

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 7, 2023

Volume 16 Issue 213

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The weak breadth on Monday is sending a somewhat mixed message.
- A Whaley ADT5 Breadth Thrust occurred on Friday, suggesting bullish intermediate and long-term implications.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is where I am at as well.

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						
November 7, 2023	SPX up. Up Vol & Up Issue % < 40%	1-4 days	Bearish	-2.00%	1.00%	1.80%
November 7, 2023	SPX up & > 200. Up Vol % < 40%.	1-7 days	Bullish	1.70%	-1.30%	-2.60%
November 6, 2023	Zweig Thrust	1-6 days	Bullish			
November 3, 2023	Up 4 days. 3 of 4 > 1%	1-4 days	Bullish	2.00%	-0.80%	-1.50%
November 3, 2023	50-low 4 ago. RSI2 up > 85 points	1-4 days	Bullish	2.10%	-1.30%	-2.70%
Active - Long Term						
November 7, 2023	SPX up & > 200. Up Vol % < 40%.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
November 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	5 higher closes. Up 3%. < 50-high.	1-15 days	Bullish	3.30%	-1.70%	-3.05%
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
November 6, 2023	Best 6 Months	6 months	Bullish			
November 6, 2023	NASDAQ Leading	int term	Bullish			
October 2, 2023	SPX down 4 weeks but above 40-week ma	1-10 weeks	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			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

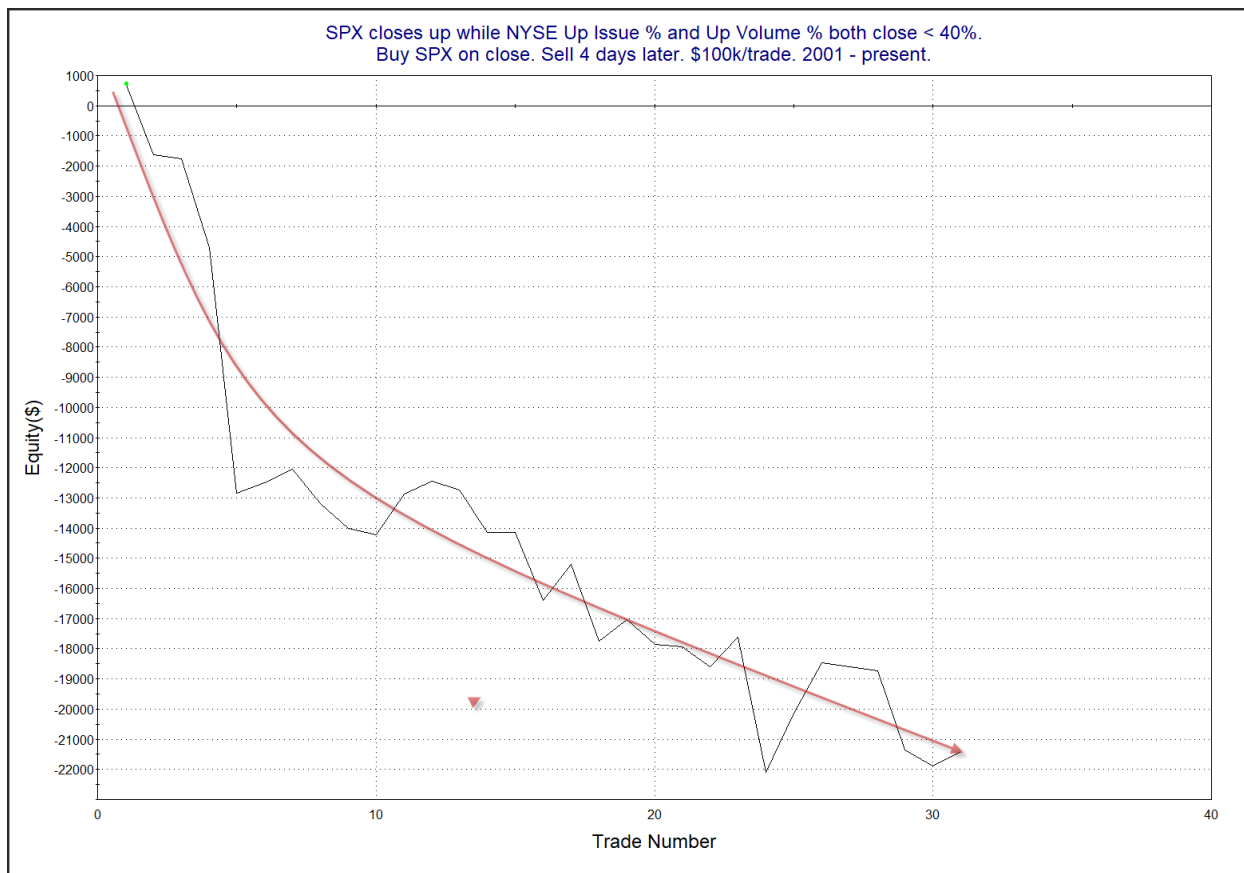
The Evidence

Monday saw mixed results for the indices. The SPX gained 0.2%, the NASDAQ rose 0.3%, and the Russell 2000 declined 1.3%. Breadth was very weak with the NYSE Up Issues % coming in at 28% and the Up Volume % at 23%. NYSE total volume declined some from Friday's level.

Notable about the action was the substantially weak breadth on a day that the SPX moved higher. This triggered a couple of interesting studies. They were both discussed in the 9/14/23 letter. Interestingly, they did not agree with each other. The 1st looked at times both the Up Volume % and Up Issues % were both below 40% on an up day. Updated results are below.

SPX closes up while NYSE Up Issue % and Up Volume % both close < 40%. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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	-13,924.70	31	16	15	51.61	3,146.16	-9,372.60	1,196.07	-2,204.13	0.54	0.58	-449.18
4	-21,415.53	31	11	20	35.48	1,977.25	-8,138.50	942.71	-1,589.27	0.59	0.33	-690.82
3	-14,654.63	33	16	17	48.48	2,365.53	-4,302.54	698.64	-1,519.58	0.46	0.43	-444.08
2	-10,237.53	33	16	17	48.48	2,505.37	-3,867.94	841.13	-1,393.86	0.60	0.57	-310.23
1	-9,729.19	35	15	20	42.86	2,625.35	-8,783.02	889.83	-1,153.83	0.77	0.58	-277.98

Numbers here look quite negative. Below is a look at the curve for the 4-day holding period.



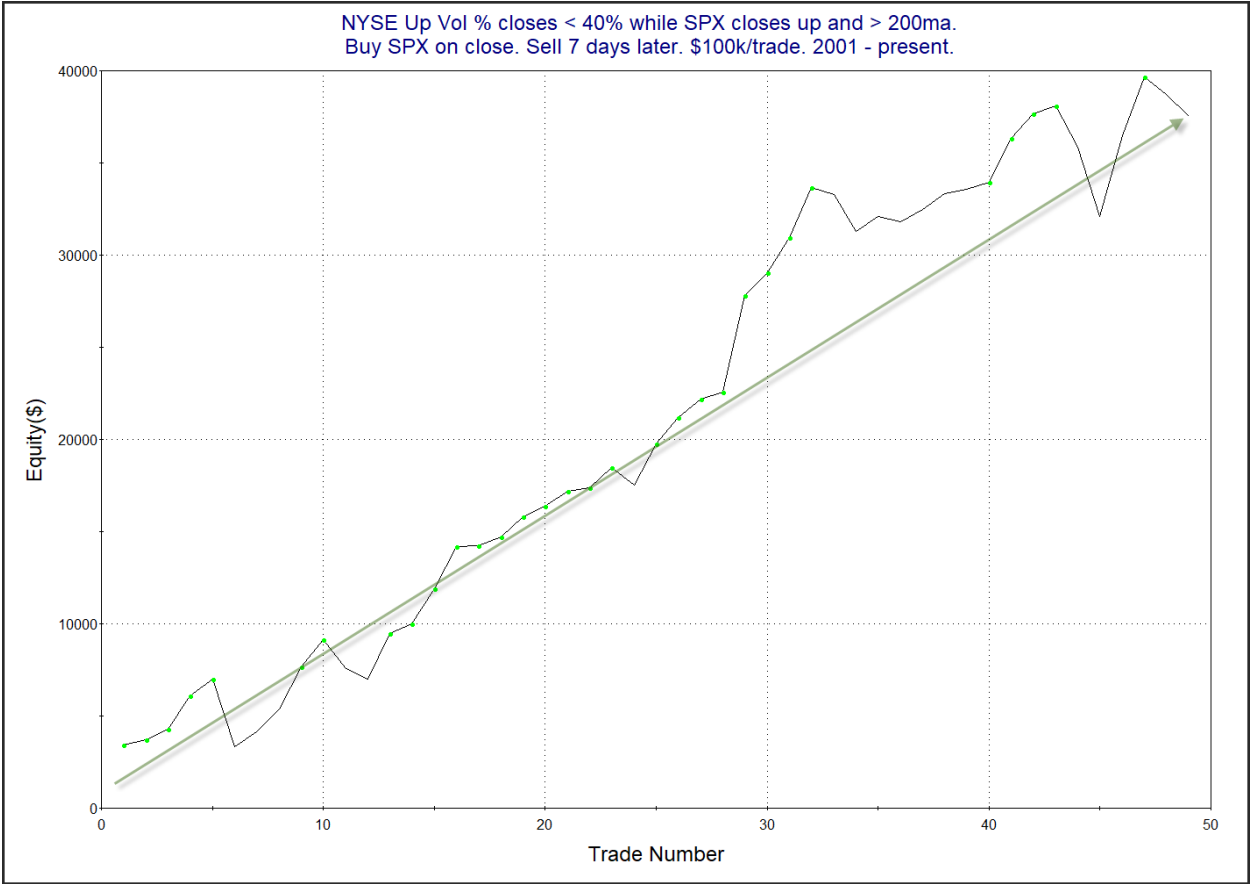
That is a persistent drop. This study appears to be worth some consideration.

But the next study viewed weak breadth as an “oversold” type condition suggesting a short-term upside edge. It simply focused on Up Volume % coming in under 40% while SPX closed higher during a long-term uptrend. It is also updated from the 9/14/23 letter.

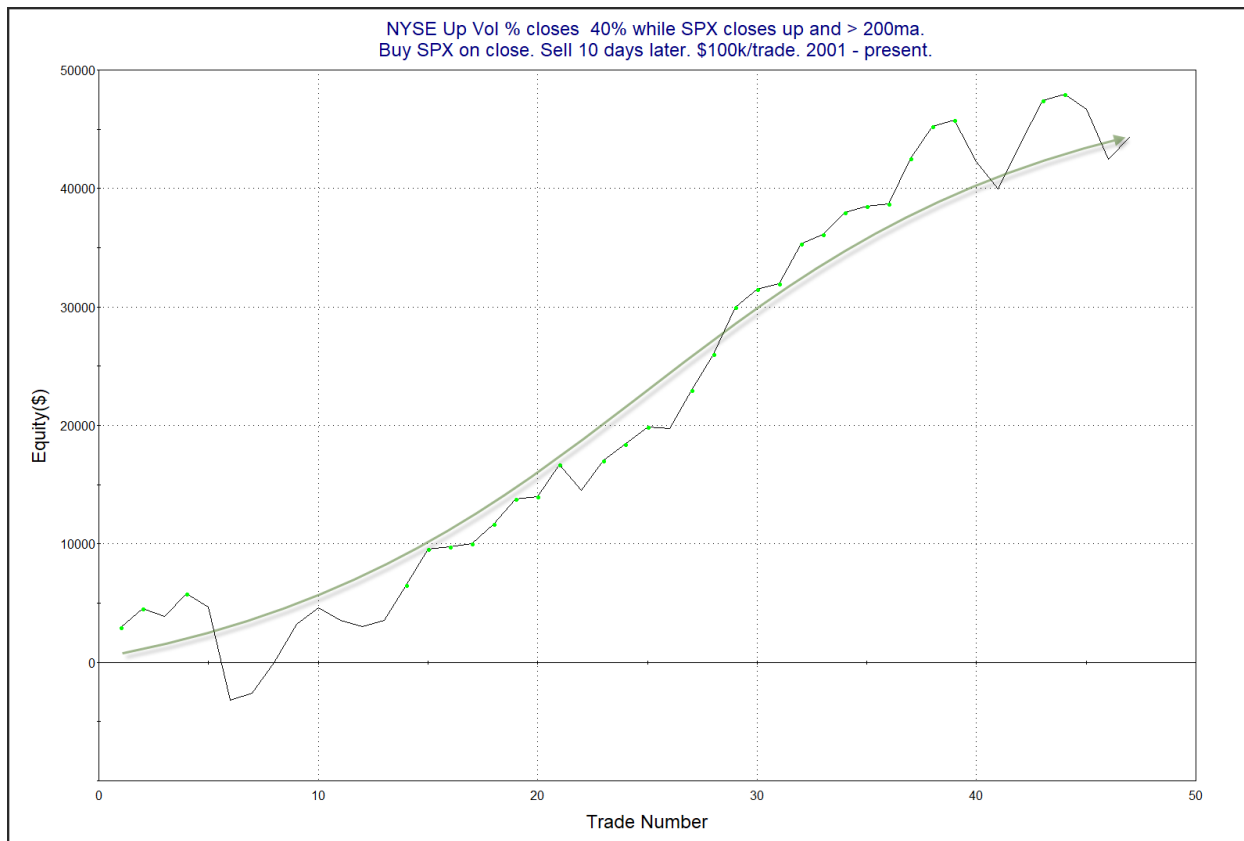
NYSE Up Vol % closes 40% while SPX closes up and > 200ma.
Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.

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	44,407.49	47	36	11	76.60	3,969.23	-7,891.63	1,922.93	-2,256.18	0.85	2.79	944.84
9	38,801.24	48	36	12	75.00	3,793.00	-7,594.37	1,758.27	-2,041.37	0.86	2.58	808.36
8	40,381.13	49	38	11	77.55	4,666.56	-6,657.20	1,575.35	-1,771.11	0.89	3.07	824.10
7	36,315.63	51	39	12	76.47	5,211.84	-3,755.76	1,464.17	-1,732.24	0.85	2.75	712.07
6	33,200.45	51	36	15	70.59	6,018.56	-3,495.92	1,509.18	-1,408.67	1.07	2.57	650.99
5	26,244.29	55	41	14	74.55	4,787.84	-4,623.84	1,186.65	-1,600.59	0.74	2.17	477.17
4	11,225.80	56	34	22	60.71	2,689.05	-4,483.92	1,069.11	-1,142.00	0.94	1.45	200.46
3	8,970.78	59	36	23	61.02	2,513.92	-3,122.40	883.43	-992.73	0.89	1.39	152.05
2	10,990.23	63	40	23	63.49	2,661.75	-2,848.17	748.58	-824.04	0.91	1.58	174.45
1	5,988.64	68	40	28	58.82	1,790.64	-1,489.20	548.98	-570.38	0.96	1.37	88.07

Results have been surprisingly strong over the last 22 years. Below is a look at a 7-day profit curve.



And here is the 10-day curve.



The curves have shown strong upside persistence. I find these results intriguing and have included this study on the short-term and the intermediate-term Active Lists. So we have a bit of a mix tonight.

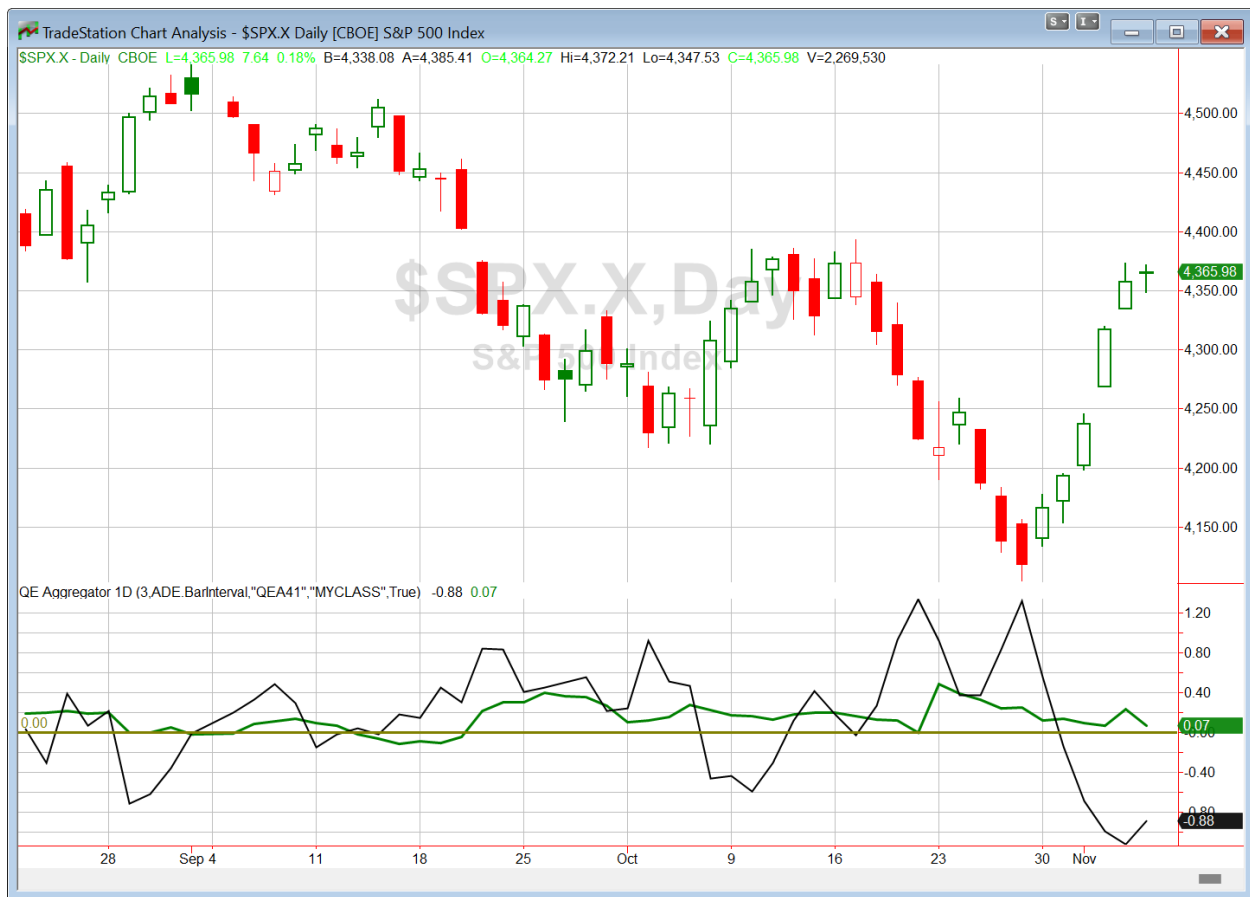
When doing my research over the weekend, I missed noting that a Whaley Breadth Thrust took place on Friday. Wayne Whaley, in his 2009 Dow Award winning paper, "[Planes, Trains, and Automobiles: A Study of Various Market Thrust Measures](#)" looks at 5-day Advance/Decline Thrusts (ADT). He notes that ADT(5) readings over 73.66 have been especially strong breadth thrust signals over the years. Below is an updated table with all such triggers looking back to 1957 (using Norgate Data).

Whaley Advance Decline Thrust(5) > 73.66.
 Forward SPX returns shown. 1957 - present.

Ticker	Date	10-Day %Chg	21-Day % Chg	42-Day % Chg	63-Day % Chg	84-Day %Chg	105-Day %Chg	126-Day % Chg	252-Day % Chg
\$\$PX	7/5/1962	-0.69	2.31	3.08	-1.14	0.55	10.26	12.89	23.6
\$\$PX	6/2/1970	-2.17	-6.29	0.27	4.73	8.3	7.09	12.02	28.73
\$\$PX	12/1/1971	3.25	6.97	8.91	12.48	12.32	11.79	14.76	22.09
\$\$PX	10/11/1974	-1.43	5.64	-4.88	1.64	10.46	17.71	20.33	23.99
\$\$PX	1/6/1975	0.01	9.2	17.76	13.06	24.72	30.42	31.62	30.27
\$\$PX	1/6/1976	5.7	8.96	5.97	10.67	7.86	6.01	10.7	13.01
\$\$PX	8/20/1982	8.55	10.49	23.19	22.4	20.55	28.53	30.45	44.71
\$\$PX	10/11/1982	-0.86	6.36	4.11	9.15	8.35	12.89	15.37	27.02
\$\$PX	8/6/1984	1.44	1.04	0.2	2.96	0.48	0.66	10.92	17.23
\$\$PX	1/8/1987	6.46	8.85	13.05	15.54	14.03	15.55	19.53	1.47
\$\$PX	11/28/2008	-1.84	-0.62	-7.85	-22.31	-9.5	-2.09	5.41	22.25
\$\$PX	1/6/2009	-10.11	-9.51	-27.62	-12.75	-2.92	0.48	-5.9	21.66
\$\$PX	3/18/2009	2.11	9.47	14.52	14.65	18.38	23.34	34.55	46.77
\$\$PX	9/10/2009	0.64	2.62	4.69	4.96	9.85	2.3	10.14	6.26
\$\$PX	7/1/2011	-2.56	-6.39	-9.02	-15.54	-6.45	-6.92	-6.13	1.93
\$\$PX	7/3/2012	-0.09	-0.66	2.37	5.22	2.92	2.4	6.73	19.39
\$\$PX	11/23/2012	0.63	1.24	6.66	6.23	10.91	12.28	17.81	28.07
\$\$PX	10/8/2015	1.94	4.26	2.49	-4.54	-8.01	-1.19	1.42	6.97
\$\$PX	1/10/2019	2.62	4.36	8.25	11.23	8.29	10.91	16.06	25.75
\$\$PX	6/5/2020	-3.01	-1.52	4.19	8.18	6.72	5.49	14.8	32.33
\$\$PX	1/12/2023	2.19	3.87	-2.29	3.88	3.84	9.78	13.55	9.42
	Average	0.61	2.89	3.24	4.32	6.75	9.41	13.67	21.57
	Median	0.63	3.87	4.11	5.22	8.29	9.78	13.55	22.25
	Win %	57.1%	71.4%	76.2%	76.2%	81.0%	85.7%	90.5%	100.0%

The next 1-12 months have shown very strong results, with the 12-month record now a perfect 21-0 (counting the 1/12/2023 instance as a “win” so far). I have added this study to the intermediate-term active list.

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



With this weekend's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained far below zero. The negative Differential Line reading means that SPX is strongly overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4330.18 on Tuesday. That is 0.8% below Monday's close. Therefore, SPX will need to close down over 0.8% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is still neutral. Monday did not change anything. Like I said yesterday...*The market is clearly overbought. But it is so overbought, that further gains appear likely. Still, this does not appear to be a great entry point for a short-term trade. I will wait for a more favorable reward/risk setup before looking to take on my next index position.*

*Intermediate-term Outlook (2 weeks – 2 months) – updated 11/6– **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

None

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