

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 6, 2022

Volume 15 Issue 233

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 3 down days from a 50-day high that closes $< 10ma$ but above 10-day low suggest an upside edge.
- “Turnaround Tuesday” in a downtrend has another chance.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is pointing higher, and the 3-day selloff has the market quite oversold. I believe there is an upside 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						
December 6, 2022	Dn 3. Monday. Close < 200	1 day	Bullish			
December 6, 2022	Dn 3 from 50-high. <10ma > 10-low	1-4 days	Bullish			
December 1, 2022	5 low to 50 high in 1 day	1-4 days	Bearish			
December 1, 2022	Up 3% on highest volume in 20 days	1-5 days	Bullish			
December 1, 2022	End month at high of month	1-5 days	Bullish			
Active - Long Term						
December 2, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
December 1, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
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)						
December 5, 2022	1-Day up 1.5% then sideways 2 day	1-5 days	Bearish			
December 5, 2022	Small 2-day pullback from 50-day	1-2 days	Bullish			

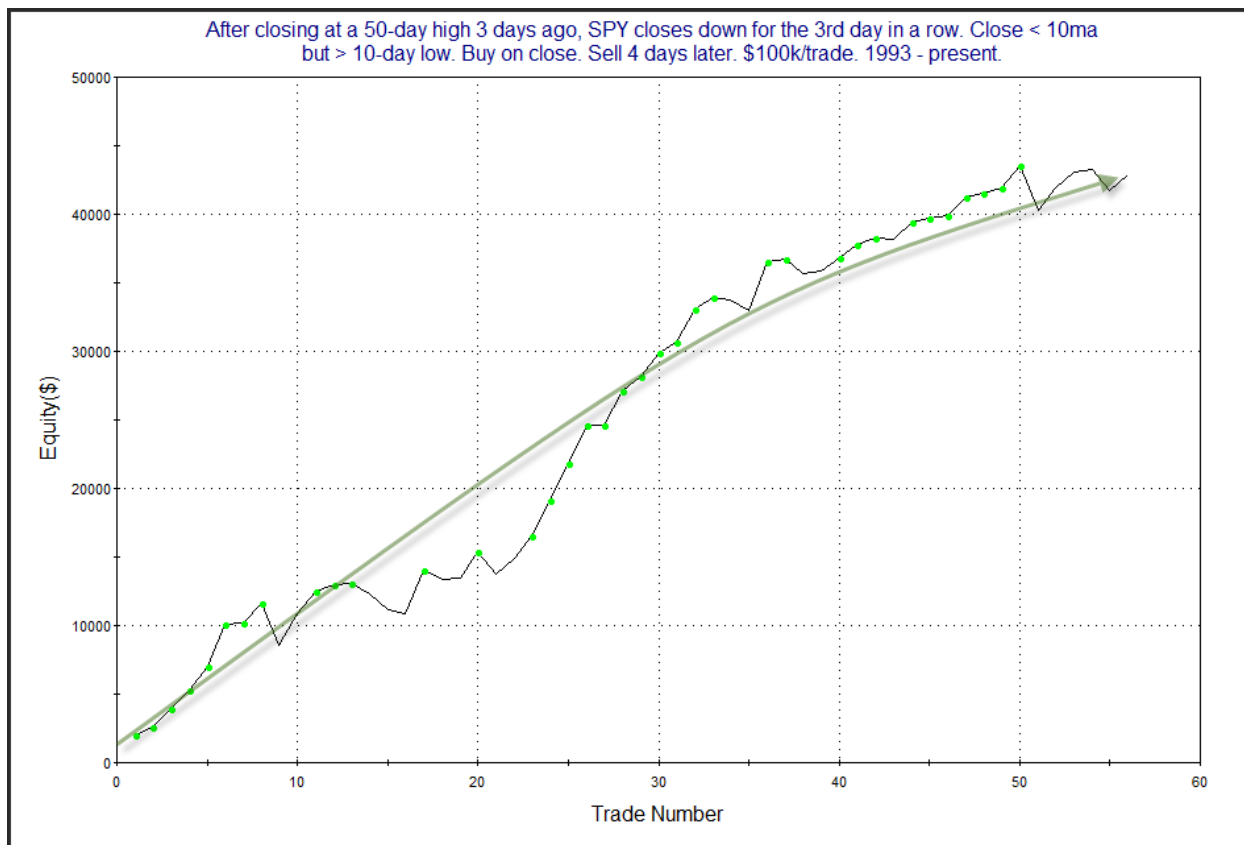
The Evidence

The market saw substantial selling on Monday. The SPX dropped 1.8%, the NASDAQ lost 1.9%, and the Russell 2000 tumbled 2.8%. Breadth was extremely negative with the NYSE Up Issues % coming in at 16% and the Up Volume % at 7%. NYSE total volume rose some from Friday's level.

There were a few studies that triggered in the Quantifinder suggesting an upside edge. The 3-day pullback study below is one I found especially compelling. It considered the fact that the 3-day pullback was occurring right after a high was hit. Additionally, it required that the pullback was deep enough to put it below the 10ma, but *not* deep enough to see it at a 10-day closing low. It was seen just last week in the 11/30/22 subscriber letter, and I have updated the stats.

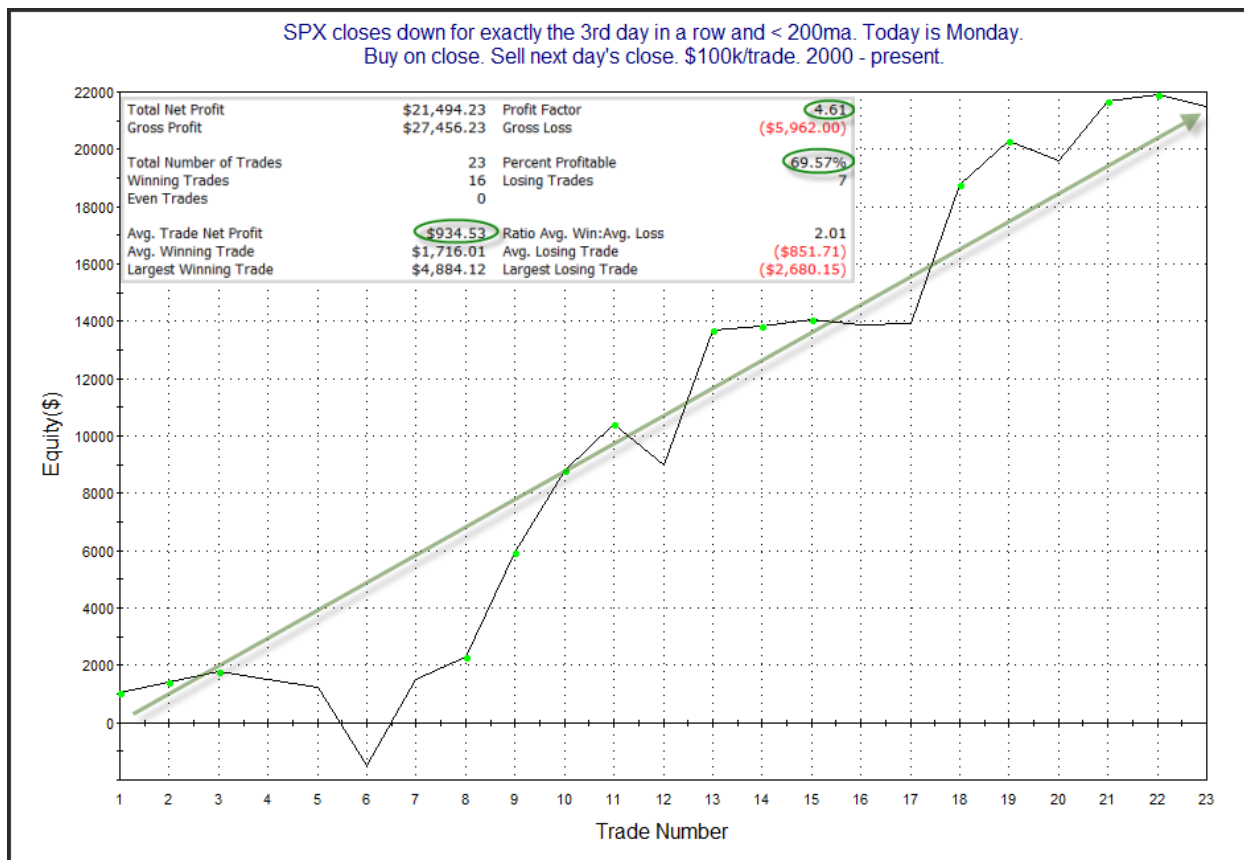
After closing at a 50-day high 3 days ago, SPY closes down for the 3rd day in a row. Close < 10ma but > 10-day low. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	36,344.99	55	37	18	67.27	3,522.94	-3,453.71	1,550.85	-1,168.69	1.33	2.73	660.82
4	42,861.45	56	44	12	78.57	3,543.50	-3,235.68	1,301.34	-1,199.78	1.08	3.98	765.38
3	28,053.60	56	37	19	66.07	3,543.50	-4,572.96	1,297.42	-1,050.05	1.24	2.41	500.96
2	16,016.15	56	37	19	66.07	3,073.95	-2,781.35	943.16	-993.73	0.95	1.85	286.00
1	10,639.01	56	35	21	62.50	3,149.85	-2,031.09	764.16	-766.99	1.00	1.66	189.98

Under these circumstances, it appears bounces have been both reliable and fairly powerful. The 1st four days show some very impressive stats. Below is a look at the profit curve assuming a 4-day exit technique.



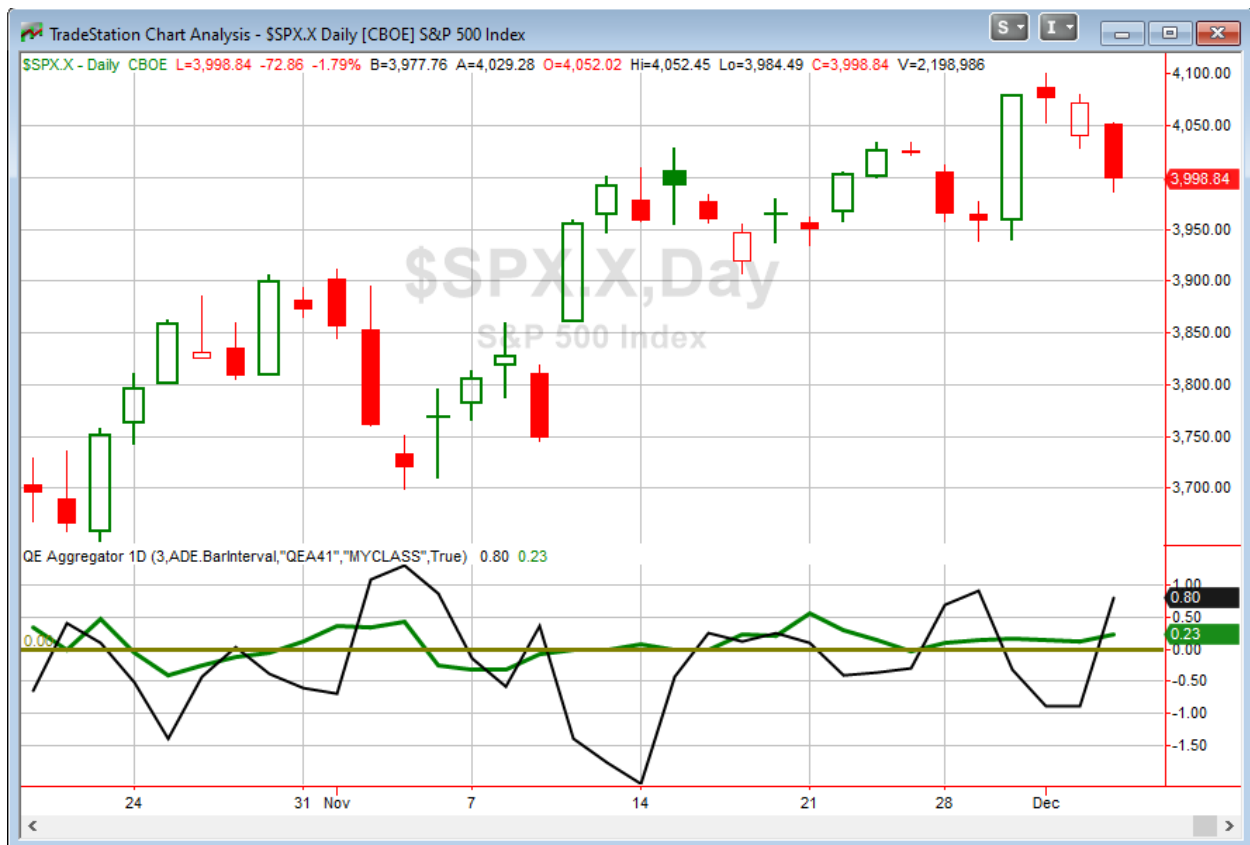
The last few instances have been a little bumpy, but the overall curve remains impressive. I have added this study to the active list tonight.

Of course tomorrow also has “Turnaround Tuesday” potential. Below is a study, last seen in the 8/9/22 letter, that exhibits a “Turnaround Tuesday” tendency.



This suggests a good chance of a bounce on Tuesday. I have added this study to the active list. I will also note that both studies from Sunday's letter have been removed from the active list. The bullish study saw the market go too far against it, and the bearish study reached its potential target with the 2% intraday decline on Monday.

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



With tonight's 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 spiked above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4093.06 on Tuesday. That is a sizable 2.4% above Monday's close. Therefore, SPX will need to close up at least 2.4% on Tuesday in order to flip from oversold to overbought vs expectations. That is an unlikely 1-day move. It will probably take a multi-day rally or consolidation to work off the oversold condition.

So the Aggregator is bullish. Evidence is suggesting a bounce is likely in the next few days, and the market is substantially oversold. I like the long side. And with the Differential Pivot a good distance away, reward/risk appears favorable. I will look to take on some long exposure on Tuesday if I can get a decent fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/5 – slightly bullish

The intermediate-term outlook was last updated in the 12/5/22 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.

SPY – Buy ¼ index position @ \$399.59 LIMIT. Based on the short-term outlook above, I will start scaling into an index position if I can get filled at a level equal to or below Monday’s closing price.

Current Open Trade Ideas

None

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.