

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 23, 2022

Volume 15 Issue 225

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- Tuesday's strong close dampened Wednesday's odds.
- The gap and go action on Tuesday suggests a possible pullback Wednesday.
- Breakouts to 50-day highs that occur with an unfilled up gap have often led to more short-term buying.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. That is pretty much where I am as well.

**Summary of Recent Active Studies (see Letters from listed dates for details)**

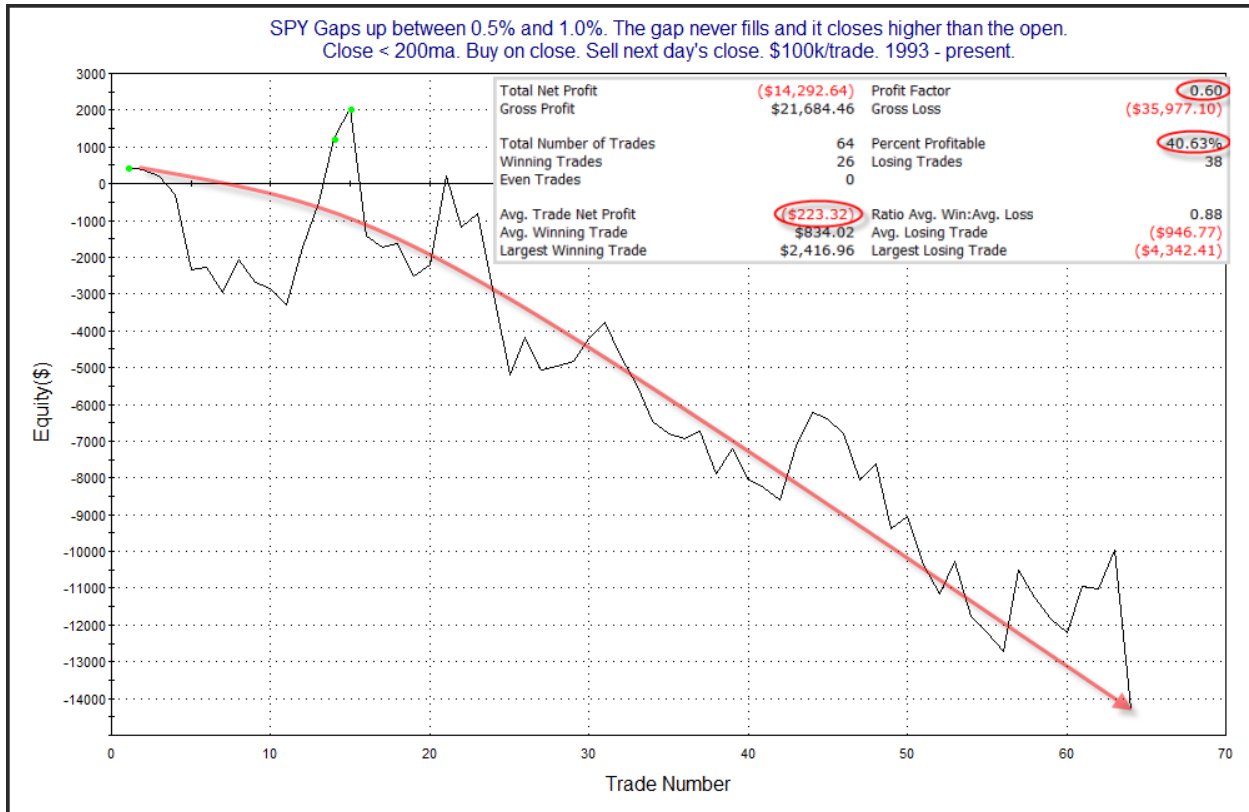
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 23, 2022	Unfill gap btwn 0.5%-1.0%. C>O<200	1 day	Bearish			
November 23, 2022	Breakaway Gap to 50-high	1-5 days	Bullish	1.40%	-1.00%	-1.90%
November 18, 2022	Unfill gap > 1%. Cls 0.5% > Opn.> 10ma	1-6 days	Bullish	3.60%	-1.90%	-4.20%
<b>Active - Long Term</b>						
October 31, 2022	Best 6 Months 3rd Yr. Pres Cycle	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

***The Evidence***

Traders did not wait for the bullish Wed-Fri period to start ramping the market higher. SPX and the NASDAQ each rallied 1.4%, and the Russell 2000 gained 1.2%. Breadth was positive with the NYSE Up Issues % coming in at 74% and the Up Volume % at 70%. NYSE total volume rose some from Monday's level.

Last night I showed some studies that indicated Wednesday's edge could be somewhat dependent on how the market closed Tuesday. Over the last 18 years, weak Thanksgiving Tuesday's have been followed by strong Wednesday performance. But the rally Tuesday may have taken the oomph out of the Wednesday edge. Instances with strong Tuesday finishes were more random. There still may be a Thanksgiving rally, but the evidence is no longer compelling enough for me to include it on the Active Studies List.

This next study considered the price action on Tuesday, including the unfilled up-gap and the fact that SPY is still below its 200ma. It was last seen in the 7/28/22 letter, and is updated below.



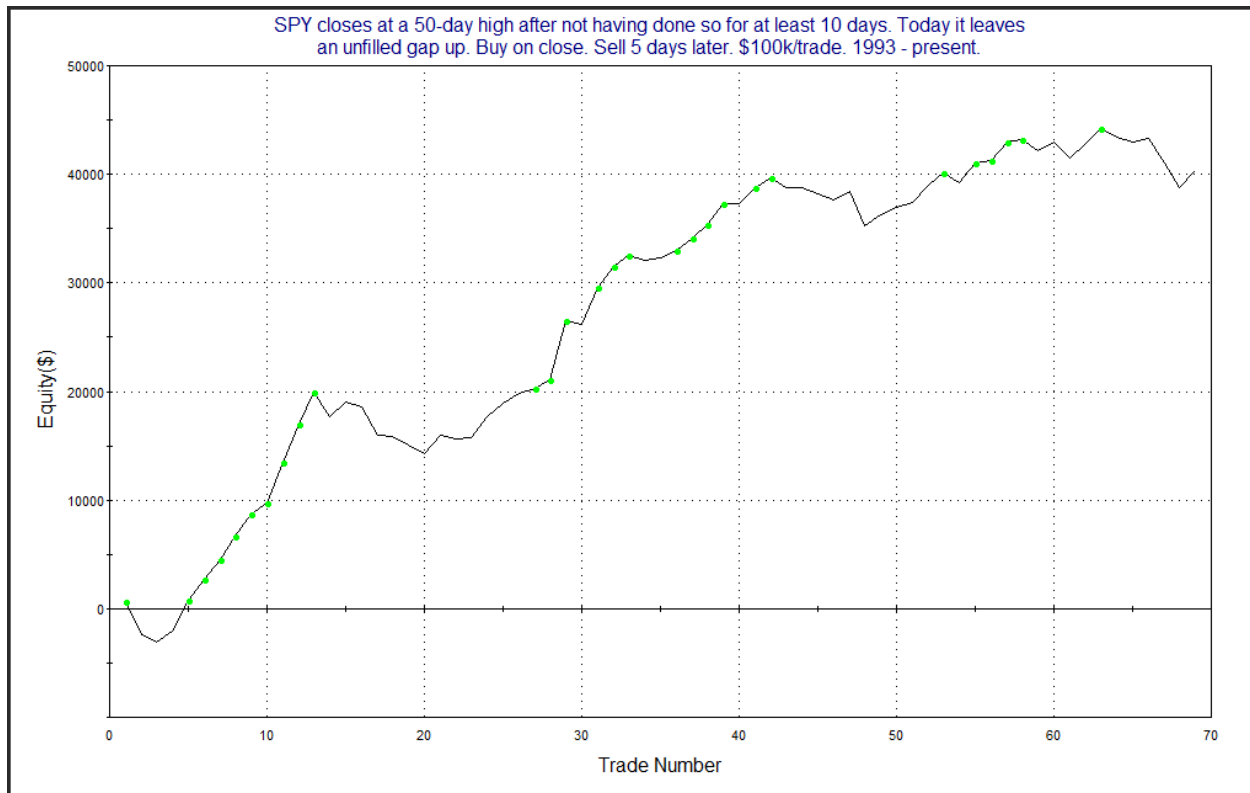
Stats are moderately negative, but the curve makes the study more compelling. I have included this study on the active list tonight.

SPY breakout action to a fresh 50-day high provided some bullish evidence. This is because the breakout came with an unfilled gap up. I last showed the importance of an unfilled gap in the 8/11/22 subscriber letter. I have updated those studies below.

SPY closed at a 50-day high after not having done so for at least 10 days. Today it leaves an unfilled gap up. 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	38,741.59	68	45	23	66.18	5,434.00	-3,218.88	1,447.01	-1,146.69	1.26	2.47	569.73
4	26,872.67	68	45	23	66.18	3,637.92	-3,267.84	1,113.47	-1,010.16	1.10	2.16	395.19
3	19,202.39	68	43	25	63.24	3,992.56	-2,538.18	976.62	-911.69	1.07	1.84	282.39
2	15,345.58	68	43	25	63.24	2,545.92	-2,293.20	742.87	-663.91	1.12	1.92	225.67
1	5,845.25	68	45	23	66.18	1,816.10	-2,591.68	458.22	-642.38	0.71	1.40	85.96

Results here are strong across the board. Below is an equity curve using a 5-day holding period.



Until some recent instances, the move up was impressive.

Technicians will often use the term “breakaway gap”. This suggests the gap occurs on the same day as a base breakout. The idea is that the new high causes excitement and the gap leaves a good amount of people sidelined or stuck short. When it doesn’t immediately fill, it leads these people to chase and helps to propel the market even higher.

Now let’s look at instances where the 50-day high breakout was *not* accompanied by an unfilled gap. Interestingly, the number of instances was a bit lower here. This study also appeared in the 8/11/22 letter.

SPY closed at a 50-day high after not having done so for at least 10 days. Today it does NOT leave an unfilled gap up. 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	5,457.39	48	29	19	60.42	2,671.20	-4,285.26	1,035.95	-1,293.95	0.80	1.22	113.70
4	-208.30	48	28	20	58.33	2,072.07	-4,518.34	932.44	-1,315.83	0.71	0.99	-4.34
3	5,805.11	48	29	19	60.42	2,927.90	-5,133.72	972.72	-1,179.15	0.82	1.26	120.94
2	-385.15	48	26	22	54.17	2,324.90	-3,640.86	635.01	-767.97	0.83	0.98	-8.02
1	2,873.98	48	26	22	54.17	1,586.97	-2,448.72	470.61	-425.54	1.11	1.31	59.87

Moves to new highs that don't start with an unfilled gap are much less reliable. I have been showing this study for 14 years or so, and it never fails to amaze me how more breakouts occur with an unfilled gap up than without one.

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



With tonight's mix of evidence considered, the green Aggregator Line held above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line dove 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3983.04 on Wednesday. That is 0.5% below Tuesday's close. Therefore, SPX will need to close down over 0.5% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Evidence is mixed but leaning bullish. And the market is now short-term overbought. I am inclined to step out of my SPY position at this point. If SPY closes down below the Differential Pivot on Wednesday, aggressive traders could anticipate a bullish setup and try a long trade. I am going to play it a little more conservative and won't be listing that as a trade idea for Wednesday. I'll be happy to flatten out Wednesday and fatten up Thursday. Happy Thanksgiving!

***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/21 – neutral***

The intermediate-term outlook was last updated in the 11/21/22 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***

TSLA – 1/3 @ \$167.87 (bought @ limit)

***Broad Market Large Cap CBI – 1(TSLA)***

## 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
SPY(1/4)	11/18/2022	\$394.24	\$399.90	1.44%	<i>sell on open</i>
TSLA(1/3)	11/22/2022	\$167.87	\$169.91	1.22%	Catapult

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