

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 25, 2022

Volume 15 Issue 226

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Low volume on Thanksgiving Wednesday has often been followed by a pullback in the next couple of days.

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
Active - Short Term						
November 25, 2022	Wed before Thanksgiving low volume	1-2 days	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%
Active - Long Term						
October 31, 2022	Best 6 Months 3rd Yr. Pres Cycle	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
November 23, 2022	Unfill gap btwn 0.5%-1.0%. C>O<200	1 day	Bearish			

The Evidence

Wednesday saw decent gains on slow action. The SPX rose 0.6%, the NASDAQ rallied 1.0%, and the Russell 2000 climbed 0.2%. Breadth was positive with the NYSE Up Issues % coming in at 61% and the Up Volume % at 66%. NYSE total volume came in light ahead of the holiday.

Low volume, especially on up days, can be a sign of complacency, so it will commonly trigger studies with bearish edges. But Wednesday’s volume came one day ahead of Thanksgiving. So perhaps it wasn’t so much a sign of complacency, but rather a sign of people taking off early ahead of the holiday. Often when volume comes in extremely light on or just in front of a holiday I will simply dismiss low-volume studies. But there was one low-volume study from the 11/26/21 letter that specifically examined low volume on the day before Thanksgiving. And it had interesting results. So I updated it below.

Wednesday before Thanksgiving posts the lowest NYSE volume in 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1983 - 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	-8,632.95	17	7	10	41.18	3,251.19	-7,726.01	1,475.21	-1,895.94	0.78	0.54	-507.82
4	-5,228.43	17	7	10	41.18	3,472.45	-4,359.94	1,203.48	-1,365.28	0.88	0.62	-307.55
3	-12,234.27	17	5	12	29.41	1,193.99	-4,948.90	890.41	-1,390.53	0.64	0.27	-719.66
2	-14,224.40	17	3	14	17.65	1,096.98	-5,644.20	710.71	-1,168.32	0.61	0.13	-836.73
1	-7,280.16	17	6	11	35.29	455.28	-2,243.64	223.13	-783.54	0.28	0.16	-428.24
2017 was the only year that SPX failed to close below the entry price on either Day 1 or Day 2.												

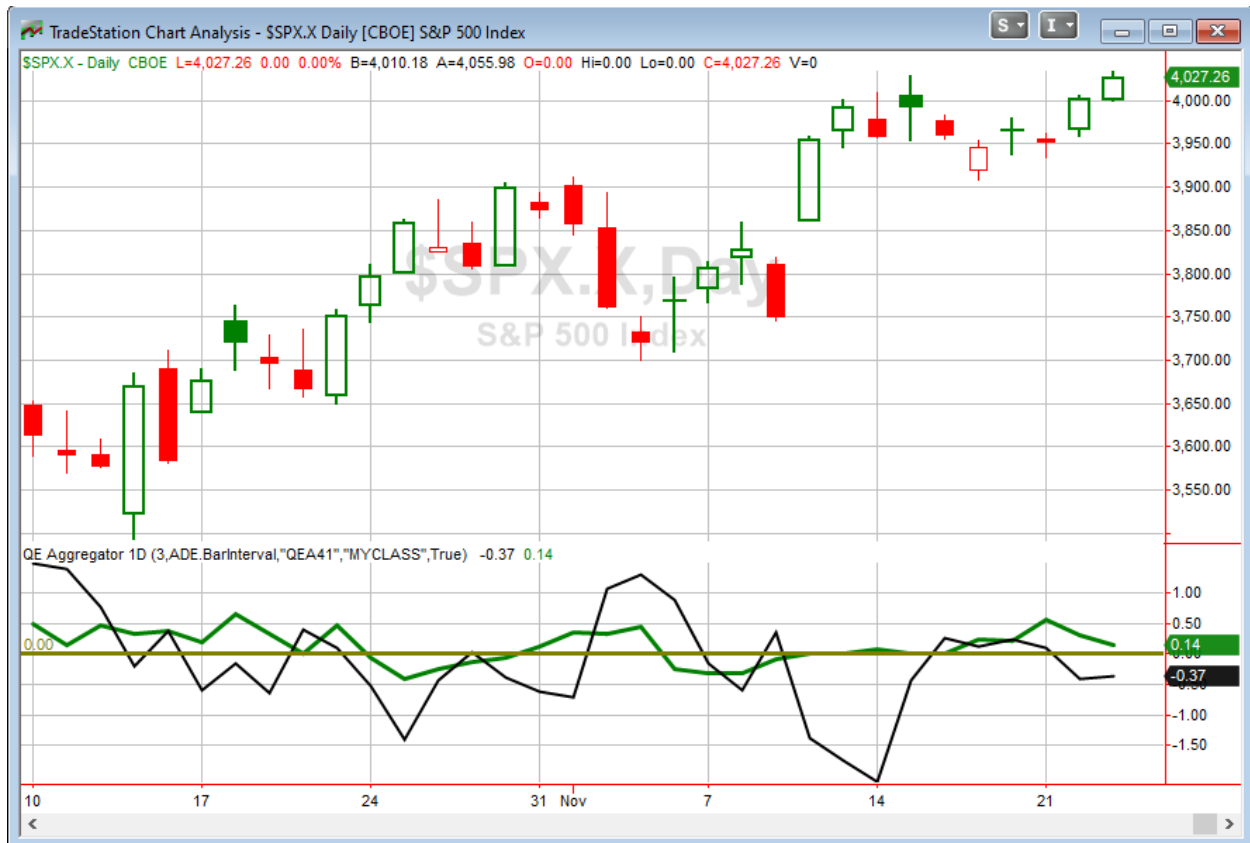
If I look back to 1970, there have only been 18 instances where Wednesday marked a 20-day volume low. This isn’t as common as I would suspect but it’s about 3 times higher than you’d get looking at any random day. Of course, it has now happened 8 of the last 9 years – so it appears to be

the new normal. Interesting is how poorly the SPX has performed over the next 2 days. The number of instances is low, but I also took a deeper look at the results. Below are all the instances since 1983.

Wednesday before Thanksgiving posts the lowest NYSE volume in 20 days. Buy SPX on close. Sell 2 days later. \$100k/trade. 1983 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/25/1987	Buy	\$244.10	-5.65%	\$4.09
11/30/1987	Sell	\$230.30		(\$7,496.97)
11/23/1988	Buy	\$269.00	-0.14%	\$0.00
11/28/1988	Sell	\$268.63		(\$942.34)
11/24/1993	Buy	\$462.36	-0.10%	\$533.52
11/29/1993	Sell	\$461.90		(\$114.48)
11/25/1998	Buy	\$1,186.86	-1.96%	\$512.40
11/30/1998	Sell	\$1,163.62		(\$1,952.16)
11/24/1999	Buy	\$1,417.08	-0.65%	\$571.20
11/29/1999	Sell	\$1,407.83		(\$905.10)
11/26/2003	Buy	\$1,058.45	1.10%	\$1,129.88
12/1/2003	Sell	\$1,070.12		(\$157.92)
11/24/2004	Buy	\$1,181.76	-0.27%	\$435.12
11/29/2004	Sell	\$1,178.57		(\$788.76)
11/22/2006	Buy	\$1,406.09	-1.72%	\$0.00
11/27/2006	Sell	\$1,381.96		(\$1,750.15)
11/25/2009	Buy	\$1,110.63	-1.35%	\$0.00
11/30/2009	Sell	\$1,095.63		(\$2,420.10)
11/24/2010	Buy	\$1,198.35	-0.88%	\$0.00
11/29/2010	Sell	\$1,187.76		(\$2,050.93)
11/26/2014	Buy	\$2,072.83	-0.94%	\$140.64
12/1/2014	Sell	\$2,053.44		(\$1,116.48)
11/25/2015	Buy	\$2,088.87	-0.41%	\$232.18
11/30/2015	Sell	\$2,080.41		(\$397.62)
11/23/2016	Buy	\$2,204.72	-0.14%	\$388.35
11/28/2016	Sell	\$2,201.72		(\$196.20)
11/22/2017	Buy	\$2,597.08	0.17%	\$354.54
11/27/2017	Sell	\$2,601.42		\$0.00
11/21/2018	Buy	\$2,649.93	0.89%	\$903.54
11/26/2018	Sell	\$2,673.45		(\$697.08)
11/27/2019	Buy	\$3,153.63	-1.26%	\$0.00
12/2/2019	Sell	\$3,113.87		(\$1,328.35)
11/24/2021	Buy	\$4,701.46	-0.98%	\$0.00
11/29/2021	Sell	\$4,655.27		(\$2,436.63)

I don't see any big red flags here (other than the low number of instances). With the Average Drawdown 4.75x the size of the Avg Run-Up, and also larger than the *largest* Run-up, reward/risk has greatly favored the bears. Results appear skewed enough to the downside that the study seems worth some consideration.

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



Even with tonight's evidence considered, 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 list of active studies, expectations are set to remain positive on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3990.12 on Friday. That is 0.9% below Wednesday's close. Therefore, SPX will need to close down over 0.9% on Friday 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 short-term overbought. Basically, Wednesday did not change anything. I don't see a setup strong enough to put on a new position right now. I'll wait until a more favorable reward/risk opportunity arises.

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

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 tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>SPY(1/4)</i>	<i>11/18/2022</i>	<i>\$394.24</i>	<i>\$399.55</i>	<i>1.35%</i>	<i>sold on open</i>
TSLA(1/3)	11/22/2022	\$167.87	\$183.20	9.13%	<i>sell on open</i>

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