

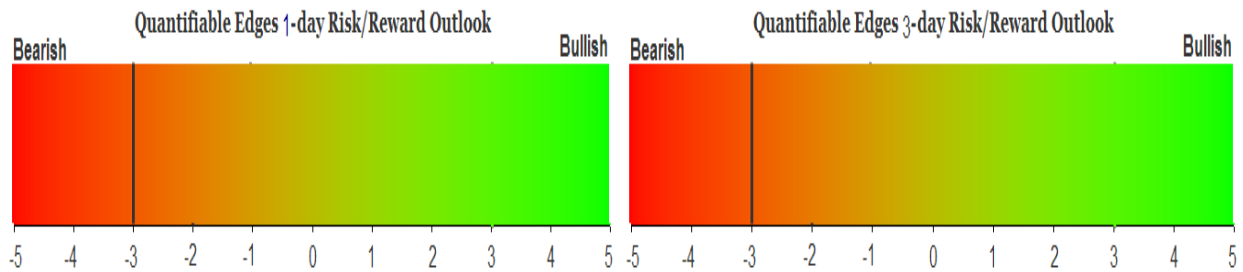
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 18, 2022

Volume 15 Issue 52

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Multiple studies are suggesting we are overbought in a downtrend, and likely to pull back over the next few days.

Short-term Outlook

The Bottom Line

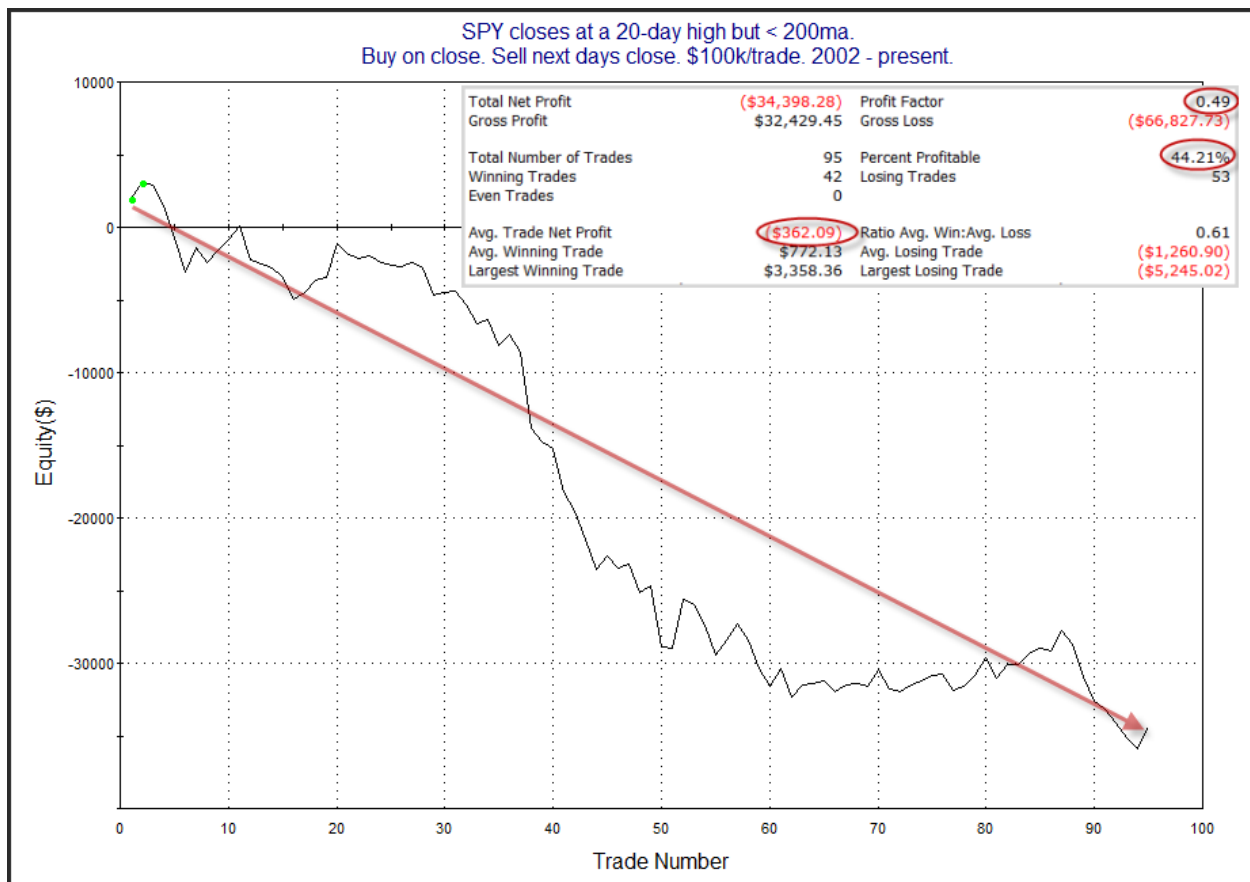
The Aggregator is bearish. I like the short side.

The Evidence

On Thursday the market moved up strongly for the 3rd day in a row. The SPX gained 1.2%, the NASDAQ climbed 1.3%, and the Russell 2000 rose 1.7%. Breadth was positive with the NYSE Up Issues % coming in at 78% and the Up Volume % at 76%. NYSE total volume declined some from Wednesday's level.

There were a lot of studies that triggered in the Quantifinder. They basically all had the same message...the market is overbought in a longer-term downtrend and appears due for a pullback over the next few days. Below I will feature three of the studies I felt were most compelling or interesting.

The 1st one simply looked at times SPX closed at a 20-day high while below the 200ma. It was last seen in the 5/27/20 letter, and I have updated it below.



The persistent downslope over the large number of instances suggests a downside edge. I have included this study on the active list tonight.

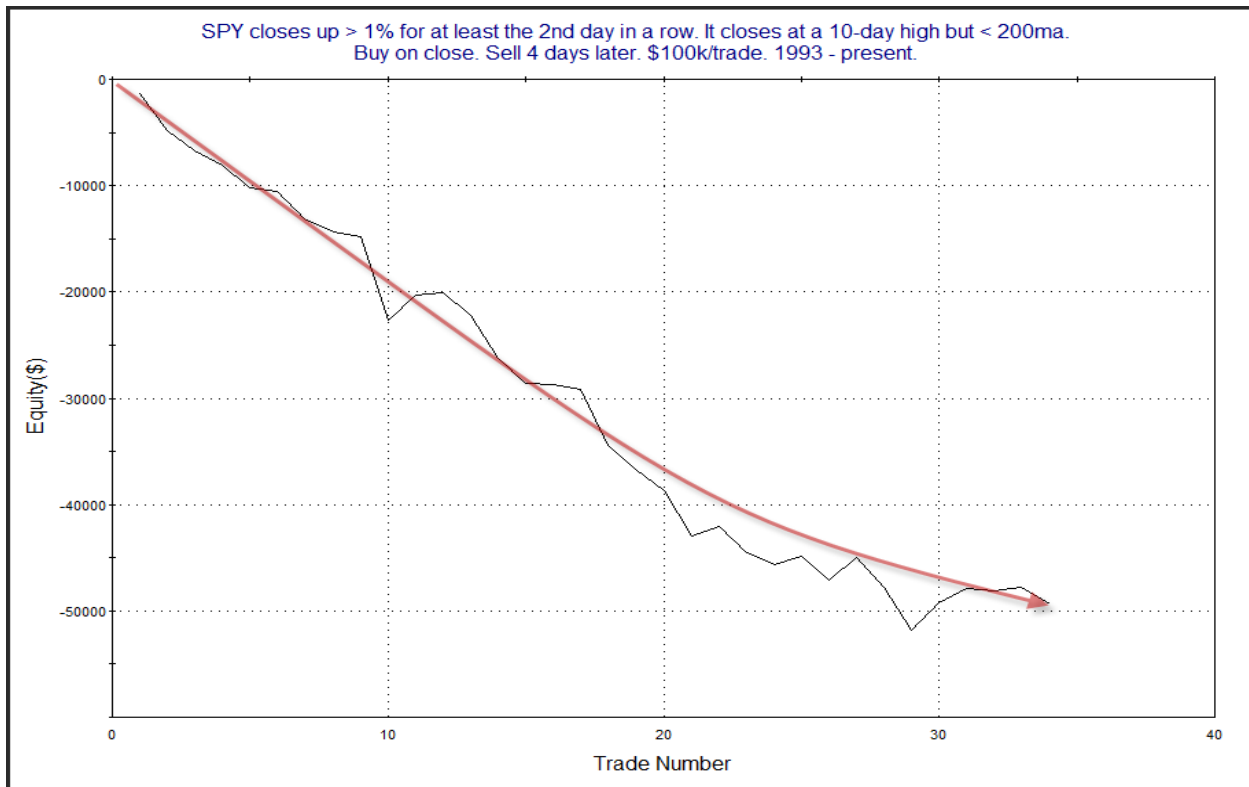
The next study also looked for a high close in a downtrend. This time it was just a 10-day high, but it also required multiple days of 1%+ gains. Last seen in the 4/13/19 letter, I have updated the results below.

SPY closes up > 1% for at least the 2nd day in a row. It closes at a 10-day high but < 200ma.
Buy 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	-37,006.82	33	13	20	39.39	3,399.42	-7,053.11	1,543.21	-2,853.43	0.54	0.35	-1,121.42
4	-49,294.03	34	8	26	23.53	2,475.56	-7,879.83	1,330.79	-2,305.40	0.58	0.18	-1,449.82
3	-37,944.87	34	9	25	26.47	2,864.79	-5,502.64	1,322.55	-1,993.91	0.66	0.24	-1,116.03
2	-32,413.22	34	12	22	35.29	2,505.60	-5,350.20	1,069.54	-2,056.71	0.52	0.28	-953.33
1	-23,749.91	35	12	23	34.29	2,052.00	-8,857.80	591.27	-1,341.10	0.44	0.23	-678.57

Only 1 instance failed to close below the entry price at some point in the next 3 days. It triggered on 5/29/2009.

Those are some powerful numbers. And only 1 instance did not post a lower close in the next 3 days. Below is a look at the 4-day profit curve.



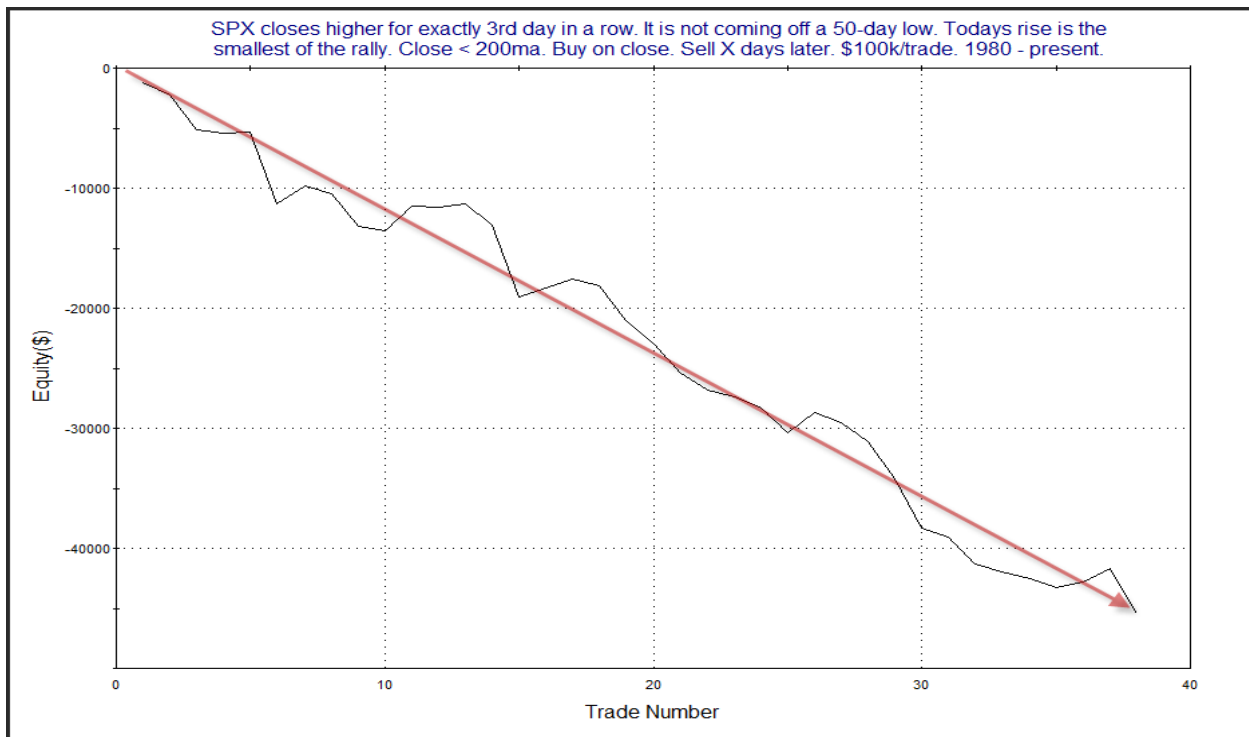
Despite the recent bump up, that is a long, persistent downslope. This study certainly seems to be worth some consideration.

The final study tonight looked for multiple up days, and a rally that did not originate from an intermediate-term low. From the 3/27/20 letter, I have updated the results.

SPX closes higher for exactly 3rd day in a row. It is not coming off a 50-day low. Todays rise is the smallest of the rally. 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
5	-50,203.45	37	15	22	40.54	2,934.54	-9,202.08	1,164.84	-3,076.19	0.38	0.26	-1,356.85
4	-51,645.54	38	12	26	31.58	2,766.03	-7,499.80	1,273.89	-2,574.31	0.49	0.23	-1,359.09
3	-51,673.97	38	12	26	31.58	2,685.76	-7,527.12	1,084.48	-2,487.99	0.44	0.20	-1,359.84
2	-45,459.77	38	9	29	23.68	2,060.80	-5,979.14	958.53	-1,865.05	0.51	0.16	-1,196.31
1	-15,130.84	38	18	20	47.37	2,170.08	-4,871.22	742.91	-1,425.16	0.52	0.47	-398.18

Here again we see bearish numbers. Below is a look at the 2-day profit curve.



Lines don't get much straighter than that. I have also included this study on the short-term active list.

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



With tonight's evidence considered, the green Aggregator line moved below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

Based on the current active list, expectations are set to remain negative on Friday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4273.75 on Friday. That is 3.1% below Thursday's close. Therefore, SPX will need to close down a sizable 3.1% on Friday for SPX to flip from overbought to oversold vs recent expectations. A more likely scenario for working off the overbought condition would be a multi-day pullback or consolidation.

So the Aggregator formation changed again and is now bearish. The market is strongly overbought. And I find all the bearish evidence I saw tonight to be quite compelling. So I will look to take on some short exposure on Friday if I can get a decent fill.

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

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.

SPY – Short ¼ index position @ \$439.71 LIMIT. Based on the short-term outlook above, I will look to take on a small amount of short index exposure on Friday if I can get filled at Thursday's closing price or better. (*This limit accounts for SPY going ex-div.*)

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>NFLX(1/3)</i>	<i>3/8/2022</i>	<i>\$349.80</i>	<i>\$359.70</i>	<i>2.83%</i>	<i>sold on open Thursday</i>
<i>NFLX(1/3)</i>	<i>3/14/2022</i>	<i>\$338.72</i>	<i>\$359.70</i>	<i>6.19%</i>	<i>sold on open Thursday</i>
<i>CMCSA(1/</i>	<i>3/14/2022</i>	<i>\$45.02</i>	<i>\$46.22</i>	<i>2.67%</i>	<i>sold on open Thursday</i>

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