

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 4, 2023

Volume 16 Issue 2

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- SPY's gap up and reverse lower pattern suggests an upside edge.
- The dip occurring with strong breadth appears to be a positive.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. 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						
January 3, 2023	5-high, down close, Up Issue > 60%	1-3 days	Bullish			
January 3, 2023	Gap up > 0.5%, close down < 200	1-2 days	Bullish			
December 29, 2022	1% drop between Christmas & New Years	1-5 days	Bullish	3.20%	-1.40%	-2.95%
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			

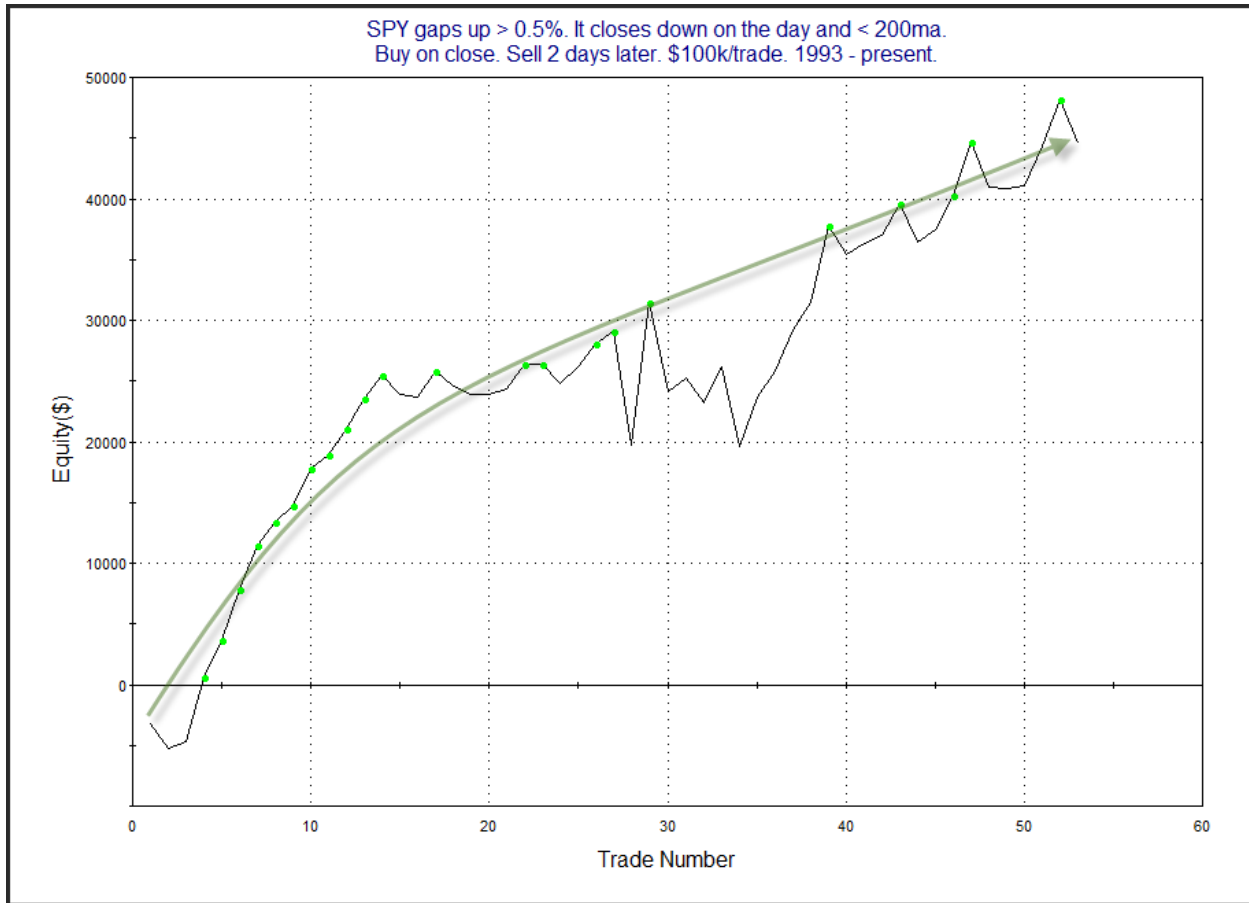
The Evidence

Stocks started out the New Year with a gap up, but could not hold their gains. The SPX closed down 0.4%, the NASDAQ declined 0.8%, and the Russell 2000 fell 0.6%. Breadth was mixed with the NYSE Up Issues % coming in at 60% and the Up Volume % at 49%. NYSE total volume rose for the 5th day in a row.

There were a couple of studies from the Quantifinder tonight that I thought were worth consideration. This 1st one looked at the gap up and reversal in SPY. Last seen in the 11/2/22 letter, I have updated the results below.

SPY gaps up > 0.5%. It closes down on the day and < 200ma. 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	36,937.61	50	32	18	64.00	5,876.56	-9,016.04	2,890.17	-3,085.99	0.94	1.66	738.75
4	38,226.88	50	34	16	68.00	6,060.50	-8,130.08	2,483.30	-2,887.84	0.86	1.83	764.54
3	23,552.85	52	33	19	63.46	7,186.58	-11,518.47	2,362.88	-2,864.32	0.82	1.43	452.94
2	44,631.65	53	37	16	69.81	11,736.30	-9,320.67	2,523.90	-3,047.04	0.83	1.92	842.11
1	14,010.77	54	33	21	61.11	4,803.44	-7,436.23	1,609.53	-1,862.09	0.86	1.36	259.46

Numbers here look strong over the first 1-2 days. Below is a look at the 2-day profit curve.



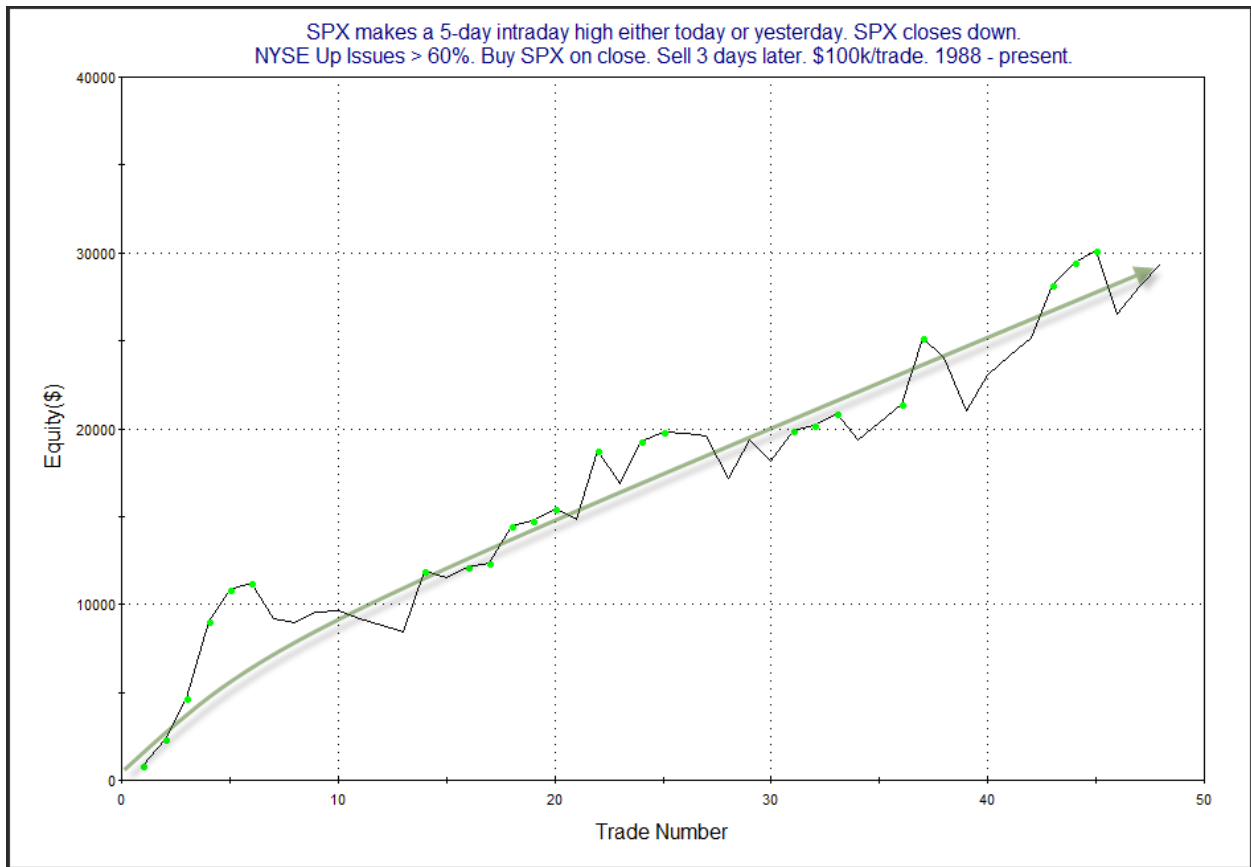
There is some real chop in this curve, but the dips have recovered fairly quickly, and it is again near a new high. I have included this on the Active List tonight.

There was another study I found interesting from the 11/28/22 letter. It examined other times the market made a recent short-term high, then pulled back but the breadth remained squarely positive. Results are updated below.

SPX makes a 5-day intraday high either today or yesterday. SPX closes down.
NYSE Up Issues > 60%. Buy SPX on close. Sell X days later. \$100k/trade. 1988 - 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	15,677.21	46	30	16	65.22	4,586.15	-6,119.33	1,666.79	-2,145.40	0.78	1.46	340.81
4	34,548.84	48	30	18	62.50	8,095.62	-6,253.50	2,063.01	-1,518.97	1.36	2.26	719.77
3	29,411.62	48	32	16	66.67	4,370.82	-3,593.26	1,529.96	-1,221.70	1.25	2.50	612.74
2	21,727.36	48	32	16	66.67	4,825.17	-4,128.74	1,271.18	-1,184.40	1.07	2.15	452.65
1	18,961.99	48	28	20	58.33	3,351.09	-1,606.00	1,027.09	-489.82	2.10	2.94	395.04

This suggests a possible upside edge over the next few days. Below is a look at the 3-day profit curve.



The curve has slope upwards for a long time. This seems to offer some confirmation of the upside edge suggested by the stats table. I have included this study on the Active List tonight.

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



With tonight's study 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 dipped 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 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 *inverted* at 3877.99 on Wednesday. That is 1.4% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 1.4% in order to remain overbought vs recent expectations. Anything other than that and it will be considered "oversold" vs recent expectations as of the close on Wednesday.

So the Aggregator is neutral. The market is choppy, and the Differential Pivot is inverted. This is not a combination that suggests a strong edge. I flattened out of my index position near the open on Tuesday. I will remain flat until a more compelling risk/reward setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 1/3 – neutral*

The intermediate-term outlook was last updated in the 1/3 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 @ \$123.15 (bought @ LIMIT)

TSLA – 1/3 @ \$109.10 (bought @ LIMIT)

Broad Market Large Cap CBI – 2(TSLA-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>12/20/2022</i>	<i>\$379.23</i>	<i>\$384.37</i>	<i>1.36%</i>	<i>sold on open</i>
TSLA(1/3)	12/27/2022	\$117.50	\$108.10	-8.00%	Catapult
TSLA(1/3)	12/28/2022	\$109.10	\$108.10	-0.92%	Catapult

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