

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 14, 2022

Volume 15 Issue 10

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- No new compelling studies triggered on Thursday.
- MLK week used to look bearish, but not over the last 10 years.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I'm not excited about it though. Give me another day and some more confirming evidence and I may be. Not yet.

Summary of Recent Active Studies (see Letters from listed dates for details)

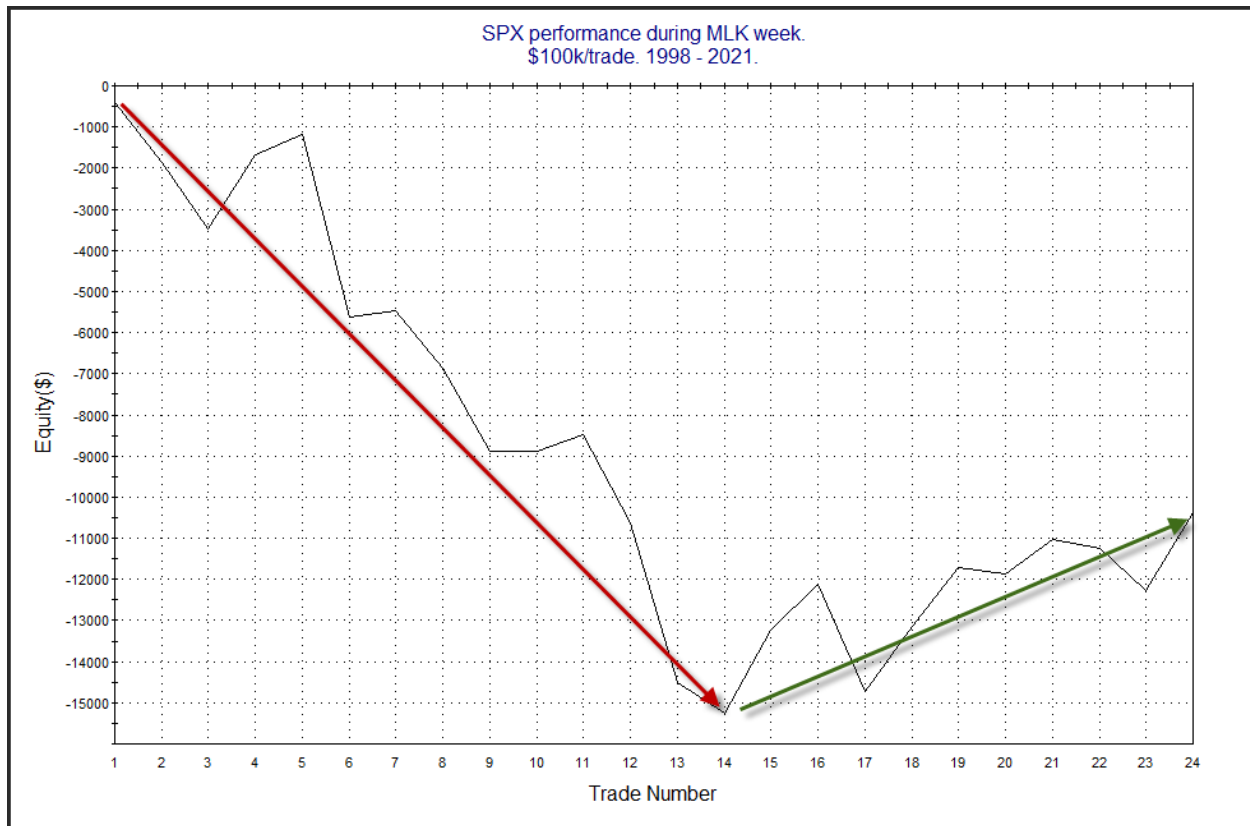
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 7, 2022	SPX down 3 from 50-high to 10-low	1-8 days	Bullish	2.50%	-1.40%	-3.40%
Active - Long Term						
November 22, 2021	Hindenburg Omen Cluster	1-35 days	Bearish	-6.90%	3.20%	5.80%
November 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 13, 2022	SPX up 2 from 10-low. Close < 10ma	1-2 days	Bullish			
January 12, 2022	NASDAQ up 2 from 10-low. Close < 10ma	1-2 days	Bullish			

The Evidence

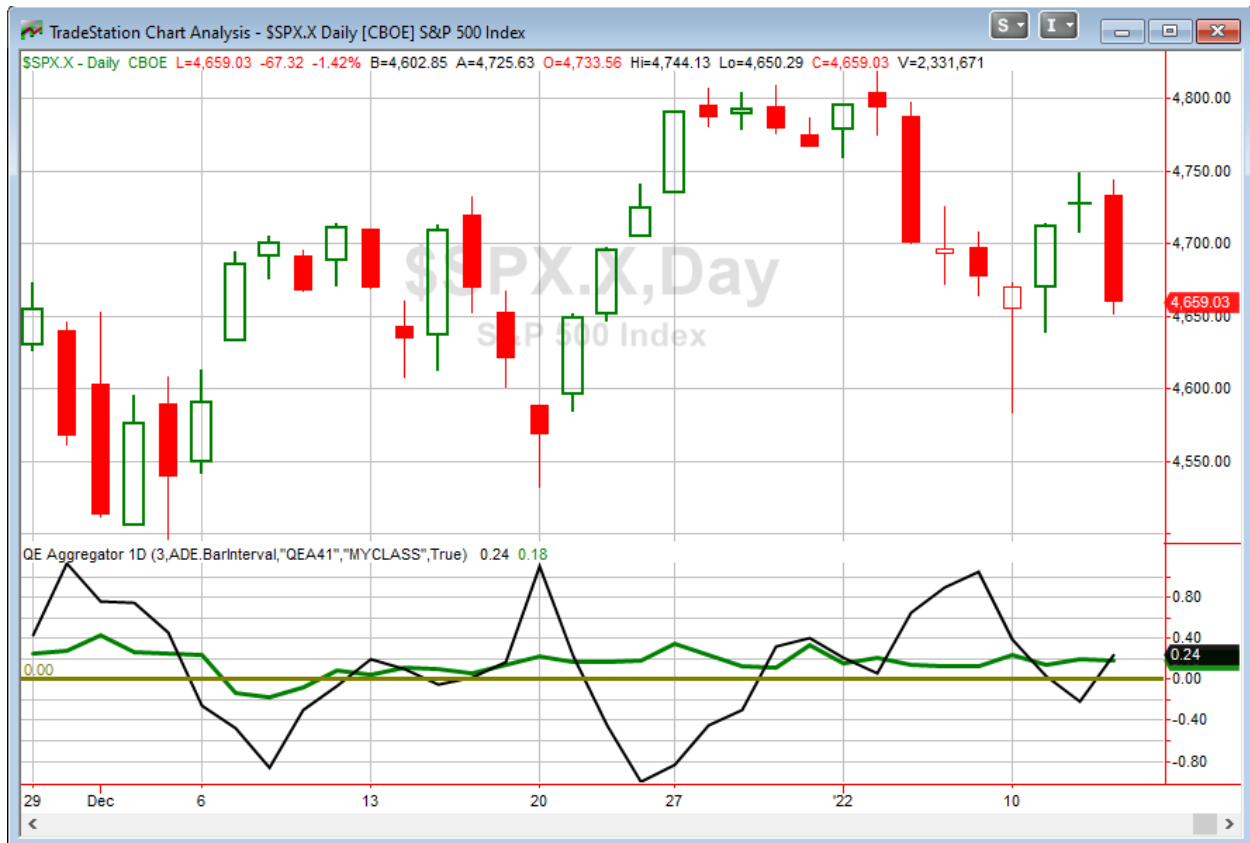
Thursday was not a good day for the market. A gap up was met by consistent selling that left SPX and NDX below their pullback closing lows from a few days ago. In other words, the bounce has basically failed. The SPX finished down 1.4%, the NASDAQ dropped 2.5%, and the Russell 2000 declined 0.8%. Breadth was only moderately negative with the NYSE Up Issues % coming in at 45.4% and the Up Volume % at 44.6%. NYSE total volume declined for the 3rd day in a row.

It is rare that such a sizable down day would fail to trigger any meaningful studies. But that seems to be the case. Thursday was different in that it was just the stock market that was selling off. Last week, on the 4th, 5th, and 7th, the bond market sold off as rates rose on inflation worries. The tech/QQQ exodus those days was blamed on the movements in the bond market. But bonds did fine on Thursday. It was just stocks, and especially the NASDAQ, that struggled. So while TLT and IEF closed Thursday at 5-day highs, QQQ posted its lowest close since October.

Looking at seasonality, it used to be that MLK week and January opex week, which sometimes occur the same week, were prone to selling. But this has not been the case in recent years. Below is a look at SPX performance during MLK week. It assumes entry on the Friday before MLK Day and an exit the Friday after.



MLK Day only began being observed as an NYSE Holiday in 1998, so that is why we only have 24 years of history to work with. Over the 1st 14, it looked pretty bearish. But the last 10 years have not been bearish at all. I will also note that the QE Seasonality Calendar for SPX does not show any bearish hint next week. The Calendars are based on rolling 10(ish) years of data, so the lack of bearishness there is not a surprise.



Without any new studies making the cut tonight, 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 moved back 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 turned long at the close.

Based on the current studies on the active list, expectations are scheduled to remain positive on Friday. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4735.89 on Friday. That is 1.65% above Thursday's close. Therefore, SPX will need to close up a very strong 1.65% on Friday to flip from oversold to overbought vs recent expectations.

So the Aggregator is back to long. Evidence is very slightly bullish, and the market is oversold. With such little evidence, and nothing active from the last couple of days, I am not inclined to step in front of this selloff ahead of the long weekend with a new index position. There are a few new Catapult triggers for aggressive traders to consider. They are shown in the Catapult section below.

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

New

AVGO – 1/3 @ \$597.19 (buy @ limit)

NFLX – 1/3 @ \$519.20 (buy @ limit)

CL – 1/3 @ \$82.54 (buy @ limit)

Broad Market Large Cap CBI – 3(AVGO, NFLX, CL)

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.

AVGO – Buy 1/3 Catapult positions @ \$579.19 LIMIT. From the Catapult and CBI section above, this is the 1st of up to 3 potential lots of AVGO.

NFLX – Buy 1/3 Catapult positions @ \$519.20 LIMIT. From the Catapult and CBI section above, this is the 1st of up to 3 potential lots of NFLX.

CL – Buy 1/3 Catapult positions @ \$82.54 LIMIT. From the Catapult and CBI section above, this is the 1st of up to 3 potential lots of CL.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
UNH(1/3)	1/7/2022	\$467.69	\$467.43	-0.06%	sell on open

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