

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 17, 2022

Volume 15 Issue 115

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	7

## Tonight's Research Points

- The big down day on Thursday suggests a 1-day upside edge.
- Fridays are not often the beginning of a bounce, but when they are, they tend to be the most reliable as far as follow through over the next few days.
- Opex Friday often sees selling between the open and the close.

## *Short-term Outlook*

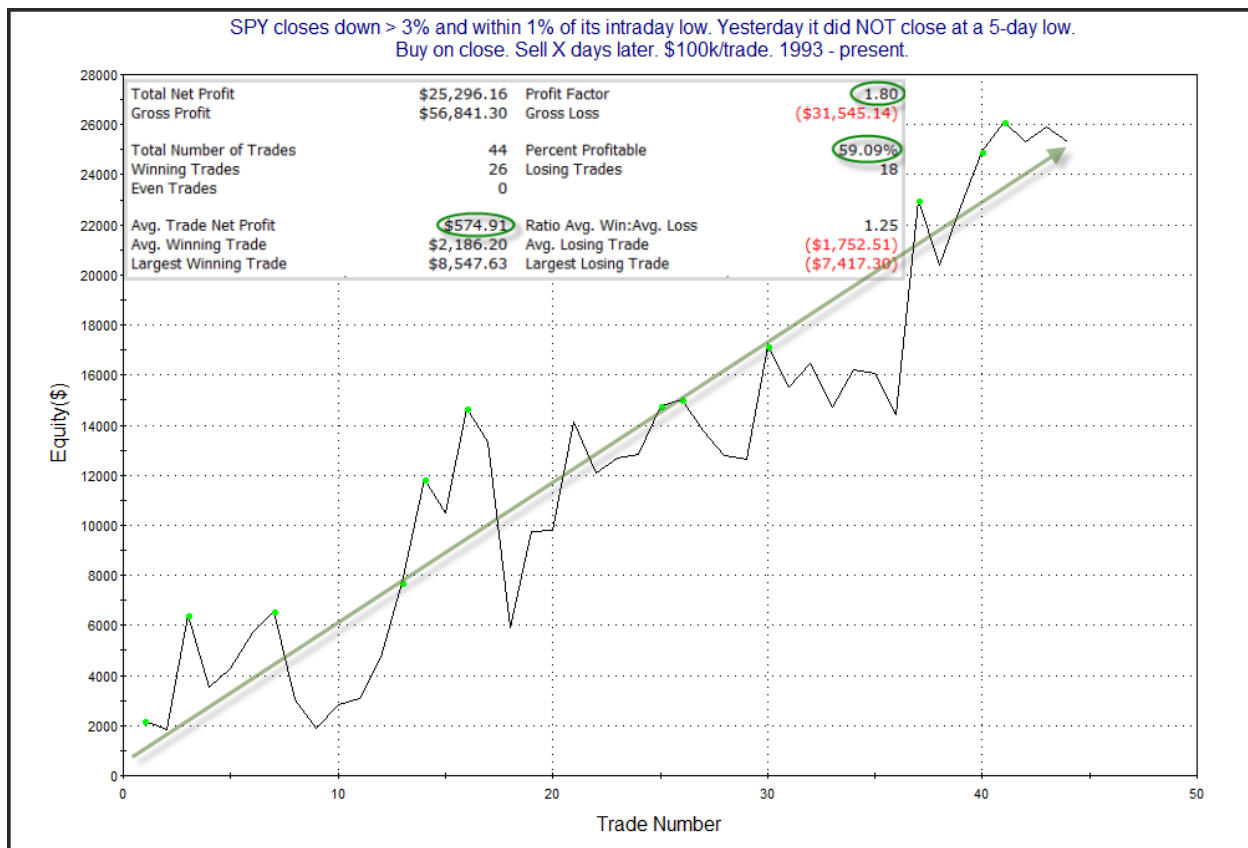
### *The Bottom Line*

The Aggregator is bullish. Thursday was lousy, but there still appears to be an upside edge for the next few days.

## The Evidence

Wednesday's good mood did not last long. The market got slammed on Thursday. SPX lost 3.25%, the NASDAQ fell 4.1%, and the Russell 2000 tumbled 4.7%. Breadth was extremely negative with the NYSE Up Issues % coming in at 10% and the Up Volume % at 5%. NYSE total volume spiked higher on the selloff.

There were several studies tonight that looked at strong moves lower. A couple of 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 was used in a few studies.) In the 4/2/20 letter I looked at the combination that we saw on Thursday, which was a close within 1% of the intraday low, but without a 5-day low occurring the day before. Next-day results were compelling. I have updated that study below.



While choppy, the move from lower left to upper right has persisted for a long time. This appears worth some consideration.

So can the market start a strong bounce on a Friday? I've discussed in the past that Friday is an unlikely day for a bounce from a low, but when it does happen, it has a decent chance of following through for the next several days. The commentary and studies below are copied from the 5/16/22 letter. (Studies not updated.)

*Friday is one of the least popular days for a bounce from a low to occur. But a potential positive about a Friday bounce is that they tend to be the most reliable moving forward. The below tables are updated from the 1/31/22 letter and look at performance following a bounce from a 50-day low. The 1<sup>st</sup> table looks at performance 1 day later, and the 2<sup>nd</sup> table looks at performance 5 days later.*

After closing at a 50-day low yesterday SPX closes up today. Today is the day of week listed. Buy on close. Sell 1 day later. \$100k/trade. 1985 - present.												
Day of Week	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
Fri	11,449.51	38	27	11	71.05	6,420.72	-11,696.04	1,223.68	-1,962.72	0.62	1.53	301.30
Thurs	5,289.51	41	21	20	51.22	3,982.74	-3,447.40	1,350.55	-1,153.60	1.17	1.23	129.01
Wed	2,823.72	28	15	13	53.57	3,644.16	-4,761.33	1,511.09	-1,526.36	0.99	1.14	100.85
Tues	-11,239.06	57	27	30	47.37	9,089.88	-5,112.51	1,277.71	-1,524.58	0.84	0.75	-197.18
Mon	-5,732.18	42	23	19	54.76	2,691.92	-4,893.07	834.60	-1,312.00	0.64	0.77	-136.48

After closing at a 50-day low yesterday SPX closes up today. Today is the day of week listed. Buy on close. Sell 5 days later. \$100k/trade. 1985 - present.												
Day of Week	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
Fri	34,823.48	38	28	10	73.68	10,682.82	-14,619.60	2,266.86	-2,864.85	0.79	2.22	916.41
Thurs	42,392.67	39	26	13	66.67	9,334.72	-4,901.67	2,456.44	-1,651.91	1.49	2.97	1,086.99
Wed	2,627.11	28	16	12	57.14	8,658.92	-11,026.82	2,379.67	-2,953.97	0.81	1.07	93.83
Tues	282.70	55	33	22	60.00	10,340.00	-24,627.73	2,993.28	-4,477.07	0.67	1.00	5.14
Mon	-7,804.69	42	24	18	57.14	5,873.28	-11,533.34	2,037.94	-3,150.85	0.65	0.86	-185.83

*We see that Friday is the day of the week that that shows most of the strongest odds moving forward. This is true whether you are looking at Net Profits, % Profitable, Win/Loss Ratio, Profit Factor, or Avg Trade. So Tuesday is the most likely day to see a bounce occur, but Friday is the day where that bounce is most likely to stick.*

Lastly, a quick look at the change in the SOMA this past week.

Domestic Security Holdings as of

◀ Previous **June 15, 2022** 📅  
Posted June 16, 2022 at 4:30 PM

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**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)	Decrease 4,933,512,455.6
US Treasury Floating Rate Notes (FRNs)	30,569,681.8
US Treasury Inflation-Protected Securities (TIPS)*	382,966,445.1
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	Increase 2,718,696,704.7
Agency Commercial Mortgage-Backed Securities***	8,869,818.6
Total SOMA Holdings	8,403,006,105.8
Change From Prior Week	10,844,028.5

I was expecting to see a net decline, since I knew there were a fair amount of treasuries rolling off the books. But I was surprised by the increase in AMBS securities. Below is last week's table, in case you wish to compare.

Domestic Security Holdings as of

◀ Previous **June 8, 2022** 📅 Next ▶  
Posted June 9, 2022 at 4:30 PM

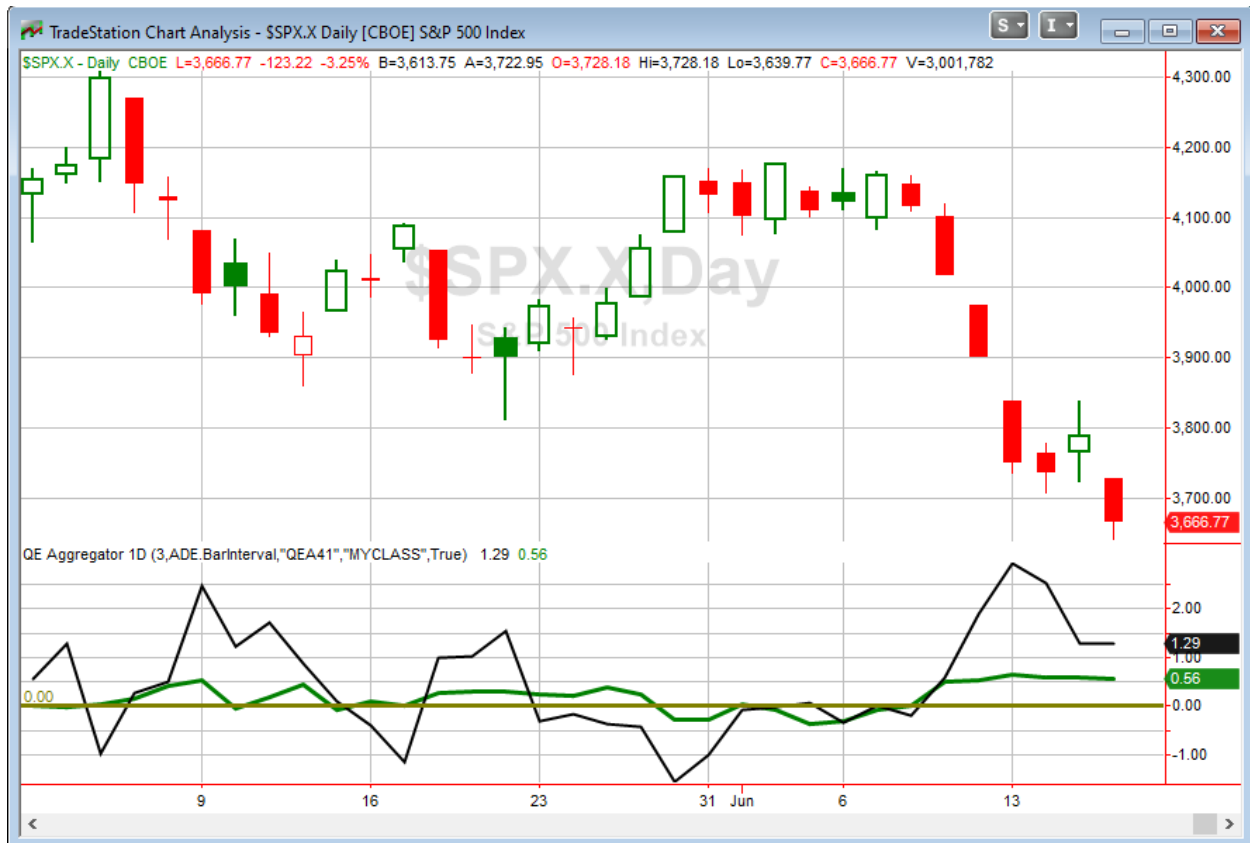
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**SUMMARY** T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,942,788,725.4
US Treasury Floating Rate Notes (FRNs)	30,569,681.8
US Treasury Inflation-Protected Securities (TIPS)*	382,966,445.1
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,698,576,406.3
Agency Commercial Mortgage-Backed Securities***	8,869,818.6
Total SOMA Holdings	8,392,162,077.3
Change From Prior Week	-0.2

I don't expect this to persist, but I thought it was worth noting.

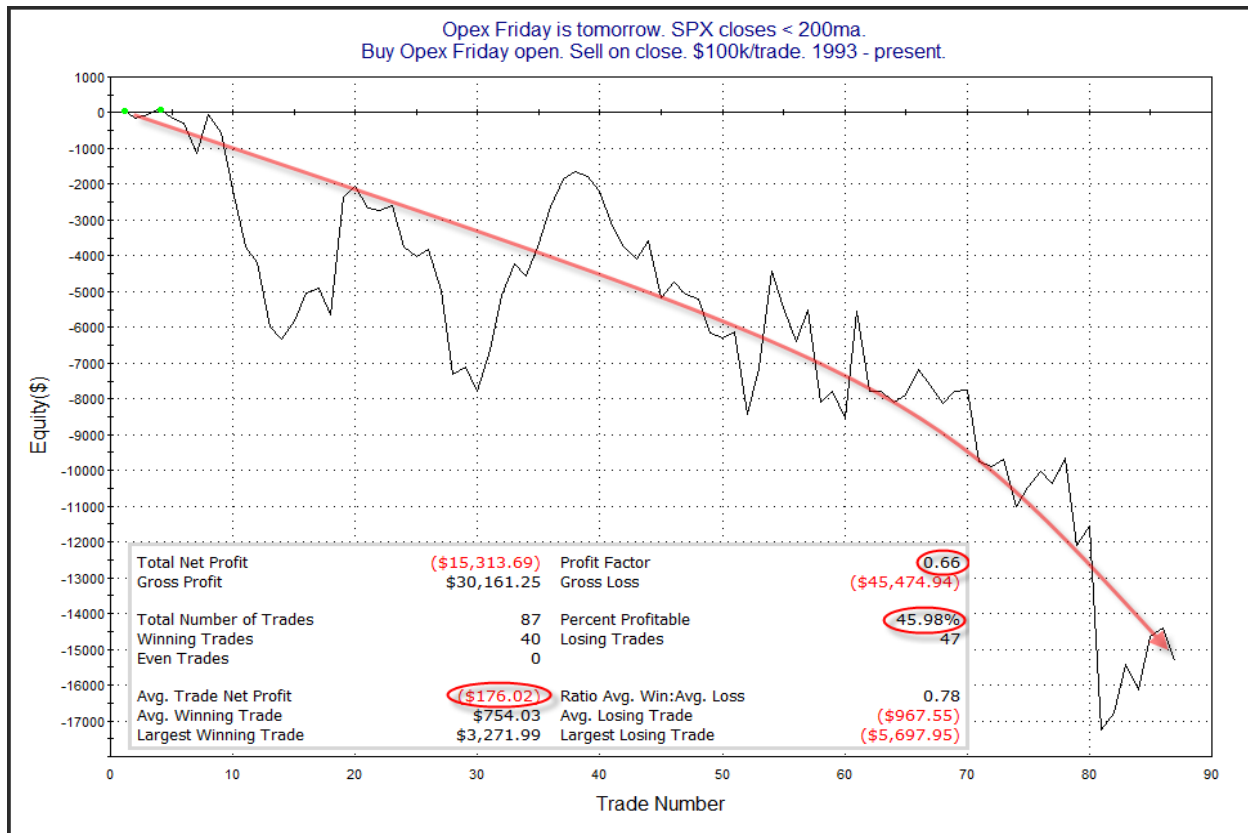
I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator line remained well above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line is also 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 active list, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3797.45. That is 3.6% above Thursday's close. Therefore, SPX will need to close up at least 3.6% 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 again bullish. While I got out of most of my SPY position on Wednesday, the Thursday collapse was disappointing. Still, it still appears odds favor a bounce from here. I don't typically look to enter during the day on opex Friday, because the market has had a tendency to decline between the open and the close. (See study below as an example of this.) But I will look to add back some SPY if we get a lower close on Friday.



### **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**

- TGT – 1/3 @ \$144.81 (bought @ limit)
- BRK.B – 1/3 @ \$281.56 (bought @ limit)
- TGT – 1/3 @ \$142.70 (bought @ limit)
- BRK.B – 1/3 @ \$277.64 (bought @ limit)
- MDT – 1/3 @ \$88.48 (bought @ limit)
- PG – 1/3 @ \$133.84 (bought @ limit)
- PG – 1/3 @ \$133.84 (bought @ limit)

#### **Broad Market Large Cap CBI – 7 (TGT-2, BRK.B-2, MDT, PG-2)**

### 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 @ \$365.24 LIMIT ON CLOSE.** From the short-term section above, I will take back some SPY if we close down again on Friday. (This includes the \$1.58 ex-div amount for Friday.)

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	6/10/2022	\$389.80	\$366.82	-5.90%	Aggregator
TGT(1/3)	6/14/2022	\$144.81	\$142.96	-1.28%	Catapult
BRK.B(1/3)	6/14/2022	\$281.56	\$268.76	-4.55%	Catapult
TGT(1/3)	6/15/2022	\$142.52	\$142.96	0.31%	Catapult
BRK.B(1/3)	6/15/2022	\$277.64	\$268.76	-3.20%	Catapult
MDT(1/3)	6/15/2022	\$88.48	\$87.40	-1.22%	Catapult
PG(1/3)	6/15/2022	\$133.84	\$133.33	-0.38%	Catapult
PG(1/3)	6/16/2022	\$131.03	\$133.33	1.76%	Catapult

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