

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 4, 2022

Volume 15 Issue 84

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	5

Tonight's Research Points

- The weak bounce over the last 2 days (compared to Friday's selloff) suggests a pullback in the coming days.
- The Fed is a wildcard and the Fed Day setup is unreliable after Tuesday's rally.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. The Fed Day Wednesday is a big wildcard. Seems like a good time to take some risk off and wait for the next compelling setup.

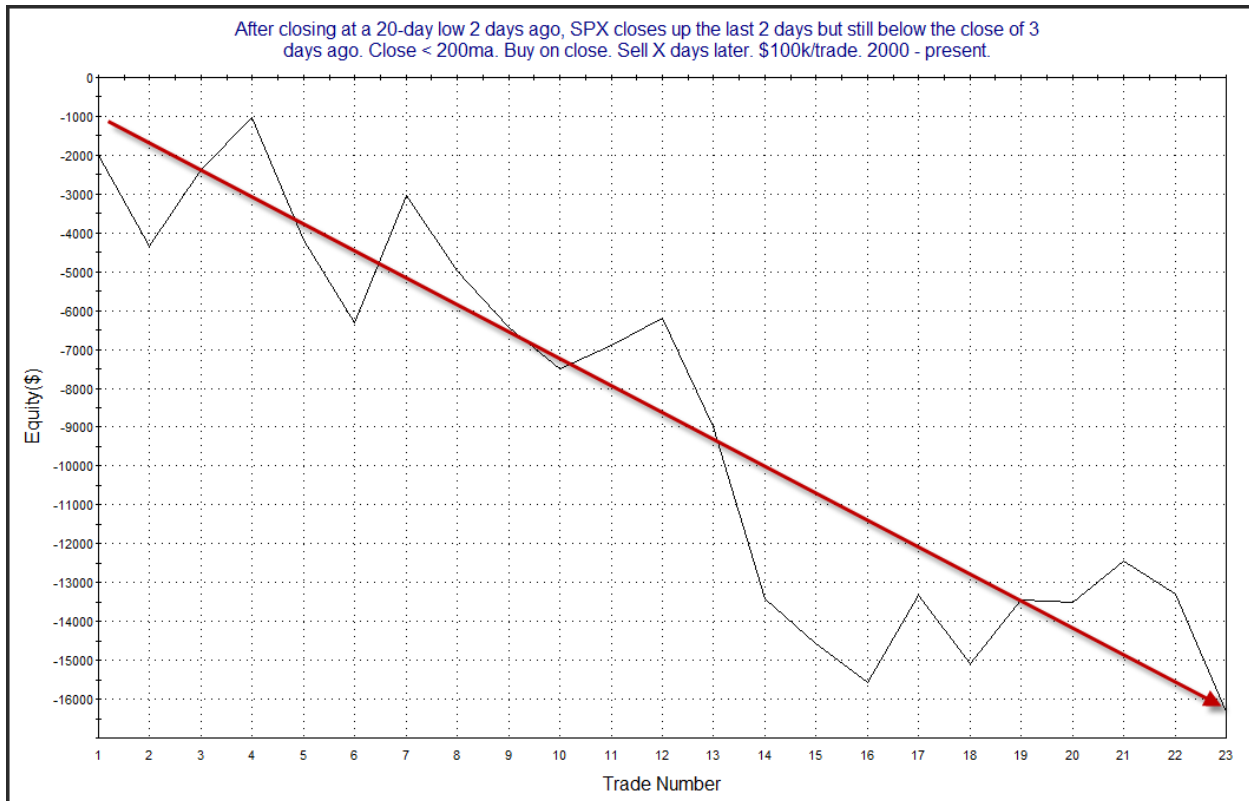
The Evidence

Tuesday saw the market post gains and the Celtics make baskets. In the end, the SPX closed up 0.5%, the NASDAQ gained 0.2%, and the Russell 2000 rose 0.85%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 73%. NYSE total volume declined some from Monday's level.

In the 12/16/15 letter I looked at scenarios where the SPX bounced from 20-day lows over a 2-day period but failed to make up for the losses of the day just previous to the 2-day bounce. I filtered this study by the 200ma. It triggered again Tuesday and I have updated it below.

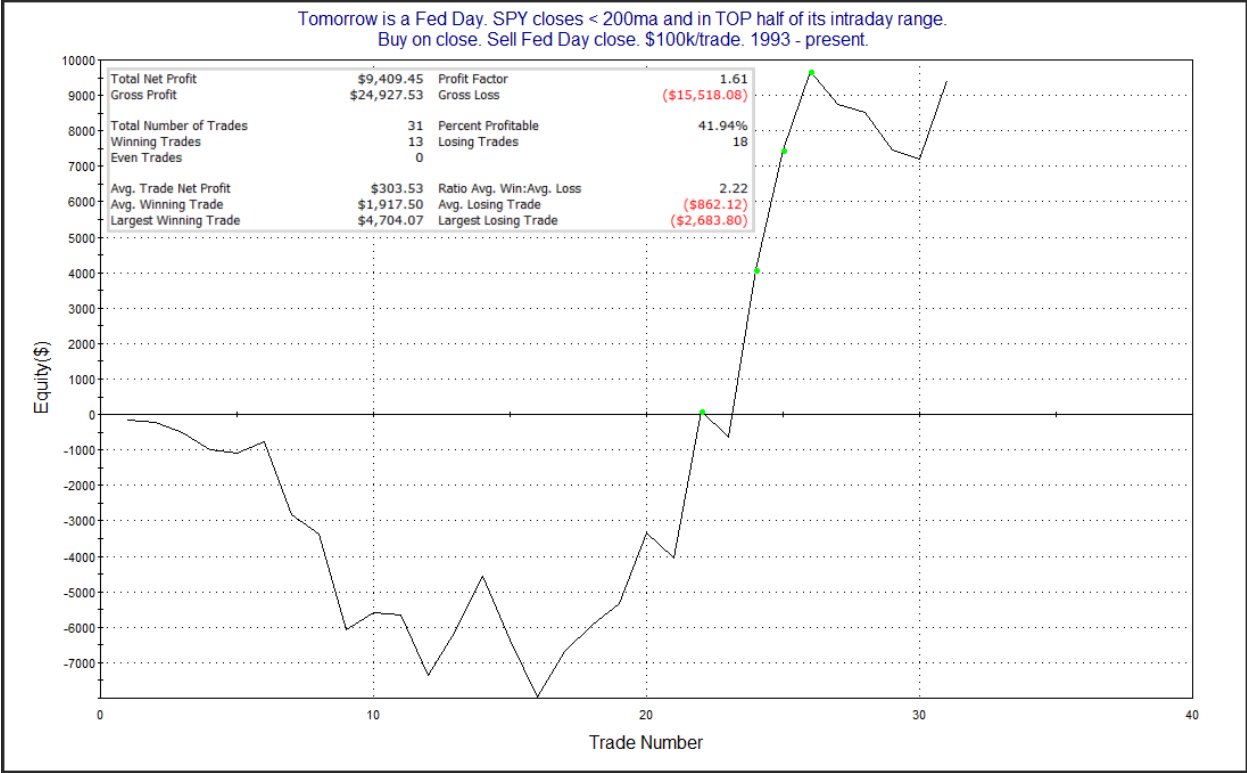
After closing at a 20-day low 2 days ago, SPX closes up the last 2 days but still below the close of 3 days ago. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	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	-15,162.59	21	10	11	47.62	4,138.50	-7,353.33	2,053.92	-3,245.62	0.63	0.58	-722.03
4	-9,561.70	21	10	11	47.62	4,871.43	-4,944.54	1,893.26	-2,590.39	0.73	0.66	-455.32
3	-12,648.47	22	7	15	31.82	5,558.47	-3,535.84	2,183.78	-1,862.33	1.17	0.55	-574.93
2	-16,341.95	23	8	15	34.78	3,251.01	-4,424.00	1,605.76	-1,945.87	0.83	0.44	-710.52
1	-9,282.26	23	10	13	43.48	3,863.25	-5,253.30	1,485.56	-1,856.76	0.80	0.62	-403.58

The setup appears to suggest a bearish edge. I have included below a 2-day equity curve.



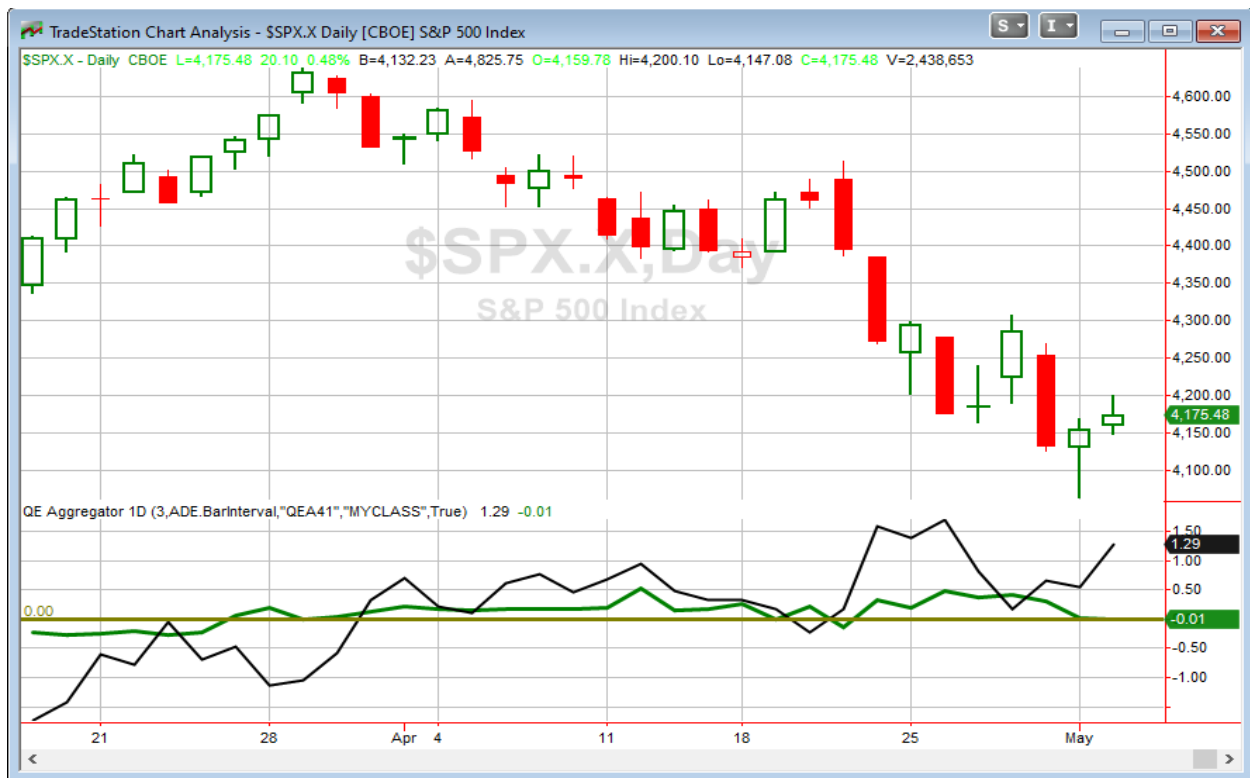
The downslope here is fairly persistent despite the choppiness. This seems to support the suggestion of a bearish edge.

Wednesday is a Fed Day. Last night I showed that SPY has performed much better on Fed Days when it has closed low in its range the day before. Tuesday saw SPY close in the top half of the range, which meant the study below, copied from last night's letter, is in play.



I don't view this as a reliable edge, and have not included it on the active list.

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



With tonight's evidence considered, the green Aggregator dipped just barely below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line is still above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 turned flat at the close.

Based on the current list of active studies, expectations are set to flip back to positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4178.26 on Wednesday. That is 0.1% above Tuesday's close. Therefore, SPX will need to close up just 0.1% in order to flip from oversold to overbought vs expectations on Wednesday.

So the Aggregator is suddenly neutral. Expectations have turned slightly negative, which is unusual as we head into a Fed Day. Wednesday we will get a big Fed announcement at 2pm EST and Powell will talk at 2:30. I expect he Fed to raise rates 50 basis points, and to announce the start of Quantitative Tightening. The reaction to policy changes and Fed language could be strong. Wednesday could see some volatile action, and there does not seem to be a strong directional edge. This seems like a reasonable time to step aside, see how the market reacts to the Fed, and what edges emerge based on that action. I'll look to close out my index positions before the announcement.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/2 – somewhat bearish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

NFLX – 1/3 @ \$188.54 (bought @ limit)

CHTR – 1/3 @ \$461.49 (bought @ limit)

CHTR – 1/3 @ \$428.49 (buy @ limit)

AMGN – 1/3 @ \$233.19 (buy @ limit)

AMGN – 1/3 @ \$230.92 (buy @ limit)

Broad Market Large Cap CBI – 5 (NFLX, CHTR-2, AMGN-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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>SPY(1/4)</i>	<i>4/25/2022</i>	<i>\$423.67</i>	<i>\$415.01</i>	<i>-2.04%</i>	<i>sold on open</i>
SPY(1/4)	4/27/2022	\$416.10	\$416.38	0.07%	sell on open
NFLX(1/3)	4/28/2022	\$188.54	\$199.87	6.01%	Catapult
CHTR(1/3)	4/29/2022	\$449.89	\$425.62	-5.39%	Catapult
CHTR(1/3)	5/2/2022	\$428.49	\$425.62	-0.67%	Catapult
AMGN(1/3)	5/2/2022	\$233.19	\$232.19	-0.43%	Catapult
AMGN(1/3)	5/3/2022	\$230.92	\$232.19	0.55%	Catapult

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