

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 24, 2023

Volume 16 Issue 99

## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long       | 2           |

## Tonight's Research Points

- While the volume pattern over the last 4 days may seem bearish to some traders, it hasn't been.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish. Tuesday's selling left the market oversold. Evidence is still mild, but there does seem to be a bit of an 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 |
|----------------------------|---|-------------|---------|------------|------------|------------------------|
| <b>Active - Short Term</b> |   |             |         |            |            |                        |
| May 19, 2023               | SPX breakout on lower volume            | 1-5 days    | Bullish | 1.50%      | -1.00%     | -1.90%                 |
| <b>Active - Long Term</b>  |   |             |         |            |            |                        |
| May 22, 2023               | SPX 50-day high < 1/2 SPX stocks > 50ma | 1-12 months | Neutral |            |            |                        |
| May 1, 2023                | NASDAQ Leading                          | int term    | Bullish |            |            |                        |
| February 2, 2023           | SPX Golden Cross                        | int term    | 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 |            |            |                        |
| March 14, 2022             | Fed Hawkish / QE done                   | int term    | Bearish |            |            |                        |

**The Evidence**

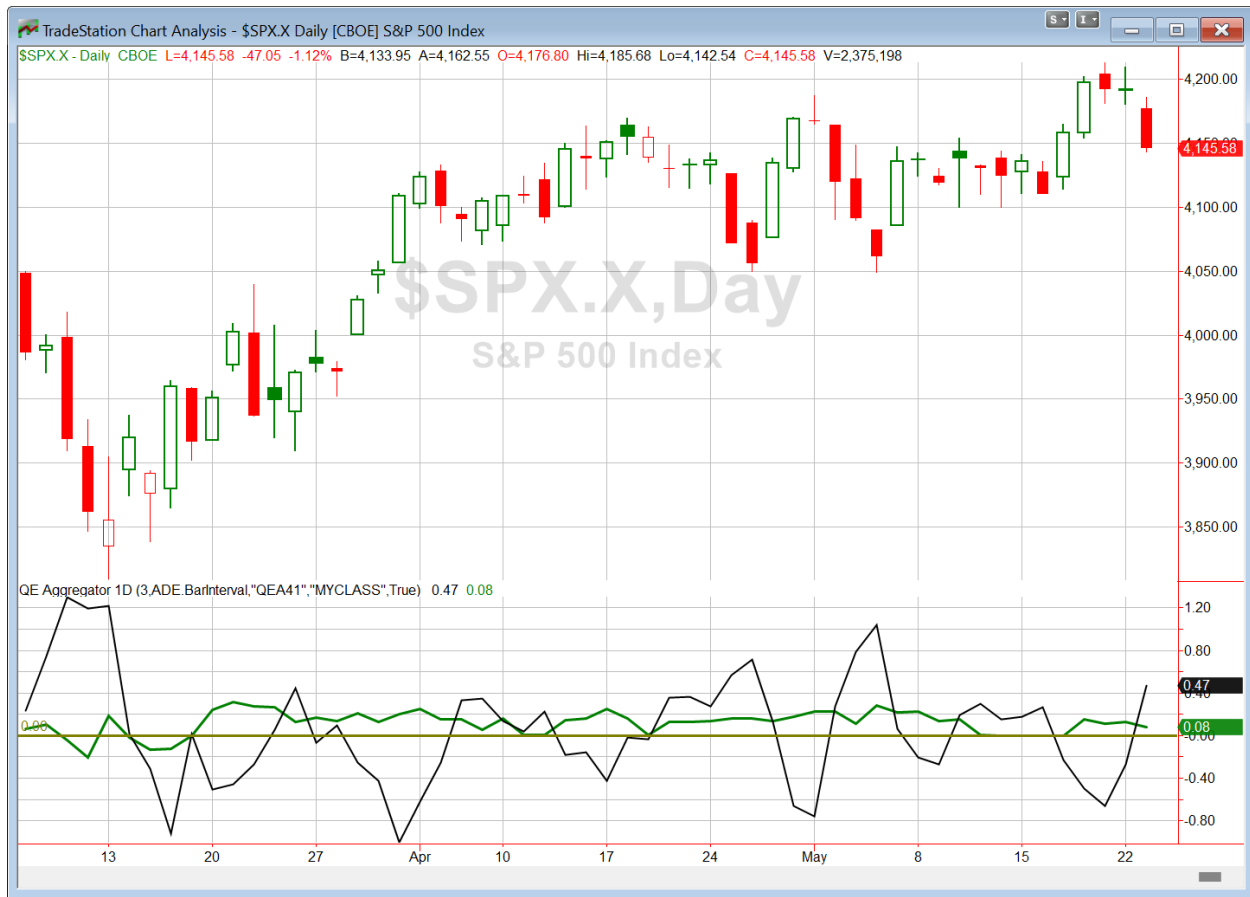
Tuesday saw some selling. The SPX lost 1.1%, the NASDAQ declined 1.3%, and the Russell 2000 fell 0.4%. Breadth was negative with the NYSE Up Issues % coming in at 38% and the Up Volume % at 43%. NYSE total volume rose some from Monday's level. Notable about the action is that it was the 1<sup>st</sup> down day of over 1% for the SPX since May 2<sup>nd</sup>. It also managed to putback into the range it had been in for several weeks before breaking out last Thursday.

Over the last four days the market has flipped back and forth, rising on lower NYSE volume, and declining on higher NYSE volume. Many traders believe that such action should be interpreted as bearish. They also believe it is preferable to see up days come on rising volume and down days on lower volume. On 5/3/18 I showed the study below, which considers the current 4-day pattern. (Results are updated.)

| <b>Today SPX falls on higher NYSE volume. Yesterday it rose on lower volume. The day before it fell on higher volume. The day before that it rose on lower volume. Buy on close. Sell X days later. \$100k/trade. 1980 - present.</b> |                 |                   |                     |                    |                   |                        |                       |                        |                       |                     |                   |                |
|---|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 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  | 29,147.40       | 57                | 39                  | 18                 | 68.42             | 6,050.36               | -20,280.15            | 2,483.13               | -3,760.82             | 0.66                | 1.43              | 511.36         |
| 9   | 34,561.54       | 57                | 40                  | 17                 | 70.18             | 6,806.88               | -20,652.72            | 2,354.83               | -3,507.75             | 0.67                | 1.58              | 606.34         |
| 8   | 26,998.90       | 57                | 39                  | 18                 | 68.42             | 6,287.49               | -16,326.75            | 2,226.96               | -3,325.15             | 0.67                | 1.45              | 473.66         |
| 7   | 28,339.88       | 57                | 39                  | 18                 | 68.42             | 6,040.41               | -21,047.73            | 2,084.94               | -2,942.94             | 0.71                | 1.53              | 497.19         |
| 6   | 26,001.67       | 57                | 38                  | 19                 | 66.67             | 5,853.00               | -10,326.36            | 1,810.70               | -2,252.89             | 0.80                | 1.61              | 456.17         |
| 5   | 14,672.63       | 59                | 40                  | 19                 | 67.80             | 6,093.68               | -17,928.90            | 1,648.05               | -2,697.34             | 0.61                | 1.29              | 248.69         |
| 4   | 20,538.28       | 59                | 37                  | 22                 | 62.71             | 4,939.50               | -9,324.48             | 1,565.87               | -1,699.95             | 0.92                | 1.55              | 348.11         |
| 3   | 10,891.53       | 59                | 37                  | 22                 | 62.71             | 5,231.00               | -5,331.20             | 1,229.43               | -1,572.61             | 0.78                | 1.31              | 184.60         |
| 2   | -253.76         | 62                | 38                  | 24                 | 61.29             | 3,784.50               | -9,153.54             | 1,055.44               | -1,681.69             | 0.63                | 0.99              | -4.09          |
| 1   | 1,671.44        | 62                | 34                  | 28                 | 54.84             | 2,564.00               | -2,279.20             | 741.81                 | -841.07               | 0.88                | 1.07              | 26.96          |

I do not see evidence that the price/volume action is bearish. In fact, once you are out 4+ days it appears somewhat bullish. (Not bullish enough to include on the Active List though.)

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



Without any new short-term studies making the cut, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line rose 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 list of active studies, expectations are set to remain positive on Wednesday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4202.41 on Wednesday. That is 1.4% above Tuesday's close. Therefore, SPX would need to close up at least 1.4% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is bullish. There is ample room to the upside before SPX would turn overbought. This helps potential reward. But I am not seeing much in the way of compelling evidence

suggesting a short-term move higher. I'd prefer some confirming short-term bullish evidence before getting too excited about a long index position. Still, there does appear to be a bit of an edge here. So I will look to take on a small index position on Wednesday if SPX closes down once again.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 5/22 – slightly bullish***

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

#### ***Open Catapult Triggers***

MDLX – 1/3 @ \$75.87 (bought @ limit)

***New***

MDLX – 1/3 @ \$75.65 (buy @ limit)

#### ***Broad Market Large Cap CBI – 2(MDLZ-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.*

**MDLZ – Buy 1/3 Catapult position @ \$75.65 LIMIT.** From the Catapult section above, this is the 2<sup>nd</sup> of up to 3 possible lots of MDLZ.

**SPY – Buy ¼ index position @ \$414.00 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to take on a small amount of long index exposure if SPY closes down even a little on Wednesday.

### **Current Open Trade Ideas**

| Symbol    | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes    |
|-----------|------------|-------------|---------------|-------------|----------|
| MDLZ(1/3) | 5/23/2023  | \$75.87     | \$75.65       | -0.29%      | Catapult |
|           |            |             |               |             |          |

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