

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 4, 2023

Volume 16 Issue 85

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- 3 down days from a 50-day high that closes  $< 10ma$  but above 10-day low suggest an upside edge.
- When Fed Days have continued a short-term selloff in recent years, there has often been another 1-2 days of selling, and then a strong rebound.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is long. I expect to see a bounce in the coming days, but it may not be immediate.

**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>						
May 4, 2023	3 dn from 50-high. < 10ma > 10-low	1-4 days	Bullish			
May 4, 2023	Down 2+ days. Today Fed Day.	1-6 days	Bullish			
May 1, 2023	End of month at high of month	1-5 days	Bullish	1.90%	-1.10%	-2.30%
<b>Active - Long Term</b>						
May 1, 2023	NASDAQ Leading	int term	Bullish			
February 2, 2023	SPX Golden Cross	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			

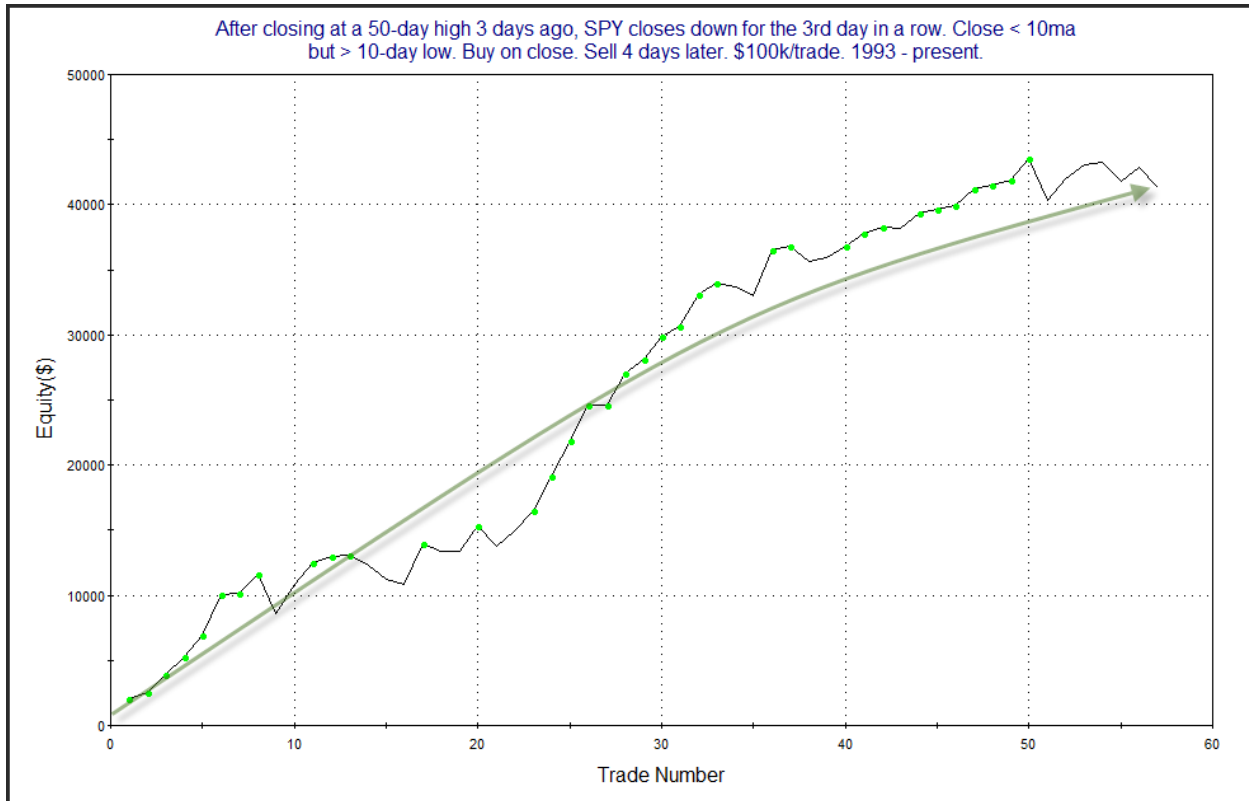
**The Evidence**

A back and forth reaction to the Fed saw the market finish mostly lower. The SPX lost 0.7%, the NASDAQ fell 0.5%, and the Russell 2000 gained 0.4%. Breadth was negative with the NYSE Up Issues % coming in at 38% and the Up Volume % at 35%. NYSE total volume rose some from Tuesday's level.

There were a few studies that triggered in the Quantifinder worth discussion. The 3-day pullback study below is one I found compelling. It considered the fact that the 3-day pullback was occurring right after a high was hit. Additionally, it required that the pullback was deep enough to put it below the 10ma, but *not* deep enough to see it at a 10-day closing low. It was last seen in the 9/9/21 subscriber letter, and I have updated the stats.

After closing at a 50-day high 3 days ago, SPY closes down for the 3rd day in a row. Close < 10ma but > 10-day low. 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	35,990.79	56	37	19	66.07	3,522.94	-3,453.71	1,550.85	-1,125.82	1.38	2.68	642.69
4	41,283.95	57	44	13	77.19	3,543.50	-3,235.68	1,301.34	-1,228.83	1.06	3.58	724.28
3	27,216.10	57	37	20	64.91	3,543.50	-4,572.96	1,297.42	-1,039.42	1.25	2.31	477.48
2	14,408.65	57	37	20	64.91	3,073.95	-2,781.35	943.16	-1,024.42	0.92	1.70	252.78
1	9,199.01	57	35	22	61.40	3,149.85	-2,031.09	764.16	-797.58	0.96	1.52	161.39

Under these circumstances, it appears bounces have been both reliable and powerful. The 1<sup>st</sup> four days show some very impressive stats. Below is a look at the profit curve assuming a 4-day exit technique.



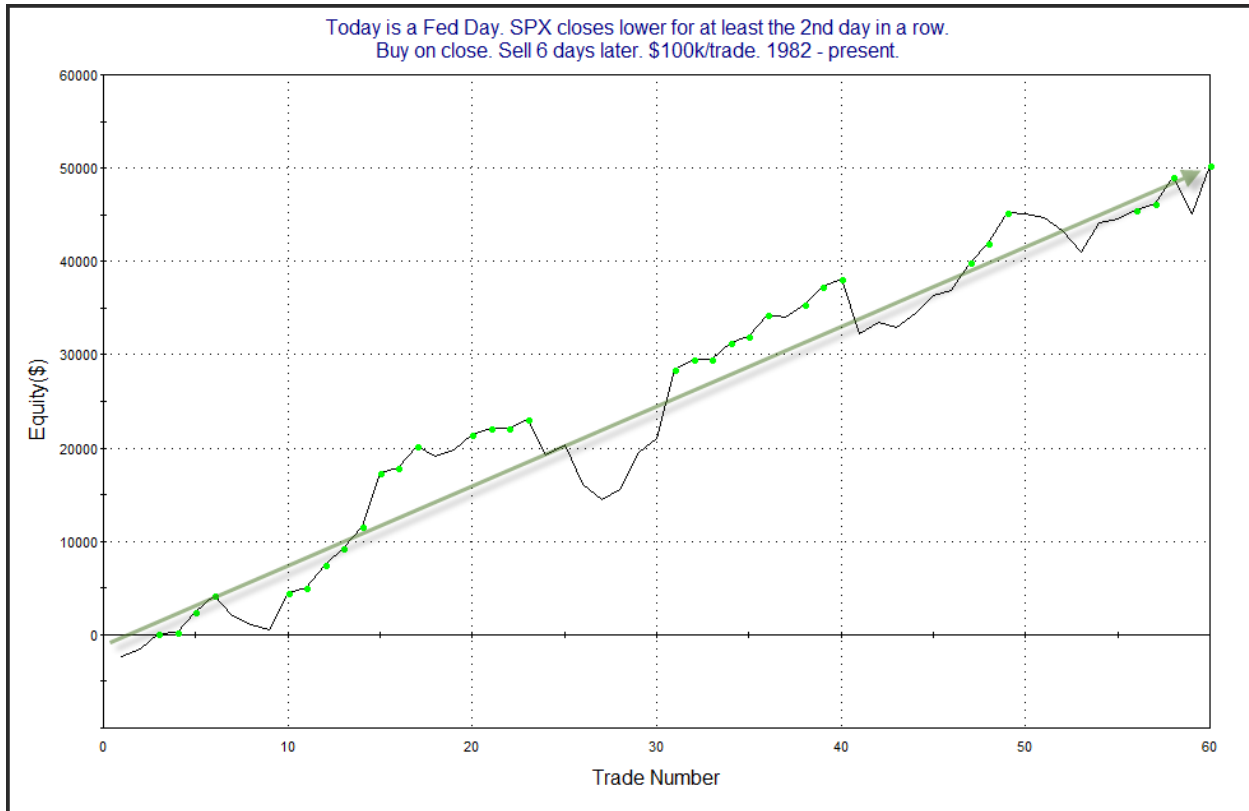
There has been a minor fade over the last few instances. It is not enough to greatly concern me. I have added this study to the active list tonight.

The Fed Day flopped. It is unusual that a Fed Day would continue a string of down days. I looked at this in the study below, which was last seen in the 9/27/18 letter. Results have been updated.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row.  
Buy on close. Sell X days later. \$100k/trade. 1982 - 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	53,736.02	60	39	21	65.00	9,012.33	-5,334.70	2,661.72	-2,384.33	1.12	2.07	895.60
9	54,273.08	60	42	18	70.00	8,967.96	-5,671.36	2,348.59	-2,464.87	0.95	2.22	904.55
8	39,674.21	60	43	17	71.67	8,456.40	-6,514.96	2,084.83	-2,939.62	0.71	1.79	661.24
7	45,987.66	60	45	15	75.00	8,869.37	-6,757.80	1,927.79	-2,717.52	0.71	2.13	766.46
6	50,229.92	60	44	16	73.33	7,361.95	-5,884.97	1,863.60	-1,985.52	0.94	2.58	837.17
5	36,510.48	60	41	19	68.33	6,013.86	-5,581.03	1,649.36	-1,637.53	1.01	2.17	608.51
4	24,742.22	60	37	23	61.67	7,513.37	-4,622.80	1,577.63	-1,462.18	1.08	1.74	412.37
3	9,152.86	60	36	24	60.00	5,035.28	-4,476.12	1,127.68	-1,310.15	0.86	1.29	152.55
2	6,248.86	60	33	27	55.00	5,202.52	-4,613.73	1,095.57	-1,107.59	0.99	1.21	104.15
1	4,374.65	60	36	24	60.00	4,001.33	-5,829.24	865.47	-1,115.93	0.78	1.16	72.91

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.

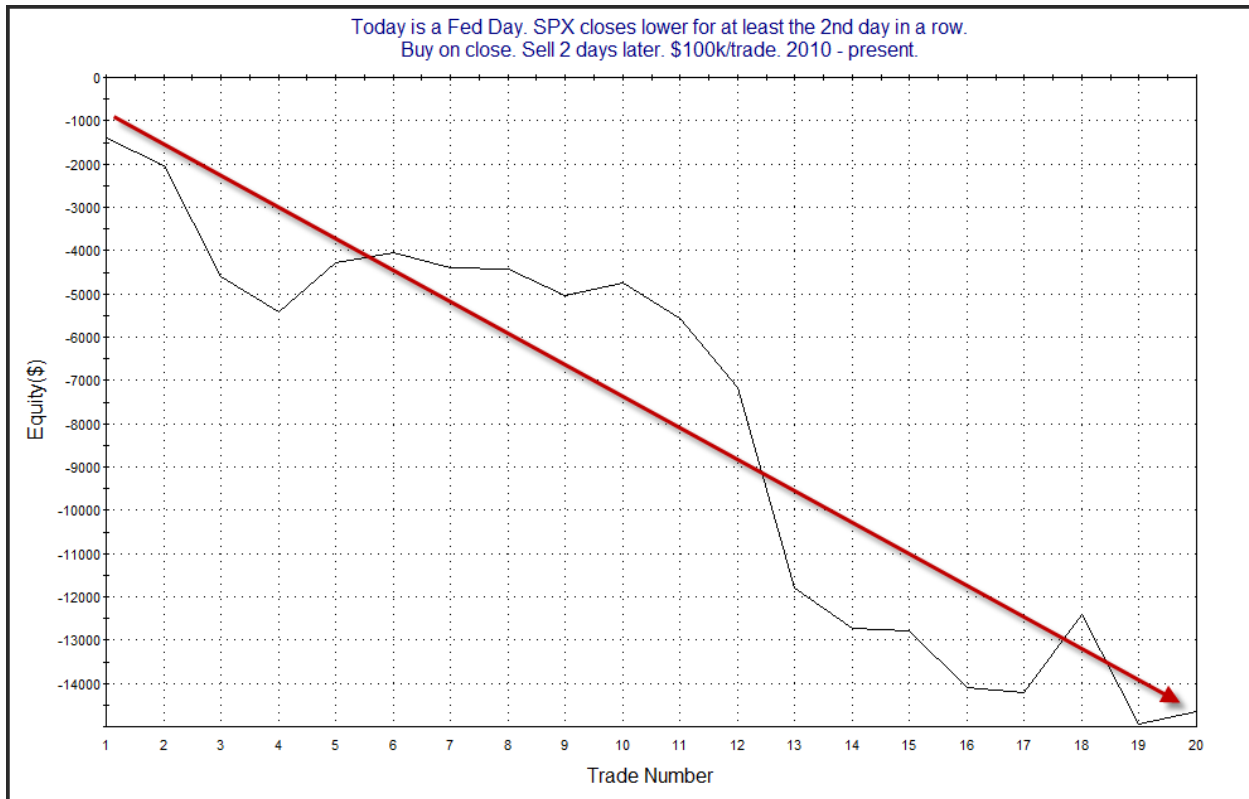


That is an impressive looking curve. And this would seem worthy of inclusion on the active list. But one thing I noted was that while the 6-day curve has remained strong, the 1-day and 2-day curves have done quite poorly over the last 13 years or so. Below is a look at the results table, but only looking at instances since 2010.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row.  
Buy on close. Sell X days later. \$100k/trade. 2010 - 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	11,049.09	20	11	9	55.00	5,219.50	-4,612.74	2,999.46	-2,438.33	1.23	1.50	552.45
9	16,876.30	20	12	8	60.00	6,033.04	-3,638.85	2,707.27	-1,951.37	1.39	2.08	843.82
8	4,274.58	20	12	8	60.00	5,136.56	-5,822.18	2,441.59	-3,128.07	0.78	1.17	213.73
7	8,404.51	20	13	7	65.00	6,064.24	-6,320.86	2,329.08	-3,124.79	0.75	1.38	420.23
6	12,103.83	20	13	7	65.00	5,113.68	-5,884.97	2,045.05	-2,068.83	0.99	1.84	605.19
5	3,009.97	20	12	8	60.00	5,267.90	-5,581.03	1,552.82	-1,952.98	0.80	1.19	150.50
4	4,137.60	20	13	7	65.00	4,325.42	-4,622.80	1,540.71	-2,270.24	0.68	1.26	206.88
3	-4,624.77	20	11	9	55.00	3,643.64	-4,476.12	1,000.30	-1,736.45	0.58	0.70	-231.24
2	-14,645.76	20	5	15	25.00	1,802.24	-4,613.73	741.70	-1,223.62	0.61	0.20	-732.29
1	-13,326.23	20	8	12	40.00	1,072.75	-5,829.24	612.23	-1,518.67	0.40	0.27	-666.31

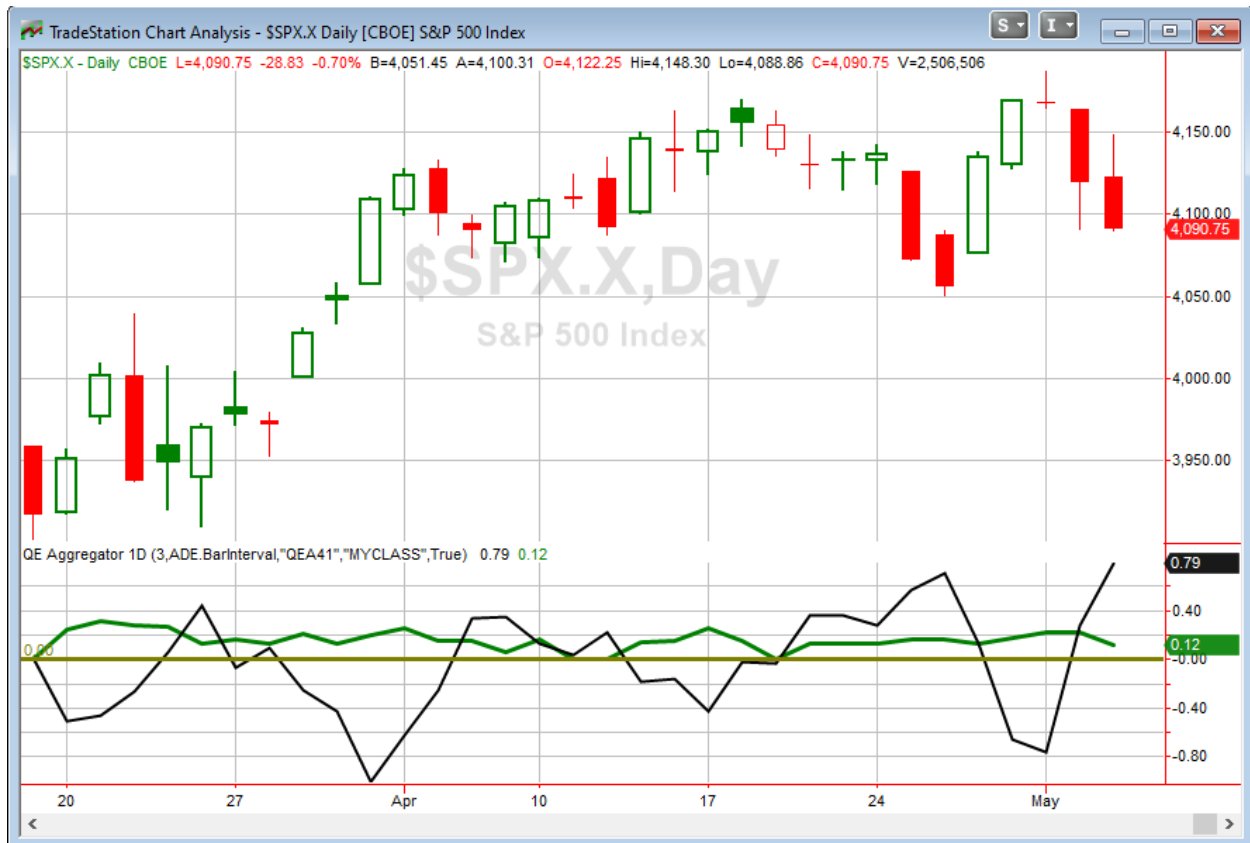
The 20 instances we see here do perform well over the 6-day period as we know. But the 2-day numbers look really poor. Here are the 2-day and 6-day profit curves.





Striking difference. It appears there may be a strong chance of additional selling before the rebound arrives. I have added this study to the active list using the 2010 – present numbers for estimations.

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 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 list, expectations are set to remain positive on Thursday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4188.84 on Thursday. That is 2.4% above Wednesday's close. Therefore, SPX would need to close up at least 2.3% to flip from oversold to overbought vs recent expectations. More likely we are going to need to see a multi-day rally or consolidation in order for that to happen.

So the Aggregator is bullish. Evidence is pointing higher and there is plenty of room to the upside before SPX would turn overbought. But there is an issue. The "Down 2+ Days on a Fed Day" study has caused 1-day expectations to turn negative. That should resolve back to positive after Thursday, but it makes looking for a new entry right here less appealing. I took some long exposure at the close on Wednesday. I certainly won't look to increase it, but I am comfortable holding the small position for the time being in anticipation of a bounce coming in the next few days.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/1 – 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 tonight.**

## **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
SPY(1/4)	5/3/2023	\$408.02	\$408.02	0.00%	Aggregator

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