

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 5, 2022

Volume 15 Issue 190

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	1

Tonight's Research Points

- The low volume on such a big rally day could be a problem for the next few days.
- Multiple strong up days to a 10-day high under the 200ma are often followed by a pullback.

Short-term Outlook

The Bottom Line

The Aggregator is short. The market is now overbought and evidence is pointing lower. I believe there is a short-term 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
Active - Short Term						
October 5, 2022	Up 1% 2 days. 10-high < 200ma	1-4 days	Bearish	-3.20%	1.20%	2.20%
October 5, 2022	3% rally on low volume	1-3 days	Bearish	-4.80%	1.40%	2.60%
October 4, 2022	1% drop to 50-low. Next day ttl reverse	1-5 days	Bullish	3.70%	-2.50%	-5.70%
October 4, 2022	1% up from 100-low. Low volume	1-3 days	Bearish	-3.10%	1.80%	3.60%
Active - Long Term						
September 27, 2022	CBI reaches 10+. SPX 50-low < 200	1-17 days	Bullish	7.30%	-4.10%	-8.20%
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

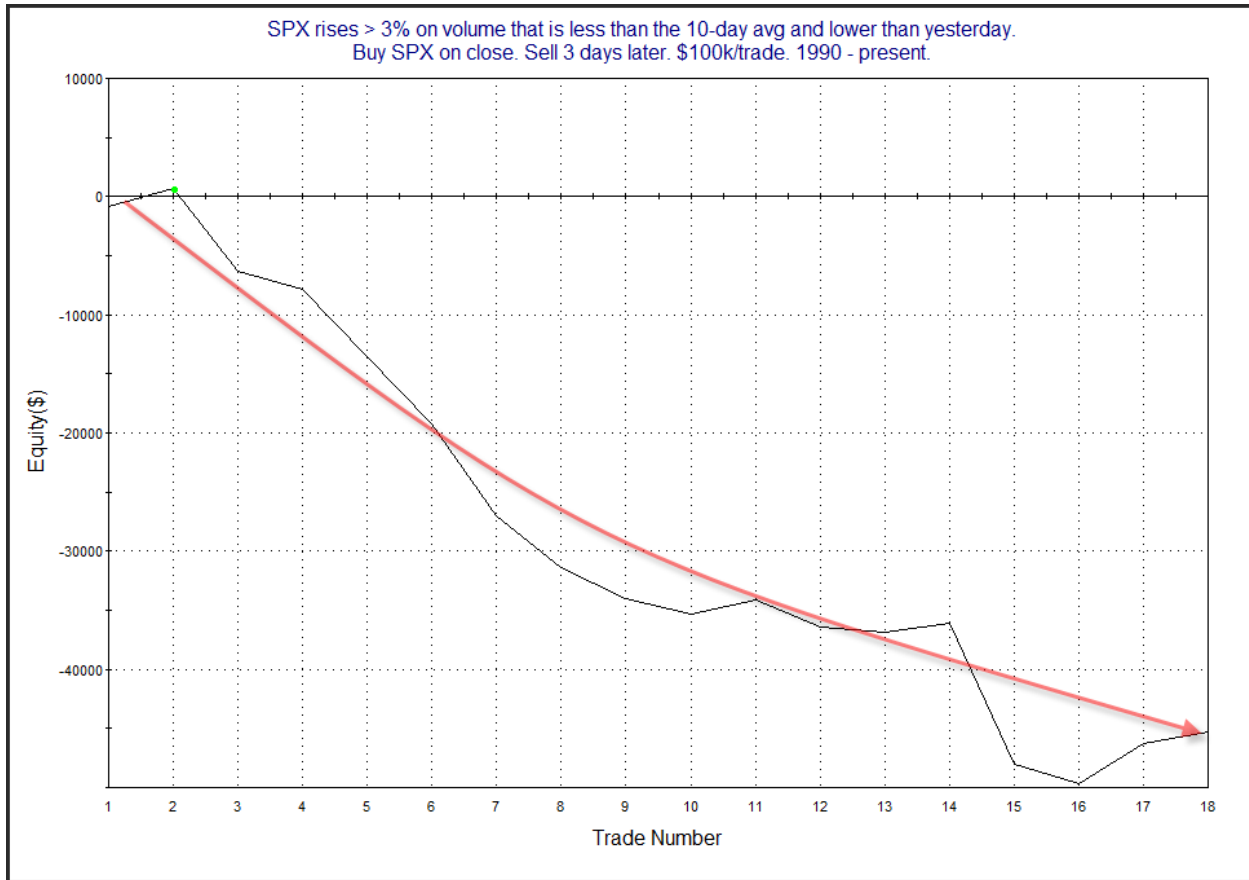
The Evidence

Tuesday was another big rally day. In fact, the last two days combined for the best 2-day start (+5.73%) to any month for SPX since its inception in 1957. For Tuesday, the SPX rose 3.1%, the NASDAQ climbed 3.3%, and the Russell 2000 jumped 3.9%. Breadth was strongly positive with the NYSE Up Issues % coming in at 86% and the Up Volume % at 96%. NYSE total volume declined for the 2nd day in a row.

Most of the evidence I am seeing suggests that the move has quickly become overdone to the upside and a pullback is likely. Volume was underwhelming for a day that the market made such a large move. This triggered a study I last featured in the 4/15/20 letter. It looked at big moves up on disappointing volume. I have updated it below.

SPX rises > 3% on NYSE volume that is less than the 10-day avg and lower than yesterday. 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	-62,645.52	16	6	10	37.50	3,612.16	-14,461.05	1,658.49	-7,259.64	0.23	0.14	-3,915.34
4	-44,459.76	17	5	12	29.41	5,734.40	-10,971.63	2,692.66	-4,826.92	0.56	0.23	-2,615.28
3	-45,261.39	18	5	13	27.78	3,458.88	-11,890.36	1,577.57	-4,088.40	0.39	0.15	-2,514.52
2	-46,631.75	19	7	12	36.84	1,405.26	-9,455.49	732.75	-4,313.42	0.17	0.10	-2,454.30
1	-13,791.51	19	6	13	31.58	2,077.44	-3,366.80	970.26	-1,508.70	0.64	0.30	-725.87

Numbers here appear quite bearish. Below is a look at the 3-day profit curve.



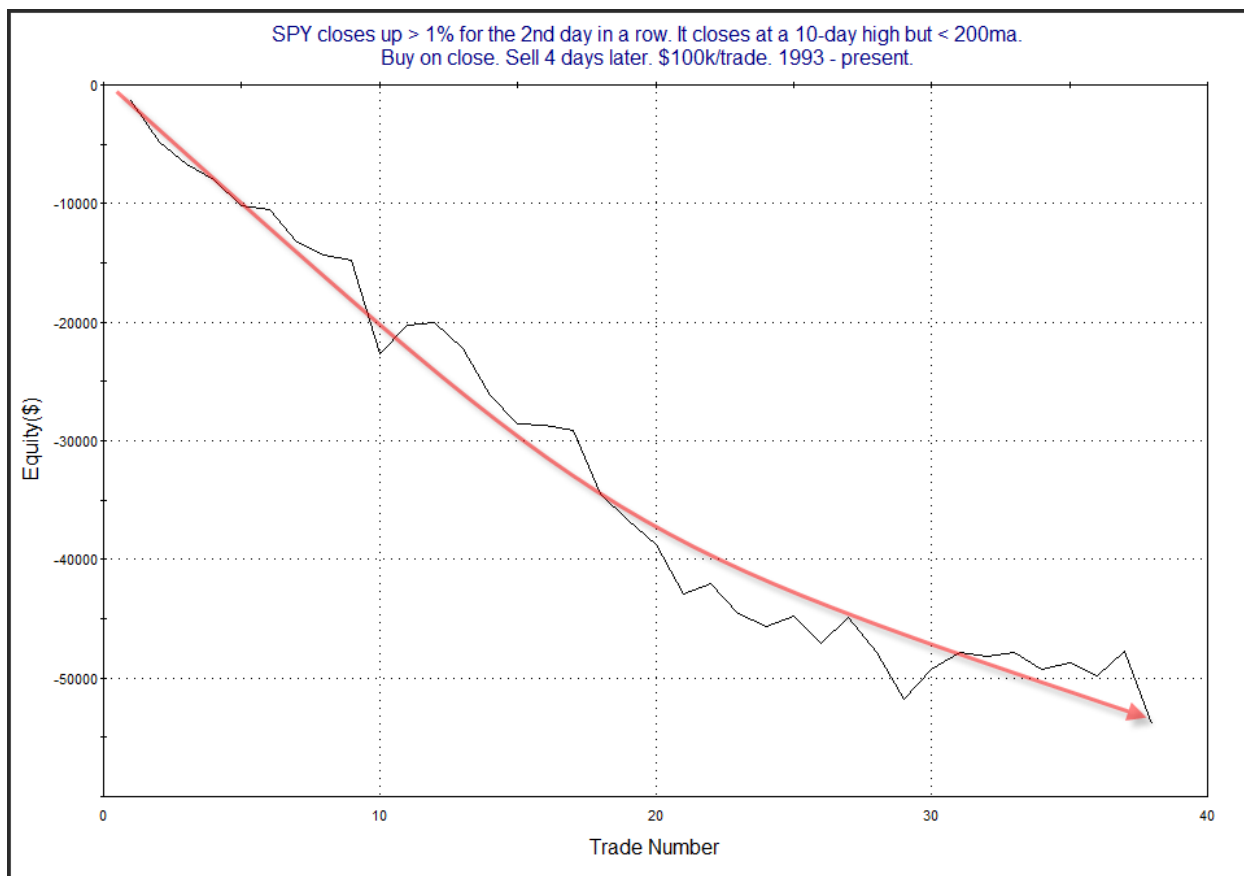
The last 2 instances have edged higher, but the downslope still appears to be in place. I have added this study to the active list tonight.

This next study looks at strong multi-day moves below the 200ma. It requires 2 days of 1% gains and a 10-day high. It was last seen in the 4/13/20 letter. All stats are updated.

SPY closes up > 1% for the 2nd day in a row. It closes at a 10-day high but < 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	-39,166.16	37	15	22	40.54	3,399.42	-7,053.11	1,612.22	-2,879.52	0.56	0.38	-1,058.54
4	-53,923.00	38	10	28	26.32	2,475.56	-7,879.83	1,332.47	-2,401.71	0.55	0.20	-1,419.03
3	-40,085.16	38	12	26	31.58	2,864.79	-5,502.64	1,235.77	-2,112.09	0.59	0.27	-1,054.87
2	-35,845.41	38	14	24	36.84	2,505.60	-5,350.20	1,052.93	-2,107.77	0.50	0.29	-943.30
1	-26,710.74	40	14	26	35.00	2,052.00	-8,857.80	666.52	-1,386.23	0.48	0.26	-667.77

The numbers here all suggest a downside edge. The equity curve is below.



The strong, fairly steady downslope serves as some confirmation of the bearish edge. I will note that the last 2 days showed returns well above 1%. Both days rose more than 2.5%. But making the criteria stricter reduced the number of instances quite a bit. At the 2% threshold there were only 3 other instances. Reducing to 1.5% there were 14 instances, and the results were quite similar to the original 1% filter used. So I decided to simply use the 1% filter with the larger sample size.

I mentioned that this was the best start to a month SPX has had since it became the S&P 500 in 1957. Below are all instances of the 3%+ gain over the 1st two days of a month.

**SPX closes up > 3% in the 1st two trading days of the month. Instances listed from highest to lowest % 2- day change.
Forward SPX performance shown. 1957 (modern SPX inception) - present.**

Ticker	Date/Time	% Chg	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	6-Day %Chg	7-Day %Chg	8-Day %Chg	9-Day %Chg	10-Day %Chg	21-Day %Chg
SSPX	10/4/2022	5.73	0	0	0	0	0	0	0	0	0	0	0
SSPX	8/2/1984	4.87	2.76	2.92	2.99	2.38	4.78	4.7	4.71	4.07	3.04	3.66	5.5
SSPX	1/5/1988	4.67	0.1	0.94	-5.89	-4.31	-5.11	-4.96	-4.93	-2.54	-2.61	-3.6	-2.48
SSPX	4/2/2009	4.58	0.97	0.13	-2.26	-1.11	2.66	2.92	0.85	2.12	3.71	4.22	8.73
SSPX	3/4/2002	4.26	-0.67	0.77	0.32	0.91	1.25	1.02	0.02	-0.07	1.07	1.01	-2.46
SSPX	1/5/1987	4.14	0.23	1.25	2.02	2.59	3.22	3.08	4.14	5.27	5.59	6.8	9.44
SSPX	6/2/2000	3.99	-0.65	-1.31	-0.4	-1.06	-1.37	-2.12	-0.53	-0.45	0.09	-0.87	-0.54
SSPX	5/4/2009	3.94	-0.38	1.35	0.02	2.42	0.22	0.12	-2.57	-1.56	-2.69	0.27	2.7
SSPX	9/2/2010	3.89	1.32	0.16	0.8	1.29	1.78	2.92	2.84	3.21	3.17	3.26	4.31
SSPX	4/2/2003	3.86	-0.51	-0.23	-0.11	-0.3	-1.69	-1.06	-1.43	0.49	1.12	-0.11	5.58
SSPX	11/4/2008	3.82	-5.27	-10.03	-7.43	-8.6	-10.62	-15.26	-9.39	-13.17	-15.41	-14.58	-15.96
SSPX	8/2/1996	3.52	-0.34	-0.02	0.25	0.02	-0.06	0.5	-0.35	-0.07	-0.03	0.41	-1.17
SSPX	12/2/2010	3.47	0.26	0.13	0.18	0.55	0.94	1.54	1.55	1.64	1.12	1.75	4.12
SSPX	9/2/1998	3.44	-0.83	-1.67	3.33	1.59	-1.04	1.88	3.96	4.77	5.55	2.87	1.22
SSPX	4/2/2008	3.39	0.13	0.21	0.37	-0.15	-0.95	-0.51	-2.54	-2.87	-2.42	-0.21	3.06
SSPX	6/4/1974	3.28	0.19	2.02	2.67	3.28	2.37	2.13	2.44	1.29	-0.11	-0.77	-6.53
SSPX	1/3/2003	3.27	2.25	1.58	0.15	2.09	2.09	1.94	2.54	1.06	0.66	-0.75	-6.65
SSPX	7/3/1962	3.18	0.57	-0.57	0.11	1.26	2.2	2.73	2.37	2.37	0.51	-0.51	2.64
SSPX	9/3/1997	3.16	0.33	0.13	0.36	0.62	-0.95	-1.64	-0.42	-0.87	1.92	1.63	3.51
SSPX	1/3/1975	3.14	0.51	0.44	-0.95	0.65	2.69	2.26	1.37	2.02	1.9	0.35	10.06
SSPX	9/3/1980	3.06	-0.56	-0.98	-2.23	-1.63	-1.04	-0.36	-0.46	-0.36	0.49	2.18	1.56
SSPX	11/3/2020	3.03	2.2	4.19	4.16	5.38	5.23	6.04	4.98	6.41	7.65	7.13	8.83
SSPX	11/5/1980	3.03	-1.84	-1.64	-1.41	-0.05	2.48	3.93	4.43	4.89	6.37	5.89	2.06
SSPX	2/2/2021	3.02	0.1	1.19	1.58	2.33	2.22	2.18	2.35	2.84	2.78	2.74	-1.51
Average		0.04	0.04	-0.06	0.44	0.49	0.61	0.69	0.89	1.02	0.99	1.57	
Median		0.13	0.16	0.18	0.65	1.25	1.88	1.37	1.29	1.12	1.01	2.64	
% Wins		61%	65%	65%	65%	61%	70%	61%	61%	74%	65%	65%	

QuantifiableEdges.com

Returns over the next several days do not appear very compelling. I have not included this study on the active list tonight.

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



With tonight's mix of studies factored in, 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 also fell 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 list of active studies, expectations are set to remain negative on Wednesday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3594.15 on Wednesday. That is a whopping 5.2% below Tuesday's close. I don't see that happening in 1 day. It will almost certainly take a multi-day decline or consolidation to work off the overbought condition.

So the Aggregator is now short. Evidence is pointing lower and there is plenty of room to the downside before SPX would become oversold. So I do think there is a downside edge. I'll be exiting the last of the long SPY position at the open on Wednesday. But I won't jump into a short trade just yet. That might be a mistake, but I tend to be more cautious when the market is making its 1st move off a long-term low. There has certainly been some frantic short-covering the last few days, and there is a chance that could continue a little longer before the short-term bearish

influences take over. So I will give it another day or so and see if we get even more stretched before attempting a short.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/3 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

CMCSA – 1/3 @ \$30.26 (bought @ limit)

Broad Market Large Cap CBI – 1(CMCSA)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CHTR(1/3)	9/22/2022	\$352.03	\$328.54	-6.67%	sell on open
SPY(1/4)	9/23/2022	\$367.95	\$377.97	2.72%	sold on close
CHTR(1/3)	9/23/2022	\$330.98	\$328.54	-0.74%	sell on open
T(1/3)	9/23/2022	\$16.10	\$15.99	-0.68%	sell on open
SPY(1/4)	9/26/2022	\$364.31	\$377.97	3.75%	sell on open
CHTR(1/3)	9/26/2022	\$321.44	\$328.54	2.21%	sell on open
T(1/3)	9/26/2022	\$15.91	\$15.99	0.50%	sold on open
T(1/3)	9/27/2022	\$15.67	\$15.99	2.04%	sold on open
INTC(1/3)	9/27/2022	\$26.97	\$27.70	2.71%	sell on open
ADBE(1/3)	9/27/2022	\$276.96	\$290.95	5.05%	sold on open
INTC(1/3)	9/28/2022	\$26.89	\$27.70	3.01%	sell on open
CMCSA(1/3)	10/3/2022	\$29.84	\$30.99	3.85%	Catapult

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