

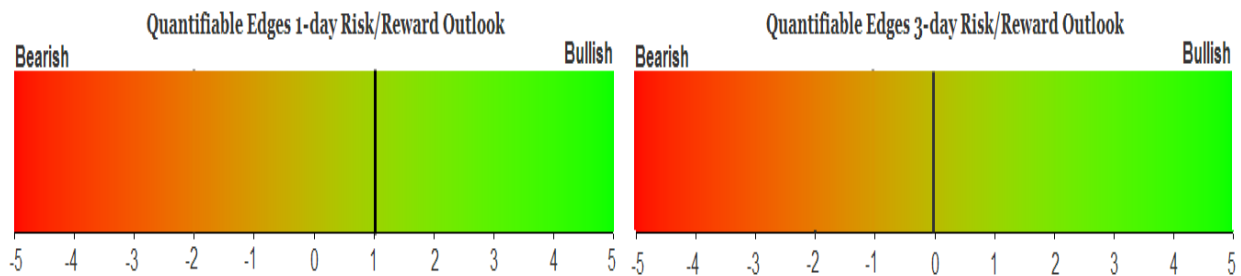
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 7, 2022

Volume 15 Issue 213

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Strong rallies on jobs days while SPX is in a downtrend have often been followed by dips over the next few days.
- The SPX Quantifiable Edges Seasonality Calendar is mildly bullish this upcoming week.
- This past week saw a sizable decline in the SOMA, and the Fed remains hawkish.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. SPX remains short-term oversold, but evidence is mixed and leaning bearish.

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						
November 7, 2022	1% gain on jobs day under 200ma	1-3 days	Bearish	-3.00%	1.50%	2.90%
November 3, 2022	1st 5 low in 5 days. 2% drop < 200ma	1-4 days	Bullish			
Active - Long Term						
October 31, 2022	Best 6 Months 3rd Yr. Pres Cycle	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

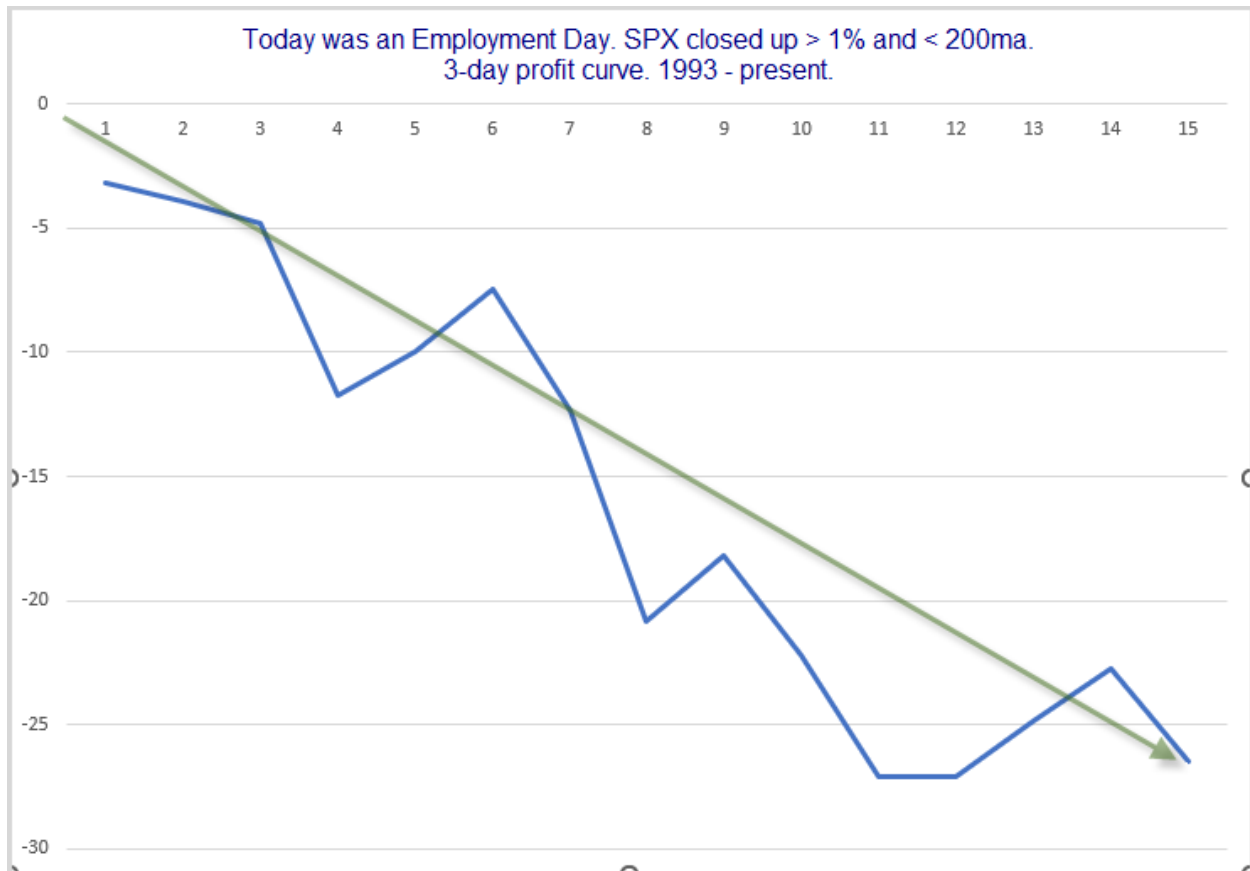
The Evidence

The market liked the employment report and put in a strong showing on Friday. SPX closed up 1.4%, the NASDAQ rose 1.3%, and the Russell 2000 gained 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 71% and the Up Volume % at 75%. NYSE total volume rose some from Thursday's level.

Such a strong move higher on an employment report day is somewhat unusual, especially when the SPX is in a long-term downtrend. I decided to examine past occurrences. Results are in the table below.

Today was an Employment Day. SPX closed up > 1% and < 200ma. Forward results shown. 1993 - present.							
Ticker	Date/Time	% Chg	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg
\$SPX	10/2/1998	1.64	-1.4	-1.8	-3.18	-4.3	-1.82
\$SPX	12/8/2000	1.96	0.75	0.09	-0.72	-2.11	-4.21
\$SPX	5/4/2001	1.44	-0.24	-0.43	-0.88	-0.9	-1.65
\$SPX	7/5/2002	3.67	-1.22	-3.66	-6.93	-6.23	-6.84
\$SPX	9/6/2002	1.68	1.01	1.75	1.74	-0.78	-0.46
\$SPX	11/1/2002	1.72	0.82	1.6	2.53	0.19	-0.69
\$SPX	2/1/2008	1.22	-1.05	-4.21	-4.94	-4.19	-4.6
\$SPX	11/7/2008	2.89	-1.27	-3.44	-8.45	-2.12	-6.2
\$SPX	12/5/2008	3.65	3.84	1.44	2.64	-0.28	0.42
\$SPX	2/6/2009	2.69	0.15	-4.77	-4.01	-3.85	-4.81
\$SPX	5/8/2009	2.41	-2.15	-2.25	-4.88	-3.89	-4.99
\$SPX	9/3/2010	1.32	-1.15	-0.51	-0.03	0.46	1.57
\$SPX	10/2/2015	1.43	1.83	1.46	2.28	3.18	3.26
\$SPX	1/4/2019	3.43	0.7	1.68	2.09	2.56	2.54
\$SPX	5/8/2020	1.69	0.01	-2.04	-3.75	-2.64	-2.26
\$SPX	11/4/2022	1.36	0	0	0	0	0
		Avg	0.04	-1.01	-1.77	-1.66	-2.05
		% Wins	53%	40%	33%	27%	27%

There seems to be a bit of a bearish tendency over the next 2-5 days, with much of the downside playing out within 3 days. Below is a look at a 3-day profit curve.



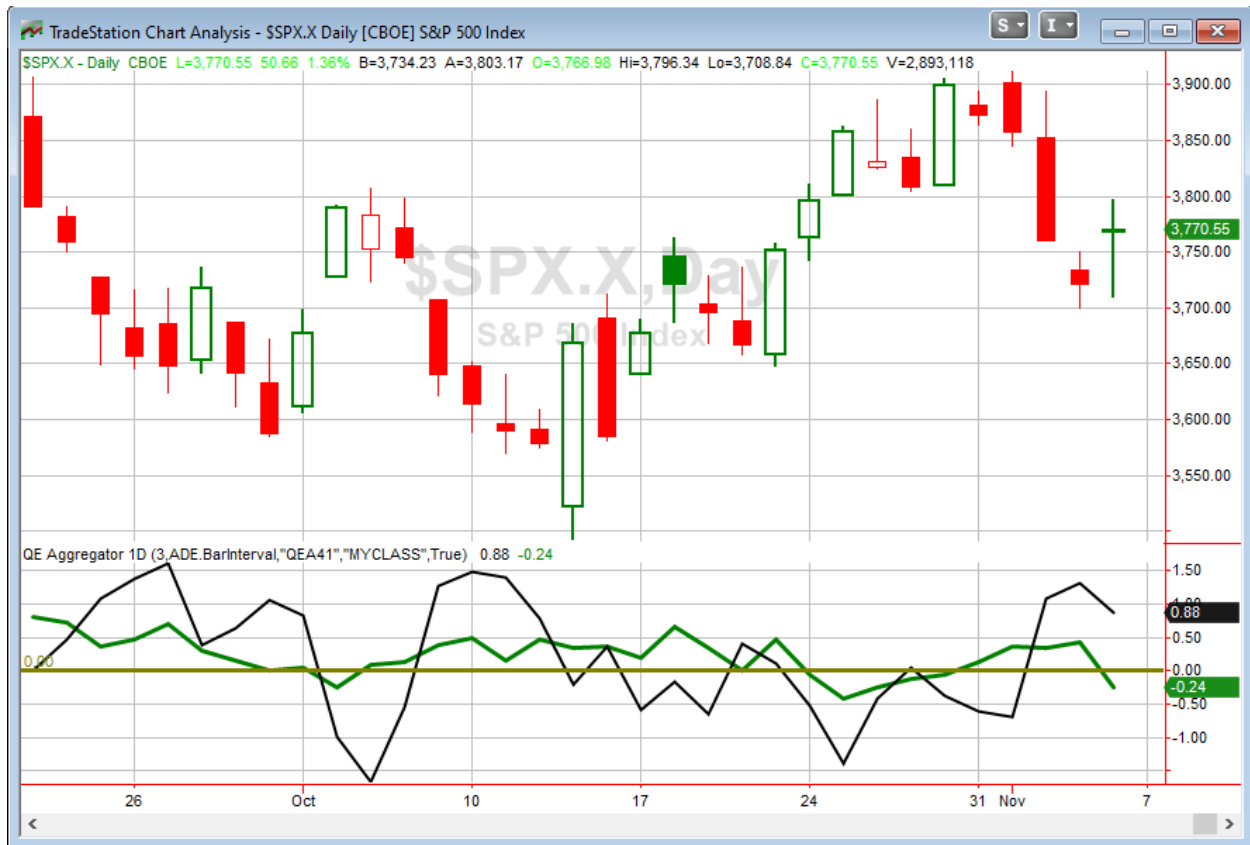
The move from upper left to near bottom right appears to serve as some confirmation of the bearish results suggested by the stats table.

Let's also take a look at the seasonality calendar for this upcoming week.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
11/1/2022	52.71	1.246	0.043
11/2/2022	62.70	2.700	0.430
11/3/2022	54.12	1.205	0.034
11/4/2022	56.09	1.421	0.137
11/7/2022	55.71	1.130	-0.042
11/8/2022	51.20	1.273	0.121
11/9/2022	53.72	1.098	0.036
11/10/2022	55.57	0.981	-0.030
11/11/2022	58.02	1.397	0.134
11/14/2022	51.89	0.886	-0.141
11/15/2022	52.54	1.730	0.210
11/16/2022	52.55	1.209	0.060
11/17/2022	51.91	1.051	-0.014
11/18/2022	51.63	1.174	0.060
11/21/2022	55.66	1.185	0.060
11/22/2022	52.73	1.183	0.059
11/23/2022	59.36	1.561	0.194
11/25/2022	59.10	1.269	0.086
11/28/2022	53.90	1.255	0.093
11/29/2022	55.95	1.303	0.110
11/30/2022	50.15	1.213	0.073
Baseline	54.37	1.140	0.046

Numbers this upcoming week appear mostly mildly bullish. As you can see, the best numbers this month come in right around Thanksgiving. I'll be covering that as we get closer to the holiday.

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



With the new evidence under consideration, the green Aggregator line dipped below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line held 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.

Based on the current list of active studies, expectations are primed to remain negative Monday. Of course this can change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3790.33 on Monday. That is 0.5% above Friday's close. Therefore, SPX will need to close up at least 0.5% on Monday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is flat. Even with the bounce on Friday, SPX remains short-term oversold. While mixed, evidence is now leaning bearish. I am long a partial SPY position. I will look to exit that position on Monday if I can get a decent fill. I will note that while 3-day expectations are negative, the 1-day expectations are actually positive. So I will not just sell at any price. Instead, I will exercise a little patience with my exit.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 11/7 – 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”.*

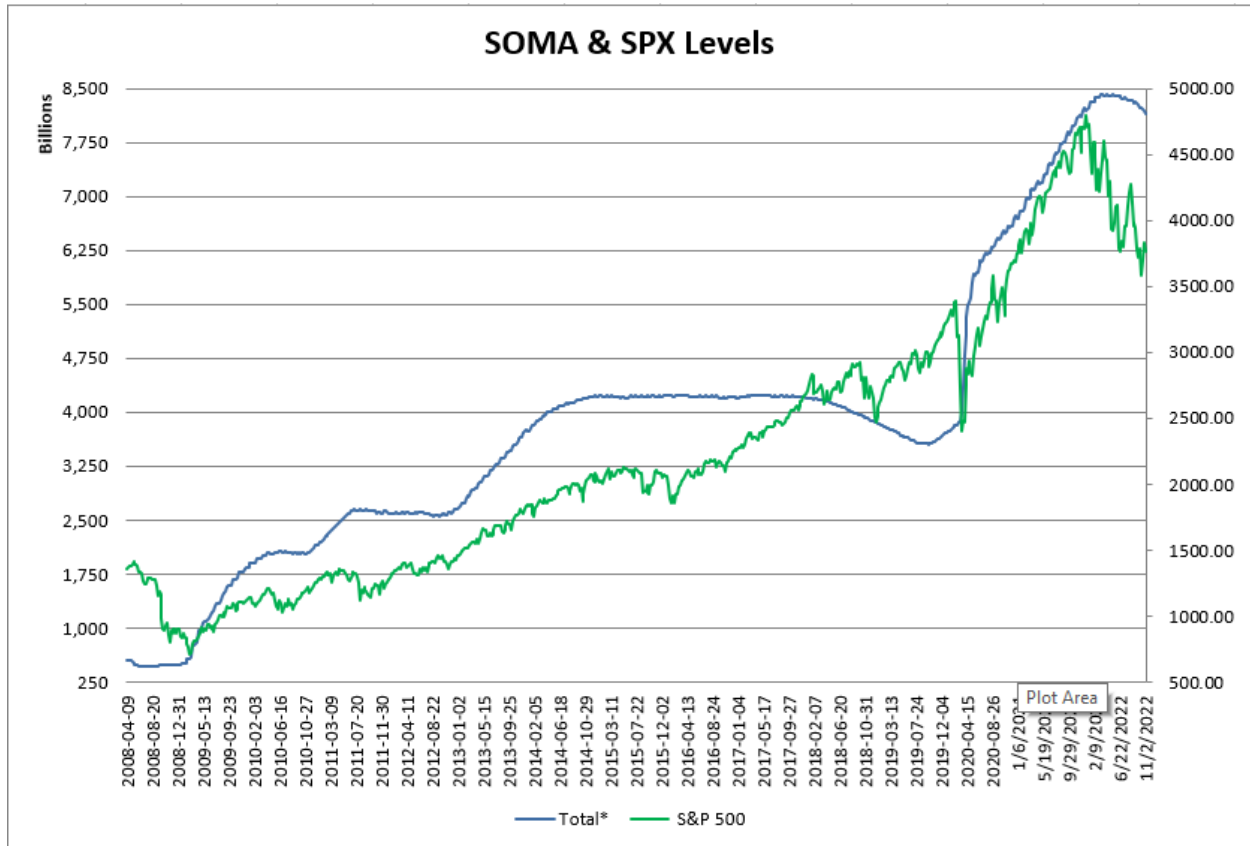
Aside from Friday’s bounce, this past week was a tough one for the stock market. The SPX declined 3.35%, the NASDAQ tumbled 5.65%, and the Russell 2000 lost 2.55%. Bonds also struggled, with the US Aggregate Bond ETF (AGG) dropping 0.7%, and TLT, the 20-year Treasury Bond ETF falling 2.4%. Long-term downtrends still appear intact across the board.

No new studies emerged over the last few days with intermediate-term implications. We did move into a strong seasonal period when the calendar turned to November, but I covered that extensively in last weekend’s letter.

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	November 2, 2022 📅 <i>Posted November 3, 2022 at 4:30 PM</i>
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	296,059,385.2
US Treasury Notes and Bonds (Notes/Bonds)	4,776,017,850.0
US Treasury Floating Rate Notes (FRNs)	27,166,210.0
US Treasury Inflation-Protected Securities (TIPS)*	375,760,681.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,669,969,331.5
Agency Commercial Mortgage-Backed Securities***	8,553,872.0
Total SOMA Holdings	8,155,874,330.3
Change From Prior Week	-33,809,983.3

This week the SOMA declined by \$33.3 billion. That is a sizable amount. The big weeks tend to happen around the 15th and 30th each month when many bonds mature. So the big decline was not a surprise. November appears likely to be the first month where the Fed’s \$95 billion cap could be approached. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is now in the midst of what could end up as the largest ever reduction in the size of the SOMA. The pace of the decline has recently accelerated and is expected to remain high for a while. Overall, the Fed is no friend to the market, and they won’t be for as long as they remain hawkish. The tone of Powell’s Q&A session on Wednesday was hawkish, and that was part of what led to the selling we saw Wednesday and Thursday.

Nothing really changed from an intermediate-term standpoint over the last few days. Seasonality has turned positive, but that is about the extent of the good news. I am not seeing any compelling studies yet confirming a new uptrend. None of my favorite breadth thrust indicators have triggered, the major indices remain well below their long-term moving averages, and the NASDAQ continues to lag. Price, breadth, and/or leadership need more confirming signs to get me excited about the bullish case. Of course bears can also still point to an unfriendly Fed. Market volatility

remains high. The VIX (implied volatility) has declined over the last few weeks, but realized volatility is still elevated. The 21-day (1-month) historical volatility for SPX is just over 26%. At the end of July it was at 19%. At the end of August it was 20%, and at the end of September is was 23%. So this is still not a quiet market, and big bets in either direction can be punished. I will maintain my neutral bias once again. This means I'll remain fairly cautious when considering both long and short positions.

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(1/4)	11/3/2022	\$371.46	\$376.35	1.32%	<i>sell @ \$376.35 limit</i>

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