

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 3, 2022

Volume 15 Issue 23

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- FB could open down big on Thursday. If it does, it would probably NOT be a great time to buy into it.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. So am I.

The Evidence

Wednesday saw mixed results for the indices. The SPX gained 0.9%, the NASDAQ rose 0.5%, and the Russell 2000 declined 1.0%. Breadth was negative with the NYSE Up Issues % coming in at 44% and the Up Volume % at 47%. NYSE total volume declined some from Tuesday's level.

We had a few repeat studies trigger in the Quantifinder, but nothing new and compelling tonight. So I decided to take a break from regular programming and study setups similar to what FB is looking at tomorrow morning.

FB came out with earnings after the close, and they were *not* well received. It was trading down about 22% after hours. I decided to look back at other times when an NDX constituent stock that was already in a downtrend (below its 200ma) saw a gap down open of more than 20%. (If you've been paying attention, you may recall that NFLX and PYPL both pulled this trick in recent weeks as well.) Open to close results are shown below.

Yesterday an NDX constituent closes below its 200ma
and today it gaps down over 20%.
Buy on open. Sell on close. 2006 - present.

Symbol	Date	Price	Ex. Price	% chg
EXPE	5/12/2006	14.07896	13.52886	-3.91%
RHT-201907	9/27/2006	20.88	20.21	-3.21%
WFM-201708	11/3/2006	23.23359	22.63183	-2.59%
LEAP-201403	11/9/2007	40.43	36.72	-9.18%
CDNS	1/31/2008	10.94	10.15	-7.22%
APOL-201702	3/28/2008	44.38	41.21	-7.14%
NVDA	7/3/2008	3.245	3.1225	-3.78%
SNDK-201605	7/22/2008	14.28	13.62	-4.62%
CDNS	7/24/2008	7.26	7.11	-2.07%
SIRI	7/29/2008	1.472924	1.55148	5.33%
BB	9/26/2008	77.01	70.76	-8.12%
SNDK-201605	10/22/2008	10.46	10.09	-3.54%
FMCN-201305	11/11/2008	9.34	8.83	-5.46%
APOL-201702	10/14/2010	38.76	38	-1.96%
BB	9/16/2011	22.81	23.93	4.91%
ILMN	10/7/2011	25.74	27.18	5.59%
NFLX	10/25/2011	10.69999	11.05285	3.30%
GMCR-201603	11/10/2011	47	40.89	-13.00%
GMCR-201603	5/3/2012	29.52	25.87	-12.36%
NFLX	7/25/2012	9.172848	8.61142	-6.12%
GMCR-201603	8/6/2015	53.92	52.67	-2.32%
ENDP	5/6/2016	17.4	16.17	-7.07%
INCY	4/6/2018	65.99	64.02	-2.99%
ALGN	10/25/2018	231.23	232.07	0.36%
KHC	2/22/2019	35.85	34.95	-2.51%
BIIB	3/21/2019	230.07	226.88	-1.39%
PTON	11/5/2021	57.13	55.64	-2.61%
DOCU	12/3/2021	154.8	135.09	-12.73%
NFLX	1/21/2022	400.425	397.5	-0.73%
PYPL	2/2/2022	139.89	132.57	-5.23%

Summary Statistics

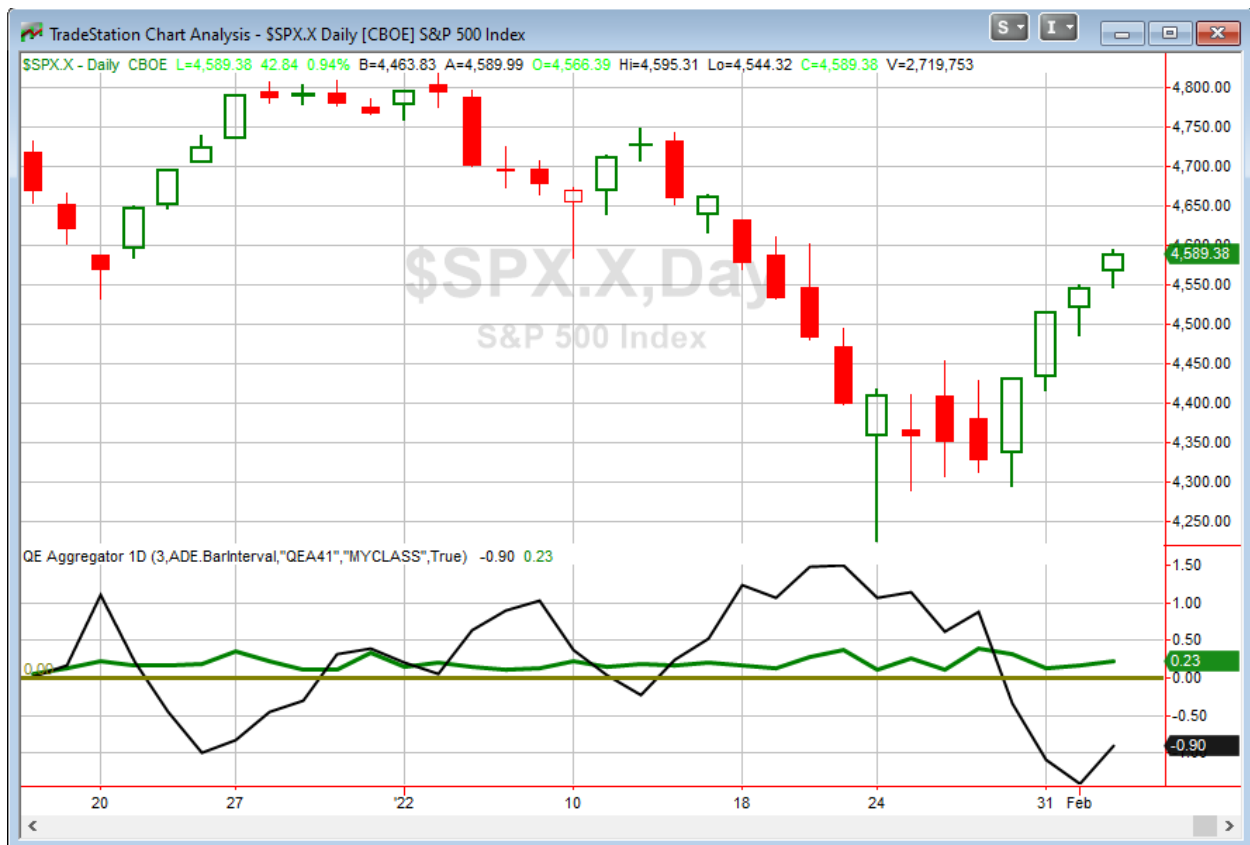
All trades	30
Avg. Profit/Loss %	-3.89%
Winners	5 (16.67 %)
Avg. Profit %	3.56%
Max. Consecutive	3
Losers	25 (83.33 %)
Avg. Loss %	-5.38%
Max. Consecutive	9

Some traders might believe that FB is a bargain at the open Thursday morning. Similar setups in the past have NOT been a bargain. More pain was typically felt. I also looked at results over the next couple of weeks.

Yesterday an NDX constituent closes below its 200ma and today it gaps down over 20%. Buy on open. Sell on close X days later. 2006 - present.											
X Days	Net Profit	# Trades	# of winners	# of losers	% of Winners	W. Avg. Profit	L. Avg. Loss	Profit Factor	Avg % Profit/Loss	Avg Profit/Loss	Net % Profit
10	-1,317.00	30	12	18	40.00	56.60	-110.90	0.34	-4.39	-43.90	-1.32
9	-1,216.61	30	12	18	40.00	61.31	-108.46	0.38	-4.06	-40.55	-1.22
8	-1,536.30	30	10	20	33.33	58.90	-106.27	0.28	-5.12	-51.21	-1.54
7	-1,315.05	30	9	21	30.00	86.54	-99.71	0.37	-4.38	-43.83	-1.32
6	-1,760.21	30	9	21	30.00	63.07	-110.85	0.24	-5.87	-58.67	-1.76
5	-1,615.02	30	9	21	30.00	53.56	-99.86	0.23	-5.38	-53.83	-1.62
4	-1,678.28	30	7	23	23.33	57.74	-90.54	0.19	-5.59	-55.94	-1.68
3	-1,830.18	30	7	23	23.33	28.77	-88.33	0.10	-6.10	-61.01	-1.83
2	-1,672.65	30	7	23	23.33	31.03	-82.17	0.11	-5.58	-55.75	-1.67
1	-1,507.24	30	6	24	20.00	39.98	-72.80	0.14	-5.02	-50.24	-1.51
0	-1,169.93	30	5	25	16.67	35.44	-53.88	0.13	-3.90	-39.00	-1.17

The average trade never gets profitable during the 2-week period. FB does not appear to be a great buy candidate based on this simple analysis.

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 Thursday. It would take compelling new bearish evidence to change this. Meanwhile, the Differential Pivot will be 4552.88 on Thursday. That is 0.8% below Wednesday's close. Therefore, SPX will need to close down at least 0.8% on Thursday to flip from overbought to oversold vs recent expectations.

So the Aggregator is again neutral. And I don't see a strongly compelling setup, unless you are very nimble and brave and decide to short FB or a quick profit on Thursday if it gaps down 20% or more. I'll continue to wait for a more favorable reward/risk opportunity before looking to take on any new index positions.

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

None

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