Catapult position @ \$188.54 LIMIT. From the Catapult section above this would be the 1st of up to 3 lots for NFLX.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LLY(2/3)	4/22/2022	\$289.30	\$285.09	-1.46%	Catapult
LLY(1/3)	4/25/2022	\$278.73	\$285.09	2.28%	Catapult
SPY(1/4)	4/25/2022	\$423.67	\$417.27	-1.51%	Aggregator
SPY(1/4)	4/27/2022	\$416.10	\$417.27	0.28%	Aggregator

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