

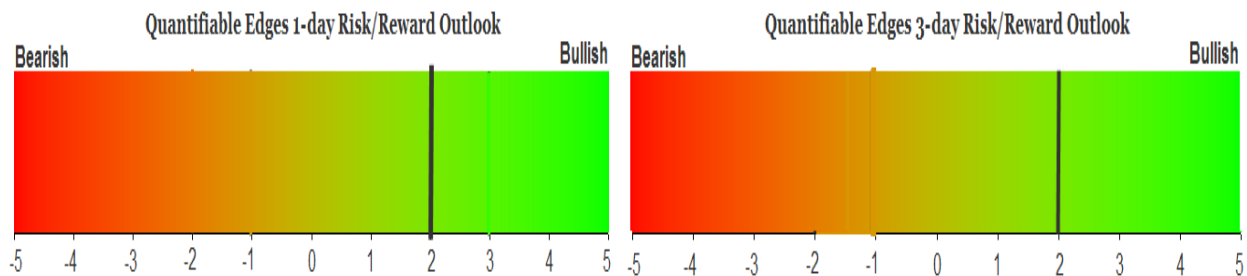
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 12, 2023

Volume 16 Issue 69

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The low 3/10 Offset HV suggests we could see a big move in the next few days.
- The CPI report on Wednesday morning could bring increased volatility.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. There appears to be a very mild upside edge. But if the market closes much higher on Wednesday, the Aggregator will likely turn neutral, or perhaps even bearish.

**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
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
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			

**The Evidence**

Tuesday was mild and mixed ahead of Wednesday's CPI release. The SPX closed down less than 0.1%, the NASDAQ declined 0.4%, and the Russell 2000 climbed 0.8%. Breadth was positive with the NYSE Up Issues % coming in at 74% and the Up Volume % at 78%. NYSE total volume declined some from Monday's level.

One factor that traders may want to consider is the fact that the 3/10 Offset HV indicator closed at just 0.24 on Tuesday. This is something I discussed a couple of weeks ago. It suggests a volatility expansion is likely to occur in the next few days.

I [first introduced the 3/10 Offset HV in July of 2009](#). It essentially takes a short 3-day measure of Historical Volatility and compares that to the 10-day measure of 3-days ago. Low readings indicate there has been a contraction in volatility. High readings indicate there has been an expansion. Anything at or below 0.25 is regarded as extremely low. Often after very low numbers like this we see a volatility expansion take place.

In the July 2009 study I found on average when the 3/10 Offset HV falls below 0.25, then the 3-day Historical Volatility reading 3 days later is about 5.5 times higher than on the trigger day. I decided to examine this again in 2015. I found that during the 2009-2015 period that HV over this time period increased on average 4.75x over the next 3 days. While lower, the point remained the same – relatively big moves often emerged after tight consolidations.

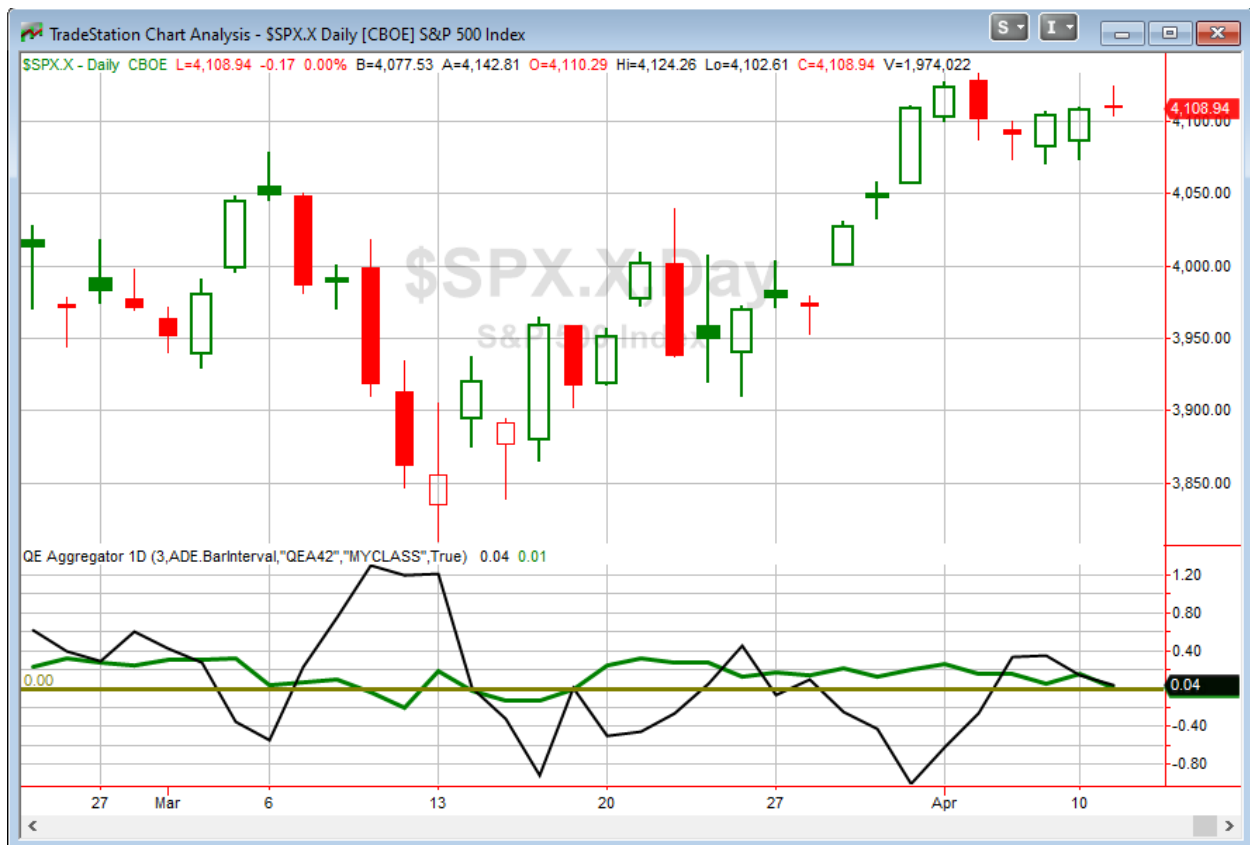
It's important to note that the 3/10 Offset HV indicator predicts volatility, not direction. For direction I look to the Aggregator. Tonight the Aggregator is mildly bullish. The low 3/10 Offset HV implies that a move in either direction could be exaggerated and increases potential reward and potential risk.

Also suggested a possible big move is the fact that CPI will be released on Wednesday morning. The table below is copied from last night's letter. It shows how much volatility the release has created over the last 11 months.

<b>SPX Action on Recent CPI Release Dates</b>			
<b>Reference Month</b>	<b>Release Date</b>	<b>SPX True Range</b>	<b>SPX % Change</b>
Apr-22	May 11, 2022	120.27	-1.65%
May-22	June 10, 2022	117.66	-2.91%
Jun-22	July 13, 2022	70.37	-0.45%
Jul-22	August 10, 2022	88.56	2.13%
Aug-22	September 13, 2022	189.13	-4.32%
Sep-22	October 13, 2022	193.83	2.60%
Oct-22	November 10, 2022	209.76	5.54%
Nov-22	December 13, 2022	110.4	0.73%
Dec-22	January 12, 2023	60.2	0.34%
Jan-23	February 14, 2023	64.76	-0.03%
Feb-23	March 14, 2023	81.87	1.65%
	<b>Average</b>	<b>118.80</b>	<b>0.33%</b>
	<b>All other days ATR since 5/11/22</b>	<b>69.61</b>	

As I noted last night, last 4 months have not been quite as volatile. Still, we see here that CPI is capable of generating some extremely strong reactions. The low Offset HV and pending CPI could combined for a sharp move on Wednesday.

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



Without any new studies being added tonight, the green Aggregator Line remained slightly 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 list of active studies, expectations are set to remain positive on Wednesday. Of course, expectations could very easily change if compelling new bearish evidence emerges. And with the short-term list currently bare, any new studies that emerge will have a strong impact on expectations. Meanwhile, the Differential Pivot will be 4120.03. That is 0.3% above Tuesday's close. Therefore, SPX will only need to close up 0.3% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is still bullish. SPX is mildly oversold, and there is a small amount of evidence pointing higher. This is not an incredibly strong signal, and the low offset HV and Wednesday's CPI report are combining to increase risk. I have a small index position right now. I will not add to it, but if SPX closes above the Differential Pivot, I will look to take my profits and exit the position near the close.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 4/10 – slightly 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.

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	4/6/2023	\$406.77	\$409.72	0.73%	<b>sold 1/2 @ \$409.19</b>

**Note: I will look to sell the remaining SPY near the close if SPX closes > 4120.02.**

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360. 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 © 2023 Quantifiable Edges, LLC.