

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 11, 2023

Volume 16 Issue 7

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- QQQ closing at a 10-day high on low volume below the 200ma has often led to dips the next day.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I don't see a compelling reason to get involved in an index position at this point.

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 11, 2023	QQQ 10-hi on 10-low vlm. C < 200	1 day	Bearish			
January 10, 2023	5-high. Down close. Up Issue > 60%.	1-3 days	Bullish			
January 10, 2023	Gap up > 0.5%. Close down < 200	1-2 days	Bullish			
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

Tuesday saw solid gains. The SPX rose 0.7%, the NASDAQ climbed 1.0%, and the Russell 2000 rallied 1.5%. Breadth was positive with the NYSE Up Issues % coming in at 72% and the Up Volume % at 79%. NYSE total volume declined some from Monday's level.

In the 1/8/19 subscriber letter I looked at times QQQ posted a short-term high on light volume during a long-term downtrend. The surprisingly low QQQ volume on Monday caused me to look at that study again tonight. Below are updated stats for a 1-day holding period.

QQQ closes at a 10-day high but < 200ma. It posts the lightest volume in 10 days.
Buy on close. Sell X days later. \$100k/trade. 2000 - present.

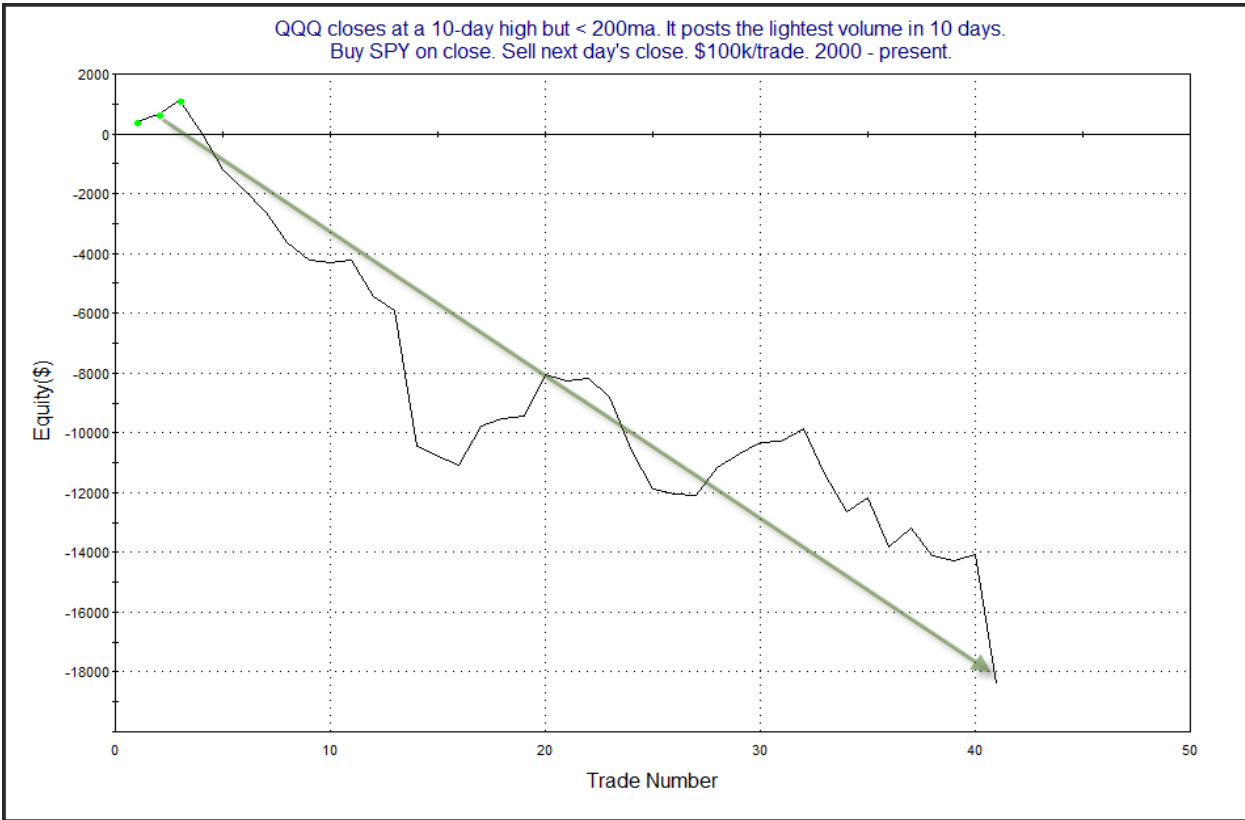
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$23,448.37)	Profit Factor	0.36
Gross Profit	\$13,431.78	Gross Loss	(\$36,880.15)
Total Number of Trades	41	Percent Profitable	36.59%
Winning Trades	15	Losing Trades	26
Even Trades	0		
Avg. Trade Net Profit	(\$571.91)	Ratio Avg. Win:Avg. Loss	0.63
Avg. Winning Trade	\$895.45	Avg. Losing Trade	(\$1,418.47)
Largest Winning Trade	\$2,653.20	Largest Losing Trade	(\$5,469.84)

Results look quite bearish. I also looked to see how SPY performed when QQQ acted this way. So here is the 1-day performance of SPY based on the action in QQQ.

QQQ closes at a 10-day high but < 200ma. It posts the lightest volume in 10 days.
Buy SPY on close. Sell next day's close. \$100k/trade. 2000 - present.

TradeStation Performance Summary		Expand ▾	
All Trades			
Total Net Profit	(\$18,405.94)	Profit Factor	0.30
Gross Profit	\$7,868.44	Gross Loss	(\$26,274.38)
Total Number of Trades	41	Percent Profitable	41.46%
Winning Trades	17	Losing Trades	24
Even Trades	0		
Avg. Trade Net Profit	(\$448.93)	Ratio Avg. Win:Avg. Loss	0.42
Avg. Winning Trade	\$462.85	Avg. Losing Trade	(\$1,094.77)
Largest Winning Trade	\$1,362.30	Largest Losing Trade	(\$4,580.52)

Stats here are very similar and suggest that SPY has suffered along with QQQ when QQQ has triggered these signals. Below is a profit curve for SPY.



It has headed from upper left to lower right for a long time. This study appears worthy of some consideration and I have added it to the Active List tonight.

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 active studies, expectations are set to remain bullish on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3900.18 on Wednesday. That is 0.5% below Tuesday's close. Therefore, SPX will need to close down at least 0.5% on Wednesday to flip from overbought to oversold vs recent expectations.

So the Aggregator is still neutral. Evidence is now mixed, and SPX remains overbought. That is not a compelling combination when considering new index positions. I'll continue to wait for a more compelling risk/reward opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/9 – neutral

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>TSLA(1/3)</i>	<i>12/27/2022</i>	<i>\$117.50</i>	<i>\$121.07</i>	<i>3.04%</i>	<i>sold on open</i>
<i>TSLA(1/3)</i>	<i>12/28/2022</i>	<i>\$109.10</i>	<i>\$121.07</i>	<i>10.97%</i>	<i>sell on open</i>

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