

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 17, 2023

Volume 16 Issue 221

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The weak breadth is sending a somewhat mixed message.
- Breakouts to new 50-day highs often lead to more buying in the short-term. This is especially true when there has been a run-up into the breakout and the breakout occurs on lower volume. Both conditions were present Thursday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am 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 16, 2023	Unfilled gap up. 20-intraday high. Cls < open	1-2 days	Bullish			
Active - Long Term						
November 9, 2023	RSI(2) crosses over 99	1-15 days	Bullish			
November 8, 2023	SPX up 7 in a row and close > 200ma	1-20 days	Bullish	3.10%	-1.90%	-4.05%
November 7, 2023	SPX up & > 200. Up Vol % < 40%.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
November 7, 2023	Whaley ADT ₅ > 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			

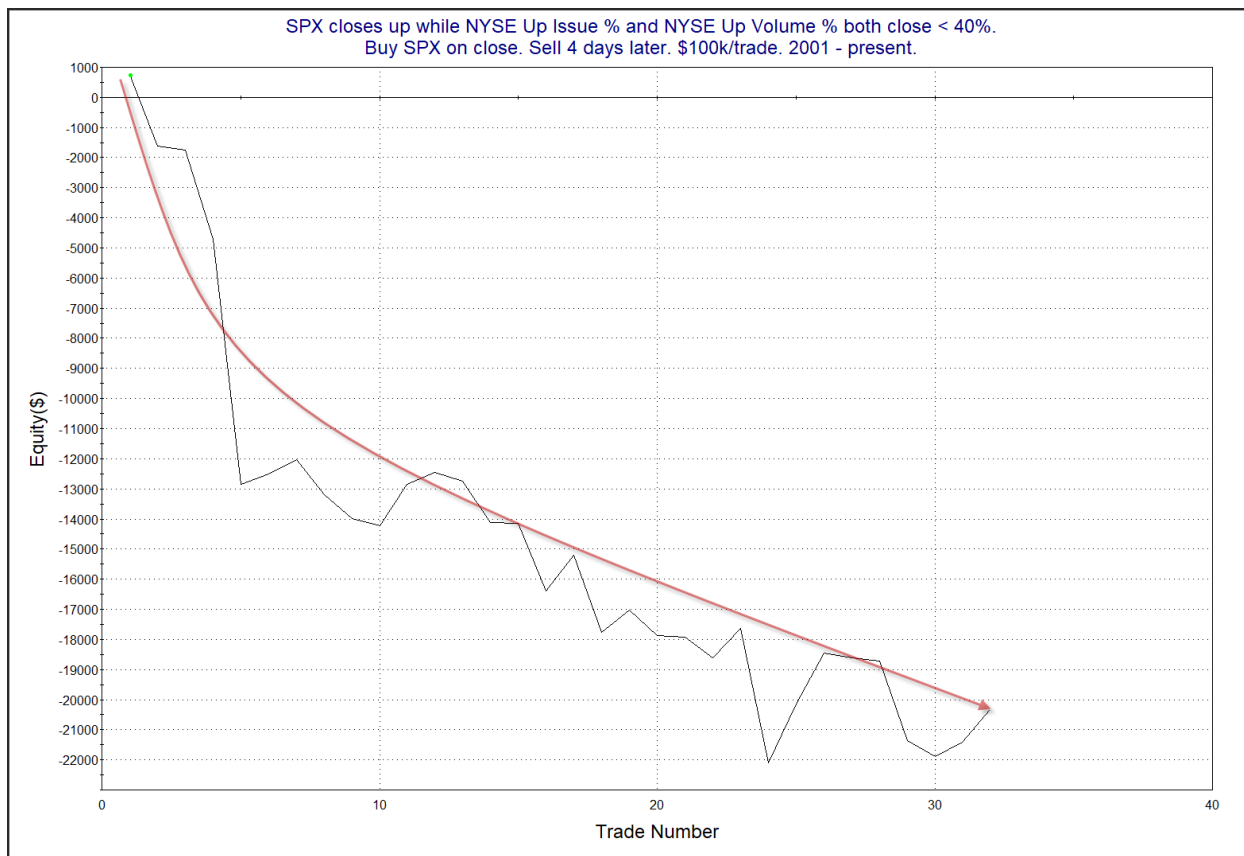
The Evidence

Thursday finished mixed. The SPX gained 0.12%, the NASDAQ climbed 0.07%, and the Russell 2000 declined 1.5%. Breadth was negative with the NYSE Up Issues % coming in at 38% and the Up Volume % at 28%. NYSE total volume declined some from Wednesday'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 11/7/23 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 NYSE 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	-12,922.16	32	17	15	53.13	3,146.16	-9,372.60	1,184.69	-2,204.13	0.54	0.61	-403.82
4	-20,331.81	32	12	20	37.50	1,977.25	-8,138.50	954.46	-1,589.27	0.60	0.36	-635.37
3	-15,064.49	34	16	18	47.06	2,365.53	-4,302.54	698.64	-1,457.93	0.48	0.43	-443.07
2	-9,867.93	34	17	17	50.00	2,505.37	-3,867.94	813.39	-1,393.86	0.58	0.58	-290.23
1	-9,456.39	36	16	20	44.44	2,625.35	-8,783.02	851.26	-1,153.83	0.74	0.59	-262.68

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



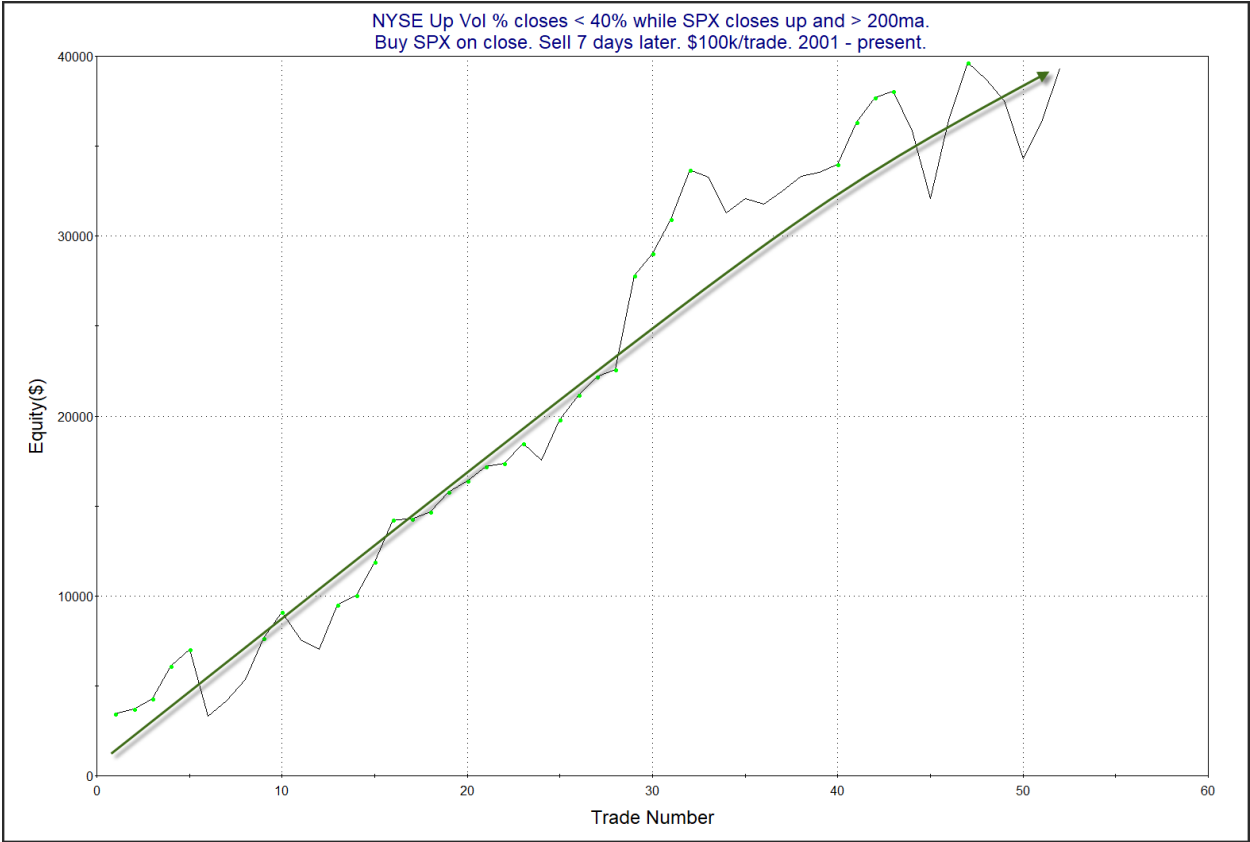
That is a persistent drop. This study appears to be worth some consideration.

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 11/7/23 letter.

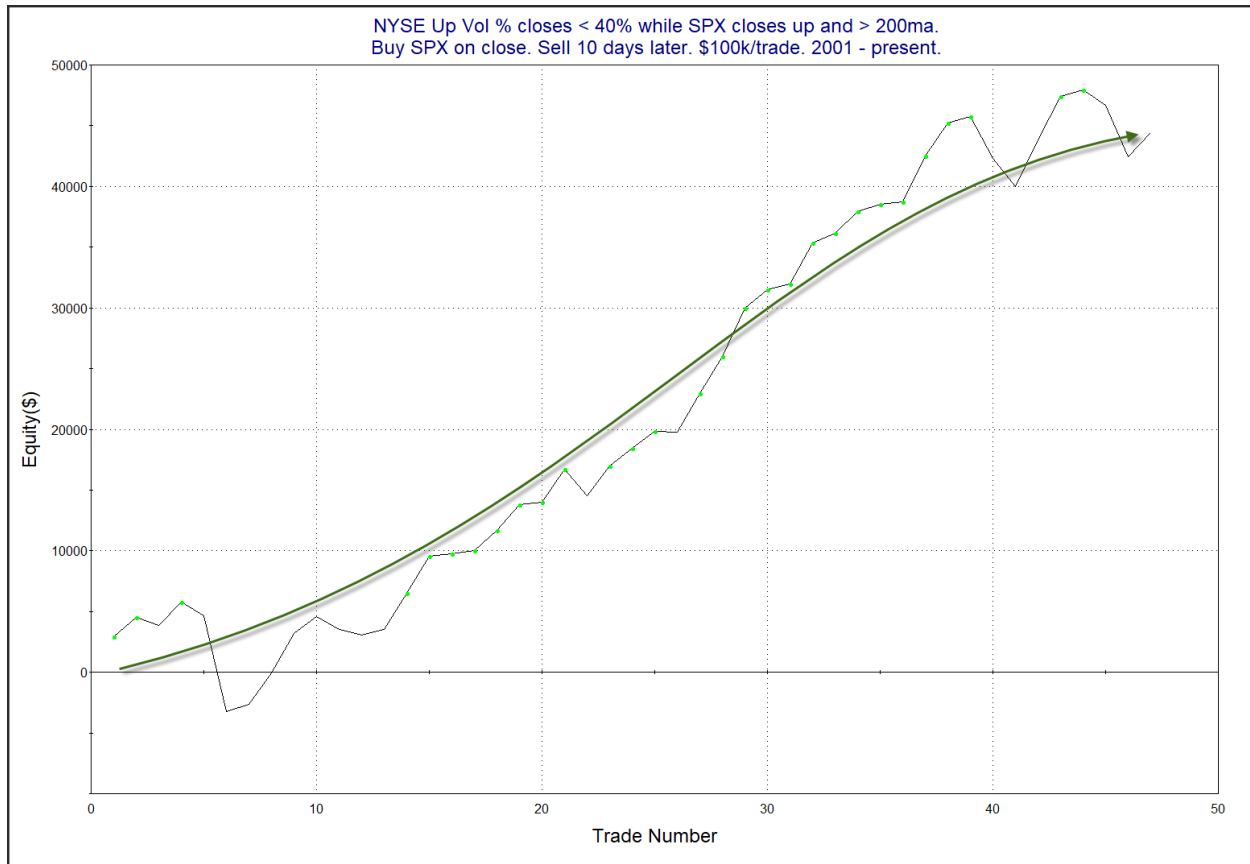
NYSE Up Vol % closes < 40% while SPX closes up and > 200ma.
Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.

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	43,510.85	50	39	11	78.00	4,666.56	-6,657.20	1,615.21	-1,771.11	0.91	3.23	870.22
7	39,327.43	52	40	12	76.92	5,211.84	-3,755.76	1,502.86	-1,732.24	0.87	2.89	756.30
6	36,054.29	52	37	15	71.15	6,018.56	-3,495.92	1,545.52	-1,408.67	1.10	2.71	693.35
5	27,246.83	56	42	14	75.00	4,787.84	-4,623.84	1,182.27	-1,600.59	0.74	2.22	486.55
4	12,309.52	57	35	22	61.40	2,689.05	-4,483.92	1,069.53	-1,142.00	0.94	1.49	215.96
3	8,560.92	60	36	24	60.00	2,513.92	-3,122.40	883.43	-968.44	0.91	1.37	142.68
2	12,073.95	65	42	23	64.62	2,661.75	-2,848.17	738.74	-824.04	0.90	1.64	185.75
1	5,578.78	71	42	29	59.15	1,790.64	-1,489.20	531.64	-577.59	0.92	1.33	78.57

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.

Thursday saw SPX close at a 50-day high for the 1st time since the end of July. The new high triggered a few studies in the Quantifinder. I have shown numerous times before that breakouts to new highs show a better chance of following through if they are occurring after a decent basing period of at least 1-2 weeks. Some other studies that triggered showed evidence that to some people might seem counter-intuitive. One study showed that breakouts that occurred on declining volume have followed-through much better than breakouts accompanied by rising volume. Another study showed that when the breakout has come after the market had already risen for at least the past 2 days, then it has done a better job of carrying that momentum forward.

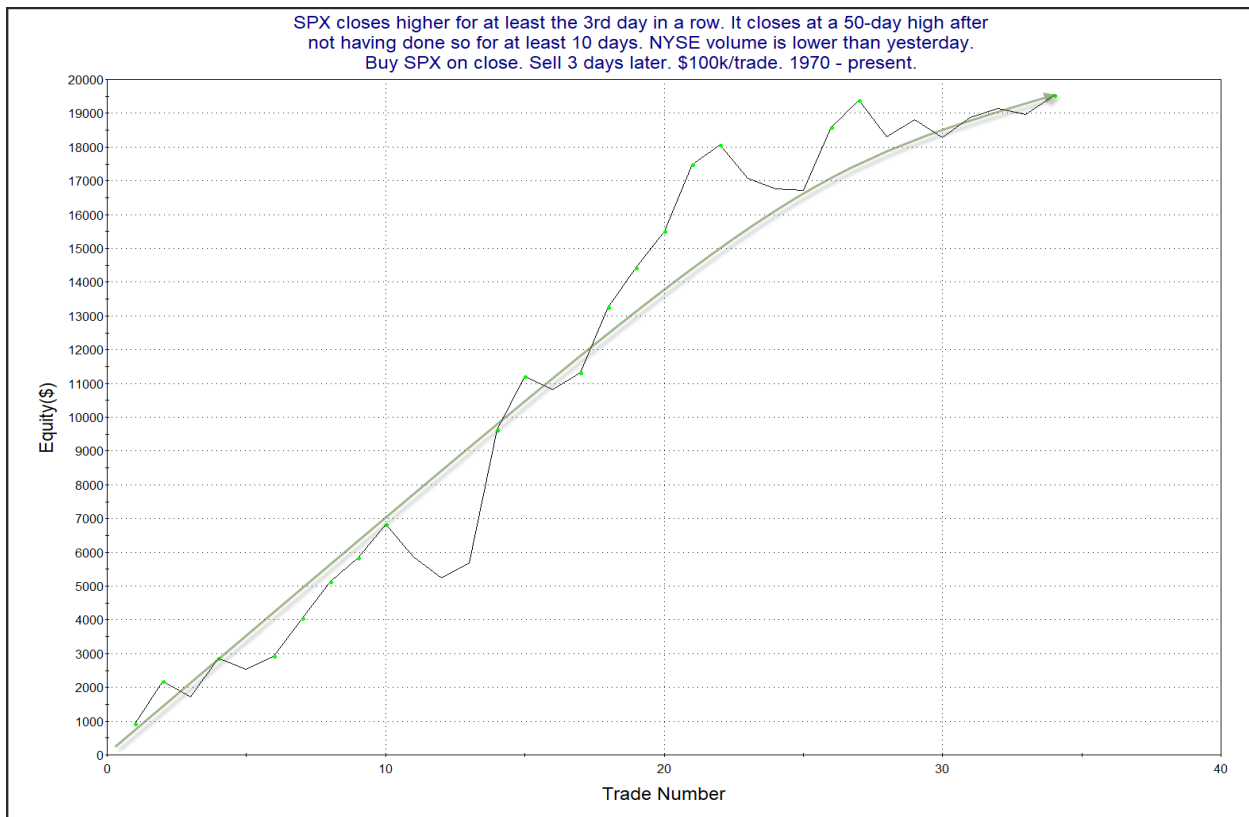
In the 5/19/20 Letter I combined these concepts and published the following study. (All stats are updated.)

SPX closes higher for at least the 3rd day in a row. It closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday.
Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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	29,998.82	34	26	8	76.47	4,482.50	-3,693.73	1,511.49	-1,162.49	1.30	4.23	882.32
4	20,622.89	34	27	7	79.41	4,440.00	-2,145.44	1,054.38	-1,120.76	0.94	3.63	606.56
3	19,540.63	34	23	11	67.65	3,950.00	-1,082.79	1,105.81	-535.73	2.06	4.32	574.72
2	14,611.19	34	26	8	76.47	2,133.10	-1,312.40	804.75	-789.04	1.02	3.31	429.74
1	6,526.23	34	22	12	64.71	1,384.02	-1,022.01	535.61	-438.10	1.22	2.24	191.95

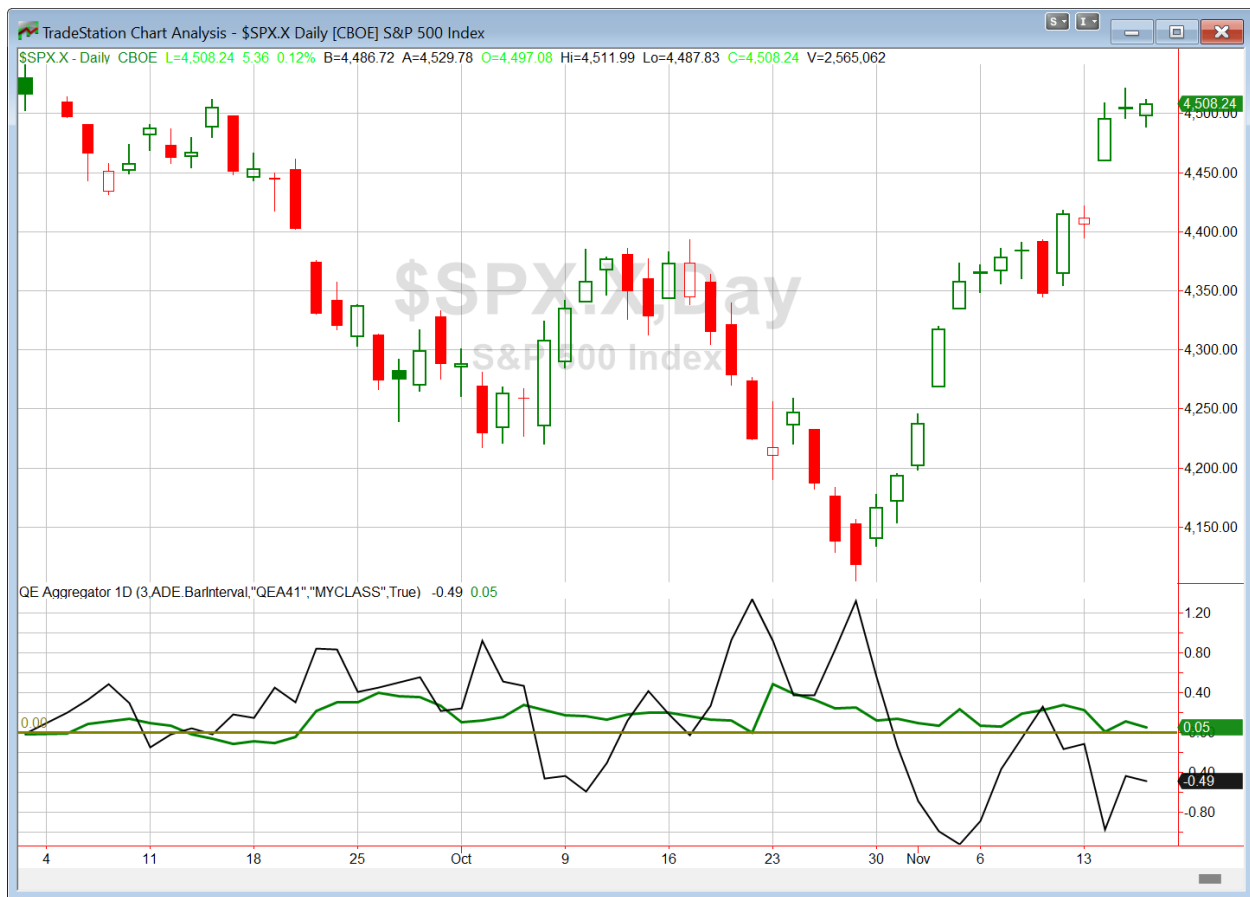
32 of 34 instances (91%) closed above the entry price at some point in the next week.

Stats here are very impressive, especially with a setup where the SPX is already extended. The consistency is impressive as well. Below is a look at the profit curve assuming a 3-day holding period.



The curve is encouraging. I have included this study on the active list.

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



With tonight'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 below zero. The negative Differential Line reading means that SPX is 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 Friday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at* 4518.60 on Friday. That is 0.2% *above* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up over 0.2% on Friday in order to remain overbought. Anything less than that, and it will be considered oversold versus recent expectations as of Friday's close.

So the Aggregator is again neutral. And reward/risk is no better tonight than it has been the last several days. The Aggregator could easily turn bullish on Friday if there is not a rally. But I have no intention of jumping the gun on a trade. I'll continue to exercise patience and wait for a truly compelling reward/risk setup to emerge.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 11/13– **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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