

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 2, 2022

Volume 15 Issue 231

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Thursday's strong finish seems to up the odds for a strong Employment Day on Friday.
- There has been a big breadth turnaround over the last 6 weeks, and that appears to be a positive sign for the intermediate-term.

Short-term Outlook

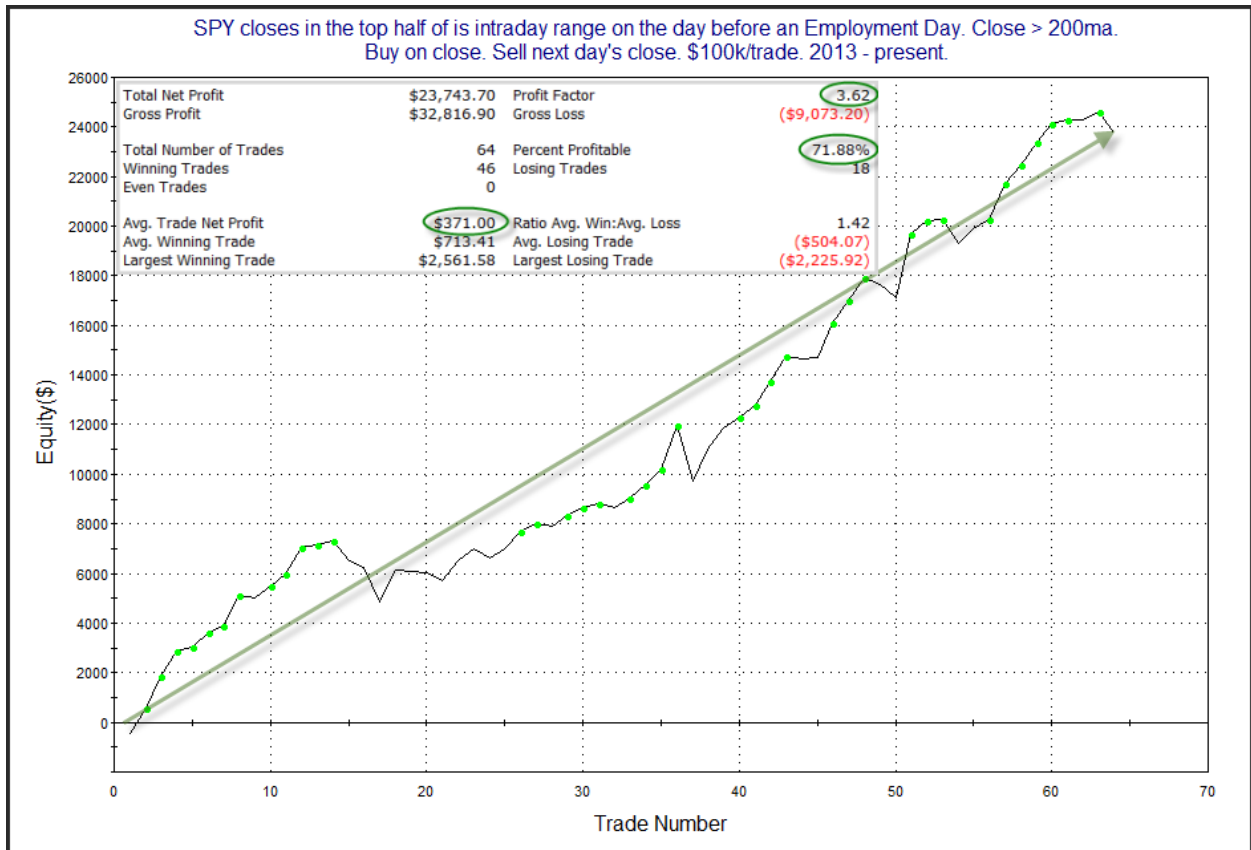
The Bottom Line

The Aggregator is neutral. Evidence is mixed but tilting higher. SPX is overbought. I don't see a sizable short-term edge. Same as last night.

The Evidence

Thursday's action was mixed and mild. The SPX dipped 0.1%, the NASDAQ rose 0.1%, and the Russell 2000 lost 0.3%. Breadth was also mixed with the NYSE Up Issues % coming in at 55% and the Up Volume % at 48%. NYSE total volume was much lower than Wednesday's level.

Notable about Friday morning is that we will see the release of BLS employment report. Interestingly, Employment days have performed better when there has been some optimism the day before. The study below, from the 12/3/21 letter, looks back to 2013 at all other times SPY closed above the 200ma and in the top half of its intraday range on the day before an employment day. Results are updated.



Both the numbers and the curve are impressive. They suggest a 1-day upside edge.

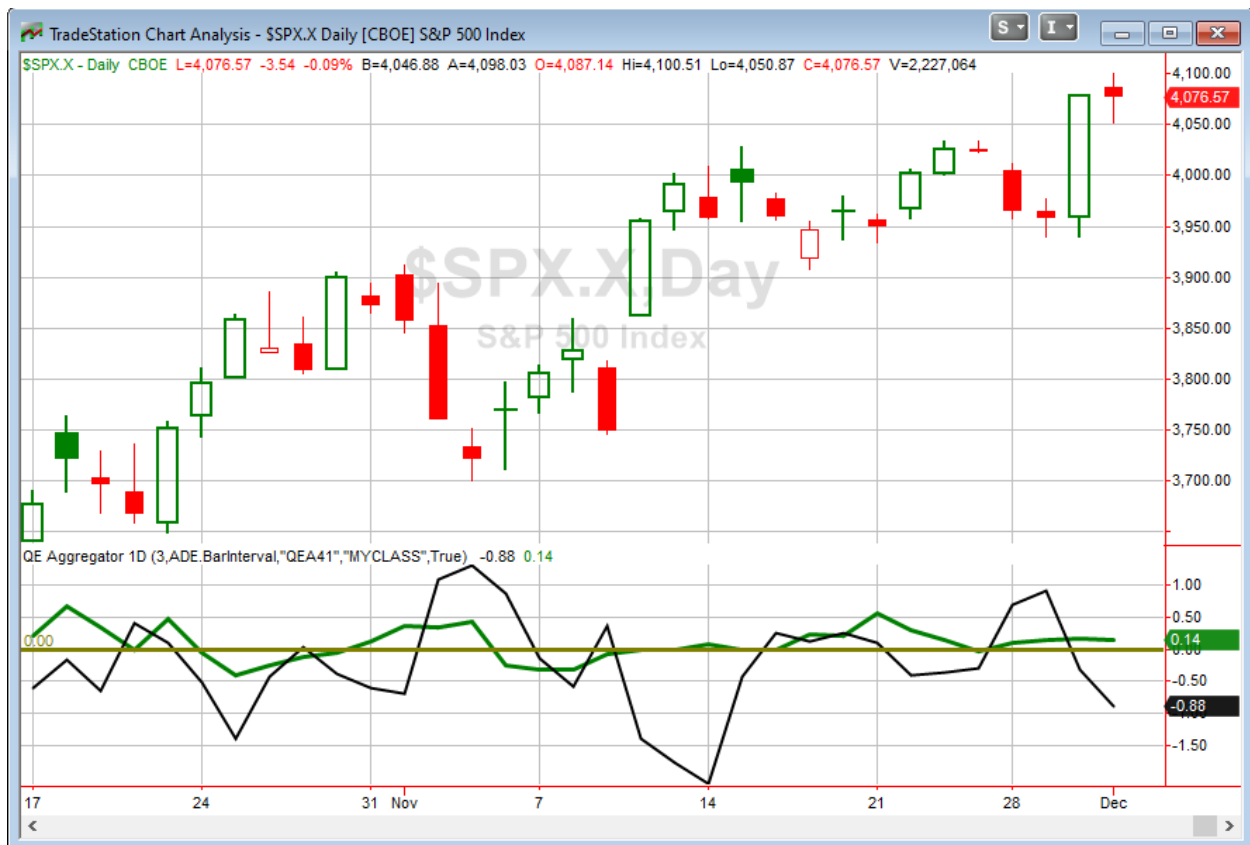
I will also note that the strong breadth we have seen of late has caused the percent of S&P 500 stocks trading above their 50ma to spike above 90%. This actually occurred on Wednesday. The %

of SPX stocks above the 50ma was under 15% as recently at October 14th. Below is a study from mid-August that looks at similar breadth turnarounds.

The % of SPX constituents moves from <= 15% to >= 90% within 50 days. Forward SPX returns shown. 1957 - present. (21 days = approx 1 month).											
Ticker	Date	% Chg	Close	5-Day % Chg	10-Day %Chg	21-Day % Chg	42-Day % Chg	63-Day % Chg	126-Day % Chg	252-Day % Chg	
\$\$PX	11/23/1962	1.2	61.54	1.17	2.47	1.77	6.84	6.37	13.78	13.11	
\$\$PX	9/4/1970	0.9	82.83	-0.92	-1.11	4.85	1.88	8	19.98	21.56	
\$\$PX	12/29/1971	0.26	102.21	0.83	1.35	1.26	3.89	4.85	5.05	14.4	
\$\$PX	1/27/1975	3.27	75.37	3.25	3.97	6.63	11.25	14.41	17.67	32.25	
\$\$PX	5/23/1980	1.48	110.62	0.13	2.79	4.09	10.1	13.92	25.75	20.02	
\$\$PX	8/26/1982	0.82	118.55	1.47	2.04	4.28	13.44	12.93	26.19	36.02	
\$\$PX	11/22/1985	0.05	201.52	-0.53	1.35	2.79	2.44	11.05	21.45	22	
\$\$PX	1/7/1988	0.84	261.07	-5.82	-6.87	-3.87	3.2	1.95	4.1	7.25	
\$\$PX	1/18/1989	1.05	286.53	0.91	3.69	2.89	1.18	7.2	17.17	17.75	
\$\$PX	6/9/1997	0.57	862.91	3.59	1.82	5.17	10.23	7.91	14.01	29.61	
\$\$PX	11/5/1998	1.34	1133.68	-1.37	1.67	4.77	12	9.71	18.23	20.87	
\$\$PX	5/5/2003	-0.38	926.55	2	-0.62	6.44	6.38	6.07	13.4	20.83	
\$\$PX	4/17/2009	0.5	869.6	-0.39	0.91	4.61	4.73	8.14	26.1	37.71	
\$\$PX	10/24/2011	1.29	1254.19	-0.07	0.55	-5.27	-0.02	5.73	10.88	12.67	
\$\$PX	3/16/2016	0.56	2027.22	0.47	1.6	2.64	1.95	2.18	4.86	17.47	
\$\$PX	2/15/2019	1.09	2775.6	0.74	0.62	2.05	4.5	3.02	4.07	21.43	
\$\$PX	5/26/2020	1.23	2991.77	2.98	7.2	1.96	7.48	14.69	18.91	39.99	
\$\$PX	8/12/2022	1.73	4280.15	-1.21	-5.2	-8.12	-16.43	-7.56	n/a	n/a	
			Average	0.40	1.01	2.16	4.72	7.25	15.39	22.64	
			Median	0.61	1.48	2.84	4.62	7.56	17.17	20.87	
			Win %	61%	78%	83%	89%	94%	100%	100%	

This last instance has been by far the worst of the bunch. Perhaps it is getting itself back on track with the recent rally. A 2nd such breadth turnaround has not happened before in such a short amount of time. Overall, this seems to be strong evidence for the intermediate-term. I have added the study to the intermediate-term active list.

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



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 3962.72 on Friday. That is a sizable 2.8% below Thursday's close. Therefore, it would take a decline of at least 2.8% on Friday for SPX to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. The market is strongly overbought but evidence suggests it could go higher. This leaves reward/risk underwhelming and me sidelined and waiting.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 11/28 – neutral*

The intermediate-term outlook was last updated in the 11/28/22 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>11/30/2022</i>	<i>\$395.23</i>	<i>\$408.77</i>	<i>3.43%</i>	<i>sold on open</i>

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