

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 11, 2022

Volume 15 Issue 7

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The pullback is showing characteristics that suggest a bounce is near

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the chances of a bounce in the next few days.

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 7, 2022	5 lower closes > 20-day low	1-2 days	Bullish			
January 6, 2022	Unfilled gap down, 10-low, 3+ dn days	1-2 days	Bullish			
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%
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			

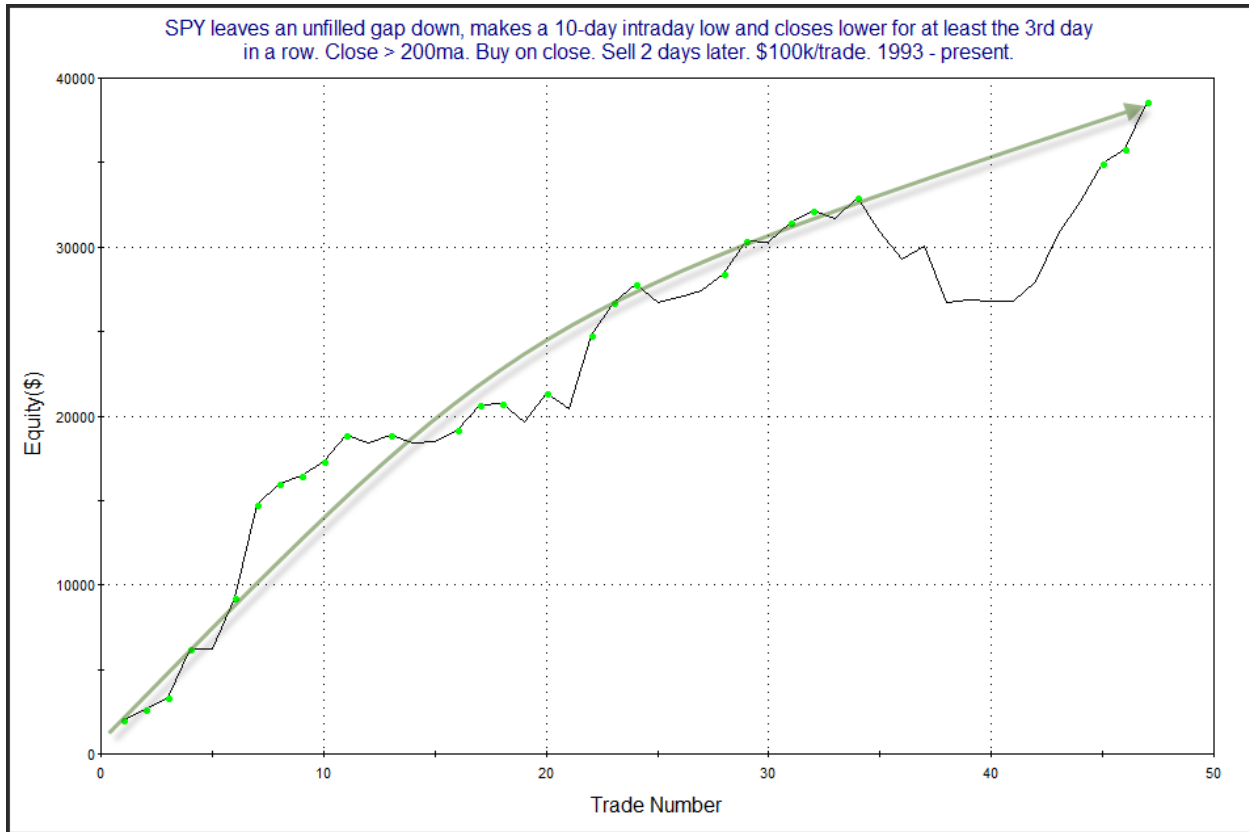
The Evidence

Monday started off with some strong selling. But a mid-day reversal and an afternoon rally left the indices mixed. The SPX lost 0.14%, the NASDAQ rose 0.05%, and the Russell 2000 declined 0.40%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 38%. NYSE total volume rose some from Friday's level.

Some factors that suggest a possible upside are 1) SPY has now closed lower 5 days in a row during a long-term uptrend, and 2) SPY left an unfilled gap down and made a short-term low. These things triggered a few studies in the Quantifinder tonight. The study below looked for multiple down days, short-term lows, and an unfilled gap down. It was last seen in the 12/21/21 letter. I have updated the results.

SPY leaves an unfilled gap down, makes a 10-day intraday low and closes lower for at least the 3rd day in a row. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	50,359.21	47	34	13	72.34	8,239.74	-4,770.78	2,026.22	-1,425.56	1.42	3.72	1,071.47
4	33,916.31	47	32	15	68.09	5,581.02	-8,109.60	1,984.34	-1,972.17	1.01	2.15	721.62
3	36,305.46	47	34	13	72.34	4,249.44	-7,722.10	1,674.04	-1,585.52	1.06	2.76	772.46
2	38,622.82	47	34	12	72.34	5,477.88	-3,385.20	1,479.11	-972.24	1.52	4.31	821.76
1	23,191.45	50	37	13	74.00	5,764.38	-3,028.70	970.99	-979.62	0.99	2.82	463.83
43 of 47 instances (91%) closed above the entry price at some point in the next week.												

The stats suggest a high probability of an almost immediate bounce. Below is a profit curve assuming a 2-day holding period.



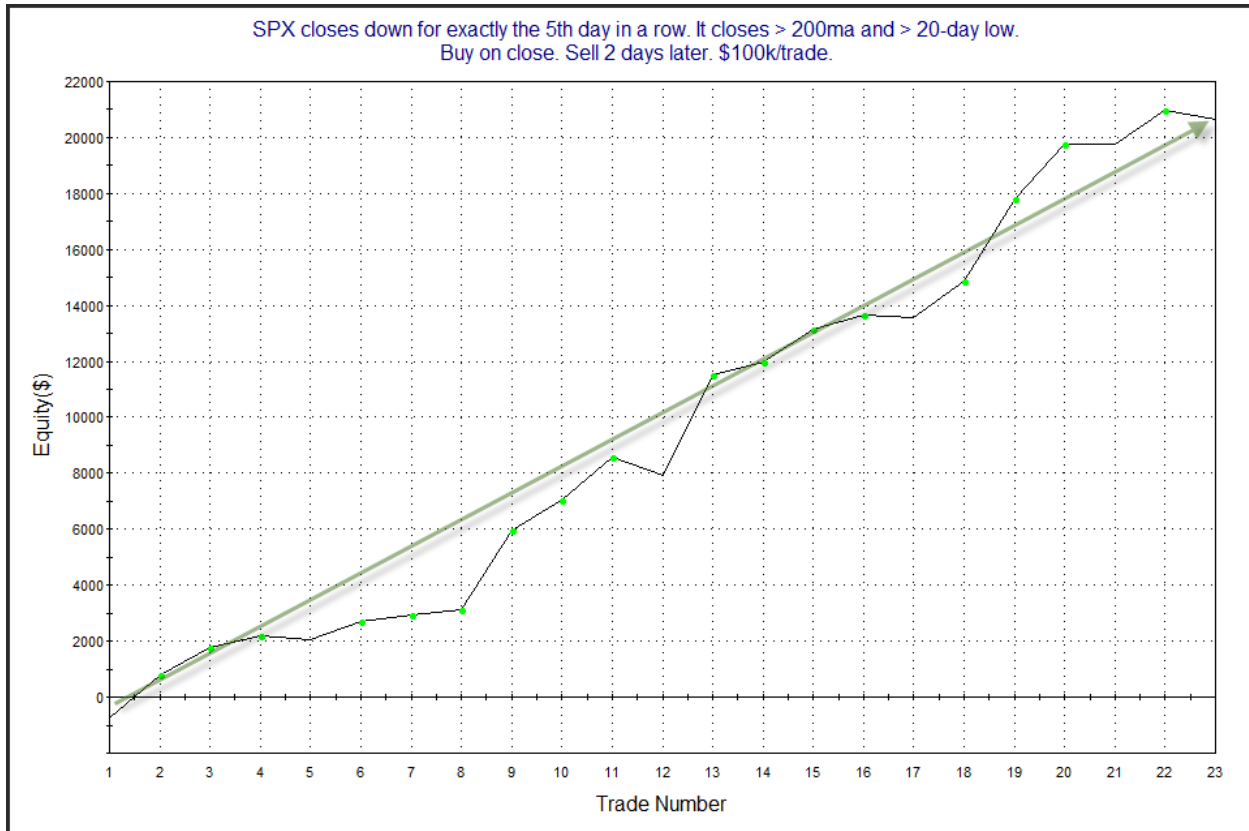
The curve is a little choppy, but it has made its way from lower left to upper right. The study certainly seems strong enough to include on the Active List tonight.

Another compelling study required 5 lower closes above the 200ma and also above a 20-day low. I last showed it in the 6/16/16 Letter and have updated the results.

SPX closes down for exactly the 5th day in a row. It closes > 200ma and > 20-day low. Buy on close. Sell X days later. \$100k/trade.

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	16,454.72	23	15	8	65.22	5,460.84	-1,479.60	1,491.57	-739.85	2.02	3.78	715.42
4	17,424.69	23	17	6	73.91	5,187.49	-1,633.75	1,347.48	-913.76	1.47	4.18	757.60
3	19,757.57	23	18	5	78.26	5,339.18	-1,179.00	1,338.90	-868.53	1.54	5.55	859.02
2	20,641.17	23	17	6	73.91	3,591.28	-763.84	1,331.79	-333.21	4.00	11.32	897.44
1	9,192.51	23	17	6	73.91	1,367.55	-1,155.00	715.83	-496.11	1.44	4.09	399.67

Based on the stats table there appears to be a bullish inclination, especially over the first 2-3 days. Below is a profit curve to see how the edge has evolved.



The profit curve supports the idea of a bullish edge. So evidence is building and it appears an SPX bounce is getting closer.

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 still 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 4717.87 on Tuesday. That is 1.0% above Monday's close. So SPX would need to close up over 1.0% on Tuesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is still bullish. Evidence is now building and there is decent room to the upside before SPX would turn overbought vs recent expectations. The big reversal was a bit discouraging as far as finding an advantageous entry point. But I like the long side here, and I will look to add a little to my current exposure if SPY retraces about 50% of its Monday move on Tuesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/10 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

UNH – 1/3 @ \$469.65 (bought @ limit)

ADBE – 1/3 @ \$510.70 (buy @ limit)

Broad Market Large Cap CBI – 2(UNH, ADBE)

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 @ \$461.25 LIMIT. From the short-term section above. I will look to take on a 2nd lot if I can get filled at this level or lower. This is about a 50% retracement of Monday's high to low move.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	1/6/2022	\$467.94	\$465.51	-0.52%	Aggregator
UNH(1/3)	1/7/2022	\$467.69	\$465.00	-0.58%	Catapult
ADBE(1/3)	1/10/2022	\$500.00	\$525.83	5.17%	Catapult

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