

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 2, 2022

Volume 15 Issue 22

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- 3 days up from a 50-day low is often followed by more rallying.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. So am I.

**The Evidence**

Tuesday saw some solid gains for the indices. The SPX gained 0.7%, the NASDAQ rallied 0.75%, and the Russell 2000 rose 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 73% and the Up Volume % at 78%. NYSE total volume declined some from Monday’s level.

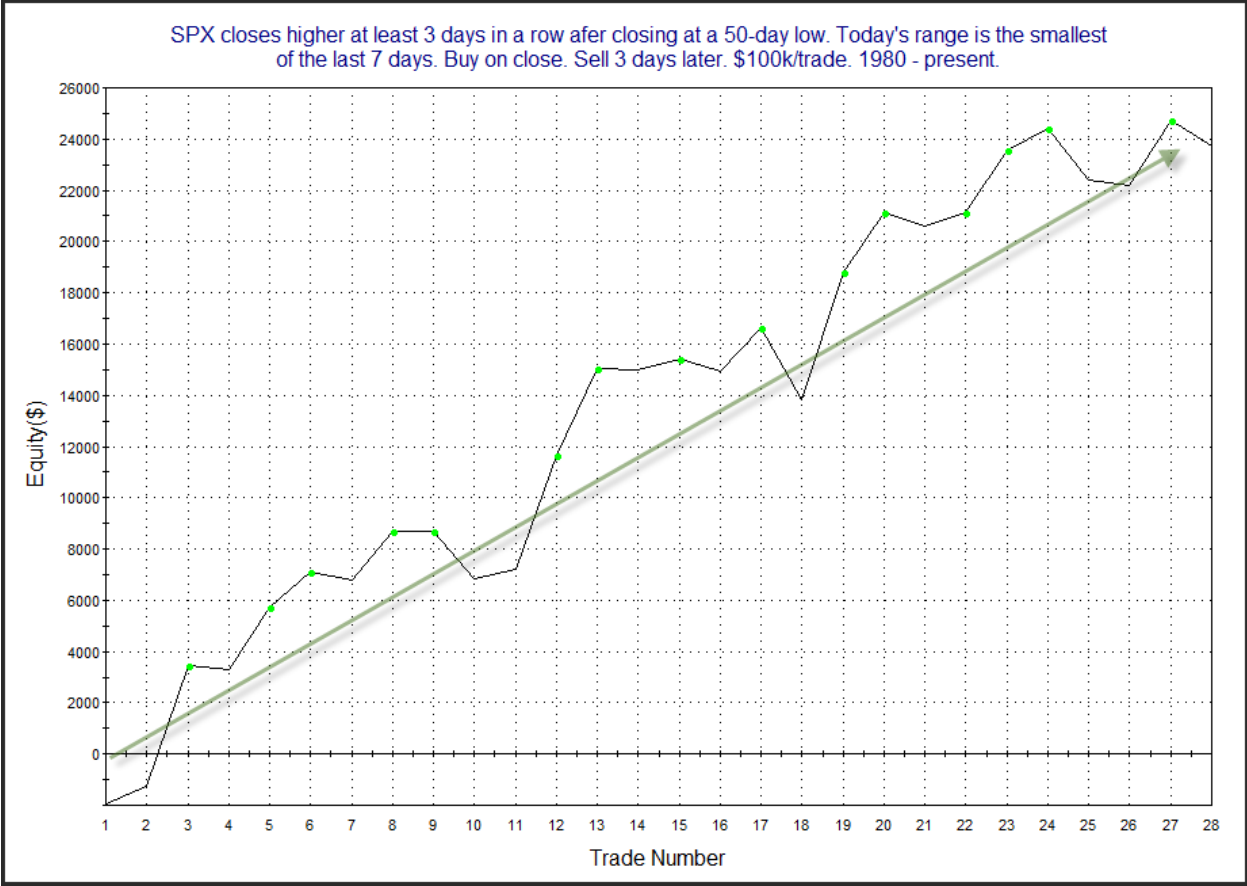
Action on Tuesday did not trigger a whole lot that suggested a compelling edge. But one interesting study looked at other times the SPX posted at least 3 up days from its 50-day low and underwent a volatility contraction. This is updated from the 2/14/18 letter.

SPX closes higher at least 3 days in a row after closing at a 50-day low. Today's range is the smallest of the last 7 days. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	20,303.04	27	19	8	70.37	6,877.04	-3,446.97	1,997.52	-2,206.24	0.91	2.15	751.96
4	17,336.09	27	18	9	66.67	5,068.10	-5,663.22	1,756.05	-1,585.87	1.11	2.21	642.08
3	23,725.25	28	17	11	60.71	4,989.60	-2,830.50	2,071.81	-1,045.05	1.98	3.06	847.33
2	8,351.90	29	18	11	62.07	2,947.84	-5,264.73	1,344.27	-1,440.46	0.93	1.53	288.00
1	202.73	35	20	15	57.14	4,699.94	-8,883.33	873.02	-1,150.52	0.76	1.01	5.79

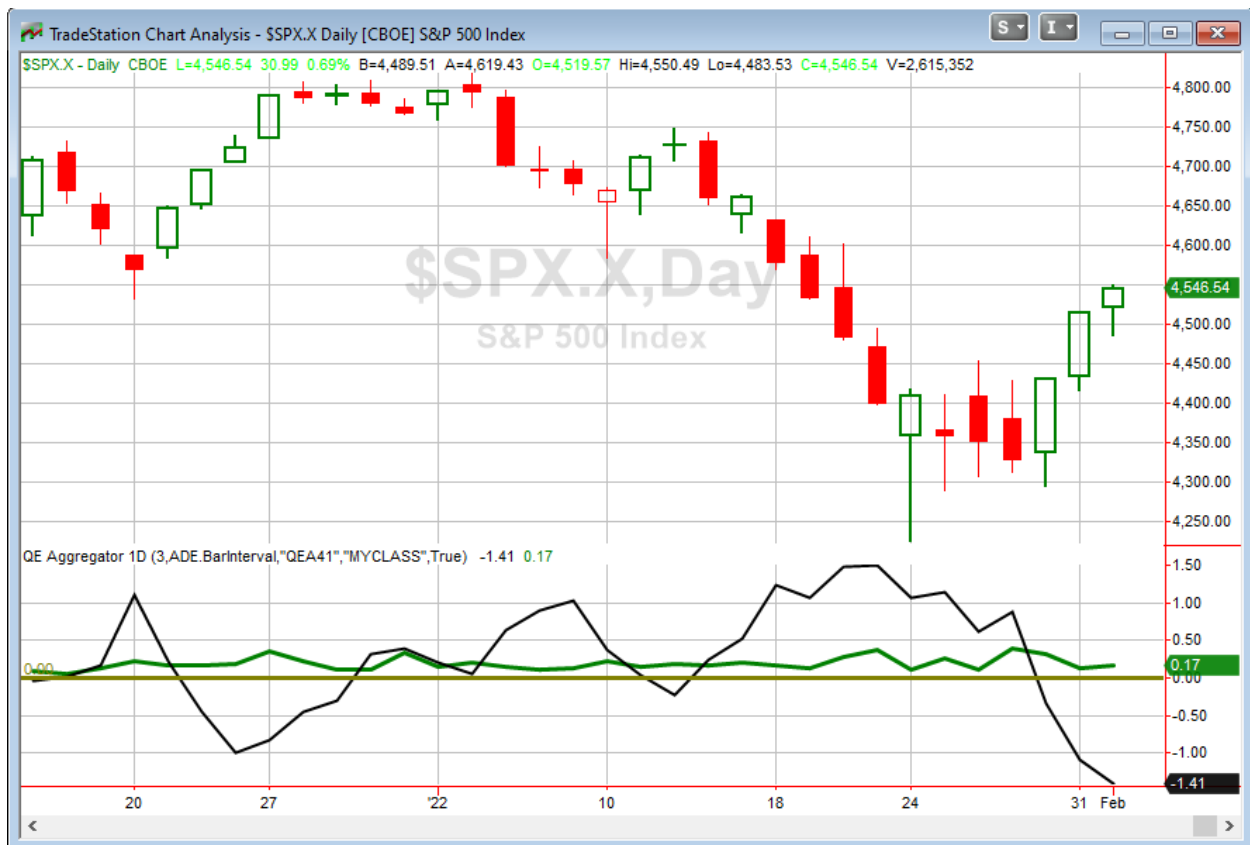
94% of instances closed above the entry price at some point in the next week.

Results here appear to suggest a moderate upside edge. The consistency noted at the bottom of the table is also impressive. Below is a profit curve that assumes a 3-day holding strategy.



The consistency of the curve serves as confirmation of the bullish inclination.

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 remained below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is strongly overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current studies on the active list, expectations are scheduled to remain positive on Wednesday. It would take compelling new bearish evidence to change this. Meanwhile, the Differential Pivot will be 4466.87 on Wednesday. That is 1.75% below Tuesday's close. Therefore, SPX will need to close down a sizable 1.75% on Wednesday to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. The market is strongly overbought for the short-term, but evidence is still suggesting higher is the more likely direction. I don't see a good reason to get involved with new positions right here. I'll continue to wait for a more compelling opportunity to emerge.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/31 – neutral*

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### *Open Catapult Triggers*

None

*Broad Market Large Cap CBI – 0*

## **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
NFLX(1/3)	1/14/2022	\$517.60	\$432.96	-16.35%	<i>sold on open</i>
NFLX(1/3)	1/24/2022	\$383.91	\$432.96	12.78%	<i>sold on open</i>
F(1/3)	1/24/2022	\$19.93	\$20.61	3.41%	<i>sold on open</i>
NFLX(1/3)	1/25/2022	\$379.14	\$432.96	14.20%	<i>sold on open</i>
F(1/3)	1/25/2022	\$20.00	\$20.61	3.05%	<i>sold on open</i>
F(1/3)	1/26/2022	\$19.98	\$20.61	3.15%	<i>sold on open</i>
SPY(1/4)	1/26/2022	\$433.38	\$450.68	3.99%	<i>sold on open</i>
TMO(1/3)	1/27/2022	\$562.90	\$588.30	4.51%	<i>sold on open</i>
TMO(1/3)	1/28/2022	\$553.74	\$588.30	6.24%	<i>sold on open</i>
NEE(1/3)	1/28/2022	\$72.32	\$78.04	7.91%	<i>sold on open</i>

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