

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 4, 2022

Volume 15 Issue 2

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- Moves from a 5-day low to a 50-day high in 1 day are often followed by a dip in the next few days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. With evidence mixed and not much upside before SPX would turn overbought, I am leaning more neutral.

**Summary of Recent 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
<b>Active - Short Term</b>						
January 4, 2022	SPX 5-low to 50-day high	1-2 days	Bearish			
December 31, 2021	3 hi, 3-low, 3-low close > 200ma	1-5 days	Bullish	1.70%	-1.20%	-2.40%
<b>Active - Long Term</b>						
November 22, 2021	Hindenburg Omen Cluster	1-35 days	Bearish	-6.90%	3.20%	5.80%
November 8, 2021	QE4 tapering	int term	Bullish but Weakening			
November 4, 2021	SPX 50-day %b > 100	1-50 days	Bullish			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
January 3, 2022	Dn 2 days. Poor close. Up month. EOM.	1 day	Bullish			

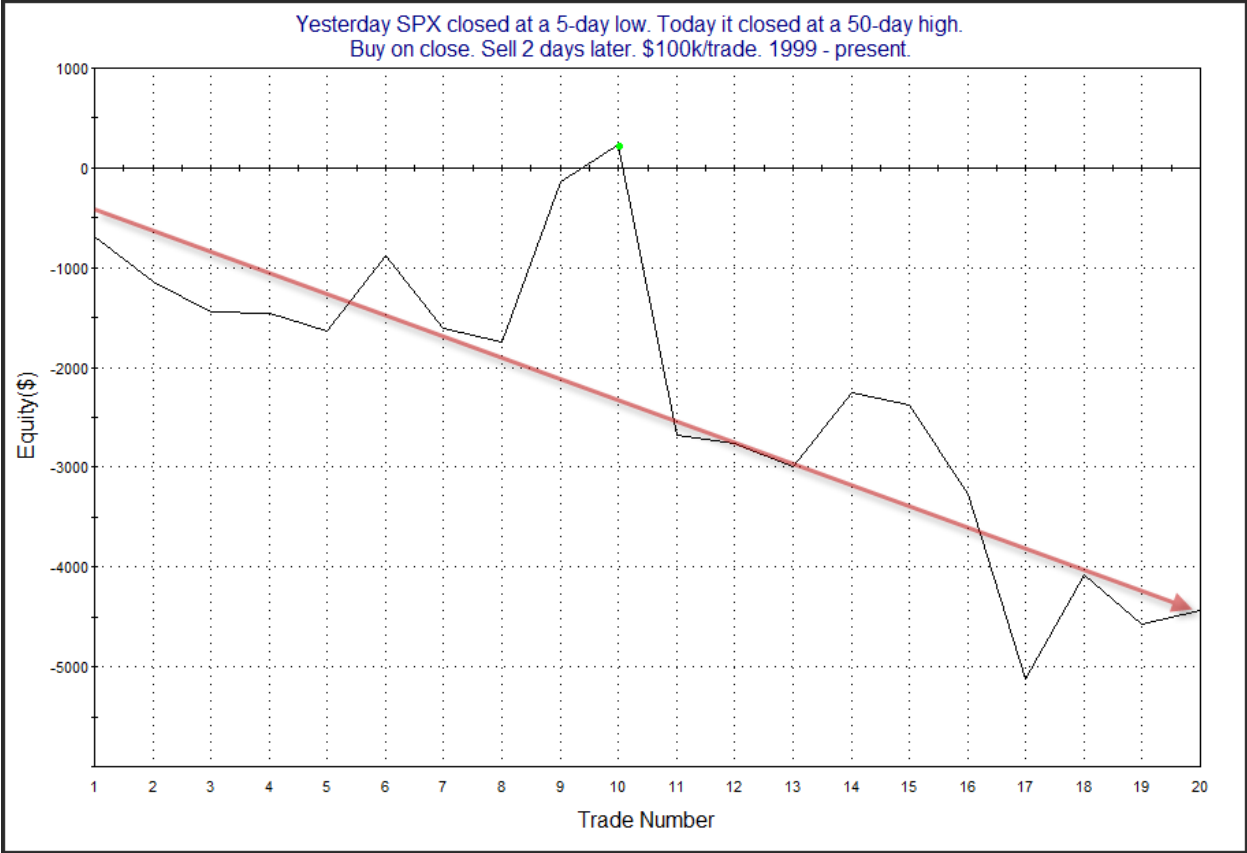
**The Evidence**

The stock market got off to a good start for 2022. The SPX rose 0.6%, the NASDAQ rallied 1.2%, and the Russell 2000 also gained 1.2%. Breadth was positive with the NYSE Up Issues % coming in at 57% and the Up Volume % at 69%. NYSE total volume rose quite a bit as traders returned to work.

The strong move up caused SPX to move from a 5-day low close to a new high. That is fairly unusual. In the 3/4/19 Letter I looked at moves from 5-day lows to 50-day highs. Tonight I have updated those results below.

Yesterday SPX closed at a 5-day low. Today it closed at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1999 - 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	-11,439.34	20	10	10	50.00	2,053.50	-4,993.16	896.26	-2,040.19	0.44	0.44	-571.97
4	-11,072.24	20	8	12	40.00	1,921.04	-4,596.70	902.91	-1,524.63	0.59	0.39	-553.61
3	-6,993.76	20	10	10	50.00	1,908.90	-5,028.42	819.49	-1,518.86	0.54	0.54	-349.69
2	-4,440.13	20	6	14	30.00	1,603.88	-2,902.50	774.24	-648.97	1.19	0.51	-222.01
1	-2,484.76	20	9	11	45.00	747.75	-1,214.72	363.63	-523.40	0.69	0.57	-124.24

The numbers are not overwhelming but they do suggest a possible downside edge. Below is a look at the 2-day profit curve.



The curve is certainly choppy, but it has managed to wiggle its way from upper left to lower. This study appears to be worth some consideration.

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



Even 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 studies on the active list, expectations are scheduled to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4801.14 on Tuesday. That is just 0.1% above Monday's close. So SPX will only need to close up 0.1% on Tuesday to flip from oversold to overbought versus recent expectations.

So the Aggregator is still bullish. But evidence is now mixed, and the study we see tonight is a bit bearish. It also won't take much to move SPX from oversold to overbought. I have a small long index position that I am hoping to exit profitably on Tuesday. I'll do so if we get a good-sized gap higher or a close above the differential pivot.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 1/3 – neutral**

The intermediate-term outlook was last updated in the 1/3/22 Letter. It can be found in the [most recent weekly letter](#) on the website.

**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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/31/2021	\$474.96	\$477.71	0.58%	see note below

Note: I will look to sell my SPY position at \$478.25 LIMIT ON OPEN. If not filled on open, I will cancel the order and look to sell on an SPX close >= 4801.14.

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