

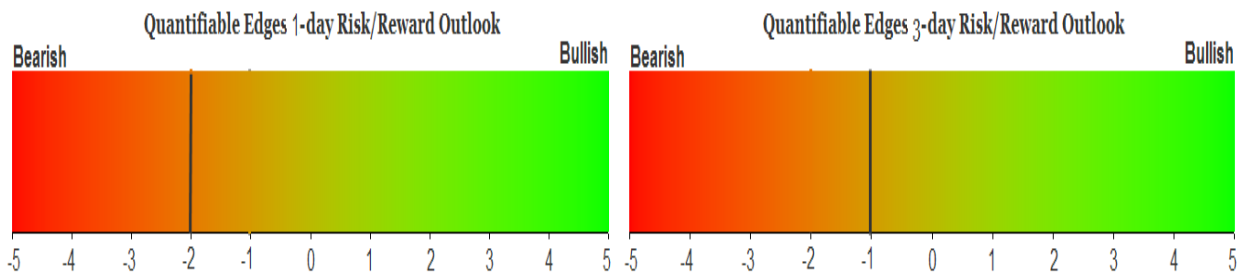
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 16, 2022

Volume 15 Issue 155

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.
- A strong breadth indication triggered on Friday that looks bullish for the intermediate/long term.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish. There appears to be a mild downside 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>						
August 16, 2022	VIX up. SPX 50-high. Monday	1-2 days	Bearish			
August 15, 2022	Gap up. Close top 10% 1-day & 10-day	1-2 days	Bearish			
August 12, 2022	10-high up 1% intraday, down close	1-4 days	Bullish	2.20%	-1.70%	-3.30%
<b>Active - Long Term</b>						
August 16, 2022	SPX goes from < 15% above 50 to < 90%	1-6 months	Bullish			
August 15, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
August 11, 2022	50-day high breakout on 90% Up Vol	1-40 days	Bullish	8.00%	-1.80%	-4.40%
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			

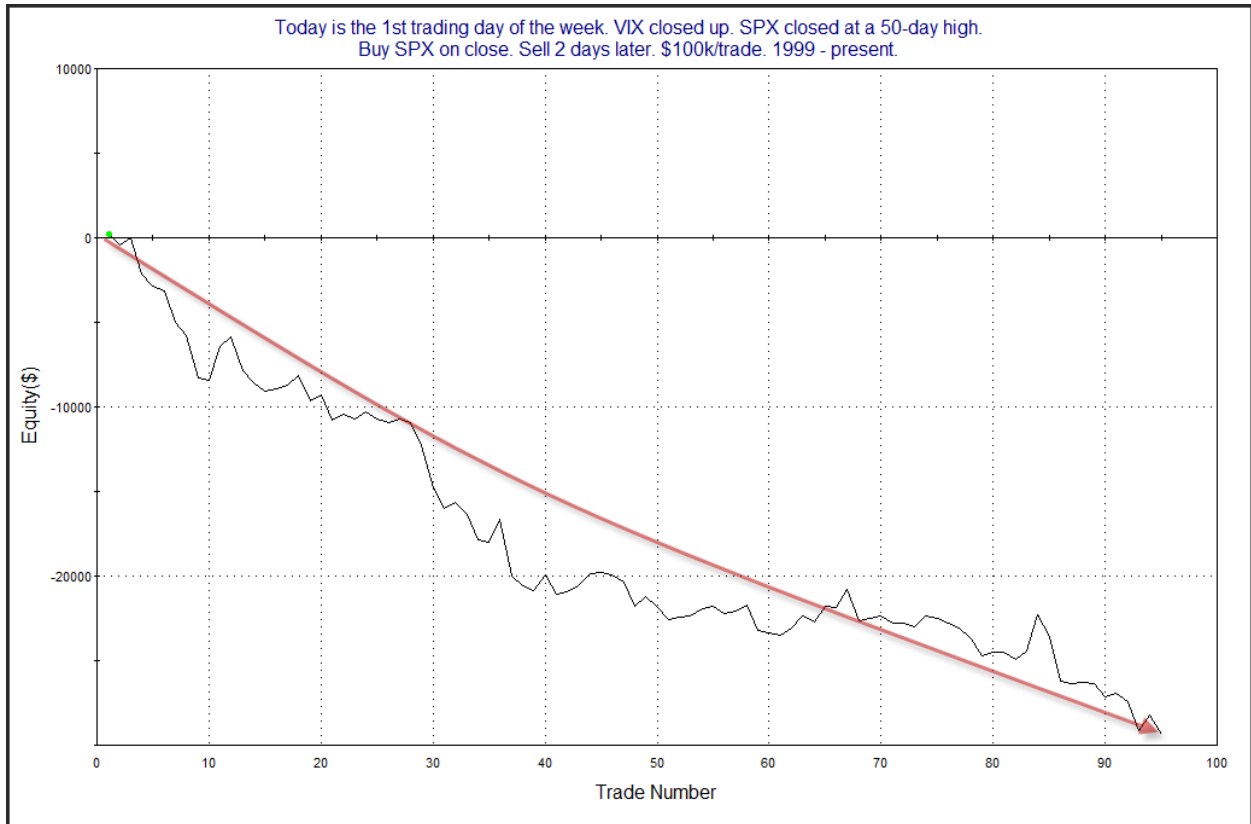
**The Evidence**

Monday saw more gains for the indices. The SPX gained 0.4, the NASDAQ rose 0.6%, and the Russell 2000 climbed 0.2%. Breadth was mixed with the NYSE Up Issues % coming in at 51% and the Up Volume % at 46%. NYSE total volume came in very light.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which was last seen in the 6/29/21 letter. Results are all updated.

Today is the 1st trading day of the week. VIX closed up. SPX closed at a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-16,026.93	89	41	48	46.07	5,653.12	-5,048.68	1,095.10	-1,269.30	0.86	0.74	-180.08
4	-15,259.78	95	45	50	47.37	4,422.40	-5,732.40	955.95	-1,165.55	0.82	0.74	-160.63
3	-20,548.00	95	44	51	46.32	2,641.80	-6,908.70	680.88	-990.33	0.69	0.59	-216.29
2	-29,342.98	95	39	56	41.05	2,148.48	-3,372.16	491.25	-866.10	0.57	0.40	-308.87
1	-11,822.22	95	32	63	33.68	802.88	-1,580.04	305.57	-342.86	0.89	0.45	-124.44

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long decline. It is again back at new lows and seems worthy of consideration. I have also included this study on the Active List.

After sending out the letter yesterday, I got an idea from another person on Twitter and then posted the following:

**Quantifiable Edges** @QuantifiablEdgs 1d

The % of \$SPX constituents > 50ma rose above 90% on Fri. Huge reversal over last 10 weeks. Looks positive for int/long term. Hat-tip to @SJD10304 for the idea. @NorgateData

SPX	11/10/2001	81.84	1.17	2.07	3.77	6.84	9.57	13.78	15.11
SPX	9/6/2000	82.82	-0.92	-1.31	4.81	1.89	8	13.38	21.59
SPX	11/29/1997	302.21	0.89	1.25	1.20	1.89	-4.60	9.85	14.4
SPX	1/22/1997	78.91	0.29	1.97	4.63	10.79	14.41	17.67	22.05
SPX	1/15/1996	119.40	0.11	1.79	3.99	10.1	11.92	16.75	16.66
SPX	8/26/1991	118.55	1.47	3.94	4.38	11.44	12.93	16.10	16.51
SPX	11/20/1990	204.52	-0.53	1.55	0.79	0.44	10.05	14.45	19
SPX	1/7/1990	261.07	-1.82	-4.87	-1.87	0.1	1.95	4.1	7.24
SPX	1/18/1989	284.12	0.91	1.89	2.85	1.58	7.2	17.17	17.75
SPX	6/29/1987	862.39	1.59	-1.82	1.17	10.23	7.91	14.61	20.81
SPX	1/15/1986	1114.68	-1.57	1.87	-4.77	1.0	9.71	10.29	16.87
SPX	3/7/1981	104.15	1	-4.83	6.44	6.10	-0.57	11.4	16.61
SPX	4/17/2009	895.9	-0.29	0.91	4.41	4.71	6.14	14.1	17.71
SPX	10/30/2011	1254.19	-0.57	-0.51	-1.27	-0.61	0.79	10.88	11.67
SPX	1/14/2016	2017.12	0.47	1.4	1.64	1.95	1.18	4.86	17.47
SPX	2/14/2018	2771.4	0.79	-0.61	1.61	6.1	0.92	4.97	16.49
SPX	5/26/2020	2884.77	1.98	7.2	1.36	7.40	14.09	18.91	19.88
SPX	1/19/2020	2884.77	0.59	1.38	1.77	5.87	8.11	15.39	18.64
SPX	1/19/2020	2884.77	0.78	1.89	2.89	4.71	7.95	17.17	19.4

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Here is the graphic...

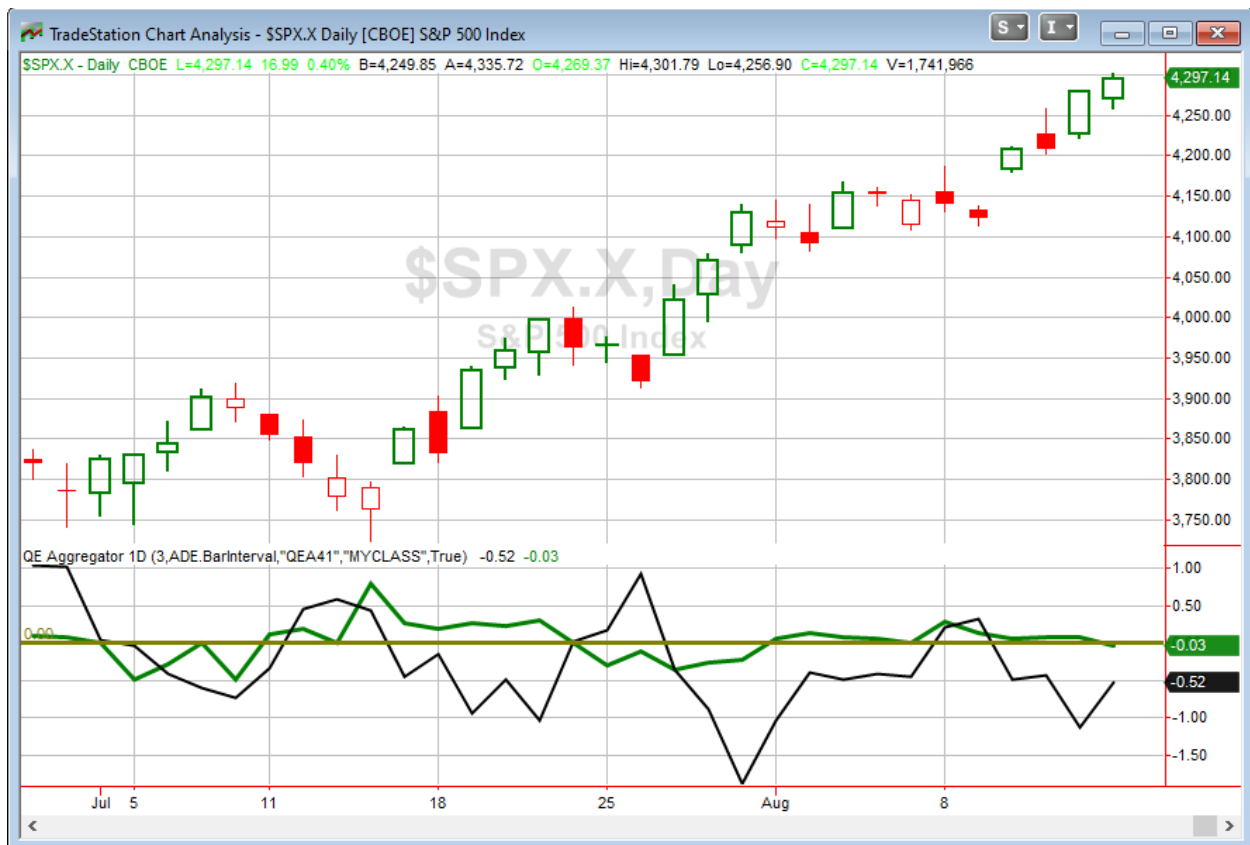
The % of SPX constituents moves from <= 15% to >= 90% within 50 days.  
Forward SPX returns shown. 1957 - present. (21 days = approximately 1 month)

Ticker	Date/Time	Close	5-Day %Chg	10-Day %Chg	21-Day %Chg	42-Day %Chg	63-Day %Chg	126-Day %Chg	252-Day %Chg
\$SPX	11/23/1962	61.54	1.17	2.47	1.77	6.84	6.37	13.78	13.11
\$SPX	9/4/1970	82.83	-0.92	-1.11	4.85	1.88	8	19.98	21.56
\$SPX	12/29/1971	102.21	0.83	1.35	1.26	3.89	4.85	5.05	14.4
\$SPX	1/27/1975	75.37	3.25	3.97	6.63	11.25	14.41	17.67	32.25
\$SPX	5/23/1980	110.62	0.13	2.79	4.09	10.1	13.92	25.75	20.02
\$SPX	8/26/1982	118.55	1.47	2.04	4.28	13.44	12.93	26.19	36.02
\$SPX	11/22/1985	201.52	-0.53	1.35	2.79	2.44	11.05	21.45	22
\$SPX	1/7/1988	261.07	-5.82	-6.87	-3.87	3.2	1.95	4.1	7.25
\$SPX	1/18/1989	286.53	0.91	3.69	2.89	1.18	7.2	17.17	17.75
\$SPX	6/9/1997	862.91	3.59	1.82	5.17	10.23	7.91	14.01	29.61
\$SPX	11/5/1998	1133.68	-1.37	1.67	4.77	12	9.71	18.23	20.87
\$SPX	5/5/2003	926.55	2	-0.62	6.44	6.38	6.07	13.4	20.83
\$SPX	4/17/2009	869.6	-0.39	0.91	4.61	4.73	8.14	26.1	37.71
\$SPX	10/24/2011	1254.19	-0.07	0.55	-5.27	-0.02	5.73	10.88	12.67
\$SPX	3/16/2016	2027.22	0.47	1.6	2.64	1.95	2.18	4.86	17.47
\$SPX	2/15/2019	2775.6	0.74	0.62	2.05	4.5	3.02	4.07	21.43
\$SPX	5/26/2020	2991.77	2.98	7.2	1.96	7.48	14.69	18.91	39.99
		<b>Average</b>	<b>0.50</b>	<b>1.38</b>	<b>2.77</b>	<b>5.97</b>	<b>8.13</b>	<b>15.39</b>	<b>22.64</b>
		<b>Median</b>	<b>0.74</b>	<b>1.60</b>	<b>2.89</b>	<b>4.73</b>	<b>7.91</b>	<b>17.17</b>	<b>20.87</b>
		<b>% Wins</b>	<b>65%</b>	<b>82%</b>	<b>88%</b>	<b>94%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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This setup did not provide anything in the way of short-term implications, but this appears to be yet another breadth study that we can add to the growing list suggesting an upside edge over the intermediate-term. Of the 17 instances that triggered since 1957, all of them saw the SPX higher 3, 6, and 12 months later.

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



With today's evidence considered, the green Aggregator line dipped below zero. Negative readings mean expectations are for downside over the next over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

Based on the current active list, expectations are slated to flip back to positive on Tuesday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4217.74. That is 1.85% below Monday's close. Therefore, SPX will need to close down at least 1.85% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bearish. The market is certainly overbought. And now evidence is leaning lower. But the studies are set up so that expectations are likely to flip back to positive on Tuesday. With my intermediate-term outlook now leaning bullish, I will only be looking for short entries if the setups are especially enticing. This does not qualify in my eyes. I'll continue to exercise some patience and wait for a more favorable reward/risk opportunity to emerge.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 8/15 – slightly bullish*

## **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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