

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 2, 2023

Volume 16 Issue 22

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The low volume on the breakout is a bullish sign for follow through over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is where 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						
February 2, 2023	50-day breakout on declining volume	1-5 days	Bullish	1.50%	-1.00%	-1.90%
February 1, 2023	High of month at EOM	1-5 days	Bullish			
Active - Long Term						
January 24, 2023	SOX rises 5% on day and closes > 200ma	1-10 days	Bearish			
January 23, 2023	NASDAQ Leading	int term	Bullish			
January 13, 2023	QE Triple 70 Thrust	1-80 days	Bullish			
January 13, 2023	Deemer Breakaway Momentum	1-6 months	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
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			

The Evidence

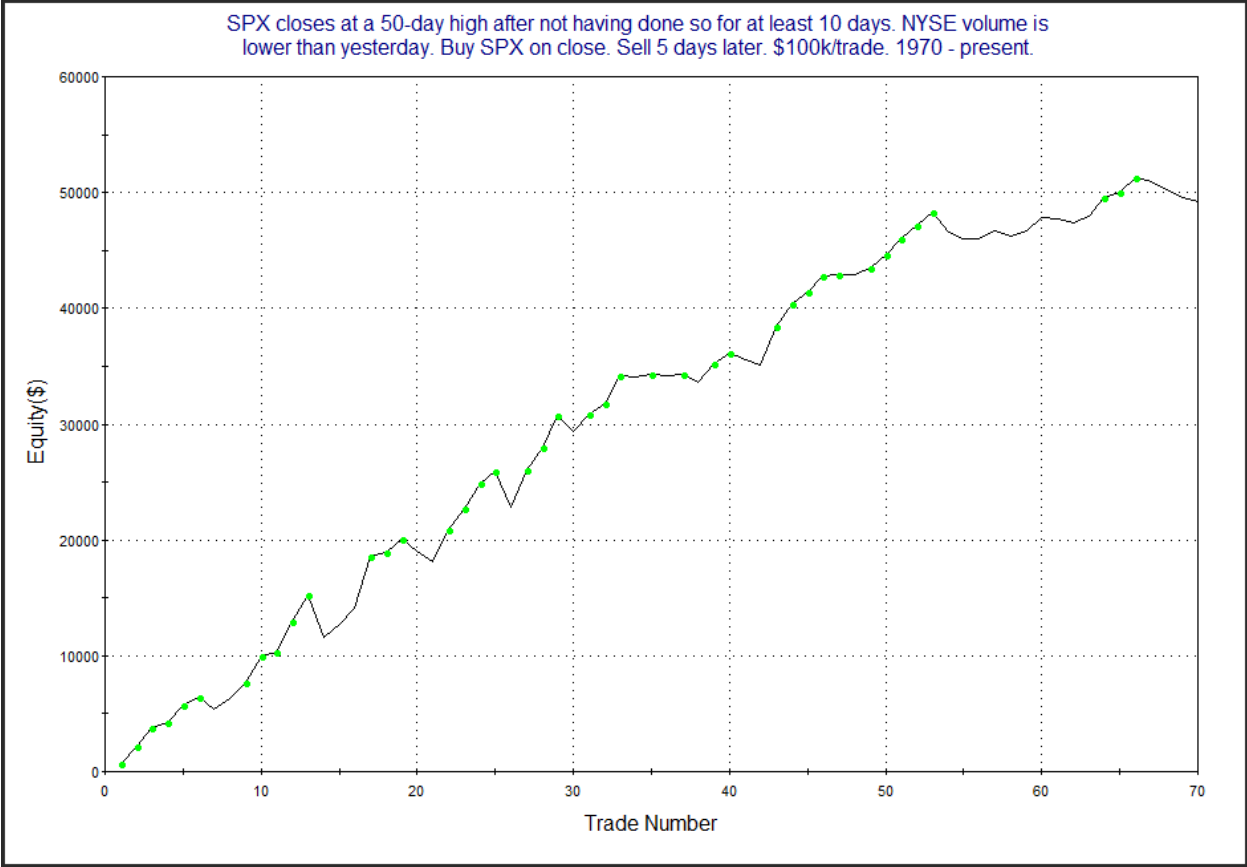
Tom Brady retired on Wednesday and the market celebrated like he was going to become the new Fed chairman. Or maybe the market liked the ¼ point hike and the tone in Powell’s voice this afternoon. The SPX closed up 1.05%, the NASDAQ rose 2.0%, and the Russell 2000 gained 1.5%. Breadth was positive with the NYSE Up Issues % coming in at 72% and the Up Volume % at 69%. NYSE total volume declined some from Tuesday’s level.

The SPX closed at a new 100-day high for the 1st time in a long time. SPX breakout days often give clues as to whether we are likely to see additional follow through. Wednesday’s volume is encouraging. For a breakout to have a good chance of success you generally want volume to come in either 1) lower than the day before (like Friday), or 2) extremely high. Moderate but increasing volume is the worst scenario. To see why I say this, take a look at the 3 studies below, which were last seen in the 11/16/20 letter. The first one examines new breakouts like Wednesday’s, that occur on declining volume.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday. Buy SPX 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
20	54,748.66	66	40	26	60.61	11,088.84	-8,157.10	2,683.98	-2,023.48	1.33	2.04	829.53
19	49,816.94	67	41	26	61.19	9,628.99	-9,056.82	2,479.24	-1,993.53	1.24	1.96	743.54
18	51,515.36	67	44	23	65.67	11,076.80	-9,094.80	2,381.74	-2,316.57	1.03	1.97	768.89
17	48,443.09	67	44	23	65.67	10,017.28	-8,682.96	2,354.83	-2,398.66	0.98	1.88	723.03
16	56,954.91	67	45	22	67.16	10,944.36	-9,243.81	2,438.55	-2,399.09	1.02	2.08	850.07
15	51,229.16	67	47	20	70.15	8,357.91	-9,354.92	2,199.17	-2,606.59	0.84	1.98	764.61
14	54,535.93	69	50	19	72.46	9,189.84	-6,525.68	1,996.69	-2,384.13	0.84	2.20	790.38
13	53,028.22	70	48	22	68.57	7,920.66	-5,160.09	1,964.32	-1,875.42	1.05	2.29	757.55
12	36,477.55	70	42	28	60.00	5,996.75	-4,539.14	1,937.58	-1,603.60	1.21	1.81	521.11
11	30,207.88	70	40	30	57.14	5,809.60	-6,029.07	1,883.24	-1,504.06	1.25	1.67	431.54
10	25,257.52	70	38	32	54.29	5,960.00	-4,324.52	1,816.88	-1,368.24	1.33	1.58	360.82
9	28,984.08	70	45	25	64.29	5,147.20	-5,812.26	1,510.21	-1,559.02	0.97	1.74	414.06
8	33,754.93	70	48	22	68.57	5,096.00	-4,186.55	1,370.07	-1,454.94	0.94	2.05	482.21
7	37,649.48	70	47	23	67.14	4,655.00	-3,211.35	1,286.51	-992.02	1.30	2.65	537.85
6	47,710.84	70	47	23	67.14	5,002.50	-3,563.65	1,396.56	-779.46	1.79	3.66	681.58
5	49,203.35	70	49	21	70.00	4,482.50	-3,693.73	1,382.62	-883.10	1.57	3.65	702.90
4	33,028.87	70	48	22	68.57	4,440.00	-2,913.85	1,109.16	-918.68	1.21	2.63	471.84
3	32,090.87	70	46	24	65.71	3,950.00	-1,802.37	1,051.31	-677.88	1.55	2.97	458.44
2	22,230.90	70	48	22	68.57	2,212.98	-1,912.60	749.43	-624.62	1.20	2.62	317.58
1	8,320.46	70	45	25	64.29	1,384.02	-1,921.32	437.07	-453.91	0.96	1.73	118.86

Numbers here appear pretty solid over the next 5 days. Beyond that there has not really been any follow through. So the breakout here does not appear to be a great intermediate-term signal. Below is a look at a 5-day profit curve.



Despite the fade the last 2-3 instances, the move from lower left to upper right is encouraging, and suggests Wednesday’s breakout is likely to see additional follow through this upcoming week. Next, let’s look at times where there was extremely strong volume (20-day high volume).

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is the highest in 20 days. Buy SPX 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
20	7,438.76	40	21	19	52.50	8,953.20	-8,308.32	3,539.26	-3,520.30	1.01	1.11	185.97
19	5,094.87	40	22	18	55.00	8,942.40	-7,980.00	3,361.75	-3,825.76	0.88	1.07	127.37
18	16,579.31	40	22	18	55.00	9,613.50	-7,323.36	3,664.31	-3,557.53	1.03	1.26	414.48
17	11,171.92	40	23	17	57.50	9,069.84	-8,144.90	3,272.50	-3,770.32	0.87	1.17	279.30
16	16,752.76	40	22	18	55.00	8,048.82	-8,109.35	3,543.20	-3,399.87	1.04	1.27	418.82
15	10,754.70	40	22	18	55.00	7,668.00	-8,358.20	3,437.94	-3,604.45	0.95	1.17	268.87
14	12,818.99	40	22	18	55.00	8,128.38	-8,338.45	3,295.55	-3,315.73	0.99	1.21	320.47
13	20,657.67	40	23	17	57.50	7,478.64	-8,251.55	3,045.64	-2,905.42	1.05	1.42	516.44
12	17,516.61	40	22	18	55.00	7,352.31	-8,757.15	2,792.50	-2,439.91	1.14	1.40	437.92
11	24,016.23	40	25	15	62.50	6,782.40	-6,975.70	2,502.72	-2,570.12	0.97	1.62	600.41
10	27,174.81	40	23	17	57.50	6,199.20	-3,730.08	2,466.44	-1,738.42	1.42	1.92	679.37
9	24,212.64	40	23	16	57.50	6,418.16	-3,113.22	2,219.21	-1,676.82	1.32	1.90	605.32
8	26,297.58	40	23	17	57.50	6,220.34	-2,943.34	2,207.92	-1,440.27	1.53	2.07	657.44
7	27,552.62	40	24	16	60.00	5,264.21	-2,946.00	1,989.43	-1,262.11	1.58	2.36	688.82
6	30,425.85	40	27	13	67.50	4,695.76	-3,093.30	1,721.75	-1,235.50	1.39	2.89	760.65
5	26,154.23	40	25	15	62.50	4,771.60	-2,562.72	1,596.10	-916.55	1.74	2.90	653.86
4	17,768.76	40	25	15	62.50	3,165.12	-1,948.21	1,213.41	-837.76	1.45	2.41	444.22
3	15,110.41	40	25	15	62.50	2,989.36	-2,188.15	1,051.82	-745.67	1.41	2.35	377.76
2	25,654.63	40	26	13	65.00	3,813.53	-1,259.60	1,170.85	-368.26	3.18	6.36	641.37
1	14,755.98	40	28	12	70.00	2,755.52	-1,292.50	660.20	-310.81	2.12	4.96	368.90

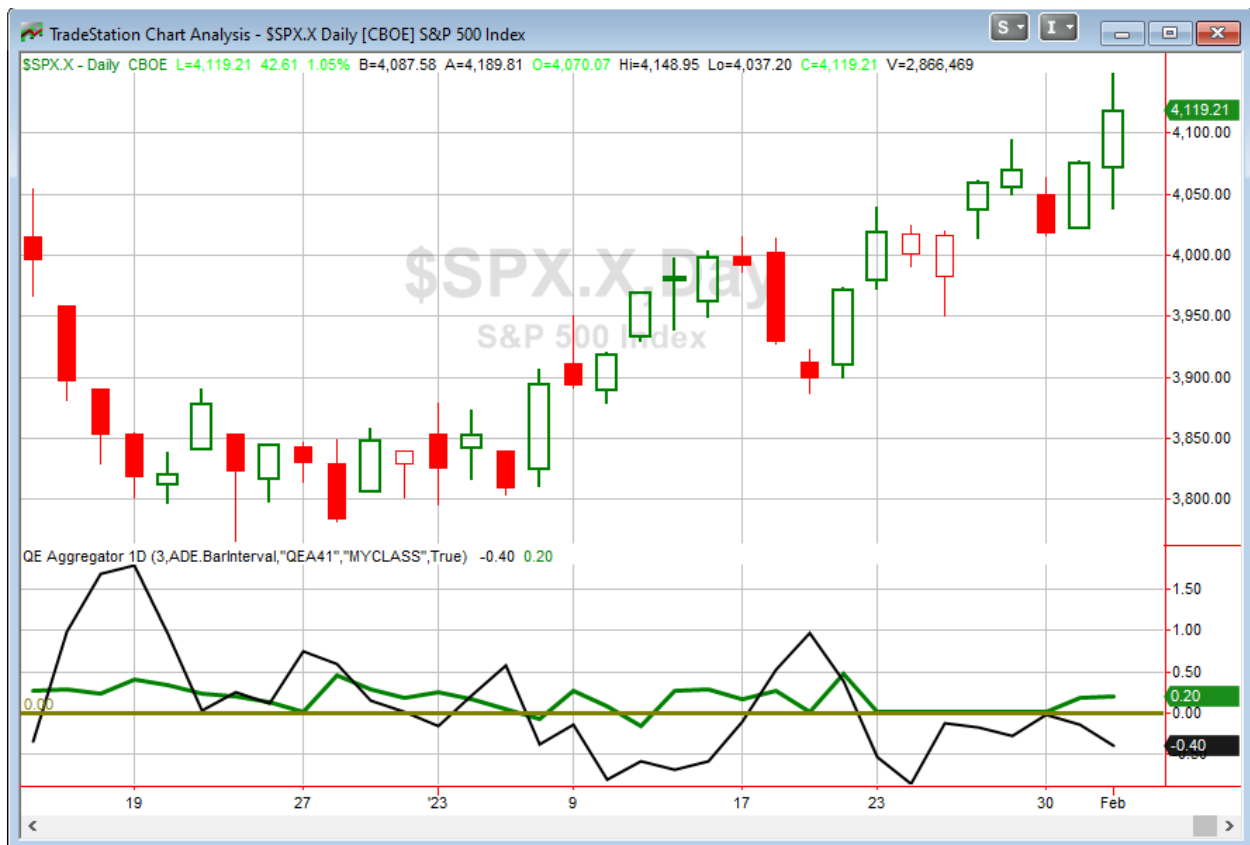
Numbers here are quite similar, with the first week getting solid follow-through buying once again. Next, let's look at rising but moderate volume.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is higher than yesterday but < 20-da high. Buy SPX 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
20	-12,788.56	108	52	56	48.15	13,401.70	-11,541.15	3,252.59	-3,248.63	1.00	0.93	-118.41
19	-2,022.69	108	55	53	50.93	9,135.36	-11,854.89	3,065.02	-3,218.85	0.95	0.99	-18.73
18	866.94	109	58	51	53.21	9,503.00	-10,293.66	2,884.76	-3,263.71	0.88	1.01	7.95
17	-3,613.14	109	58	51	53.21	9,962.68	-9,419.67	2,774.66	-3,226.34	0.86	0.98	-33.15
16	-6,228.66	111	60	51	54.05	8,910.72	-11,033.63	2,599.96	-3,180.90	0.82	0.96	-56.11
15	3,601.66	111	59	52	53.15	8,150.48	-10,321.97	2,508.69	-2,777.13	0.90	1.02	32.45
14	-7,789.61	111	62	49	55.86	7,702.40	-10,120.46	2,250.52	-3,006.57	0.75	0.95	-70.18
13	-9,593.41	111	58	53	52.25	7,911.80	-9,725.34	2,286.26	-2,682.95	0.85	0.93	-86.43
12	-11,211.20	112	60	52	53.57	10,197.98	-9,869.02	2,149.52	-2,695.81	0.80	0.92	-100.10
11	2,787.85	112	59	53	52.68	10,380.37	-9,482.88	2,190.80	-2,386.22	0.92	1.02	24.89
10	-6,409.86	112	57	55	50.89	10,515.18	-8,683.66	2,094.96	-2,287.69	0.92	0.95	-57.23
9	-2,756.95	112	55	57	49.11	8,413.73	-6,878.68	2,044.81	-2,021.43	1.01	0.98	-24.62
8	-6,390.23	112	60	52	53.57	8,532.68	-7,076.24	1,642.90	-2,018.54	0.81	0.94	-57.06
7	13,804.65	112	61	51	54.46	6,337.26	-7,255.84	1,660.43	-1,715.33	0.97	1.16	123.26
6	9,220.09	112	63	49	56.25	6,819.80	-7,103.18	1,463.54	-1,693.53	0.86	1.11	82.32
5	5,583.23	112	56	56	50.00	8,516.82	-6,088.44	1,494.74	-1,395.04	1.07	1.07	49.85
4	-2,280.87	112	61	51	54.46	6,716.71	-5,585.56	1,203.80	-1,484.56	0.81	0.97	-20.36
3	9,197.48	112	64	48	57.14	6,740.50	-5,361.06	1,103.20	-1,279.31	0.86	1.15	82.12
2	2,446.50	112	66	46	58.93	4,028.44	-4,276.16	764.93	-1,044.32	0.73	1.05	21.84
1	8,812.09	112	62	50	55.36	2,731.56	-2,722.61	508.34	-454.10	1.12	1.39	78.68

This does not appear to suggest any edge over the next 1-4 weeks.

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 held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is still 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 stayed flat at the close.

Based on the current active list, expectations are primed to remain positive Thursday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4016.58 on Thursday. That is 2.5% below Wednesday's close. So SPX will need to close down about 2.5% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is once again neutral. Evidence is pointing higher, but the market is so overbought already that reward/risk is not very favorable. So I still find myself waiting for better odds before putting new capital at risk. While it stinks when the market runs away from you like it has the last few days, short-term trading requires patience. I've got plenty of that. (At least with the market. Not always with my kids.)

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/30 – bullish

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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