

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 31, 2022

Volume 15 Issue 61

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Coming from an intermediate-term high, an unfilled gap down after an unfilled gap up appears to be somewhat bearish.
- The last hour of a quarter tends to see some selling, especially for smallcaps.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

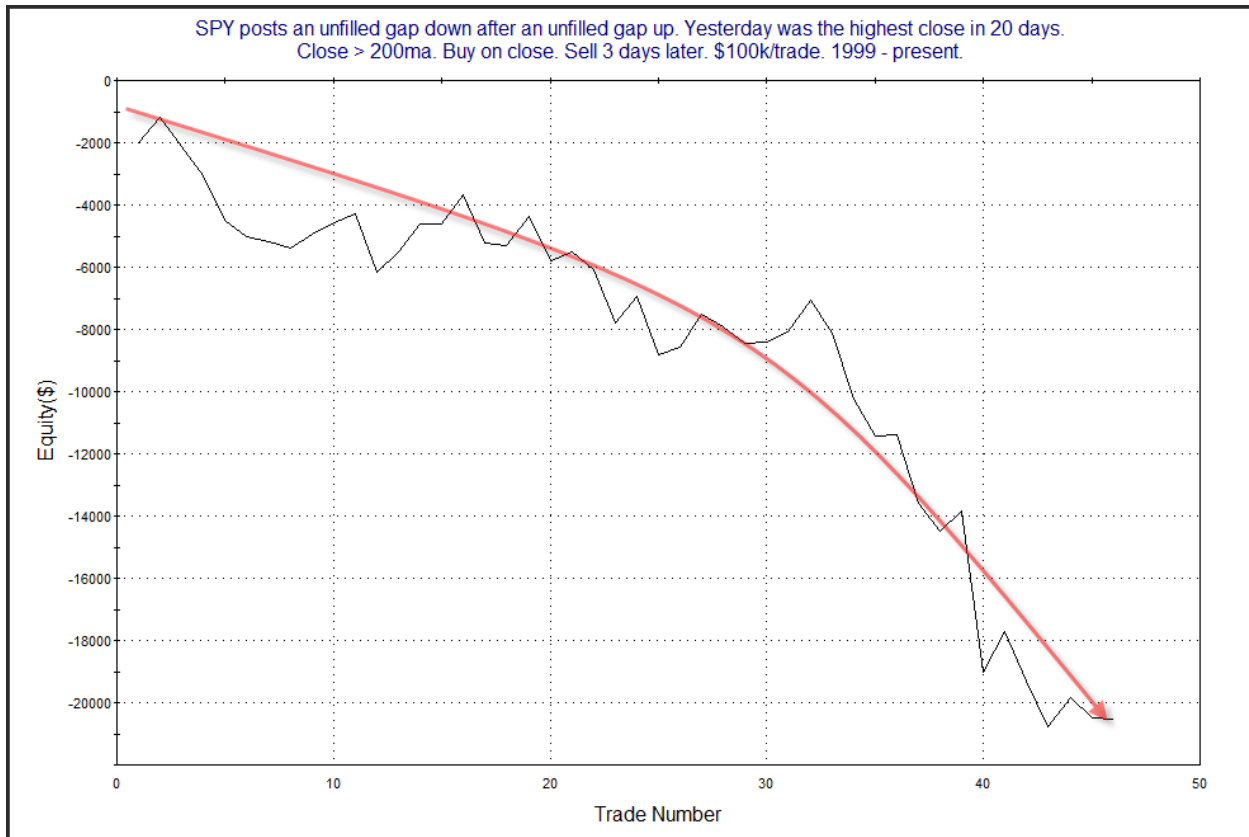
The Evidence

Wednesday saw the market pull back some. The SPX declined 0.6%, the NASDAQ fell 1.2%, and the Russell 2000 tumbled 2.0%. Breadth was negative with the NYSE Up Issues % coming in at 41.1% and the Up Volume % at 41.0%. NYSE total volume declined some from Tuesday's level.

There was some bearish evidence that emerged Wednesday based on price action. This study below considers SPY performance after posting an unfilled gap down from a high level immediately after an unfilled gap up. It was last shown in the 7/17/20 Subscriber Letter. Below are updated results.

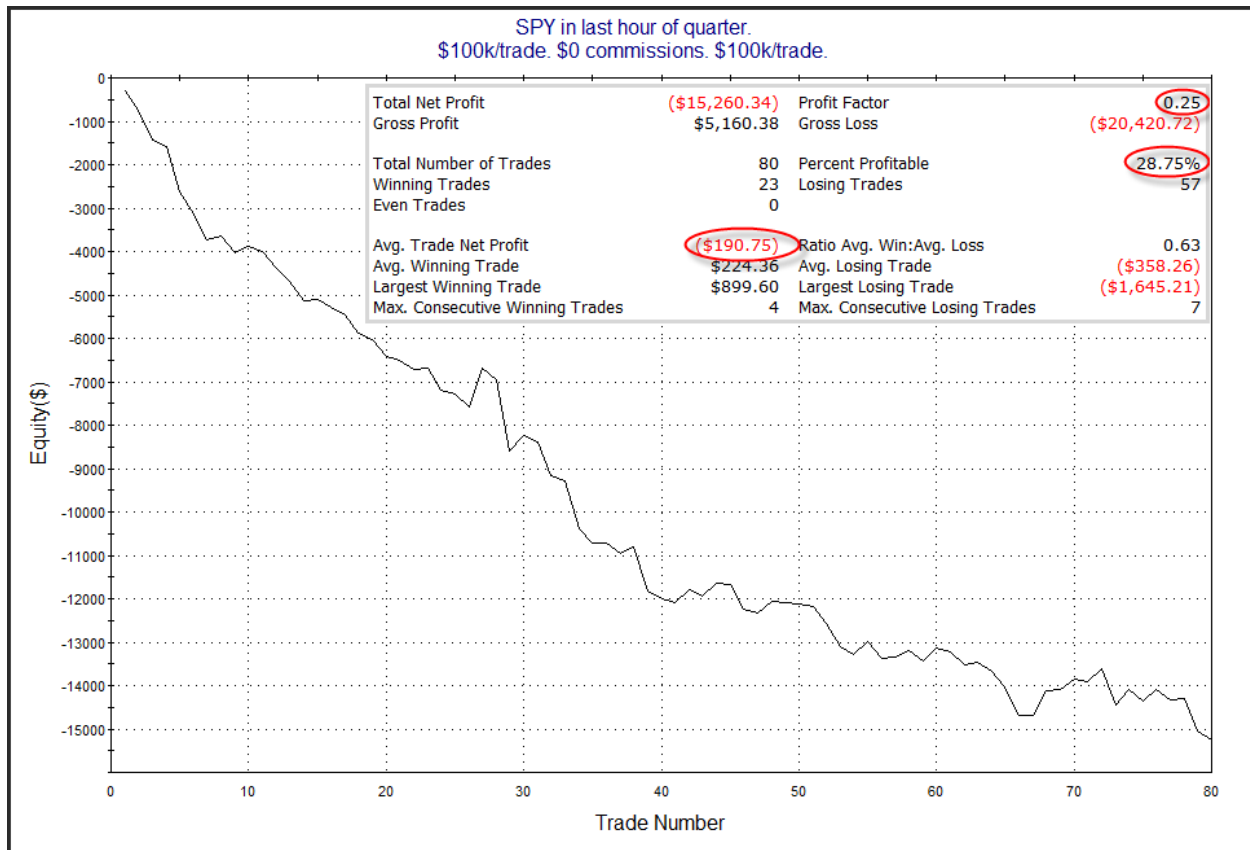
SPY posts an unfilled gap down after an unfilled gap up. Yesterday was the highest close in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-28,879.13	46	22	24	47.83	1,827.28	-7,283.25	799.53	-1,936.20	0.41	0.38	-627.81
4	-23,583.78	46	19	27	41.30	1,998.36	-4,273.14	863.27	-1,480.96	0.58	0.41	-512.69
3	-20,517.91	46	19	27	41.30	1,312.42	-5,156.38	645.26	-1,214.00	0.53	0.37	-446.04
2	-20,511.86	47	17	30	36.17	1,383.20	-6,275.98	584.52	-1,014.95	0.58	0.33	-436.42
1	-9,804.18	47	19	28	40.43	1,008.68	-1,807.92	411.21	-629.18	0.65	0.44	-208.60

The numbers here appear to suggest a downside edge. Let's also take a look at a profit curve.



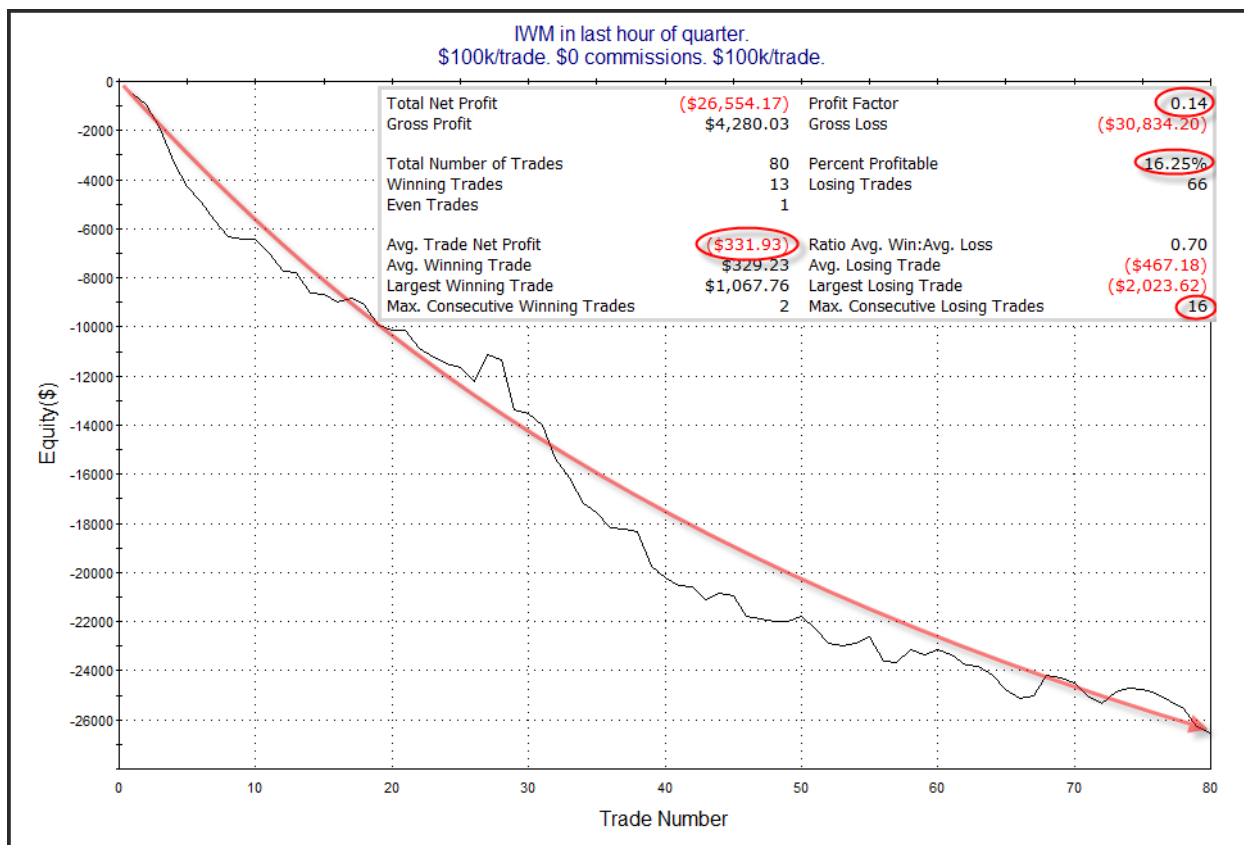
While the curve is a little choppy, it has persisted downwards. We have tracked this study for a while, and the edge has seen an acceleration to the downside over the years. This all suggests we could see further selling over the next few days. I added this to the Active List tonight.

The next study, from the 9/30/21 letter shows that the last day of the quarter has shown a strong downside edge over the years *during the final hour of trading*.



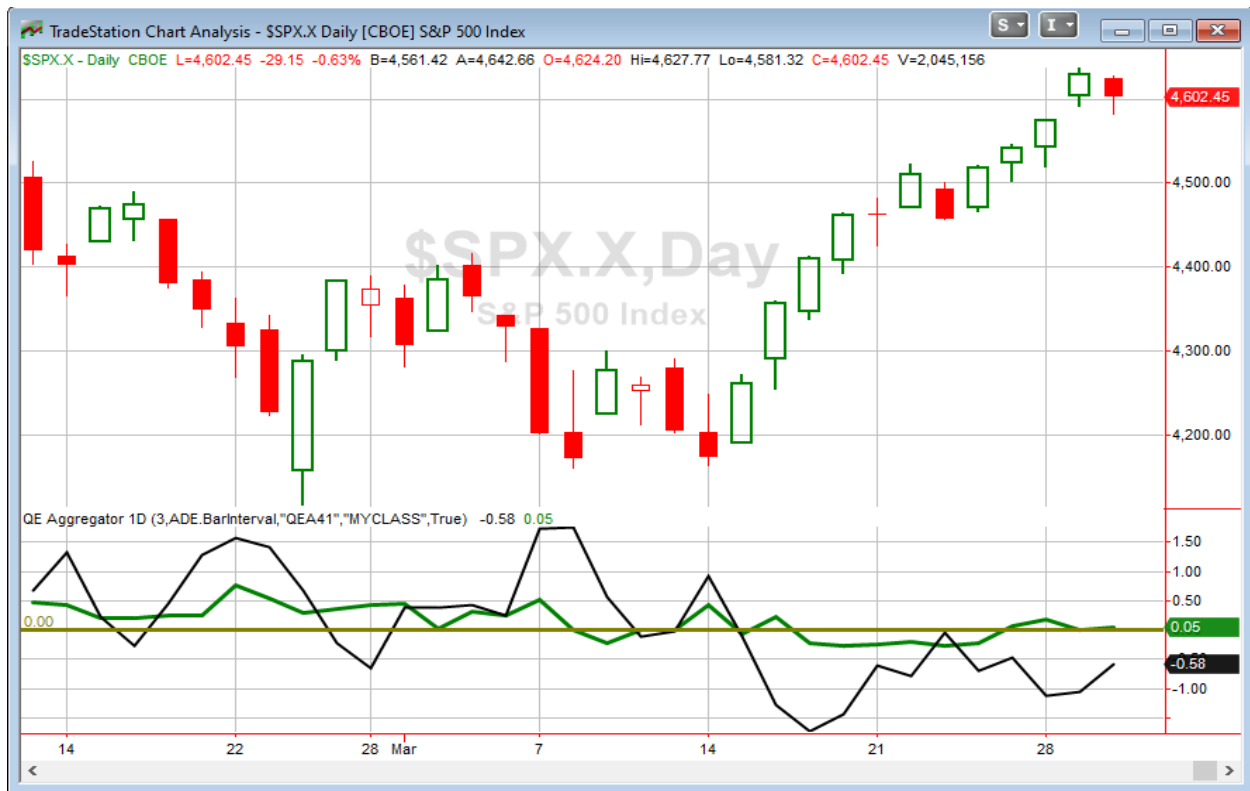
The curve has flattened out some lately, but it still seems to suggest a decent chance of afternoon selling on Thursday as we approach the close.

It is also notable that smallcaps have done even worse than largecaps at the end of quarters. Here is the same study using IWM.



Agile traders could consider looking to take advantage of this edge with some last-hour adjustments. I will also note for those that are curious that the March numbers were in line with the larger sample. For IWM, end of *March* since 2002 has gone 3-17 in the last hour.

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



With tonight's mix of studies included, the green Aggregator line remained above zero. Positive readings mean expectations are for upside 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 positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current active list, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4576.20 on Wednesday. That is 0.6% below Wednesday's close. Therefore, SPX will need to close down at least 0.6% on Thursday for SPX to flip from overbought to oversold vs recent expectations.

So the Aggregator is still neutral. The 1st down day from a high level will often see further selling, especially when there is an unfilled gap lower like we saw on Wednesday. This is leaving some bulls potentially stuck long and ready to be punished. And the second study shows the last hour tends to be a fairly reliable time to see a decline. If it all works out, then a poor close could set up Friday for a bounce. The 1st day of the month often sees a bounce if the previous day closes low in its range. Evidence from last night still has the overall expectations positive, so beyond perhaps some last-hour maneuvering, I'm inclined to stand aside and wait for short-term evidence to line up more consistently.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/28 – neutral

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.

None.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(S)(1/4	3/21/2022	\$444.52	\$458.70	-3.19%	covered on close

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