

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 9, 2022

Volume 15 Issue 45

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	5

Tonight's Research Points

- The market is strongly oversold but evidence is lacking.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. While I suspect a bounce is likely soon, there is not great evidence emerging to support my hypothesis.

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						
None						
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

Tuesday saw some wild back and forth. And in the end it finished mixed. The SPX fell 0.7%, the NASDAQ dropped 0.3%, and the Russell 2000 rose 0.6%. Breadth was positive with the NYSE Up Issues % coming in at 51% and the Up Volume % at 52.5%. NYSE total volume rose a good bit from Monday's level.

Despite closing down again and being extremely oversold, I am not seeing compelling evidence tonight suggesting an immediate bounce is a high probability. There was one study that looked at 4 lower closes on a Tuesday. It appeared to show fairly strong stats. But I examined the study using a 200-day average as a filter. During downtrends, the apparent edge was quite questionable. Here is a look at the study:

SPX closes lower for the 4th day in a row. It is Tuesday. Close < 200ma. 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
10	20,420.54	13	11	2	84.62	7,733.75	-4,415.04	2,385.61	-2,910.57	0.82	4.51	1,570.81
9	18,159.00	13	11	2	84.62	4,612.50	-3,057.60	2,059.63	-2,248.44	0.92	5.04	1,396.85
8	22,335.39	13	10	3	76.92	8,317.50	-3,575.04	2,788.66	-1,850.41	1.51	5.02	1,718.11
7	20,085.57	13	10	3	76.92	10,870.00	-4,817.12	2,843.64	-2,783.61	1.02	3.41	1,545.04
6	21,806.96	13	9	4	69.23	14,240.00	-2,605.12	3,217.45	-1,787.52	1.80	4.05	1,677.46
5	18,113.09	13	9	4	69.23	13,135.00	-3,256.96	2,848.52	-1,880.89	1.51	3.41	1,393.31
4	16,208.08	13	8	5	61.54	12,657.50	-4,495.68	2,965.77	-1,503.61	1.97	3.16	1,246.78
3	8,306.53	13	9	4	69.23	6,892.50	-2,936.64	1,658.19	-1,654.30	1.00	2.26	638.96
2	3,773.35	13	7	6	53.85	5,122.50	-1,661.08	1,231.92	-808.35	1.52	1.78	290.26
1	5,685.15	13	5	8	38.46	5,716.25	-1,037.12	1,975.99	-524.35	3.77	2.36	437.32

Instances are a bit low, but the numbers look quite strong. My hesitation comes when looking at the individual instances.

SPX closes lower for the 4th day in a row. It is Tuesday. Close < 200ma.
Buy on close. Sell 5 days later. \$100k/trade. 1980 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/25/1980	Buy	\$99.19	3.01%	\$4,122.72
4/1/1980	Sell	\$102.18		(\$4,999.68)
6/2/1981	Buy	\$130.62	1.03%	\$2,340.90
6/9/1981	Sell	\$131.97		(\$1,415.25)
2/21/1984	Buy	\$154.64	1.41%	\$3,191.24
2/28/1984	Sell	\$156.82		(\$1,621.46)
4/3/1984	Buy	\$157.66	-1.14%	\$285.30
4/10/1984	Sell	\$155.87		(\$2,244.36)
6/26/1984	Buy	\$152.71	0.65%	\$895.98
7/3/1984	Sell	\$153.70		(\$922.14)
10/6/1992	Buy	\$407.17	0.52%	\$847.70
10/13/1992	Sell	\$409.30		(\$1,166.20)
11/22/1994	Buy	\$450.08	0.80%	\$1,565.10
11/30/1994	Sell	\$453.69		(\$1,309.80)
12/11/2001	Buy	\$1,136.76	0.54%	\$725.58
12/18/2001	Sell	\$1,142.92		(\$1,934.01)
5/7/2002	Buy	\$1,049.49	4.55%	\$4,580.90
5/14/2002	Sell	\$1,097.28		\$0.00
7/23/2002	Buy	\$797.70	13.17%	\$14,013.75
7/30/2002	Sell	\$902.78		(\$2,752.50)
1/21/2003	Buy	\$887.62	-3.28%	\$294.56
1/28/2003	Sell	\$858.54		(\$4,857.44)
8/24/2010	Buy	\$1,051.87	-0.24%	\$1,267.30
8/31/2010	Sell	\$1,049.33		(\$1,156.15)
11/13/2018	Buy	\$2,722.18	-2.95%	\$886.32
11/20/2018	Sell	\$2,641.89		(\$3,263.76)

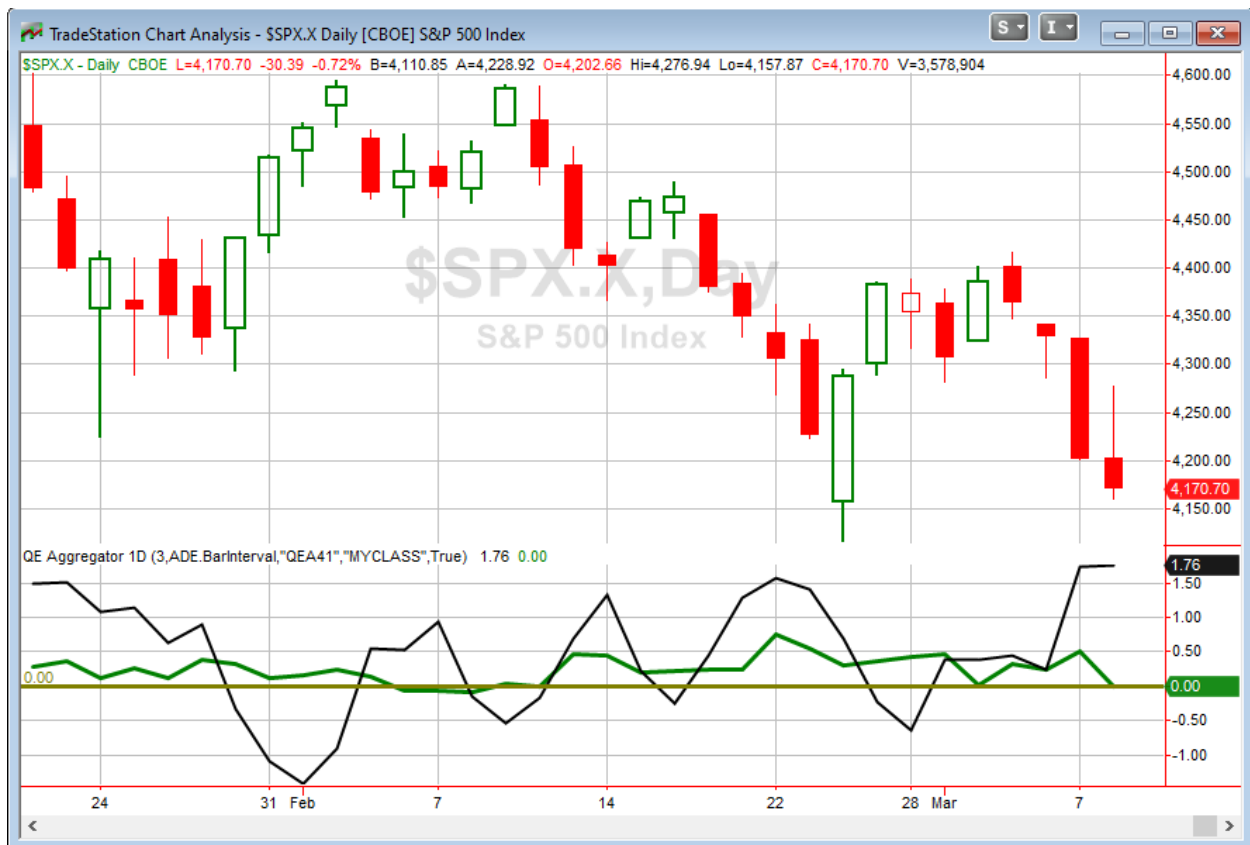
Two instances in 2002 made for a big chunk of the gains. And over the last 20 years there have only been 3 instances, all of which were losers. This makes it difficult to put any faith in this study. I also looked at using a 50-day low as a filter instead of the 200ma.

SPX closes lower for the 4th day in a row. It is Tuesday. Close < 200ma.
Buy on close. Sell 4 days later. \$100k/trade. 1980 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/25/1980	Buy	\$99.19	2.92%	\$3,487.68
3/31/1980	Sell	\$102.09		(\$4,999.68)
11/8/1983	Buy	\$161.76	2.98%	\$3,596.76
11/14/1983	Sell	\$166.58		(\$12.36)
2/21/1984	Buy	\$154.64	3.01%	\$3,191.24
2/27/1984	Sell	\$159.30		(\$1,621.46)
10/6/1992	Buy	\$407.17	0.06%	\$350.35
10/12/1992	Sell	\$407.43		(\$1,166.20)
11/22/1994	Buy	\$450.08	1.13%	\$1,129.98
11/29/1994	Sell	\$455.17		(\$1,309.80)
5/7/2002	Buy	\$1,049.49	2.39%	\$3,745.85
5/13/2002	Sell	\$1,074.56		\$0.00
7/23/2002	Buy	\$797.70	12.69%	\$12,657.50
7/29/2002	Sell	\$898.96		(\$2,752.50)
3/23/2004	Buy	\$1,093.90	2.61%	\$2,772.77
3/29/2004	Sell	\$1,122.47		(\$622.44)
2/25/2020	Buy	\$3,128.21	-1.21%	\$1,683.30
3/2/2020	Sell	\$3,090.23		(\$8,443.47)

Similar issue here. Numbers look impressive, but only 1 instance since 2004, and it was a loser. After exploring this and some other ideas, I am not adding any new studies to the active list tonight.

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



With the short-term active list now blank and the intermediate-term outlook neutral, the green Aggregator line closed right at zero. Zero readings mean net expectations are flat 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 flat and SPX is strongly oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of zero. Therefore, the Aggregator formation turned flat the close.

Expectations over the next few days will be dependent on any new studies that emerge. Meanwhile, the Differential Pivot will be 4348.75 on Wednesday. That is a whopping 4.3% above Tuesday's close. So SPX will need to close up at least 4.3% on Wednesday 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 flat. As oversold as the market is, I still believe there is a mild upside edge. But I don't have great evidence supporting my belief. So I'll be looking to flatten out my index position on Wednesday if I can get a decent fill.

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)

PYPL – 1/3 @ \$93.61 (bought @ limit)

NFLX – 1/3 @ \$350.26 (bought @ limit)

New

MCD – 1/3 @ \$222.79 (buy @ limit)

NFLX – 1/3 @ \$350.26 (buy @ limit)

Broad Market Large Cap CBI – 3(PM, PYPL, NFLX-2, MCD)

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.

MCD – Buy 1/3 Catapult position @ \$222.79 LIMIT. From the Catapult section above, this is the 1st of up to 3 lots of MCD.

NFLX – Buy 1/3 Catapult position @ \$341.76 LIMIT. From the Catapult section above, this is the 2nd 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	\$93.97	-7.02%	Catapult
PYPL(1/3)	3/8/2022	\$93.04	\$94.90	2.00%	Catapult
NFLX(1/3)	3/8/2022	\$349.80	\$341.76	-2.30%	Catapult
SPY(1/4)	3/8/2022	\$416.25	\$416.25	0.00%	<i>sell @ \$416.75 LIMIT</i>

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