

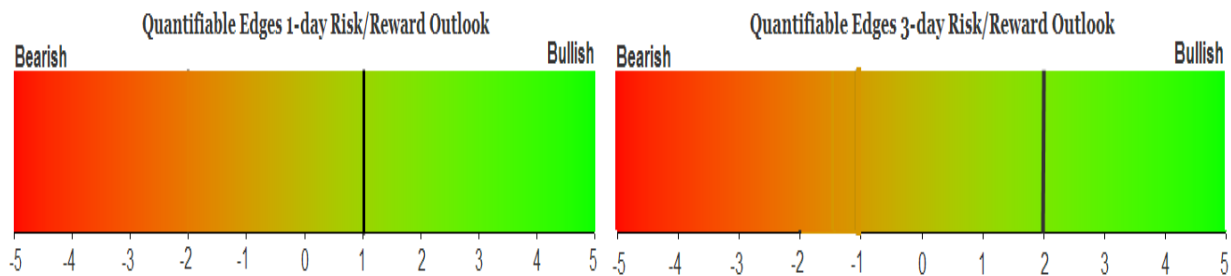
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 17, 2023

Volume 16 Issue 33

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- SPX closed down > 1% for the 3rd time recently. Other bouts of similar volatility above the 200ma have typically been followed by gains the next day.
- During uptrends, opex Friday has often seen selling after the open.
- Strong selloffs like Thursday's tend to see a bounce in the following days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

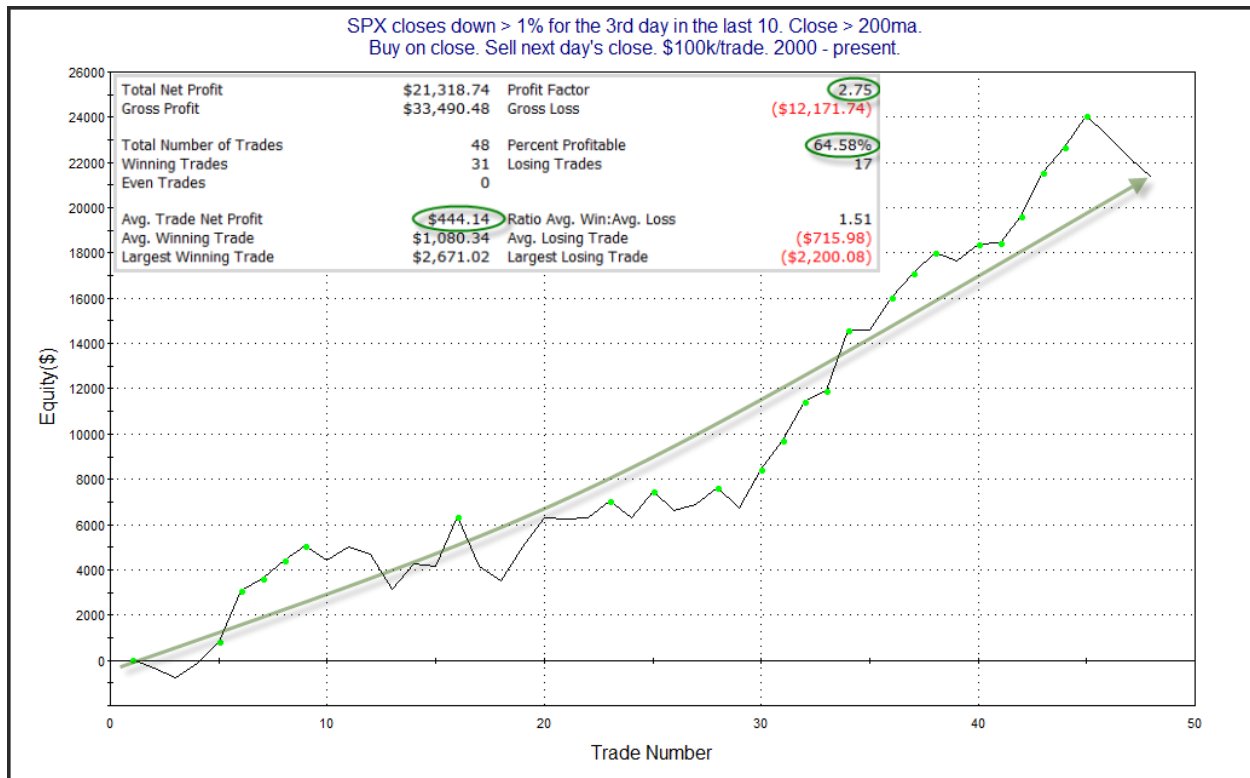
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 17, 2023	3rd 1% dn day in last 10	1 day	Bullish			
February 17, 2023	Big drop on poor breadth to 4-low < 200	1 day	Bullish			
Active - Long Term						
February 2, 2023	SPX Golden Cross	int term	Bullish			
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 ADI5 > 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

Thursday started poorly, rallied almost all the way back during the day, and then finished with some strong last-hour selling following some hawkish Fed-speak.. The SPX ended down 1.4%, the NASDAQ tumbled 1.8%, and the Russell 2000 fell 1.0%. Breadth was negative with the NYSE Up Issues % coming in at 26.5% and the Up Volume % at 27.3%. NYSE total volume came in higher than Wednesday's level.

The SPX has made some sizable moves over the last couple of weeks as volatility has been high. It is unusual to see such high volatility when the SPX is trading above its 200ma. Wednesday marked the 3rd day in the last 8 in which SPX closed down over 1%. In the 1/19/22 letter I looked back at other times where SPX closed down more than 1% for the 3rd time in the last 10 days, but above its 200ma. Below are updated 1-day results.



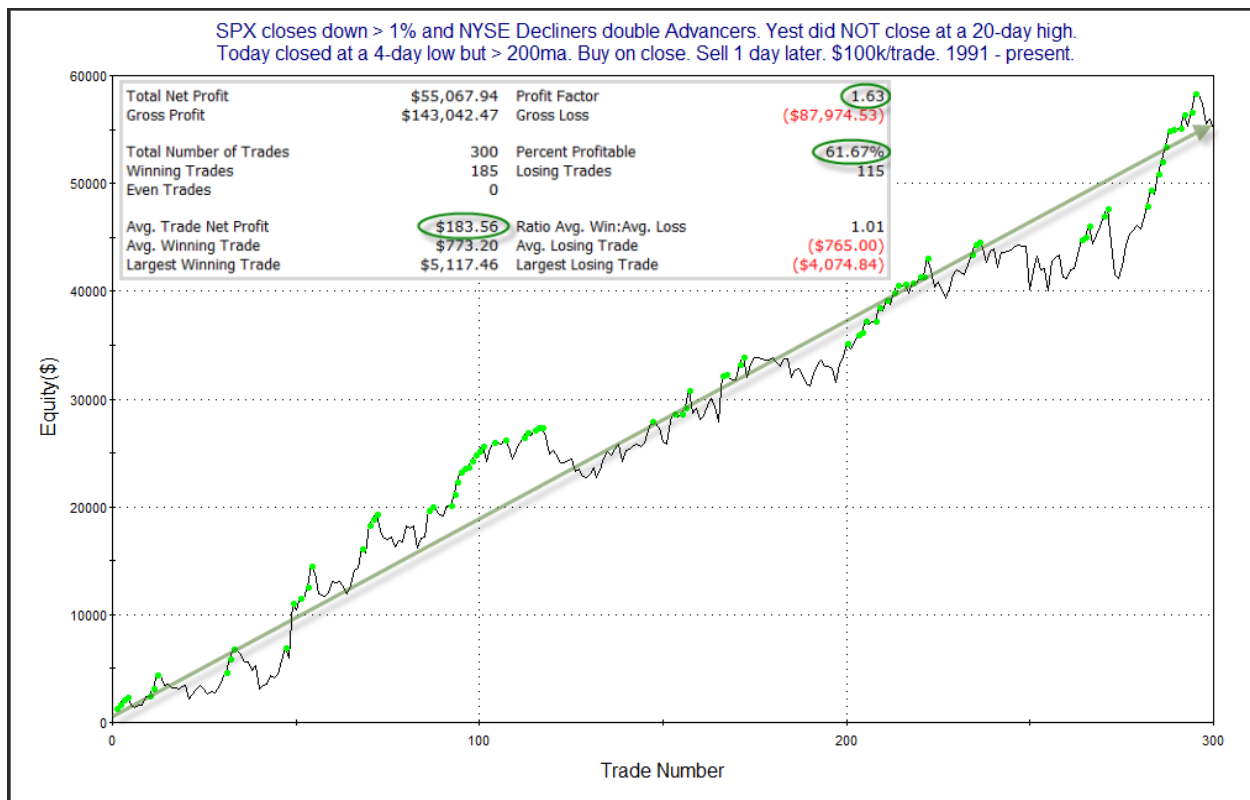
Often the next day has seen a bounce. While the last couple of instances have failed, the long-term curve and numbers still appear impressive. I have added this study to the active list tonight.

There was another study that appeared in the Quantifinder from the 5/13/20 letter. I have updated it below along with a long-term trend filter.

SPX closes down > 1% and NYSE Decliners double Advancers. Yest did NOT close at a 20-day high. Today closed at a 4-day low but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1991 - 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
10	186,246.67	192	129	63	67.19	7,072.00	-13,993.88	2,522.81	-2,209.47	1.14	2.34	970.03
9	199,774.43	196	139	57	70.92	6,030.49	-10,059.36	2,310.38	-2,129.26	1.09	2.65	1,019.26
8	156,258.00	201	133	68	66.17	6,086.08	-14,092.68	2,221.34	-2,046.77	1.09	2.12	777.40
7	146,515.30	213	138	75	64.79	7,152.30	-9,697.02	2,092.26	-1,896.22	1.10	2.03	687.87
6	133,627.48	217	141	76	64.98	7,272.06	-7,966.32	1,943.95	-1,848.27	1.05	1.95	615.79
5	99,988.30	225	132	93	58.67	7,070.28	-11,122.37	1,878.34	-1,590.90	1.18	1.68	444.39
4	70,900.61	234	133	101	56.84	4,732.80	-10,410.71	1,670.49	-1,497.77	1.12	1.47	302.99
3	58,145.63	251	148	103	58.96	5,471.10	-6,419.44	1,359.80	-1,389.36	0.98	1.41	231.66
2	50,746.70	281	154	127	54.80	4,809.66	-7,740.60	1,229.37	-1,091.15	1.13	1.37	180.59
1	55,067.94	300	185	115	61.67	5,117.46	-4,074.84	773.20	-765.00	1.01	1.63	183.56

The implications here appear to be moderately bullish. Much of the edge over the 1st week plays out right away on Day 1. Below is a look at a 1-day profit curve.



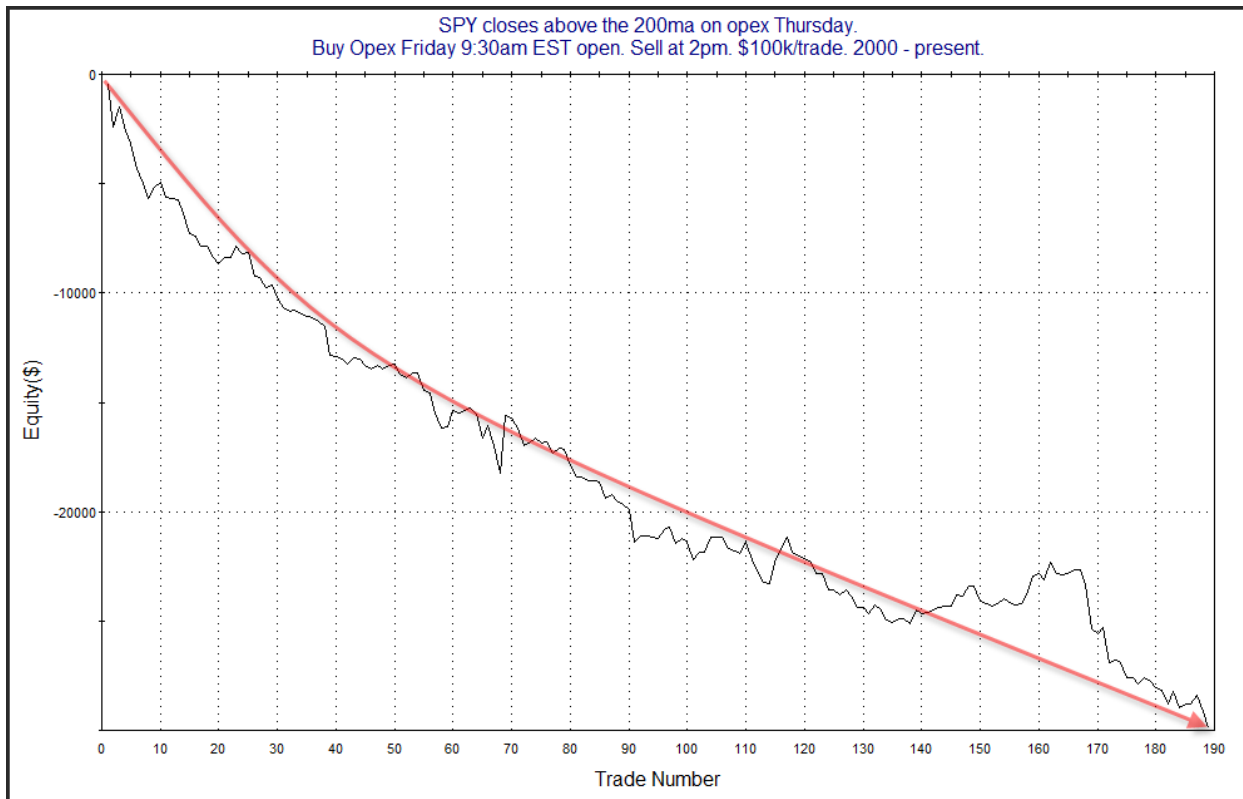
The long-term upslope is impressive. I have decided to include this study on the active list as well.

It is also notable that Friday is monthly options expiration. Options expiration has long been a day that has seen weakness after the opening bell. Below is a study, last seen in the 12/17/21 letter, showing results of purchasing SPY at the open and then exiting at different times during the day.

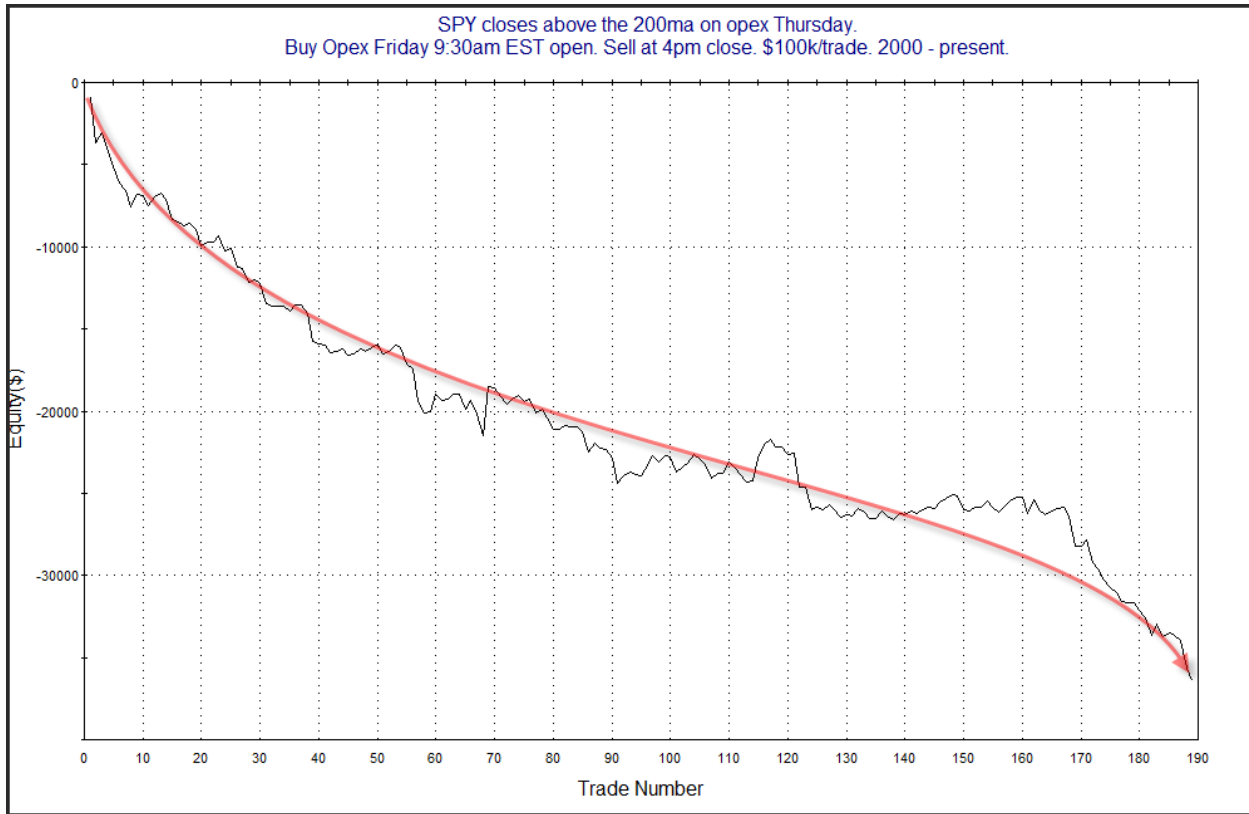
SPY closes above the 200ma on opex Thursday.
Buy Opex Friday 9:30am EST open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-36,379.11	189	76	113	40.21	2,954.22	-2,746.58	350.44	-557.64	0.63	0.42	-192.48
1,500	-30,209.40	189	77	111	40.74	1,978.77	-2,315.18	313.63	-489.72	0.64	0.44	-159.84
1,400	-29,888.24	189	63	126	33.33	2,638.36	-2,000.00	331.92	-403.17	0.82	0.41	-158.14
1,300	-27,199.36	189	67	121	35.45	2,461.85	-1,324.62	309.47	-396.15	0.78	0.43	-143.91
1,200	-23,540.44	189	67	122	35.45	2,917.06	-1,318.40	302.56	-359.12	0.84	0.46	-124.55
1,100	-17,550.93	189	71	117	37.57	1,690.78	-968.50	248.75	-300.96	0.83	0.50	-92.86
1,000	-13,545.28	189	57	132	30.16	1,681.49	-629.00	173.71	-177.62	0.98	0.42	-71.67

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

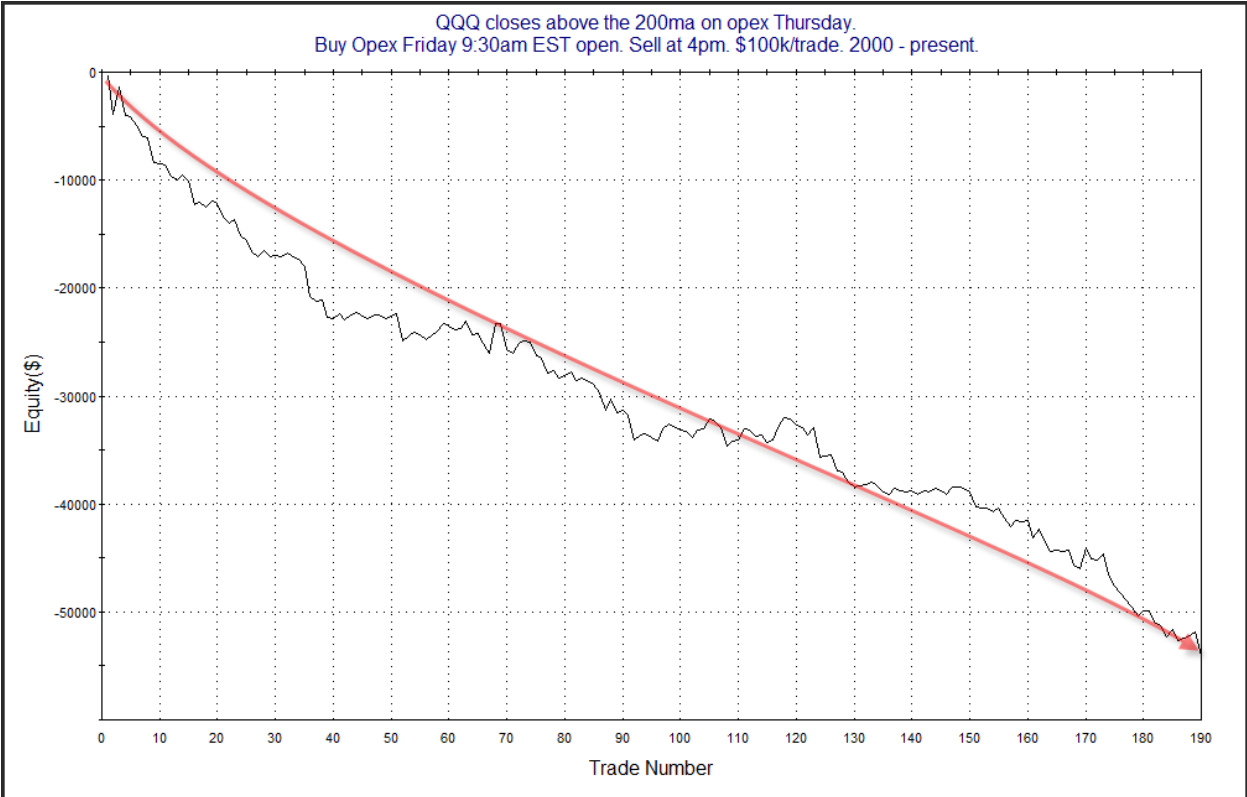
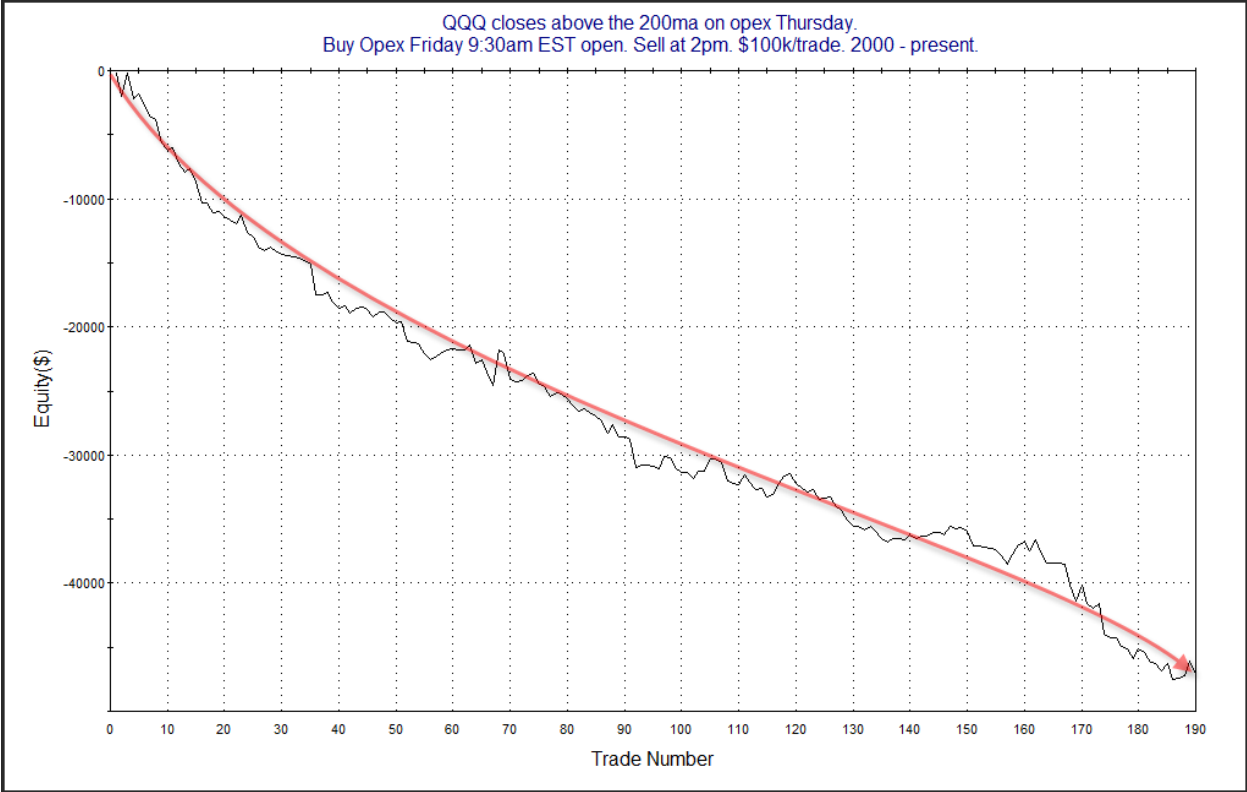


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

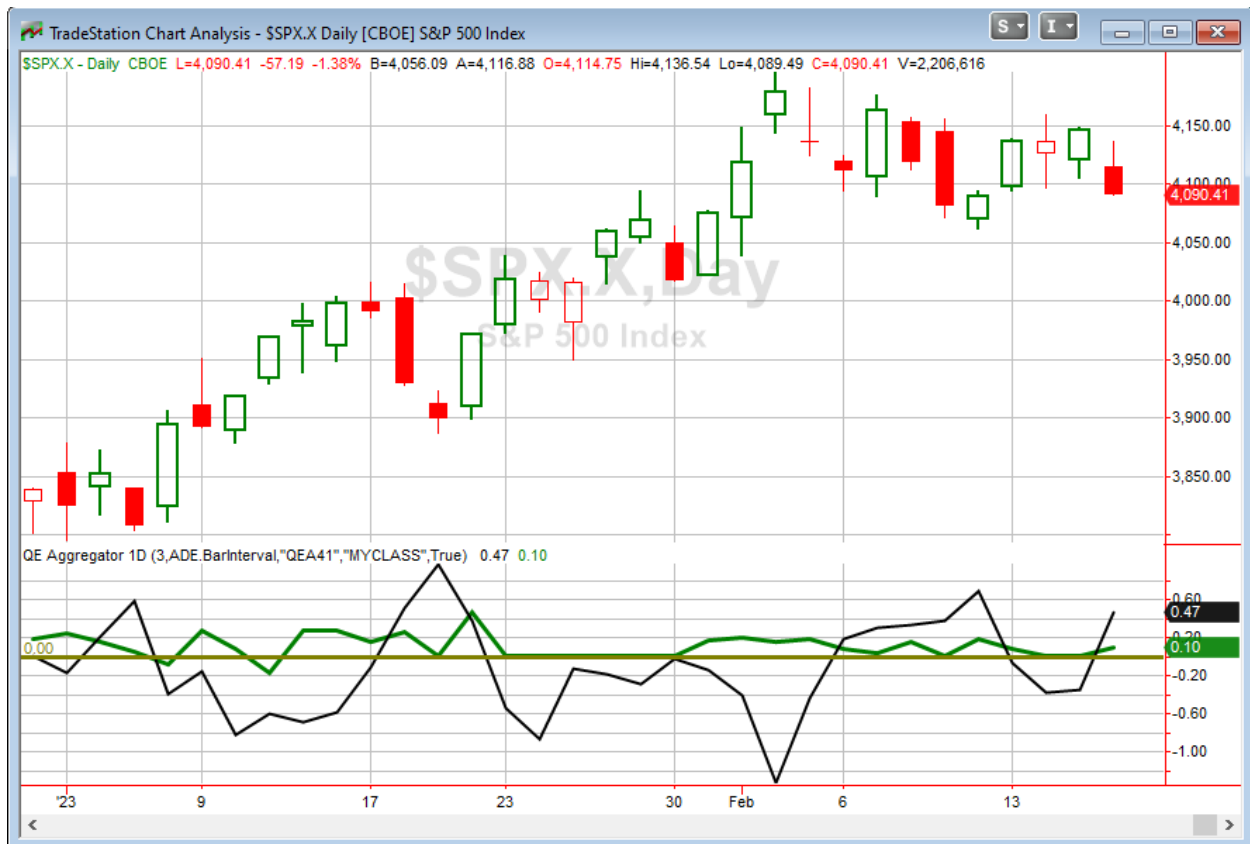
QQQ closes above the 200ma on opex Thursday.
Buy Opex Friday 9:30am EST open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-54,045.01	190	73	117	38.42	2,752.75	-3,518.64	473.45	-757.32	0.63	0.39	-284.45
1,500	-47,462.71	190	70	118	36.84	1,911.00	-2,575.80	429.89	-657.25	0.65	0.39	-249.80
1,400	-47,027.45	190	63	125	33.16	2,730.00	-2,418.42	421.05	-588.43	0.72	0.36	-247.51
1,300	-39,473.23	190	67	122	35.26	2,661.75	-2,376.36	400.75	-543.64	0.74	0.40	-207.75
1,200	-38,285.22	190	65	121	34.21	3,094.00	-1,834.30	404.07	-533.47	0.76	0.41	-201.50
1,100	-29,106.02	190	69	121	36.32	1,984.45	-1,928.16	374.56	-454.14	0.82	0.47	-153.19
1,000	-24,219.55	190	60	129	31.58	1,774.50	-1,192.98	249.21	-303.66	0.82	0.38	-127.47



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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 climbed 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 active studies, expectations are set to remain positive on Friday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will 4146.82 on Friday. That is 1.4% above Thursday's close. Therefore, SPX will need to close up at least 1.4% on Friday in order to flip from oversold to overbought vs recent expectaions.

So the Aggregator is bullish. With a couple of studies pointing higher tonight and the SPX now oversold, it appears there is a good chance of a bounce on Friday, and perhaps beyond. But we also know that opex Fridays often have morning/early afternoon selling much of the time. Additionally, we are heading into a 3-day weekend. So if there is selling during the day, we could see an acceleration into the close if traders are not keen on holding through a 3-day weekend. So rather than try and get long near the open, I will wait until around the close and then look to take on a small amount of long index exposure if I can get a favorable fill..

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 2/13 – 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.

SPY – Buy ¼ index position @ \$406.75 LIMIT ON CLOSE. From the trade ideas section above, I will look to add some long exposure on Friday afternoon if SPY closes squarely lower.

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.