

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 25, 2023

Volume 16 Issue 16

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- I look at implications of a (likely) upcoming Golden Cross.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is where I am at 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						
None						
Active - Long Term						
January 24, 2023	SOX rises 5% on day and closes > 200ma	1-10 days	Bearish			
January 23, 2023	NASDAQ Leading	int term	Bullish			
January 13, 2023	QE Triple 70 Thrust	1-80 days	Bullish			
January 13, 2023	Deemer Breakaway Momentum	1-6 months	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
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 most of the major indices close lower. The SPX dipped 0.1%, the NASDAQ fell 0.3%, and the Russell 2000 also lost 0.3%. Breadth was negative with the NYSE Up Issues % coming in at 48% and the Up Volume % at 41%. NYSE total volume came in at the lightest level so far in 2023.

I'm not seeing anything compelling based on Tuesday's action. I'm not even seeing anything terribly interesting. I have noted a few times recently that it appears a Golden Cross is fast approaching. At this point it looks like it might occur in about a week. A Golden Cross occurs when the 50ma crosses over the 200ma. Having the 50ma above the 200ma is commonly considered a bullish market condition – and generally it is. I covered Golden Crosses in detail in the Quantifiable Edges Market Timing Course (Lesson 2). In the 7/9/2020 letter I looked at SPX Golden Crosses dating all the way back to 12/31/1928. With nothing compelling from a short-term perspective to discuss tonight, I decided to update the Golden Cross study. The table below shows performance of holding SPX only when a Golden Cross is active, and then sitting in cash (earning the short-term Fed Funds rate) when there is not an active Golden Cross.

SPX Golden Cross Trade Performance.
12/31/1928 - 1/24/2023.

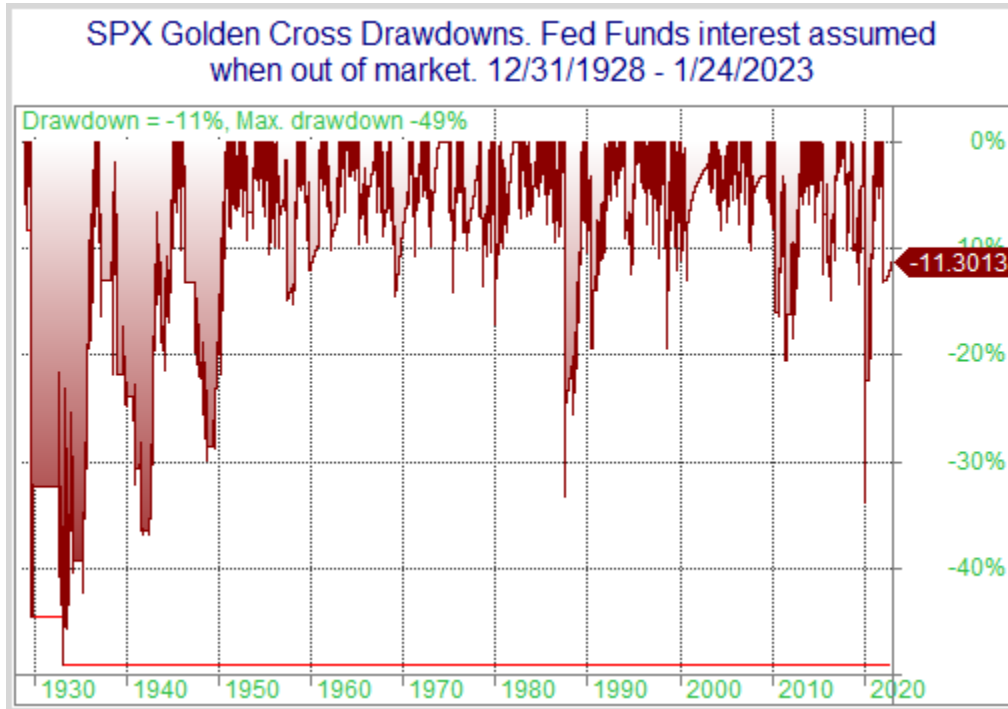
Statistics		
	All trades	Buy&Hold (\$SPX)
Initial capital	100000.00	100000.00
Ending capital	72571119.51	16496672.30
Net Profit %	72471.12%	16396.67%
Annual Return %	7.25%	5.57%
<hr/>		
All trades	49	1
Avg. Profit/Loss %	14.56%	16396.67%
Avg. Bars Held	323.88	23632.00
<hr/>		
Winners	32 (65.31 %)	1 (100.00 %)
Total Profit	74739897.38	16396672.31
Avg. Profit %	26.44%	16396.67%
Avg. Bars Held	437.28	23632.00
<hr/>		
Losers	17 (34.69 %)	0 (0.00 %)
Total Loss	-8253183.78	0.00
Avg. Loss %	-7.80%	-nan(ind)%
Avg. Bars Held	110.41	-nan(ind)
<hr/>		
Max. system % drawdown	-49.09%	-86.19%

Below is the full list of all SPX Golden Crosses since 12/31/1928.

SPX Golden Cross Returns
12/31/1928 - 1/24/2023

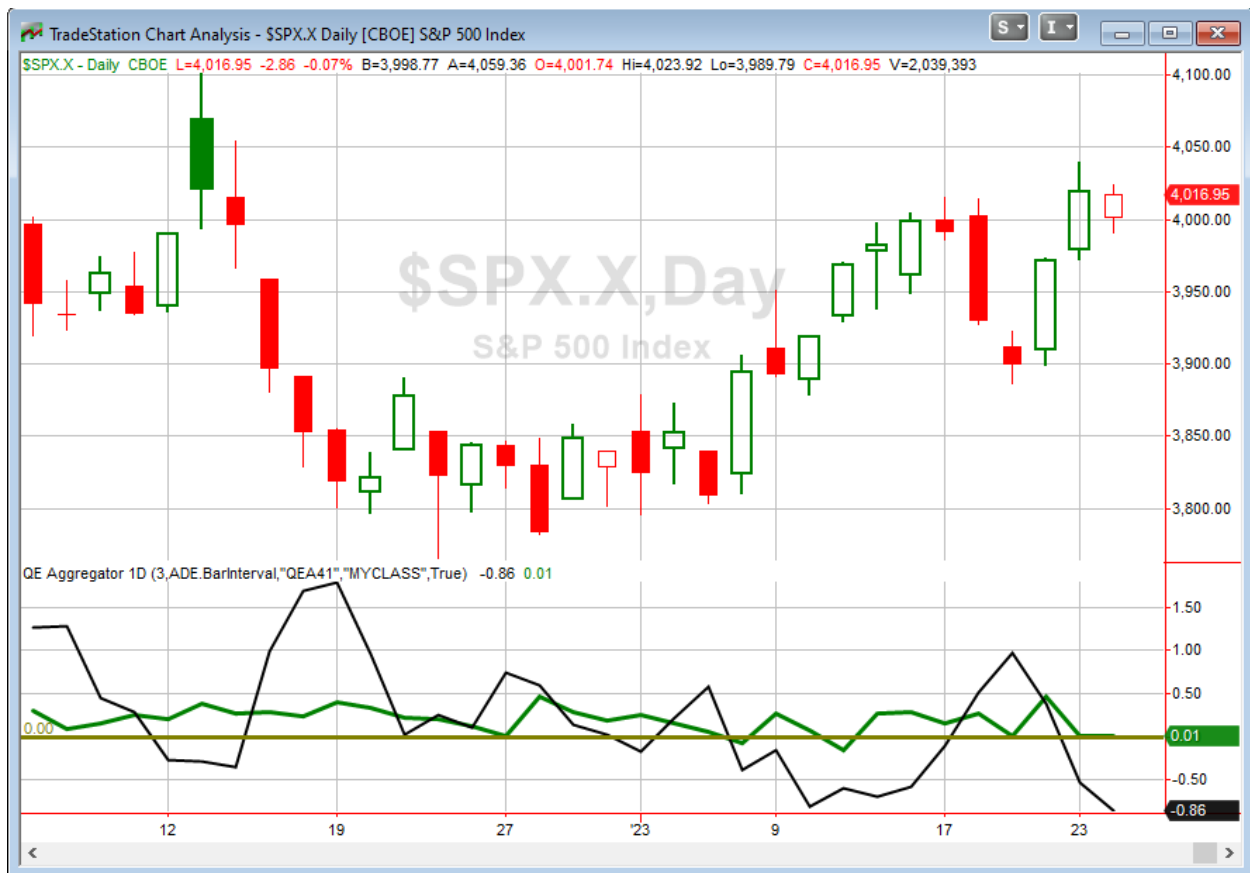
Symbol	Trade	Date	Price	Ex. date	Ex. Price	% chg	Max Drawdown	Max Run-Up
SPX	Long	12/31/1928	24.35	11/22/1929	21.53	-11.58%	-27.47%	30.84%
SPX	Long	9/19/1932	7.34	3/27/1933	6.090001	-17.03%	-24.66%	16.08%
SPX	Long	5/18/1933	8.89	5/31/1934	9.61	8.10%	-3.15%	37.23%
SPX	Long	5/23/1935	10.07	5/21/1937	16.27	61.57%	-4.87%	85.40%
SPX	Long	7/27/1938	12.25	3/31/1939	10.98	-10.37%	-10.37%	12.57%
SPX	Long	9/18/1939	12.47	3/20/1940	12.14	-2.65%	-3.77%	5.93%
SPX	Long	12/13/1940	10.69	2/21/1941	9.76	-8.70%	-10.85%	1.59%
SPX	Long	8/18/1941	10.13	11/18/1941	9.26	-8.59%	-9.08%	3.36%
SPX	Long	8/14/1942	8.58	12/1/1943	11.13	29.72%	-0.47%	47.32%
SPX	Long	3/13/1944	12.24	8/28/1946	16.73	36.68%	-4.66%	57.27%
SPX	Long	7/25/1947	16.08	1/22/1948	14.42	-10.32%	-10.32%	0.00%
SPX	Long	5/14/1948	16.39	12/1/1948	15.01	-8.42%	-10.01%	4.09%
SPX	Long	8/31/1949	15.22	5/11/1953	24.91	63.67%	-0.20%	75.16%
SPX	Long	12/21/1953	24.95	10/26/1956	46.27	85.45%	-1.60%	98.96%
SPX	Long	6/3/1957	47.37	9/26/1957	42.57	-10.13%	-10.13%	3.72%
SPX	Long	5/8/1958	43.99	10/30/1959	57.52	30.76%	-1.98%	38.01%
SPX	Long	12/30/1959	59.77	2/15/1960	55.17	-7.70%	-7.70%	1.04%
SPX	Long	1/4/1961	58.36	5/7/1962	66.02	13.13%	0.00%	24.47%
SPX	Long	1/3/1963	63.72	7/22/1965	83.85	31.59%	-1.65%	42.31%
SPX	Long	9/17/1965	90.05	4/28/1966	91.13	1.20%	-3.73%	5.19%
SPX	Long	2/3/1967	87.36	2/27/1968	90.53	3.63%	-2.00%	12.53%
SPX	Long	5/17/1968	96.9	3/13/1969	98.39	1.54%	-1.15%	12.87%
SPX	Long	5/27/1969	103.57	6/23/1969	96.23	-7.09%	-7.09%	1.07%
SPX	Long	10/22/1970	83.38	9/24/1971	98.15	17.71%	-1.38%	26.65%
SPX	Long	1/26/1972	102.5	4/18/1973	111.54	8.82%	-0.67%	18.77%
SPX	Long	3/6/1975	83.69	12/1/1976	102.49	22.46%	-4.82%	29.91%
SPX	Long	1/4/1977	105.7	3/3/1977	100.88	-4.56%	-6.51%	1.52%
SPX	Long	5/22/1978	99.09	12/13/1978	96.06	-3.06%	-7.51%	9.04%
SPX	Long	3/21/1979	101.25	4/22/1980	103.43	2.15%	-6.93%	18.74%
SPX	Long	6/17/1980	116.03	7/2/1981	128.64	10.87%	-2.51%	22.35%
SPX	Long	9/28/1982	123.24	2/3/1984	160.91	30.57%	-2.52%	40.09%
SPX	Long	9/12/1984	164.68	11/18/1986	236.78	43.78%	-2.83%	54.38%
SPX	Long	11/25/1986	248.17	11/5/1987	254.48	2.54%	-12.78%	36.15%
SPX	Long	6/28/1988	272.31	2/26/1990	328.67	20.70%	-5.79%	32.42%
SPX	Long	5/25/1990	354.58	9/7/1990	323.4	-8.79%	-13.65%	4.29%
SPX	Long	2/15/1991	369.06	4/19/1994	442.54	19.91%	-1.86%	30.83%
SPX	Long	9/15/1994	474.81	9/29/1998	1049.02	120.93%	-6.72%	150.75%
SPX	Long	12/8/1998	1181.38	11/4/1999	1362.64	15.34%	-3.77%	20.21%
SPX	Long	11/11/1999	1381.46	10/30/2000	1398.66	1.25%	-5.48%	12.41%
SPX	Long	5/14/2003	939.28	8/18/2004	1095.17	16.60%	-2.90%	23.84%
SPX	Long	11/5/2004	1166.17	7/19/2006	1259.81	8.03%	-2.57%	13.77%
SPX	Long	9/12/2006	1313.11	12/21/2007	1484.46	13.05%	-1.03%	20.03%
SPX	Long	6/23/2009	895.1	7/2/2010	1022.58	14.24%	-2.88%	36.28%
SPX	Long	10/22/2010	1183.08	8/12/2011	1178.81	-0.36%	-6.89%	15.85%
SPX	Long	1/31/2012	1312.41	8/28/2015	1988.87	51.54%	-3.48%	62.66%
SPX	Long	12/21/2015	2021.15	1/11/2016	1923.67	-4.82%	-5.08%	2.99%
SPX	Long	4/25/2016	2087.79	12/7/2018	2633.08	26.12%	-4.60%	40.86%
SPX	Long	4/1/2019	2867.19	3/30/2020	2626.65	-8.39%	-23.55%	18.36%
SPX	Long	7/9/2020	3152.05	3/14/2022	4173.11	32.39%	-1.15%	52.87%

Since the 1961 trigger, there have only been a few moderate failures, and the Golden Cross has generally served as a fairly good timing device to sidestep large portions of bear markets. Prior to 1961 it was not nearly as effective. This can be seen in the drawdown chart below.



While drawdowns have been mostly fairly moderate since the mid-50s, prior to that there were some very large drawdowns to endure. The 2020 drawdown was the biggest since. Overall, and despite some fairly sizable drawdowns early on, the Golden Cross would have beaten “Buy and Hold” handily. It is a bullish long-term trend indication. But it is not a bulletproof long signal.

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



Without any new studies triggering on Tuesday, the green Aggregator Line remained slightly 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.

With the short-term active list now bare, expectations are primed to remain positive Wednesday based on the intermediate-term outlook. Of course expectations will be greatly influenced by any new evidence that emerges. Meanwhile, the Differential Pivot will be 4002.24 on Wednesday. That is 0.4% below Tuesday's close. Therefore, SPX would need to close down 0.4% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. That is where I am as well. A short-term edge is lacking and I don't see a good reason to put capital at risk until the next favorable entry opportunity arises. So I will sit and observe another day.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 1/23 – bullish*

The intermediate-term outlook was last updated in the 1/23/23 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

KHC @ \$39.66 (bought 1/3 @ limit)

Broad Market Large Cap CBI – 1(KHC)

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
KHC(1/3)	1/19/2023	\$39.66	\$39.82	0.40%	Catapult

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