

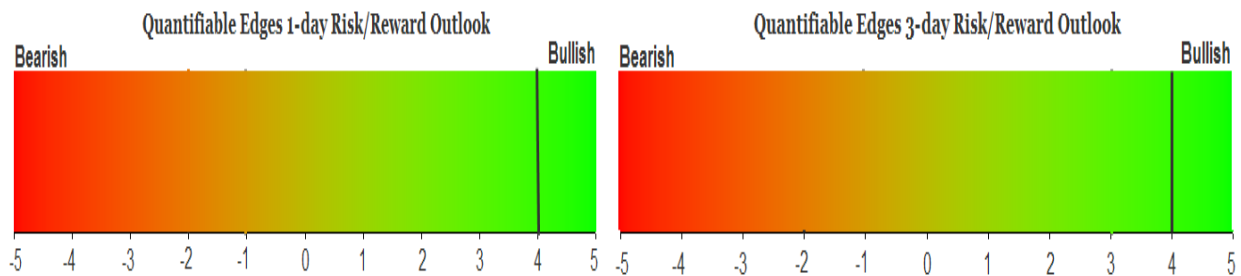
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 28, 2022

Volume 15 Issue 19

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	10

Tonight's Research Points

- The gap up, rally, and then reverse down to a new low suggest a short-term bullish edge.
- Price and breadth are oversold to a degree that suggests a bounce is likely on Friday.

Short-term Outlook

The Bottom Line

Same as yesterday. The Aggregator is bullish. Evidence continues to build. A strong bounce still appears highly probable in the short-term, but market action is abnormal, and that is worth keeping in mind.

The Evidence

More selling Thursday. The SPX closed down 0.5%, the NASDAQ lost 1.4%, and the Russell 2000 dropped 2.3%. Breadth was negative with the NYSE Up Issues % coming in at 28% and the Up Volume % at 30%. NYSE total volume declined for the 3rd day in a row.

One study that triggered tonight was from back in the 3/23/20 letter. It considered SPY's gap up and intraday action, which saw it run higher before reversing and closing at a new low. Stats are updated.

SPY gaps up at least 0.25% and makes a high over 0.5% above the open. It then closes at a 10-day low and in the bottom 25% of its intraday range. 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	30,282.22	16	11	5	68.75	13,737.50	-19,787.04	5,786.65	-6,674.18	0.87	1.91	1,892.64
4	30,057.60	17	10	7	58.82	14,158.80	-17,793.84	5,847.09	-4,059.04	1.44	2.06	1,768.09
3	37,116.20	17	13	4	76.47	10,083.30	-11,623.98	4,020.15	-3,786.45	1.06	3.45	2,183.31
2	37,870.59	17	14	3	82.35	11,736.30	-9,340.86	3,522.38	-3,814.23	0.92	4.31	2,227.68
1	5,352.23	17	10	7	58.82	5,962.50	-5,091.72	1,890.34	-1,935.88	0.98	1.39	314.84

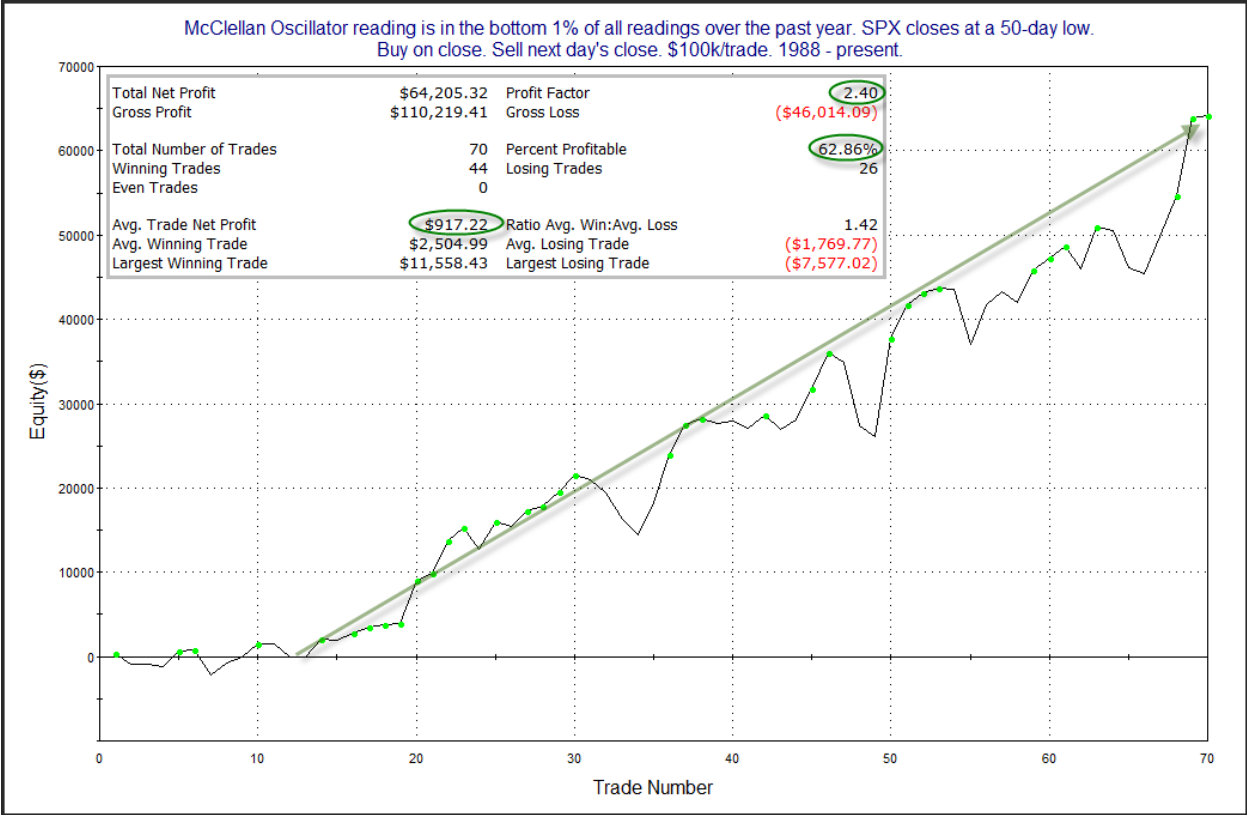
Stats here appear to strongly favor the bulls over the next 1-2 days. Here is a list of all the instances along with their 2-day results.

SPY gaps up at least 0.25% and makes a high over 0.5% above the open. It then closes at a 10-day low and in the bottom 25% of its intraday range. Close < 200ma.
Buy on close. Sell 2 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
9/23/1999	Buy	\$127.88	0.56%	\$1,460.47
9/27/1999	Sell	\$128.59		(\$1,226.17)
2/25/2000	Buy	\$133.33	3.08%	\$3,082.50
2/29/2000	Sell	\$137.44		(\$457.50)
3/14/2000	Buy	\$136.63	7.11%	\$7,463.51
3/16/2000	Sell	\$146.34		(\$416.67)
5/25/2000	Buy	\$137.84	3.38%	\$3,697.50
5/30/2000	Sell	\$142.50		(\$369.75)
10/3/2000	Buy	\$142.63	1.09%	\$1,549.21
10/5/2000	Sell	\$144.19		(\$616.88)
10/31/2001	Buy	\$105.80	3.26%	\$3,383.10
11/2/2001	Sell	\$109.25		(\$349.65)
6/25/2002	Buy	\$97.56	1.92%	\$1,978.25
6/27/2002	Sell	\$99.43		(\$2,429.25)
7/12/2002	Buy	\$91.85	-1.40%	\$598.40
7/16/2002	Sell	\$90.56		(\$4,308.48)
7/23/2002	Buy	\$79.95	5.07%	\$7,375.00
7/25/2002	Sell	\$84.00		(\$2,837.50)
1/8/2008	Buy	\$138.91	1.71%	\$2,796.91
1/10/2008	Sell	\$141.29		(\$869.99)
1/18/2008	Buy	\$132.06	1.36%	\$1,612.41
1/23/2008	Sell	\$133.86		(\$4,587.42)
10/3/2008	Buy	\$110.34	-9.34%	\$0.00
10/7/2008	Sell	\$100.03		(\$9,685.14)
10/9/2008	Buy	\$90.70	11.74%	\$11,736.30
10/13/2008	Sell	\$101.35		(\$7,846.24)
5/26/2010	Buy	\$107.17	2.05%	\$3,386.79
5/28/2010	Sell	\$109.37		\$0.00
12/13/2011	Buy	\$123.05	-0.70%	\$121.80
12/15/2011	Sell	\$122.19		(\$1,282.96)
2/10/2016	Buy	\$185.27	0.73%	\$743.82
2/12/2016	Sell	\$186.63		(\$2,253.02)
3/20/2020	Buy	\$228.80	6.27%	\$6,686.10
3/24/2020	Sell	\$243.15		(\$4,605.98)

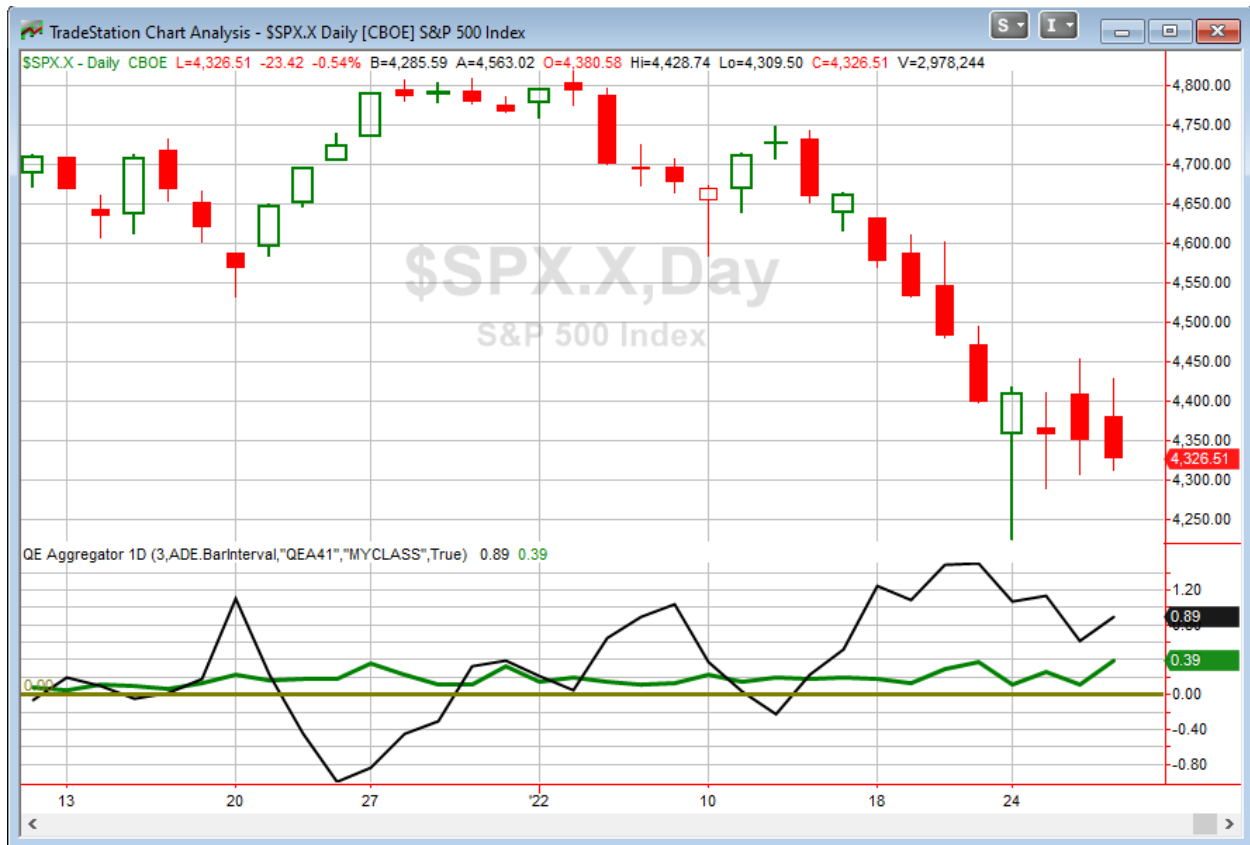
There are some sizable moves shown here, and some interesting dates, including the one at the bottom of the list.

Another study that triggered looked at the exceptionally poor breadth we have seen lately, as shown by the McClellan Oscillator, which in the past week has registered some of the lowest readings of the last 12 months. The study below is one I showed recently in the 1/24/22 letter. I have updated it tonight.



There have been some sizable next-day moves higher after this setup, though the curve is certainly choppy. Still, both breadth a price are oversold and a relief rally is long overdue.

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 far 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. It would take compelling new bearish evidence to change this. Meanwhile, the Differential Pivot will be 4389.07 on Friday. That is 1.4% above Thursday's close. Therefore, SPX will need to close up over 1.4% on Friday to flip from oversold to overbought vs recent expectations.

So the Aggregator is still long. Nothing really changed on Thursday. Evidence has been overwhelmingly suggesting a bounce is (over)due. Yet the market does not care, and the bears have knocked back every attempt at a bounce in the last few weeks. I have a fair amount of long exposure and I will hold onto it for now. With breadth, price and sentiment all overdone, as sharp rally should ensue soon. I intend to lighten up when it arrives.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/24 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

NFLX – 1/3 @ \$519.20 (bought @ limit)

NFLX – 1/3 @ \$397.50 (bought @ limit)

F – 1/3 @ \$20.65 (bought @ limit)

NFLX – 1/3 @ \$387.15 (bought @ limit)

F – 1/3 @ \$20.39 (bought @ limit)

F – 1/3 @ \$19.98 (bought @ limit)

AMGN – 1/3 @ \$222.54 (bought @ limit)

TMO – 1/3 @ \$562.90 (bought @ limit)

New

TMO – 1/3 @ \$553.74 (buy @ limit)

NEE – 1/3 @ \$72.51 (buy @ limit)

Broad Market Large Cap CBI – 10(NFLX-3, F-3, AMGN, TMO-2, NEE)

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.

NEE – Buy 1/3 Catapult position @ \$72.51 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of NEE.

TMO – Buy 1/3 Catapult position @ \$553.74 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of TMO.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>AVGO(1/3)</i>	<i>1/14/2022</i>	<i>\$595.78</i>	<i>\$569.72</i>	<i>-4.37%</i>	<i>sold on open</i>
NFLX(1/3)	1/14/2022	\$517.60	\$386.70	-25.29%	Catapult
<i>AVGO(1/3)</i>	<i>1/18/2022</i>	<i>\$588.32</i>	<i>\$569.72</i>	<i>-3.16%</i>	<i>sold on open</i>
SPY(1/4)	1/18/2022	\$459.74	\$431.24	-6.20%	Aggregator
SPY(1/4)	1/19/2022	\$451.75	\$431.24	-4.54%	Aggregator
<i>AVGO(1/3)</i>	<i>1/19/2022</i>	<i>\$577.79</i>	<i>\$569.72</i>	<i>-1.40%</i>	<i>sold on open</i>
NFLX(1/3)	1/24/2022	\$383.91	\$386.70	0.73%	Catapult
F(1/3)	1/24/2022	\$19.93	\$19.55	-1.91%	Catapult
NFLX(1/3)	1/25/2022	\$379.14	\$386.70	1.99%	Catapult
F(1/3)	1/25/2022	\$20.00	\$19.55	-2.25%	Catapult
<i>BRK.B(1/3)</i>	<i>1/25/2022</i>	<i>\$301.87</i>	<i>\$311.70</i>	<i>3.26%</i>	<i>sold on open</i>
F(1/3)	1/26/2022	\$19.98	\$19.55	-2.15%	Catapult
SPY(1/4)	1/26/2022	\$433.38	\$431.24	-0.49%	Aggregator
AMGN(1/3)	1/27/2022	\$222.40	\$224.00	0.72%	Catapult
TMO(1/3)	1/27/2022	\$562.90	\$553.74	-1.63%	Catapult
KO(1/3)	1/27/2022	\$59.60	\$59.65	0.08%	<i>Sell on open</i>

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