

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 2, 2022

Volume 15 Issue 82

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- Very large selloffs on Fridays are often overreactions that will see a bounce in the following days. We see this with several studies.
- Sharp drops that close poorly have often seen a reversal the next day – even when they do not follow a short-term low.
- Turn of the month is not bullish in long-term downtrends.
- SPY's unfilled gap up with a higher close followed by an unfilled gap down with a lower close suggest further selling when below the 200ma.
- We are entering the “worst 6 months” for the market. Additionally, all 4 market timing course indicators are unfavorable, which has not been a good combination.
- Both stocks and bonds are off to their worst YTD date returns through April of all time.
- The SOMA declined for the 2nd week in a row. This is the 1st time it has done that since 2019.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. There is plenty of evidence suggesting a bounce in the next few days and the market is strongly oversold. I believe a bounce is coming, but I'll try not to stick around long once it arrives.

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						
May 2, 2022	Unfilled up then unfilled down < 200	1-2 days	Bearish			
May 2, 2022	SPY dn 3% and near intraday low	1 day	Bullish			
May 2, 2022	SPX down 1.5x 20-day ATR on Fri < 200	1-4 days	Bullish			
May 2, 2022	SPX drops 2.5% on Friday	1-5 days	Bullish			
April 28, 2022	50-low yesterday . 5th lower low & up	1-4 days	Bullish	3.90%	-2.30%	-5.50%
Active - Long Term						
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
April 25, 2022	VIX up 20% on last day of week	1-8 days	Bullish	2.65%	-1.65%	-3.60%
April 29, 2022	NASDAQ 3% gain after 50-day low	1-2 days	Bearish			
April 6, 2022	3 1% down days in 10 days > 200	1-20 days	Bullish	4.20%	-3.50%	-8.50%
April 12, 2022	QQQ 5 lower lows, today the larges	1-20 days	Bullish	10.05%	-4.40%	-7.60%

The Evidence

The market had a terrible day on Friday and fell to new 2022 lows. The SPX fell 3.6%, the NASDAQ collapsed 4.2%, and the Russell 2000 tumbled 2.8%. Breadth was negative with the NYSE Up Issues % coming in at 20% and the Up Volume % at 12%. NYSE total volume rose quite a bit on the selloff.

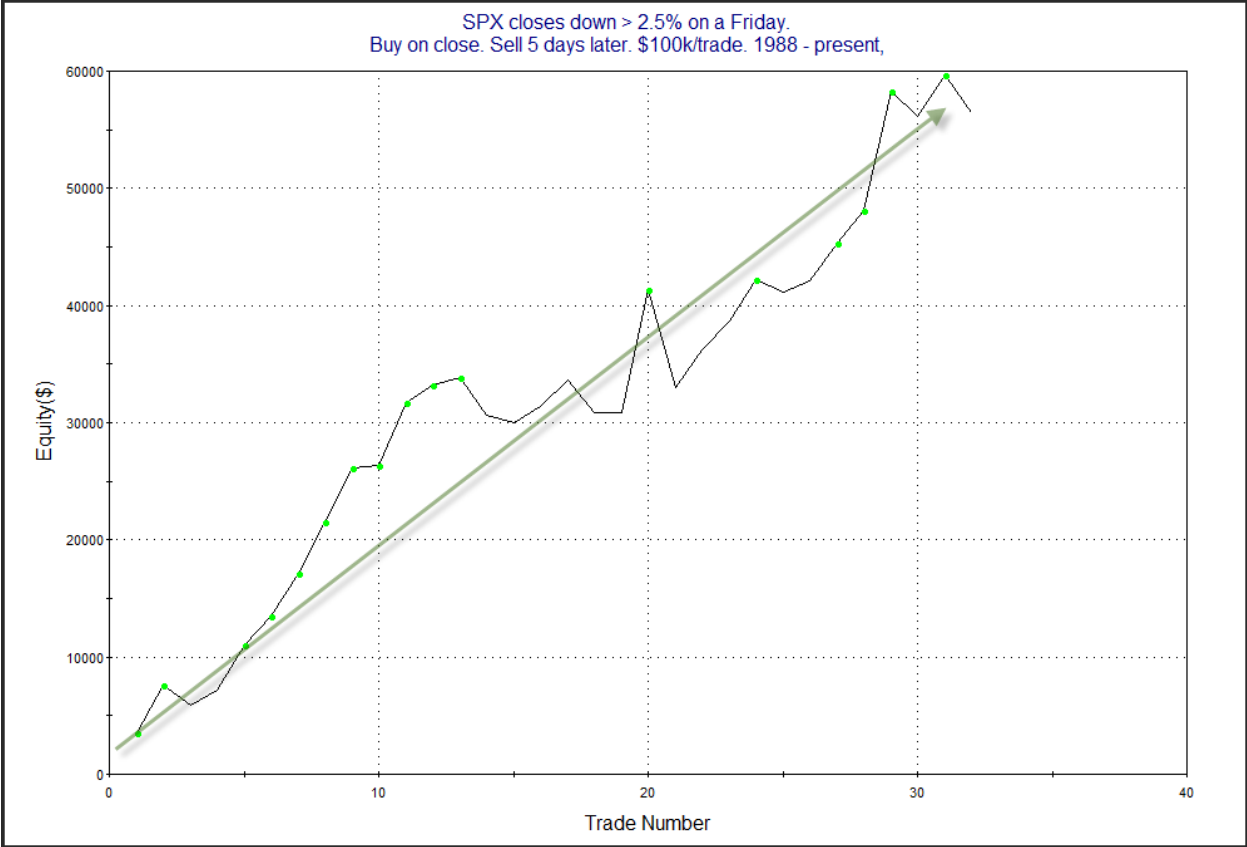
This is the 2nd week in a row that we saw a huge drop on Friday. Last week I showed some studies that looked at big drops on Fridays. I have copied much of that commentary and updated the studies below.

Both the Crash of '29 and the Crash of '87 happened on Monday. The Crash of '87 is still remembered by some traders that are active today (though it is getting less and less each year). In 1987, there was a strong selloff on Friday and then all hell broke loose on Monday. But since then strong Friday selloffs have commonly been followed by bounces in the following days. Perhaps this is due to the fact that fear of a crash causes what might otherwise be an ordinary selloff to become exaggerated and overdone on Fridays. Or perhaps it is just that people don't want to hold over the weekend. Whatever the reason, the tendency to bounce has been strong. In recent years the bounce has not always occurred on Monday. Sometimes we saw more selling on Monday before the rebound started on Tuesday. Let's take a look at a few examples.

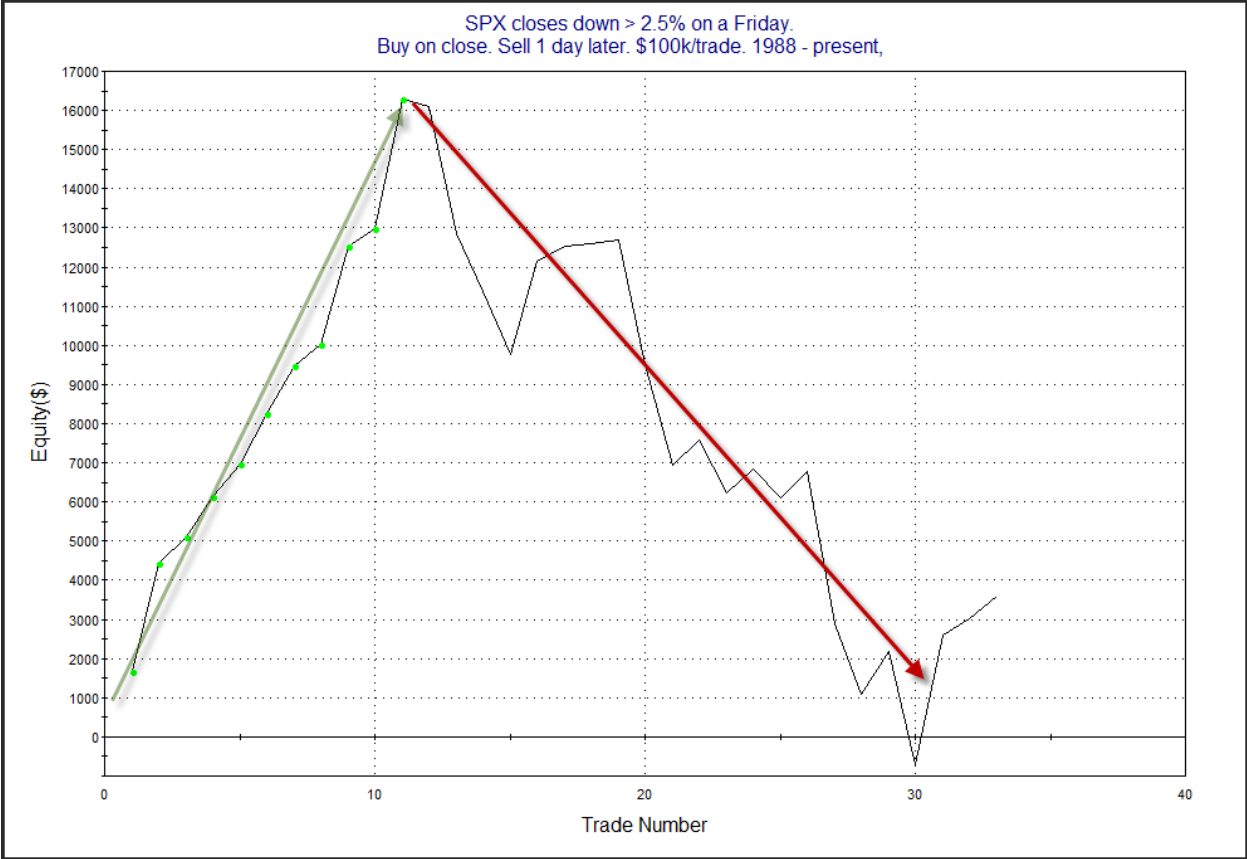
This 1st study simply looks at drops of 2.5% or more on a Friday. Last seen in the 4/25/22 letter, I have updated all the results.

SPX closes down > 2.5% on a Friday. Buy on close. Sell X days later. \$100k/trade. 1988 - 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
10	63,451.91	30	23	7	76.67	9,241.60	-6,507.12	3,603.86	-2,776.69	1.30	4.26	2,115.06
9	72,904.88	30	22	8	73.33	9,545.14	-2,814.00	3,880.68	-1,558.75	2.49	6.85	2,430.16
8	73,808.27	30	21	9	70.00	8,664.00	-6,073.20	4,306.30	-1,847.11	2.33	5.44	2,460.28
7	86,422.47	30	22	8	73.33	14,703.72	-3,458.40	4,508.75	-1,596.27	2.82	7.77	2,880.75
6	82,005.39	30	23	7	76.67	13,834.39	-5,050.80	4,171.41	-1,991.00	2.10	6.88	2,733.51
5	56,437.44	32	23	9	71.88	10,485.72	-8,351.64	3,454.74	-2,557.94	1.35	3.45	1,763.67
4	51,172.67	33	23	10	69.70	13,981.45	-13,776.90	3,317.46	-2,512.88	1.32	3.04	1,550.69
3	39,482.38	33	25	8	75.76	7,337.52	-7,604.94	2,305.72	-2,270.07	1.02	3.17	1,196.44
2	36,968.30	33	23	10	69.70	7,266.36	-5,855.85	2,337.36	-1,679.09	1.39	3.20	1,120.25
1	3,593.63	33	22	11	66.67	3,322.23	-3,884.00	1,206.21	-2,085.72	0.58	1.16	108.90
32 of 33 instances (97%) closed above the entry price at some point in the next week.												

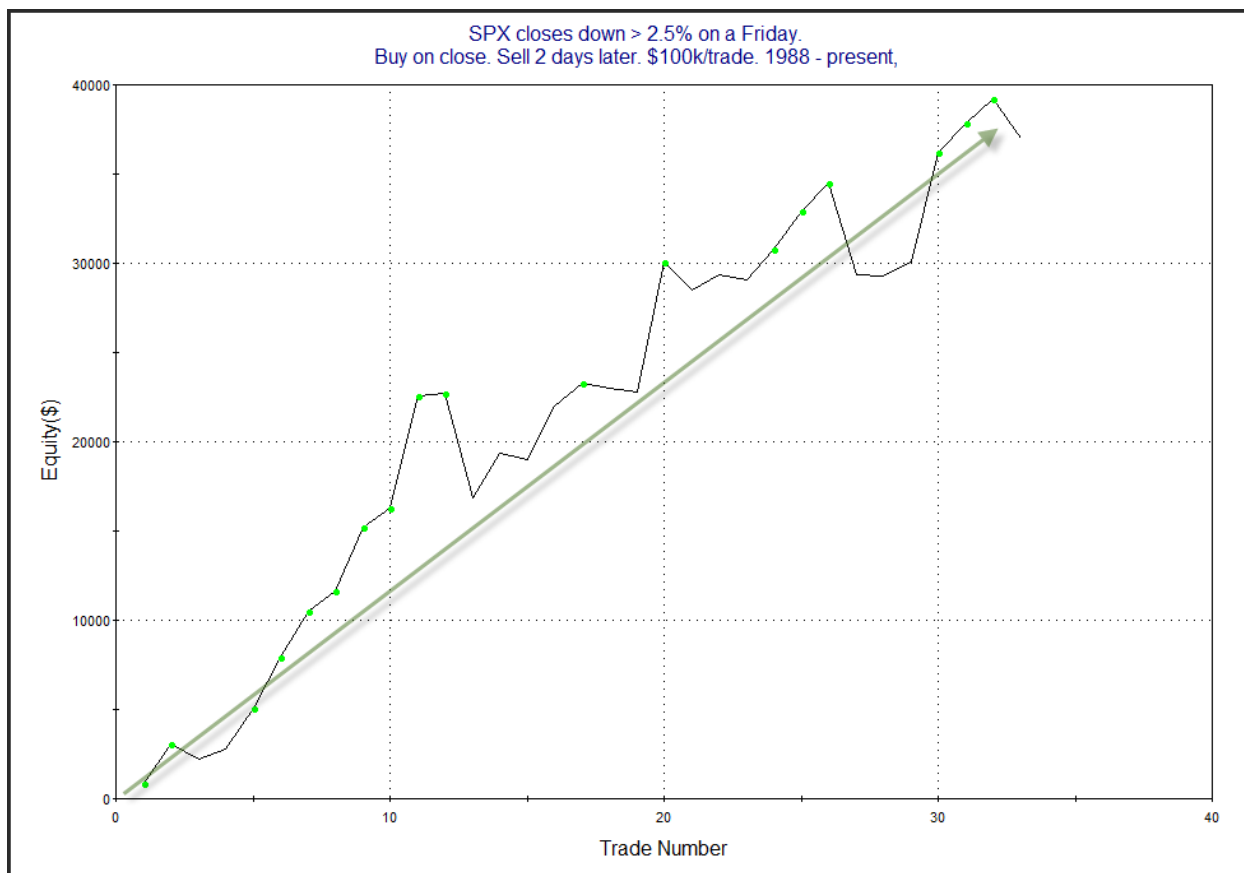
Over the next several days there has been a strong tendency for the market to bounce. Let's first look at the 5-day curve, the stats of which are highlighted in the table above.



Despite this past week not working out, that is a strong and steady upslope, helping to confirm the upside edge. Let's also look at the 1-day and 2-day curves, as they tell the story on Monday and then "Turnaround Tuesday".



For a while, Monday looked great. In recent years, not so much. But here is the 2-day curve:



This looks great all the way through. So those times the bounce did not arrive on Monday, it almost always did by Tuesday afternoon. Of course you'll also notice that last week we saw the opposite occur, with the bounce arriving on Monday as it used to, and then getting wiped out on Tuesday.

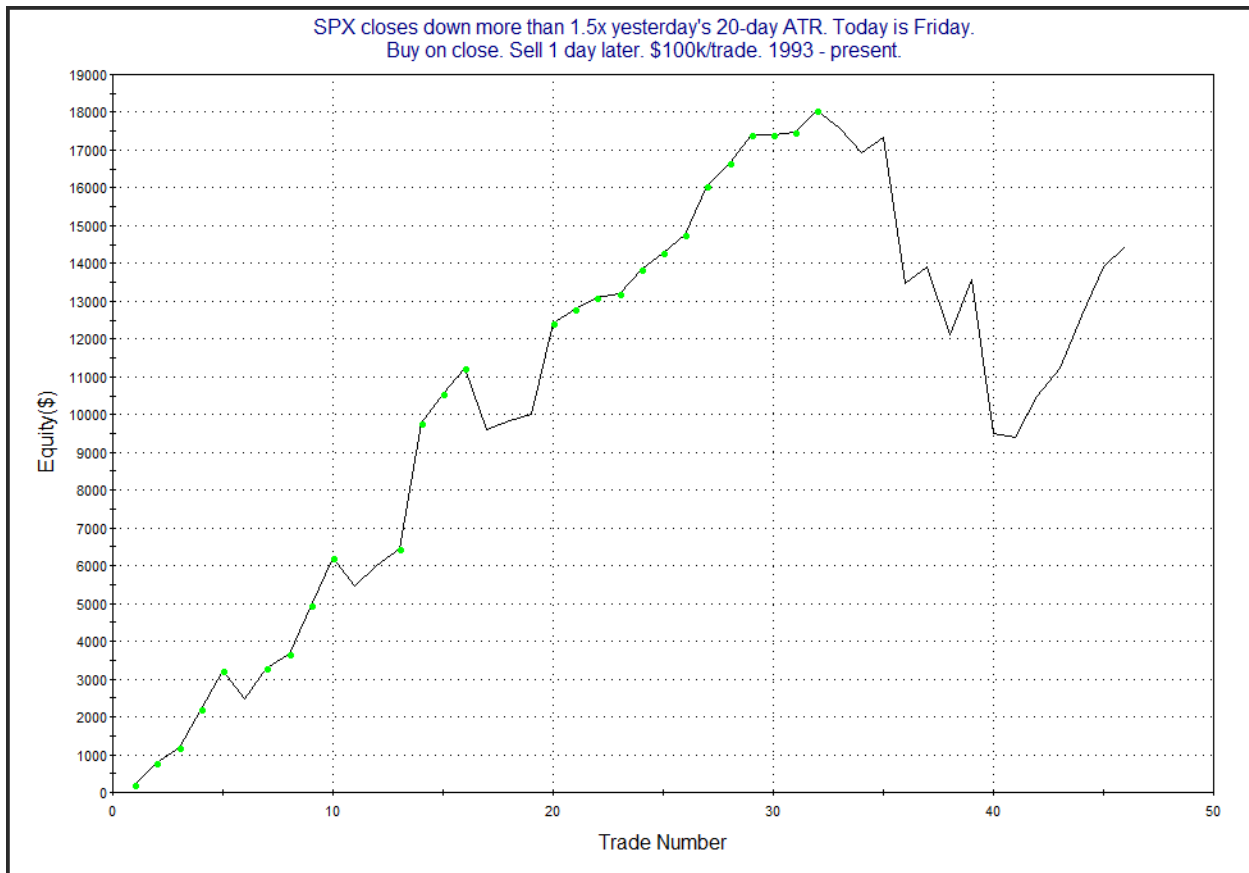
This next study was also discussed last week in the 4/25/22 letter. It defines a strong selloff as more than 1.5x the recent (20-day) average true range. Results are updated.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

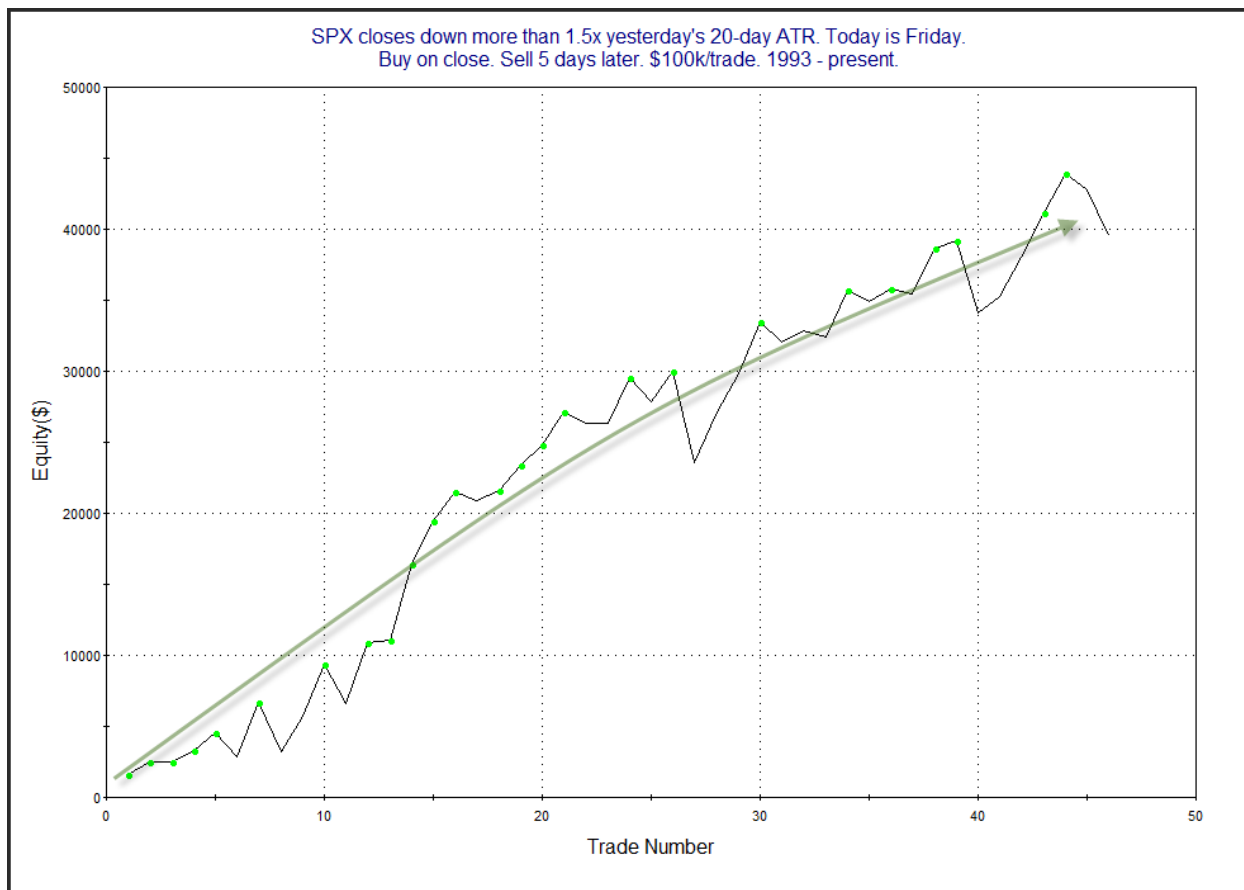
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	60,831.52	44	30	14	68.18	9,241.60	-6,049.40	3,146.22	-2,396.80	1.31	2.81	1,382.53
9	61,516.10	44	30	14	68.18	7,602.40	-5,483.80	2,959.57	-1,947.92	1.52	3.26	1,398.09
8	64,542.65	44	31	13	70.45	7,949.70	-3,550.72	2,865.24	-1,867.68	1.53	3.66	1,466.88
7	55,425.68	44	30	14	68.18	7,662.81	-4,599.52	2,746.19	-1,925.72	1.43	3.06	1,259.67
6	59,947.95	44	33	11	75.00	8,870.96	-4,202.80	2,435.87	-1,857.80	1.31	3.93	1,362.45
5	39,532.65	46	31	15	67.39	5,393.97	-6,368.04	2,244.02	-2,002.13	1.12	2.32	859.41
4	34,931.24	46	32	14	69.57	5,731.96	-6,520.68	1,862.87	-1,762.91	1.06	2.42	759.37
3	26,558.19	46	28	18	60.87	5,215.85	-3,492.36	1,798.73	-1,322.57	1.36	2.12	577.35
2	15,175.40	46	28	18	60.87	6,245.15	-5,163.50	1,398.06	-1,331.68	1.05	1.63	329.90
1	14,455.96	46	37	9	80.43	3,322.23	-4,074.84	770.13	-1,559.88	0.49	2.03	314.26

43 of 46 instances (93.5%) closed above the entry price at some point in the next week.

The numbers here are all very impressive and suggest a strong bullish bias. I decided to look at the 1-day and 5-day returns this week. First, below is the profit curve for a 1-day holding period.



The last 5 instances have now bounced nicely on Monday. Prior to that there were some bumps in recent years. Here is the updated 5-day curve.



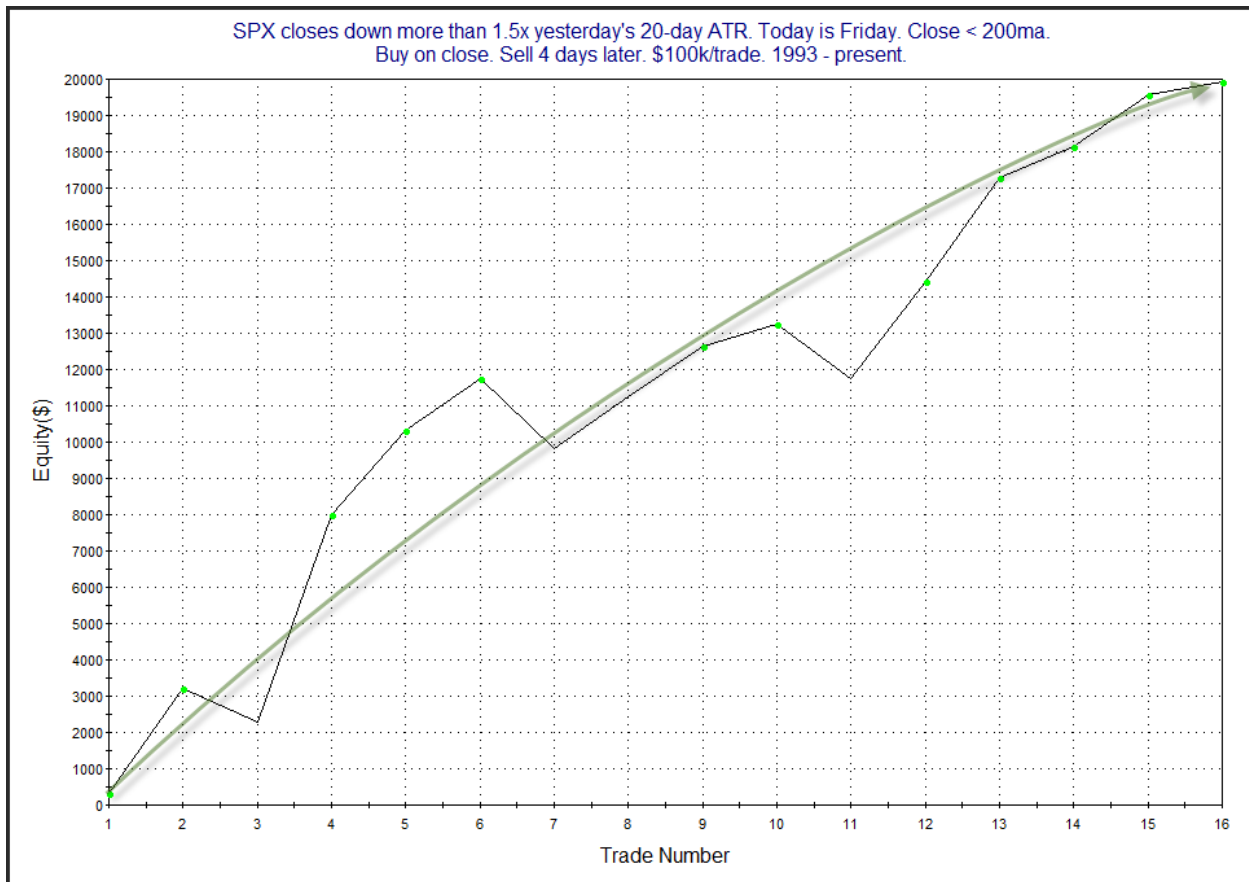
Very persistent rise here from lower left to upper right. Other than this past week's failure, I have no complaints about this curve.

Last week I also ran this study with a long-term trend filter. I updated that below.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday. 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
10	24,645.99	15	11	4	73.33	9,241.60	-6,049.40	3,633.24	-3,829.90	0.95	2.61	1,643.07
9	23,254.41	15	9	6	60.00	7,602.40	-5,483.80	3,914.66	-1,996.25	1.96	2.94	1,550.29
8	22,010.20	15	10	5	66.67	7,949.70	-2,690.10	3,133.71	-1,865.38	1.68	3.36	1,467.35
7	22,509.08	15	10	5	66.67	7,662.81	-2,852.00	3,018.40	-1,534.98	1.97	3.93	1,500.61
6	30,757.80	15	13	2	86.67	8,870.96	-125.28	2,377.31	-73.59	32.30	209.98	2,050.52
5	21,054.51	16	11	5	68.75	5,393.97	-3,216.55	2,367.26	-997.07	2.37	5.22	1,315.91
4	19,944.72	16	13	3	81.25	5,731.96	-1,947.64	1,872.00	-1,463.76	1.28	5.54	1,246.55
3	15,701.90	16	10	6	62.50	5,215.85	-2,019.86	2,261.78	-1,152.64	1.96	3.27	981.37
2	7,989.14	16	10	6	62.50	6,245.15	-5,163.50	1,810.54	-1,686.04	1.07	1.79	499.32
1	5,929.67	16	14	2	87.50	3,322.23	-3,884.00	816.31	-2,749.36	0.30	2.08	370.60

In long-term downtrends there have not been a huge number of instances, but the results have been even stronger. While the 5-day exit was a loser last week, the upside tendency did play out for the 1-day and 4-day timeframe. Below is the 4-day curve.

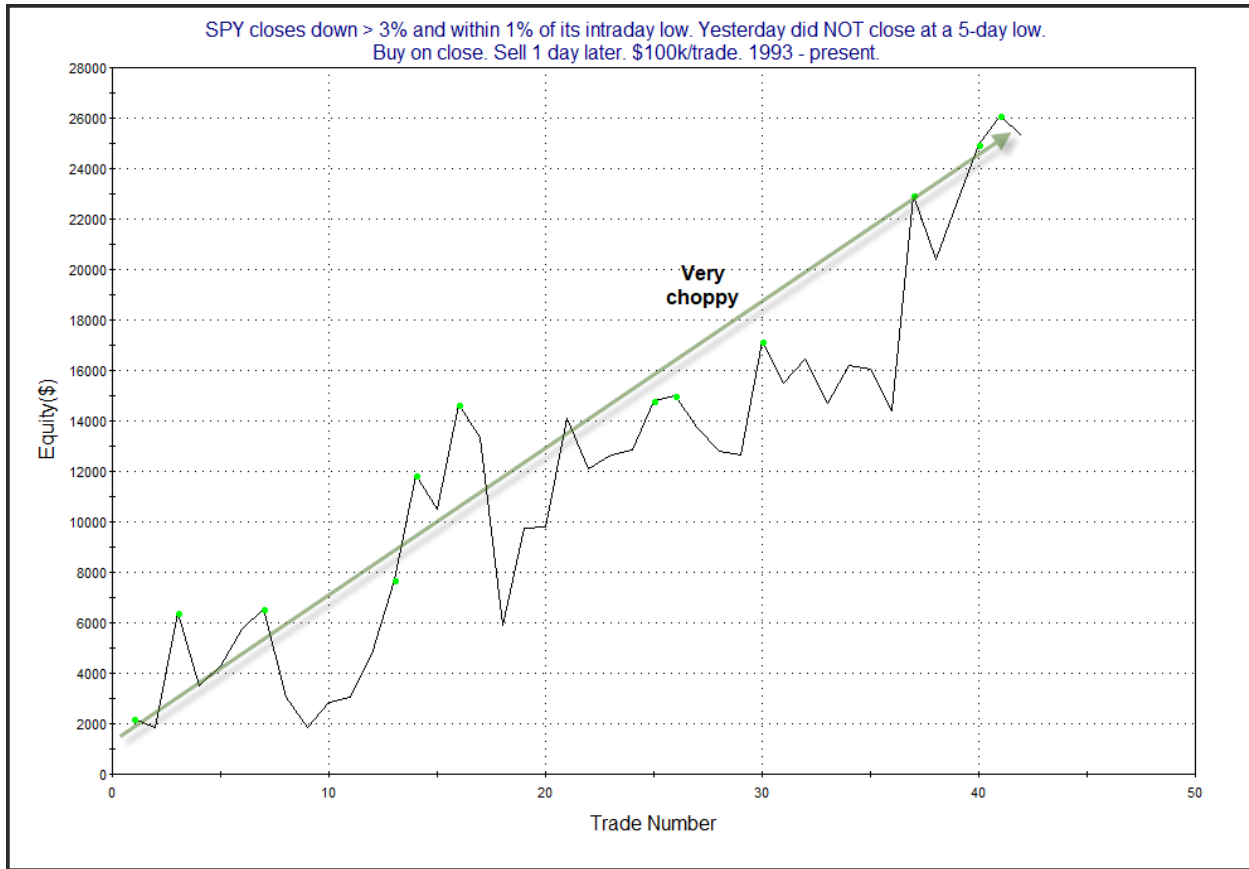


Another strong and persistent upslope.

Some other aspects of large selloffs that have influenced the odds of a strong bounce the next day (or several days) are 1) whether the drop occurred from a point that was already low (such as a 5-day low close the day before, and 2) whether the market closed near the low end of its range. (Within 1% of its intraday low is one that I have used in the past.) In the 4/2/20 letter I looked at the combination that we saw on Friday, which was a close within 1% of the intraday low, but without a 5-day low occurring the day before. I have updated that study below.

SPY closes down > 3% and within 1% of its intraday low. Yesterday did NOT close at a 5-day low. 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	13,040.22	37	20	17	54.05	11,319.28	-17,935.50	4,179.21	-4,149.64	1.01	1.18	352.44
4	31,926.38	38	20	18	52.63	14,158.80	-12,890.18	4,655.26	-3,398.82	1.37	1.52	840.17
3	35,233.54	41	25	16	60.98	9,756.90	-10,567.08	3,532.73	-3,317.79	1.06	1.66	859.35
2	6,482.62	42	23	19	54.76	6,436.07	-9,315.90	2,875.60	-3,139.80	0.92	1.11	154.35
1	25,308.00	42	25	17	59.52	8,547.63	-7,417.30	2,249.65	-1,819.60	1.24	1.82	602.57

We see here what appears to be a moderate 1-day upside edge. A profit curve using a 1-day holding period is below.



The chart here is quite choppy. Still, it does appear to have demonstrated an upward tendency over longer periods. Overall this study appears worthy of 1 day of consideration.

In that 4/2/20 letter I also looked at the low close when it did follow a 5-day low. You can see those updated results below.

SPY closes down > 3% and within 1% of its intraday low. Yesterday closed at a 5-day low.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

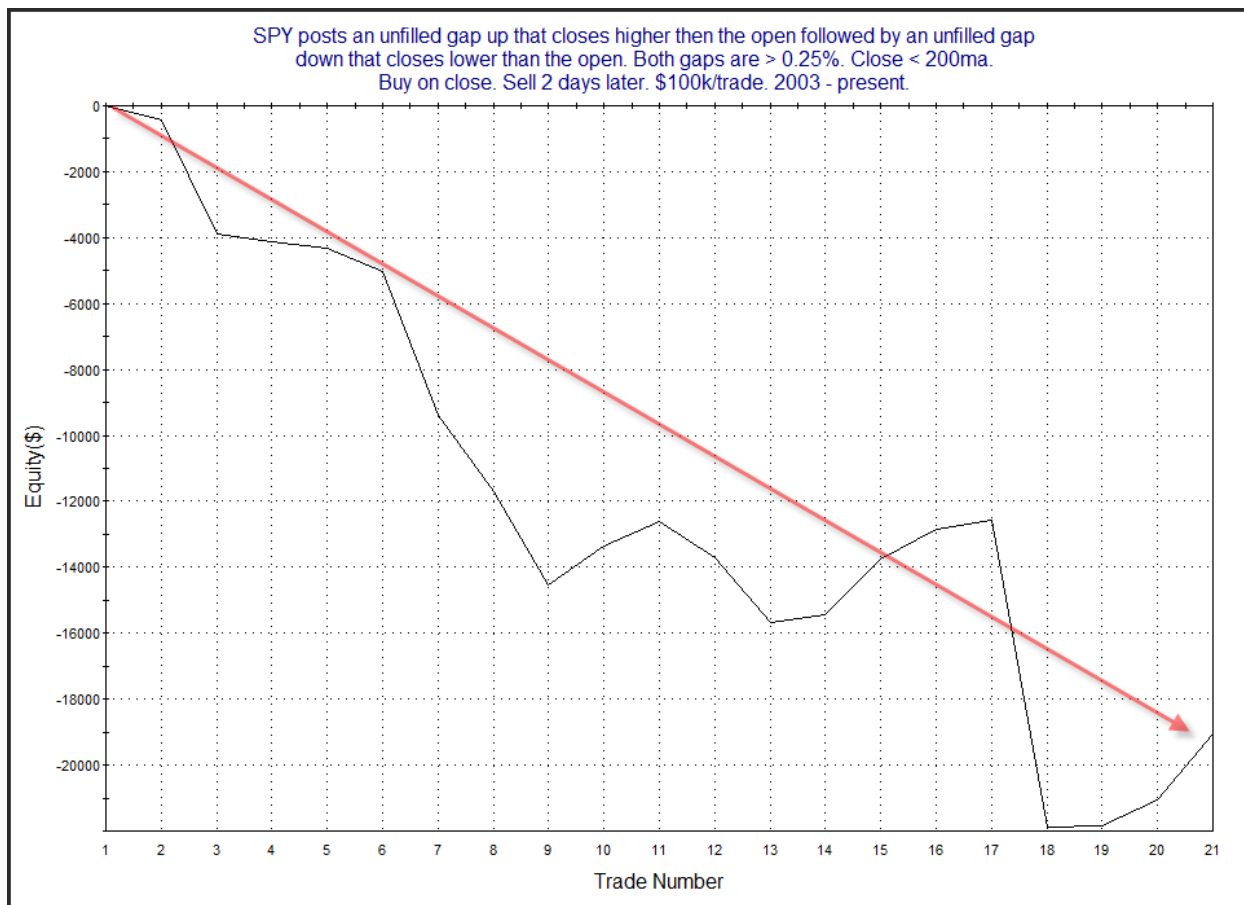
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	89,951.34	31	24	7	77.42	19,398.00	-12,514.32	4,717.88	-3,325.40	1.42	4.86	2,901.66
4	62,210.97	33	21	12	63.64	17,914.00	-8,109.60	4,440.41	-2,586.47	1.72	3.00	1,885.18
3	37,516.20	34	20	14	58.82	14,708.85	-11,518.47	4,010.42	-3,049.45	1.32	1.88	1,103.42
2	60,392.02	35	27	8	77.14	12,693.50	-9,320.67	3,203.82	-3,263.89	0.98	3.31	1,725.49
1	53,349.39	36	25	11	69.44	11,683.71	-4,080.40	2,951.54	-1,858.10	1.59	3.61	1,481.93

Quite a contrast. These numbers are much stronger. Not only is the 1-day about 2.5x better on average, but the edge has persisted out to 5 days as well. Unfortunately, since Thursday was an up day, the current setup is represented by the previous results, rather than these.

There was also a short-term bearish study that emerged that is worth some discussion. It looked at the 2-day action in SPY. It was last featured in the 4/14/20 letter and has been updated.

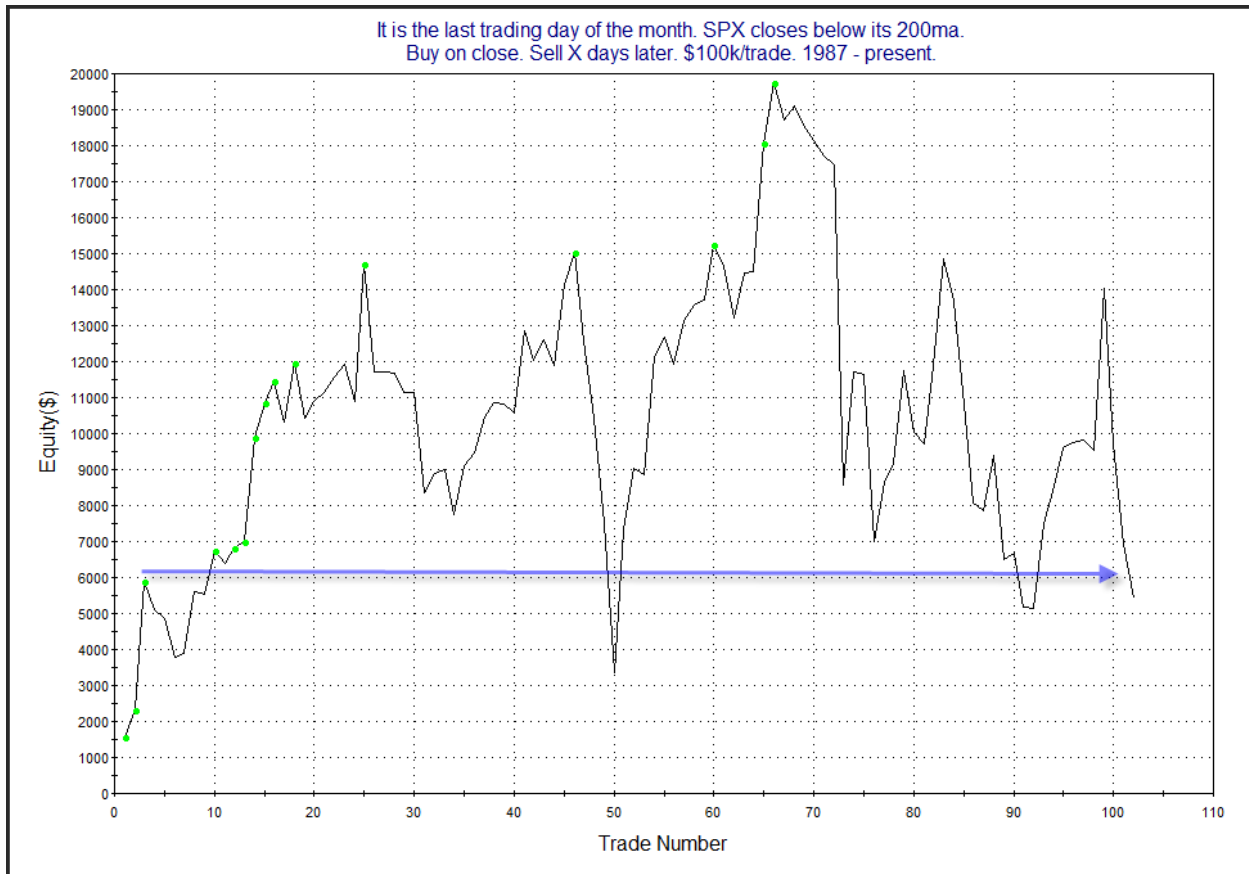
SPY posts an unfilled gap up that closes higher than the open followed by an unfilled gap down that closes lower than the open. Both gaps are > 0.25%. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	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	-21,983.76	21	9	12	42.86	4,371.06	-17,935.50	2,390.76	-3,625.05	0.66	0.49	-1,046.85
4	-26,916.65	21	8	13	38.10	3,993.75	-12,422.13	2,647.65	-3,699.84	0.72	0.44	-1,281.75
3	-19,672.67	21	11	10	52.38	2,724.75	-9,199.26	1,167.15	-3,251.13	0.36	0.39	-936.79
2	-19,071.71	21	10	11	47.62	2,000.25	-9,315.90	784.96	-2,447.39	0.32	0.29	-908.18
1	534.85	21	10	11	47.62	5,387.20	-5,444.46	1,525.43	-1,338.13	1.14	1.04	25.47

Potential downside here appears to be sizable. Possibly the unfilled gap up with the higher close saw a good number of people chase the market higher (on Thursday). The unfilled gap down immediately after caused many of those same people to be caught on the wrong side of the market Friday. Now those people could continue to exert selling pressure over the next few days. Below is a profit curve assuming a 2-day holding period.



Results here appear strong enough to merit some consideration.

The 1st trading of the month often carries an upside edge. But that has really only been the case when the SPX is above its 200ma. And SPX is well below that line right now. In the 12/3/18 letter I showed Day-1 results when SPX was in a long-term downtrend like now. I have updated that chart below.



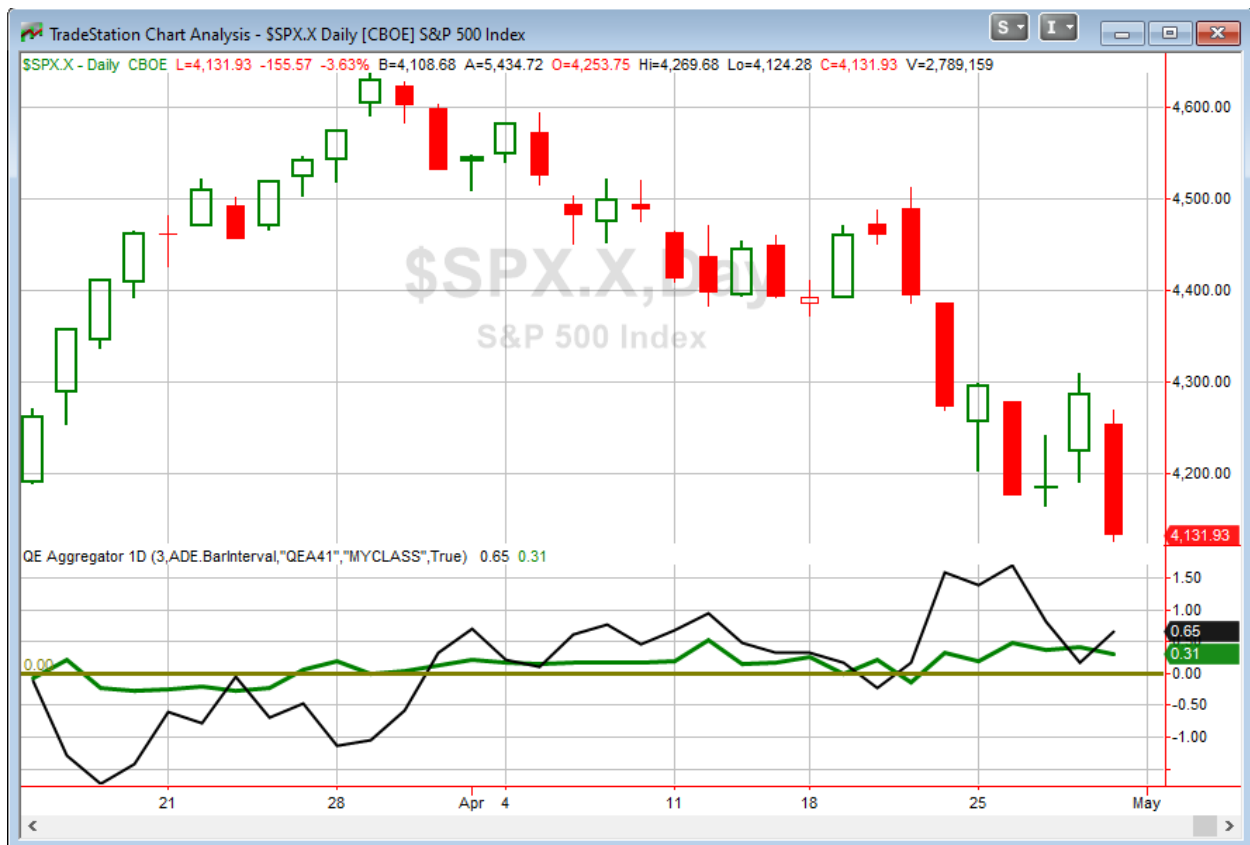
This does not suggest any edge to me. We can't look to 1st of the month to help us out this month.

Keeping in the seasonality theme, the QE Seasonality Calendars for May have officially been posted. Below is a look at the one for SPX.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
5/2/2022	57.81	1.416	0.106
5/3/2022	52.21	1.052	0.013
5/4/2022	53.76	1.200	0.050
5/5/2022	54.20	0.994	-0.004
5/6/2022	55.77	1.115	0.033
5/9/2022	52.20	0.956	-0.017
5/10/2022	52.34	1.177	0.048
5/11/2022	54.24	1.022	0.004
5/12/2022	55.70	0.997	-0.008
5/13/2022	56.61	1.363	0.089
5/16/2022	53.59	0.921	-0.032
5/17/2022	52.84	1.298	0.048
5/18/2022	53.63	1.004	-0.011
5/19/2022	51.20	0.865	-0.051
5/20/2022	49.37	0.836	-0.062
5/23/2022	52.47	1.370	0.050
5/24/2022	55.70	1.489	0.086
5/25/2022	58.07	1.728	0.131
5/26/2022	59.42	1.844	0.157
5/27/2022	59.71	1.685	0.101
5/31/2022	52.24	1.251	0.071
Baseline	54.56	1.156	0.049

Mostly choppy until we get to the few days leading up to Memorial Day near the end of the month. Seasonality does not appear great for May. Additionally, we are moving in the “Worst 6 Months” period, which I will discuss in some more detail in the intermediate-term section.

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



With this weekend'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 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 list of active studies, expectations are set to remain positive on Monday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4223.23 on Monday. That is 2.2% above Friday's close. Therefore, SPX will need to close up at least 2.2% on Monday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Friday was a day I was looking to take profits because it appeared likely the market would flip from oversold to overbought. But unfilled gap lower kept me from getting a fill, and the 3.6% drop in SPX kept it oversold. I do believe we have a good chance of a bounce here in the next few days. But I am not sure I want to get too aggressive to the long side, with both the intermediate-term trend and my intermediate-term outlook pointing lower. Wednesday is a Fed meeting. Weak closes before Fed meetings will often suggest a strong upside edge for the Fed day. Of course when we are this oversold heading into the meeting, we may see

the bounce start to occur before Wednesday. So I may look to add to my position if we see strong additional selling on Monday or Tuesday. Otherwise, I am content to remain with my current moderate sized long index exposure.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 5/2 – somewhat bearish*

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 3 combo systems remained “flat”.*

For the 4th week in a row, the market struggled. The SPX lost 3.3%, the NASDAQ fell 3.9%, and the Russell 2000 dropped 3.95%. Bonds also continued their decline. The US Aggregate Bond ETF (AGG) lost another 0.1%, while TLT, the 20-year Treasury Bond ETF dropped 0.45%. Bonds are in their worst bear market of all time, and stocks are getting pummeled so far this year.

On Friday on Twitter ([@QuantifiableEdgs](#)) I shared some studies that showed this has been the worst start to a year in a VERY long time...the worst ever in some cases. The studies do not include Friday’s selloff, so I’ll give updated numbers below each one.

Years where NASDAQ closed down > 8% through April. Forward returns shown. 1971 (inception) - 2022.							
Ticker	Date/Time	Close	YTD %Chg	1-Mth % Chg	2-Mth % Chg	3-Mth% Chg	Rest of Yr % Chg
\$COMP	4/30/1973	107.85	-19.35	-4.83	-6.37	0.73	-14.52
\$COMP	4/30/1984	247.44	-11.18	-5.91	-3.15	-7.17	-0.04
\$COMP	4/30/2001	2116.24	-14.34	-0.27	2.09	-4.21	-7.84
\$COMP	4/30/2002	1688.23	-13.44	-4.29	-13.23	-21.32	-20.89
\$COMP	4/29/2005	1921.65	-11.67	7.63	7.04	13.7	14.76
\$COMP	4/30/2008	2412.8	-9.03	4.55	-4.97	-3.62	-34.64
\$COMP	4/28/2022	12871.53	-17.73	na	na	na	na

QuantifiableEdges.com

Friday’s NASDAQ selloff left it down 21.16% year-to-date, which is the worst ever through April. Past drops of 8% or more have not seen very good results the rest of the year. Next is SPX.

**Years where S&P 500 (or predecessor S&P 90) closed down > 10% through April.
Forward returns shown. 1928 - 2022.**

Index	Date/Time	Close	YTD %Chg	1-Mth % Chg	2-Mth % Chg	3-Mth% Chg	Rest of Yr % Chg
S&P 90	4/29/1932	5.83	-28.2	-23.33	-24.01	3.43	43.91
S&P 90	4/28/1939	10.93	-16.82	6.13	-0.64	10.16	2.29
S&P 90	4/30/1941	9.31	-12	0.75	5.8	11.6	10.42
S&P 90	4/30/1942	7.66	-11.85	6.4	8.36	11.75	12.53
S&P 500	4/30/1970	81.52	-11.45	-6.1	-10.79	-4.26	0
S&P 500	4/28/2022	4287.5	-10.04	0	0	0	0

QuantifiableEdges.com

SPX closed April down 13.31%, which is the worst ever for the S&P 500. If you count the S&P 90, then it is the worst start to the year since 1939.

Bonds are no better. Going back to 1990 (as far as the database contains), we see the following results for 20+ yr Treasuries and 7-10 yr Treasuries.

**S&P US Treasury Bond 20+ Yr Total Return Index
Years that were down > 4% through April. 1990 - 2022**

Index	Date/Time	Close	YTD %Chg	1-Mth % Chg	2-Mth % Chg	3-Mth% Chg	Rest of Yr % Chg
\$\$SPBDUSLT	4/29/1994	147.92	-7.69	-0.82	-1.83	1.64	0.75
\$\$SPBDUSLT	4/30/1996	177.34	-9.09	-0.51	1.48	1.61	0.01
\$\$SPBDUSLT	4/30/1999	242.8	-4.92	-1.75	-2.96	-3.42	-3.92
\$\$SPBDUSLT	4/28/2006	378.76	-7.3	0.13	1.09	3.18	6.56
\$\$SPBDUSLT	4/30/2009	507.51	-17.18	-3.69	-2.76	-2.42	0.04
\$\$SPBDUSLT	4/30/2018	832.6	-5.55	1.94	2.64	1.21	2.49
\$\$SPBDUSLT	4/30/2021	1035.69	-11.78	0.12	4.32	8.24	8.01
\$\$SPBDUSLT	4/28/2022	916.57	-18.07	na	na	na	na

QuantifiableEdges.com

**S&P US Treasury Bond 7-10 Yr Total Return Index
Years that were down > 4% through April. 1990 - 2022**

Index	Date/Time	Close	YTD %Chg	1-Mth % Chg	2-Mth % Chg	3-Mth% Chg	Rest of Yr % Chg
\$\$SPBDU10T	4/29/1994	146	-5.71	-0.07	-0.55	1.51	1.76
\$\$SPBDU10T	4/30/1996	171.17	-4.47	-0.5	0.94	1.15	0.68
\$\$SPBDU10T	4/30/2009	420.24	-4.12	-2.01	-2.33	-1.71	-0.71
\$\$SPBDU10T	4/30/2021	675.74	-4.75	0.44	1.48	3.53	3.11
\$\$SPBDU10T	4/28/2022	620	-9.74	na	na	na	na

QuantifiableEdges.com

Friday did not help these either. Long bonds are now down 19.06%, and intermediate-term bonds down 10.38%, both easily the worst years in the database. So for investors it has been an extremely difficult start to the year. There has been almost nowhere to hide. Crypto is also struggling, with Bitcoin down over 20% so far this year. And if you are in cash, that is getting eaten up by 8% inflation. Things will get better at some point. But if you are looking for seasonality to help, I have more bad news...

Over the last several years I have looked at the “Worst 6 Months” and filtered it by whether the market has suffered a pullback at any point leading up to the end of April. To define “pullback” I started with a clean slate every year on January 1. The close of Jan 1 was the high for the year as of that date. Each time a new high was made I would measure the pullbacks from the highest close to-date. I broke “Sell in May” down by years the SPX had a 5% pullback before May versus years it did not. Three-quarters of the time we have seen a 5% pullback. The updated results table below shows times where there had NOT been a pullback at some point before May (unlike this year).

SPX has not pulled back more than 5% on a close to close basis at any point from Jan - April. 6-month performance of May - Oct shown below.								
Symbol	Trade	Date	Price	Ex. date	Ex. Price	% chg	MAE	MFE
\$SPX	Long	4/28/1961	65.31	10/31/1961	68.62	5.07%	-1.38%	5.07%
\$SPX	Long	4/30/1963	69.8	10/31/1963	74.01	6.03%	-3.24%	7.71%
\$SPX	Long	4/30/1964	79.46	10/30/1964	84.86	6.80%	-1.65%	7.85%
\$SPX	Long	4/30/1965	89.11	10/29/1965	92.42	3.71%	-9.40%	4.58%
\$SPX	Long	4/28/1967	94.01	10/31/1967	93.3	-0.76%	-7.25%	4.57%
\$SPX	Long	4/30/1971	103.95	10/29/1971	94.23	-9.35%	-10.72%	0.97%
\$SPX	Long	4/28/1972	107.67	10/31/1972	111.58	3.63%	-3.57%	5.37%
\$SPX	Long	4/30/1976	101.64	10/29/1976	102.9	1.24%	-3.61%	6.97%
\$SPX	Long	4/30/1985	179.83	10/31/1985	189.82	5.56%	-0.82%	9.03%
\$SPX	Long	4/28/1989	309.64	10/31/1989	340.36	9.92%	-1.80%	16.41%
\$SPX	Long	4/28/1995	514.71	10/31/1995	581.5	12.98%	-0.74%	14.76%
\$SPX	Long	4/28/2006	1310.61	10/31/2006	1377.94	5.14%	-6.97%	6.02%
\$SPX	Long	4/30/2012	1397.91	10/31/2012	1412.16	1.02%	-9.38%	5.48%
\$SPX	Long	4/30/2013	1597.57	10/31/2013	1756.54	9.95%	-2.33%	11.12%
\$SPX	Long	4/30/2015	2085.51	10/30/2015	2079.36	-0.29%	-10.48%	2.36%
\$SPX	Long	4/28/2017	2384.2	10/31/2017	2575.26	8.01%	-1.32%	8.34%
\$SPX	Long	4/30/2019	2945.83	10/31/2019	3037.56	3.11%	-7.37%	3.54%
\$SPX	Long	4/30/2021	4181.17	10/29/2021	4605.38	10.15%	-2.97%	10.15%
Avg						4.55%	-4.72%	7.24%

Results here are actually quite positive, with 15 winning years and only 3 losers. And only twice did the Max Adverse Excursion (drawdown) exceed 10%, and that was just barely in both cases. Overall, the results suggest that when there has been a strong market headed into May that the

May-October period has been pretty good. But this year we have seen a huge pullback. Here are results for years in which there was a 5% pullback at some point in Jan-April.

<p>It is the last day in April. SPX has pulled back > 5% at some point this year. Buy on close. Sell on close the last day in October. \$100k/trade. 1961 - present.</p>	
All trades	43 (100.00 %)
Avg. Profit/Loss %	0.15%
Winners	26 (60.47 %)
Avg. Profit %	6.53%
Losers	17 (39.53 %)
Avg. Loss %	-9.62%
Max. trade % drawdown	-40.49
Profit Factor	1.04
<p>15 of 43 years have seen a drawdown of at least 10% and 7 of them finished with a loss > 10%.</p>	

Of the 43 years where a 5% pullback has occurred, 15 of them saw the market drop more than 10% from its April closing price during the next 6 months. And 7 of them were more than 10% lower at the close of October. There were slightly more winning years than losing ones, but the losers were quite a bit bigger. This suggests the market could be susceptible to some poor seasonal influence over the May – October timeframe. Below is the full list of instances. I have highlighted run-up (green) or drawdowns (red) exceeding 10% in the MFE and MAE columns.

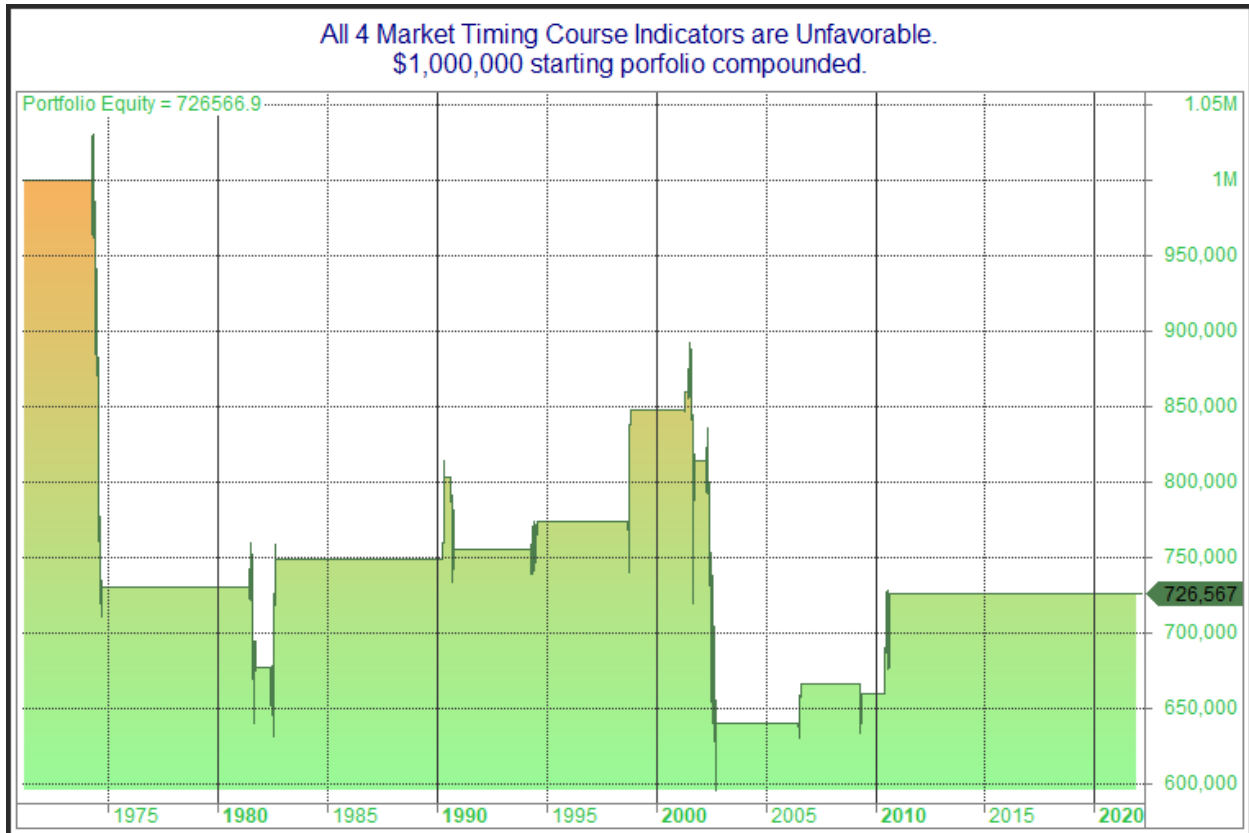
SPX has pulled back > 5% at some point during January - April.
6 Month performance of May - October shown below.

Symbol	Trade	Date	Price	Ex. date	Ex. Price	% chg	MAE	MFE
SPX	Long	4/30/1962	65.24	10/31/1962	56.52	-13.37%	-21.29%	2.59%
SPX	Long	4/29/1966	91.06	10/31/1966	80.2	-11.93%	-20.62%	0.88%
SPX	Long	4/30/1968	97.46	10/31/1968	103.41	6.11%	-1.71%	8.54%
SPX	Long	4/30/1969	103.69	10/31/1969	97.12	-6.34%	-15.09%	2.94%
SPX	Long	4/30/1970	81.52	10/30/1970	83.25001	2.12%	-15.84%	7.64%
SPX	Long	4/30/1973	106.97	10/31/1973	108.29	1.23%	-6.76%	5.47%
SPX	Long	4/30/1974	90.31	10/31/1974	73.9	-18.17%	-32.50%	3.82%
SPX	Long	4/30/1975	87.3	10/31/1975	89.04	1.99%	-6.56%	10.63%
SPX	Long	4/29/1977	98.44	10/31/1977	92.34	-6.20%	-8.37%	4.20%
SPX	Long	4/28/1978	96.83	10/31/1978	93.15	-3.80%	-5.35%	11.59%
SPX	Long	4/30/1979	101.76	10/31/1979	101.82	0.06%	-4.20%	10.22%
SPX	Long	4/30/1980	106.29	10/31/1980	127.47	19.93%	-2.62%	27.84%
SPX	Long	4/30/1981	132.81	10/30/1981	121.89	-8.22%	-17.03%	2.15%
SPX	Long	4/30/1982	116.44	10/29/1982	133.72	14.84%	-12.23%	20.58%
SPX	Long	4/29/1983	164.43	10/31/1983	163.55	-0.54%	-3.61%	5.00%
SPX	Long	4/30/1984	160.05	10/31/1984	166.09	3.77%	-7.99%	6.00%
SPX	Long	4/30/1986	235.52	10/31/1986	243.98	3.59%	-3.16%	7.95%
SPX	Long	4/30/1987	288.36	10/30/1987	251.79	-12.68%	-24.93%	17.18%
SPX	Long	4/29/1988	261.33	10/31/1988	278.97	6.75%	-4.78%	8.66%
SPX	Long	4/30/1990	330.8	10/31/1990	304	-8.10%	-10.97%	11.78%
SPX	Long	4/30/1991	375.35	10/31/1991	392.46	4.56%	-2.54%	5.93%
SPX	Long	4/30/1992	414.95	10/30/1992	418.68	0.90%	-4.37%	2.49%
SPX	Long	4/30/1993	440.19	10/29/1993	467.83	6.28%	-0.76%	7.02%
SPX	Long	4/29/1994	450.91	10/31/1994	472.35	4.75%	-2.46%	5.92%
SPX	Long	4/30/1996	654.17	10/31/1996	705.27	7.81%	-7.38%	9.16%
SPX	Long	4/30/1997	801.34	10/31/1997	914.62	14.14%	-1.26%	22.68%
SPX	Long	4/30/1998	1111.77	10/30/1998	1098.67	-1.18%	-16.95%	7.09%
SPX	Long	4/30/1999	1335.18	10/29/1999	1362.93	2.08%	-7.60%	6.36%
SPX	Long	4/28/2000	1452.43	10/31/2000	1429.4	-1.59%	-10.10%	5.35%
SPX	Long	4/30/2001	1249.49	10/31/2001	1059.78	-15.18%	-24.39%	5.32%
SPX	Long	4/30/2002	1076.92	10/31/2002	885.7599	-17.75%	-28.63%	2.76%
SPX	Long	4/30/2003	916.92	10/31/2003	1050.71	14.59%	-1.54%	14.93%
SPX	Long	4/30/2004	1107.3	10/29/2004	1130.2	2.07%	-4.21%	3.53%
SPX	Long	4/29/2005	1156.85	10/31/2005	1207.01	4.34%	-1.53%	7.69%
SPX	Long	4/30/2007	1482.37	10/31/2007	1549.38	4.52%	-7.54%	6.32%
SPX	Long	4/30/2008	1385.59	10/31/2008	968.75	-30.08%	-39.39%	3.94%
SPX	Long	4/30/2009	872.81	10/30/2009	1036.19	18.72%	-0.77%	26.19%
SPX	Long	4/30/2010	1186.69	10/29/2010	1183.26	-0.29%	-14.81%	1.79%
SPX	Long	4/29/2011	1363.61	10/31/2011	1253.3	-8.09%	-21.18%	0.51%
SPX	Long	4/30/2014	1883.95	10/31/2014	2018.05	7.12%	-3.36%	7.18%
SPX	Long	4/29/2016	2065.3	10/31/2016	2126.15	2.95%	-3.56%	6.22%
SPX	Long	4/30/2018	2648.05	10/31/2018	2711.74	2.41%	-2.02%	11.06%
SPX	Long	4/30/2020	2912.43	10/30/2020	3269.96	12.28%	-5.01%	23.20%
					Average	0.15%	-10.16%	8.57%

Further, I will also note that entering the “Worst 6 Months” means that all 4 indicators from the QE Market Timing Course are now unfavorable. This is the 1st time this has happened since I released the course back in 2014. Let’s take a look at all past instances where this setup occurred back to 1971.

All 4 Market Timing Course Indicators are Unfavorable. All instances shown since 1971.								
Symbol	Trade	Date	Price	Ex. date	Ex. Price	% chg	MAE	MFE
\$SPX	Long	4/30/1974	90.31	9/27/1974	64.94	-28.09%	-28.97%	3.82%
\$SPX	Long	10/11/1974	71.14	10/18/1974	72.28	1.60%	-3.29%	4.62%
\$SPX	Long	7/2/1981	128.64	10/16/1981	119.19	-7.35%	-14.34%	5.08%
\$SPX	Long	6/11/1982	111.24	8/6/1982	103.71	-6.77%	-6.77%	1.03%
\$SPX	Long	8/13/1982	103.85	9/24/1982	123.32	18.75%	-1.40%	21.74%
\$SPX	Long	4/30/1990	330.8	5/25/1990	354.58	7.19%	-0.92%	8.98%
\$SPX	Long	9/7/1990	323.4	10/31/1990	304	-6.00%	-8.93%	0.97%
\$SPX	Long	4/29/1994	450.91	8/12/1994	461.94	2.45%	-2.46%	2.73%
\$SPX	Long	10/2/1998	1002.6	10/30/1998	1098.67	9.58%	-7.91%	9.58%
\$SPX	Long	4/30/2001	1249.49	5/4/2001	1266.61	1.37%	-0.77%	1.88%
\$SPX	Long	6/15/2001	1214.36	6/29/2001	1224.38	0.83%	-0.93%	2.13%
\$SPX	Long	7/6/2001	1190.59	7/13/2001	1215.68	2.11%	-1.86%	2.41%
\$SPX	Long	7/20/2001	1210.85	8/3/2001	1214.35	0.29%	-3.74%	1.27%
\$SPX	Long	8/10/2001	1190.16	10/12/2001	1091.65	-8.28%	-20.62%	0.73%
\$SPX	Long	4/30/2002	1076.92	5/17/2002	1106.59	2.76%	-2.60%	2.76%
\$SPX	Long	5/24/2002	1083.82	7/19/2002	847.75	-21.78%	-21.78%	1.22%
\$SPX	Long	7/26/2002	852.84	10/11/2002	835.32	-2.05%	-9.87%	13.15%
\$SPX	Long	7/19/2006	1259.81	9/1/2006	1311.01	4.06%	-1.83%	4.06%
\$SPX	Long	5/8/2009	929.23	5/29/2009	919.14	-1.09%	-5.41%	0.10%
\$SPX	Long	7/2/2010	1022.58	7/23/2010	1102.66	7.83%	-0.65%	7.83%
\$SPX	Long	7/30/2010	1101.6	9/17/2010	1125.59	2.18%	-5.62%	2.51%

Not horrible, but there are a few very sizable drops in there. Below is a look at a profit curve showing a hypothetical portfolio that only invested when this setup was active.



Not good. The downs were big and the ups were not.

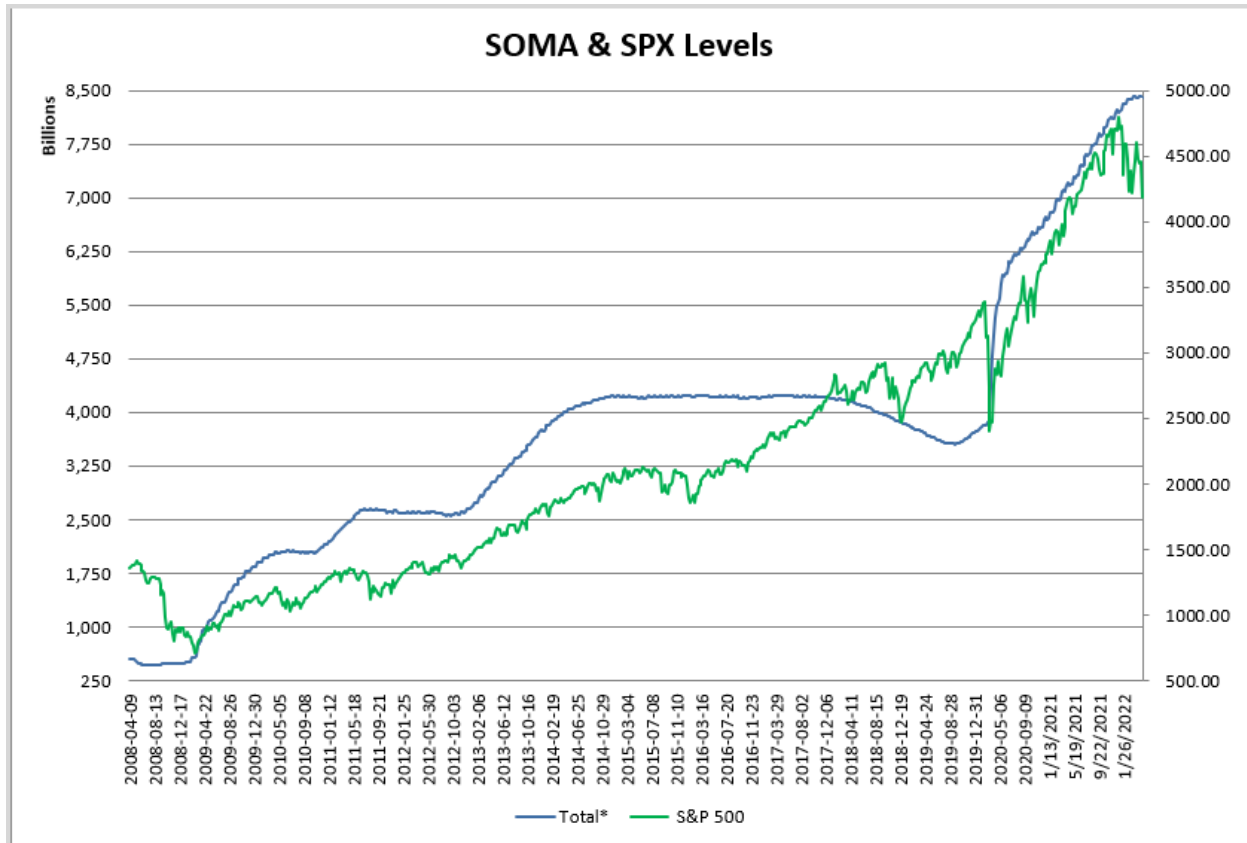
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of
[Previous](#) **April 27, 2022**
Posted April 28, 2022 at 4:30 P.M.

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)	4,946,310,461.8
US Treasury Floating Rate Notes (FRNs)	29,152,660.9
US Treasury Inflation-Protected Securities (TIPS)*	380,861,729.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,706,069,208.5
Agency Commercial Mortgage-Backed Securities***	8,943,066.3
Total SOMA Holdings	8,399,728,127.2
Change From Prior Week	-15,675,082.2

This week the SOMA declined about \$16 billion. This is the 1st time since September of 2019 that the SOMA declined two weeks in a row. The Fed may not have officially started Quantitative Tightening (QT) yet, but the last couple of weeks seem to be giving us a small peak at life with global concerns and a Fed that is not providing liquidity. 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 has flattened and will likely begin to head lower in a noticeable way fairly soon. There should be an announcement with regards to QT on Wednesday. Some people anticipate it will officially begin in June, many believe May. Based on the numbers the last couple of weeks, it appears it might already have begun to a degree. 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. So far, the market has not done well without the Fed on its side, and that is not unexpected.

Overall, market action remains volatile. Other than being short-term oversold and primed for a bounce, there is very little supporting the bull case over the intermediate-term. The trend is clearly down with stocks and bonds off to the worst 4-month start to a year of all time. The Fed is hawkish, the NASDAQ is lagging, seasonality looks lousy, and there is a ton of uncertainty with regards to geopolitics and the global economy. I'm now inclined to lean bearish. From a trading perspective, I am still willing to take short-term trades in either direction, but I'll be more cautious with my long entries and quicker with my long exits than if we were in a bullish environment.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

NFLX – 1/3 @ \$188.54 (bought @ limit)

CHTR – 1/3 @ \$461.49 (bought @ limit)

New

CHTR – 1/3 @ \$428.49 (buy @ limit)

AMGN – 1/3 @ \$233.19 (buy @ limit)

Broad Market Large Cap CBI – 4 (NFLX, CHTR-2, AMGN)

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.

CHTR – Buy 1/3 Catapult position @ \$428.49 LIMIT. From the Catapult section above this would be the 2nd of up to 3 lots for CHTR.

AMGN – Buy 1/3 Catapult position @ \$233.19 LIMIT. From the Catapult section above this would be the 1st of up to 3 lots for AMGN.

SPY – Buy ¼ index position @ \$407.75 LIMIT ON CLOSE. Based on the short-term section above, I will look to take on another lot of SPY if it closes down a bit more than 1% on Monday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>LLY(2/3)</i>	<i>4/22/2022</i>	<i>\$289.30</i>	<i>\$295.79</i>	<i>2.24%</i>	<i>sold on open</i>
<i>LLY(1/3)</i>	<i>4/25/2022</i>	<i>\$278.73</i>	<i>\$295.79</i>	<i>6.12%</i>	<i>sold on open</i>
SPY(1/4)	4/25/2022	\$423.67	\$412.00	-2.75%	Aggregator
SPY(1/4)	4/27/2022	\$416.10	\$412.00	-0.99%	Aggregator
NFLX(1/3)	4/28/2022	\$188.54	\$190.36	0.97%	Catapult
CHTR(1/3)	4/29/2022	\$449.89	\$428.49	-4.76%	Catapult

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2022 Quantifiable Edges, LLC.