

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 10, 2022

Volume 15 Issue 110

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- 2% drops that make the 1<sup>st</sup> 5-day low in a while in a long-term downtrend have historically seen a bounce in the coming days.
- 2 days of weak breadth and a close below the 200ma but above a 20-day low seem to suggest a good chance of a bounce Friday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. The market has quickly become oversold and evidence tonight is pointing higher. I believe there is an upside edge.

**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>						
June 10, 2022	1st 5 low in 5 days. 2% drop. Close<200	1-4 days	Bullish	3.50%	-2.00%	-4.10%
June 10, 2022	Up iss % < 30 for 2 days. Close<200>20	1 day	Bullish			
<b>Active - Long Term</b>						
May 31, 2022	70% Up Issue % 3 days in a row	1-85 days	Bullish	11.10%	-4.50%	-10.90%
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			

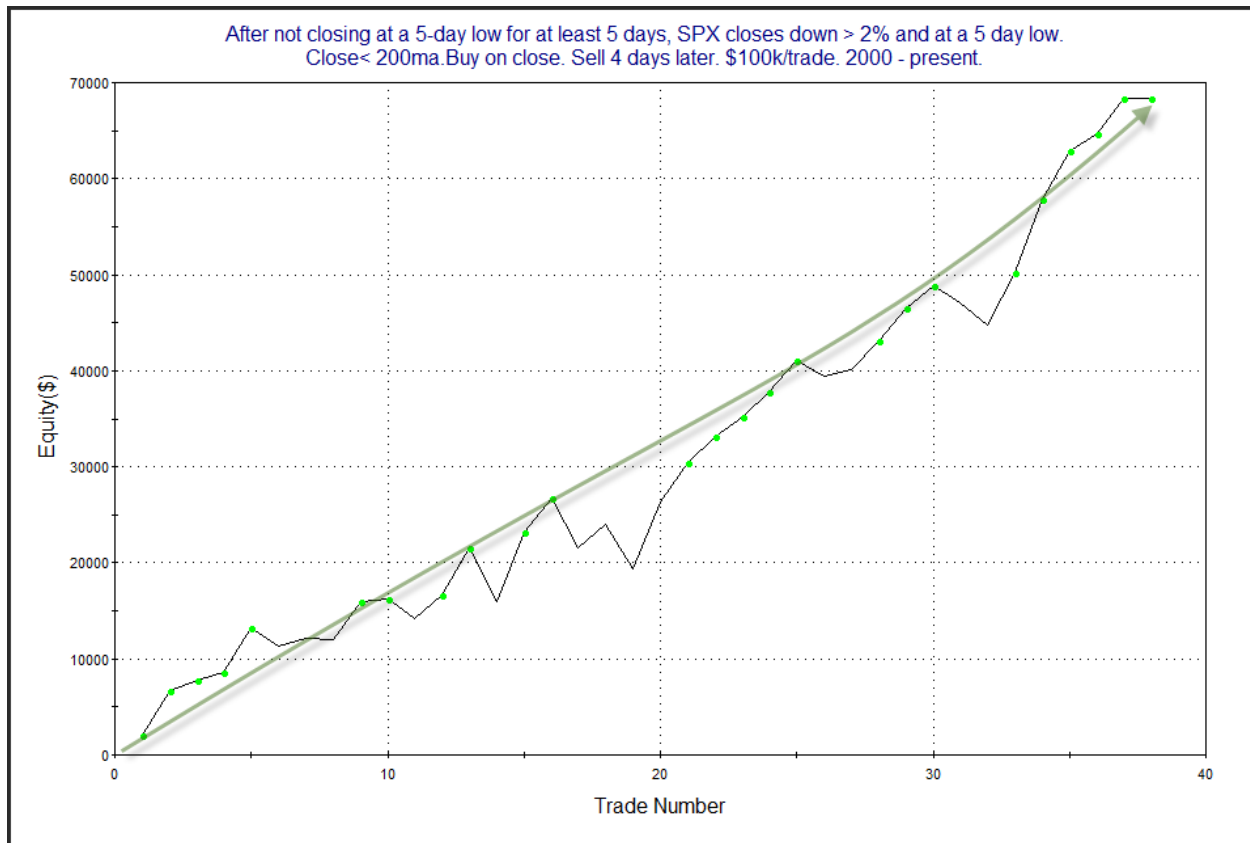
**The Evidence**

The market broke its recent trading range and took a tumble on Thursday. The SPX closed down 2.4%, the NASDAQ lost 2.75%, and the Russell 2000 declined 2.1%. Breadth was extremely negative with the NYSE Up Issues % coming in at 17% and the Up Volume % at 7%. NYSE total volume rose some from Wednesday's level.

Some studies in the Quantifinder looked at things like 1) SPX making its 1<sup>st</sup> 5-day low in a while, 2) its large drop. I combined these concepts tonight and looked at the scenario below.

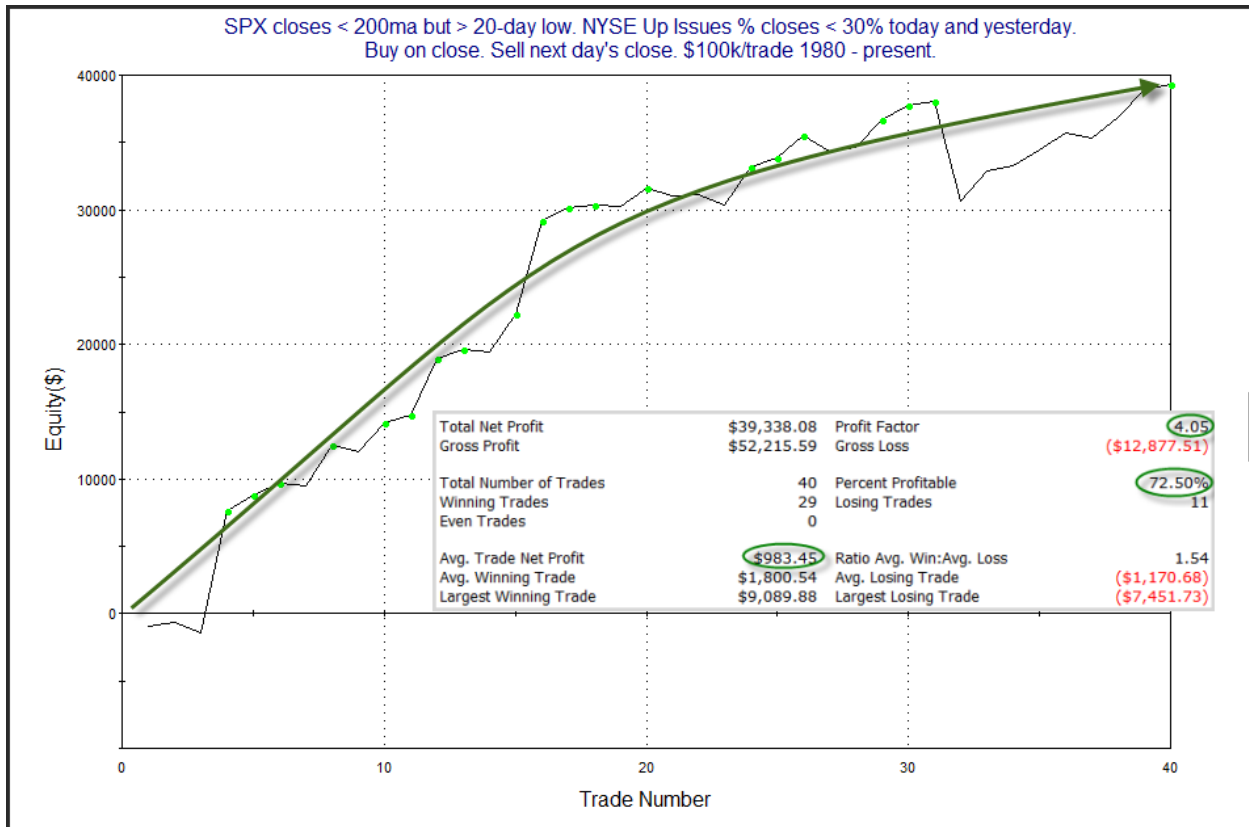
After not closing at a 5-day low for at least 5 days, SPX closes down > 2% and at a 5 day low. Close< 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	83,765.63	33	26	7	78.79	13,162.00	-15,203.76	4,682.62	-5,426.06	0.86	3.21	2,538.35
9	91,349.68	33	26	7	78.79	12,514.40	-9,739.60	4,783.11	-4,715.90	1.01	3.77	2,768.17
8	77,971.20	35	26	9	74.29	15,022.40	-10,610.08	4,621.78	-4,688.35	0.99	2.85	2,227.75
7	72,685.96	37	26	11	70.27	11,645.20	-8,265.92	4,223.38	-3,374.71	1.25	2.96	1,964.49
6	68,821.34	38	26	12	68.42	12,772.80	-9,534.56	3,981.08	-2,890.56	1.38	2.98	1,811.09
5	59,816.16	38	27	11	71.05	11,405.78	-10,448.88	3,527.31	-3,220.12	1.10	2.69	1,574.11
4	68,416.22	38	29	9	76.32	7,556.40	-5,597.28	3,229.31	-2,803.74	1.15	3.71	1,800.43
3	46,506.25	38	28	10	73.68	7,727.20	-5,345.76	2,384.79	-2,026.80	1.18	3.29	1,223.85
2	31,008.37	38	24	14	63.16	6,652.66	-2,578.05	2,070.06	-1,333.79	1.55	2.66	816.01
1	14,625.45	38	24	14	63.16	4,948.02	-4,980.56	1,592.86	-1,685.94	0.94	1.62	384.88

Despite being at a low level in a long-term downtrend, the odds appear to favor a rally in the coming days. Below is a look at the profit curve assuming a 4-day holding period.



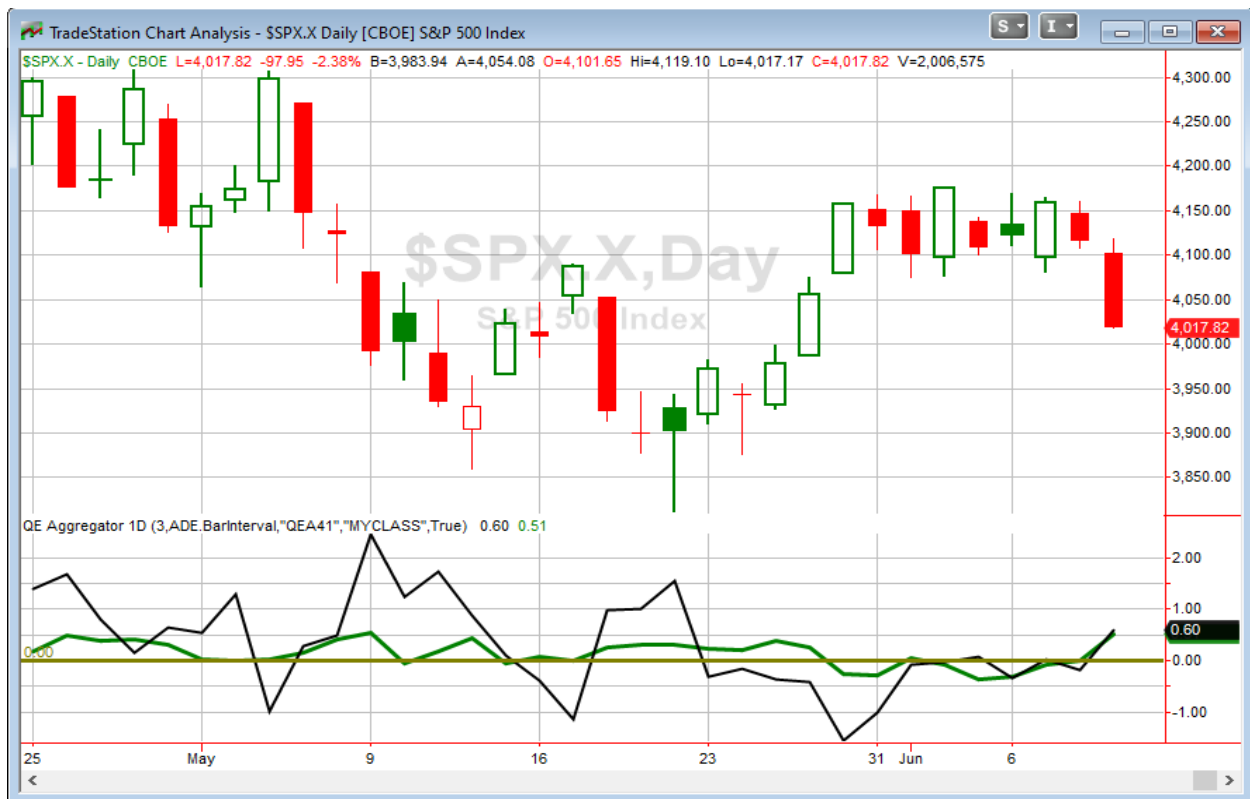
That is a strong and steady upslope, which serves as some confirmation of the upside edge suggested by the stats table. I have added this study to the active list tonight.

Also notable is that we had a study trigger that looked at the weak NYSE breadth along with the SPX price action over the last couple of days. Last seen recently in the 4/7/22 letter, I have updated the results below.



Impressive numbers and an impressive profit curve. I have added this study to the active list again tonight.

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



With tonight's evidence considered, the green Aggregator line closed well above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line rose 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 turned long at the close.

Based on the current active list, expectations are set to remain positive on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4128.17. That is 2.75% above Thursday's close. Therefore, SPX will need to close up 2.75% on Friday in order to flip from oversold to overbought vs recent expectations. More likely, it will take a few days to work off the oversold condition.

*So the Aggregator is now bullish. We are seeing evidence suggesting the market should bounce, and it has quickly become quite oversold after the sizable selloff on Thursday. Friday morning the CPI report will be released about an hour before the open. That could lead to a quick overreaction either up or down for the market. I like the long side. But with a neutral intermediate-term outlook, a volatile environment, and SPX just breaking down from its recent range, I am a bit wary of getting aggressive. I may look to take on some long exposure on Friday, but only near the 4pm EST close and only if SPX again closes down.*

***Intermediate-term Outlook (2 weeks – 2 months) – updated 6/6 – neutral***

The intermediate-term outlook was last updated in the 6/6/22 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.*

**SPY – Buy ¼ index position @ \$401.43 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to take on a small amount of index exposure on Friday if SPY closes lower.

**Current Open Trade Ideas**

**None**

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.