

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 5, 2022

Volume 15 Issue 3

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Back to back outside days for QQQ has typically been followed by a move higher over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But evidence is light and the market is near overbought. I'm 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
Active - Short Term						
January 5, 2022	QQQ 2 outside days	1 day	Bullish			
December 31, 2021	3 hi, 3-low, 3-low close > 200ma	1-5 days	Bullish	1.70%	-1.20%	-2.40%
Active - Long Term						
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
January 4, 2022	SPX 5-low to 50-day high	1-2 days	Bearish			

The Evidence

The stock market struggled a little on Tuesday – especially the NASDAQ. The SPX closed down a mild 0.06%, the NASDAQ tumbled 1.33%, and the Russell 2000 dipped 0.16%. Breadth was positive with the NYSE Up Issues % coming in at 52% and the Up Volume % at 66%. NYSE total volume rose some from Monday’s level.

An interesting study that triggered tonight considered the fact that QQQ made an outside day for the second day in a row. An outside day is a day where the price makes a lower low and a higher high than the day before. When QQQ has made back-to-back outside days in the past, it has often led to a short-term rally. This last triggered in the 7/18/18 subscriber letter, and I have updated the study below.

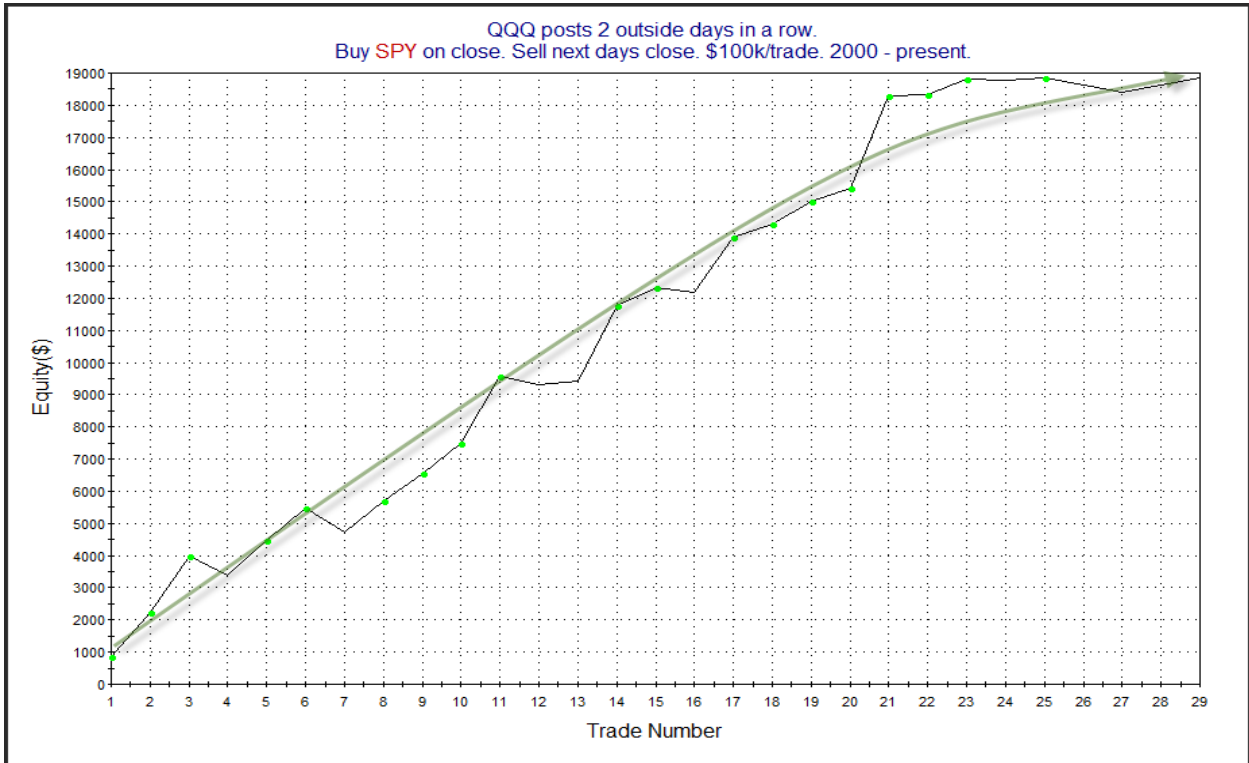
QQQ posts 2 outside days in a row. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	28,603.99	28	19	9	67.86	8,554.64	-3,766.00	2,304.68	-1,687.22	1.37	2.88	1,021.57
4	30,625.64	28	19	9	67.86	7,467.78	-2,994.30	2,289.12	-1,429.74	1.60	3.38	1,093.77
3	31,611.93	29	19	10	65.52	7,502.84	-2,721.60	2,305.48	-1,219.21	1.89	3.59	1,090.07
2	16,379.89	29	19	10	65.52	3,775.87	-2,914.80	1,531.45	-1,271.76	1.20	2.29	564.82
1	18,906.66	29	22	7	75.86	3,179.66	-1,209.60	1,032.24	-543.23	1.90	5.97	651.95

Results here appear strongly positive. I also looked at how SPY performed when QQQ had back to back outside days.

QQQ posts 2 outside days in a row.
Buy SPY on close. Sell X days later. \$100k/trade. 2000 - present.

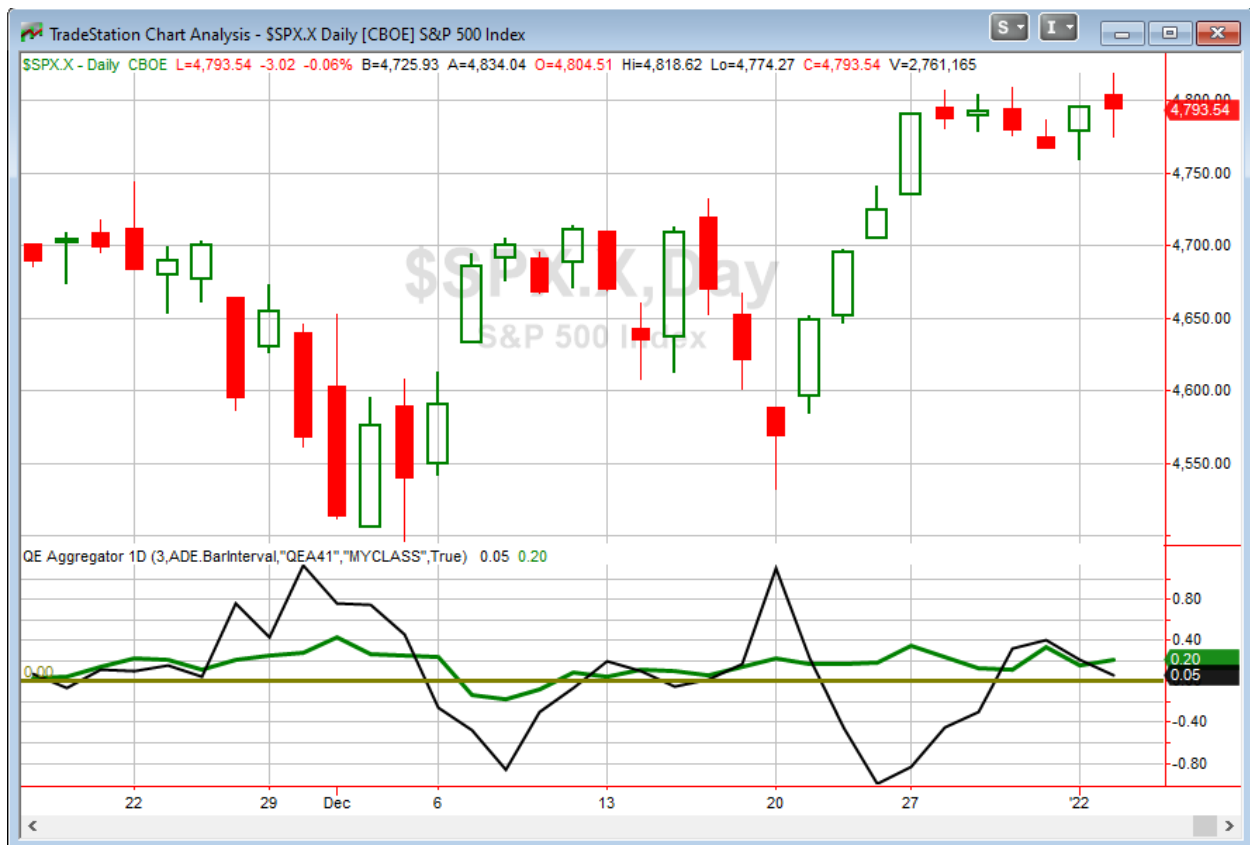
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	24,133.91	28	19	9	67.86	7,544.00	-2,835.90	1,753.69	-1,020.70	1.72	3.63	861.93
4	23,223.32	28	16	12	57.14	6,831.00	-2,487.51	2,014.88	-751.24	2.68	3.58	829.40
3	28,594.70	29	20	9	68.97	6,957.50	-1,498.50	1,741.71	-693.27	2.51	5.58	986.02
2	15,083.25	29	17	12	58.62	3,829.50	-1,655.64	1,425.58	-762.64	1.87	2.65	520.11
1	18,841.32	29	22	7	75.86	2,871.33	-733.92	958.55	-320.97	2.99	9.39	649.70

The positive results seem to translate to SPY as well. Using the 1-day exit criteria, I generated the profit curve below.



While the curve has flattened out some lately, it is again very close to a new high. The overall move higher is impressive and I have added this study to the active list tonight.

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 slightly 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 Wednesday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 4793.18 on Wednesday. That is less than half a point below Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will flip to overbought on any up close, and oversold versus expectations on almost any down close.

So the Aggregator is still bullish. I don't love the setup though. Evidence is fairly light and quite short-term. And the Differential Pivot is inverted and close by. So we could see the Aggregator close anywhere from long to flat to short very easily on Wednesday. With a neutral intermediate-term outlook, I tend to be less aggressive with entries, and I don't see a good reason to get aggressive here.

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	\$479.22	0.90%	<i>sold on open</i>

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