

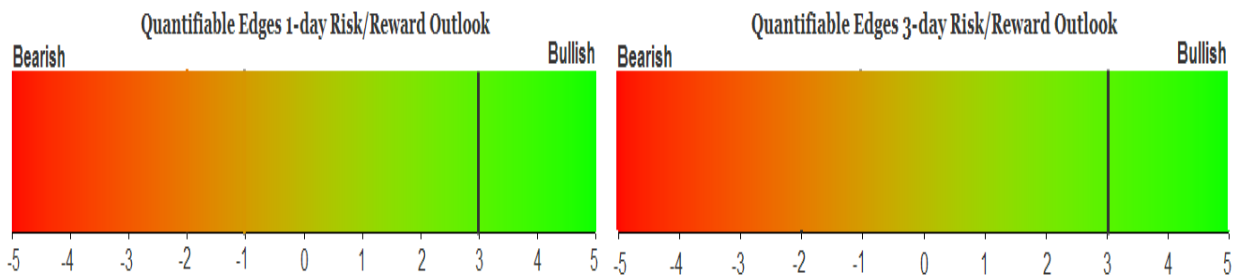
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 15, 2022

Volume 15 Issue 123

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Several bullish studies suggesting a bounce.
- Opex Friday tends to sell off some during the morning after the open.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is pointing higher and the market is oversold. I like the long side.

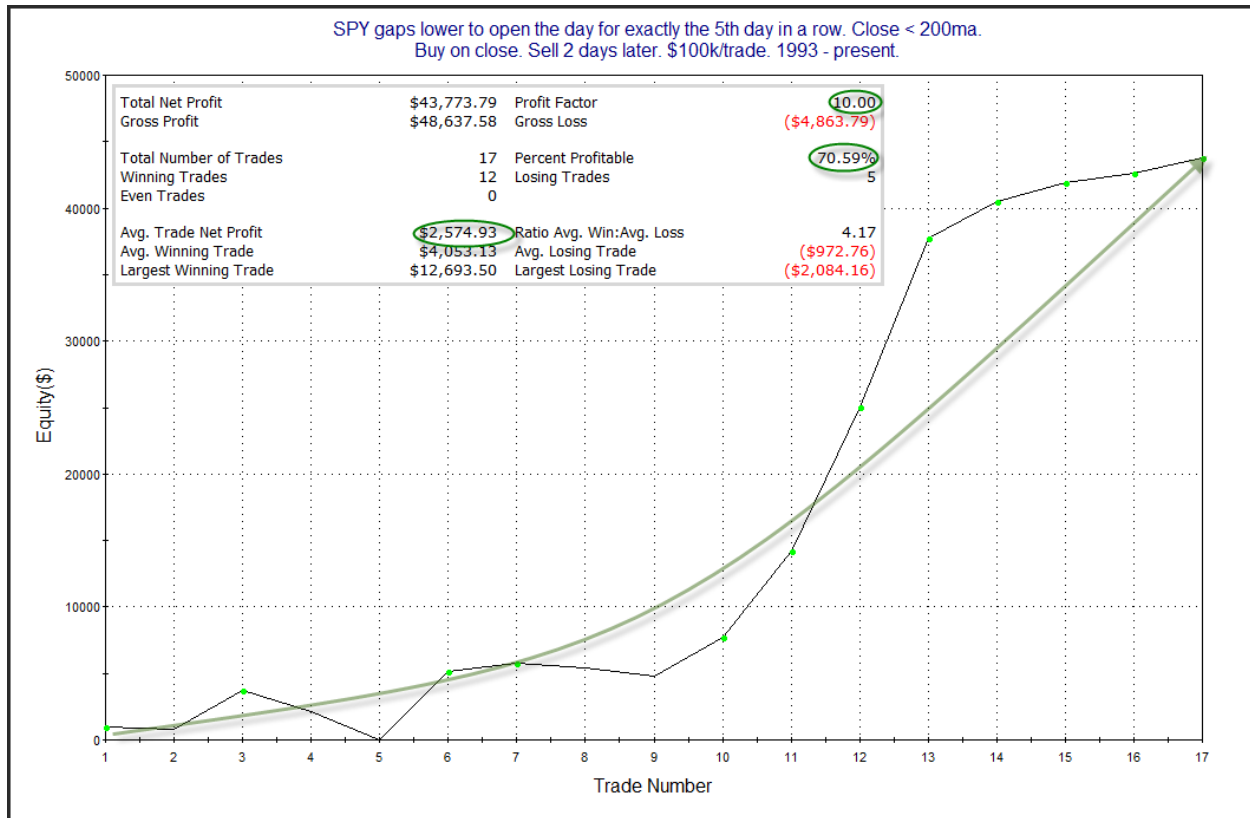
The Evidence

Thursday started off with a sizable gap down, but finished mixed. SPX closed down 0.3%, the NASDAQ inched up 0.03%, and the Russell 2000 fell 1.1%. Breadth was negative with the NYSE Up Issues % coming in at 25% and the Up Volume % at 15.5%. NYSE total volume rose some from Wednesday's level.

Thursday was the 5th day in a row that SPY gapped down at the open. That is fairly unusual. Way back in 2015 I looked at other times SPY gapped down 5 days in a row. Tonight I decided to run that study with a 200ma filter.

SPY gaps lower to open the day for exactly the 5th day in a row. Close < 200ma. 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	53,245.65	17	10	7	58.82	19,398.00	-3,070.17	6,354.75	-1,471.69	4.32	6.17	3,132.10
4	46,433.83	17	9	8	52.94	17,914.00	-2,431.24	6,203.04	-1,174.20	5.28	5.94	2,731.40
3	46,093.59	17	11	6	64.71	14,708.85	-2,305.68	4,792.91	-1,104.74	4.34	7.95	2,711.39
2	43,773.79	17	12	5	70.59	12,693.50	-2,084.16	4,053.13	-972.76	4.17	10.00	2,574.93
1	25,639.25	17	11	6	64.71	11,683.71	-2,244.48	2,761.74	-789.98	3.50	6.41	1,508.19

Numbers seem to point towards an upside edge. Below is a look at the 2-day profit curve.



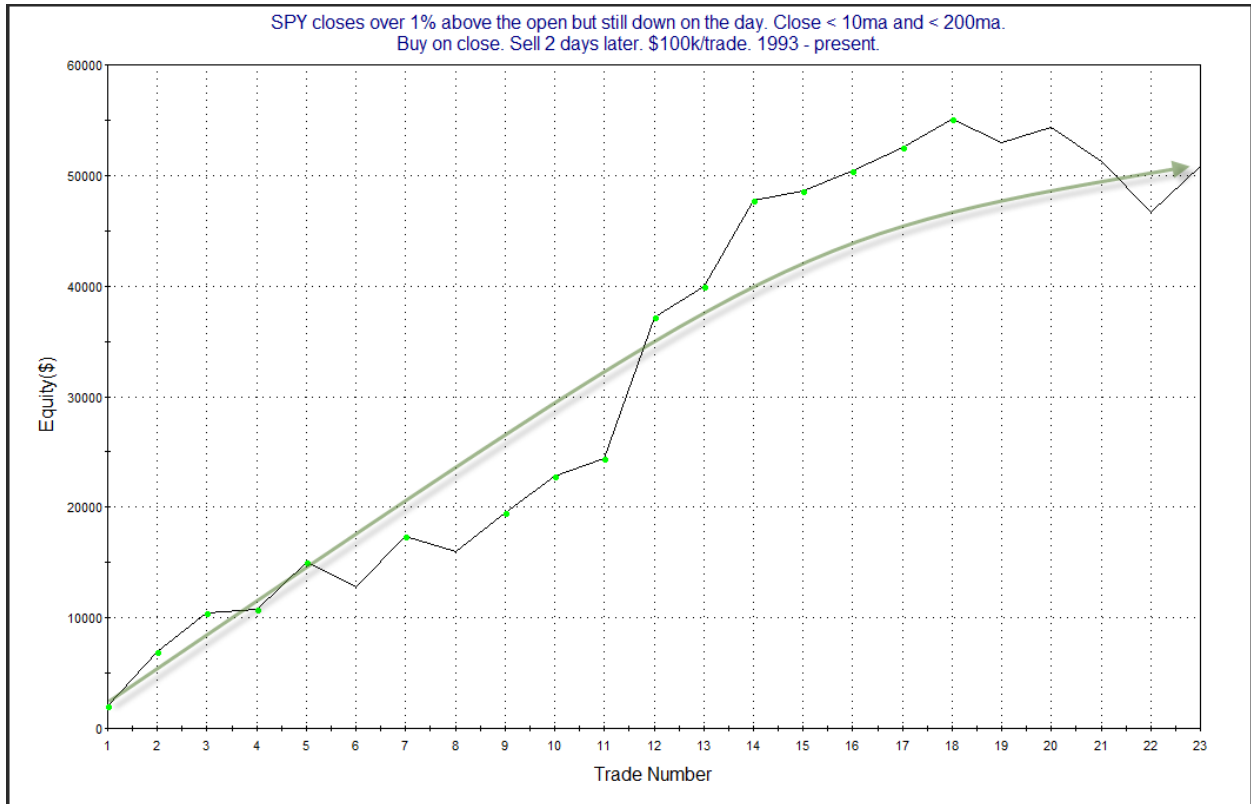
The curve is a bit bumpy, but the last 8 instances all finished higher on Day 2. I decided to include this study on the active list tonight.

Another study that caught my eye tonight considered the sizable gap and partial reversal of the opening gap. It examined times when SPY rose over 1% from open to close but still finished down on the day and below the 10ma. It was last seen in the 3/2/20 letter and has been updated below.

SPY closes over 1% above the open but still down on the day. Close < 10ma and < 200ma.
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	41,434.66	22	16	6	72.73	11,238.92	-9,455.04	4,160.81	-4,189.71	0.99	2.65	1,883.39
4	33,284.52	23	16	7	69.57	10,630.48	-16,581.60	3,877.05	-4,106.91	0.94	2.16	1,447.15
3	24,812.78	23	15	8	65.22	6,933.92	-7,761.60	3,497.41	-3,456.04	1.01	1.90	1,078.82
2	50,828.13	23	18	5	78.26	12,814.15	-4,659.20	3,569.19	-2,683.46	1.33	4.79	2,209.92
1	38,945.73	23	18	5	78.26	14,507.65	-7,805.28	3,003.29	-3,022.71	0.99	3.58	1,693.29

Here we see strong numbers pointing to an upside edge. Below is a profit curve showing a 2-day holding period.



There have been some recent stumbles, but I still like the study enough to include it on the active list tonight.

Thursday also marked the 5th day in a row that SPX closed lower. Despite the selling, the VIX has not spiked over that period. In fact, on Thursday the VIX actually closed *below* its 10ma. In the 11/23/2011 letter I looked at other times SPX had a 5-day selloff and the VIX closed below the 10ma. I have updated that study below.

SPX closes lower for the 5th day in a row. VIX < 10ma. Buy SPX on close. Sell X days later. \$100k/trade. 1990 - 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	15,605.47	6	5	1	83.33	4,949.28	-928.80	3,306.85	-928.80	3.56	17.80	2,600.91
4	11,939.98	6	6	0	100.00	3,427.20	0.00	1,990.00	0.00	100.00	100.00	1,990.00
3	8,449.19	6	6	0	100.00	3,148.00	0.00	1,408.20	0.00	100.00	100.00	1,408.20
2	-163.43	6	4	2	66.67	1,519.70	-2,467.08	745.11	-1,571.94	0.47	0.95	-27.24
1	263.11	6	4	2	66.67	1,634.36	-2,205.00	830.23	-1,528.90	0.54	1.09	43.85

Instances are low but all point in the same direction. Below is a look at the individual trades.

SPX closes lower for the 5th day in a row. VIX < 10ma. Buy SPX on close. Sell 4 days later. \$100k/trade. 1990 - present.					
Date/Time	Signal	Price	% Profit	Run-up	Drawdown
3/12/1991	Buy	\$370.03	0.56%	\$2,227.50	
3/18/1991	Sell	\$372.11			(\$156.60)
10/22/1993	Buy	\$463.27	0.96%	\$1,180.35	
10/28/1993	Sell	\$467.73			(\$262.30)
3/1/1999	Buy	\$1,236.16	3.18%	\$3,161.60	
3/5/1999	Sell	\$1,275.47			(\$1,610.40)
5/11/2001	Buy	\$1,245.65	3.44%	\$4,066.40	
5/17/2001	Sell	\$1,288.49			(\$370.40)
3/24/2004	Buy	\$1,091.32	3.27%	\$3,301.48	
3/30/2004	Sell	\$1,127.00			\$0.00
11/22/2011	Buy	\$1,188.04	0.60%	\$1,312.92	
11/29/2011	Sell	\$1,195.19			(\$2,467.92)

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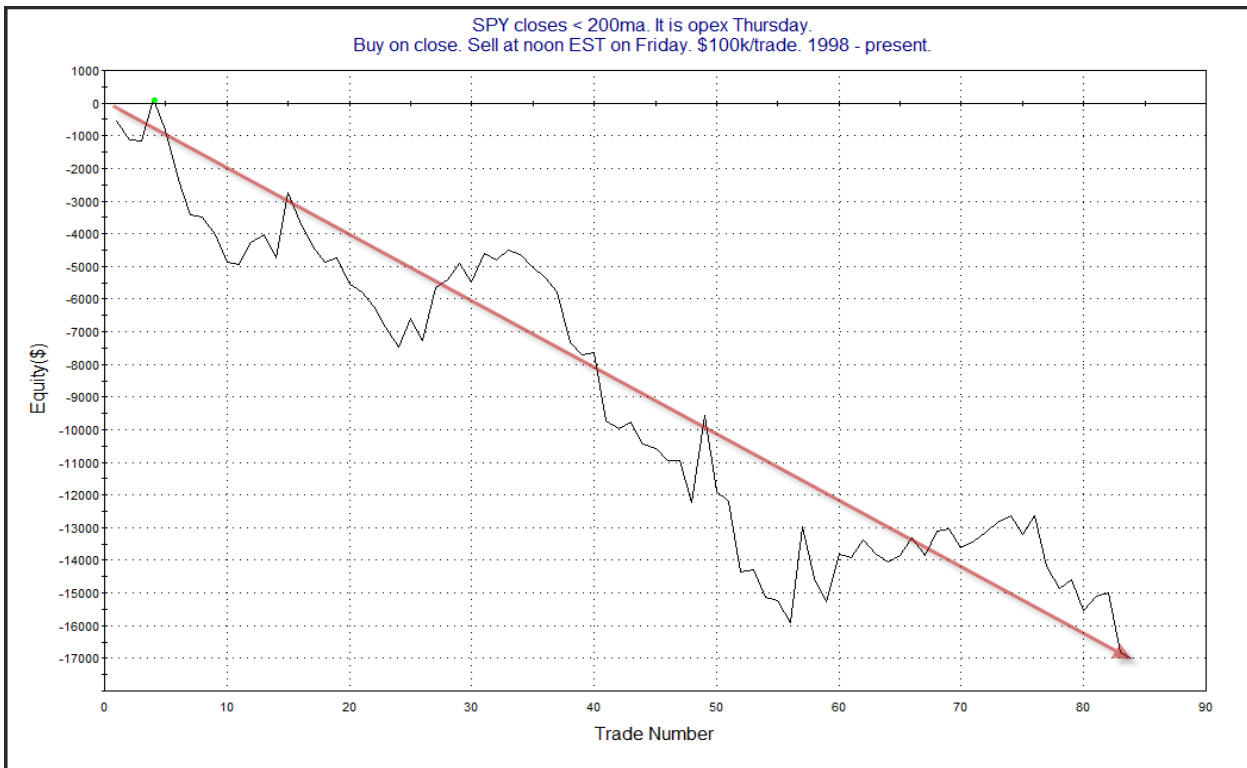
Too few instances to generate meaningful statistics from, but the fact that all 6 rose over the next few days suggests the market is capable of rallying despite the lackadaisical VIX. If we get a VIX spike here, it could be helpful in generating a fast reversal, but a VIX spike is NOT a necessary condition for a reversal.

It is also notable that Friday is monthly options expiration. Opex Fridays have a tendency to open strong and then fade. The study below looks at buying the open on Opex Friday during downtrends and then selling at different times of the day.

SPY closes < 200ma. It is opex Thursday.
Buy on close. Sell at time shown on Friday. \$100k/trade. 1998 - present.

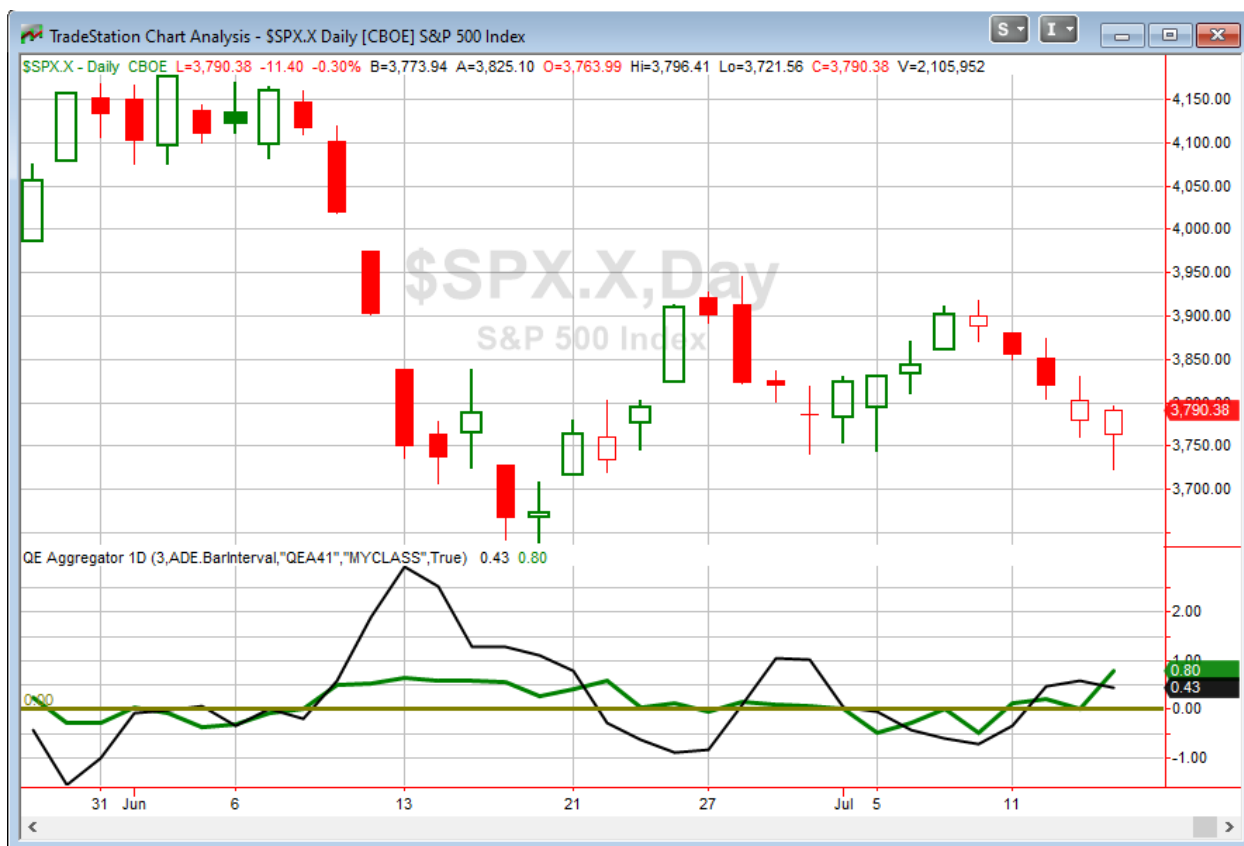
Time	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-10,722.32	84	38	46	45.24	3,825.10	-5,638.68	843.81	-930.15	0.91	0.75	-127.65
1,500	-16,958.11	84	34	50	40.48	4,553.70	-4,243.50	763.24	-858.17	0.89	0.60	-201.88
1,400	-14,027.29	84	32	52	38.10	5,951.58	-3,310.69	860.61	-799.36	1.08	0.66	-166.99
1,300	-15,744.95	84	33	51	39.29	4,913.76	-2,631.68	740.73	-788.02	0.94	0.61	-187.44
1,200	-17,013.18	84	30	54	35.71	2,917.06	-2,295.06	682.75	-694.36	0.98	0.55	-202.54
1,100	-6,023.14	84	36	48	42.86	2,944.02	-3,033.70	619.55	-590.14	1.05	0.79	-71.70
1,000	-5,475.45	84	37	46	44.05	2,298.03	-1,815.51	391.01	-433.54	0.90	0.73	-65.18

While all the numbers are negative, the bearish tendency appears to generally play out by noon. Below is a profit curve showing the 9:30am EST to noon EST performance.



That is a strong, steady decline. Traders looking to get long may want to show some patience rather than jumping in right away.

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



With tonight's studies considered, the green Aggregator line closed above zero. Positive readings mean expectations are for upside 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 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 3812.28. That is 0.6% above Thursday's close. Therefore, SPX will need to close up at least 0.6% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. The 5-day pullback has the market short-term oversold, and we are now seeing evidence that a bounce is likely. I like reward/risk here and will look to start scaling into an index position. A little wary of the Friday tendency to sell after the open, I will simply place a limit price a ways below Thursday's close for tracking purposes. Traders could consider a more aggressive entry if the pullback does not materialize in the morning.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/11– neutral

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 at \$376.00 LIMIT. Based on the short-term outlook above, I will look to start scaling into a long position on Friday if I can get a favorable fill.

Current Open Trade Ideas

None

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