

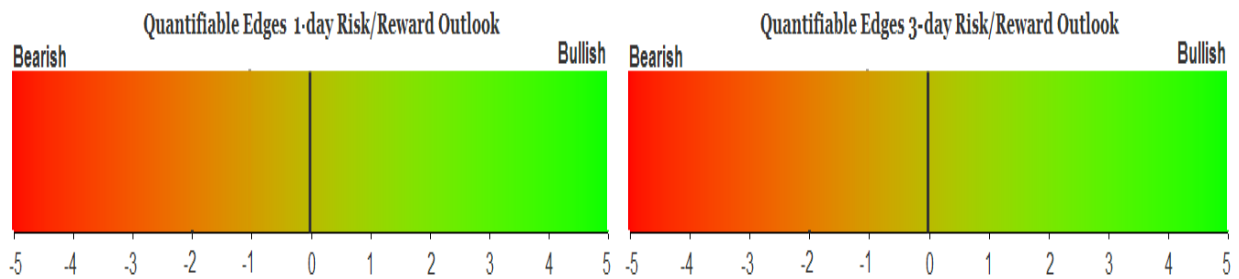
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 11, 2022

Volume 15 Issue 217

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Action has been wild. Evidence shows similar times in the past have seen mixed results and more wild action.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

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						
None						
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
November 10, 2022	2% drop from 5-high. No 5-low.	1-4 days	Bearish	-3.10%	2.30%	4.00%

The Evidence

Wow. On Thursday SPX gained 5.5%, the NASDAQ jumped 7.35%, and the Russell 2000 rallied 6.1%. Breadth was strongly positive with the NYSE Up Issues % coming in at 88% and the Up Volume % at just barely under 90%. NYSE total volume rose to the highest level of the last several days.

There was an awful lot to look at based on Thursday’s action. But there was nothing that I found all that compelling. There were a few studies that combined the large move higher with the volume. Some labeled the volume as high (highest in 5 days). Others noted the volume as underwhelming (not the highest in the last 10 days). I did not concern myself with studies that viewed volume as lower than a 10-day high. This is because the highest volume of the last 10 days was on 10/31. The last trading day in October is often a high volume day. This is because several mutual funds have their accounting year-ends at the end of October. Looking back at NYSE volume over the years, the last day in October almost always shows a volume spike.

Unfortunately, those studies that looked at high volume and a 2% or 3% or 4% gain all showed mild returns and unappealing profit curves. The return dispersion was quite sizable after large moves like we saw on Thursday.

In fact, there was a wide dispersion of results in all of the studies I looked at tonight. Let’s look at a few examples. This first one I tweeted out before the open on Thursday.

Forward Performance Every Time SPY has Gapped Up > 3% to Start the Day. 1993 - 11/9/2022										
Ticker	Date/Time	Gap %	Open to Low Of Day %Chg	Open to High Of Day %Chg	Open to Close %Chg	Open to Close Next Day %Chg	Open to Close 3 Days Later %Chg	Open to Close 5 Days Later %Chg	Open to Close 10 Days Later %Chg	
SPY	9/8/1998	3.2	-1.05	2.11	2.11	-0.37	0.81	3.16	2.34	
SPY	9/19/2008	6.13	-2.66	1.03	-2.04	-4.25	-6.13	-4.62	-12.91	
SPY	10/13/2008	6.07	-4.18	7.97	6.37	-0.11	5.26	-10.57		
SPY	10/14/2008	3.31	-7.25	0.79	-4.63	-14.02	-10.97	-8.44	-10.45	
SPY	10/28/2008	4.04	-3.22	7.9	7.35	6.57	10.67	14.96	2.78	
SPY	11/24/2008	3.02	-1.9	6.19	3.8	4.57	9.97	4.09	9.25	
SPY	12/16/2008	4.71	-4.03	0.15	0	-0.97	-3.24	-5.46	-0.99	
SPY	5/10/2010	4.09	-0.78	0.73	0.3	0.02	0.16	-1.61	-6.99	
SPY	8/25/2015	3.13	-4.35	0.01	-4.18	-0.5	1.97	-1.87	-0.33	
SPY	3/10/2020	3.8	-3.91	1.36	1.33	-3.61	-5.38	-11.19	-14.07	
SPY	3/13/2020	6.04	-5.54	3.19	2.37	-8.83	-8.78	-12.52	-3.11	
SPY	3/24/2020	5.14	-0.26	4.13	3.72	5.28	8.11	9.95	13.1	
SPY	4/6/2020	3.89	-3.75	3.55	2.72	2.83	7.9	10.06	5.9	
SPY	4/7/2020	3.53	-3.4	0.3	-3.31	-0.07	0.53	1.29	1.78	
SPY	11/9/2020	3.94	-2.72	0.11	-2.59	-2.73	-2.96	-0.38	-1.79	
Average			-3.27	2.63	0.99	-0.65	0.18	0.18	-1.74	

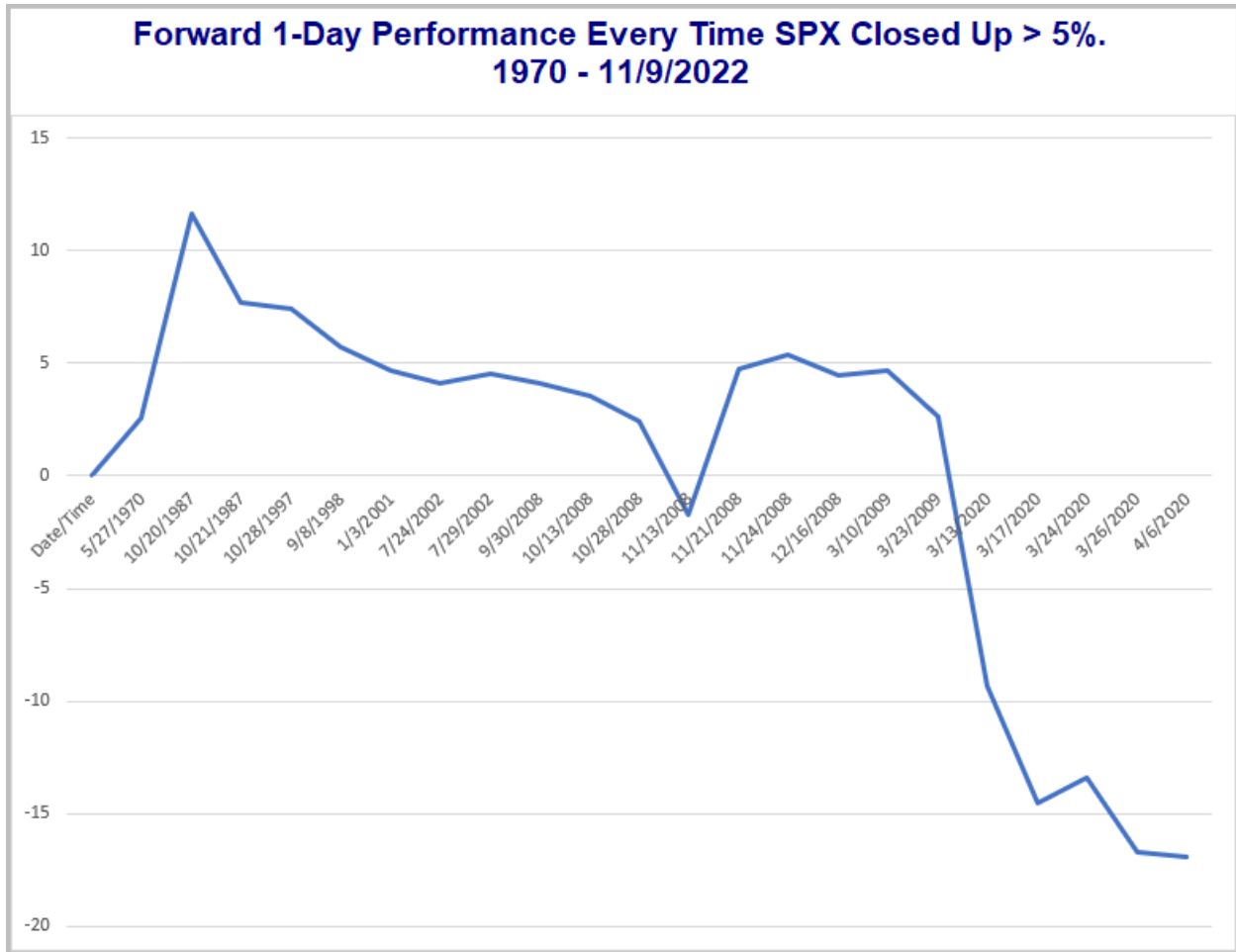
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Most notable to me is that the averages are very mild while the returns of the individual instances are highly spread out. Lots of risk for inconsistent reward.

Here is another example: all times since 1970 that SPX rose > 5%.

Forward Performance Every Time SPX Closed Up > 5%. 1970 - 11/9/2022													
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	
\$SPX	5/27/1970	5.02	2.53	5.19	6.97	6.97	7.9	6.31	4.67	4.84	4.78	3.72	
\$SPX	10/20/1987	5.33	9.1	4.82	4.81	-3.87	-1.54	-1.5	3.35	6.32	7.99	5.91	
\$SPX	10/21/1987	9.1	-3.92	-3.93	-11.89	-9.75	-9.71	-5.27	-2.55	-1.02	-2.93	-3.65	
\$SPX	10/28/1997	5.12	-0.29	-1.97	-0.78	1.86	2.05	2.27	1.76	0.61	-0.08	0.21	
\$SPX	9/8/1998	5.09	-1.69	-4.23	-1.41	0.61	1.39	2.15	-0.45	-0.33	0.04	0.62	
\$SPX	1/3/2001	5.01	-1.06	-3.65	-3.84	-3.47	-2.54	-1.54	-2.15	-1.55	-1.34	0.03	
\$SPX	7/24/2002	5.73	-0.56	1.12	6.58	7.04	8.08	4.89	2.47	-1.05	1.91	3.95	
\$SPX	7/29/2002	5.41	0.42	1.41	-1.59	-3.86	-7.16	-4.38	-2.47	0.72	1.08	0.54	
\$SPX	9/30/2008	5.42	-0.45	-4.47	-5.76	-9.39	-14.59	-15.55	-21.99	-22.9	-13.98	-14.43	
\$SPX	10/13/2008	11.58	-0.53	-9.52	-5.67	-6.26	-1.79	-4.81	-10.62	-9.49	-12.62	-15.39	
\$SPX	10/28/2008	10.79	-1.11	1.44	3	2.74	6.94	1.3	-3.79	-1.01	-2.26	-4.42	
\$SPX	11/13/2008	6.92	-4.17	-6.64	-5.72	-11.49	-17.43	-12.21	-6.53	-5.91	-2.59	-1.65	
\$SPX	11/21/2008	6.32	6.47	7.17	10.96	12.03	2.02	6.1	8.84	5.65	9.5	13.71	
\$SPX	11/24/2008	6.47	0.66	4.21	5.22	-4.18	-0.35	2.22	-0.77	2.85	6.8	4.33	
\$SPX	12/16/2008	5.14	-0.96	-3.06	-2.77	-4.55	-5.48	-4.93	-4.42	-4.79	-2.47	-1.09	
\$SPX	3/10/2009	6.37	0.24	4.33	5.13	4.77	8.13	10.39	8.95	6.8	14.36	12.02	
\$SPX	3/23/2009	7.08	-2.04	-1.1	1.21	-0.85	-4.3	-3.04	-1.44	1.39	2.38	1.53	
\$SPX	3/13/2020	9.29	-11.98	-6.71	-11.54	-11.13	-14.98	-17.47	-9.73	-8.69	-2.99	-6.25	
\$SPX	3/17/2020	6	-5.18	-4.74	-8.87	-11.54	-3.24	-2.12	3.99	0.49	3.85	2.19	
\$SPX	3/24/2020	9.38	1.15	7.47	3.85	7.33	5.61	0.95	3.25	1.69	8.84	8.67	
\$SPX	3/26/2020	6.24	-3.37	-0.13	-1.73	-6.07	-3.92	-5.38	1.28	1.12	4.56	6.07	
\$SPX	4/6/2020	7.03	-0.16	3.24	4.74	3.68	6.85	4.49	5.1	7.92	5.99	2.74	
		Average	-0.77	-0.44	-0.41	-1.79	-1.73	-1.69	-1.06	-0.74	1.40	0.88	
		Median	-0.55	-0.62	-1.10	-3.67	-1.67	-1.52	-0.61	0.55	1.50	1.08	
		Win %	32%	45%	45%	41%	41%	45%	45%	55%	59%	68%	

Again, inconsistent results and huge return dispersion. The 1-day results look like perhaps a downside edge based on the stats. But here is the profit curve.



This curve is extremely choppy. It illustrates the inconsistency in the study.

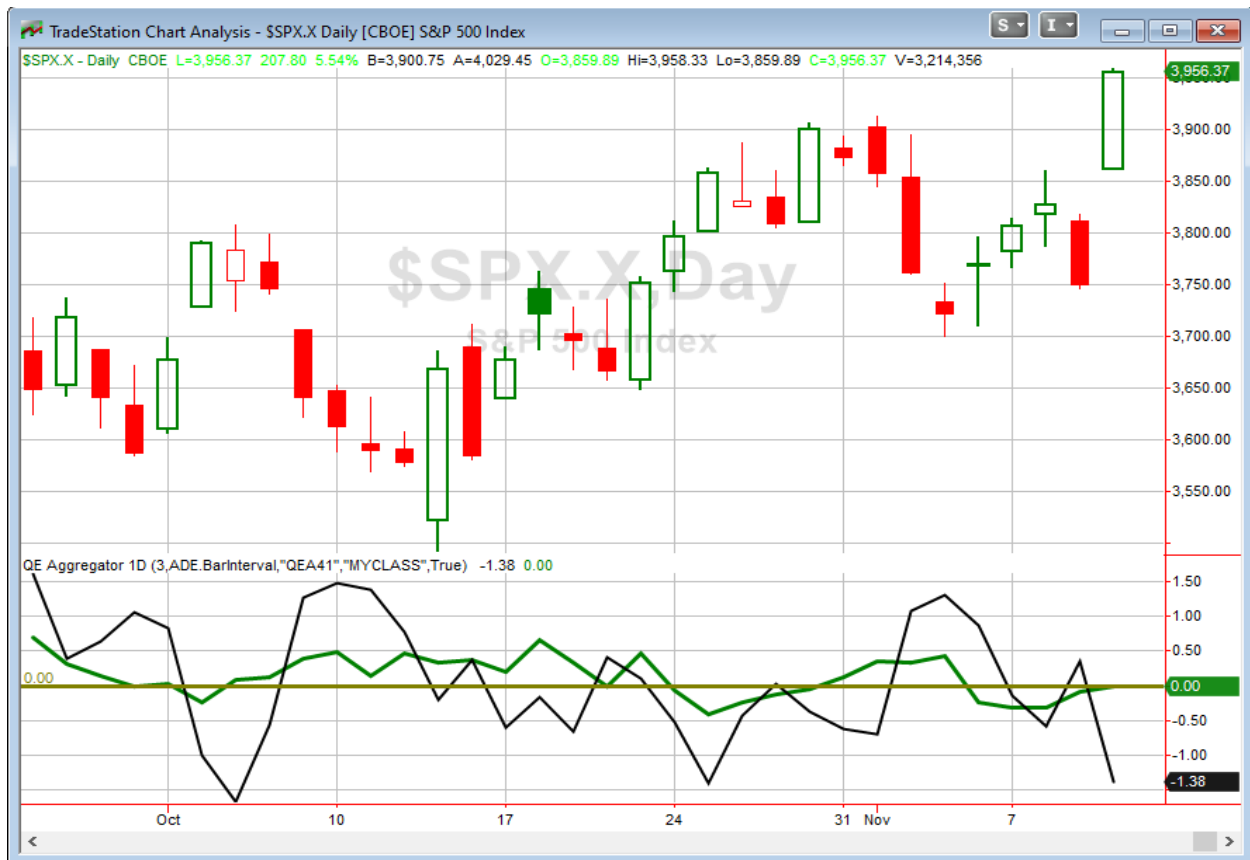
Lastly, here is a look at all other times SPX lost over 2% yesterday and then made up for those losses today.

**After closing down > 2% yesterday, SPX makes up for the loss and more today.
1957 - 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
SSPX	11/27/1957	2.89	1.14	0.27	0.29	0.7	0.65	0.15	-0.8	-1.67	-1.79	-1.7
SSPX	6/15/1962	2.87	-0.27	-0.63	-1.99	-4.12	-5.74	-6.15	-6.39	-5.89	-2.65	-2.04
SSPX	10/24/1962	3.22	-0.94	-1.21	0.92	2.41	2.37	3.46	4.6	5.69	6.34	5.63
SSPX	11/26/1963	3.98	-0.18	1.17	1.77	1.71	1.96	2.63	2.24	2.18	2.22	2.1
SSPX	9/5/1974	3.17	0.78	-1.62	-2.3	-3.27	-5.87	-8	-6.5	-4.92	-4.44	-1.1
SSPX	11/1/1978	3.97	-1.28	-0.69	-1.71	-3.1	-2.48	-2.51	-2.15	-3.84	-4.5	-4.27
SSPX	12/18/1987	2.54	0.15	0.32	1.61	1.15	-1.44	-1.83	-0.52	-0.83	2.72	3.8
SSPX	9/11/1998	2.95	2.05	2.84	3.61	0.97	1.09	1.47	2.06	5.65	3.34	3.54
SSPX	10/13/2000	3.33	0.04	-1.76	-2.33	1.06	1.66	1.58	1.75	-0.67	-0.71	0.4
SSPX	1/3/2001	5.01	-1.06	-3.65	-3.84	-3.47	-2.54	-1.54	-2.15	-1.55	-1.34	0.03
SSPX	7/24/2002	5.73	-0.56	1.12	6.58	7.04	8.08	4.89	2.47	-1.05	1.91	3.95
SSPX	8/14/2002	4	1.16	0.99	3.38	1.94	3.23	4.68	2.31	3.08	1.65	-0.19
SSPX	10/10/2002	3.5	3.91	4.67	9.62	6.98	9.36	10.01	11.92	10.73	11.47	9.77
SSPX	11/27/2002	2.8	-0.27	-0.46	-1.93	-2.27	-3.44	-2.84	-4.99	-3.67	-3.61	-3.97
SSPX	10/28/2008	10.79	-1.11	1.44	3	2.74	6.94	1.3	-3.79	-1.01	-2.26	-4.42
SSPX	11/13/2008	6.92	-4.17	-6.64	-5.72	-11.49	-17.43	-12.21	-6.53	-5.91	-2.59	-1.65
SSPX	12/5/2008	3.65	3.84	1.44	2.64	-0.28	0.42	-0.86	4.24	3.24	1.05	1.35
SSPX	2/24/2009	4.01	-1.07	-2.63	-4.92	-9.35	-9.93	-7.8	-11.72	-11.61	-12.5	-6.93
SSPX	8/11/2011	4.63	0.53	2.72	1.72	1.81	-2.73	-4.19	-4.16	-0.88	0.42	-1.14
SSPX	3/26/2018	2.72	-1.73	-2.01	-0.67	-2.88	-1.66	-0.52	0.16	-2.03	-1.71	-0.06
SSPX	12/26/2018	4.96	0.86	0.73	1.59	1.72	-0.8	2.6	3.32	4.32	4.75	5.23
SSPX	1/4/2019	3.43	0.7	1.68	2.09	2.56	2.54	2	3.09	3.32	4.11	5.48
SSPX	3/4/2020	4.22	-3.39	-5.04	-12.25	-7.92	-12.42	-20.75	-13.39	-23.77	-19.2	-23.39
SSPX	3/24/2020	9.38	1.15	7.47	3.85	7.33	5.61	0.95	3.25	1.69	8.84	8.67
SSPX	10/17/2022	2.65	1.14	0.47	-0.33	2.03	3.25	4.93	4.15	3.52	6.07	5.28
		Average	0.06	0.04	0.19	-0.24	-0.77	-1.14	-0.70	-1.04	-0.10	0.17
		Median	0.04	0.32	0.92	1.06	0.42	0.15	0.16	-0.88	0.42	0.03
		Win %	52%	56%	56%	60%	52%	52%	52%	40%	52%	52%

Once again, returns net out near breakeven, but are highly variable. The bottom line with these studies and others I looked at tonight is that we have seen a couple of wild days in the market. That is often followed by more volatility. Sometimes it is a runaway move higher like 10/10/2002 and 3/24/20 above. Other times the move quickly reverses like 2/24/09 and 3/4/20. Right now it seems too early to tell. Low probabilities and high risk is not a great combination. I'd prefer more clarity.

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



Without anything making the active list tonight, the green Aggregator line finished right at zero. Zero readings mean expectations are flat over the next few days. Meanwhile the black Differential Line dove far below zero. The negative Differential Line reading means that SPX is strongly overbought versus recent expectations. So expectations are flat and SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close fail to close on the same side of zero. Therefore, the Aggregator formation stayed flat at the close.

With the short-term active list now bare, expectations will be largely dependent on any new evidence that emerges over the next few days. Meanwhile, the Differential Pivot will be 3784.71 on Friday. That is 4.3% below Thursday's close. Therefore, SPX will need to close down at least 4.3% on Friday in order to flip from overbought to oversold vs recent expectations. That would be a massive 1-day drop, but in this market, it seems like anything could happen. So I would not completely rule it out.

So the Aggregator is neutral. The market is wild, and evidence is saying it could remain wild. A directional edge is unclear. I will remain sidelined until a more compelling reward/risk opportunity avails itself.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/7 – neutral

The intermediate-term outlook was last updated in the 11/7/22 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

None

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