

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 31, 2023

Volume 16 Issue 20

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Wednesday is a Fed Day and the 1st day of the month. That combination has typically led to rallies in the following days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I anticipate we will see the outlook change to bullish if SPY struggles on Tuesday.

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

Monday saw selling. The SPX closed down 1.3%, the NASDAQ lost 2.0%, and the Russell 2000 fell 1.35%. Breadth was negative with the NYSE Up Issues % coming in at 32% and the Up Volume % at 26%. NYSE total volume rose some for the 4th day in a row.

Monday's selloff was fairly sharp, and it came from a 20-day high on Friday. We also saw SPY leave an unfilled opening gap lower on Monday. In looking at that combination of factors a few different ways, I did not find what I considered to be a compelling edge in either direction.

But worth keeping in mind on Tuesday is that Wednesday is both 1) a Fed Day, and 2) the 1st day of the month. We have only seen this occur on the same day 9 times since SPY inception in 1993. Below are the SPY results over the next few days.

Tomorrow is the 1st trading day of the month, and it is also a Fed Day. Buy SPY today 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	11,719.79	9	8	1	88.89	3,034.08	-2,070.60	1,723.80	-2,070.60	0.83	6.66	1,302.20
4	10,910.28	9	8	1	88.89	2,441.45	-408.00	1,414.78	-408.00	3.47	27.74	1,212.25
3	10,399.66	9	9	0	100.00	2,266.74	0.00	1,155.52	0.00	100.00	100.00	1,155.52
2	1,800.00	9	7	2	77.78	1,347.84	-965.60	506.06	-871.21	0.58	2.03	200.00
1	-61.36	9	4	4	44.44	1,349.46	-876.40	455.10	-470.44	0.97	0.97	-6.82

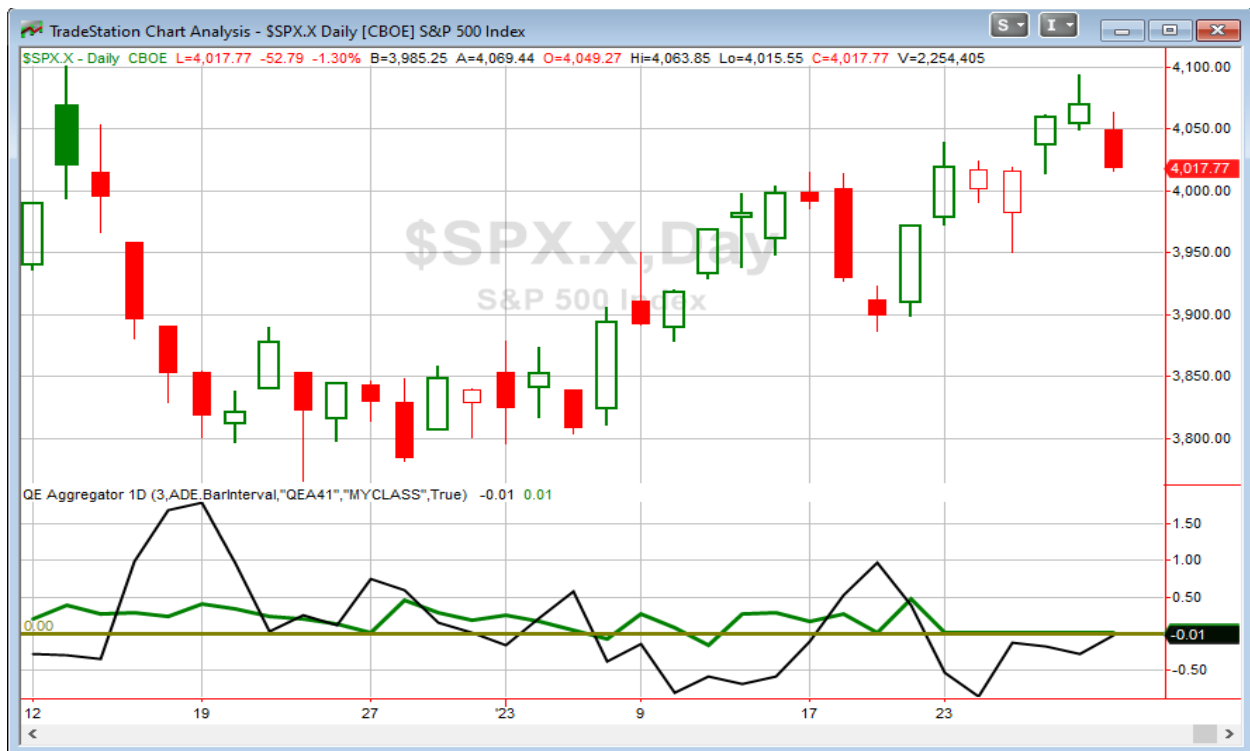
Impressive across the board. Here are all 9 instances along with their 3-day results.

Tomorrow is the 1st trading day of the month, and it is also a Fed Day.
Buy SPY today on close. Sell 3 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/31/1995	Buy	\$47.09	2.00%	\$2,186.69
2/3/1995	Sell	\$48.03		(\$191.07)
6/30/1998	Buy	\$113.31	2.27%	\$2,266.74
7/6/1998	Sell	\$115.88		\$0.00
10/31/2005	Buy	\$120.13	1.78%	\$2,104.96
11/3/2005	Sell	\$122.27		\$0.00
7/31/2012	Buy	\$137.71	1.19%	\$1,401.18
8/3/2012	Sell	\$139.35		(\$1,546.38)
4/30/2013	Buy	\$159.68	1.06%	\$1,377.20
5/3/2013	Sell	\$161.37		(\$989.08)
1/31/2017	Buy	\$227.53	0.80%	\$886.78
2/3/2017	Sell	\$229.34		(\$311.69)
10/31/2017	Buy	\$257.15	0.51%	\$523.80
11/3/2017	Sell	\$258.45		(\$372.48)
7/31/2018	Buy	\$281.33	0.81%	\$827.15
8/3/2018	Sell	\$283.60		(\$770.35)
4/30/2019	Buy	\$294.02	0.00%	\$316.20
5/3/2019	Sell	\$294.03		(\$1,530.00)

Those are some encouraging results. I will also note that both Fed Days and 1st of the Month tend to have performed substantially better when SPY has closed in the lower half of its intraday range, rather than the upper half. So that is something I will be looking out for tomorrow. If SPY closes low in its range, then the “oversold” reading and positive seasonality combined likely would be enough to get me interested in taking on some long exposure.

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



Without any new studies triggering on Friday, 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 just barely below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is still 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 still bare, expectations are primed to remain slightly positive Tuesday based on the intermediate-term outlook. Of course expectations will be greatly influenced by any new evidence that emerges, and with turn of the month and a Fed Day coming up, I will likely be adding a bullish study or two to the active list on Tuesday night. Meanwhile, the Differential Pivot will be *inverted* at 4060.57 on Tuesday. That is 1.1% *above* Monday'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 1.1% on Tuesday in order to remain overbought vs recent expectations. Anything less than that and it will flip to oversold as of Tuesday's close.

So the Aggregator is neutral. There does not appear to be a sizable edge right now. But that will likely change. And if Tuesday closes lower and in the bottom half of its range, I will be assuming that will generate some positives for Wednesday and perhaps longer. So I will be a buyer around the close on Tuesday if SPY finishes both down a bit and low in its range. I will only be looking to take on a small position at this point, though.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/30 – bullish

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.

SPY – Buy ¼ index position @ \$400.00 LIMIT ON CLOSE IF SPY ALSO CLOSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. From the short-term outlook above, I will look to take some SPY exposure if I can get a favorable fill near the close on Tuesday in anticipation of an upside edge for Wednesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
KHC(1/3)	1/19/2023	\$39.66	\$40.37	1.79%	sell on open

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