

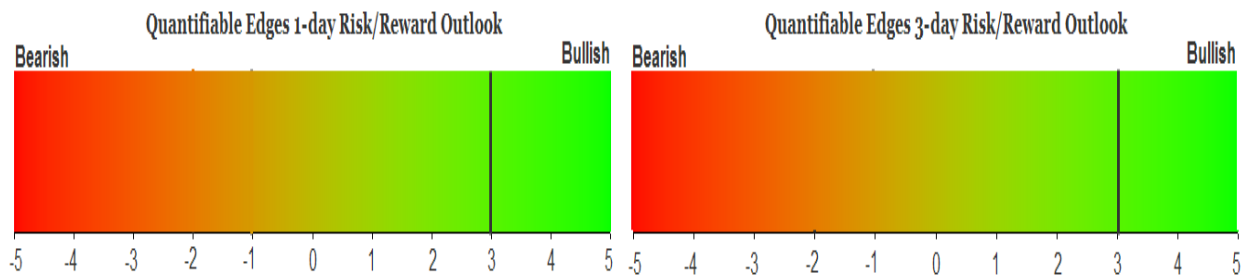
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 7, 2022

Volume 15 Issue 5

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Evidence is building, but it is still not overwhelming. I like the long side for a short-term bounce.

**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 7, 2022	SPX down 3 from 50-high to 10-low	1-8 days	Bullish	2.50%	-1.40%	-3.40%
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%
<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			

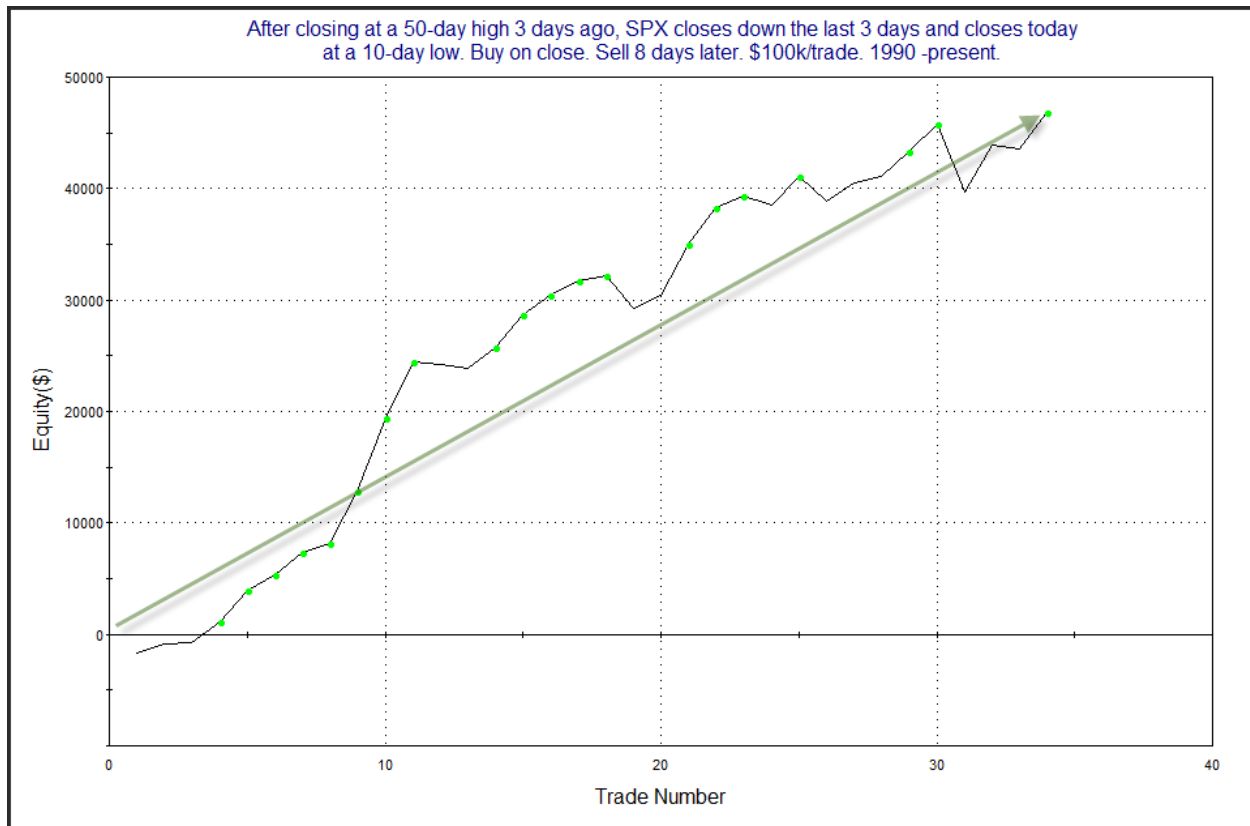
**The Evidence**

Thursday saw back and forth trading that finished mixed in the end. The SPX lost 0.10%, the NASDAQ fell 0.13%, and the Russell 2000 gained 0.56%. Breadth was positive with the NYSE Up Issues % coming in at 56% and the Up Volume % at 57%. NYSE total volume declined some from Wednesday's level.

The decline in SPX also meant it was the 3rd day in a row in which it closed lower. Often 3-day pullbacks will trigger some bullish studies. In the 12/4/19 letter I showed a study that noted 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. I have updated that study below.

After closing at a 50-day high 3 days ago, SPX closes down the last 3 days and closes today at a 10-day low. Buy on close. Sell X days later. \$100k/trade. 1990 -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	31,978.22	34	22	12	64.71	7,183.08	-14,379.90	2,856.42	-2,571.91	1.11	2.04	940.54
9	37,225.51	34	24	10	70.59	6,197.04	-7,605.60	2,493.75	-2,262.45	1.10	2.65	1,094.87
8	46,779.19	34	26	8	76.47	6,562.98	-6,058.50	2,364.51	-1,837.26	1.29	4.18	1,375.86
7	39,687.37	34	25	9	73.53	4,736.88	-2,873.10	2,052.40	-1,291.41	1.59	4.41	1,167.28
6	28,263.12	34	22	12	64.71	3,768.08	-6,675.60	1,992.77	-1,298.14	1.54	2.81	831.27
5	28,643.25	34	22	12	64.71	3,892.40	-4,069.80	1,947.50	-1,183.48	1.65	3.02	842.45
4	24,056.83	34	24	10	70.59	3,834.96	-8,150.10	1,777.36	-1,859.98	0.96	2.29	707.55
3	17,965.77	34	25	9	73.53	4,047.12	-7,413.90	1,371.82	-1,814.40	0.76	2.10	528.40
2	15,296.22	34	23	11	67.65	2,659.44	-3,285.00	1,203.92	-1,126.73	1.07	2.23	449.89
1	10,527.11	34	23	11	67.65	2,013.60	-2,930.40	813.04	-742.98	1.09	2.29	309.62

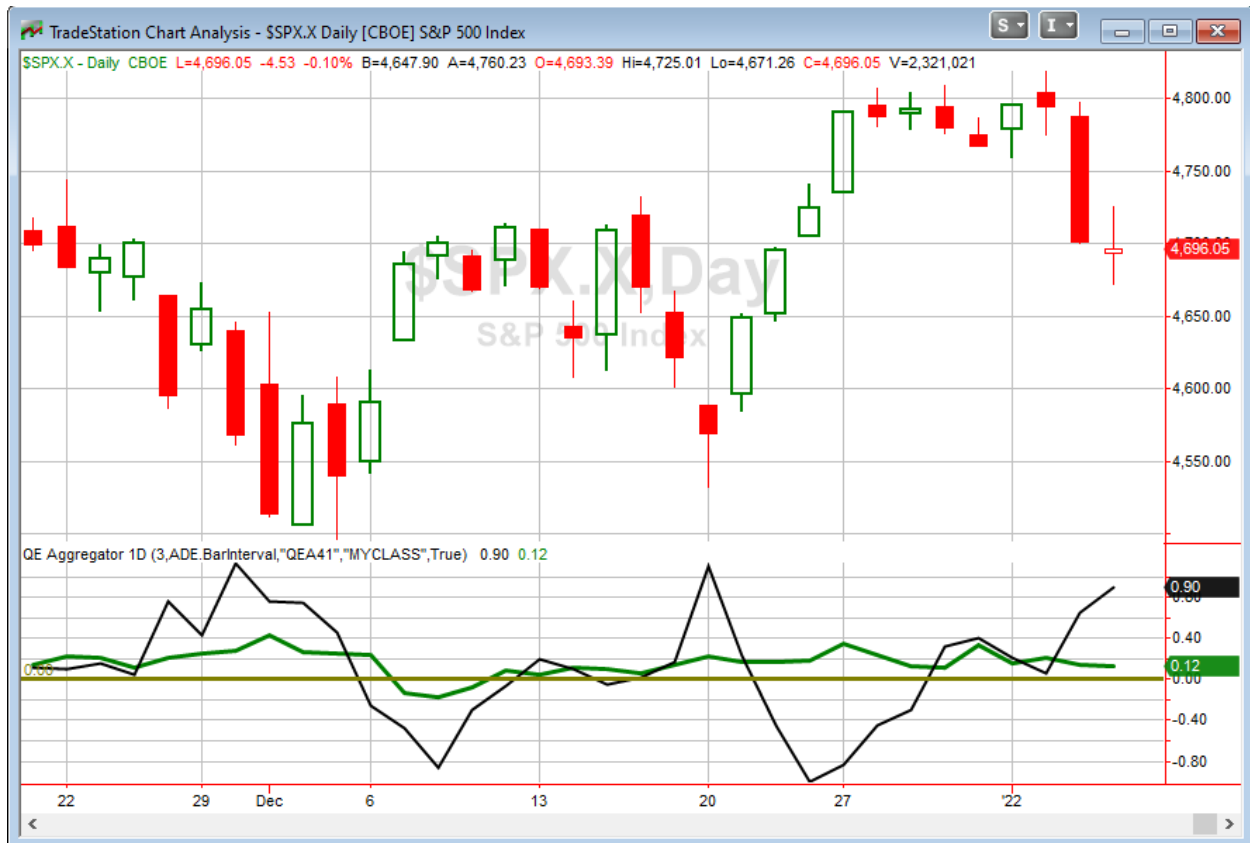
We see here that the odds favor a bounce, and that it has often persisted up to 8 days out. Below is a profit curve for the 8-day holding period.



Here we see a strong, steady upslope. This study seems worth consideration and has been added to the short-term active list.

So this is another nice study suggesting an upside edge. But I am not seeing massive amounts of evidence at this point. It is just price action at this point. There is no spiking VIX, or oversold breadth or some other extreme reading suggesting the market has little choice but to bounce. Right now it still feels like there is a choice. And so I like the upside case. I just don't love it.

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 is now quite far above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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 Friday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4823.97 on Friday. That is a sizable 2.7% above Thursday's close. So SPX would need to close up over 2.7% on Friday 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 decent. Meanwhile, the market is strongly oversold and there is plenty of room to the upside before SPX would turn overbought. This helps reward/risk. I took some long exposure at the close on Thursday. I will only add to it on Friday if SPX closes down strongly.

**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***

*New*

UNH – 1/3 @ \$469.65 (buy @ limit)

***Broad Market Large Cap CBI – 1(UNH)***

**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.*

**UNH – Buy 1/3 Catapult position @ \$469.65 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of UNH.

**SPY – Buy ¼ index position @ \$464.00 LIMIT ON CLOSE.** From the short-term section above, I will look to take on a 2<sup>nd</sup> lot if SPY closes down a good amount on Friday.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	1/6/2022	\$467.94	\$467.94	0.00%	bought on close

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