

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 11, 2022

Volume 15 Issue 89

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPY closed up, but the series of lower highs and lower lows continued, suggesting a downside edge.
- Breadth being so poor while SPX closed up suggests a downside edge over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is mixed and I am looking to get flat.

The Evidence

Tuesday saw mixed results. The SPX gained 0.25%, the NASDAQ rose 1.0%, and the Russell 2000 dipped 0.02%. Breadth was negative with the NYSE Up Issues % coming in at 42% and the Up Volume % at 40%. NYSE total volume declined some from Monday's level.

The negative breadth stood out on a day with the SPX clearly higher. That triggered a few breadth-related studies in the Quantifinder. The one below was last seen in the 4/17/20 letter. It looked at other times SPX closed higher while both the Up Issue % and Up Volume % closed under 45%.

SPX closes up while NYSE Up Issues % < 45% and NYSE Up Volume % < 45%. SPX < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-25,841.32	18	4	14	22.22	2,398.50	-9,372.60	1,261.92	-2,206.36	0.57	0.16	-1,435.63
4	-25,335.16	18	2	16	11.11	4,002.29	-8,138.50	3,852.86	-2,065.06	1.87	0.23	-1,407.51
3	-22,838.82	19	6	13	31.58	2,884.52	-6,854.44	1,698.99	-2,540.98	0.67	0.31	-1,202.04
2	-17,726.90	19	9	10	47.37	2,882.10	-12,374.88	1,467.78	-3,093.69	0.47	0.43	-932.99
1	-10,439.19	19	9	10	47.37	2,625.35	-8,783.02	1,272.93	-2,189.56	0.58	0.52	-549.43

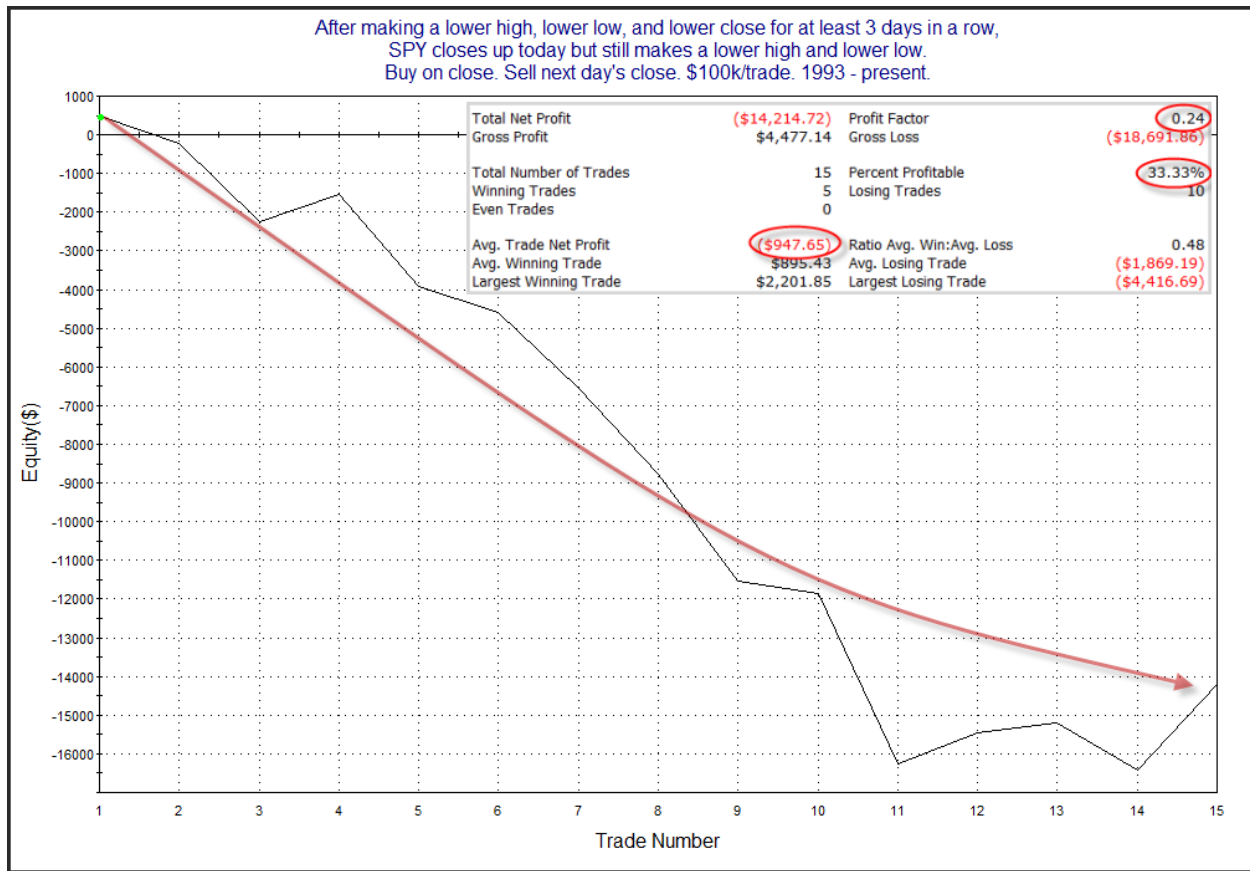
Numbers here are quite negative. Below is a list of all the instances and their 4-day results.

SPX closes up while NYSE Up Issues % < 45% and NYSE Up Volume % < 45%.
 SPX < 200ma. Buy SPX on close. Sell 4 days later. \$100k/trade. 1999 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/24/2001	Buy	\$1,085.20	-2.34%	\$2,337.72
10/30/2001	Sell	\$1,059.79		(\$2,906.28)
6/4/2002	Buy	\$1,040.69	-0.96%	\$904.32
6/10/2002	Sell	\$1,030.74		(\$2,707.20)
9/16/2002	Buy	\$891.10	-5.13%	\$1,291.36
9/20/2002	Sell	\$845.39		(\$5,810.56)
6/8/2006	Buy	\$1,257.93	-2.22%	\$367.35
6/14/2006	Sell	\$1,230.04		(\$3,052.56)
6/9/2008	Buy	\$1,361.77	-0.13%	\$370.11
6/13/2008	Sell	\$1,360.02		(\$2,225.04)
6/23/2008	Buy	\$1,318.02	-3.00%	\$1,320.75
6/27/2008	Sell	\$1,278.49		(\$3,451.50)
6/30/2008	Buy	\$1,280.00	-2.16%	\$949.26
7/7/2008	Sell	\$1,252.29		(\$3,066.96)
9/26/2008	Buy	\$1,213.53	-8.18%	\$0.00
10/2/2008	Sell	\$1,114.28		(\$8,783.02)
11/18/2008	Buy	\$859.12	-0.85%	\$751.68
11/24/2008	Sell	\$851.81		(\$13,652.04)
7/12/2010	Buy	\$1,078.75	-1.29%	\$1,905.32
7/16/2010	Sell	\$1,064.88		(\$1,419.56)
6/4/2012	Buy	\$1,278.18	3.71%	\$3,967.86
6/8/2012	Sell	\$1,325.66		(\$313.56)
12/14/2015	Buy	\$2,021.94	-0.81%	\$2,684.22
12/18/2015	Sell	\$2,005.52		(\$813.89)
1/11/2016	Buy	\$1,923.67	-2.26%	\$1,359.66
1/15/2016	Sell	\$1,880.29		(\$3,357.84)
1/19/2016	Buy	\$1,881.33	-0.23%	\$1,458.56
1/25/2016	Sell	\$1,877.08		(\$3,659.12)
11/27/2018	Buy	\$2,682.20	4.03%	\$4,365.26
12/3/2018	Sell	\$2,790.37		\$0.00
12/10/2018	Buy	\$2,637.72	-1.43%	\$1,765.64
12/14/2018	Sell	\$2,599.95		(\$1,623.56)
4/16/2020	Buy	\$2,799.55	-0.01%	\$2,788.45
4/22/2020	Sell	\$2,799.31		(\$2,535.75)
5/11/2020	Buy	\$2,930.19	-2.27%	\$531.42
5/15/2020	Sell	\$2,863.70		(\$5,560.70)

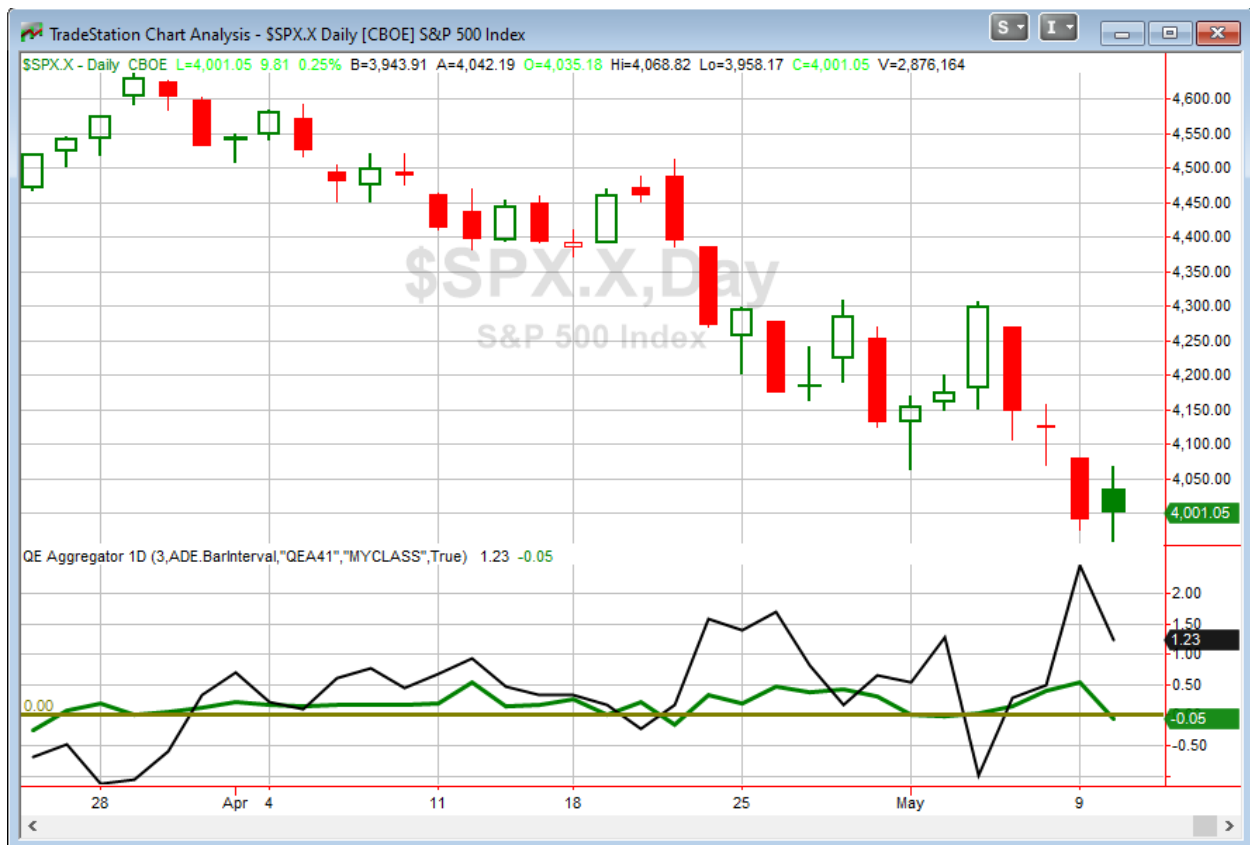
There were only 2 instances where the market rose over the next 4 days, but they were both sizable.

Another interesting aspect of Tuesday's action is that while it ended the streak of lower closes, the streaks of lower highs and lower lows both remain intact. We have a study that looks at similar action from the 2/25/22 letter. Results are updated below.



Despite the low number of instances, the results appear bearish and the curve supports the hypothesis of a downside edge.

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



With tonight's evidence considered, the green Aggregator is dipped slightly below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current list of active studies, expectations are set to flip back to positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4143.30 on Wednesday. That is a massive 3.6% above Tuesday's close. So it is likely going to take a few days to work off this oversold condition.

So the Aggregator is now neutral. Evidence is mixed and the market is oversold. If my intermediate-term outlook was bullish I might try and hold on to my long exposure a bit longer, knowing expectations are likely going to flip back to positive on Wednesday. But when trading counter-trend, I prefer to be more demanding of my entries, and quicker to exit. If I can get a decent fill on Wednesday, I will exit the small index position I am holding.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/9 – somewhat bearish

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	5/9/2022	\$398.17	\$399.09	0.23%	<i>Sell @ \$399.09 LIMIT</i>

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