

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 6, 2022

Volume 15 Issue 4

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Strong selloffs that leave the market short-term oversold will often produce an upside edge in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence still is not great, but SPX is strongly oversold. I'm starting to get interested in building up a long position.

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 6, 2022	1% down. Decliners 2x Advancers. 4Low	1-5 days	Bullish	2.30%	-2.00%	-4.50%
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 5, 2022	QQQ 2 outside days	1 day	Bullish			

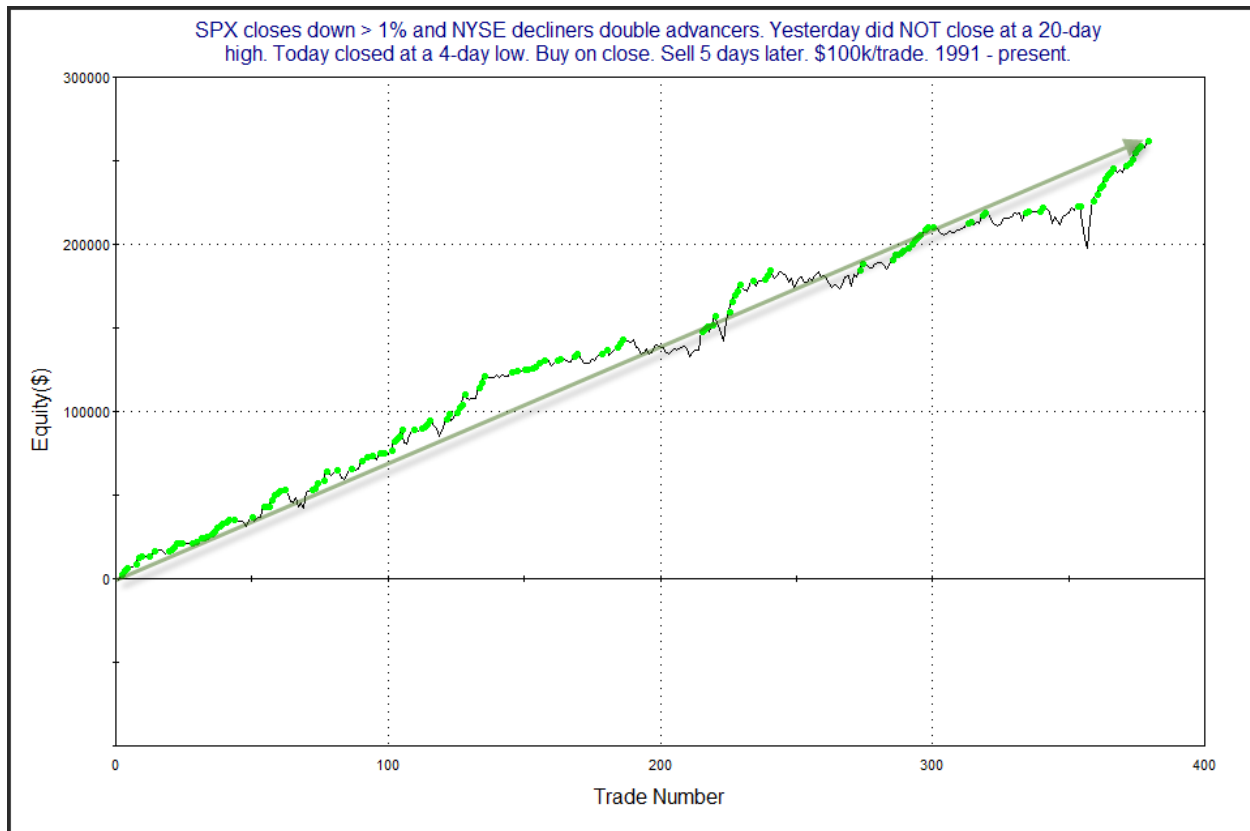
The Evidence

The stock market took it on the chin Wednesday. The SPX closed down 1.94%, the NASDAQ tumbled 3.34%, and the Russell 2000 fell 3.30%. Breadth was negative with the NYSE Up Issues % coming in at 19% and the Up Volume % at 23%. NYSE total volume rose for the 6th day in a row.

There were some moderately bullish studies that appeared in the Quantifinder. The one below is the one I found most compelling. It looked at strong, broad selloffs that leave the market at a short-term low and don't originate from an intermediate-term high. It is updated from the 5/13/20 letter.

SPX closes down > 1% and NYSE decliners double advancers. Yesterday did NOT close at a 20-day high. Today closed at a 4-day low. Buy on close. Sell X days later. \$100k/trade. 1991 - 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	307,628.81	294	196	98	66.67	18,756.32	-22,025.85	3,093.83	-3,048.58	1.01	2.03	1,046.36
9	303,184.66	299	206	93	68.90	12,095.67	-18,578.34	2,806.97	-2,957.55	0.95	2.10	1,014.00
8	242,435.84	313	203	109	64.86	12,738.00	-18,950.91	2,685.26	-2,776.81	0.97	1.80	774.56
7	265,597.47	338	213	125	63.02	11,645.20	-14,624.94	2,695.71	-2,468.71	1.09	1.86	785.79
6	260,742.78	355	225	130	63.38	14,933.73	-19,345.92	2,508.51	-2,335.93	1.07	1.86	734.49
5	262,693.44	379	232	147	61.21	17,127.00	-11,122.37	2,367.78	-1,949.87	1.21	1.92	693.12
4	190,591.59	406	242	164	59.61	13,379.08	-16,227.09	2,171.66	-2,042.38	1.06	1.57	469.44
3	187,058.81	443	269	174	60.72	17,277.48	-13,815.18	1,928.60	-1,906.52	1.01	1.56	422.25
2	156,094.53	503	282	221	56.06	10,479.04	-8,657.72	1,624.57	-1,366.67	1.19	1.52	310.33
1	151,427.09	566	341	225	60.25	10,716.03	-9,386.64	1,180.44	-1,116.01	1.06	1.60	267.54

The implications here appear to be moderately bullish. Below is a look at the 5-day profit curve.



The long-term upslope is impressive. I have decided to include this study on the active list.

We are not seeing any great evidence tonight suggesting a strong short-term directional edge. But little studies like the one above are suggesting a moderate upside edge over the next few days. It is not the kind of evidence that gets me overly excited, but it is enough to get me to consider dipping my toe in.

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 studies on the active list, expectations are scheduled to remain positive on Thursday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4822.83 on Thursday. That is a sizable 2.6% above Wednesday's close. So SPX would need to close up over 2.6% on Thursday in order to flip from oversold to overbought versus recent expectations. A move that large seems unlikely.

So the Aggregator is still bullish. Evidence is not great. But it is suggesting a moderate upside edge. Of course the market is strongly oversold and there is plenty of room to the upside before SPX would turn overbought. This helps reward/risk. I will look to take on some long exposure on Thursday, but only if I can get a favorable entry at either the open or the close. I am not interested in buying into a midday selloff.

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.

SPY – Buy ¼ index position @ \$467.25 LIMIT ON OPEN. If not filled on open, cancel order and look to enter @ \$468.25 LIMIT ON CLOSE. From the short-term section above, I will look to take on some long exposure if we see a large gap down open or a mild close lower.

Current Open Trade Ideas

None

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