

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 12, 2022

Volume 15 Issue 8

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Moderate 2-day bounces from 10-day lows during uptrends usually have farther to go.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but the signal is primed to end on Wednesday unless there is substantial selling. I'm looking to take profits on my long index exposure.

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 12, 2022	NASDAQ up 2 from 10-low. Close < 10ma	1-2 days	Bullish			
January 11, 2022	5 lower closes > 20-day low	1-2 days	Bullish			
January 11, 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			

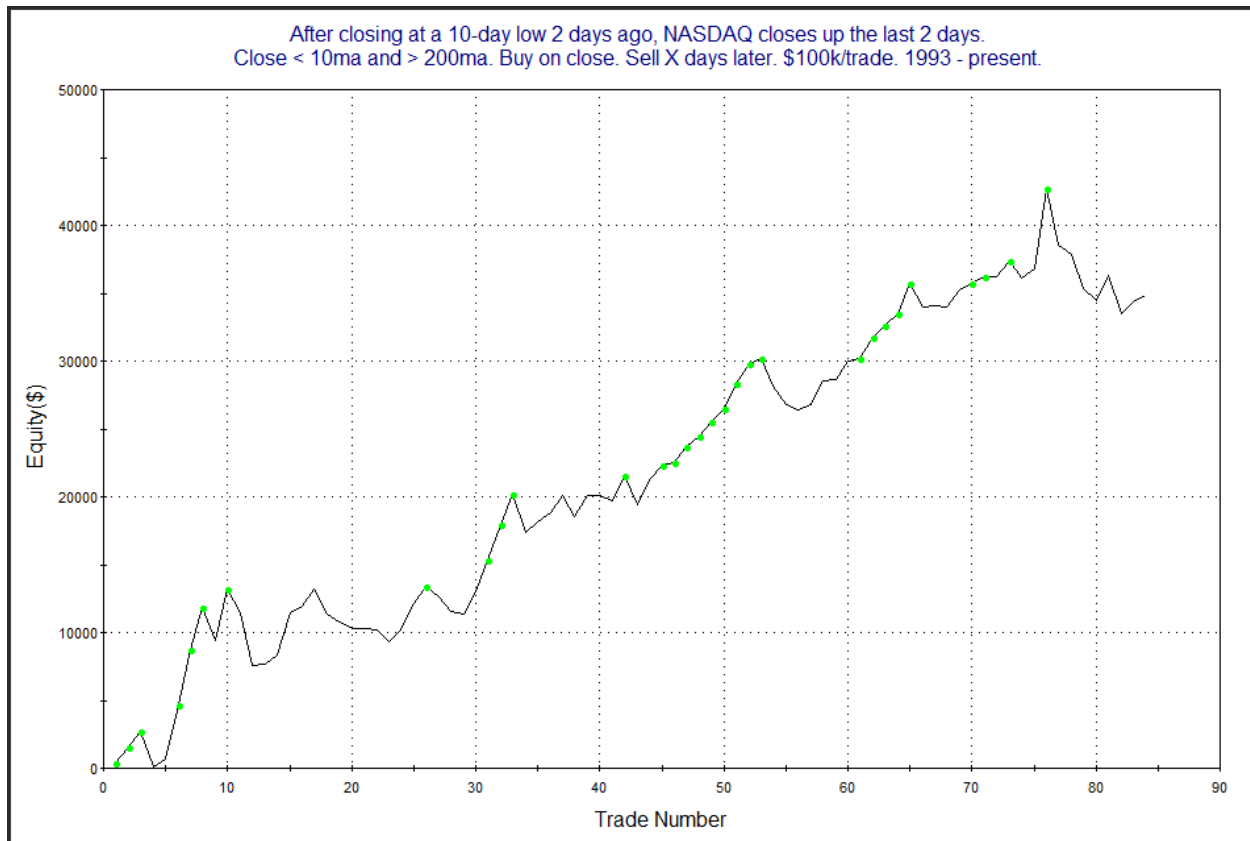
The Evidence

Tuesday saw morning weakness followed by a nice rally that left all the major indices positive on the day. The SPX gained 0.9%, the NASDAQ rose 1.4%, and the Russell 2000 climbed 1.05%. Breadth was negative with the NYSE Up Issues % coming in at 73% and the Up Volume % at 83.5%. NYSE total volume declined some from Monday's level.

The action did not generate much in the way of compelling new short-term evidence. There was one study that emerged that noted the bounce we have seen in the NASDAQ composite over the last couple of days, following the 10-day low. I showed it in the 1/30/20 letter and have updated it below.

After closing at a 10-day low 2 days ago, NASDAQ closes up the last 2 days. Close < 10ma and > 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	35,759.21	82	52	30	63.41	8,967.60	-11,016.39	2,004.28	-2,282.11	0.88	1.52	436.09
4	41,875.01	83	51	32	61.45	6,444.48	-4,986.40	1,984.88	-1,854.80	1.07	1.71	504.52
3	23,610.42	84	48	36	57.14	6,518.80	-8,084.18	1,753.27	-1,681.84	1.04	1.39	281.08
2	34,851.67	84	56	28	66.67	5,842.88	-4,137.56	1,363.84	-1,482.97	0.92	1.84	414.90
1	22,784.48	84	53	31	63.10	3,441.68	-3,682.80	964.35	-913.74	1.06	1.80	271.24

The stats are impressive over the 1st couple of days. Below is a look at the 2-day profit curve.



The last eight instances have struggled some, but the curve has climbed higher for so long that I still view it favorably. You might not be surprised to hear that SPX with the same setup has shown even more consistent results. But SPX closed down on Monday, so it did not trigger on Tuesday. Of course a small up day on Wednesday could cause SPX to trigger on Wednesday. Anyway, 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 is still 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 change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4695.33 on Wednesday. That is 0.4% *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 need to close down at least 0.4% in order to remain oversold. Anything other than that and it will turn to overbought vs recent expectations as of Wednesday's close.

So we still have a bullish Aggregator setup. Evidence is not overwhelming, but it does suggest the bounce should have further to go. The inverted pivot does limit potential reward, though. If SPX moves higher, then the bullish Aggregator signal will turn either neutral or bearish. So there is only potential upside for 1 day here. In these situations, I will often look for a quick and favorable exit. That is what I will do on Wednesday.

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

The intermediate-term outlook was last updated in the 1/10/22 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

UNH – 1/3 @ \$469.65 (bought @ 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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	1/6/2022	\$467.94	\$469.75	0.39%	sell @ \$469.75 limit
UNH(1/3)	1/7/2022	\$467.69	\$469.00	0.28%	Catapult
ADBE(1/3)	1/10/2022	\$500.00	\$529.89	5.98%	sell on open

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