

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 14, 2022

Volume 15 Issue 197

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- A mix of short-term studies emerged.

Short-term Outlook

The Bottom Line

The Aggregator neutral. I am also.

The Evidence

The market reversed a big down gap and shot higher on Thursday. SPX finished up 2.6%, the NASDAQ climbed 2.2%, and the Russell 2000 gained 2.4%. Breadth was negative with the NYSE Up Issues % coming in at 70% and the Up Volume % at 81%. NYSE total volume rose some from Wednesday’s level.

That was an impressive reversal on Thursday. I need to keep it short tonight, so commentary will be brief. Reversals like Thursday often see successful follow through if they occur on high volume. If they do not occur on high volume, there is frequently some give-back over the next few days. SPY volume was high (a good sign). NYSE volume was not. Studies triggered both ways. Let’s 1st look at a high SPY volume reversal study last seen in the 3/3/20 letter.

After closing at a 20-day low yesterday, SPY closes up > 2% today and in the top 25% of the day's range. SPY volume is the highest in the last 5 days. 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	40,355.93	12	12	0	100.00	7,599.20	0.00	3,362.99	0.00	100.00	100.00	3,362.99
4	28,297.98	12	10	2	83.33	7,339.60	-3,242.20	3,248.87	-2,095.34	1.55	7.75	2,358.16
3	16,373.15	12	8	4	66.67	5,959.00	-2,254.46	2,638.88	-1,184.48	2.23	4.46	1,364.43
2	6,661.29	12	7	5	58.33	3,693.50	-3,016.93	1,943.75	-1,388.99	1.40	1.96	555.11
1	720.64	12	5	7	41.67	3,369.60	-4,416.69	1,842.03	-1,212.79	1.52	1.08	60.05

Numbers here are fantastic. Below is the full list of instances.

After closing at a 20-day low yesterday, SPY closes up > 2% today and in the top 25% of the day's range. SPY volume is the highest in the last 5 days.
Buy on close. Sell 5 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/28/1997	Buy	\$92.22	2.00%	\$2,406.48
11/4/1997	Sell	\$94.06		(\$2,677.48)
12/15/1998	Buy	\$116.69	3.43%	\$3,980.40
12/22/1998	Sell	\$120.69		(\$804.64)
4/17/2000	Buy	\$140.75	5.26%	\$5,261.10
4/25/2000	Sell	\$148.16		(\$688.70)
11/1/2001	Buy	\$108.51	3.77%	\$5,129.97
11/8/2001	Sell	\$112.60		(\$589.44)
5/8/2002	Buy	\$109.01	0.72%	\$1,742.30
5/15/2002	Sell	\$109.79		(\$3,126.97)
7/24/2002	Buy	\$84.72	7.60%	\$8,059.40
7/31/2002	Sell	\$91.16		(\$3,681.60)
1/23/2008	Buy	\$133.86	0.78%	\$3,495.96
1/30/2008	Sell	\$134.91		(\$1,344.60)
3/11/2008	Buy	\$132.60	0.78%	\$882.18
3/18/2008	Sell	\$133.63		(\$4,923.62)
9/18/2008	Buy	\$120.07	0.60%	\$6,206.72
9/25/2008	Sell	\$120.79		(\$1,896.96)
10/28/2008	Buy	\$93.76	7.09%	\$7,568.60
11/4/2008	Sell	\$100.41		(\$1,769.56)
8/9/2011	Buy	\$117.48	1.80%	\$2,774.26
8/16/2011	Sell	\$119.59		(\$4,706.03)
10/4/2011	Buy	\$112.34	6.55%	\$6,853.00
10/11/2011	Sell	\$119.70		(\$676.40)
10/13/2022	Buy	\$365.97	n/a	\$0.00
Open	n/a	\$365.97		\$0.00

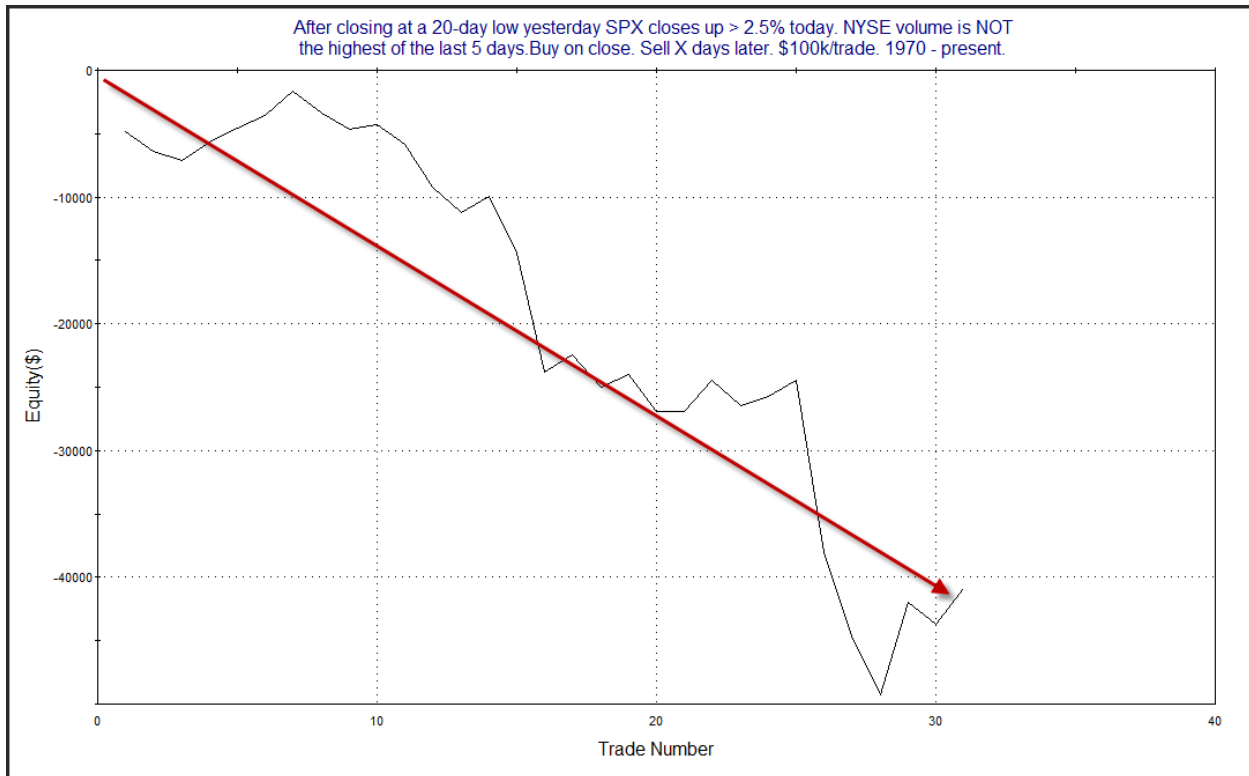
Several very strong rallies. This setup has not triggered since 2011, but it still appears to be a bullish one.

Next is a study from 3/27/18 that notes the underwhelming NYSE volume.

After closing at a 20-day low yesterday SPX closes up > 2.5% today. NYSE volume is NOT the highest of the last 5 days. Buy on close. Sell X days later. \$100k/trade. 1970 - 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	-39,082.04	29	12	17	41.38	7,282.10	-14,461.05	3,492.22	-4,764.04	0.73	0.52	-1,347.66
4	-48,816.33	29	12	17	41.38	7,172.80	-16,867.40	2,907.49	-4,923.90	0.59	0.42	-1,683.32
3	-32,100.08	30	13	17	43.33	3,765.60	-11,265.12	1,925.20	-3,360.45	0.57	0.44	-1,070.00
2	-40,847.35	31	14	17	45.16	7,309.60	-13,654.06	1,721.02	-3,820.10	0.45	0.37	-1,317.66
1	-27,205.49	31	13	18	41.94	3,037.50	-11,696.04	1,310.59	-2,457.96	0.53	0.39	-877.60

Numbers here are quite weak. Below is the profit curve.



So higher NYSE volume would have been preferable. This study seems worth consideration as well.

Lastly, we have the little nugget below that suggests a day like today often gives back a little the next day. It is updated from the 12/27/18 letter.

After closing at a 10-day low yesterday SPY posts an outside day today and closes in the top 10% of the intraday range. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$7,719.45)	Profit Factor	0.40
Gross Profit	\$5,128.60	Gross Loss	(\$12,848.05)
Total Number of Trades	14	Percent Profitable	21.43%
Winning Trades	3	Losing Trades	11
Even Trades	0		
Avg. Trade Net Profit	(\$551.39)	Ratio Avg. Win:Avg. Loss	1.46
Avg. Winning Trade	\$1,709.53	Avg. Losing Trade	(\$1,168.00)
Largest Winning Trade	\$2,562.30	Largest Losing Trade	(\$4,986.80)

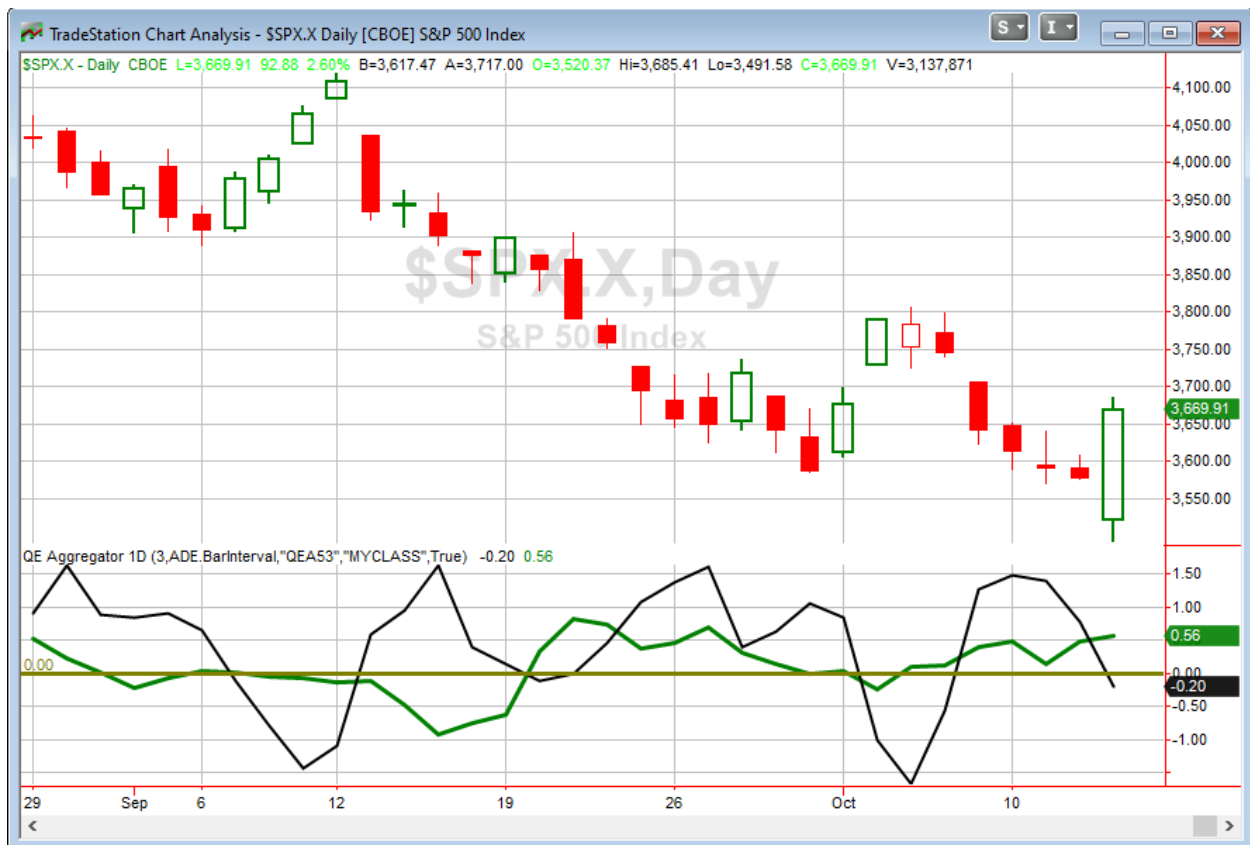
Here is the list of instances.

After closing at a 10-day low yesterday SPY posts an outside day today and closes in the top 10% of the intraday range. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/19/1995	Buy	\$61.28	-0.29%	\$407.75
12/20/1995	Sell	\$61.10		(\$978.60)
5/8/1996	Buy	\$64.79	-0.09%	\$432.04
5/9/1996	Sell	\$64.73		(\$447.47)
7/24/2002	Buy	\$84.72	-0.85%	\$1,333.40
7/25/2002	Sell	\$84.00		(\$3,681.60)
9/29/2003	Buy	\$100.93	-0.97%	\$0.00
9/30/2003	Sell	\$99.95		(\$1,663.20)
8/29/2005	Buy	\$121.69	-0.53%	\$0.00
8/30/2005	Sell	\$121.05		(\$1,067.30)
6/27/2007	Buy	\$150.40	-0.01%	\$670.64
6/28/2007	Sell	\$150.38		(\$484.72)
11/13/2008	Buy	\$91.17	-4.99%	\$975.44
11/14/2008	Sell	\$86.62		(\$5,096.40)
8/27/2010	Buy	\$106.86	-1.45%	\$46.75
8/30/2010	Sell	\$105.31		(\$1,458.60)
12/31/2012	Buy	\$142.41	2.56%	\$2,625.48
1/2/2013	Sell	\$146.06		\$0.00
9/24/2014	Buy	\$199.56	-1.61%	\$0.00
9/25/2014	Sell	\$196.34		(\$1,648.29)
10/8/2014	Buy	\$196.64	-1.98%	\$0.00
10/9/2014	Sell	\$192.74		(\$2,062.48)
11/16/2015	Buy	\$205.62	-0.07%	\$690.12
11/17/2015	Sell	\$205.47		(\$359.64)
12/26/2018	Buy	\$246.18	0.77%	\$856.66
12/27/2018	Sell	\$248.07		(\$2,931.32)
1/28/2022	Buy	\$441.95	1.80%	\$1,882.58
1/31/2022	Sell	\$449.91		(\$483.64)

The last two instances have not played out, but I still think this is worth some consideration.

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



With tonight's mix of evidence considered, the green Aggregator line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line dropped 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3624.37 on Friday. That is 1.2% below Thursday's close. Therefore, SPX would need to close down over 1.2% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Evidence is leaning bullish, and the big reversal on big SPY volume was an encouraging sign. But we are quickly overbought in a downtrend here, so reward/risk is no longer strongly favorable. This seems like a good time to take profits and wait for more clarity and a more favorable reward/risk setup. I'll be closing out the SPY long trade idea at the open on Friday.

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

The intermediate-term outlook was last updated in the 10/10/22 Letter. It can be found in the [most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

AMT – 1/3 @ \$183.79 (buy @ limit)

NEE – 1/3 @ \$72.75 (buy @ limit)

SO – 1/3 @ \$61.50 (buy @ limit)

Broad Market Large Cap CBI – 3(CMCSA, AMT, NEE, SO)

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CMCSA(1/3)	10/3/2022	\$29.84	\$30.23	1.31%	<i>sell on open</i>
SPY(1/4)	10/10/2022	\$360.02	\$365.97	1.65%	<i>sell on open</i>
AMT(1/3)	10/13/2022	\$179.87	\$189.85	5.55%	Catapult
NEE(1/3)	10/13/2022	\$71.59	\$73.09	2.10%	Catapult
SO(1/3)	10/13/2022	\$60.96	\$64.05	5.07%	Catapult

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