

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 18, 2024

Volume 17 Issue 75

## Market Overview



## Signals Overview

<b>Aggregator</b>	<b>CBI Reading</b>
<b>Long</b>	<b>12</b>

## Tonight's Research Points

- SPX making 4 lower lows and a 20-day low close above the 200ma has often been followed by short-term rally.
- SPX closed down > 1% for the 3rd time recently. Other bouts of similar volatility above the 200ma have typically been followed by short-term gains.
- The spike in the CBI suggests bullish implications for the short and intermediate-term.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. The CBI is spiking and SPY remains strongly oversold. I am looking for more long exposure.

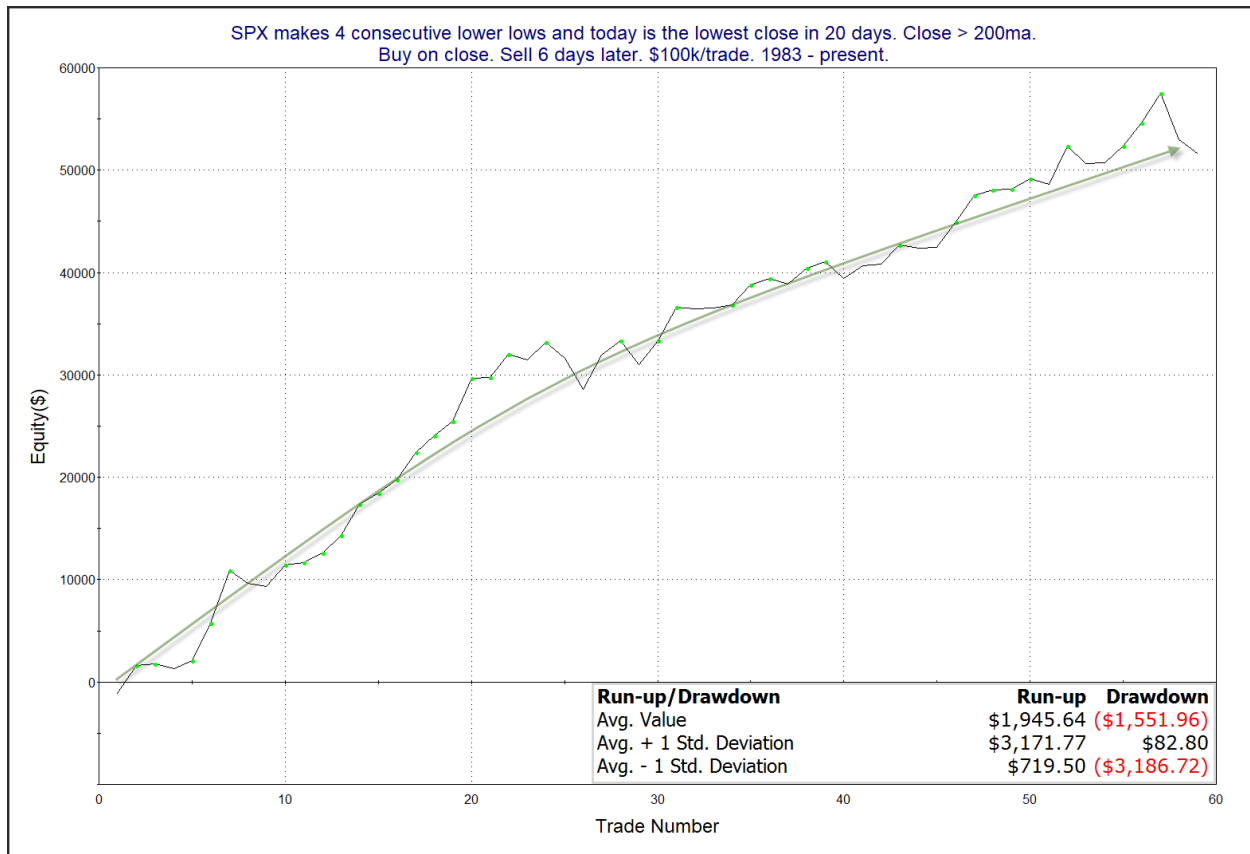
### ***The Evidence***

Wednesday we again saw a strong morning roll over. SPX closed down 0.6%, the NASDAQ dropped 1.15%, and the Russell 2000 lost 1.0%. Breadth was mixed, with the NYSE Up Issues % coming in at 48.5% and the Up Volume % at 50%. NYSE total volume declined some from Tuesday's level.

Wednesday marked the 4<sup>th</sup> day in a row that SPX made a lower low. It also closed at a 20-day low. This triggered the study below, which is updated from the 6/30/15 letter.

SPX makes 4 consecutive lower lows and today is the lowest close in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1983 - 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	58,900.21	58	38	20	65.52	5,268.12	-7,625.38	2,441.61	-1,694.06	1.44	2.74	1,015.52
9	55,605.99	58	42	16	72.41	6,263.40	-11,831.15	2,248.02	-2,425.68	0.93	2.43	958.72
8	67,260.32	58	43	15	74.14	6,529.38	-4,831.04	2,232.61	-1,916.14	1.17	3.34	1,159.66
7	62,811.03	58	38	20	65.52	5,954.52	-3,232.37	2,217.27	-1,072.26	2.07	3.93	1,082.95
6	51,573.01	59	43	16	72.88	5,148.00	-4,537.50	1,697.42	-1,338.51	1.27	3.41	874.12
5	36,560.50	60	37	23	61.67	3,818.98	-4,022.26	1,772.45	-1,261.75	1.40	2.26	609.34
4	31,400.57	60	37	23	61.67	3,868.10	-3,878.82	1,565.46	-1,153.10	1.36	2.18	523.34
3	15,864.54	60	33	27	55.00	3,939.79	-5,393.69	1,475.02	-1,215.23	1.21	1.48	264.41
2	12,863.19	60	33	27	55.00	3,263.04	-4,632.95	1,216.97	-1,011.00	1.20	1.47	214.39
1	9,698.64	60	39	21	65.00	2,536.10	-2,968.54	787.56	-1,000.78	0.79	1.46	161.64

Results above suggest a solid bullish short-term edge. To see how it has played out over the years I have included below an equity curve assuming a 6-day exit strategy.



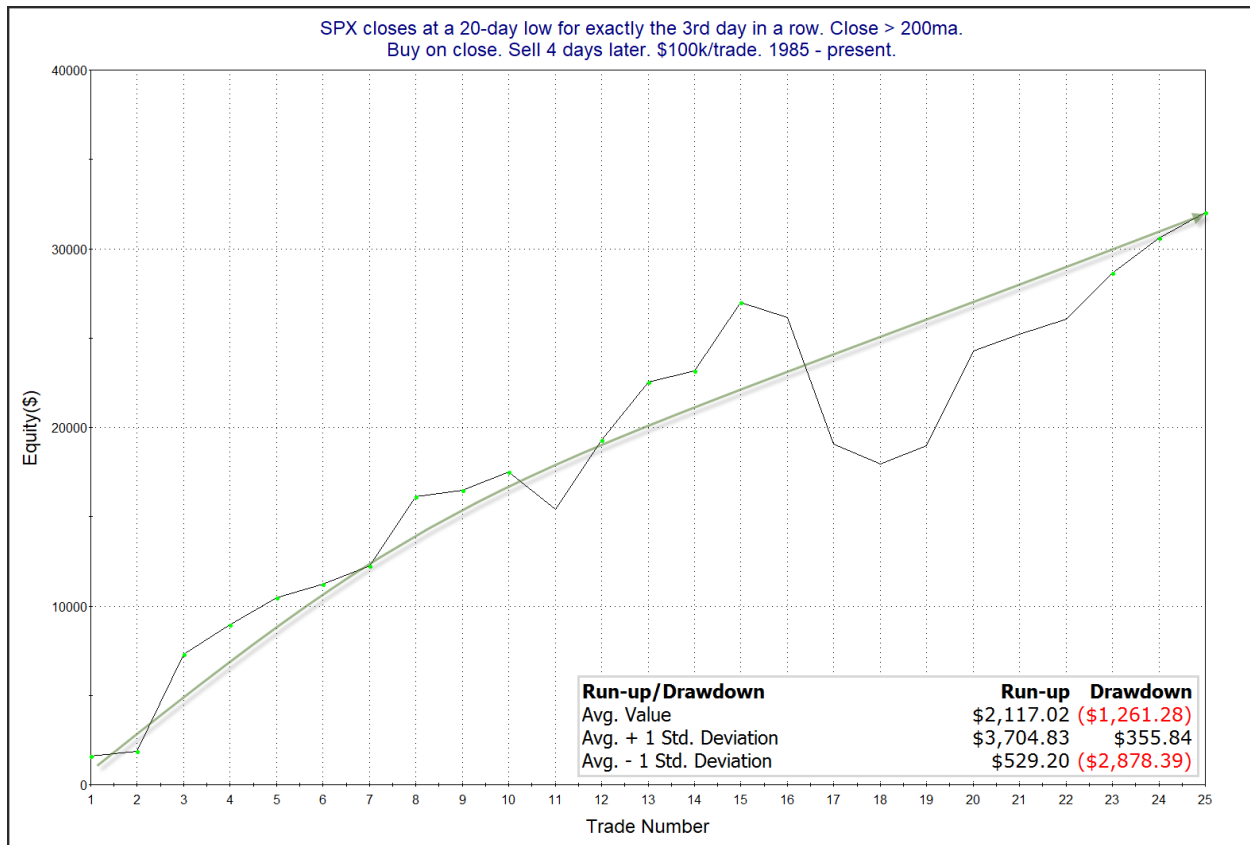
Despite the last 2 instances struggling, the overall curve is impressive and supports the idea of an upside edge. I have included this study on the active list tonight.

But Wednesday was not the 1<sup>st</sup> 20-day low close we have seen recently. It was actually the 3<sup>rd</sup> in a row. Below is an updated study that looks at other times SPX made 3 consecutive 20-day low closes and closed above its 200ma.

SPX closes at a 20-day low for exactly the 3rd day in a row. Close > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1985 - present.

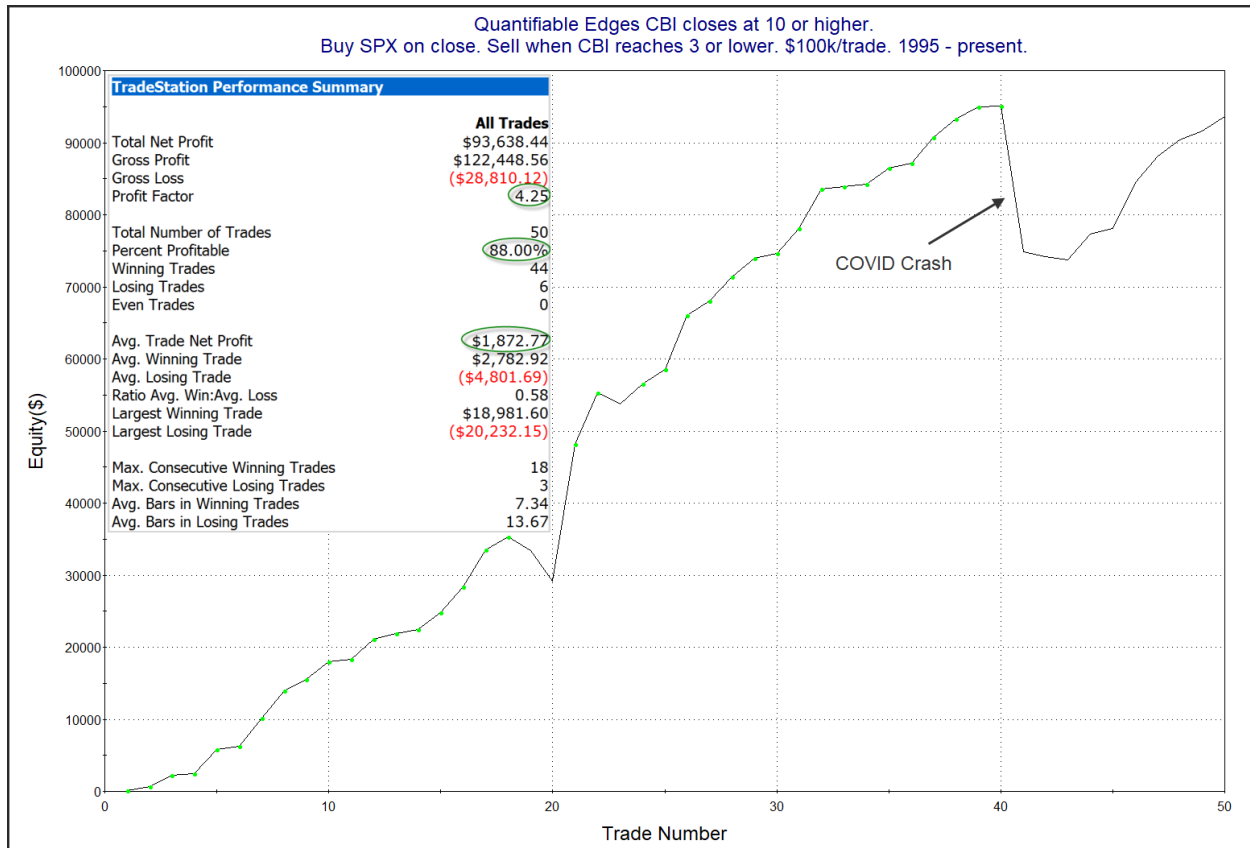
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	26,953.80	25	18	7	72.00	6,229.44	-7,153.30	2,246.76	-1,926.84	1.17	3.00	1,078.15
4	32,048.50	25	21	4	84.00	5,426.04	-7,100.17	2,056.15	-2,782.65	0.74	3.88	1,281.94
3	22,699.12	25	17	8	68.00	4,895.50	-2,658.00	2,018.89	-1,452.76	1.39	2.95	907.96
2	13,677.83	25	15	10	60.00	4,424.50	-2,943.71	1,677.68	-1,148.73	1.46	2.19	547.11
1	4,886.10	25	13	12	52.00	2,007.50	-2,005.85	984.15	-658.98	1.49	1.62	195.44

These numbers are strongly suggestive of a quick bounce. Below is a look at a 4-day exit strategy.



This has shown a strong move from lower left to upper right, with just one minor rough patch. I have included this study on the active list tonight.

Also notable about Wednesday's action is that the Quantifiable Edges Capitulative Breadth Indicator (CBI) rose to 11. I have generally viewed 10+ as strongly bullish over the years. The study below is one I have shown many times before. It looks at SPX performance if you were to buy the index when the CBI reached 10 or higher and then sell when it returned back down to 3 or lower. Results are updated.



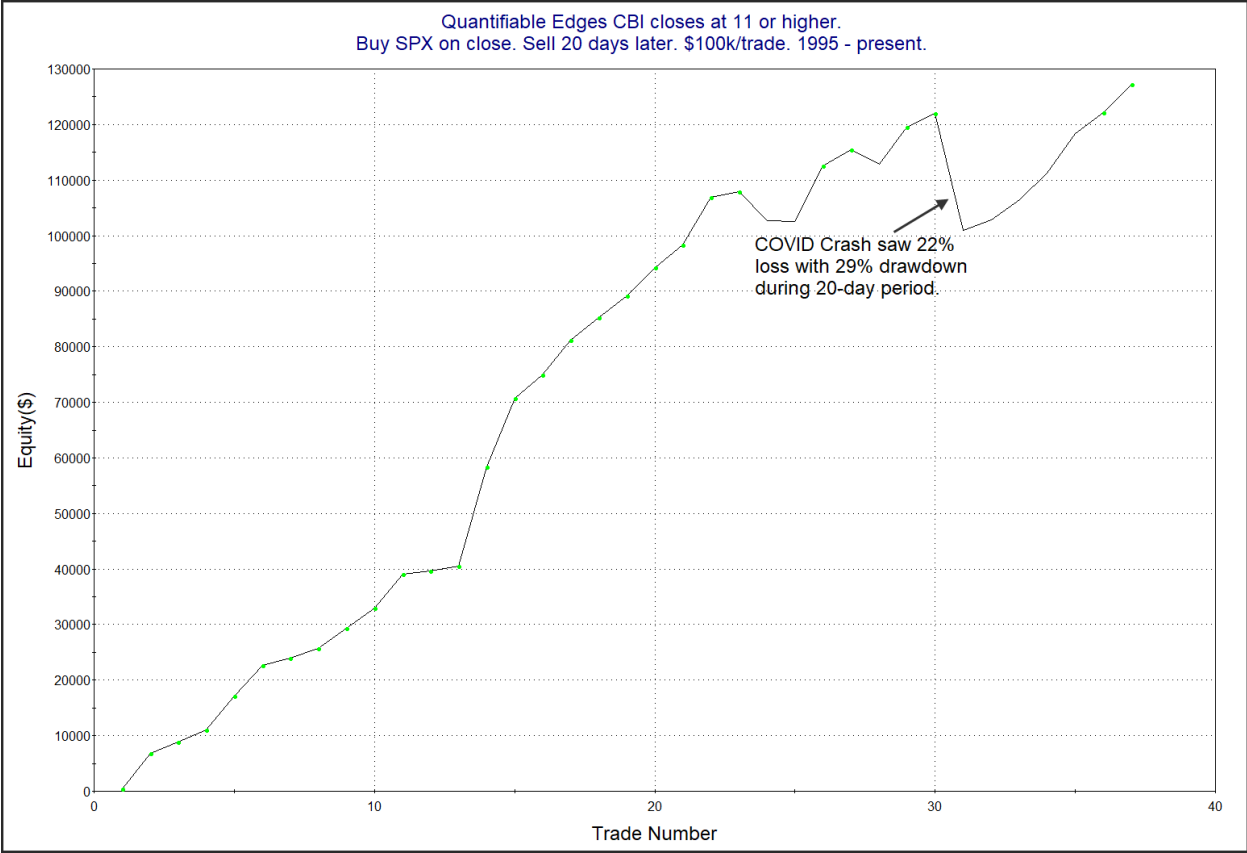
The COVID Crash in March of 2020 accounted for most of the gross losses. Other than that instance, the strategy would have performed very well over the years. And the last 7 instances have all closed higher, making for a nice run since the start of 2022.

I have also shown in the past that readings of 11 or higher have been a bullish intermediate-term indication. The study below is one I have shared several times, most recently in the 1/17/24 letter.

Quantifiable Edges CBI closes at 11 or higher.  
Buy SPX on close. Sell X days later. \$100k/trade. 1995 - present.

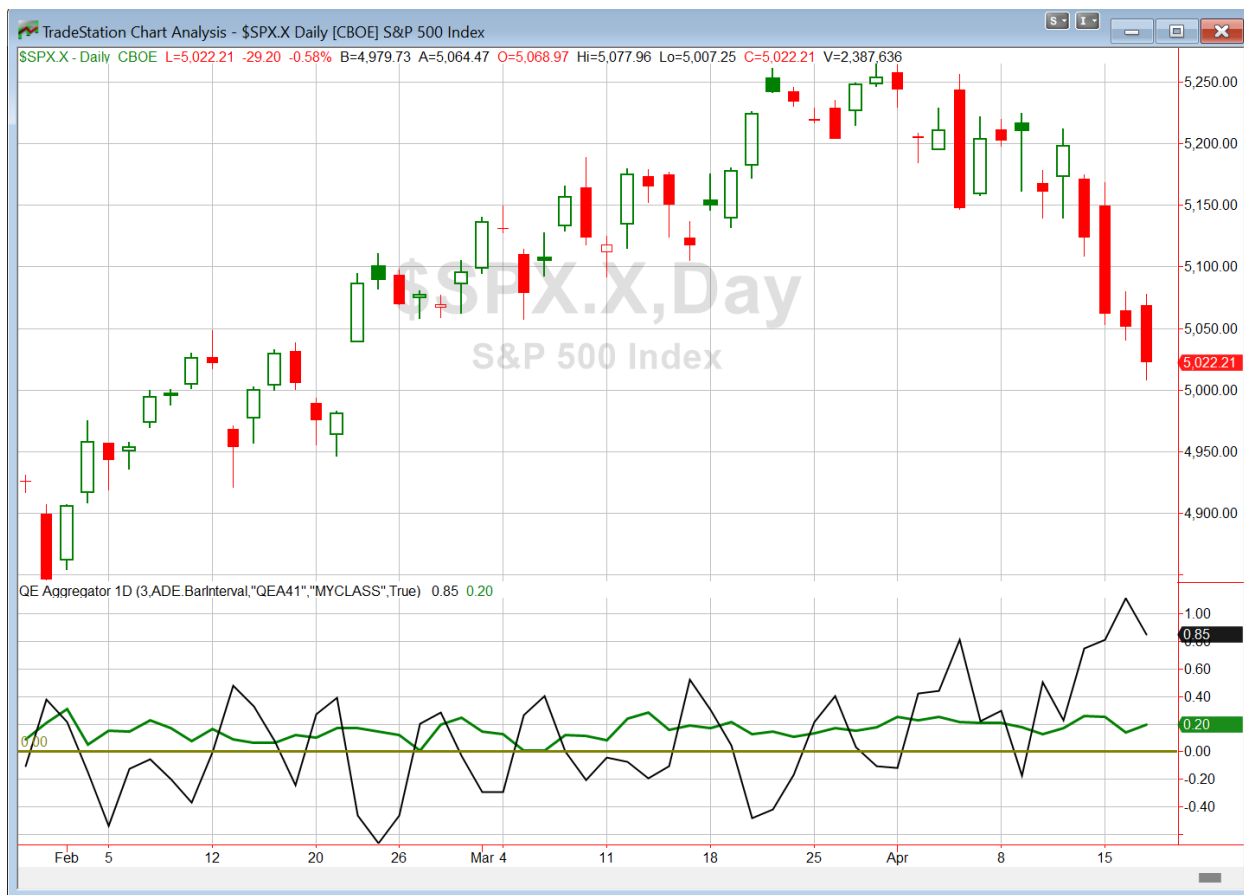
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
20	127,308.88	37	33	4	89.19	17,878.08	-21,107.28	4,741.24	-7,288.03	0.65	5.37	3,440.78
19	115,559.01	37	31	6	83.78	17,534.88	-27,615.11	4,903.41	-6,074.43	0.81	4.17	3,123.22
18	114,079.73	37	32	5	86.49	20,061.36	-25,521.99	4,538.39	-6,229.73	0.73	4.66	3,083.24
17	111,858.79	37	33	4	89.19	21,217.68	-22,283.42	4,273.80	-7,294.13	0.59	4.83	3,023.21
16	101,440.66	37	34	3	91.89	15,329.16	-22,633.41	3,852.50	-9,848.15	0.39	4.43	2,741.64
15	94,544.20	37	29	8	78.38	17,338.20	-18,569.62	4,205.64	-3,427.43	1.23	4.45	2,555.25
14	64,243.50	38	29	9	76.32	15,991.80	-23,004.48	3,833.80	-5,215.20	0.74	2.37	1,690.62
13	86,710.50	39	31	8	79.49	19,377.60	-12,932.89	3,925.85	-4,373.87	0.90	3.48	2,223.35
12	70,494.97	39	30	9	76.92	17,982.36	-20,074.67	3,703.18	-4,511.17	0.82	2.74	1,807.56
11	85,065.80	39	29	10	74.36	20,758.32	-11,991.73	3,973.46	-3,016.46	1.32	3.82	2,181.17
10	74,645.70	39	26	13	66.67	16,319.16	-7,625.38	3,758.79	-1,775.60	2.12	4.23	1,913.99
9	77,186.29	39	29	10	74.36	12,246.96	-11,831.15	3,516.95	-2,480.52	1.42	4.11	1,979.14
8	70,804.77	39	31	8	79.49	15,615.60	-5,568.00	3,058.23	-3,000.03	1.02	3.95	1,815.51
7	73,822.13	39	29	10	74.36	12,720.84	-4,980.00	3,279.35	-2,127.89	1.54	4.47	1,892.88
6	69,472.80	40	31	9	77.50	18,349.11	-8,839.00	2,958.40	-2,470.83	1.20	4.12	1,736.82
5	73,595.56	40	30	10	75.00	18,981.60	-5,174.95	3,171.57	-2,155.16	1.47	4.41	1,839.89
4	63,600.04	40	28	12	70.00	17,851.68	-4,365.00	3,118.74	-1,977.06	1.58	3.68	1,590.00
3	24,109.85	40	25	15	62.50	13,853.40	-9,701.00	2,926.58	-3,270.31	0.89	1.49	602.75
2	11,089.11	40	23	17	57.50	13,116.84	-8,631.00	2,539.89	-2,784.01	0.91	1.23	277.23
1	13,300.66	40	22	18	55.00	10,716.03	-6,760.90	1,988.77	-1,691.79	1.18	1.44	332.52

Looking out over the next several weeks, the stats are (almost) all very impressive. The one exception is the Max Losing Trade. And you can guess when that was.



Even with the COVID Crash included, this study has made it back to new highs and beyond. Overall, I view the CBI spike over the last few days to be a favorable indication for both the short and intermediate-term.

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 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 list of active studies, expectations are set to remain positive on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 5096.20 on Thursday. That is 1.5% above Wednesday's close. Therefore, SPX will need to close up over 1.5% on Thursday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is long. Evidence is building. We have made continuous intermediate-term lows and the CBI has now spiked. While the selling does not have to end right here, odds seem to be strongly in favor of a bounce. I have some long exposure. I will look to add to it on Thursday if I can get any kind of decent fill.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 4/15 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

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

BRK.B – 1/3 @ \$403.26 (buy @ limit)

JPM – 1/3 @ \$182.79 (buy @ limit)

BRK.B – 1/3 @ \$400.26 (buy @ limit)

ABBV – 1/3 @ \$161.67 (buy @ limit) – not filled, cancel for now

AIG – 1/3 @ \$73.05 (buy @ limit)

EMR - 1/3 @ \$111.76 (buy @ limit)

EMR - 1/3 @ \$111.49 (buy @ limit)

CAT – 1/3 @ \$359.88 (buy @ limit)

*New*

JPM – 1/3 @ \$180.08 (buy @ limit)

EMR - 1/3 @ \$109.81 (buy @ limit)

CAT – 1/3 @ \$358.32 (buy @ limit)

COP – 1/3 @ \$128.33 (buy @ limit)

***Broad Market Large Cap CBI – 12 (BRK.B-2, JPM-2, ABBV, AIG, EMR-3, CAT-2, COP)***

### **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 @ \$500.75 LIMIT.** From the short-term outlook above, I will look to take a 3<sup>rd</sup> lot of SPY. And if it gaps up, then I will be placing my limit a little above Wednesday's close, in order to increase my chance of a fill.

**JPM – buy 1/3 Catapult position @ \$180.08 LIMIT.** From the Catapult section above. This will be the 2<sup>nd</sup> of up to 3 lots of JPM.

**EMR – buy 1/3 Catapult position @ \$109.81 LIMIT.** From the Catapult section above. This will be the 3<sup>rd</sup> and final lot of EMR.

**CAT – buy 1/3 Catapult position @ \$359.88 LIMIT.** From the Catapult section above. This will be the 1<sup>st</sup> of up to 3 lots of CAT.

**CAT – buy 1/3 Catapult position @ \$358.32 LIMIT.** From the Catapult section above. This will be the 2<sup>nd</sup> of up to 3 lots of CAT. (Yes – CAT is listed twice, because I missed it last night.)

**COP – buy 1/3 Catapult position @ \$128.33 LIMIT.** From the Catapult section above. This will be the 1<sup>st</sup> of up to 3 lots of EMR.

*Also note, I mistakenly listed a 3<sup>rd</sup> lot of BRK.B last night (instead of CAT). So I will be looking to exit that at the open as shown in the spreadsheet below.*

### **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>
BRK.B(1/3)	4/15/2024	\$403.26	\$397.74	-1.37%	Catapult
JPM(1/3)	4/15/2024	\$182.79	\$180.08	-1.48%	Catapult
SPY(1/4)	4/15/2024	\$510.85	\$500.55	-2.02%	Aggregator
SPY1/4)	4/15/2024	\$504.45	\$500.55	-0.77%	Aggregator
BRK.B(1/3)	4/16/2024	\$400.26	\$397.74	-0.63%	Catapult
AIG(1/3)	4/16/2024	\$73.05	\$72.58	-0.64%	Catapult
EMR(1/3)	4/16/2024	\$111.76	\$109.81	-1.74%	Catapult
BRK.B(1/3)	4/17/2024	\$396.92	\$397.74	0.21%	sell on open
EMR(1/3)	4/17/2024	\$111.49	\$109.81	-1.51%	Catapult

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