

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 6, 2022

Volume 15 Issue 169

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- Price action studies appear mixed when evaluating Friday's reversal lower.
- Selloffs heading into 3-day weekends have often been followed by more selling.
- September seasonality is not strong – especially in the week after options expiration.
- The SOMA dropped quite a bit this pas week, and the pace of selling is set to accelerate now that it is September.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Mixed evidence and a volatile market are not a high-probability combination.

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						
September 6, 2022	20-low. Up day. Then gap up % new 20l	1-4 days	Bullish	2.80%	-1.80%	-3.40%
September 6, 2022	1% drop before US-only 3-day weekend	1-4 days	Bearish	-3.00%	1.20%	2.30%
September 6, 2022	SPY gap > 0.75%. Close dn > 1%. < 200	1 day	Bearish			
Active - Long Term						
August 23, 2022	10ema breadth collapse	1 month	Bearish			
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 1, 2022	NYSE Up Issues % > 70% 3 straight days	1-80 days	Bullish	9.85%	-4.72%	-11.90%
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

The market seemed to like the employment report on Friday morning, but the mood switched on news that a Russian gas pipeline to Europe was being taken offline. The SPX closed down 1.1%, the NASDAQ dropped 1.3%, and the Russell 2000 lost 0.7%. Breadth was negative with the NYSE Up Issues % coming in at 43% and the Up Volume % at 40%. NYSE total volume declined some heading into the long weekend.

When a rebound immediately fails it is often viewed as a bad sign. Thursday's bounce was wiped out by the selloff on Friday. Bulls were hoping the gap up Friday would hold and then perhaps they could gain some upside momentum. Instead, the market fell to new 20-day lows. So from a technical standpoint, Friday may have looked bad. But in the 8/27/2010 letter I looked at failed rebounds like this for both QQQ and SPY. Both triggered on Friday and so I have updated them below.

After closing at a 20-day low 2 days ago, QQQ closes up yesterday. It then gaps up this morning but closes at a new 20-day low. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - 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	14,942.09	14	8	6	57.14	7,252.90	-6,916.00	4,149.18	-3,041.89	1.36	1.82	1,067.29
4	13,230.88	14	9	5	64.29	7,322.98	-4,204.20	2,751.40	-2,306.35	1.19	2.15	945.06
3	27,779.00	14	9	5	64.29	7,185.33	-998.92	3,356.37	-485.67	6.91	12.44	1,984.21
2	21,040.95	15	12	3	80.00	7,722.10	-9,045.00	2,641.30	-3,551.56	0.74	2.97	1,402.73
1	4,706.60	15	11	4	73.33	3,913.00	-7,398.00	1,166.26	-2,030.56	0.57	1.58	313.77
14 of 15 instances (93%) closed above the entry price at some point in the next week.												

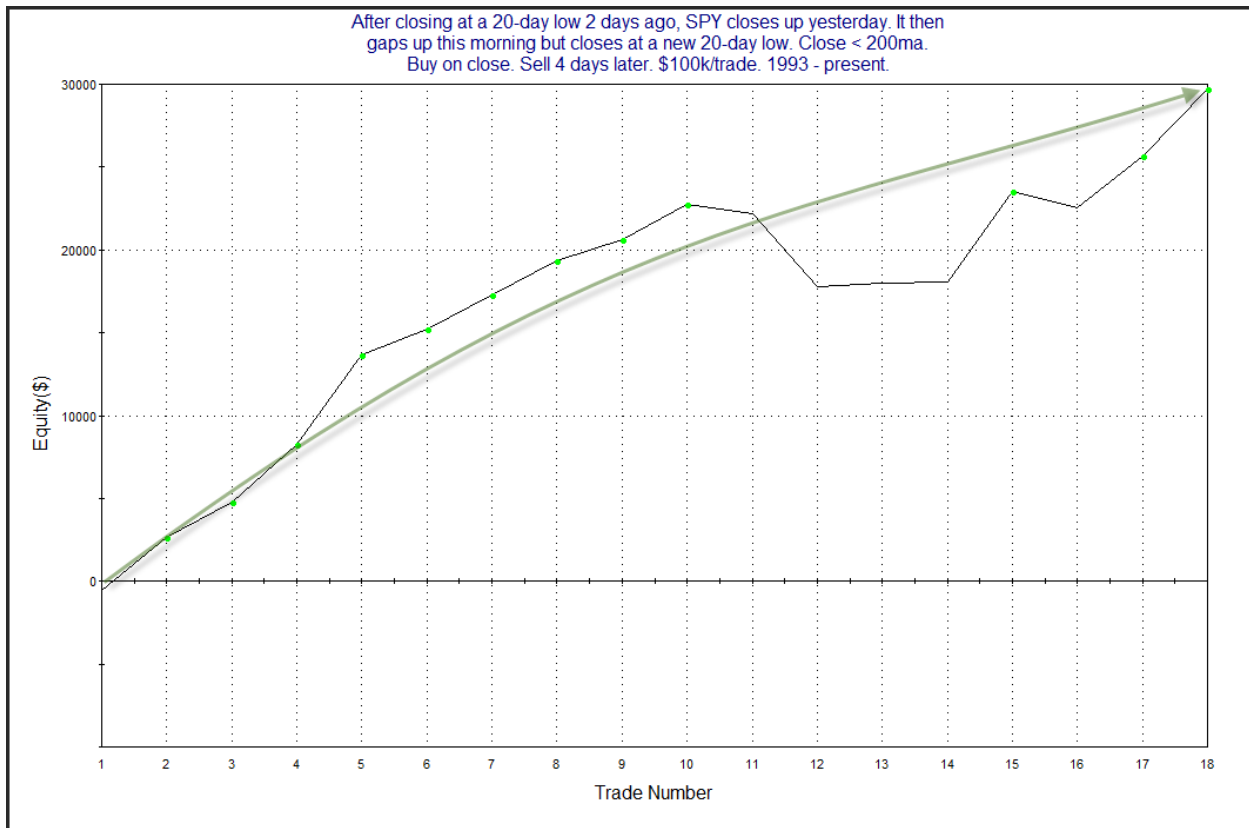
QQQ has shown a strong propensity to bounce, especially over the next few days. Now let's check out SPY's numbers.

After closing at a 20-day low 2 days ago, SPY closes up yesterday. It then gaps up this morning but closes at a new 20-day low. 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	25,447.26	18	14	4	77.78	7,250.00	-7,768.32	2,775.96	-3,354.05	0.83	2.90	1,413.74
4	29,742.72	18	14	4	77.78	5,466.39	-4,406.40	2,564.48	-1,609.99	1.61	5.62	1,652.37
3	23,433.14	18	13	5	72.22	4,417.07	-1,207.68	2,136.71	-868.82	2.46	6.39	1,301.84
2	12,126.27	19	11	8	57.89	4,381.62	-2,695.00	1,847.51	-1,024.54	1.80	2.48	638.22
1	3,653.19	19	13	6	68.42	2,377.52	-2,088.68	748.74	-1,013.41	0.74	1.60	192.27

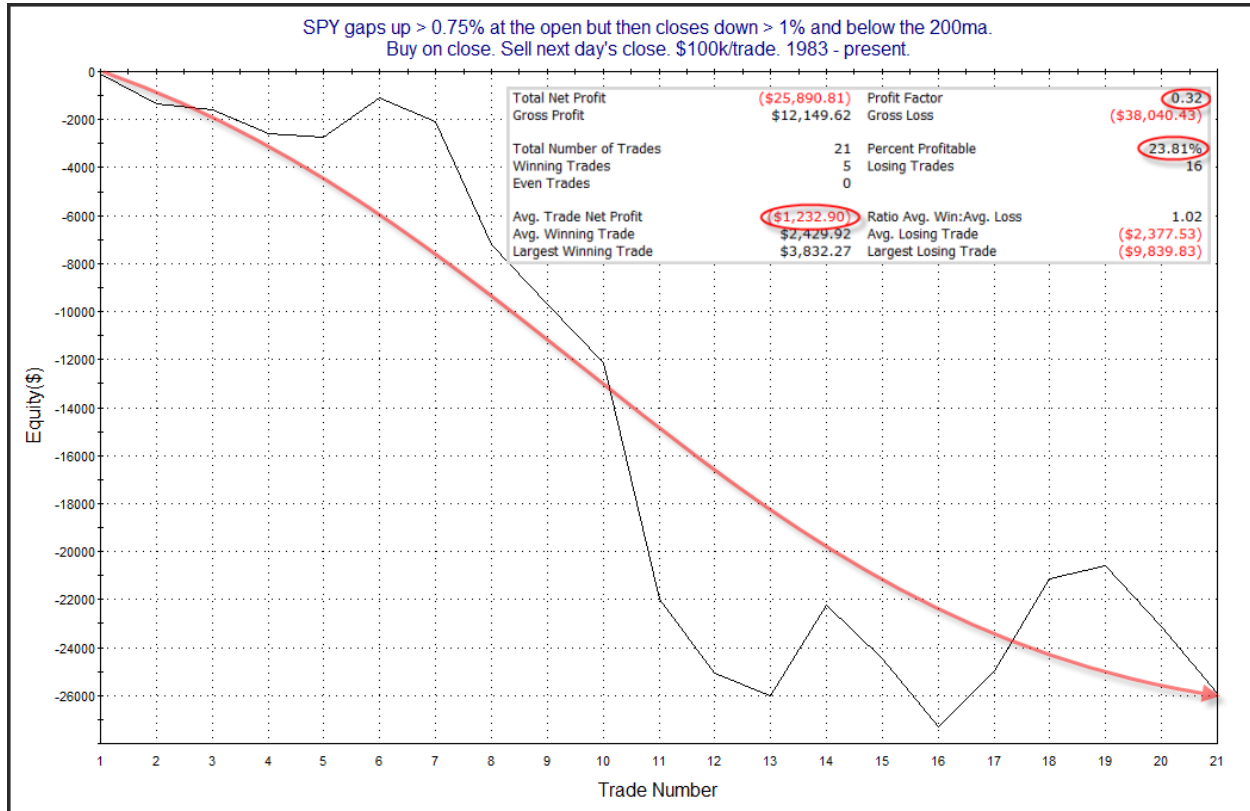
18 of 19 instances (95%) closed above the entry price at some point in the next week.

Similar story here, with results looking impressive 1-4 days out. Below is a look at a 4-day profit curve.



The curve has persisted and made new highs on the last 2 instances. This study appears to be worth some consideration, and I have added it to the active list.

But not everything looked favorable. This next study suggests we could see additional selling. It looks at other times SPY posted a large gap up and reversal and closed below the 200ma, like we saw on Friday. The study is updated from the 4/22/22 letter.



That stats suggest a downside edge. The curve is a little choppy lately. I sliced and diced this one a few different ways and the results remained fairly consistent. So I elected to include this on the active list today.

Another study considered the strong move down on Friday in conjunction with any US-only 3-day weekend. Since 2000 there have been 14 instances where there was a 1%+ selloff prior to the US-only 3-day weekend. Statistics from 1-5 days out are shown in the table below.

SPX closes down > 1% on the day before a US-only 3-day weekend.
Buy on close. Sell X days later. \$100k/trade. 2000 - 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	-21,614.16	14	4	10	28.57	1,654.12	-5,973.00	743.42	-2,458.78	0.30	0.12	-1,543.87
4	-21,013.33	14	3	11	21.43	2,071.16	-4,441.80	1,746.58	-2,386.64	0.73	0.20	-1,500.95
3	-12,587.70	14	5	9	35.71	1,615.64	-3,701.20	1,200.37	-2,065.50	0.58	0.32	-899.12
2	-7,548.28	14	6	8	42.86	2,095.25	-3,510.44	1,054.16	-1,734.16	0.61	0.46	-539.16
1	-4,422.23	14	6	8	42.86	2,505.88	-1,875.60	865.68	-1,202.04	0.72	0.54	-315.87

While there are only 14 instances, the stats are solidly bearish. Below I have listed all the instances and assumed a 4-day holding period.

SPX closes down > 1% on the day before a US-only 3-day weekend.
Buy on close. Sell 4 days later. \$100k/trade. 2000 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
2/18/2000	Buy	\$1,346.09	-0.95%	\$1,777.48
2/25/2000	Sell	\$1,333.36		(\$1,253.56)
2/16/2001	Buy	\$1,301.47	-4.30%	\$432.44
2/23/2001	Sell	\$1,245.47		(\$6,538.28)
5/25/2001	Buy	\$1,277.90	-1.35%	\$40.56
6/1/2001	Sell	\$1,260.67		(\$2,491.32)
2/15/2002	Buy	\$1,104.18	-1.30%	\$0.00
2/22/2002	Sell	\$1,089.84		(\$2,683.80)
5/24/2002	Buy	\$1,083.82	-1.54%	\$198.72
5/31/2002	Sell	\$1,067.14		(\$2,719.52)
1/17/2003	Buy	\$901.78	-4.48%	\$464.20
1/24/2003	Sell	\$861.40		(\$4,627.70)
5/23/2008	Buy	\$1,375.93	1.77%	\$2,188.08
5/30/2008	Sell	\$1,400.35		(\$205.92)
8/29/2008	Buy	\$1,282.74	-3.15%	\$1,563.10
9/5/2008	Sell	\$1,242.31		(\$5,044.27)
7/2/2009	Buy	\$896.42	-1.53%	\$255.30
7/9/2009	Sell	\$882.68		(\$3,008.10)
1/15/2010	Buy	\$1,136.03	-3.90%	\$1,268.96
1/22/2010	Sell	\$1,091.76		(\$4,034.80)
5/28/2010	Buy	\$1,089.41	-2.25%	\$1,479.66
6/4/2010	Sell	\$1,064.88		(\$2,630.81)
9/2/2011	Buy	\$1,173.97	-1.68%	\$2,586.55
9/9/2011	Sell	\$1,154.23		(\$2,876.40)
9/4/2015	Buy	\$1,921.22	2.07%	\$3,505.32
9/11/2015	Sell	\$1,961.05		\$0.00
1/15/2016	Buy	\$1,880.29	1.42%	\$1,513.68
1/22/2016	Sell	\$1,906.90		(\$3,604.00)

The last 2 instances closed higher, but the latest one saw a large drawdown before reversing up. With the average drawdown of all instances reaching 3.0% and the average run-up only 1.2% downside risk has been 2.5x times the size of upside reward. I have included this study on the Short-Term Active List.

Let's talk a bit more about seasonality. Over the last several years I have demonstrated that the performance during the week of Labor Day has been impacted by the performance in the month leading up to it. Interestingly, it has been somewhat of a momentum reversal week. When SPX has rallied up to Labor Day, then it has struggled that week. And declines into Labor Day have seen positive performance. Below is an updated look at the two scenarios.

Today is the Friday before Labor Day. SPX closes > the close 20 trading days ago. Buy on close. Sell X days later. \$100k/trade. 1969 - 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	-15,836.86	30	8	22	26.67	3,228.12	-2,942.07	1,404.70	-1,230.66	1.14	0.42	-527.90
4	-15,342.03	30	10	20	33.33	2,580.34	-3,113.11	1,244.67	-1,389.43	0.90	0.45	-511.40
3	-12,220.28	30	12	18	40.00	2,718.52	-4,024.28	1,130.03	-1,432.26	0.79	0.53	-407.34
2	-8,679.29	30	8	21	26.67	3,055.58	-2,668.88	1,366.76	-933.97	1.46	0.56	-289.31
1	-7,395.87	30	13	17	43.33	1,751.34	-4,147.45	737.09	-998.71	0.74	0.56	-246.53

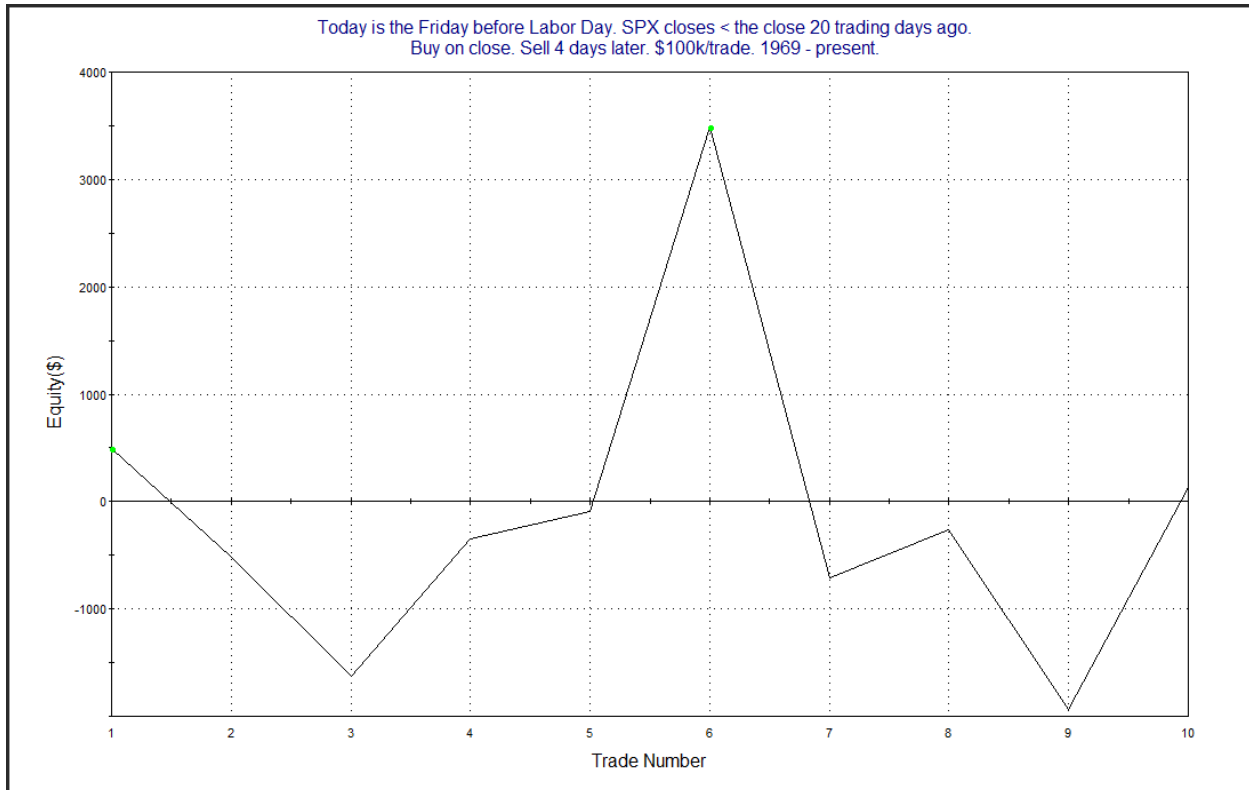
Today is the Friday before Labor Day. SPX closes < the close 20 trading days ago. Buy on close. Sell X days later. \$100k/trade. 1969 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	16,679.91	23	14	9	60.87	5,691.60	-3,611.52	2,076.36	-1,376.57	1.51	2.35	725.21
4	10,580.31	23	15	8	65.22	3,585.30	-4,206.40	1,546.26	-1,576.70	0.98	1.84	460.01
3	7,547.52	23	14	9	60.87	3,485.40	-2,391.84	1,065.51	-818.85	1.30	2.02	328.15
2	7,256.27	23	14	9	60.87	3,294.60	-4,795.56	1,232.17	-1,110.46	1.11	1.73	315.49
1	3,967.87	23	12	11	52.17	5,054.10	-2,259.18	1,245.95	-998.50	1.25	1.36	172.52

The 4-day numbers are basically inverted. So the Tues-Thurs after Labor Day have not seen any consistency without the delineator. But the trend filter reveals a striking difference. The 2nd scenario is the one we currently find ourselves in. I considered adding it as a potentially bullish study, but I also decided to see what the setup looked like below the 200ma.

Today is the Friday before Labor Day. SPX closes < the close 20 trading days ago. Close < 200ma.
Buy on close. Sell X days later. \$100k/trade. 1969 - 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	-704.22	10	4	6	40.00	5,691.60	-3,611.52	2,350.43	-1,684.32	1.40	0.93	-70.42
4	133.57	10	6	4	60.00	3,585.30	-4,206.40	1,356.29	-2,001.04	0.68	1.02	13.36
3	-830.51	10	5	5	50.00	1,615.64	-2,391.84	838.73	-1,004.83	0.83	0.83	-83.05
2	1,130.74	10	6	4	60.00	3,294.60	-4,795.56	1,330.88	-1,713.63	0.78	1.16	113.07
1	2,303.65	10	5	5	50.00	5,054.10	-2,259.18	1,648.08	-1,187.35	1.39	1.39	230.37

Stats for these 10 instances were not impressive. The gains seem to have all come in the instances where the SPX was above its 200-day moving average. Below is a look at the 4-day profit curve.

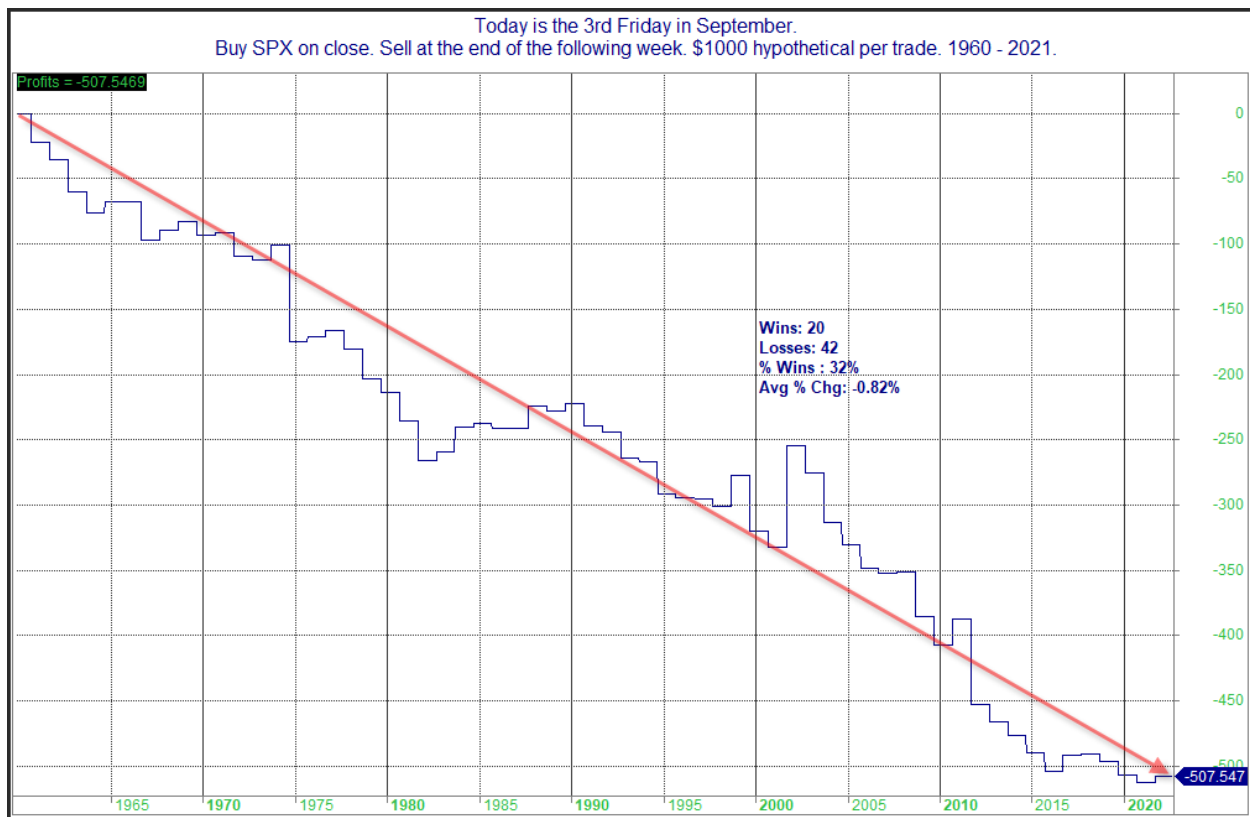


No edge suggested at all.

Of course September as a whole has been a tough month for the market. I wrote about this, and the “Weakest Week”, which is the week after options expiration, for an article in [ProActive Advisor Magazine](#) last year. Below is an updated version of that article:

September has a reputation for being the worst month of the year for the stock market. And that is deserved. Since 1960, the average September return is -0.67%. The only other month with a negative average return is June, which was a more moderate average return of -0.13%. The best month over this timeframe has been November, which averaged a gain of 1.56%. What most people don't realize about September is that the struggles can all be attributed to just 1 week. Years ago I dubbed it the "Weakest Week", and the weakness has continued to persist. The week I am referring to is the week following the 3rd Friday in September.

Many people will note that the 3rd Friday of the month is when monthly options expire. And there are seasonal tendencies that occur around this. The week of options expiration is often bullish for the market and the week following often sees some of those gains given back. But what is interesting about the week after the 3rd Friday in September is that the bearish bias has been in place since well before options expiration was even an event. (S&P Index options began trading in 1984.) The bearish tendency can be seen in the chart below, which looks back to 1960. (Data from Norgate Data. Chart produced in Amibroker.)



You'll note the average return this particular week has been -0.82% since 1960. I already mentioned the average September return over the same period was -0.67%. So all the net losses and more are attributable to this one particular week. The downward persistency of the curve shows that the bearish tendency has been quite consistent over the last 62 years. There was a stretch in the late 80's where there was a series of mild up years. Since 1990 it has been pretty much all downhill. Below is a table showing results of buying at the close of the 3rd Friday in September and then selling X days later from 1990 – 2020. (Date source: Tradestation)

Today is the 3rd Friday in September. Buy SPX on close. Sell X days later. \$100k/trade. 1990 - 2021.												
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	-28,348.88	32	7	25	21.88	7,739.42	-6,525.56	1,999.70	-1,693.87	1.18	0.33	-885.90
4	-30,127.06	32	7	25	21.88	5,439.43	-7,088.90	1,609.06	-1,655.62	0.97	0.27	-941.47
3	-23,658.84	32	7	25	21.88	4,508.00	-5,455.74	1,702.58	-1,423.08	1.20	0.33	-739.34
2	-19,571.51	32	9	23	28.13	4,786.41	-5,283.52	880.33	-1,195.41	0.74	0.29	-611.61
1	-12,456.73	32	8	24	25.00	3,877.95	-3,791.21	872.04	-809.71	1.08	0.36	-389.27

2001 & 2017 were the only years that SPX failed to close below its entry price at some point in the next week.

The bearish tendency appears quite strong. Three, four, and five days later the SPX has been lower over 78% of the time. I note beneath the table that the only instances **not** to post a lower close at some point during the following week were in 2001 and 2017. The 9/11 attacks certainly made for unusual circumstances in 2001, and 2017 did not see a decline, but it only rose 2 points, so it was not much of a victory for the bulls.

Overall, September has been the weakest month, but the weakest week in September has been the real market villain.

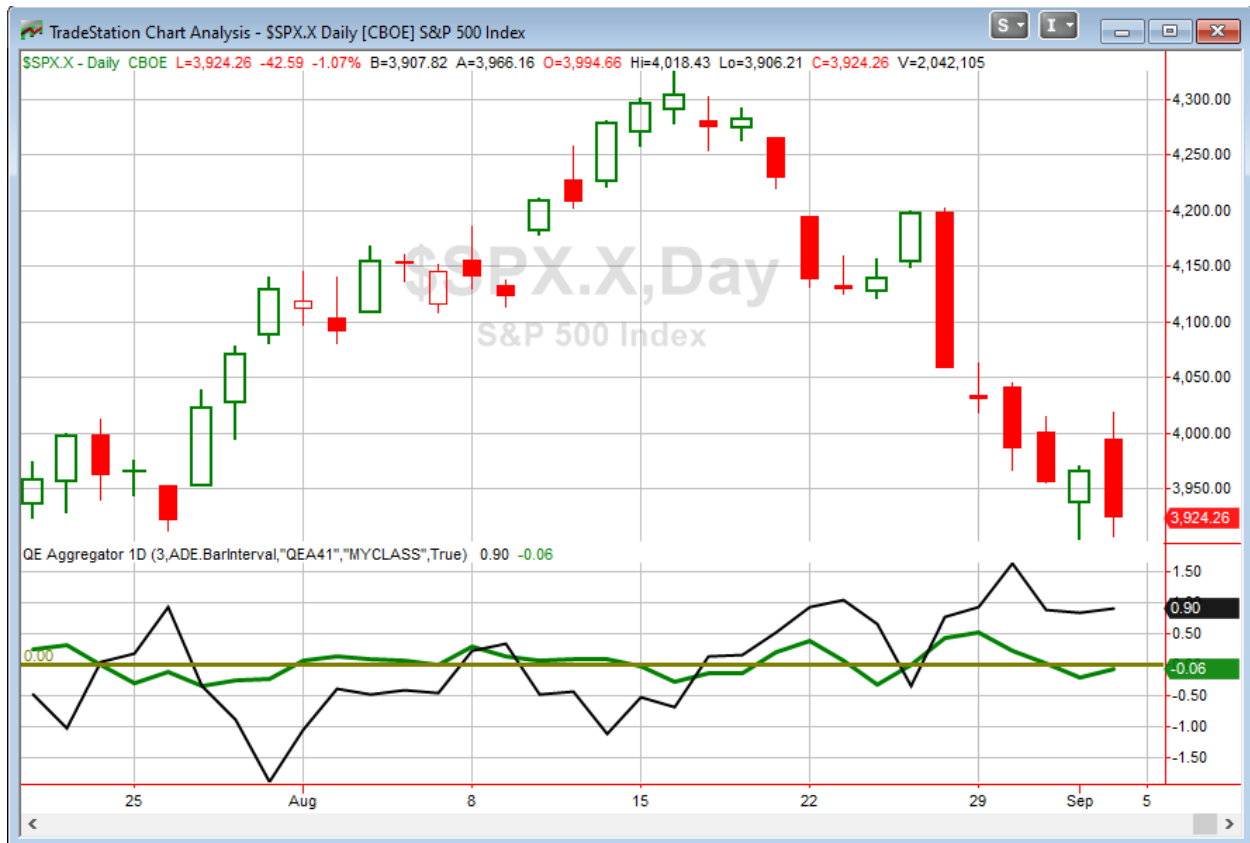
I'll mention the "Weakest Week" influence again in a few weeks when we get near it.

Lastly, I will also note the SPX Seasonality Calendar below for September.

Quantifiable Edges Seasonality Calendar			
§SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
9/1/2022	52.75	0.958	-0.070
9/2/2022	62.86	1.741	0.241
9/6/2022	56.70	1.213	0.084
9/7/2022	61.15	1.403	0.132
9/8/2022	58.22	1.109	0.041
9/9/2022	57.25	1.391	0.136
9/12/2022	49.96	0.811	-0.185
9/13/2022	48.21	1.381	0.148
9/14/2022	51.11	1.110	0.036
9/15/2022	52.29	1.058	0.008
9/16/2022	50.73	1.160	0.068
9/19/2022	49.89	0.726	-0.198
9/20/2022	47.94	1.560	0.164
9/21/2022	57.50	3.878	0.371
9/22/2022	51.27	1.119	0.019
9/23/2022	49.67	0.979	0.015
9/26/2022	51.35	0.829	-0.163
9/27/2022	51.62	1.229	0.111
9/28/2022	53.30	1.159	0.058
9/29/2022	57.38	1.245	0.062
9/30/2022	55.78	1.105	0.058
Baseline	54.44	1.145	0.047

The Seasonality Calendar uses a combination of multiple seasonality models, and it also uses a shorter rolling lookback than the previous studies to generate the stats. But here too we see some weak numbers the week of the 19th-23rd.

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



With tonight's evidence considered, the green Aggregator line remained below zero. Negative readings mean expectations are for downside over the next over the next few days. Meanwhile the black Differential Line is above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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.

Based on the current mix of active studies, short-term expectations are actually set to turn slightly positive on Monday afternoon. Of course this could easily change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be 3983.95 on Friday. That is 1.5% above Friday's close. Therefore, SPX will need to close up at least 1.5% on Monday to flip from oversold to overbought vs recent expectations.

So the Aggregator is neutral. Evidence is mixed and volatility is high. That is not a great combination when looking for a setup with favorable reward/risk. I don't intend to take on new index exposure here. Of course things can quickly change in this market, so there is no telling where the edge may lie a few days or a week from now.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/6 – neutral

Combo #1	Combo #2	Combo #3
Flat	Flat	Flat

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week all 3 combo systems remained “flat”.*

The stock indices all declined for the 3rd week in a row. The SPX fell 3.3%, the NASDAQ declined 4.2%, and the Russell 2000 dropped 4.7% on the week. Bonds also had a bad week. The US Aggregate Bond ETF (AGG) lost 1.0%, while TLT, the 20-year Treasury Bond ETF dropped 2.8%. With the SPX again at a 20-day low, the intermediate-term trend is no longer pointing higher.

The underperformance of the NASDAQ caused it to fall back into a lagging position vs the SPX for the 1st time in about 2 months. This can be seen in the chart below.

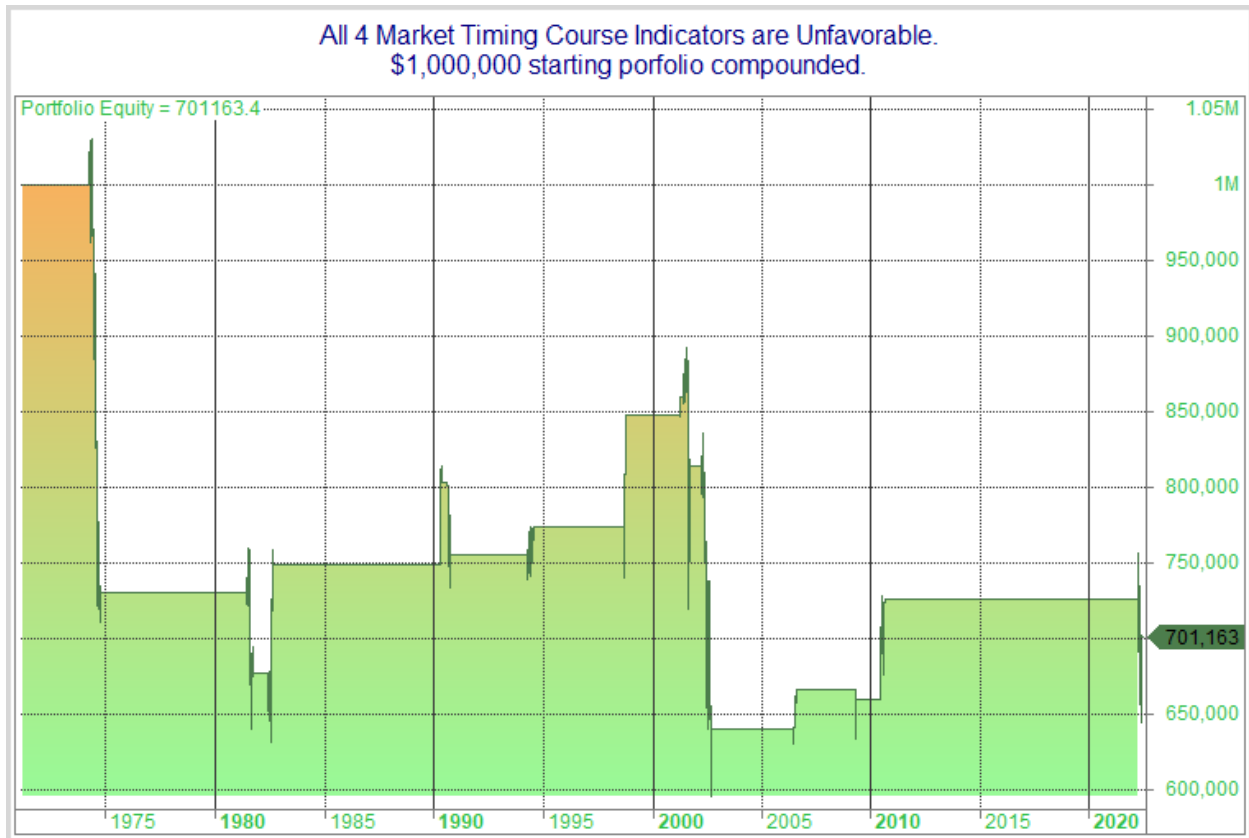


The movement of the green line (which is about to turn red) below the blue line is our indication that the NASDAQ is in a lagging position. Since 12/31/1971, the market has performed substantially better when the NASDAQ has been leading. Over that time, the SPX has gained 2982.14 points when the NASDAQ has been leading versus 930.03 points when the NASDAQ has lagged. The difference for the NASDAQ has been even more dramatic, with the point gains being 10,353.21 vs. just 1163.53. More on this indicator can be found in the Market Timing Course, or on its page (which can be found by clicking on the chart on the charts page). <http://quantifiableedges.com/nasdaq-weekly-strength-model/> (Note: the Market Timing Course is free with all annual gold subscriptions. So if you have a gold annual and any trouble accessing it, please let me know.)

Speaking of the Market Timing Course, below is the performance of SPX when the indicators have all been unfavorable as they are now.

All 4 Market Timing Course Indicators are Unfavorable. All instances shown since 1971.								
Symbol	Trade	Date	Price	Ex. date	Ex. Price	% chg	MAE	MFE
\$\$SPX	Long	4/30/1974	90.31	9/27/1974	64.94	-28.09%	-28.97%	3.82%
\$\$SPX	Long	10/11/1974	71.14	10/18/1974	72.28	1.60%	-3.29%	4.62%
\$\$SPX	Long	7/2/1981	128.64	10/16/1981	119.19	-7.35%	-14.34%	5.08%
\$\$SPX	Long	6/11/1982	111.24	8/6/1982	103.71	-6.77%	-6.77%	1.03%
\$\$SPX	Long	8/13/1982	103.85	9/24/1982	123.32	18.75%	-1.40%	21.74%
\$\$SPX	Long	4/30/1990	330.8	5/25/1990	354.58	7.19%	-0.92%	8.98%
\$\$SPX	Long	9/7/1990	323.4	10/31/1990	304	-6.00%	-8.93%	0.97%
\$\$SPX	Long	4/29/1994	450.91	8/12/1994	461.94	2.45%	-2.46%	2.73%
\$\$SPX	Long	10/2/1998	1002.6	10/30/1998	1098.67	9.58%	-7.91%	9.58%
\$\$SPX	Long	4/30/2001	1249.49	5/4/2001	1266.61	1.37%	-0.77%	1.88%
\$\$SPX	Long	6/15/2001	1214.36	6/29/2001	1224.38	0.83%	-0.93%	2.13%
\$\$SPX	Long	7/6/2001	1190.59	7/13/2001	1215.68	2.11%	-1.86%	2.41%
\$\$SPX	Long	7/20/2001	1210.85	8/3/2001	1214.35	0.29%	-3.74%	1.27%
\$\$SPX	Long	8/10/2001	1190.16	10/12/2001	1091.65	-8.28%	-20.62%	0.73%
\$\$SPX	Long	4/30/2002	1076.92	5/17/2002	1106.59	2.76%	-2.60%	2.76%
\$\$SPX	Long	5/24/2002	1083.82	7/19/2002	847.75	-21.78%	-21.78%	1.22%
\$\$SPX	Long	7/26/2002	852.84	10/11/2002	835.3199	-2.05%	-9.87%	13.15%
\$\$SPX	Long	7/19/2006	1259.81	9/1/2006	1311.01	4.06%	-1.83%	4.06%
\$\$SPX	Long	5/8/2009	929.23	5/29/2009	919.1401	-1.09%	-5.41%	0.10%
\$\$SPX	Long	7/2/2010	1022.58	7/23/2010	1102.66	7.83%	-0.65%	7.83%
\$\$SPX	Long	7/30/2010	1101.6	9/17/2010	1125.59	2.18%	-5.62%	2.51%
\$\$SPX	Long	4/29/2022	4131.93	6/24/2022	3911.74	-5.33%	-11.98%	4.25%
\$\$SPX	Long	7/1/2022	3825.33	7/8/2022	3899.38	1.94%	-2.18%	2.23%

Not horrible, but there are a few very sizable drops in there. And the performance this year has obviously not been good. Below is a look at a profit curve showing a hypothetical portfolio that only invested when this setup was active.



Not good. The downs were big and the ups were not.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

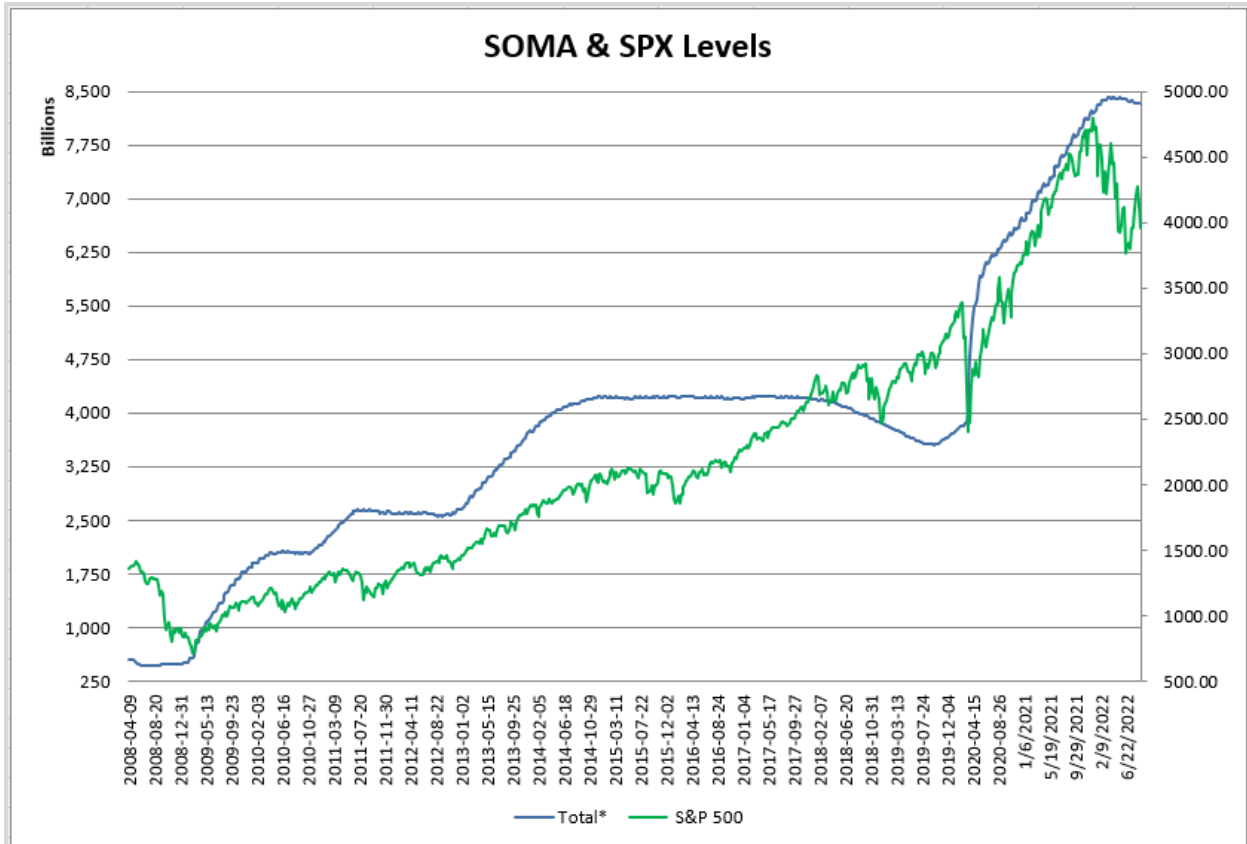
Domestic Security Holdings as of

◀ Previous **August 31, 2022**
 Posted September 1, 2022 at 4:30 PM

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)	4,863,149,800.9
US Treasury Floating Rate Notes (FRNs)	29,924,645.1
US Treasury Inflation-Protected Securities (TIPS)*	375,760,681.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,700,609,596.5
Agency Commercial Mortgage-Backed Securities***	8,678,673.4
Total SOMA Holdings	8,306,514,397.4
Change From Prior Week	-23,768,617.9

This week the SOMA declined by a sizable \$23.8 billion. Below is an updated SOMA/SPX chart looking back to 2008.



The largest expansion in the history of the SOMA is over. The blue line is now clearly heading lower. We will continue to see that happen over the next several weeks and months. The pace of the decline is expected to increase now that it is September. To this point, QT has been very mild. Overall, the Fed is no friend to the market, and they won't be for as long as they are fighting inflation and the economy appears stable. More rates hikes and more QT are on the way.

Indications have been fading more to the bearish side over the last few weeks. The bulls still have several breadth-thrust studies on the intermediate-term active list. Such strong breadth has historically suggested strong liquidity and more gains to come. But those studies are getting a little old, and breadth has been turning more negative since those thrust signals. We even saw a "breadth collapse" study last week. So we may need to see the market take a stand here soon if those bullish breadth studies are going to play out as they have in the past. As detailed above, the NASDAQ turning from leader to laggard is not a good sign for the bulls. The bears can also point to Fed policy and seasonality as reasons for more downside. Rallies during this time of year – especially in the 2nd year of a presidential cycle, are highly unusual. I am going to maintain my neutral stance. I really have no desire to get aggressive in either direction with the crosswinds and the volatility the market is experiencing. I'll be fairly cautious when considering both long and short positions.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

T – 1/3 @ \$17.19 (buy @ limit)

VZ – 1/3 @ \$41.30 (buy @ limit)

Broad Market Large Cap CBI – 2(T, VZ)

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.

T – Buy 1/3 Catapult position @ \$17.19 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of T.

VZ – Buy 1/3 Catapult position @ \$41.30 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of VZ.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>SPY(1/4)</i>	<i>8/29/2022</i>	<i>\$402.20</i>	<i>\$400.28</i>	<i>-0.48%</i>	<i>sold on open</i>

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