

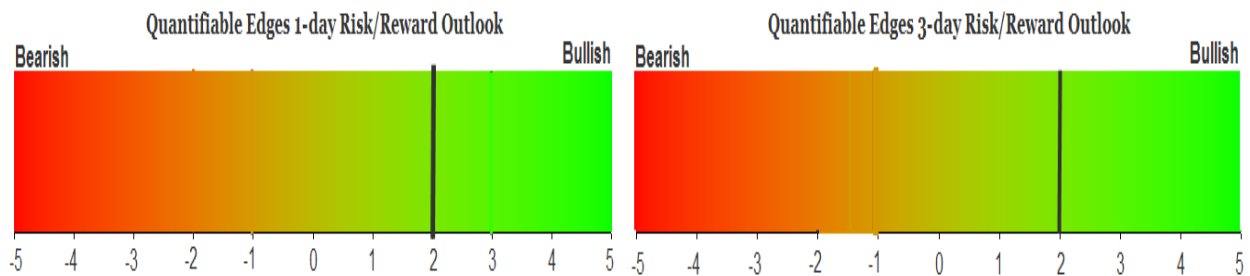
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 18, 2022

Volume 15 Issue 34

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- The strong and broad selloff to new lows suggests a bounce over the next few days.

Short-term Outlook

The Bottom Line

Evidence is moderately bullish. The market is strongly oversold, but it is also volatile heading into a weekend with geopolitical tensions high.

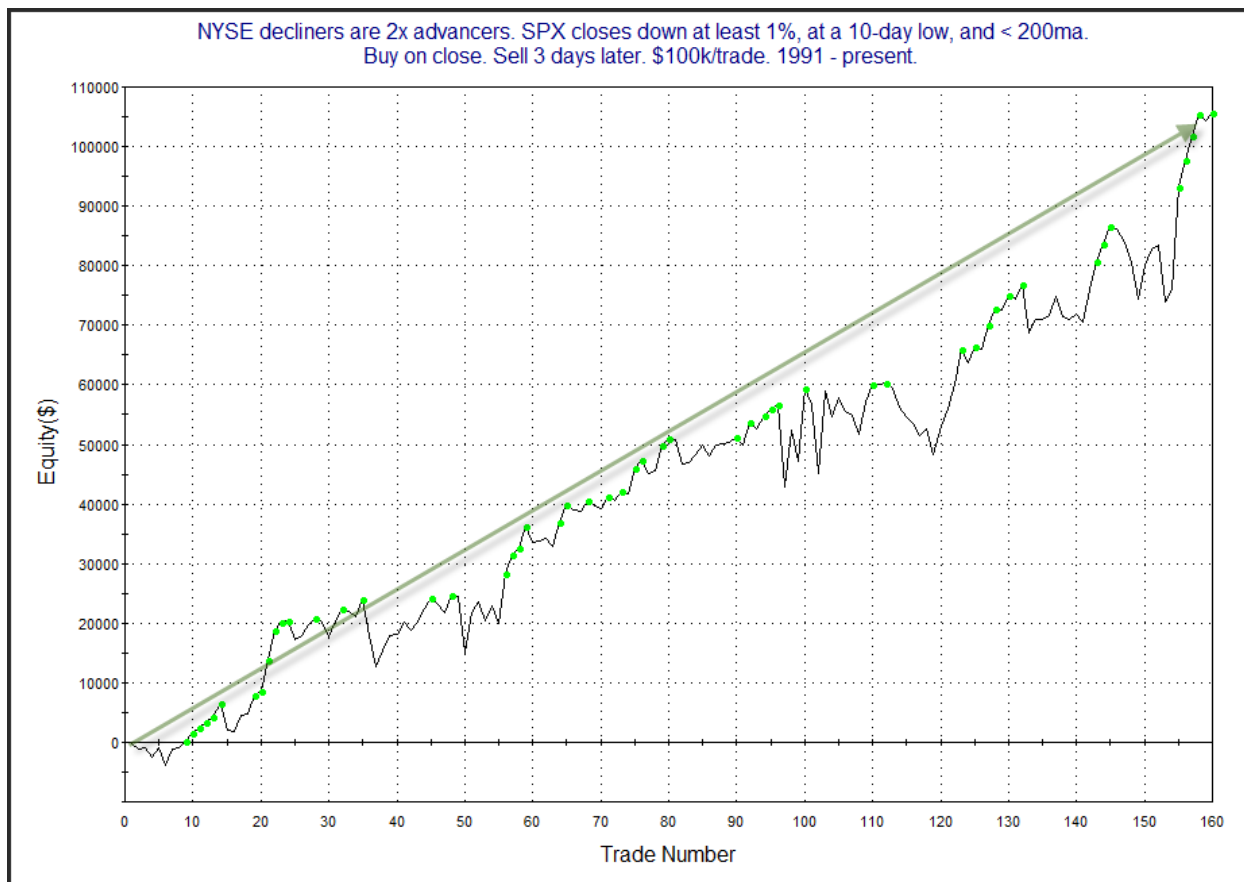
The Evidence

Thursday saw some sizable selloffs. The SPX closed down 2.1%, the NASDAQ declined 2.9%, and the Russell 2000 dropped 2.5%. Breadth was negative with the NYSE Up Issues % coming in at 26% and the Up Volume % at 23%. NYSE total volume rose some from Wednesday's level.

There were a few studies tonight that noted some combination of the poor breadth, the big drop, and the short-term lows. I combined a few and generated the study below.

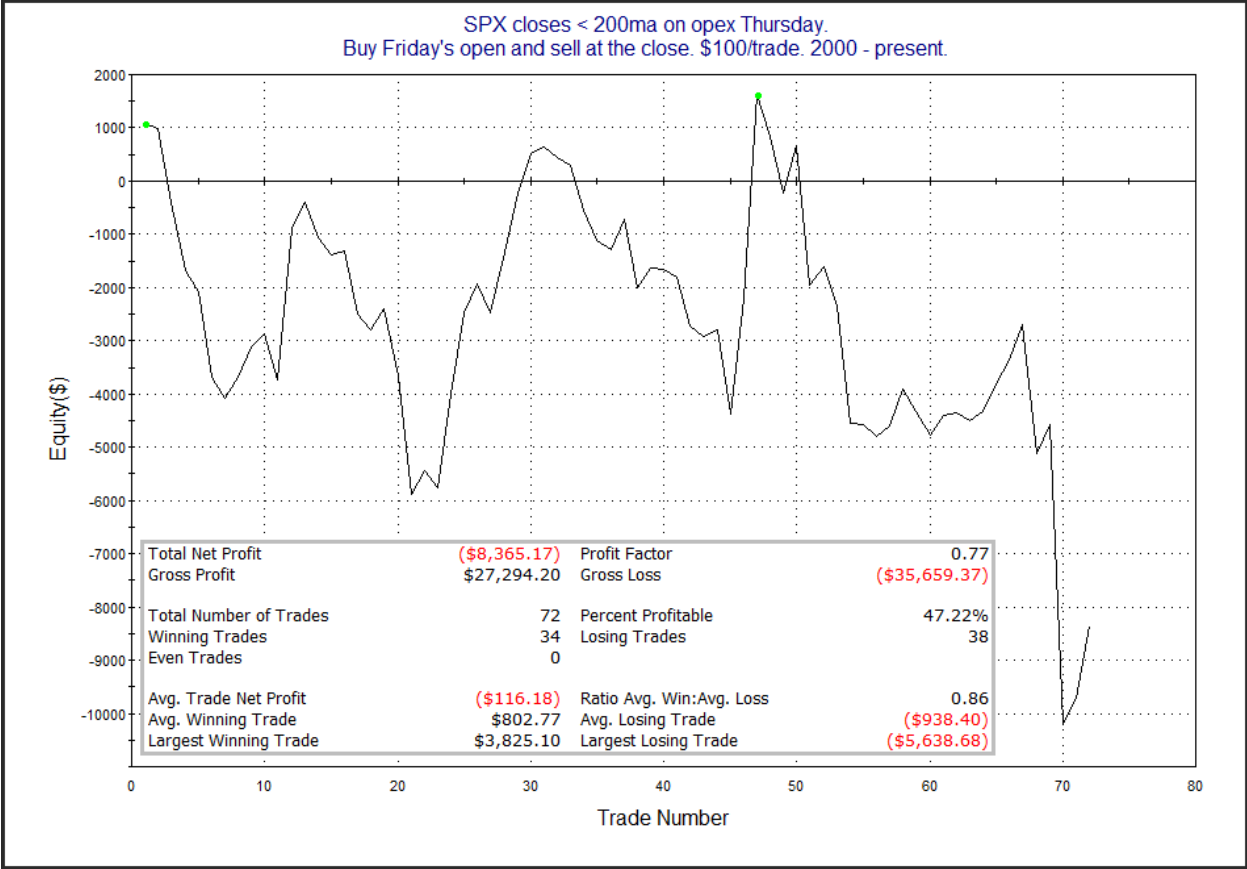
NYSE decliners are 2x advancers. SPX closes down at least 1%, at a 10-day low, and < 200ma. Buy on close. Sell X days later. \$100k/trade. 1991 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	94,517.39	128	78	50	60.94	17,127.00	-12,975.48	3,030.66	-2,837.49	1.07	1.67	738.42
4	46,520.11	139	81	58	58.27	13,379.08	-14,820.98	2,486.86	-2,670.95	0.93	1.30	334.68
3	105,601.42	160	97	63	60.63	17,277.48	-13,815.18	2,789.82	-2,619.23	1.07	1.64	660.01
2	64,751.55	178	102	76	57.30	10,479.04	-8,657.72	2,020.16	-1,859.28	1.09	1.46	363.77
1	71,268.28	206	119	87	57.77	10,716.03	-9,386.64	1,713.99	-1,525.24	1.12	1.54	345.96

Results are not overwhelming, but I thought they were strong enough to merit a look at the profit curves. Below is a look at the 3-day curve.



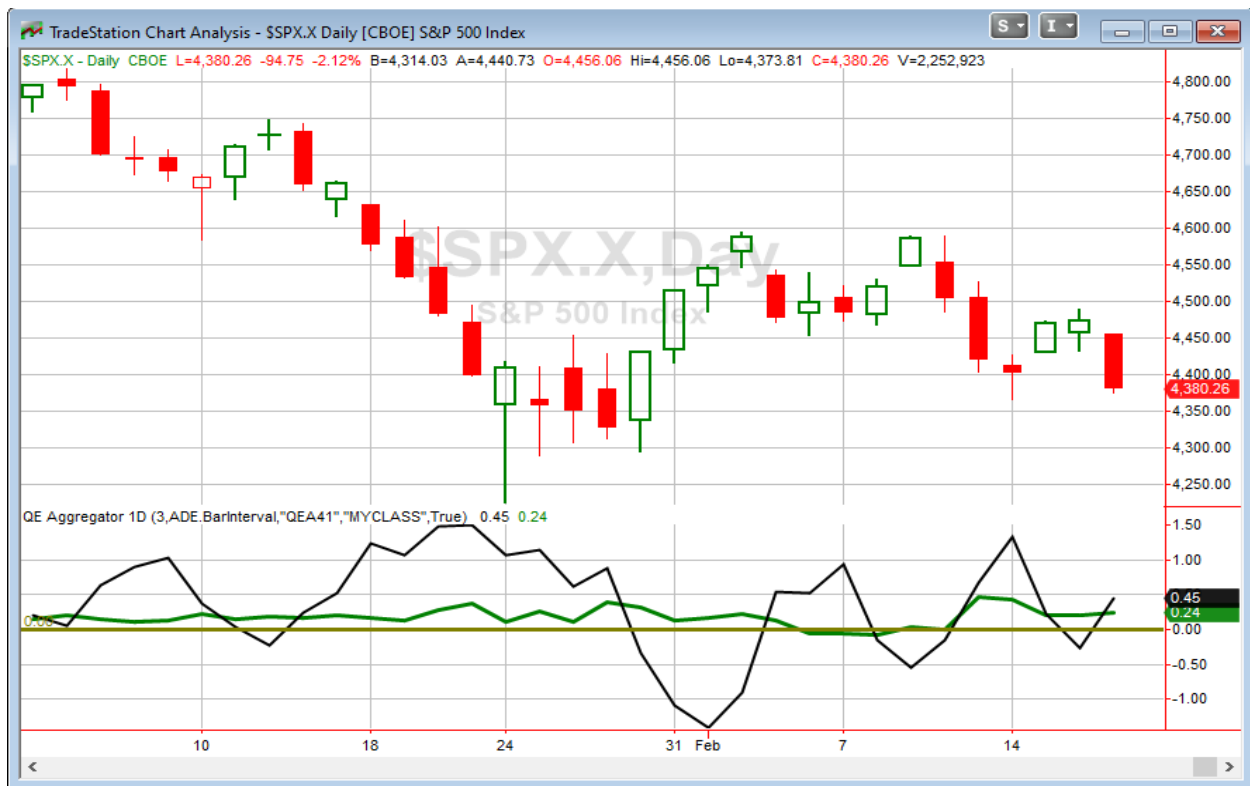
While choppy, the move has persisted from lower left to upper right for a very long time. Overall this study appears to be worth some consideration. I have added it to the active list tonight.

Of course Friday is monthly options expiration. I have shown many times in the past that opex Friday often sees intraday selling when the market is above the 200ma. What about below it?



Results are not consistent but they also are not good.

I have updated [the Aggregator chart](#) below.



With Thursday's evidence considered, the green Aggregator line closed above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line rose 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 active list, expectations are set to remain positive on Friday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4517.83 on Friday. That is a massive 3.1% above Thursday's close. So SPX will need to close up at least 3.1% on Friday to turn overbought. Not likely. This will probably take a few days to work off the oversold condition.

The Aggregator is bullish. I don't love the setup. The evidence is only showing a moderate upside edge. And with the market this volatile, and opex Friday often seeing intraday trouble, I don't think I want to get involved in a new index position right before a 3-day weekend with geopolitical tensions high. On the other hand, more strong selling on Friday could get me interested. Fridays often see overreactions because people are worried they can't get out for a few days. So I will take on a small lot at the close on Friday, but only if we see a substantial selloff. Otherwise, I'll wait until Tuesday to take on any new index trades. There are a few new Catapults that triggered.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/14 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

GILD – 1/3 @ \$63.76 (bought @ limit)

GILD – 1/3 @ \$63.70 (bought @ limit)

GILD – 1/3 @ \$63.38 (bought @ limit)

TMO – 1/3 @ \$556.67 (bought @ limit)

TMO – 1/3 @ \$550.35 (bought @ limit)

New

TMO – 1/3 @ \$540.54 (buy @ limit)

AMT – 1/3 @ \$228.67 (buy @ limit)

MMM – 1/3 @ \$148.64 (buy @ limit)

Broad Market Large Cap CBI – 8(GILD-3, TMO-3, AMT, MMM)

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.

TMO – Buy 1/3 Catapult position @ \$540.54 LIMIT. From the Catapult section above, this is the 3rd and final lot of TMO.

AMT – Buy 1/3 Catapult position @ \$228.67 LIMIT. From the Catapult section above, this is the 1st of up to 3 lots of AMT.

MMM – Buy 1/3 Catapult position @ \$148.64 LIMIT. From the Catapult section above, this is the 1st of up to 3 lots of MMM.

SPY – Buy ¼ index position @ \$430.50 LIMIT ON CLOSE. Based on the short-term outlook above, I'll be a buyer at the close if we see a big down day on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
GILD(1/3)	2/8/2022	\$63.76	\$61.29	-3.87%	Catapult
GILD(1/3)	2/9/2022	\$63.70	\$61.29	-3.78%	Catapult
GILD(1/3)	2/10/2022	\$63.00	\$61.29	-2.71%	Catapult
TMO(1/3)	2/17/2022	\$550.80	\$540.54	-1.86%	Catapult
TMO(1/3)	2/17/2022	\$550.35	\$540.54	-1.78%	Catapult

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