

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 14, 2022

Volume 15 Issue 112

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- A whole bunch 'o stuff is saying a bounce is near.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. The market is strongly oversold and evidence is strongly suggesting a bounce. 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						
June 14, 2022	3 Turnaround Tuesday studies	1 day	Bullish			
June 14, 2022	SPX down 1.5% 3 days in a row	1-2 days	Bullish			
June 14, 2022	SPY dn 3% and within 1% of intraday low	1-5 days	Bullish	5.00%	-3.80%	-7.90%
June 13, 2022	SPX dn 2.5% on a Friday	1-6 days	Bullish	4.10%	-2.65%	-5.60%
Active - Long Term						
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	Bearish			
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 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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
June 13, 2022	5-day low yest. Dn 2.5% and < 200	1-2 days	Bullish			
June 13, 2022	SPX dn 3 days. Friday before Opex	1-2 days	Bullish			
June 13, 2022	Up iss % < 30 for 2 days. Close < 200	1 day	Bullish			
June 10, 2022	1st 5 low in 5 days. 2% drop. Close <	1-4 days	Bullish	3.50%	-2.00%	-4.10%

The Evidence

Thud. Monday the SPX closed down 3.8%, the NASDAQ lost 4.7%, and the Russell 2000 declined 4.8%. Breadth was extremely negative with the NYSE Up Issues % coming in at 6% and the Up Volume % at 2%. NYSE total volume spiked higher from the level seen on Friday.

The selloff the last 3 days has been both very strong and very persistent. Each day the SPX declined at least 1.5%. It is quite unusual to see the SPX decline that much for 3 consecutive days. Below is a look at other times the this has occurred. (Updated from the 3/10/20 letter.)

SPX closes down > 1.5% for exactly the 3rd day in a row. Buy on close. Sell X days later. \$100k/trade. 10/20/1987 - 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	30,053.67	12	9	3	75.00	9,572.31	-12,975.48	5,298.91	-5,878.84	0.90	2.70	2,504.47
4	38,160.32	12	10	2	83.33	8,810.76	-2,476.48	4,191.62	-1,877.96	2.23	11.16	3,180.03
3	25,436.42	12	10	2	83.33	8,432.34	-9,573.12	3,760.39	-6,083.73	0.62	3.09	2,119.70
2	35,483.99	12	10	2	83.33	6,245.15	-774.99	3,644.55	-480.73	7.58	37.91	2,957.00
1	11,726.66	12	7	5	58.33	4,884.12	-2,684.68	2,751.15	-1,506.28	1.83	2.56	977.22

The numbers on the table suggest 1) there has been a high probability of a bounce, and 2) the bounces have been very strong when they arrived. But there is a dirty little secret with this study. Below is a look at the 2-day results...and a reveal of the dirty little secret.

SPX closes down > 1.5% for exactly the 3rd day in a row.
Buy on close. Sell 2 days later. \$100k/trade. 10/20/1987 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/10/1987	Buy	\$239.00	3.98%	\$4,552.02
11/12/1987	Sell	\$248.52		\$0.00
8/23/1990	Buy	\$307.06	4.68%	\$5,216.25
8/27/1990	Sell	\$321.43		(\$289.25)
10/11/1990	Buy	\$295.45	2.63%	\$3,156.92
10/15/1990	Sell	\$303.22		(\$81.12)
4/14/2000	Buy	\$1,356.02	6.31%	\$6,245.15
4/18/2000	Sell	\$1,441.57		(\$694.96)
2/21/2001	Buy	\$1,255.28	-0.78%	\$368.14
2/23/2001	Sell	\$1,245.47		(\$3,147.36)
9/21/2001	Buy	\$965.80	4.81%	\$5,288.02
9/25/2001	Sell	\$1,012.27		\$0.00
7/22/2002	Buy	\$819.85	2.88%	\$2,960.87
7/24/2002	Sell	\$843.43		(\$5,344.57)
8/5/2002	Buy	\$834.60	5.05%	\$5,252.66
8/7/2002	Sell	\$876.77		\$0.00
3/2/2009	Buy	\$700.82	1.72%	\$3,308.60
3/4/2009	Sell	\$712.87		(\$1,209.84)
8/24/2015	Buy	\$1,893.21	2.50%	\$2,851.16
8/26/2015	Sell	\$1,940.51		(\$1,358.76)
12/21/2018	Buy	\$2,416.58	2.12%	\$2,098.38
12/26/2018	Sell	\$2,467.70		(\$2,870.00)
3/9/2020	Buy	\$2,746.56	-0.19%	\$4,897.08
3/11/2020	Sell	\$2,741.38		(\$1,416.24)

**Avg Run-up: 3.85% Avg Drawdown: -1.4%.
but...**

the instance prior to those triggered on 10/16/1987 and was followed by the Crash of '87 the next day.

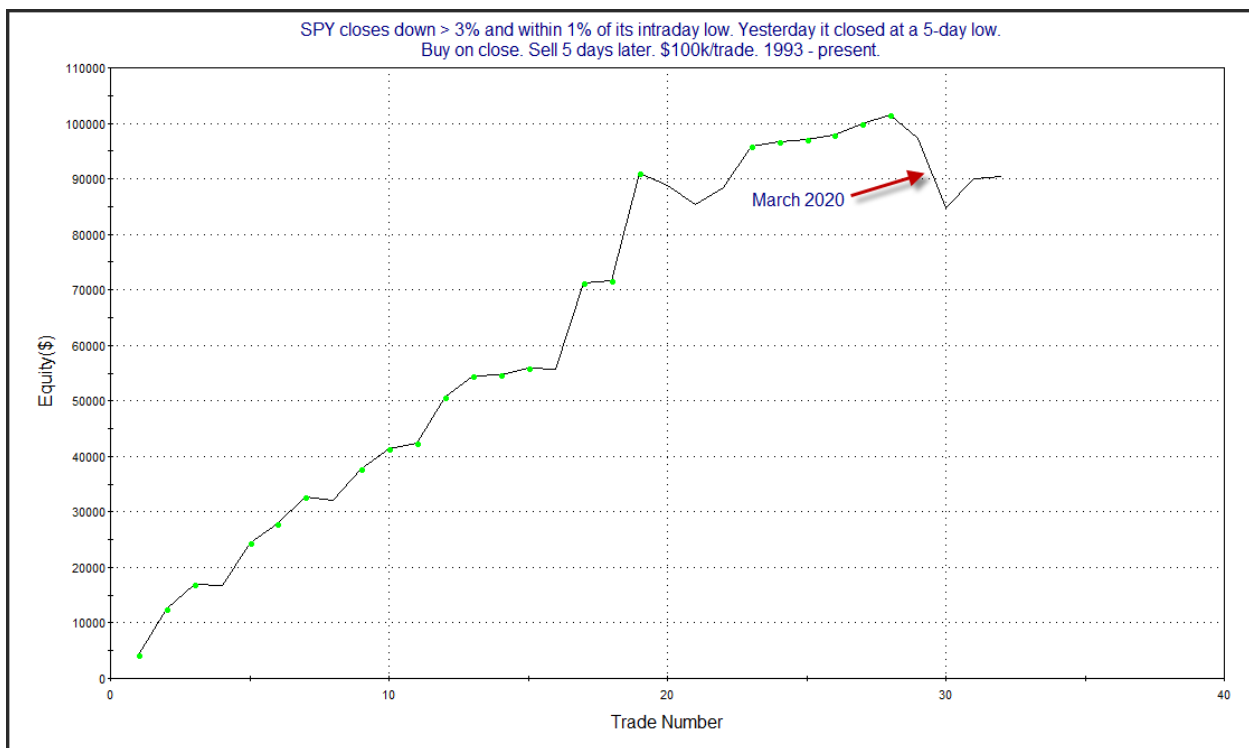
There appears to be a high probability of a strong bounce. But probable does not mean definite. And with the Crash of '87 instance and what occurred soon after the 3/9/20 instance, there have been some historic collapses following this setup. So a continued collapse is a possibility. But I think the probable outcome is a strong bounce like we see in most instances above.

Another study looked for large drops that closed poorly and came after there was already a short-term low in place. Last seen in the 5/10/22 letter, I have updated it below.

SPY closes down > 3% and within 1% of its intraday low. Yesterday it 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	90,433.27	32	25	7	78.13	19,398.00	-12,514.32	4,548.44	-3,325.40	1.37	4.88	2,826.04
4	63,102.02	34	22	12	64.71	17,914.00	-8,109.60	4,279.08	-2,586.47	1.65	3.03	1,855.94
3	36,052.87	35	20	15	57.14	14,708.85	-11,518.47	4,010.42	-2,943.71	1.36	1.82	1,030.08
2	59,031.60	36	27	9	75.00	12,693.50	-9,320.67	3,203.82	-3,052.39	1.05	3.15	1,639.77
1	53,580.31	37	26	11	70.27	11,683.71	-4,080.40	2,846.90	-1,858.10	1.53	3.62	1,448.12

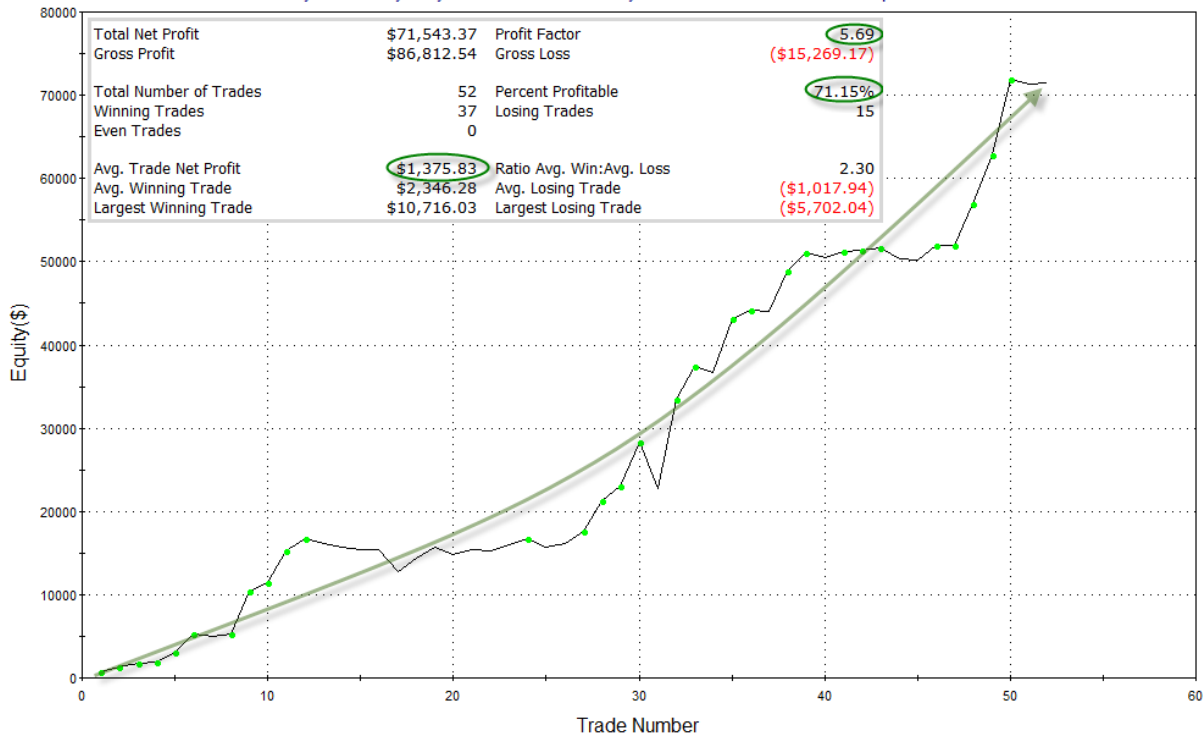
Very substantial looking numbers here. Below is the profit curve.



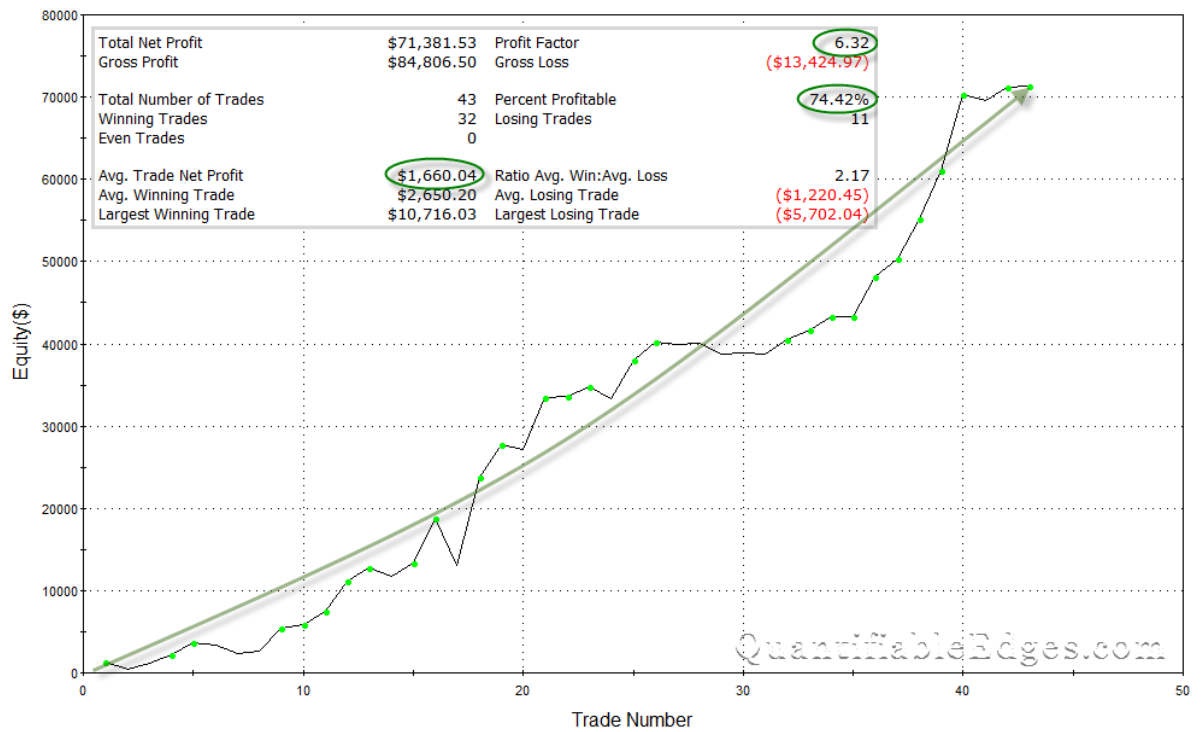
March 2020 uglified this one up a little. I'll forgive that for now, since the rest of the curve remains impressive.

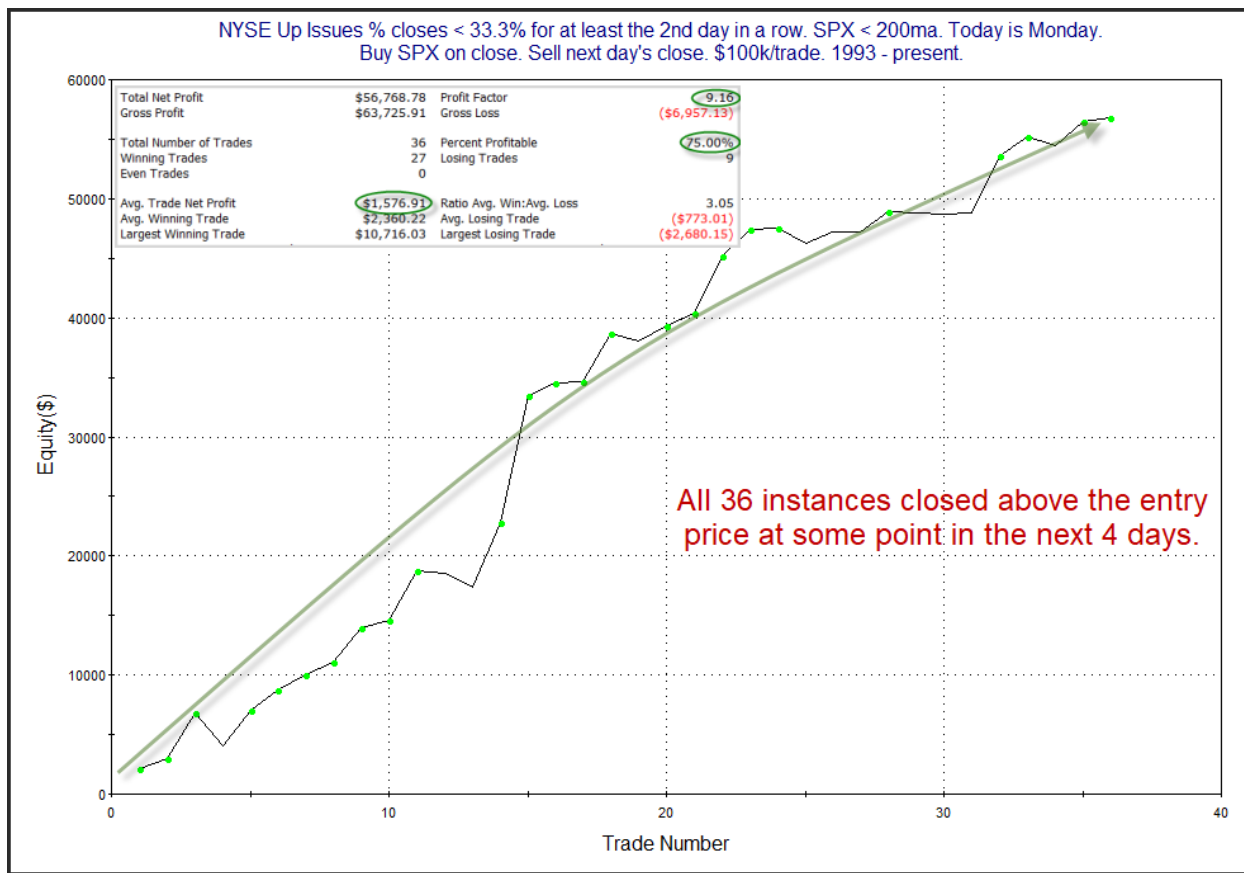
There were also several "Turnaround Tuesday" studies that suggested an upside edge. Rather than discuss them individually, I have pasted 3 of the most compelling ones below.

SPX closes down > 1% and NYSE decliners double advancers. SPX posts lowest close in 50 days.
 Today is Monday. Buy on close. Sell next day's close. \$100k/trade. 1988 - present.



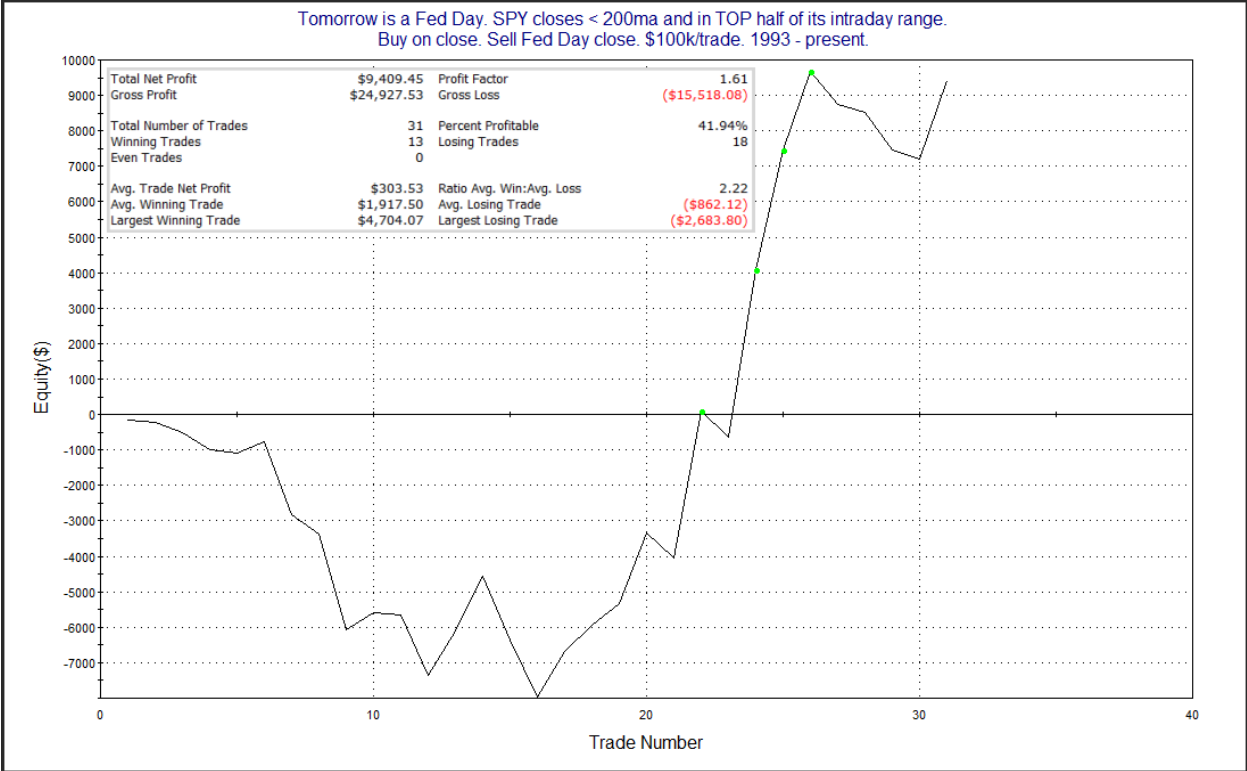
SPX closes at a 20-day low and < 200ma. It is Monday.
 Buy on close. Sell next days close. \$100k/trade. 2003 - present.



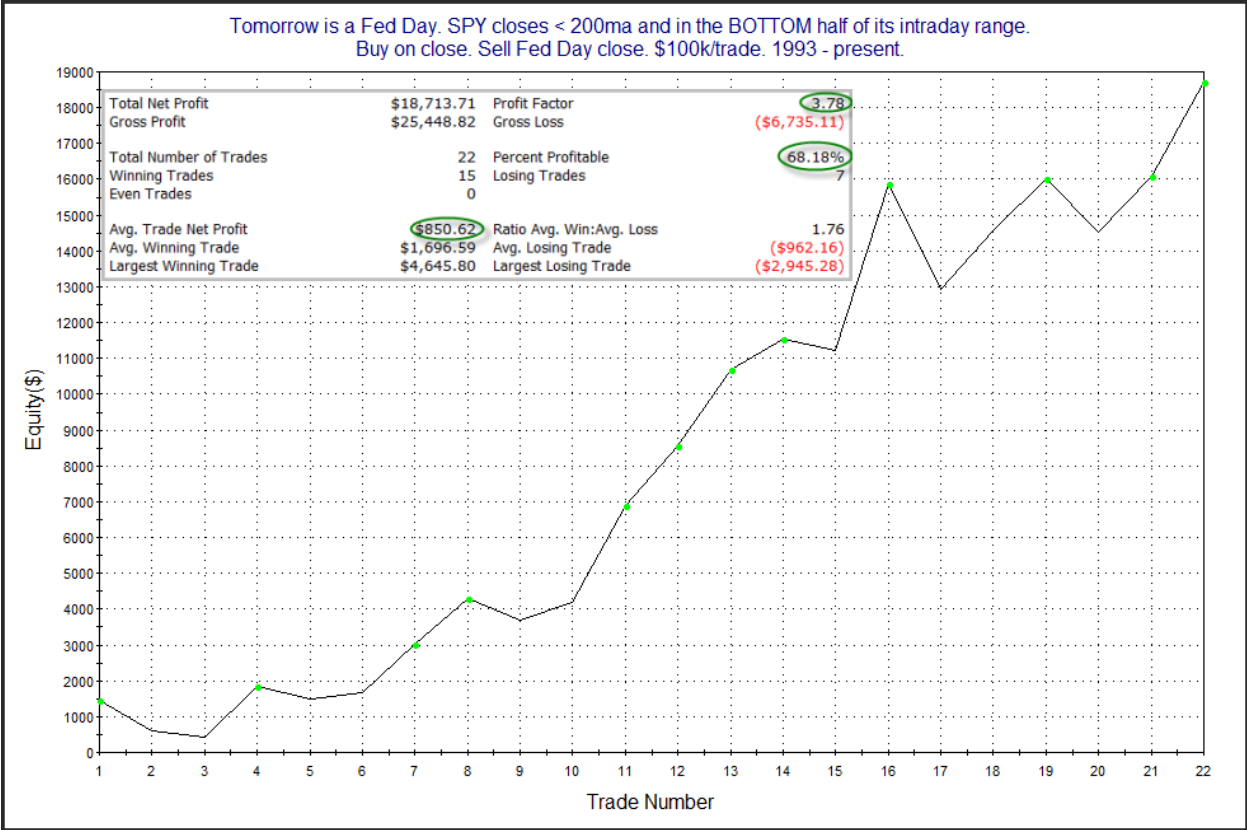


Strongly bullish evidence supporting the idea of a Turnaround Tuesday.

As I am sure all readers are aware, Wednesday is a Fed Day. In the 5/3/22 letter I showed that when SPY has been below its 200ma, that closing low in its range the day before a Fed Day appeared advantageous. This is similar to tendencies above the 200ma, which I have shown many times in the past. First let's look at instances where SPY closed strongly the day before a Fed Day.

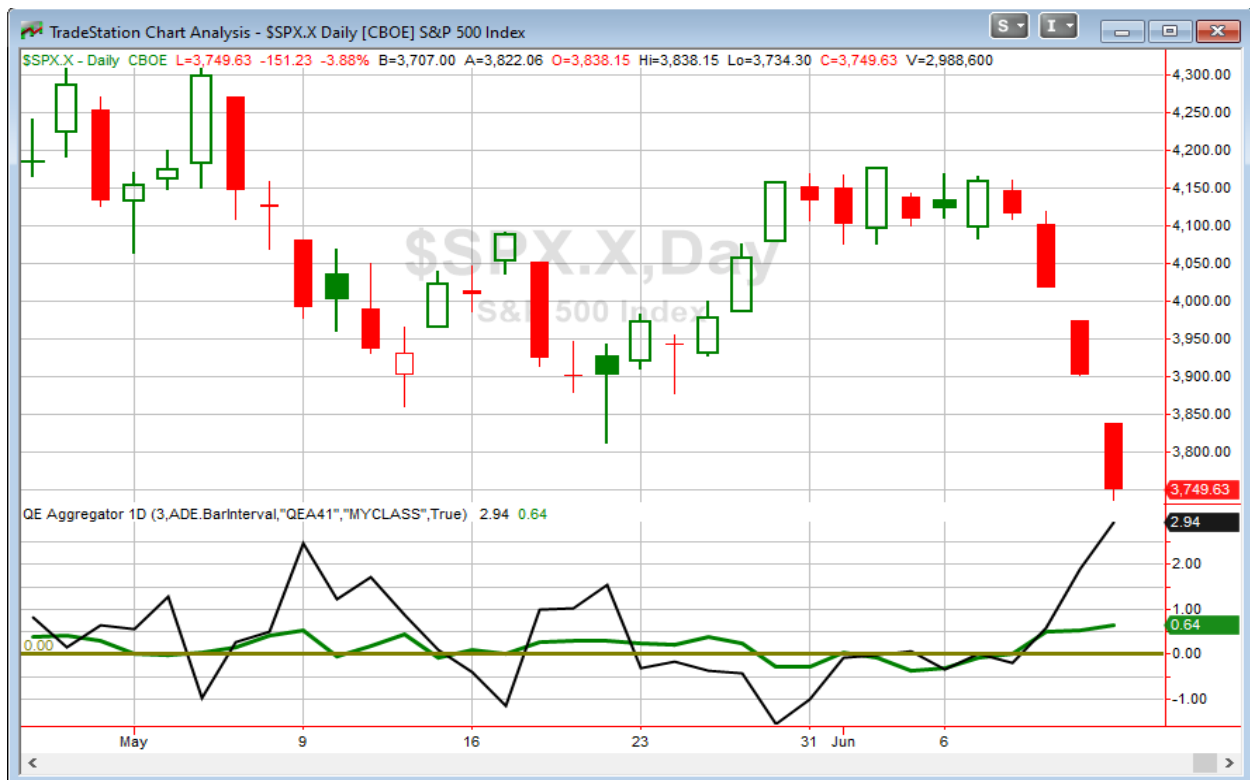


Results here appear quite inconsistent. Next let's view times SPY posted a weak close the day before a Fed Day.



Weak closes appear promising. A weak close on Tuesday would suggest bullish odds for Wednesday. This would seem worth keeping in mind on Tuesday afternoon.

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 is extremely high above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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 active list, expectations are set to remain positive on Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4020.75. That is a massive 7.2% above Monday's close. Therefore, SPX will need to close up 7.2% on Tuesday in order to flip from oversold to overbought vs recent expectations. I don't see that happening. More likely, it will take a multi-day rally or consolidation work off the oversold condition.

So the Aggregator is bullish. There is quite a bit of evidence suggesting a bounce. Turnaround Tuesday looks like a strong possibility, and if it does not happen, and we get a weak close on Tuesday, then the positive Fed Day study will kick in for Wednesday. I have some long SPY exposure already. If the market struggles and closes poorly again on Tuesday, I may look to increase my exposure further. But I may take off some of my position on Wednesday, perhaps even prior to the Fed announcement. If you are looking to take advantage of short-term edges right now, then you'll want to remain nimble. This market is extremely volatile.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 6/13 – neutral*

The intermediate-term outlook was last updated in the 6/13/22 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

New

TGT – 1/3 @ \$144.81 (buy @ limit)

BRK.B – 1/3 @ \$281.56 (buy @ limit)

Broad Market Large Cap CBI – 2 (TGT, BRK.B)

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 @ \$374.75 LIMIT ON CLOSE IF SPY ALSO CLOSSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will look to add another lot of index exposure on Tuesday if SPY closes lower and in the bottom half of its intraday range.

TGT – Buy 1/3 Catapult position @ \$144.81 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of TGT.

BRK.B – Buy 1/3 Catapult position @ \$281.56 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of BRK.B.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	6/10/2022	\$389.80	\$375.00	-3.80%	Aggregator
SPY(1/4)	6/13/2022	\$375.00	\$375.00	0.00%	bought on close

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