

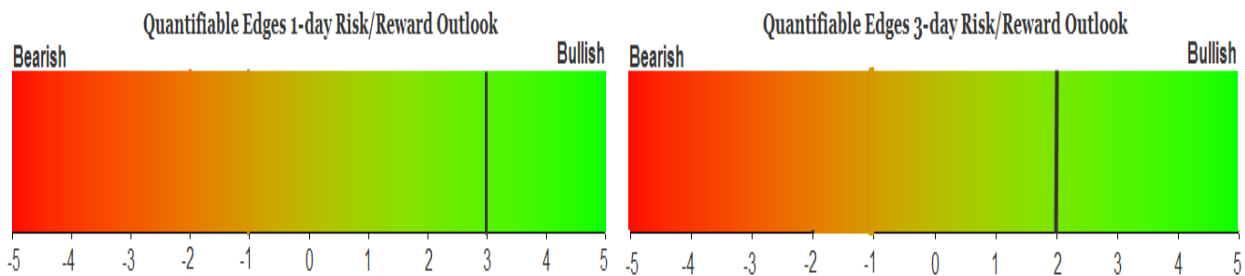
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 21, 2023

Volume 16 Issue 34

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Two unfilled gaps down in a row are often followed by gains the next day.
- The 1st 10-day low in a while is often buyable.
- The SOMA declined substantially and the Fed remains hawkish.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is a moderate upside edge.

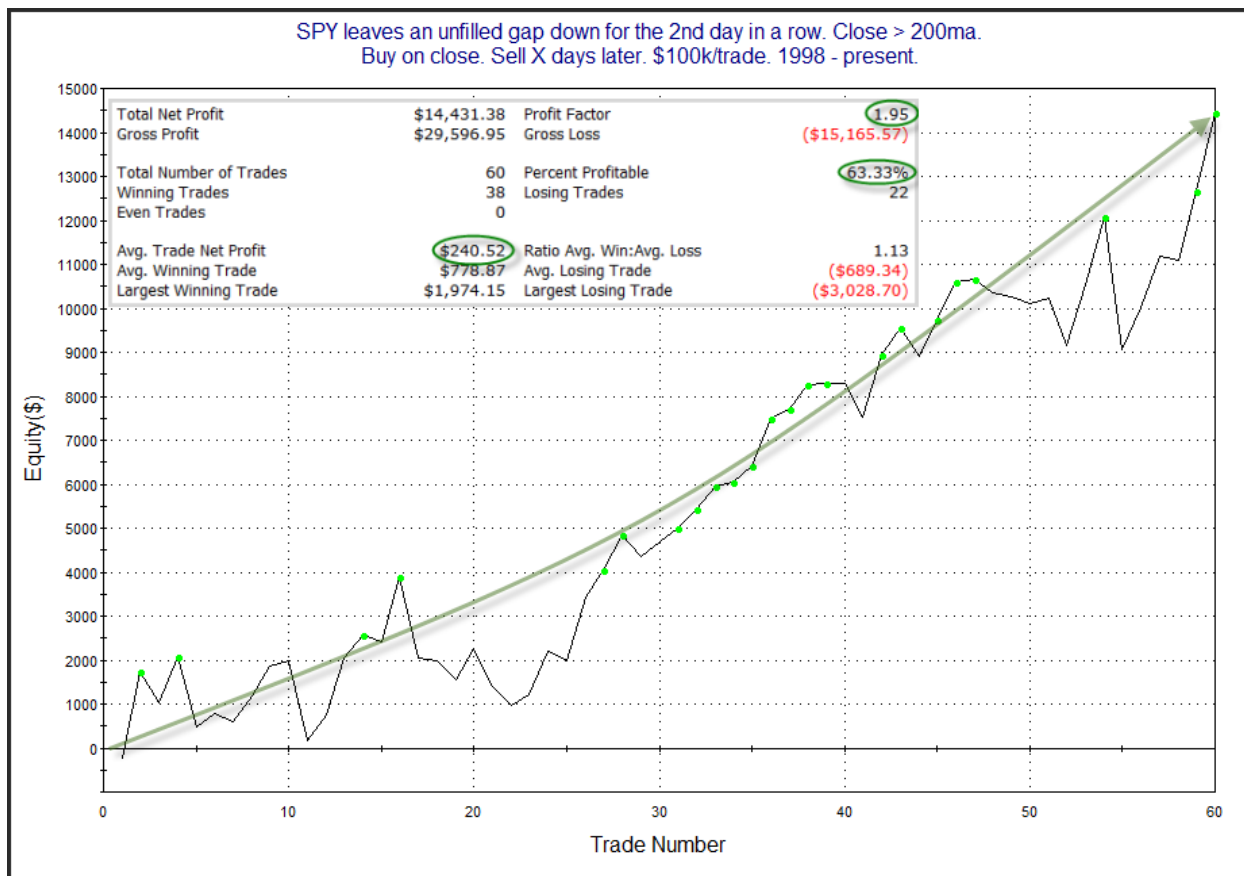
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 21, 2023	1st 10-low close in 30+ days. >200	1-8 days	Bullish	2.50%	-1.90%	-4.15%
February 21, 2023	2 unfilled gaps down > 200ma	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 ADT5 > 73.66	1-12 months	Bullish			
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 2, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
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			

The Evidence

Friday morning saw some strong selling. But in the afternoon there was a partial recovery which left the final numbers mixed and moderate. The SPX ended down 0.3%, the NASDAQ lost 0.6%, and the Russell 2000 rose 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 43% and the Up Volume % at 38%. NYSE total volume came in higher than Thursday's level.

From a price action standpoint, it was notable that Friday marked the 2nd day in a row that SPY left an unfilled gap down. In the 8/13/19 letter I showed a study that suggested bullish implications when this occurred during a long-term uptrend. I took a fresh look at that study tonight.



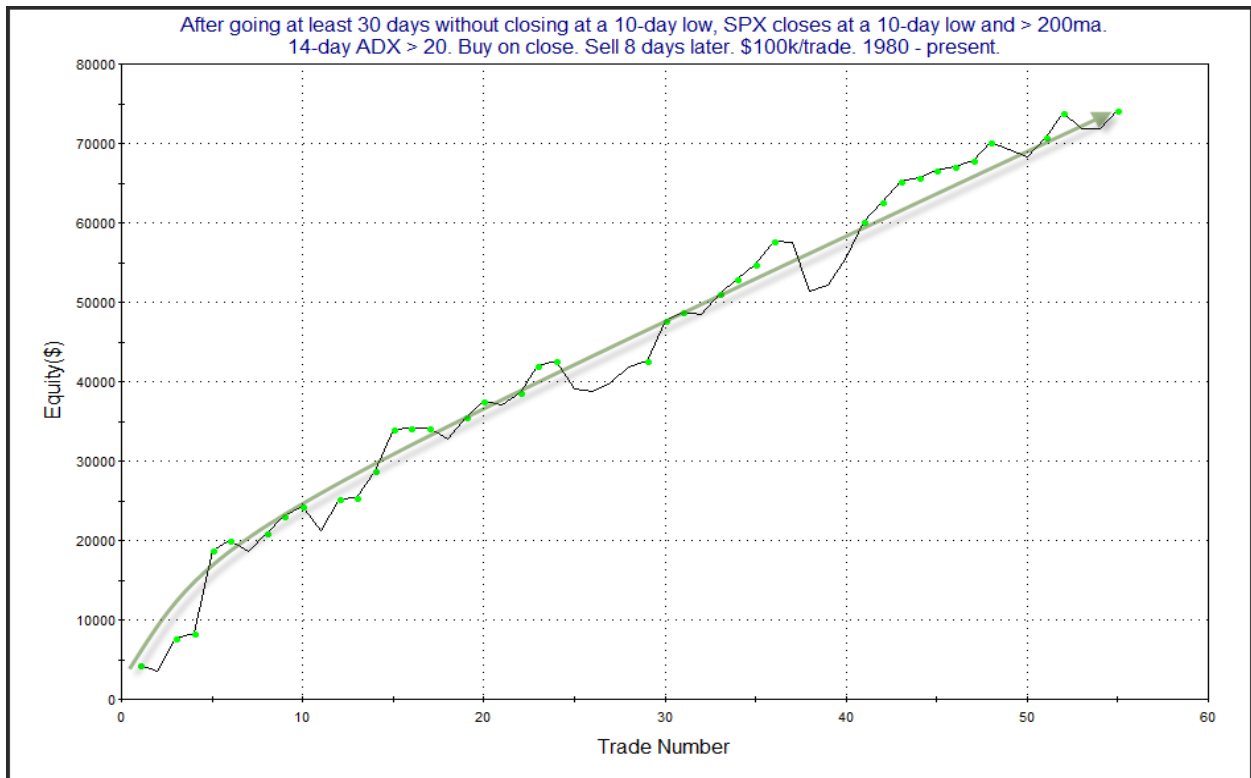
The curve is certainly choppy, but it has worked its way from lower left to upper right. I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

Friday also marked the 1st time SPX closed at a 10-day low since December 28th. Before Friday, SPX had gone 34 trading days without closing at a 10-day low. That is a long time. Historically the 1st pullback to a 10-day low after a long time without one has provided a solid upside edge. In the past I also found that the edge is more prevalent when SPX has been trending than when it has been chopping sideways for an extended period. I used ADX to determine trend strength. I found that a reading of 20 or higher seemed to be a decent filter. I last shared the study below in the 11/29/21 letter. Results are updated.

After going at least 30 days without closing at a 10-day low, SPX closes at a 10-day low and > 200ma.
 14-day ADX > 20. Buy on close. Sell X days later. \$100k/trade. 1980 - present.

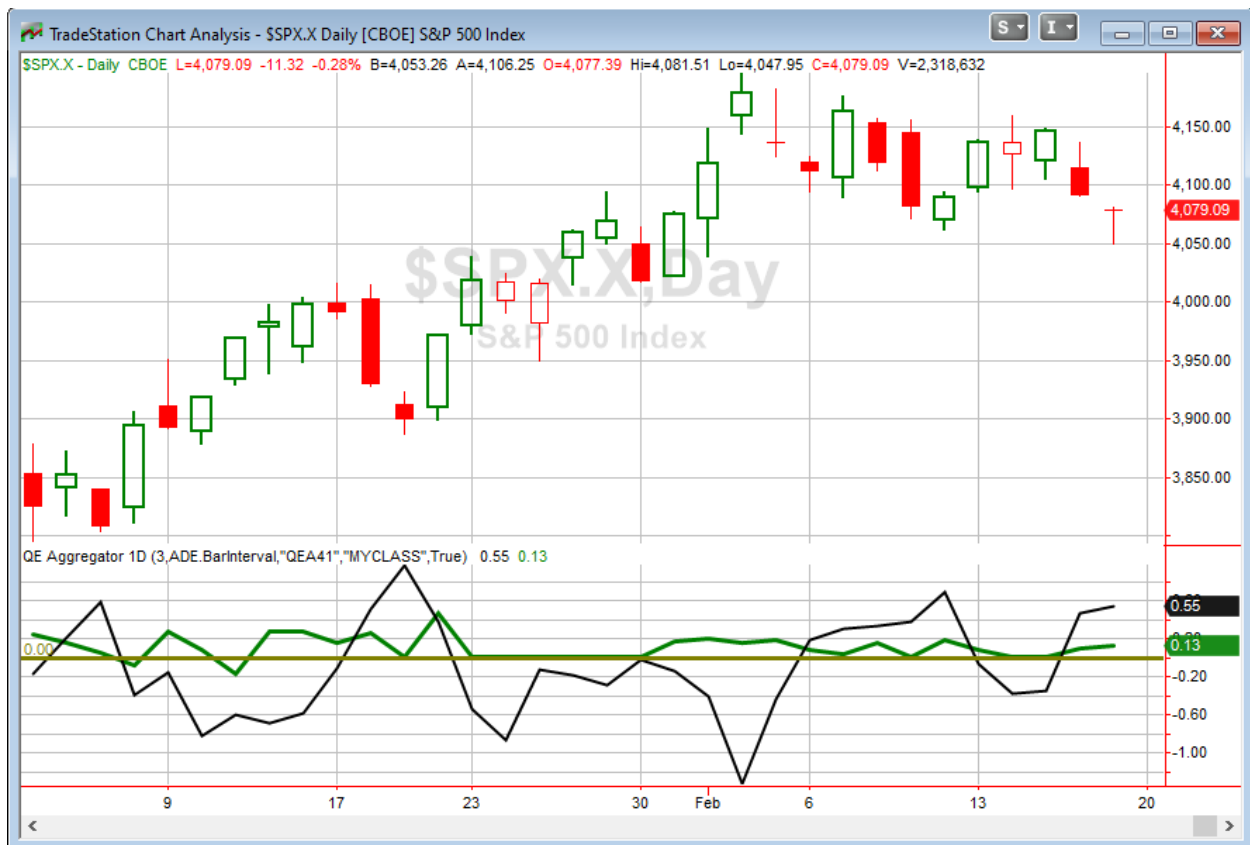
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	76,945.22	55	37	18	67.27	12,395.76	-5,362.24	2,795.15	-1,470.85	1.90	3.91	1,399.00
9	73,945.40	55	40	15	72.73	10,529.82	-3,753.36	2,460.86	-1,632.59	1.51	4.02	1,344.46
8	74,134.72	55	42	13	76.36	10,554.48	-6,117.72	2,268.30	-1,625.68	1.40	4.51	1,347.90
7	54,347.19	55	39	16	70.91	7,743.24	-8,141.12	2,196.08	-1,956.25	1.12	2.74	988.13
6	50,193.10	55	39	16	70.91	5,893.74	-4,111.40	1,855.49	-1,385.69	1.34	3.26	912.60
5	40,598.40	55	36	19	65.45	4,608.35	-3,502.11	1,743.68	-1,167.06	1.49	2.83	738.15
4	34,443.34	55	40	15	72.73	4,690.50	-2,616.60	1,459.66	-1,596.21	0.91	2.44	626.24
3	16,399.67	55	36	19	65.45	3,940.55	-4,464.88	1,161.59	-1,337.76	0.87	1.65	298.18
2	4,042.05	55	32	23	58.18	3,744.45	-7,559.56	974.13	-1,179.57	0.83	1.15	73.49
1	2,369.77	55	31	24	56.36	2,287.60	-2,758.48	706.81	-814.23	0.87	1.12	43.09

The numbers here are quite good, suggesting a short-term upside edge. Below is an 8-day profit curve.



This curve appears very steady and persistent. I have also added this study to the active list.

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



With this weekend'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 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 stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Tuesday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will 4150.54 on Tuesday. That is 1.75% above Friday's close. Therefore, SPX will need to close up a sizable 1.75% on Tuesday if it is to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. There is some evidence pointing higher, and SPX is fairly oversold at this point. I believe there is a solid upside edge. I'd probably be more excited if we did not see that afternoon rebound on Friday, but the edge still seems solid enough that I will look to start scaling into a long index trade if I can get a favorable fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/21 – bullish

Combo #1	Combo #2	Combo #3
Long	Long	Long

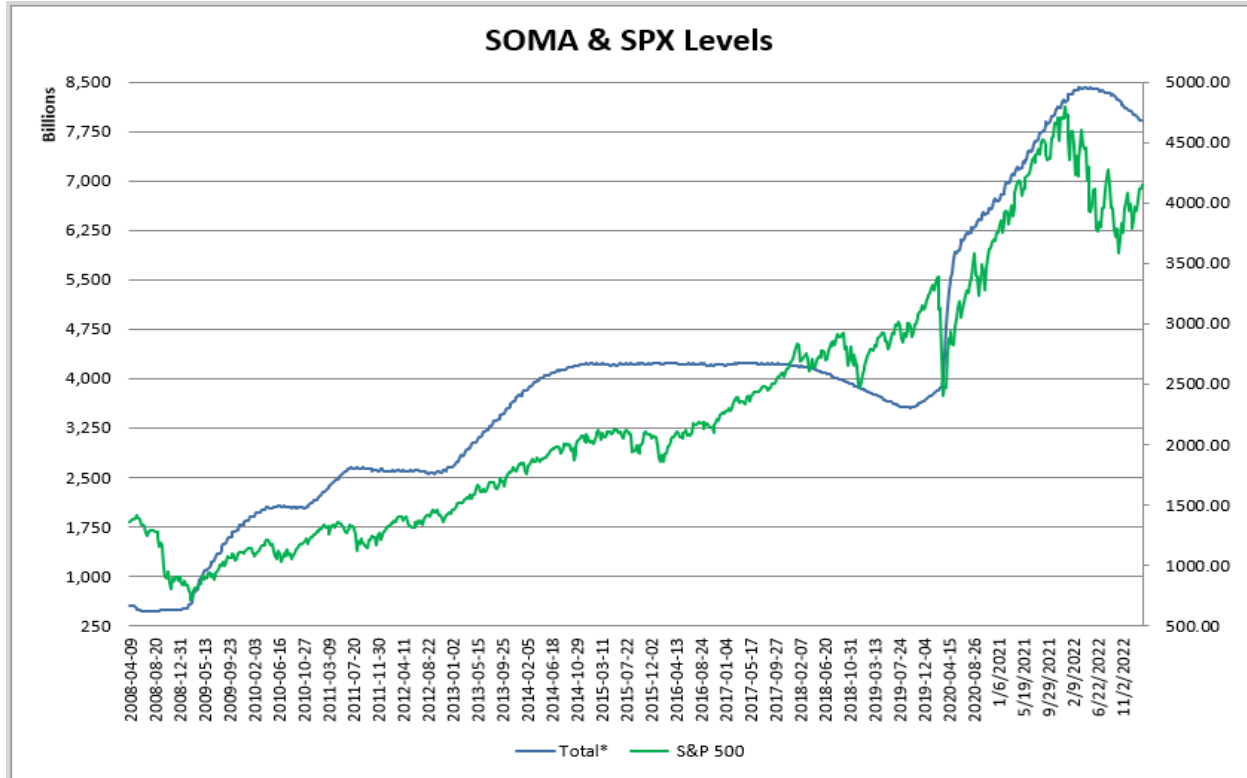
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), 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 “long”.*

This past week was mixed for the major indices. The SPX declined 0.3%, the NASDAQ rose 0.6%, and the Russell 2000 gained 1.4%. Bonds struggled. The US Aggregate Bond ETF (AGG) posted a loss of 0.4%. This was its 4th consecutive weekly loss after a strong start to the year. TLT, the 20-year Treasury Bond ETF fell 1.0%. This was just the 2nd consecutive losing week for TLT. The stock indices all still remain above their 200-day moving averages, suggesting the uptrend is still in place. There were no new studies with intermediate-term implications that triggered in the last few days.

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 February 15, 2023 📅	
Posted February 16, 2023 at 4:30 P.M.	
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	285,020,936.0
US Treasury Notes and Bonds (Notes/Bonds)	4,580,258,369.8
US Treasury Floating Rate Notes (FRNs)	23,428,784.2
US Treasury Inflation-Protected Securities (TIPS)*	374,979,407.4
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,615,050,643.4
Agency Commercial Mortgage-Backed Securities***	8,461,744.2
Total SOMA Holdings	7,889,546,885.0
Change From Prior Week	-33,272,406.6

This week the SOMA declined over \$33 billion with a big chunk of bonds rolling off the books mid-month. This upcoming week should see a much smaller decline in the SOMA. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is now in the midst of what will likely be the largest ever reduction in the size of the SOMA. The pace of the decline is high and is expected to remain high for a while. Additionally, the Fed has been increasing rates. Coming into this week the market was hopeful that 1 or 2 more quarter-point hikes would be all for the Fed. But inflation numbers remain high, and we heard some tough talk from Fed members. The market is now anticipating that more tightening maybe in the cards. When the Fed claims they are “data dependent”, any change in the data is capable of creating a big swing in prices and sentiment. Overall, Fed policy continues to be a large bearish factor.

My intermediate-term outlook has not changed since last week. Uptrends remain intact. Current NASDAQ leadership is a positive. There are several breadth thrust signals active as well. So we continue to see bullish evidence in the form of trend, leadership, breadth, and momentum. The big negative remains the Fed. If the negative influence of the Fed (or higher inflation or a failing economy) is to assert itself, that will show up in the breadth/momentum/leadership/trend indicators starting to fail/turn. Until that begins to happen, I will continue to side with the bulls. This means I will trade longs more aggressively and shorts more conservatively.

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 @ \$407.26 LIMIT. From the trade ideas section above, I will look to add some long exposure on Tuesday if I can get filled at or below Friday’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.