

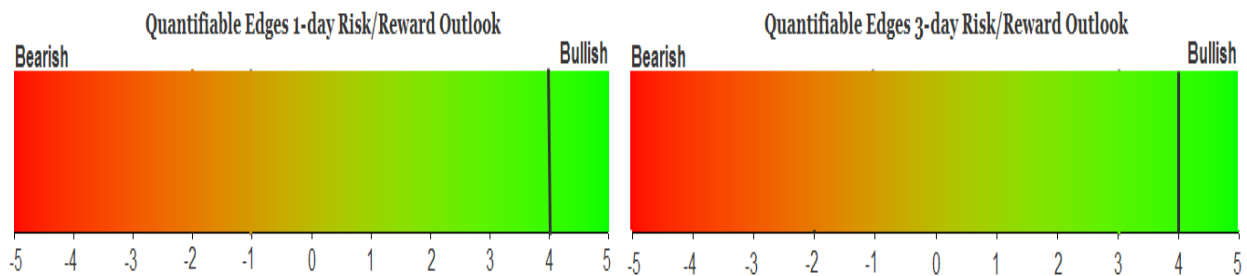
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 2, 2023

Volume 16 Issue 41

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- The gap down and weak close following a 20-day low suggest an upside edge.
- 20-day lows along with a somewhat elevated CBI has typically been followed by a sizable bounce in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is a solid 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						
March 2, 2023	Yest 20-low. Gap down cls < open today	1-5 days	Bullish	2.60%	-1.10%	-2.20%
March 2, 2023	20-low > 200ma. CBI of 8 or 9.	1-4 days	Bullish	2.50%	-0.80%	-1.60%
February 27, 2023	Yest 20-intra lo & cls 1% above. Dn 2day	1-4 days	Bullish	2.50%	-0.90%	-2.00%
February 24, 2023	20-low cls yest. 20-intra low then up cls	1-6 days	Bullish	2.30%	-1.55%	-2.90%
February 21, 2023	1st 10-low close in 30+ days. >200	1-8 days	Bullish	2.50%	-1.90%	-4.15%
Active - Long Term						
February 24, 2023	20-low cls yest. 20-intra low then up cls	1-10 days	Bullish	3.00%	-1.80%	-3.30%
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 23, 2023	NASDAQ Leading	int term	Bullish			
January 13, 2023	QE Triple 7 0 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)						
March 1, 2023	10-low, btm range & >200ma. EOM.	1 day	Bullish			

The Evidence

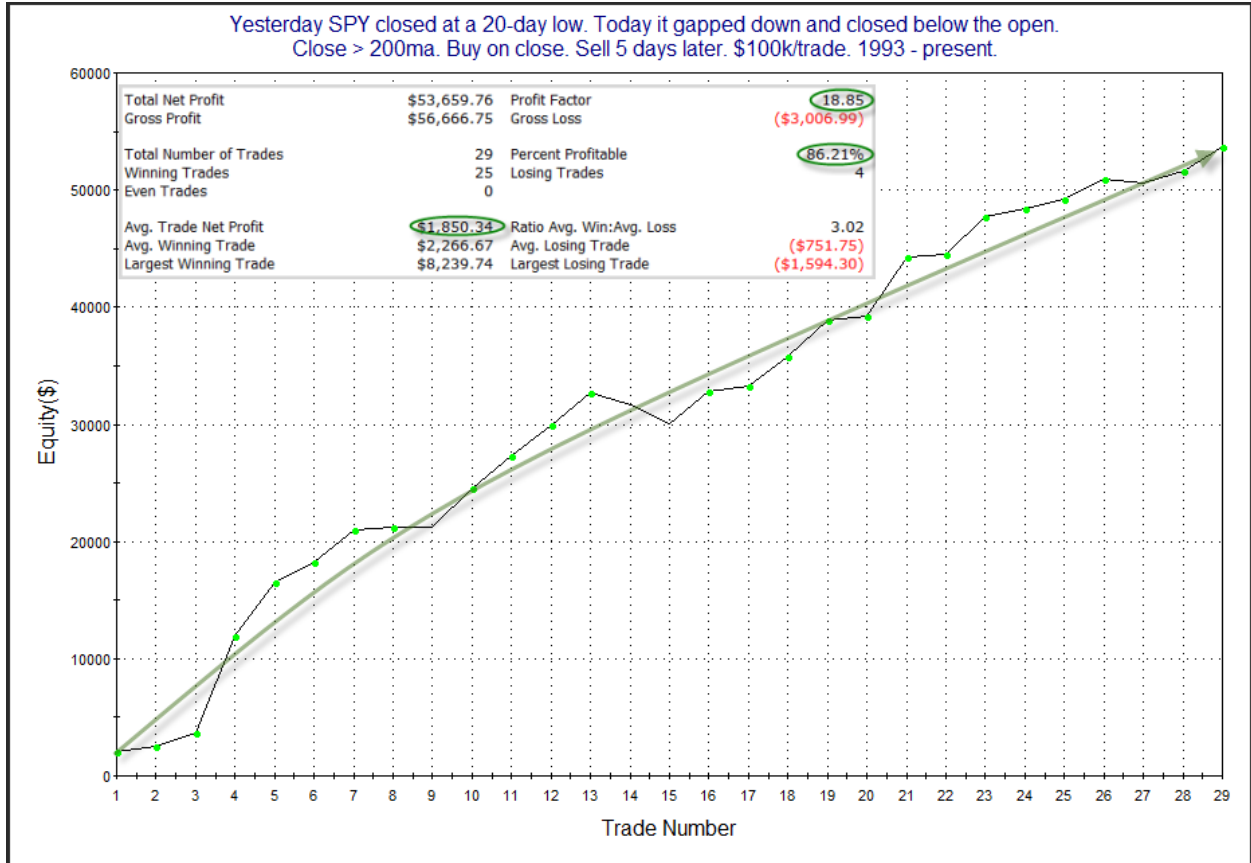
The 1st of the month disappointed and the indices closed mostly lower. The SPX lost 0.5%, the NASDAQ declined 0.7%, and the Russell 2000 rose 0.1%. Breadth was negative with the NYSE Up Issues % coming in at 44% and the Up Volume % at 45%. NYSE total volume declined some from Tuesday's level.

SPY was already oversold before Wednesday's action. Wednesday saw it gap down from a 20-day low the day before and then continue the selling. This triggered the below study, from the 10/3/19 letter. Results are updated.

Yesterday SPY closed at a 20-day low. Today it gapped down and closed below the open. Close > 200ma. 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	53,659.76	29	25	4	86.21	8,239.74	-1,594.30	2,266.67	-751.75	3.02	18.85	1,850.34
4	42,942.00	29	24	5	82.76	5,581.02	-3,255.65	2,009.13	-1,055.44	1.90	9.14	1,480.76
3	32,516.97	29	20	9	68.97	4,348.05	-2,421.25	2,049.43	-941.30	2.18	4.84	1,121.27
2	23,941.12	30	17	13	56.67	5,477.88	-1,643.62	1,911.43	-657.94	2.91	3.80	798.04
1	18,881.42	35	23	12	65.71	5,764.38	-3,000.80	1,238.28	-799.92	1.55	2.97	539.47

The only instance NOT to close above its entry price at some point in the next week triggered on 5/14/12.

Results here appear consistent and powerful. Below is a look at the profit curve assuming a 5-day holding period.

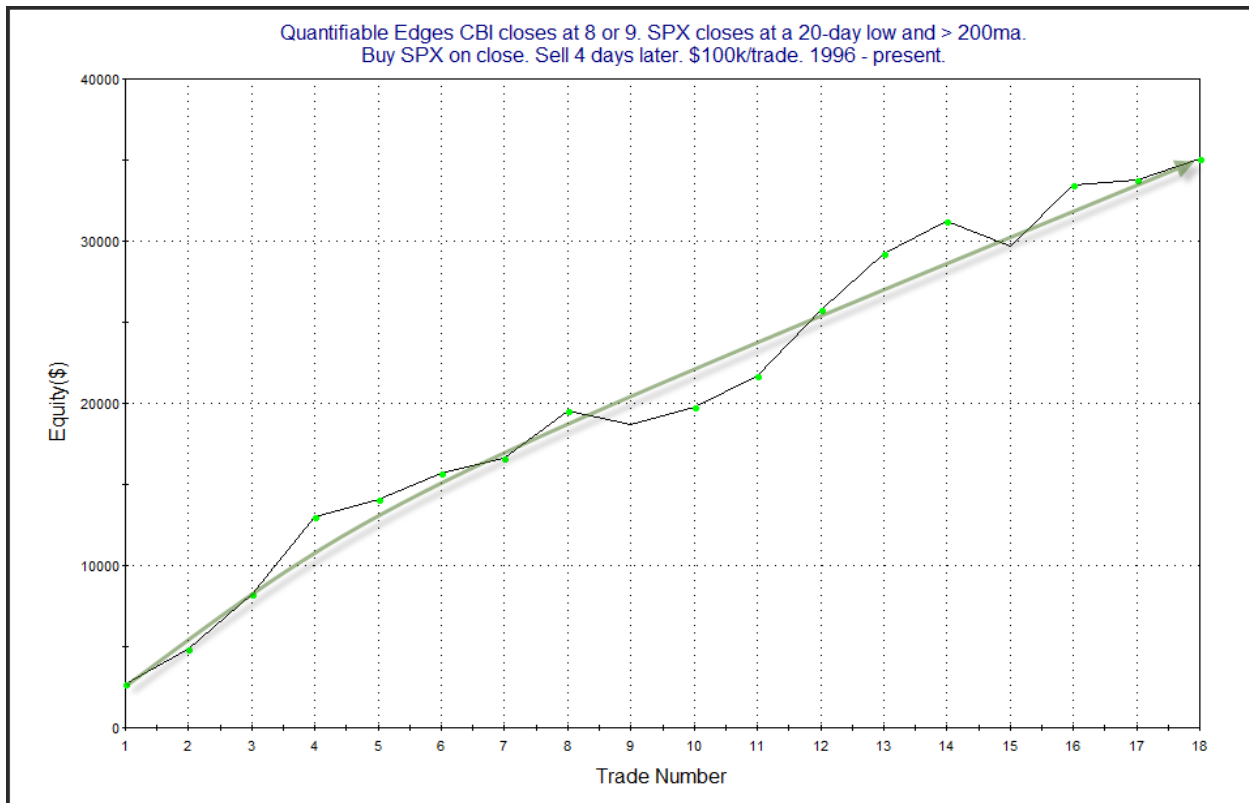


The strong, steady upslope is impressive. It serves as some confirmation of the bullish edge. I have included this study on the Active List tonight.

It is also notable that the Quantifiable Edges Capitulative Breadth Indicator (CBI) again moved higher. I have historically viewed readings of 10+ as bullish. But even getting near that will often generate an upside edge. The study below looks at other times SPX closed at a 20-day low & above the 200ma, and the CBI read 8 or 9.

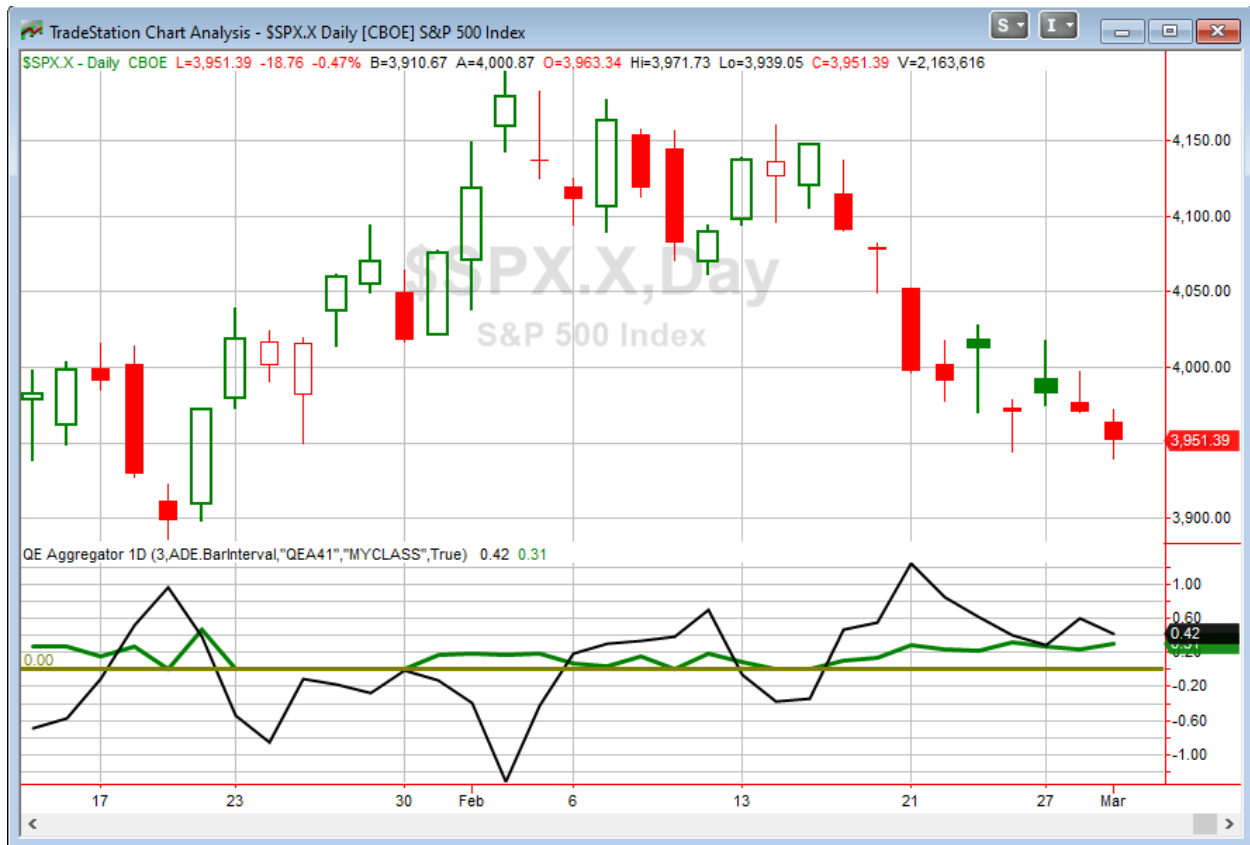
Quantifiable Edges CBI closes at 8 or 9. SPX closes at a 20-day low and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1996 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	30,039.60	18	14	4	77.78	4,687.33	-2,217.68	2,516.23	-1,296.90	1.94	6.79	1,668.87
4	35,076.07	18	16	2	88.89	4,731.13	-1,530.34	2,340.91	-1,189.25	1.97	15.75	1,948.67
3	23,854.75	19	15	4	78.95	3,580.00	-2,296.70	1,942.78	-1,321.74	1.47	5.51	1,255.51
2	18,839.61	19	14	5	73.68	3,585.76	-1,733.60	1,629.45	-794.53	2.05	5.74	991.56
1	12,144.81	22	14	8	63.64	2,671.02	-1,655.72	1,234.27	-641.88	1.92	3.37	552.04

The stats appear solidly bullish. Below is a look at a profit curve that assumes a 4-day holding period.



That is a fairly straight shot from lower left to upper right. Falling a little short of a CBI reading of 10+ still seems to have led to very positive performance under similar circumstances. This study appears worth some consideration and I have included it on the Active List tonight.

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 also 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 Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4014.43 on Thursday. That is 1.6% above Wednesday's close. Therefore, SPX will need to close up at least 1.6% on Thursday in order to flip from oversold to overbought vs recent expectations.

The Aggregator is again bullish. Evidence continues to build and the market keeps getting more oversold, but it has not mattered to this point. I continue to like the long side. I believe we will likely see a bounce in the coming days, although there is no guarantee. Things could get worse before they get better. Still, odds appear strong enough, and the market is oversold enough that I will look to take on a 3rd lot of SPY if there is a sizable gap down open or a substantially lower close. I am not inclined to buy into an intraday selloff. I'll only take a position at the open or the close.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/27 – bullish

The intermediate-term outlook was last updated in the 2/27/23 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

GM – 1/3 @ \$39.18 (bought @ limit)

PFE – 1/3 @ \$40.78 (bought @ limit)

PFE – 1/3 @ \$40.57 (bought @ limit)

IBM – 1/3 @ \$129.30 (bought @ limit)

JNJ – 1/3 @ \$153.26 (bought @ limit)

New

PFE – 1/3 @ \$40.18 (buy @ limit)

IBM – 1/3 @ \$128.19 (buy @ limit)

JNJ – 1/3 @ \$152.57 (buy @ limit)

Broad Market Large Cap CBI – 8(GM, PFE-3, IBM-2, JNJ-2)

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 @ \$391.50 LIMIT ON OPEN. IF NOT FILLED ON OPEN, CANCEL ORDER AND LOOK TO BUY @ \$392.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to add another lot of SPY if there is a large gap down or a substantially lower close on Thursday.

PFE – Buy 1/3 Catapult position @ \$40.18 LIMIT. From the Catapult section above, this is the 3rd and final lot for PFE.

IBM – Buy 1/3 Catapult position @ \$128.19 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots for IBM.

JNJ – Buy 1/3 Catapult position @ \$152.57 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots for JNJ.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	2/21/2023	\$403.06	\$394.74	-2.06%		Aggregator
SPY(1/4)	2/22/2023	\$398.00	\$394.74	-0.82%		Aggregator
AXP(1/3)	2/22/2023	\$173.48	\$175.91	1.40%		<i>sell on open</i>
GM(1/3)	2/27/2023	\$39.18	\$38.72	-1.17%		Catapult
PFE(1/3)	2/28/2023	\$40.50	\$40.18	-0.79%		Catapult
PFE(1/3)	3/1/2023	\$40.56	\$40.18	-0.94%		Catapult
IBM(1/3)	3/1/2023	\$128.90	\$128.19	-0.55%		Catapult
JNJ(1/3)	3/1/2023	\$153.01	\$152.57	-0.29%		Catapult

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