

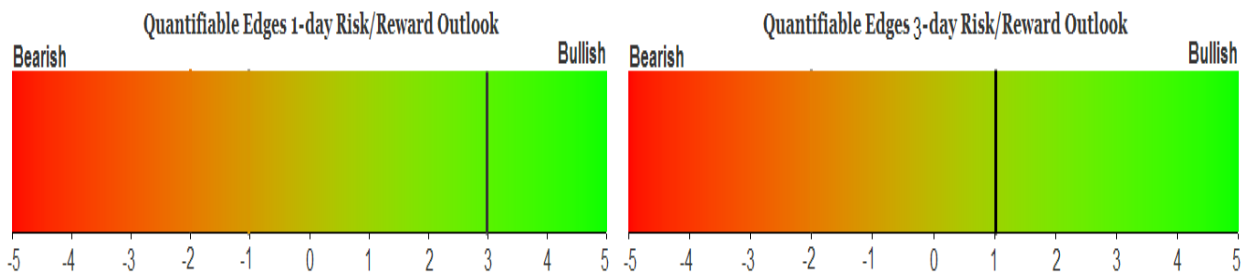
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 8, 2022

Volume 15 Issue 44

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- A few Turnaround Tuesday setups are suggesting a good chance of a strong bounce on Tuesday.

Short-term Outlook

The Bottom Line

High risk and perhaps high reward. There appears to be an upside edge. I think it is worth a shot with a small position if I can get a favorable fill.

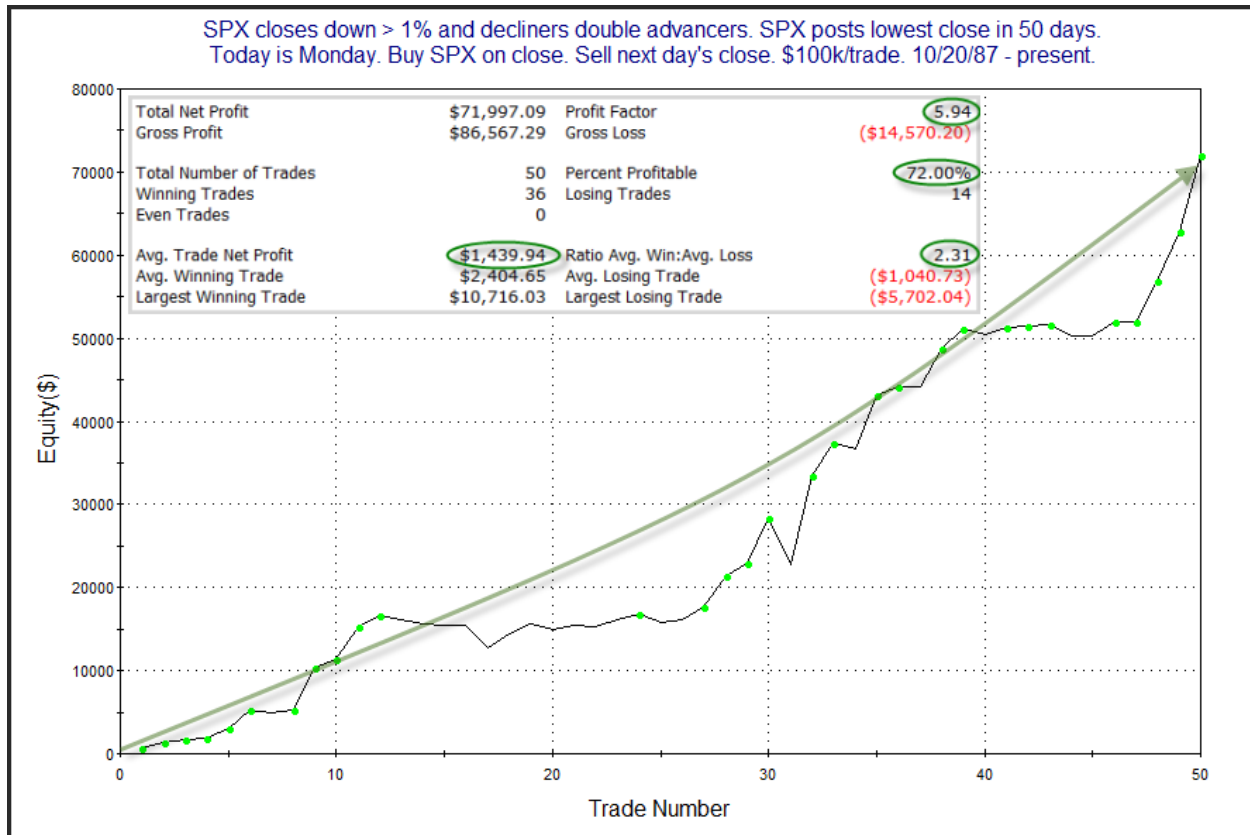
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 8, 2022	Up Issue < 33%. Dn 1% 50-day low. Mon	1 day	Bullish			
March 8, 2022	Up Issue < 33% 2x. Monday	1 day	Bullish			
Active - Long Term						
February 22, 2022	CBI hits 10. SPX < 200ma.	1-17 days	Bullish	6.70%	-3.80%	-7.80%
November 8, 2021	QE4 tapering	int term	Bullish but Weakening			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			

The Evidence

Monday saw big selling. The SPX fell 2.95%, the NASDAQ dropped 3.6%, and the Russell 2000 declined 2.5%. Breadth was negative with the NYSE Up Issues % coming in at 21% and the Up Volume % at 31%. NYSE total volume rose a good bit from Friday’s level.

There were several studies that triggered on Monday that noted Tuesday is the best day of the week for a potential bounce off a decline. Below are a couple of the most relevant and compelling ones. This first one used the weak breadth, the Turnaround Tuesday, and also looked for a 50-day low for SPX. It was last seen in the 12/18/18 letter and has been updated below.

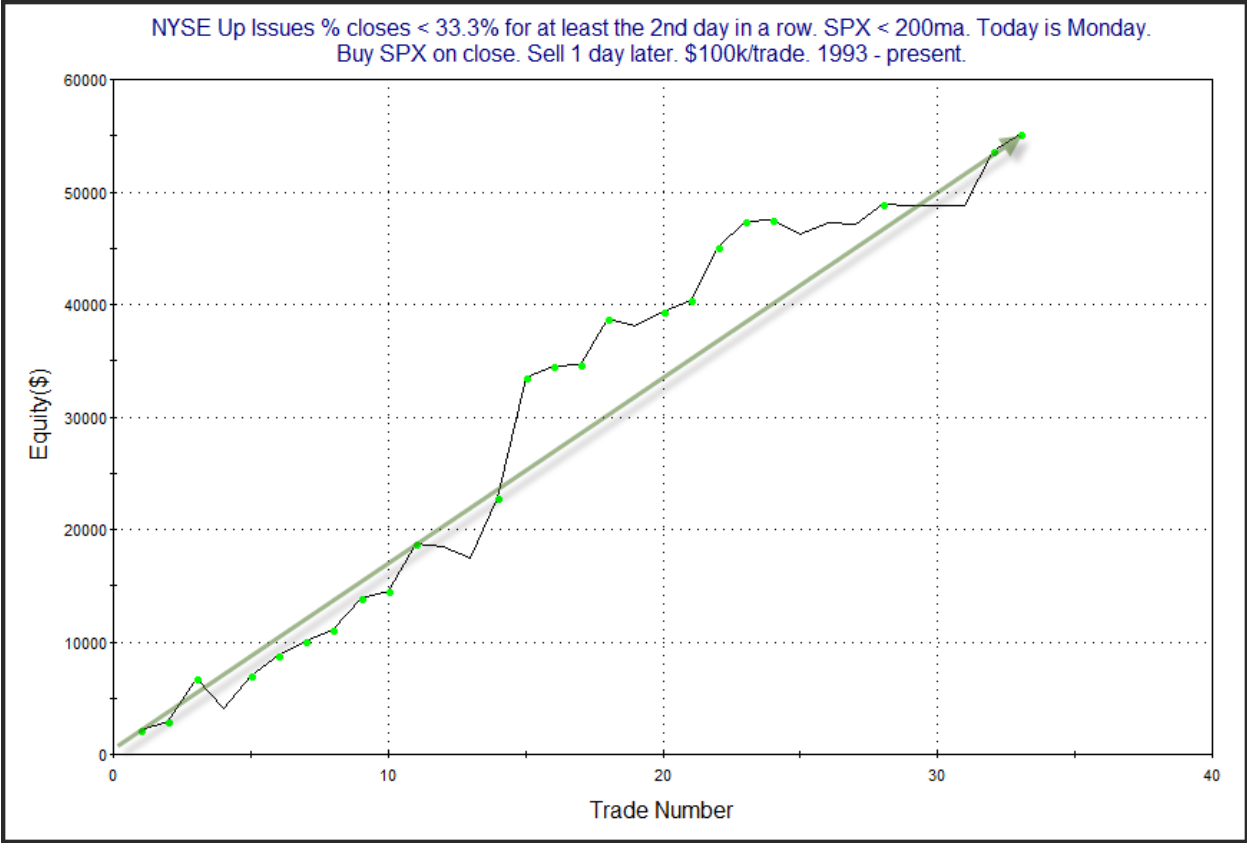


The edge has appeared strong for a long time, and it has appeared especially strong in recent instances. I have included this study on the active list tonight.

In the 2/15/22 letter I showed another Turnaround Tuesday related study. It required the Up Issues % close below 33.3% for at least the 2nd day in a row. Results are updated.

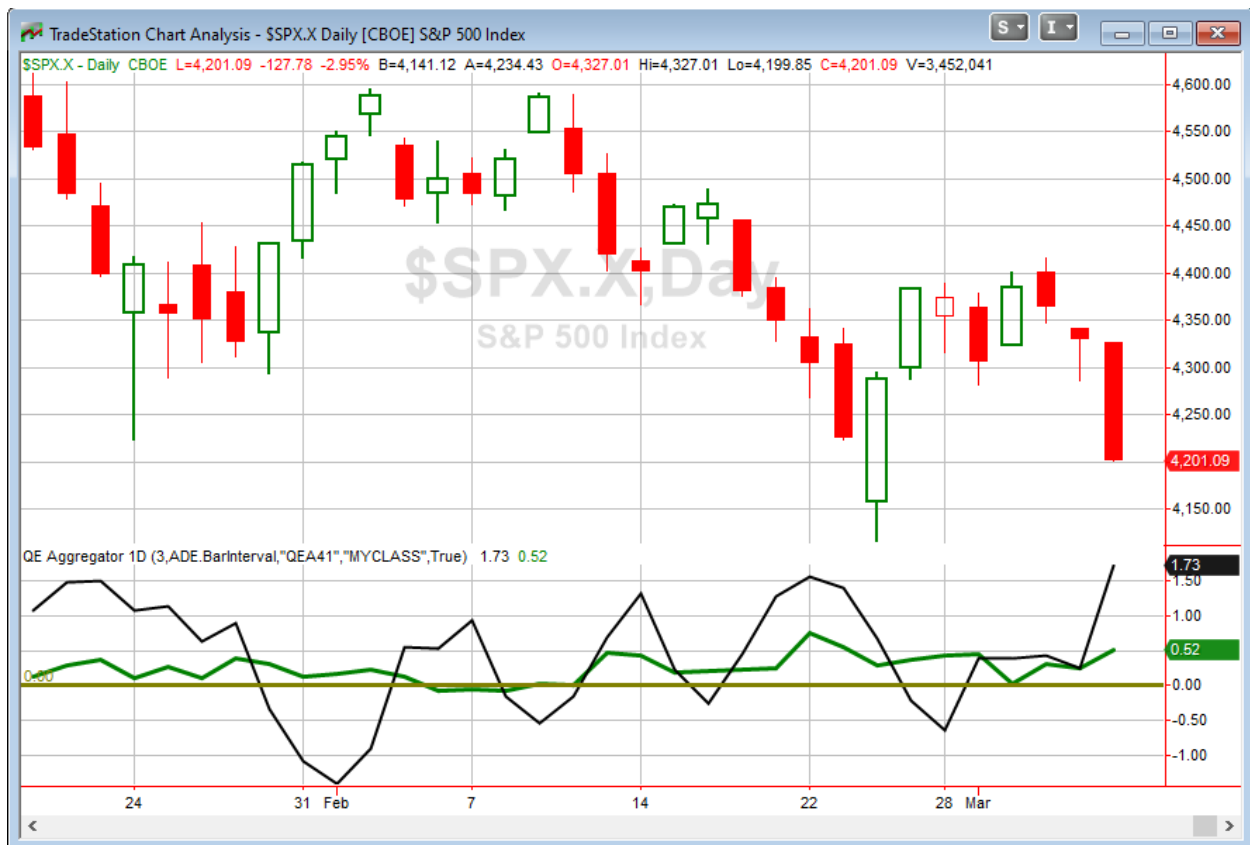
NYSE Up Issues % closes < 33.3% for at least the 2nd day in a row. SPX < 200ma. Today is Monday. Buy SPX on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	50,663.97	33	21	12	63.64	13,733.46	-12,975.48	4,874.26	-4,307.96	1.13	1.98	1,535.27
4	59,739.90	33	22	11	66.67	14,020.11	-5,934.24	3,856.85	-2,282.80	1.69	3.38	1,810.30
3	39,232.21	33	23	10	69.70	12,304.89	-11,502.27	3,231.75	-3,509.81	0.92	2.12	1,188.85
2	46,585.30	33	24	9	72.73	9,496.89	-5,167.89	2,479.19	-1,435.02	1.73	4.61	1,411.68
1	55,167.68	33	25	8	75.76	10,716.03	-2,680.15	2,457.03	-782.27	3.14	9.82	1,671.75
All 33 instances closed above the entry price at some point in the next 4 days.												

This appears to have been a powerful combination. The curve below assumes a 1-day holding period (Turnaround Tuesday.)



Here we see a strong, consistent upslope that confirms the bullish tendency.

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



With tonight's studies 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 far above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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.

With the last of the short-term studies set to expire, and the intermediate-term outlook neutral, expectations are set to turn flat on Tuesday. Any new evidence that emerges will change this. With the market so strongly oversold already, I would expect additional bullish evidence will likely emerge if there is further selling. Meanwhile, the Differential Pivot will be 4392.07 on Tuesday. That is a whopping 4.5% above Monday's close. So SPX will need to close up at least 4.5% on Tuesday in order to flip from oversold to overbought vs expectations. I don't see that happening. A more likely scenario for working off the extremely oversold condition would be a multi-day rally or consolidation.

So the Aggregator is bullish. And there is a ton of room to the upside before SPX would turn overbought. But expectations are set to turn neutral if more bullish evidence does not emerge. And risks are certainly high with the huge volatility the market is currently experiencing. So it appears

to be a high risk, but potentially high reward scenario. I will look to take on some long index exposure, but only if I can get a very favorable fill at either the open or the close. And if I get a good fill at the open and the market closes positive, then I'll say a quick "thank you" and get out at the close. I'm not going to mess around with big positions in this environment, but today's evidence appeared compelling enough to take some exposure if I get a very favorable entry. So that is my plan for Tuesday. I'll have another plan tomorrow night.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/7 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

PM – 1/3 @ \$102.79 (bought @ limit)

New

PYPL – 1/3 @ \$93.61 (buy @ limit)

NFLX – 1/3 @ \$350.26 (buy @ limit)

Broad Market Large Cap CBI – 3(PM, PYPL, NFLX)

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.

SPY – Buy ¼ index position @ \$417.50 LIMIT ON OPEN. If not filled on open, cancel order and look to purchase @ \$419.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take a long position if I can get a favorable fill at either the open or the close on Tuesday. *If filled at the open, I will look to sell @ \$419.44 LIMIT ON CLOSE.*

PYPL – Buy 1/3 Catapult position @ \$93.61 LIMIT. From the Catapult section above, this is the 1st of up to 3 lots of PYPL.

NFLX – Buy 1/3 Catapult position @ \$350.26 LIMIT. From the Catapult section above, this is the 1st of up to 3 lots of NFLX.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
PM(1/3)	3/1/2022	\$101.07	\$93.20	-7.79%	Catapult

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