

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 17, 2023

Volume 16 Issue 157

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.
- The CBI is nearing a strongly bullish reading.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I still like the long side, and feel reward/risk is quite positive right now.

Summary of Current 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						
August 17, 2023	CBI rises to 7 or higher	1-5 days	Bullish			
August 17, 2023	Gap dn from 20-low. Close < open	1-5 days	Bullish	2.60%	-1.10%	-2.20%
August 15, 2023	20-low to 4-high.	1-8 days	Bullish	2.50%	-1.30%	-2.90%
August 15, 2023	SPXup and > 200ma. Up Vol % < 40%.	1-7 days	Bullish	1.70%	-1.20%	-2.45%
August 15, 2023	20 low close. 3 closes in intraday range	1-5 days	Bullish	2.00%	-1.20%	-2.60%
August 14, 2023	4 Lower lows & lowest low 20	1-7 days	Bullish	2.20%	-1.65%	-3.40%
August 11, 2023	Outside 10 else in btm 10% of 10 Rng > 200	1-5 days	Bullish	2.20%	-0.80%	-1.60%
Active - Long Term						
August 15, 2023	20-low to 4-high.	1-20 days	Bullish	4.00%	-2.00%	-4.30%
August 14, 2023	NASDAQ Lagging	int term	Neutral			
July 19, 2023	DJI close up 7 days in a row & > 200ma	1-19 days	Bullish			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

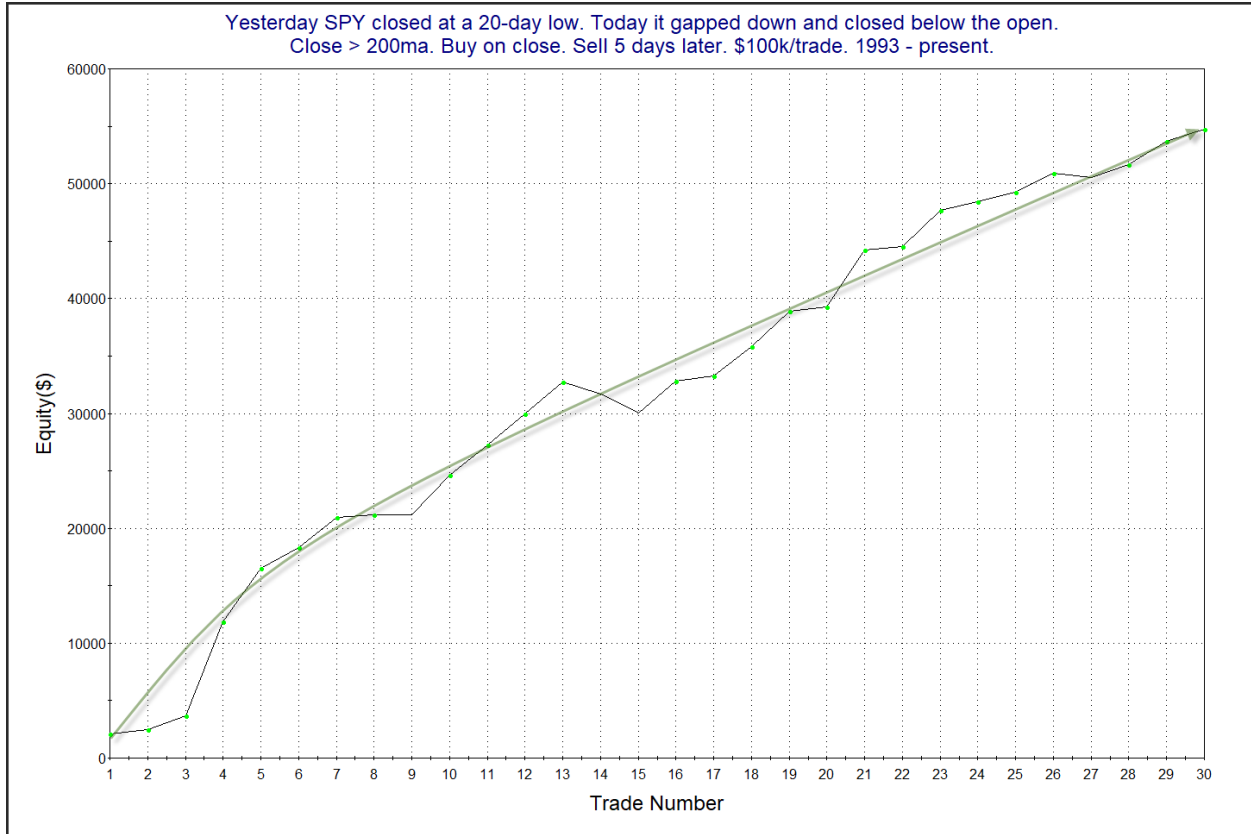
The August selloff is getting steep. And like 2022, rising interest rates are getting a chunk of the blame, and many bond proxies are now down on the year (TLT, IEF, etc). The SPX closed down 0.8%, the NASDAQ lost 1.15%, and the Russell 2000 declined 1.3%. Breadth was negative with the NYSE Up Issues % coming in at 26% and the Up Volume % at 23%. 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 3/2/23 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	54,717.30	30	26	4	86.67	8,239.74	-1,594.30	2,220.17	-751.75	2.95	19.20	1,823.91
4	43,835.09	30	25	5	83.33	5,581.02	-3,255.65	1,964.49	-1,055.44	1.86	9.31	1,461.17
3	34,978.66	30	21	9	70.00	4,348.05	-2,421.25	2,069.06	-941.30	2.20	5.13	1,165.96
2	26,331.97	31	18	13	58.06	5,477.88	-1,643.62	1,938.07	-657.94	2.95	4.08	849.42
1	19,658.13	36	24	12	66.67	5,764.38	-3,000.80	1,219.05	-799.92	1.52	3.05	546.06

The only instance NOT to close above the 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.



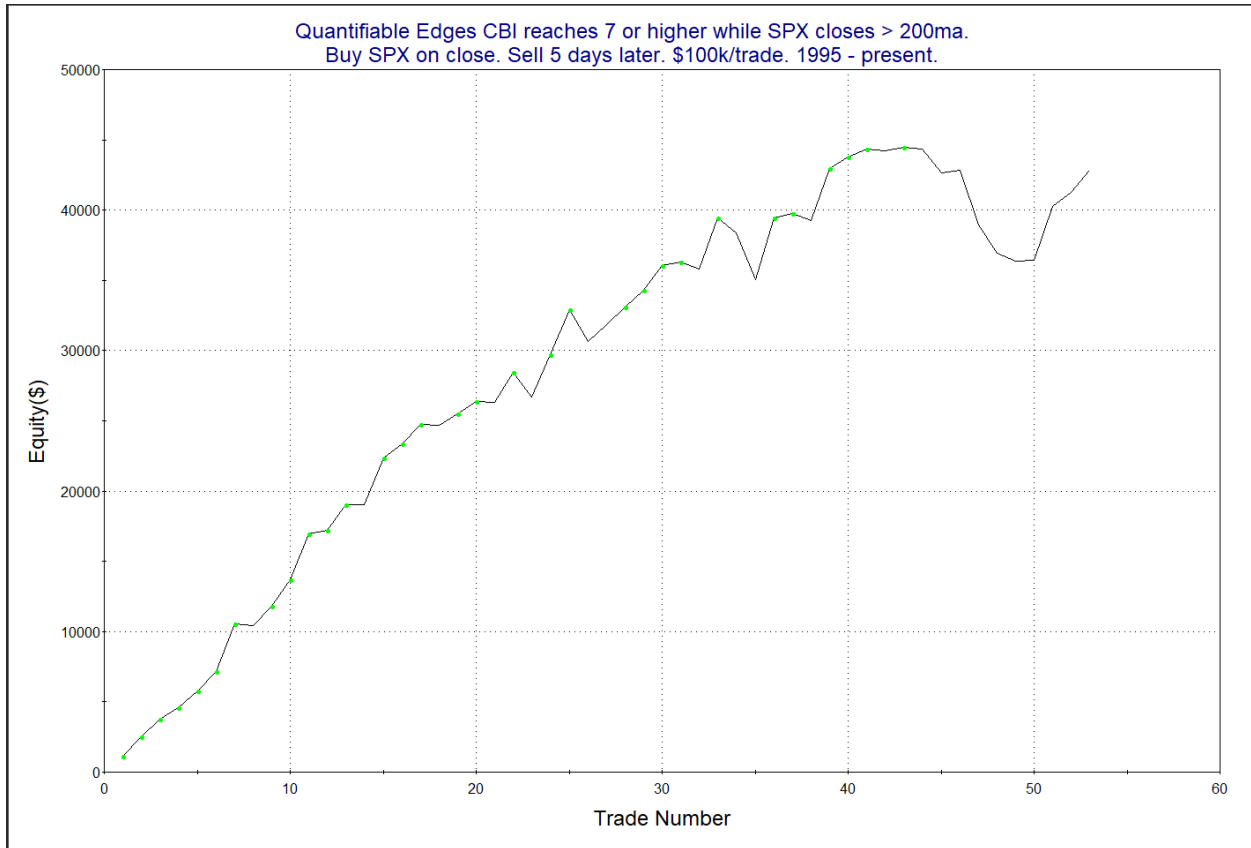
The strong, steady upslope is impressive. It serves as some confirmation of the bullish edge. I have included this study on the Active List tonight.

It is also notable that the Quantifiable Edge Capitulative Breadth Index (CBI) hit 8 on Wednesday. While I have always considered 10 or higher to be strongly bullish, reaching seven has historically shown a decent upside edge as well. Below is a look at other times the CBI rose to 7 or higher while SPX was above its 200ma.

Quantifiable Edges CBI reaches 7 or higher while SPX closes > 200ma.
 Buy SPX on close. Sell X days later. \$100k/trade. 1995 - present.

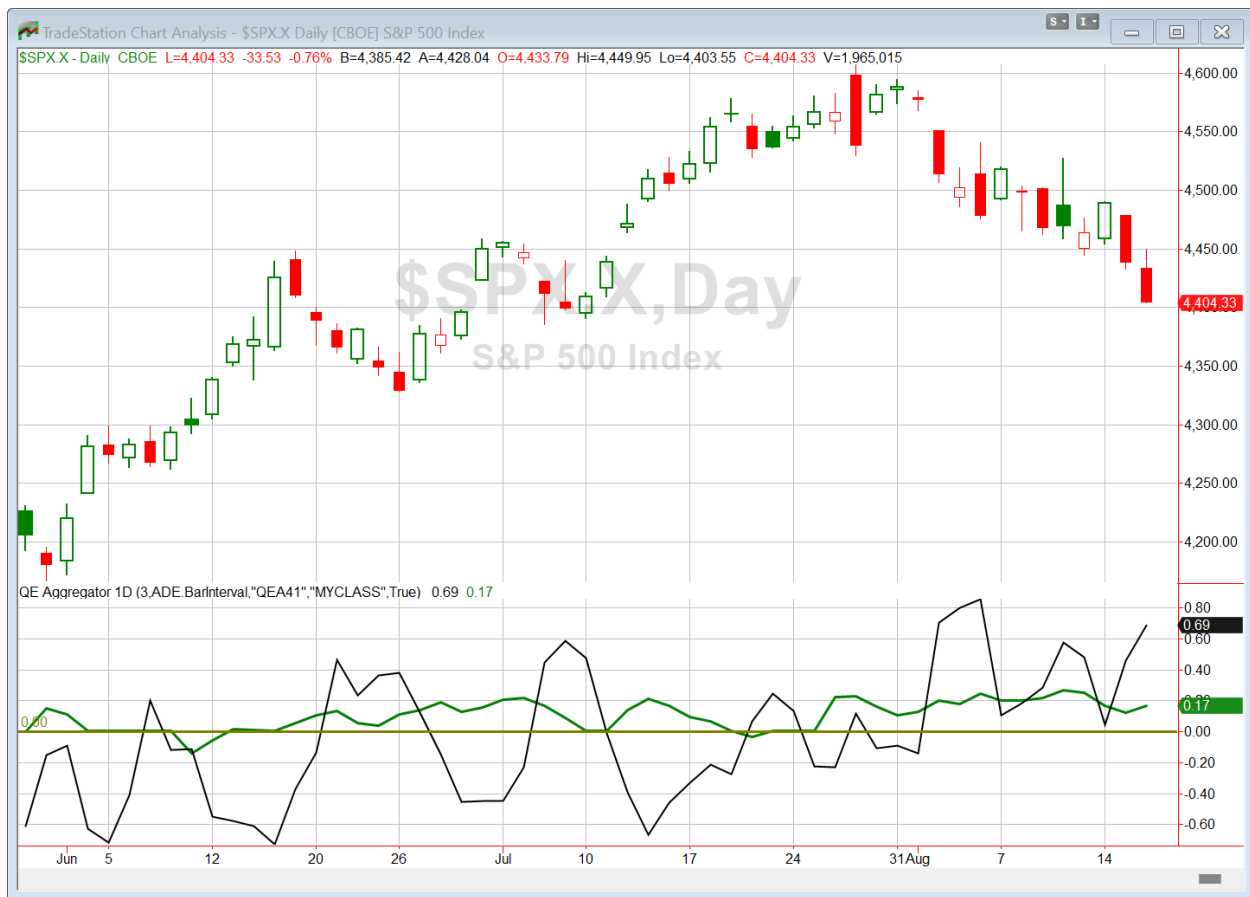
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	42,862.40	53	37	16	69.81	4,445.50	-3,870.04	1,647.06	-1,129.92	1.46	3.37	808.72
4	32,437.15	53	35	18	66.04	4,051.00	-3,528.00	1,498.09	-1,110.88	1.35	2.62	612.02
3	16,501.08	54	36	18	66.67	3,581.16	-5,393.69	1,176.79	-1,436.85	0.82	1.64	305.58
2	10,611.44	54	32	22	59.26	3,263.04	-4,632.95	1,071.24	-1,075.83	1.00	1.45	196.51
1	7,507.77	54	32	22	59.26	1,709.40	-2,050.91	710.68	-692.45	1.03	1.49	139.03

The numbers are not spectacular, but they appear to suggest a solid upside edge. Below is a curve for the 5-day holding period.



This struggled some between 2019 and 2021, but has begun to get back on track over the last couple of years. Overall, the CBI reaching 8 appears to be a positive. If it hits 10 or higher that will almost certainly generate even more compelling studies.

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



With tonight' evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is also still 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 slated to remain positive on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4518.32 on Thursday. That is 2.6% above Wednesday's close. Therefore, SPX will need to close up over 2.6% on Thursday in order to flip from overbought to oversold versus recent expectations. More likely, it will take a multi-day rally or consolidation to work off the oversold condition.

So the Aggregator formation is again bullish. Historical norms have not mattered over the last several days, but I do find tonight's evidence especially compelling. I believe there is a high likelihood of a bounce beginning in the next few days. I have some long exposure. With the additional evidence, including the spike in the CBI, I think it is time to look to add another lot to my index position. I will do so on Thursday if I can get a favorable fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/14– neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

F @ \$14.03 (bought @ limit)

AAPL @ \$181.99 (bought @ limit)

AAPL @ \$178.85 (bought @ limit)

SCHW @ \$61.78 (bought @ limit)

F @ \$11.98 (bought @ limit)

SCHW @ \$60.97 (bought @ limit)

New

ABT @ \$104.53 (buy @ limit)

SCHW @ \$60.45 (buy @ limit)

Broad Market Large Cap CBI – 8(F-2, AAPL-2, SCHW-3, ABT)

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 @ \$439.64 LIMIT. Based on the short-term outlook above, I will look to increase my long exposure if I can get filled at a level equal to or below Wednesday's closing price.

SCHW – Buy 1/3 Catapult position @ \$60.45 LIMIT. From the Catapult section above, this is the 3rd and final lot of SCHW.

ABT – Buy 1/3 Catapult position @ \$104.53 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of ABT.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
F(1/3)	7/21/2023	\$14.01	\$11.81	-15.70%	Catapult
SPY(1/4)	8/3/2023	\$448.04	\$439.64	-1.87%	Aggregator
SPY(1/4)	8/4/2023	\$446.81	\$439.64	-1.60%	Aggregator
AAPL(1/3)	8/7/2023	\$181.99	\$176.57	-2.98%	Catapult
AAPL(1/3)	8/8/2023	\$178.85	\$176.57	-1.27%	Catapult
SCHW(1/3)	8/15/2023	\$61.00	\$60.45	-0.90%	Catapult
SCHW(1/3)	8/16/2023	\$60.51	\$60.45	-0.10%	Catapult
F(1/3)	8/16/2023	\$11.90	\$11.81	-0.76%	Catapult

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