

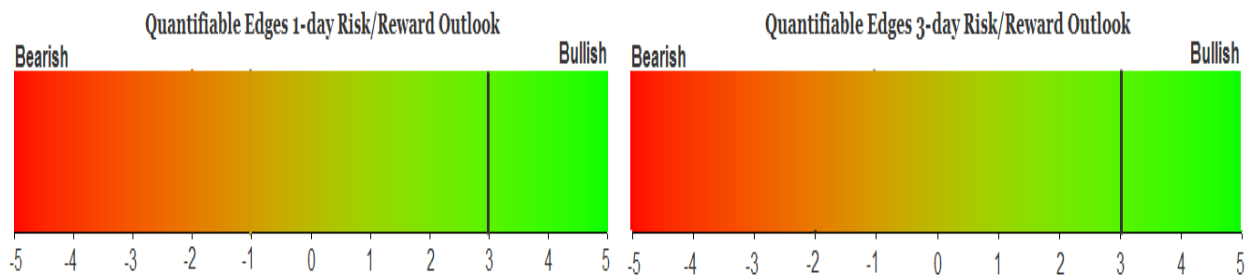
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 8, 2022

Volume 15 Issue 235

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The tight-range inside suggests more selling over the next couple of days.
- During a downtrend, 5 days lower is typically followed by a bounce over the next several days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side.

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						
December 8, 2022	SPY nr5 inside < 200. Not low vol20	1-2 days	Bearish			
December 8, 2022	5 lower closes < 200ma	1-8 days	Bullish	4.30%	-2.00%	-4.85%
Active - Long Term						
December 2, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
December 1, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
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)						
December 7, 2022	Dn 3+. 10-low. < 200. Its Tues.	1 day	Bullish			

The Evidence

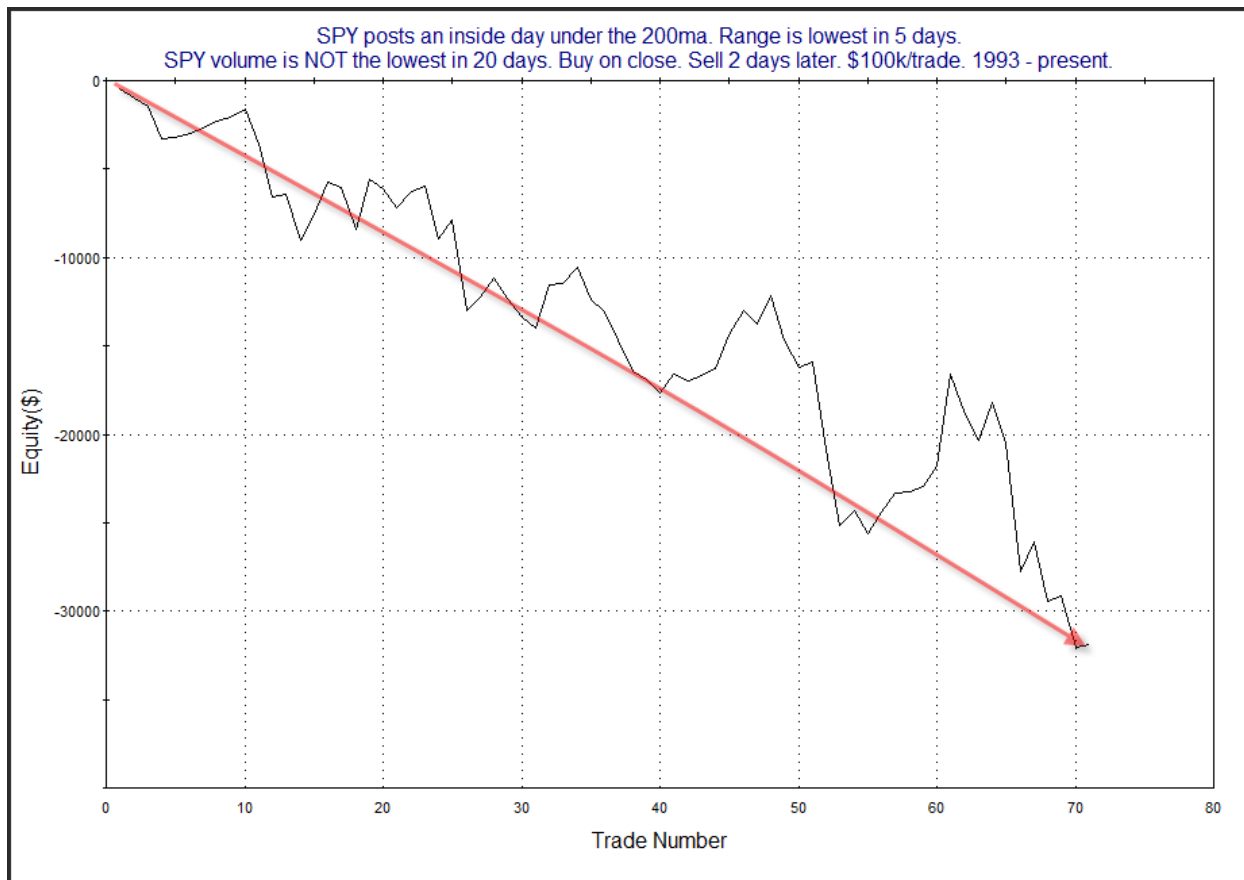
There might not be any up days in December. The SPX closed down again, losing 0.2%, the NASDAQ fell 0.5%, and the Russell 2000 dropped 0.3%. Breadth was negative with the NYSE Up Issues % coming in at 48% and the Up Volume % at 36%. NYSE total volume declined some from Tuesday's level.

I'm seeing mixed indications tonight. There were a few studies that appeared in the Quantifinder that looked at the fact that Wednesday was an inside day with a low range. In the 1/25/19 letter I looked at such days. I found that volume seemed to make a difference when evaluating them. This can be seen in the results tables below.

SPY posts an inside day under the 200ma. Range is lowest in 5 days. SPY volume is the lowest in 20 days. 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	21,227.03	28	20	8	71.43	7,263.90	-5,039.82	2,400.88	-3,348.82	0.72	1.79	758.11
4	20,554.99	28	20	8	71.43	5,865.00	-4,951.57	2,057.36	-2,574.02	0.80	2.00	734.11
3	12,823.17	28	17	11	60.71	6,842.50	-6,431.25	2,127.54	-2,122.27	1.00	1.55	457.97
2	6,164.67	28	16	12	57.14	5,440.00	-4,065.25	1,554.43	-1,558.86	1.00	1.33	220.17
1	-5,201.18	28	11	17	39.29	3,512.48	-3,084.28	1,195.99	-1,079.83	1.11	0.72	-185.76

SPY posts an inside day under the 200ma. Range is lowest in 5 days. SPY volume is NOT the lowest in 20 days. 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	-13,189.17	62	29	32	46.77	8,586.35	-15,971.55	2,092.19	-2,308.21	0.91	0.82	-212.73
4	-25,607.36	63	31	32	49.21	6,497.00	-13,801.83	1,704.52	-2,451.48	0.70	0.67	-406.47
3	-40,960.38	67	30	37	44.78	7,413.70	-9,763.74	1,616.63	-2,417.82	0.67	0.54	-611.35
2	-31,913.35	71	36	35	50.70	5,188.70	-7,287.40	1,018.34	-1,959.24	0.52	0.53	-449.48
1	-18,013.25	71	34	37	47.89	4,485.60	-5,444.46	939.57	-1,350.24	0.70	0.64	-253.71

The current setup is the 2nd one above, since SPY volume on Wednesday was moderate. Below is a look at the 2-day equity curve.



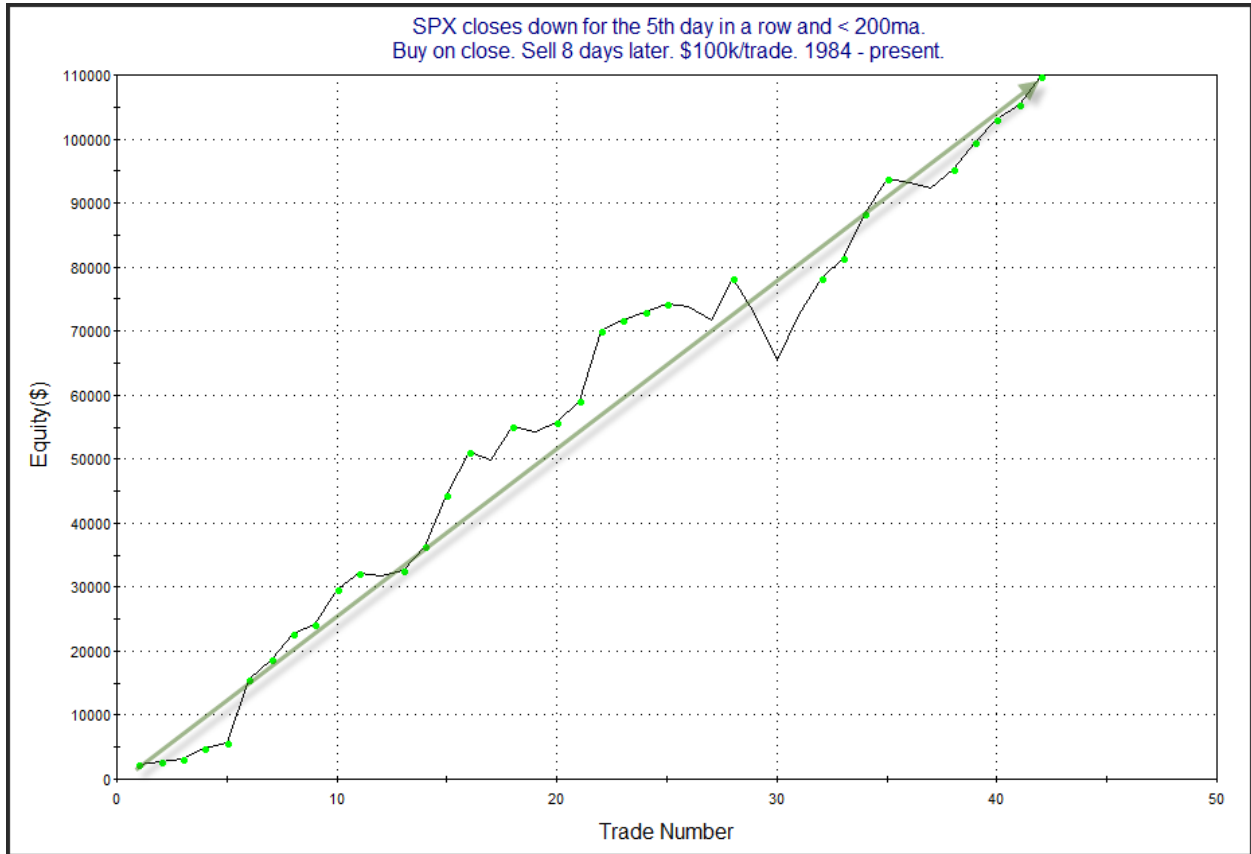
Definitely a good bit of chop, but it continues to work its way lower. I have included this study on the Active List tonight.

It is also notable that Wednesday was the 5th day in a row that SPX closed lower. Five day streaks are somewhat unusual when the market is in a long-term downtrend. Bear markets tend to be choppy, so you often get whips back and forth every few days. Anyway, the study below looks at other times the SPX closed down for the 5th day in a row and below the 200ma.

SPX closes down for the 5th day in a row and < 200ma.
Buy on close. Sell X days later. \$100k/trade. 1984 - present.

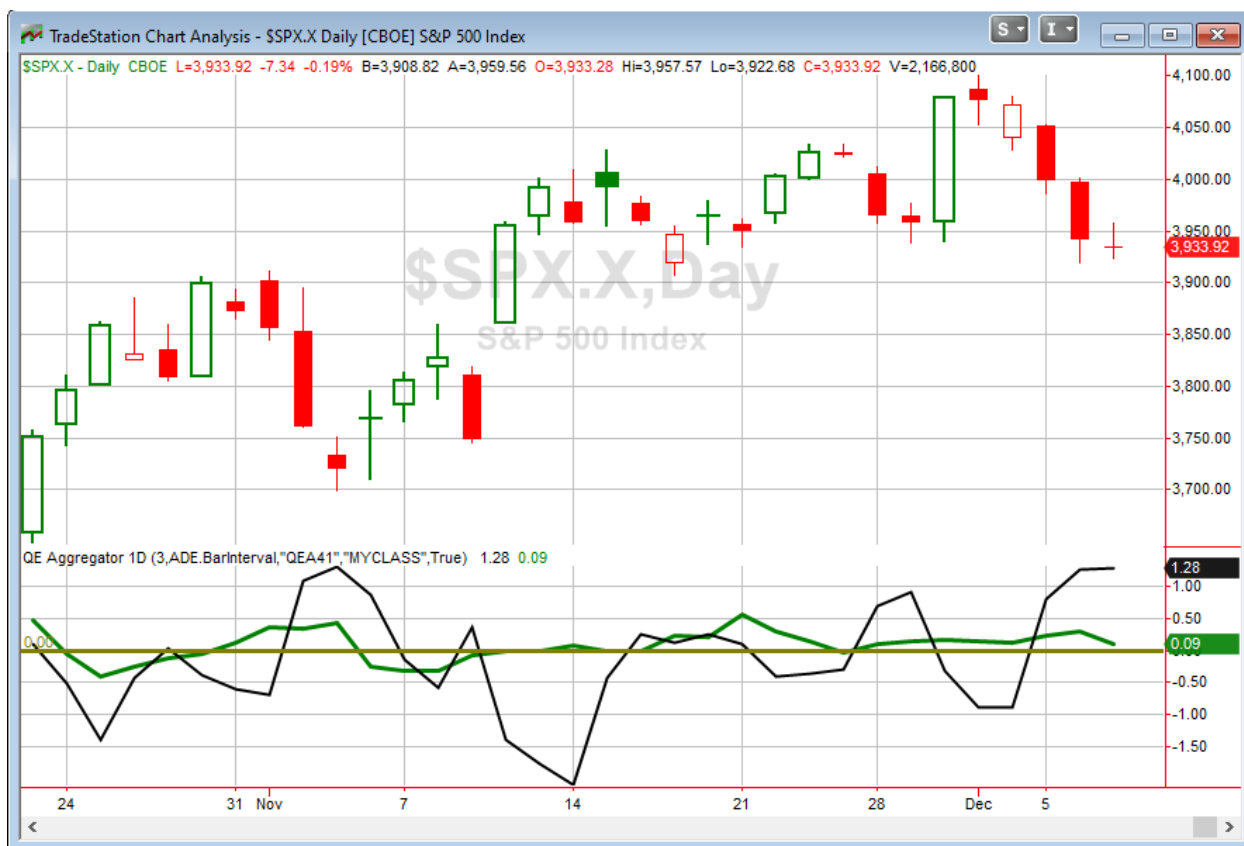
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	90,732.56	41	29	12	70.73	10,874.74	-11,180.43	4,249.13	-2,707.69	1.57	3.79	2,212.99
9	101,914.41	41	30	11	73.17	10,693.46	-11,287.50	4,112.38	-1,950.63	2.11	5.75	2,485.72
8	109,806.83	42	33	9	78.57	10,967.44	-7,376.22	3,912.01	-2,143.29	1.83	6.69	2,614.45
7	100,775.29	43	33	10	76.74	8,809.59	-9,509.88	3,795.01	-2,445.99	1.55	5.12	2,343.61
6	76,804.60	43	32	11	74.42	8,870.96	-8,930.67	3,411.55	-2,942.26	1.16	3.37	1,786.15
5	78,302.55	43	28	15	65.12	7,739.42	-4,509.84	3,436.26	-1,194.18	2.88	5.37	1,820.99
4	58,781.14	43	30	13	69.77	5,731.96	-3,579.84	2,664.20	-1,626.54	1.64	3.78	1,367.00
3	39,866.12	43	29	14	67.44	5,277.96	-9,701.00	2,328.07	-1,974.85	1.18	2.44	927.12
2	36,230.20	43	31	12	72.09	6,245.15	-8,631.00	1,964.09	-2,054.73	0.96	2.47	842.56
1	25,502.85	43	28	15	65.12	3,877.95	-3,446.88	1,540.51	-1,175.43	1.31	2.45	593.09

Those are some impressive numbers. Below is a look at the 8-day profit curve.



That is a long, steady ramp upwards. Five down days is often about enough to get the market to swing back in the other direction.

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 also held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4017.62 on Thursday. That is a sizable 2.1% above Wednesday's close. Therefore, SPX will need to close up at least 2.1% on Thursday in order to flip from oversold to overbought vs expectations. A more likely scenario to work off the oversold condition is a multi-day rally or consolidation.

So the Aggregator is bullish. Evidence is mixed but pointing higher. The market remains quite oversold. I like the long side. Of course I already have a couple of lots of SPY from the last 2 days. With the evidence tonight mixed, I'll wait another day before considering adding any more index exposure. I will maintain my current position for the time being.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/5 – slightly bullish

The intermediate-term outlook was last updated in the 12/5/22 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

GS – 1/3 @\$362.91 (bought @ limit)

New

GS – 1/3 @\$359.92 (buy @ limit)

Broad Market Large Cap CBI – 1(GS)

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.

GS – But 1/3 Catapult position @ \$359.92 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of GS.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/6/2022	\$399.42	\$393.16	-1.57%	Aggregator
SPY(1/4)	12/7/2022	\$392.00	\$393.16	0.30%	Aggregator
GS(1/3)	12/7/2022	\$362.49	\$359.92	-0.71%	Catapult

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