

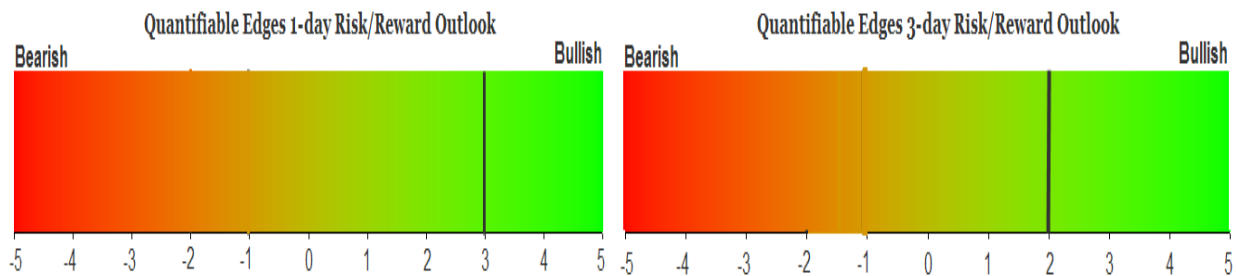
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 15, 2022

Volume 15 Issue 49

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- “Turnaround Tuesday” appears to be on tap.
- Multiple broad selling days < 200ma but above a 20-day low have typically been followed by a bounce the next day.
- A poor close on Tuesday could offer strong Fed Day odds for Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator flipped bullish. I'm not quite there yet, but more selling on Tuesday could get me interested in taking on some long index exposure.

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 15, 2022	Up Iss < 33% 2nd day < 200. Monday	1 day	Bullish			
March 15, 2022	2 Days Bad Breadth < 200 > 20-low	1 day	Bullish			
Active - Long Term						
March 14, 2022	Pres Cycle neg, NAS lagging, SP Death X	int term	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
March 10, 2022	Yest 50-low high vol. Today up lo vol.	1-9 days	Bearish	-5.00%	2.30%	3.80%
February 22, 2022	CBI hits 10. SPX < 200ma.	1-17 days	Bullish	6.70%	-3.80%	-7.80%
November 1, 2021	Best 6 Months	1-6 months	Bullish			

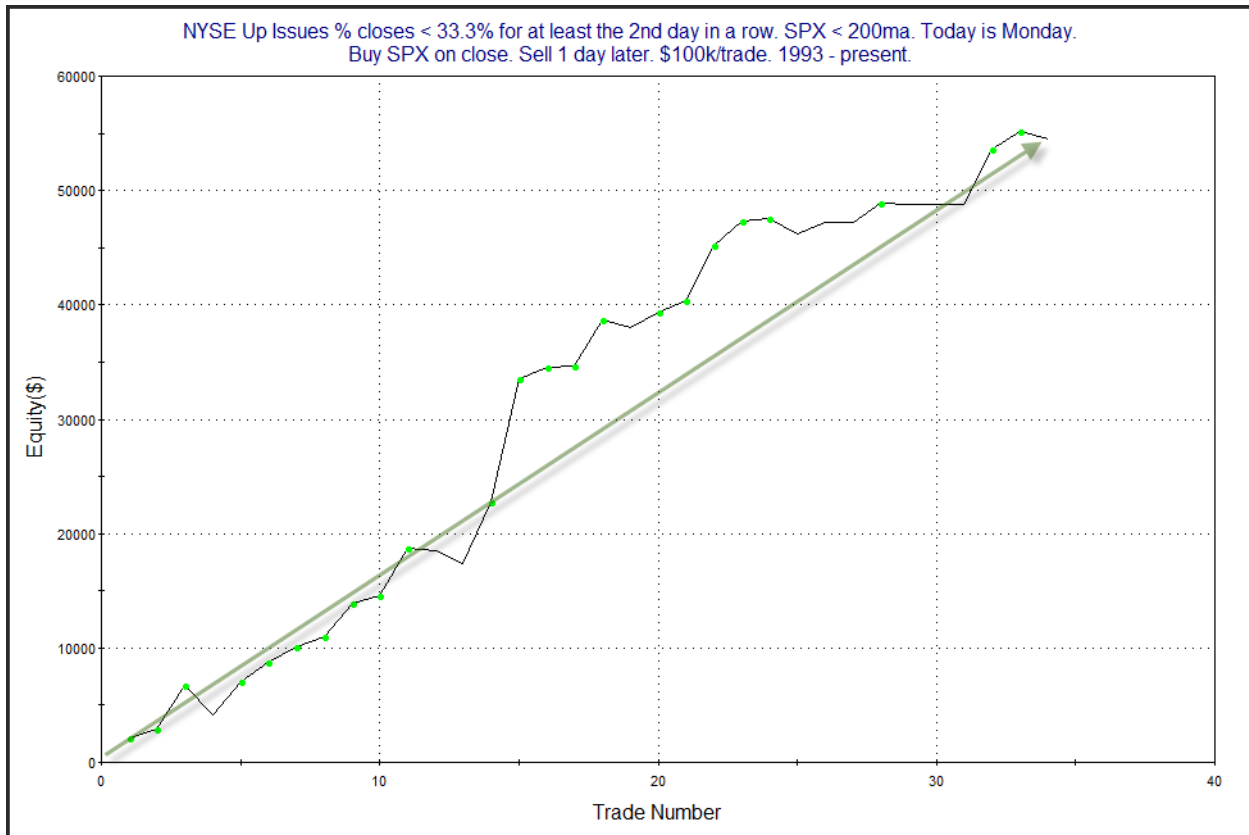
The Evidence

Monday started off strong but ended up just another day of selling. The SPX fell 0.7%, the NASDAQ dropped 2.0%, and the Russell 2000 declined 1.9%. Breadth was negative with the NYSE Up Issues % coming in at 25% and the Up Volume % at 26%. NYSE total volume rose for the 2nd day in a row.

The pullback over the last few days again triggered some “Turnaround Tuesday” studies. The study below is one I showed just last week, in the 3/8/22 letter. It required the Up Issues % close below 33.3% for at least the 2nd day in a row on a Monday. Results are again updated.

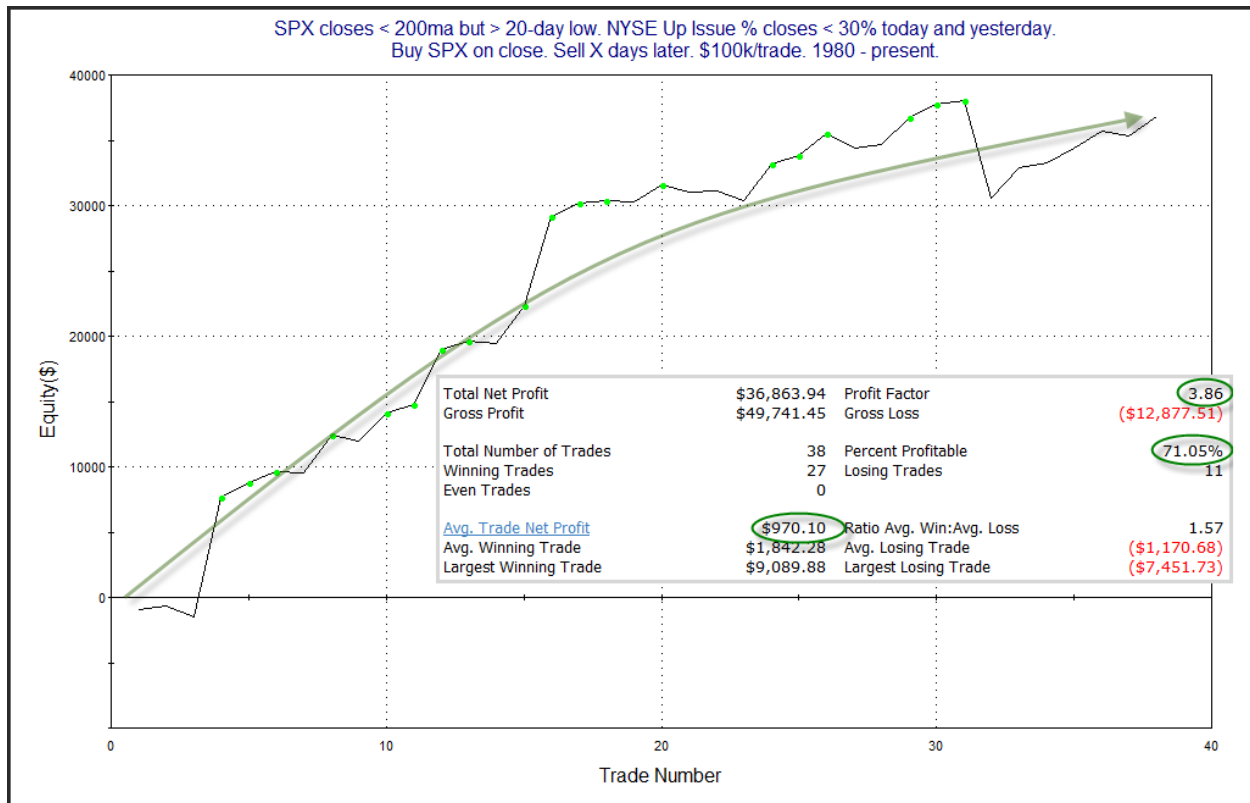
NYSE Up Issues % closes < 33.3% for at least the 2nd day in a row. SPX < 200ma. Today is Monday. Buy SPX on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	50,020.43	34	21	13	61.76	13,733.46	-12,975.48	4,874.26	-4,026.08	1.21	1.96	1,471.19
4	59,813.97	34	23	11	67.65	14,020.11	-5,934.24	3,692.38	-2,282.80	1.62	3.38	1,759.23
3	40,576.10	34	24	10	70.59	12,304.89	-11,502.27	3,153.09	-3,509.81	0.90	2.16	1,193.41
2	48,351.47	34	25	9	73.53	9,496.89	-5,167.89	2,450.67	-1,435.02	1.71	4.74	1,422.10
1	54,468.71	34	25	9	73.53	10,716.03	-2,680.15	2,457.03	-773.01	3.18	8.83	1,602.02
All 34 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.

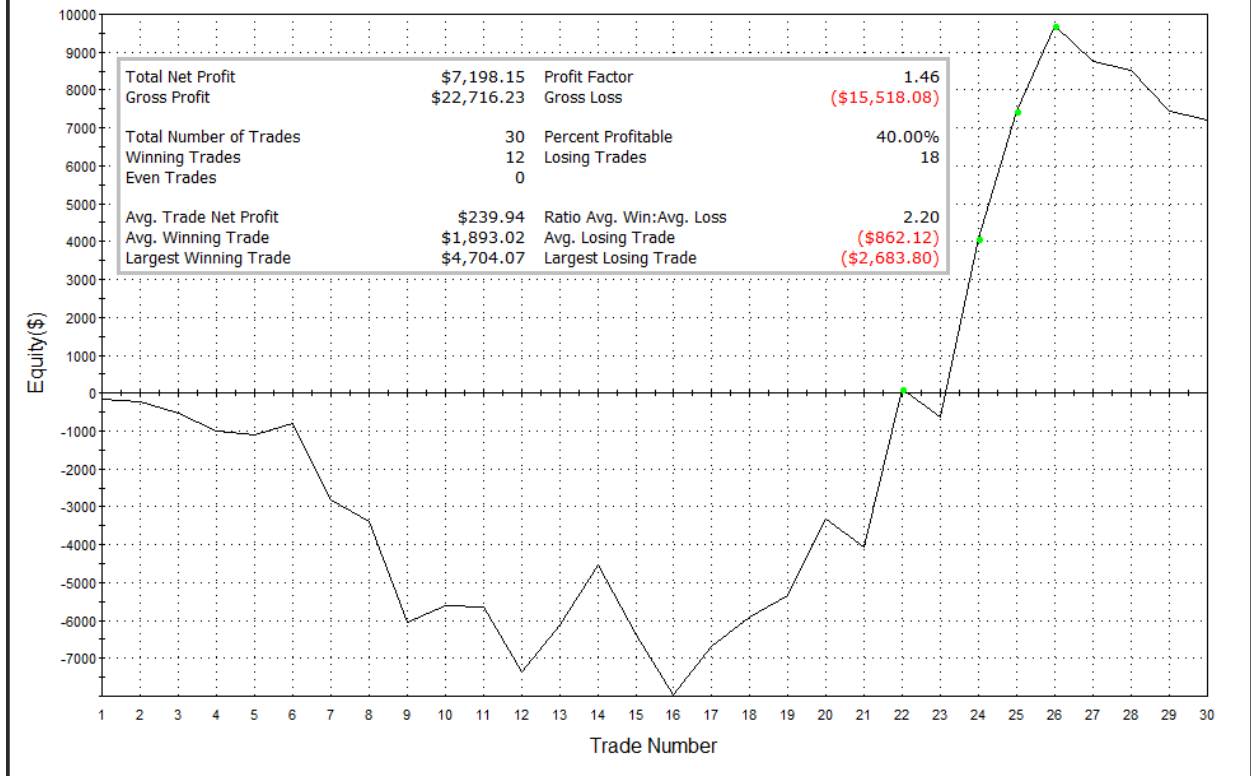
Also notable is that we had another study, with a similar breadth requirement, that did NOT look at day-of-week. It DID look at the fact that the strong selling occurred without closing at a 20-day low. Last seen in the 5/14/20 letter, I have updated the results below.



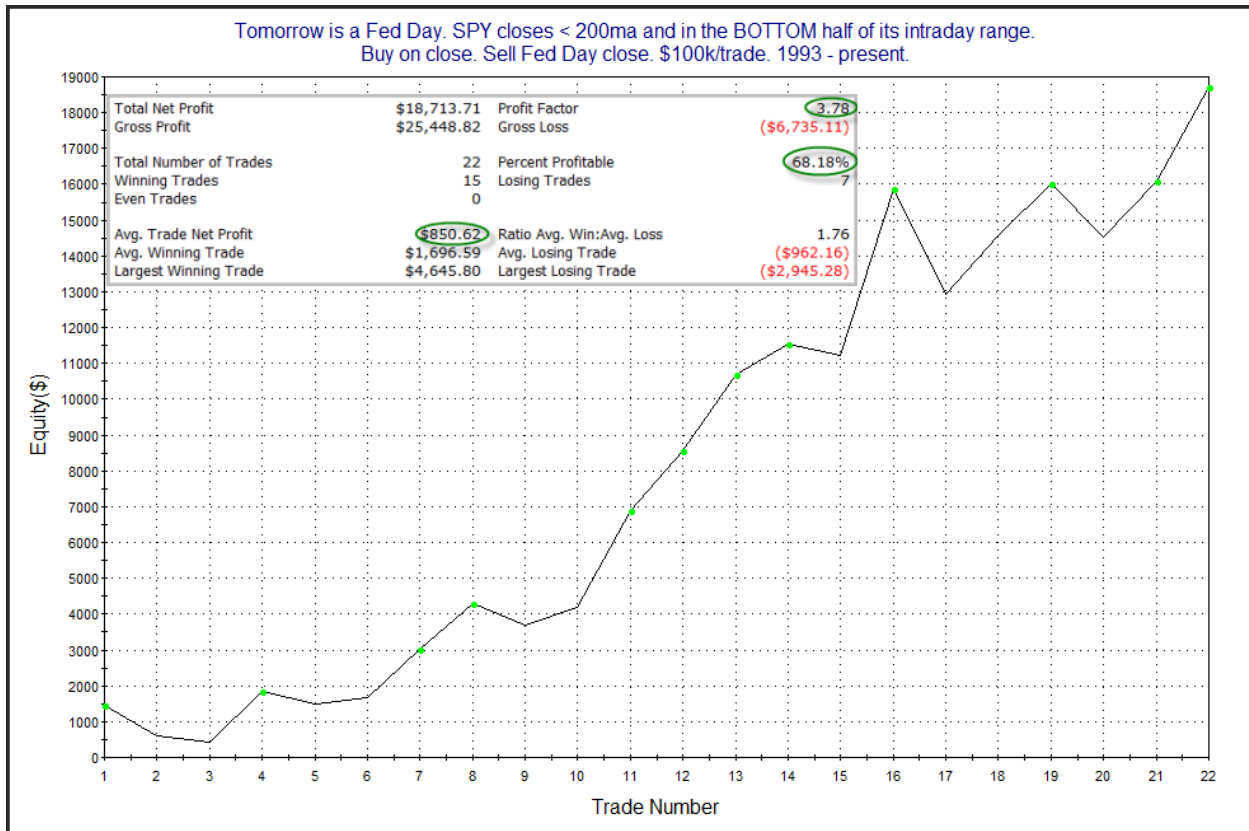
Here again we see impressive numbers and an impressive profit curve. I have added these studies to the active list tonight.

Often in the past I have shown that, when above the 200ma, how SPY closed the day before a Fed Day was influential on the Fed Day returns. Tonight I decided to break it down below the 200ma. I simply looked at upper and lower half of the range, since instances were not numerous enough to break it down much further. First let's look at instances where SPY closed strongly the day before a Fed Day.

Tomorrow is a Fed Day. SPY closes < 200ma and in the TOP half of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.



Results here appear quite inconsistent. Next let's view times SPY posted a weak close the day before a Fed Day.



Similar to instances above the 200ma, these results below the 200ma appear promising. A weak close on Tuesday would suggest bullish odds for Wednesday. This would seem worth keeping in mind on Tuesday.

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



With tonight's evidence considered, the green Aggregator line closed above. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line is also 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 turn slightly negative on Tuesday. Of course this could easily change if new bullish evidence emerges – and a weak close for SPY would at least trigger the Fed Day study shown above. Meanwhile, the Differential Pivot will be 4248.74 on Tuesday. That is 1.8% above Monday's close. Therefore, SPX will need to close up at least 1.8% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator has quickly flipped to bullish. But the setup is tenuous. I won't look to get long immediately on Tuesday. But if SPY delivers a weak close and also closes flat or down on the day, I will anticipate another bullish Aggregator setup and buy at the close with a small position. I will likely look to take a very quick exit on this position – probably selling before the Fed announcement is even released on Wednesday. This is because I have previously found that most of the Fed Day edge tends to play out ahead of the actual announcement. Post-announcement returns have been inconsistent, unreliable, and volatile.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/14 – slightly bearish

The intermediate-term outlook was last updated in the 3/14/22 Letter. It can be found in the [most recent weekly letter](#) on the website.

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)

NFLX – 1/3 @ \$350.26 (buy @ limit) – *not filled – try again per below*

CMCSA – 1/3 @ \$45.02 (buy @ limit)

New

CMCSA – 1/3 @ \$45.02 (buy @ limit)

Broad Market Large Cap CBI – 6(PM, PYPL, NFLX-2, CMCSA-2)

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.

CMCSA – Buy 1/3 Catapult position @ \$44.97 LIMIT. From the Catapult section above, this is the 2nd of up to 3 lots of CMCSA.

SPY – Buy ¼ Index position @ \$417.00 LIMIT ON CLOSE, if SPY also closes in the bottom half of its intraday range. Based on the short-term outlook above, I will look to take on a small index position on Tuesday. Good chance I look to exit this Wednesday sometime before the 2pm announcement, so this idea is really only for nimble traders.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
PM(1/3)	3/1/2022	\$101.07	\$89.59	-11.36%	Catapult
PYPL(1/3)	3/8/2022	\$93.04	\$96.87	4.12%	Catapult
NFLX(1/3)	3/8/2022	\$349.80	\$331.01	-5.37%	Catapult
MCD(1/3)	3/9/2022	\$222.79	\$226.78	1.79%	<i>sold on open</i>
MCD(1/3)	3/10/2022	\$220.20	\$226.78	2.99%	<i>sold on open</i>
CMCSA(1/3)	3/14/2022	\$45.02	\$44.97	-0.11%	Catapult

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