

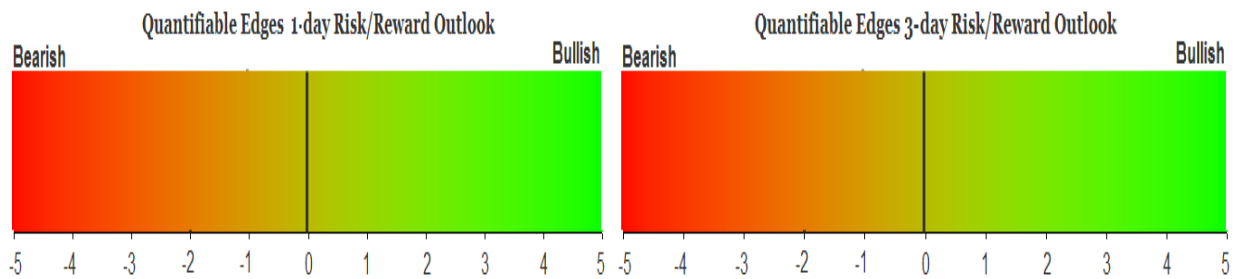
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 18, 2022

Volume 15 Issue 94

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The strong move over the last few days from a 50-day low could be a short-term negative. But there is also a chance it could be a long-term positive.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral. Like last night, evidence is mixed, the market is volatile, and I do not see a strong reward/risk setup here.

**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
<b>Active - Short Term</b>						
May 16, 2022	Big 1-day rally on 5-day low volume	1-5 days	Bearish	-5.50%	1.95%	3.50%
May 12, 2022	SPX dn > 1.5%. VIX down.	1-9 days	Bullish	6.60%	-3.40%	-7.40%
<b>Active - Long Term</b>						
May 16, 2022	Up from 50-low on a Friday	1-25 days	Bullish	5.80%	-3.80%	-8.10%
May 12, 2022	NASDAQ breadth oversold at 100 Low	1-19 days	Bullish			
May 9, 2022	5 weeks lower and < 40-week avg	1-8 weeks	Bearish			
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
May 16, 2022	Up from 50-low on a Friday	1-2 days	Bullish			

**The Evidence**

The market made a strong move higher on Tuesday. The SPX rose 2.0%, the NASDAQ rallied 2.8%, and the Russell 2000 jumped 3.2%. Breadth was strong with the NYSE Up Issues % coming in at 74% and the Up Volume % at 86%. NYSE total volume rose some from Monday’s low level.

This has been quite a pop over the last 3 days. Such pops can sometimes signal a new uptrend, and other times they are simply a sharp short-covering bear market bounce. It is a bit early to tell, but I did run one test with interesting results tonight.

SPX closed at a 50-day low 3 days ago. It closed up > 2% today and either yesterday or the day before. Today closes > the close of 3 days ago. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	-31,115.05	9	1	8	11.11	4,428.90	-12,050.94	4,428.90	-4,442.99	1.00	0.12	-3,457.23
4	-26,816.73	9	2	7	22.22	5,800.13	-11,379.81	3,802.76	-4,917.47	0.77	0.22	-2,979.64
3	-11,967.50	9	4	5	44.44	5,372.64	-11,890.36	3,980.67	-5,578.04	0.71	0.57	-1,329.72
2	-4,748.90	9	4	5	44.44	4,196.79	-4,890.25	2,148.21	-2,668.35	0.81	0.64	-527.66
1	-10,665.83	9	5	4	55.56	1,524.64	-5,112.51	707.04	-3,550.25	0.20	0.25	-1,185.09

The 1<sup>st</sup> three days are a toss-up, but a week later there has been sizable and consistent selling, though on a low number of instances. Below is the full list of instances.

SPX closed at a 50-day low 3 days ago. It closed up > 2% today and either yesterday or the day before. Today closes > the close of 3 days ago.  
Buy on close. Sell X days later. \$100k/trade. 1980 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/27/2001	Buy	\$1,182.18	-6.41%	\$0.00
4/3/2001	Sell	\$1,106.40		(\$6,887.16)
10/30/2008	Buy	\$954.09	-5.16%	\$5,555.68
11/6/2008	Sell	\$904.88		(\$5,652.40)
11/24/2008	Buy	\$851.81	-0.35%	\$5,199.48
12/2/2008	Sell	\$848.81		(\$4,226.04)
3/12/2009	Buy	\$750.74	4.44%	\$6,982.50
3/19/2009	Sell	\$784.04		(\$1,101.24)
8/11/2011	Buy	\$1,172.64	-2.73%	\$3,045.55
8/18/2011	Sell	\$1,140.65		(\$3,536.85)
8/27/2015	Buy	\$1,987.66	-1.84%	\$291.00
9/3/2015	Sell	\$1,951.13		(\$4,229.50)
3/4/2020	Buy	\$3,130.12	-12.42%	\$0.00
3/11/2020	Sell	\$2,741.38		(\$13,109.90)
3/17/2020	Buy	\$2,529.19	-3.24%	\$0.00
3/24/2020	Sell	\$2,447.33		(\$13,155.87)
3/26/2020	Buy	\$2,630.07	-3.92%	\$430.16
4/2/2020	Sell	\$2,526.90		(\$6,938.04)

Those are some big drops. But several of those dates would have been nice long-term buying opportunities. I am looking at 2009, 2011, 2015, and (the last one in) 2020 especially. In any case, I think the bulls may want to be careful on a short-term basis. This is not consistent enough over the 1<sup>st</sup> few days for me to include this on the Active List with so few instances. But I thought it interesting and worth sharing.

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



Without any new evidence being added tonight, the green Aggregator closed above zero by an imperceptible amount. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line fell further below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4045.77 on Wednesday. That is 1.1% below Tuesday's close. Therefore, SPX will need to close down at least 1.1% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again neutral. While the market is overbought, evidence is mixed. Tonight's study suggested some short-term caution may be warranted for the bulls. Someone willing to put more faith in that study than I could consider some short exposure. I'll remain demanding for new entries in this volatile environment.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 5/16 – somewhat bearish***

The intermediate-term outlook was last updated in the 5/16/22 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***

**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**

**None**

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