

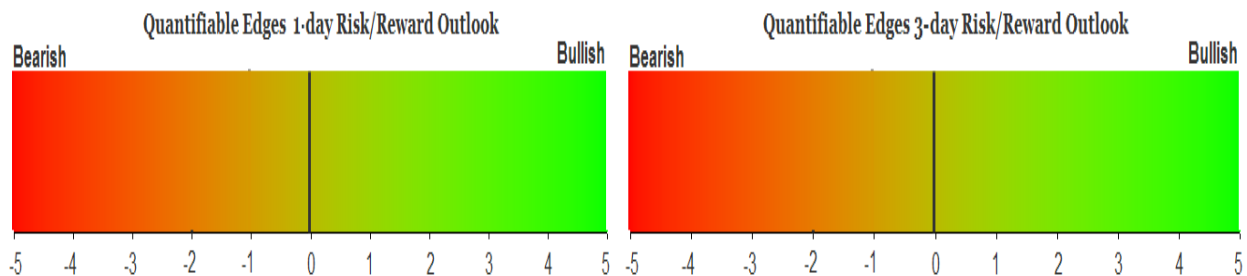
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 28, 2022

Volume 15 Issue 207

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Gaps up that run higher then reverse like we saw on Thursday have only shown a compelling edge when they also occur in conjunction with a 10-day low. We don't have that right now.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is flat. Evidence is light. I am neutral.

**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>						
October 25, 2022	SPY up 1% 2x. 10-day high & < 200ma	1-4 days	Bearish	-3.25%	1.20%	2.15%
<b>Active - Long Term</b>						
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>						
October 26, 2022	SPX Mc Osc reaches 54 or higher	1-2 days	Bearish			

**The Evidence**

Thursday was another back and forth the day with a mixed finish. SPX lost 0.6%, the NASDAQ tumbled 1.6%, and the Russell 2000 climbed 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 55.0% and the Up Volume % at 54.8%. NYSE total volume declined for the 4<sup>th</sup> day in a row.

The gap up, move higher, and the reversal down for a weak close brought about some studies with apparent bullish tendencies. But in the 8/26/11 letter I looked at this a bit closer and the edge did not always apply. I obviously have not reviewed that series of studies in a while, so I thought I would tonight. This first study simply looks at these gap up, move higher, reverse lower days while SPY is under its 200ma.

SPY gaps up at least 0.25% and makes a high at least 0.5% above the open. It then closes down on the day and in the bottom 25% of the daily range. 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	41,217.95	42	28	14	66.67	13,737.50	-19,787.04	3,813.81	-4,683.49	0.81	1.63	981.38
4	46,896.55	44	25	19	56.82	14,158.80	-17,793.84	4,038.14	-2,845.10	1.42	1.87	1,065.83
3	47,117.30	45	28	17	62.22	10,083.30	-11,623.98	3,197.83	-2,495.41	1.28	2.11	1,047.05
2	46,962.09	45	27	18	60.00	11,736.30	-9,340.86	3,250.01	-2,266.01	1.43	2.15	1,043.60
1	11,950.70	45	25	20	55.56	5,962.50	-5,091.72	1,650.81	-1,465.97	1.13	1.41	265.57

So as you can see, the general stats appear nicely favorable for the bulls over the next 2 days. But I found in that 8/26/11 letter that there was a big difference in results based on whether SPY closed at a short-term low or not on the day of the reversal. So let's look at times where the pattern also finished at a 10-day closing low. (This is NOT the current case.)

SPY gaps up at least 0.25% and makes a high at least 0.5% above the open. It then closes down on the day and in the bottom 25% of the daily range. Close < 200ma and at a 10-day low.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

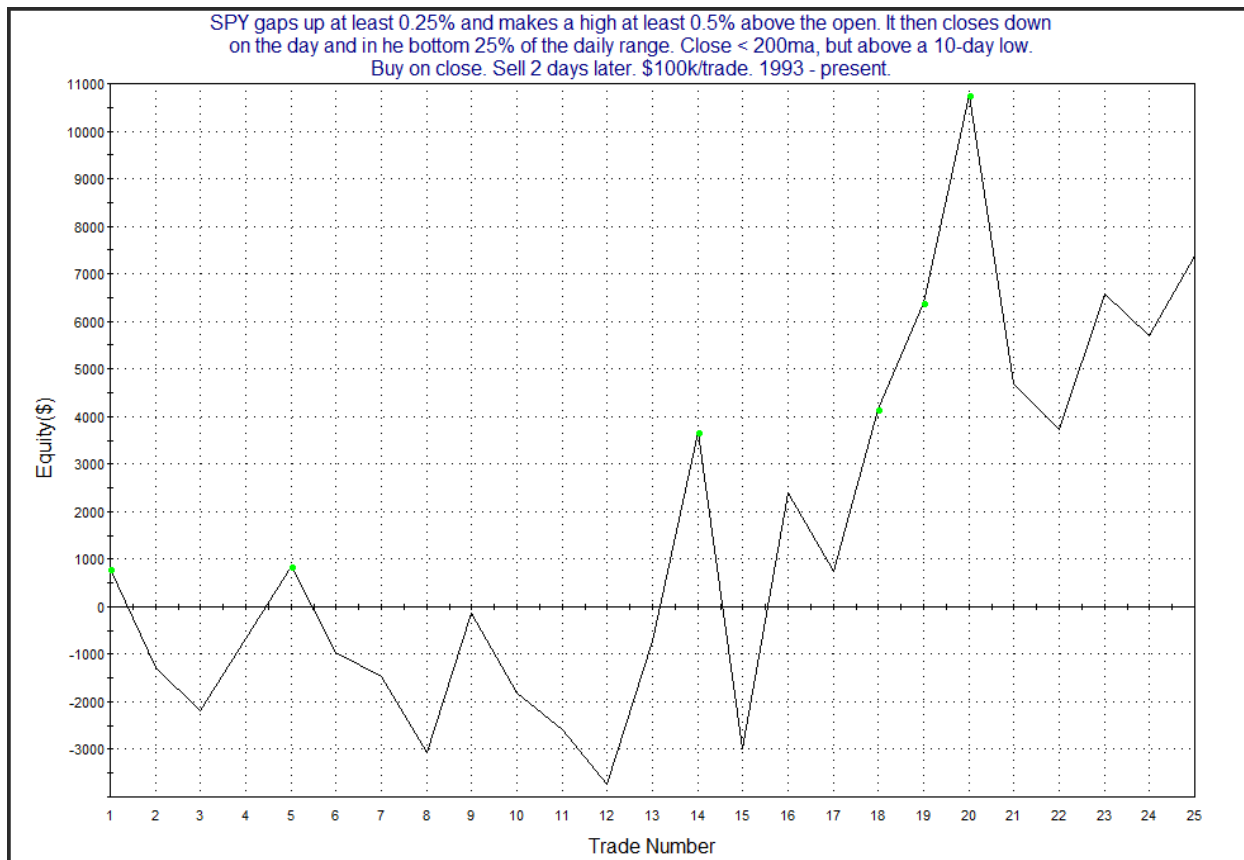
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	33,483.10	19	13	6	68.42	13,737.50	-19,787.04	5,281.93	-5,863.66	0.90	1.95	1,762.27
4	33,929.37	20	12	8	60.00	14,158.80	-17,793.84	5,503.44	-4,013.99	1.37	2.06	1,696.47
3	38,605.13	20	14	6	70.00	10,083.30	-11,623.98	4,091.21	-3,111.98	1.31	3.07	1,930.26
2	39,577.20	20	15	5	75.00	11,736.30	-9,340.86	3,575.07	-2,809.77	1.27	3.82	1,978.86
1	8,133.92	20	12	8	60.00	5,962.50	-5,091.72	1,876.83	-1,798.51	1.04	1.57	406.70

The 2-day results here appear extremely impressive. So now let's look at times like now without any 10-day closing low.

SPY gaps up at least 0.25% and makes a high at least 0.5% above the open. It then closes down on the day and in the bottom 25% of the daily range. Close < 200ma, but above a 10-day low.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

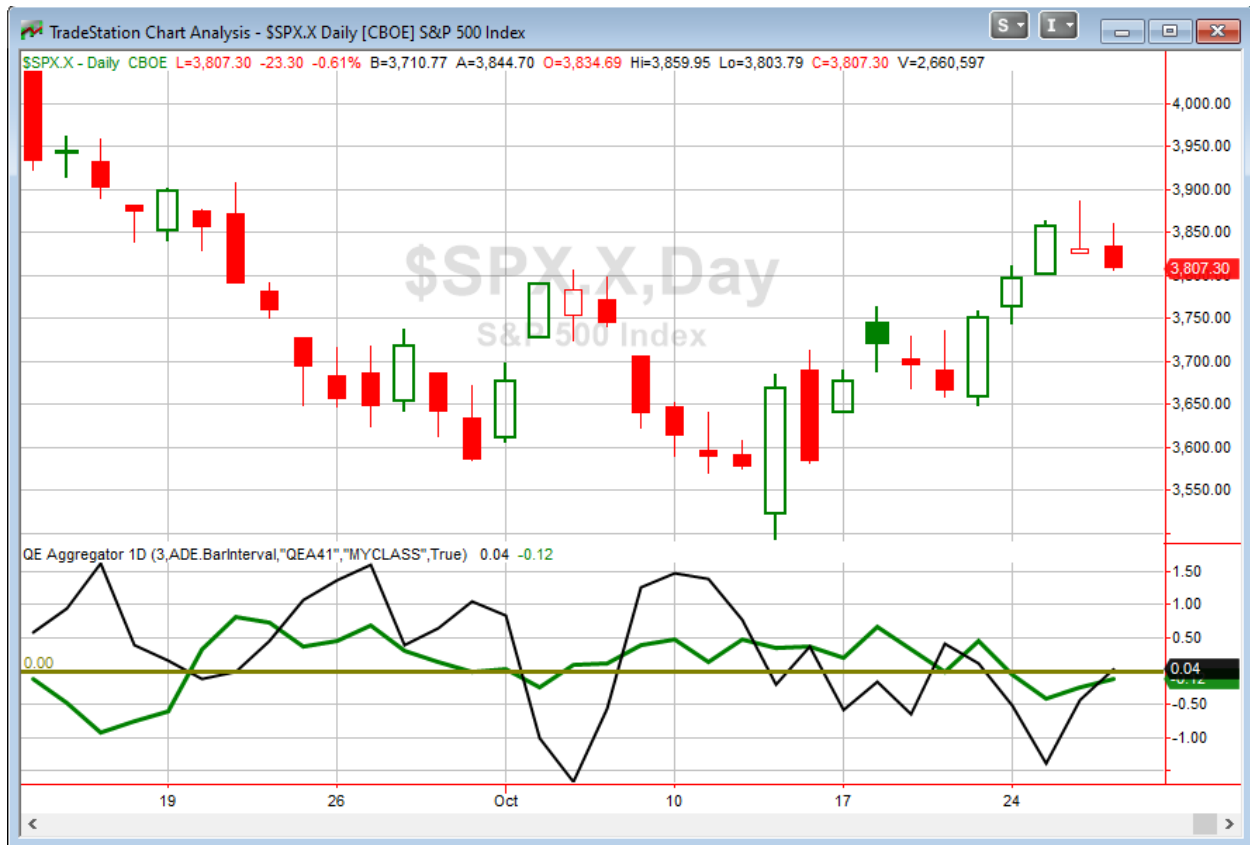
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	7,734.86	23	15	8	65.22	8,382.48	-9,016.04	2,541.45	-3,798.36	0.67	1.25	336.30
4	12,967.20	24	13	11	54.17	5,604.90	-5,142.58	2,685.55	-1,995.00	1.35	1.59	540.30
3	8,512.17	25	14	11	56.00	4,638.60	-7,337.10	2,304.45	-2,159.10	1.07	1.36	340.49
2	7,384.89	25	12	13	48.00	5,364.26	-6,636.44	2,843.69	-2,056.87	1.38	1.28	295.40
1	3,816.78	25	13	12	52.00	3,057.76	-2,945.28	1,442.16	-1,244.28	1.16	1.26	152.67

The average trade still appears mildly bullish but the winning % is a coin toss. Below is an equity curve that assumes a 2-day holding period and illustrates how the setup has performed over time.



As you can see there just has *not* been a consistent upward tendency. This is not an equity curve I would base a trade on and it is not a setup that I will include on the active List.

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



Without any new studies being added tonight, the green Aggregator line remained moderately below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line inched 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 turned flat at the close.

With the intermediate-term outlook neutral, and the last of the short-term studies set to expire on Friday, expectations are currently primed to turn flat. Of course any new evidence that emerges will impact this. Meanwhile, the Differential Pivot will be 3858.16 on Friday. That is 1.3% above Thursday's close. Therefore, SPX would need to close up over 1.3% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now flat. Evidence is weak, and expectations going forward will be highly dependent on any new evidence that emerges. There does not appear to be a compelling directional edge with favorable reward/risk. I currently have a small amount of short exposure. I will look to exit that position on Friday morning and then wait for the next compelling opportunity to emerge before putting on my next index trade.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 10/24 – neutral**

The intermediate-term outlook was last updated in the 10/24/22 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**

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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(S)(1/4)	10/25/2022	\$378.87	\$379.98	-0.29%	cover on open

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2022 Quantifiable Edges, LLC.