

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 5, 2022

Volume 15 Issue 148

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Narrow range inside days below the 200ma are typically bearish. But situations with low volume have been exceptions in the past.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am not seeing a strong short-term edge at the moment.

**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>						
August 1, 2022	Close month on high of month.	1-5 days	Bullish	2.10%	-1.30%	-2.75%
<b>Active - Long Term</b>						
August 1, 2022	NYSE Up Issues % > 70% 3 straight days	1-80 days	Bullish	9.85%	-4.72%	-11.90%
July 11, 2022	NASDAQ Leading	int term	Bullish			
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	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>						
August 4, 2022	SPY gap up. Close > open. Close < 200	1 day	Bearish			

**The Evidence**

Thursday was a very quiet trading day. Low volume, tight ranges, and mild net changes. SPX finished down 0.1%, the NASDAQ rose 0.4%, and the Russell 2000 declined 0.1%. Breadth was negative with the NYSE Up Issues % coming in at 48% and the Up Volume % at 44%. NYSE total volume was very light.

There were several studies that appeared in the Quantifinder that looked at the fact that Thursday was an inside day with a low range. The series of studies below was last seen in the 1/25/19 letter. I have updated them tonight.

SPY posts inside day under 200ma. Range is lowest in 5 days. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	29,258.14	63	39	24	61.90	6,816.15	-22,420.44	2,947.40	-3,570.44	0.83	1.34	464.41
9	7,929.63	65	42	22	64.62	6,953.00	-13,956.81	2,431.48	-4,281.48	0.57	1.08	121.99
8	17,369.69	71	44	27	61.97	8,479.60	-12,665.31	2,404.37	-3,274.91	0.73	1.20	244.64
7	-8,460.51	73	41	31	56.16	8,773.10	-23,729.16	2,319.74	-3,340.96	0.69	0.92	-115.90
6	-16,003.41	77	40	37	51.95	7,888.00	-21,834.96	2,132.36	-2,737.78	0.78	0.84	-207.84
5	-8,173.80	78	41	36	52.56	8,586.35	-15,971.55	2,048.85	-2,560.46	0.80	0.91	-104.79
4	-9,626.73	82	45	37	54.88	6,497.00	-13,801.83	1,782.48	-2,428.06	0.73	0.89	-117.40
3	-21,954.24	86	43	43	50.00	7,413.70	-9,763.74	1,766.98	-2,277.54	0.78	0.78	-255.28
2	-18,123.97	92	49	43	53.26	5,440.00	-7,287.40	1,240.76	-1,835.37	0.68	0.77	-197.00
1	-22,007.67	93	44	49	47.31	4,485.60	-5,444.46	965.15	-1,315.80	0.73	0.66	-236.64

This study would suggest that low range inside days below the 200ma have generally struggled in the past, especially on day one. But I also decided to take into consideration the day's low SPY volume, which was the lowest volume in over 20 days. I therefore re-ran the above test and segregated it by times it was accompanied by the lowest volume in a month and times it wasn't.

First let's look at times where SPY did NOT post the lowest volume in a month.

SPY posts inside day under 200ma. Range is lowest in 5 days. SPY volume is NOT the lowest in 20 days. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	-3,050.60	48	26	22	54.17	6,523.20	-22,420.44	2,663.00	-3,285.84	0.81	0.96	-63.55
9	-10,329.59	49	29	19	59.18	6,293.68	-13,956.81	2,104.38	-3,755.61	0.56	0.86	-210.81
8	-7,676.23	53	29	24	54.72	8,479.60	-12,665.31	2,136.00	-2,900.84	0.74	0.89	-144.83
7	-27,822.17	55	27	27	49.09	8,773.10	-23,729.16	2,214.67	-3,245.12	0.68	0.68	-505.86
6	-27,147.45	57	26	31	45.61	7,888.00	-21,834.96	2,056.89	-2,600.85	0.79	0.66	-476.27
5	-14,721.19	58	27	30	46.55	8,586.35	-15,971.55	2,058.30	-2,343.17	0.88	0.79	-253.81
4	-24,951.21	59	29	30	49.15	6,497.00	-13,801.83	1,642.72	-2,419.67	0.68	0.66	-422.90
3	-36,074.04	63	29	34	46.03	7,413.70	-9,763.74	1,573.31	-2,402.94	0.65	0.56	-572.60
2	-26,045.57	67	34	33	50.75	5,188.70	-7,287.40	1,065.13	-1,886.67	0.56	0.58	-388.74
1	-18,567.36	67	33	34	49.25	4,485.60	-5,444.46	888.20	-1,408.18	0.63	0.61	-277.12

These stats are a good bit more compelling for the bears. So what does that mean for times like Thursday when the volume *did* come in very low?

SPY posts inside day under 200ma. Range is lowest in 5 days. SPY volume is lowest in 20 days. Buy on close. Sell X days later. \$100k/trade. 1994 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	25,783.56	21	16	5	76.19	3,093.46	6,816.15	-4,742.35	-11,977.56	0.65	2.09	1,227.79
9	25,528.11	21	17	4	80.95	2,705.21	6,953.00	-5,115.13	-10,794.21	0.53	2.25	1,215.62
8	31,076.26	22	17	5	77.27	2,817.11	6,684.18	-3,362.94	-6,112.26	0.84	2.85	1,412.56
7	21,318.30	22	16	6	72.73	2,720.23	7,851.93	-3,700.90	-11,617.41	0.74	1.96	969.01
6	21,510.44	22	15	7	68.18	2,772.27	7,137.07	-2,867.65	-7,552.86	0.97	2.07	977.75
5	16,656.47	22	15	7	68.18	2,560.48	7,263.90	-3,107.25	-4,858.65	0.82	1.77	757.11
4	13,948.30	22	15	7	68.18	2,155.28	5,865.00	-2,625.84	-4,951.57	0.82	1.76	634.01
3	10,193.73	22	14	8	63.64	2,287.87	6,842.50	-2,729.55	-6,431.25	0.84	1.47	463.35
2	6,319.04	22	13	9	59.09	1,703.79	5,440.00	-1,758.92	-4,065.25	0.97	1.40	287.23
1	-2,458.28	22	9	13	40.91	1,334.11	3,512.48	-1,112.71	-3,084.28	1.20	0.83	-111.74

There certainly doesn't appear to be a downside edge. In fact these statistics look fairly bullish. As with any series of tests, these are open to interpretation. The general pattern of low range, inside day below the 200ma appears to have bearish connotations. There are several studies in the Quantifinder tonight hinting at that, though many of them have not exhibited this downside tendency in recent years. Days like Thursday, though appear to be the kind that are the exception

to the rule. And while the stats are positive in the last test, with the larger pattern being negative, and the 1<sup>st</sup> day or two not showing much edge, I'm more inclined to treat it as the exception than as a separate rule. So I won't be adding results from this series of tests to the Active Studies list.

It is also notable that Friday is an Employment Day, where the BLS will release the latest employment report at 8:30am EST. Employment days can be especially volatile. They can also be streaky. With the tough year the market has had in 2022, employment days have disappointed like many other days. Below is the list of 2022 employment days along with their performance.

Buy on close the day before employment report. Sell on close of employment day. \$100k/trade. 2022.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/6/2022	Buy	\$4,696.05	-0.41%	\$249.90
1/7/2022	Sell	\$4,677.03		(\$699.51)
2/3/2022	Buy	\$4,477.44	0.52%	\$1,368.84
2/4/2022	Sell	\$4,500.53		(\$570.68)
3/3/2022	Buy	\$4,363.49	-0.79%	\$0.00
3/4/2022	Sell	\$4,328.87		(\$1,727.22)
3/31/2022	Buy	\$4,530.41	0.34%	\$402.38
4/1/2022	Sell	\$4,545.86		(\$502.48)
5/5/2022	Buy	\$4,146.87	-0.57%	\$259.68
5/6/2022	Sell	\$4,123.34		(\$1,895.04)
6/2/2022	Buy	\$4,176.82	-1.63%	\$0.00
6/3/2022	Sell	\$4,108.54		(\$1,797.45)
7/7/2022	Buy	\$3,902.62	-0.08%	\$397.00
7/8/2022	Sell	\$3,899.38		(\$832.00)

The recent downside tendency is not strong enough to view it as a substantial edge. It does seem worth noting, though. The reaction on Friday could be large.

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



Once again tonight the green Aggregator remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line is still 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.

The last study on the current short-term active list is set to expire on Friday afternoon. So expectations over the next few days will be greatly dependent on new evidence that emerges. Meanwhile, the Differential Pivot will 4088.79 on Friday. That is 1.5% below Thursday's close. Therefore, SPX will need to close down at least 1.5% on Friday in order to turn from overbought to oversold vs recent expectations..

The Aggregator is neutral. While the market is solidly overbought, evidence is light. I'd like to see more compelling evidence emerge before getting excited about a directional trade. I will continue to wait for a more favorable reward/risk opportunity.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 8/1 – improving but still 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.*

None tonight.

## **Current Open Trade Ideas**

None

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