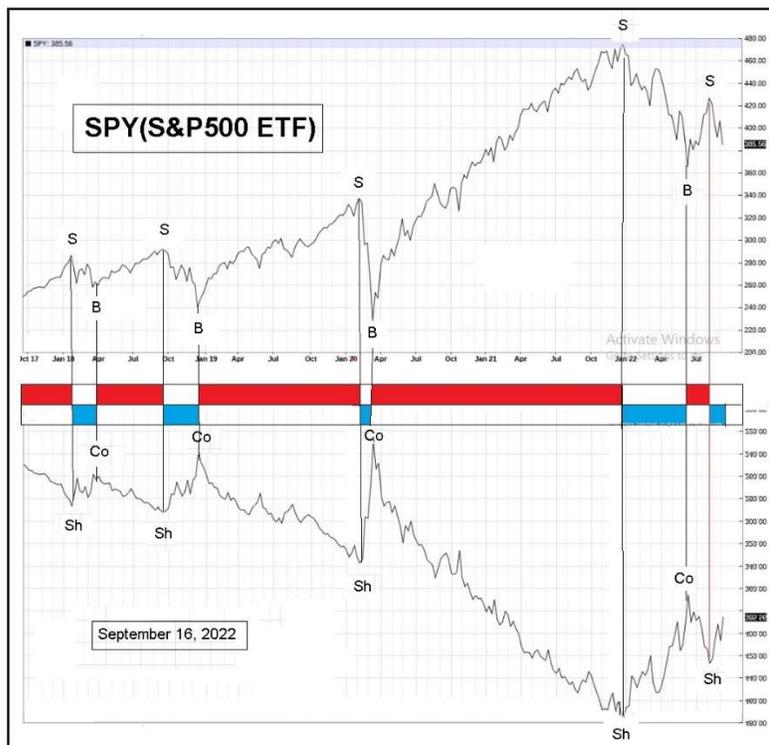


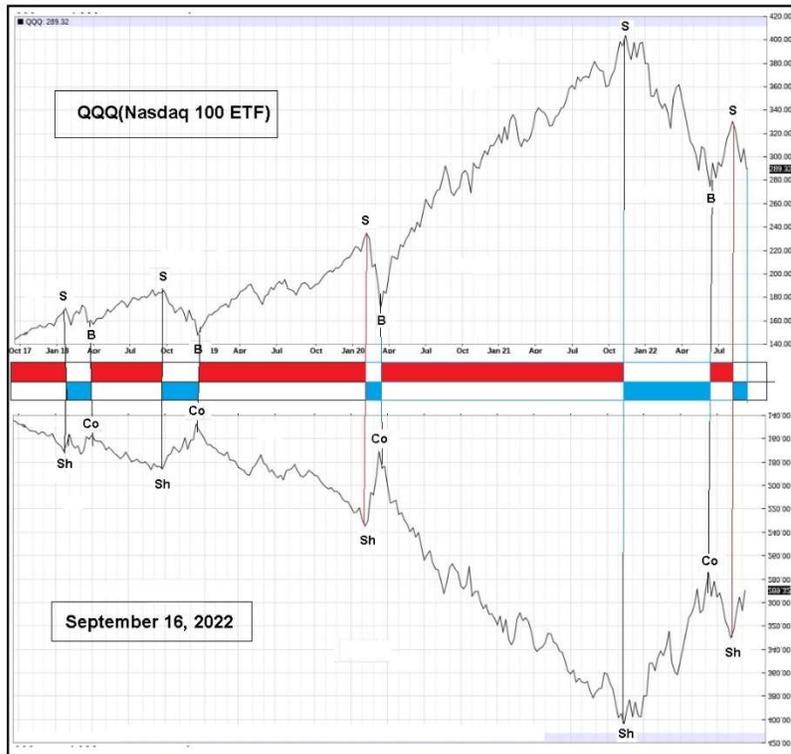
## FURTHER DISCUSSION OF CT SCANS FOR SPY AND QQQ

About five month ago on this Web Page we presented a new way to simultaneously look at the price of equities including stocks and bonds from both a Bull and Bear perspective. The method involves examining the price and its inverse over a chosen time window typically of five year duration. The resulting graph is a picture of a reclined Christmas Tree telling one when one should be long or short. The turning points are marked by B for buy, S for sell, Sh for short and Co for cover. By holding the equity long in the B-S range (red) and short for the Sh-Co range (blue), one is guaranteed to buy low and short high and thus achieve a net gain over the long term. Because of the high volatility of most stocks and bonds it is a good idea to apply this approach to mainly ETFs with their lower daily price fluctuations. In particular we like to apply the method mainly to SPY (the S&P500 ETF) and to QQQ (the Nasdaq 100 ETF). It is true that these will produce a lower return than individual stocks such as TSLA and AAPL, but their daily price variations will be considerably smaller and thus easier on the nerves when holding a million dollar portfolio. We want in this article to show the type of hypothetical returns for the highly active exchange traded funds SPY and QQQ.

We begin by showing our latest constructed five year CT scans of these two ETFs. Here they are-



and-



What is noticed right away is that the time path of the price of these two actively traded ETFs look almost identical. This means they are in a clear Bull Market as long as the central bar is red and in a Bear Market when the central indicator box shows blue. The colors for the two ETFs coincide precisely. The magnitude of the price swings between B and S is about 20% higher for the Nasdaq ETF compared to the SP500 ETF. Both ETFs are presently in a bear market with the last short signal given several weeks ago. The next buy signal B maybe several months and possibly a year away, especially if the FED keeps raising bond interest rates causing stocks to fall further

Let us next look at the potential returns for SPY over the past five years. Consider first only the Bullish returns possible over the ranges B-S where the central red bar indicates a Bull Market. A convenient way to measure the returns is to use the following table-

Signal	month-year	SPY \$/share	points gain
B	Oct 2017	250	
S	Feb 2018	285	+35
B	Apr 2018	260	
S	Sep 2018	290	+30
B	Dec 2018	235	
S	Feb 2020	335	+100
B	Mar 2020	227	

S	Dec 2021	473	+246
B	Jun 2022	368	
S	Aug 2022	425	+57

Adding up these gains we get 468 points. This is 344% higher than just holding SPY for the entire five year period from October 2017 until now without trading. For this Bullish approach one parks one's money during the blue portion indicated on the central bar in short term money funds. One could get an even higher return on SPY if shorting is also considered. In that case an extra 200 points or so would be added to the return and possibly an additional 100 points more or so if the blue portion continuous. We point out that these point values represent the maximum return. In reality, one will not be able to act precisely at the turning points B and S so the return will be somewhat less.

We have not made a point return table for QQQ since the behavior will be quite similar with the point score slightly higher (20% or so) than for SPY. This higher return comes at the expense of the higher volatility and risk range for this Nasdaq ETF.

It has been shown in the above discussion that CT scans for ETFs (and likely also other equities) can be used successfully to gain returns on both the long and short parts of the market by being long in the range B-S (red) and short when one is in the range S-B (blue). Such moves guarantee that one buys low and sells high.

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ps-when we refer to CT scans in the above discussion and other earlier articles, it stands for Christmas Tree pattern and not computer tomography. The later refers to complete x-ray scans of the human body to detect abnormalities.