

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 1, 2023

Volume 16 Issue 21

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The Fed Day setup is not a very good one.
- When the last day of the month marks the highest close of the month, then the momentum often carries through into the 1st week of the new month.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is where I am as well.

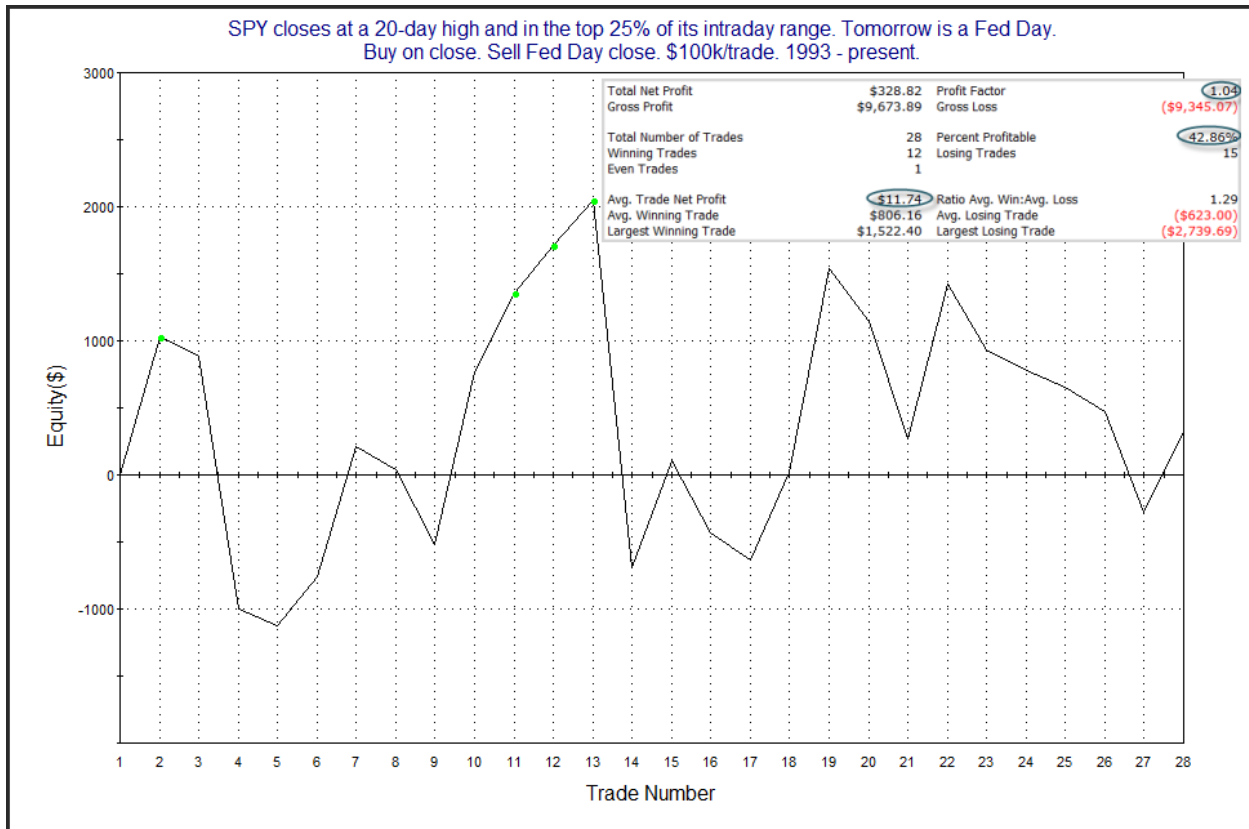
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 1, 2023	High of month at EOM	1-5 days	Bullish			
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

The market rallied hard on Tuesday, seemingly unafraid of the Fed. The SPX closed up 1.5%, the NASDAQ rose 1.7%, and the Russell 2000 jumped 2.45%. Breadth was positive with the NYSE Up Issues % coming in at 84% and the Up Volume % at 89.7%. NYSE total volume rose some for the 5th day in a row.

I've noted numerous times in the past that Fed Days typically carry a bullish edge. But when the market is overbought and/or overly optimistic going into a Fed Day, then that edge has basically been eliminated. Two ways I have measured this are 1) the 1-day % closing range and 2) whether or not the market closed at a new intermediate-term high. On Tuesday, SPY closed at the top of its intraday range and at a 20-day high. That is not a great combination. Below is a chart of Fed Day performance following similar setups.



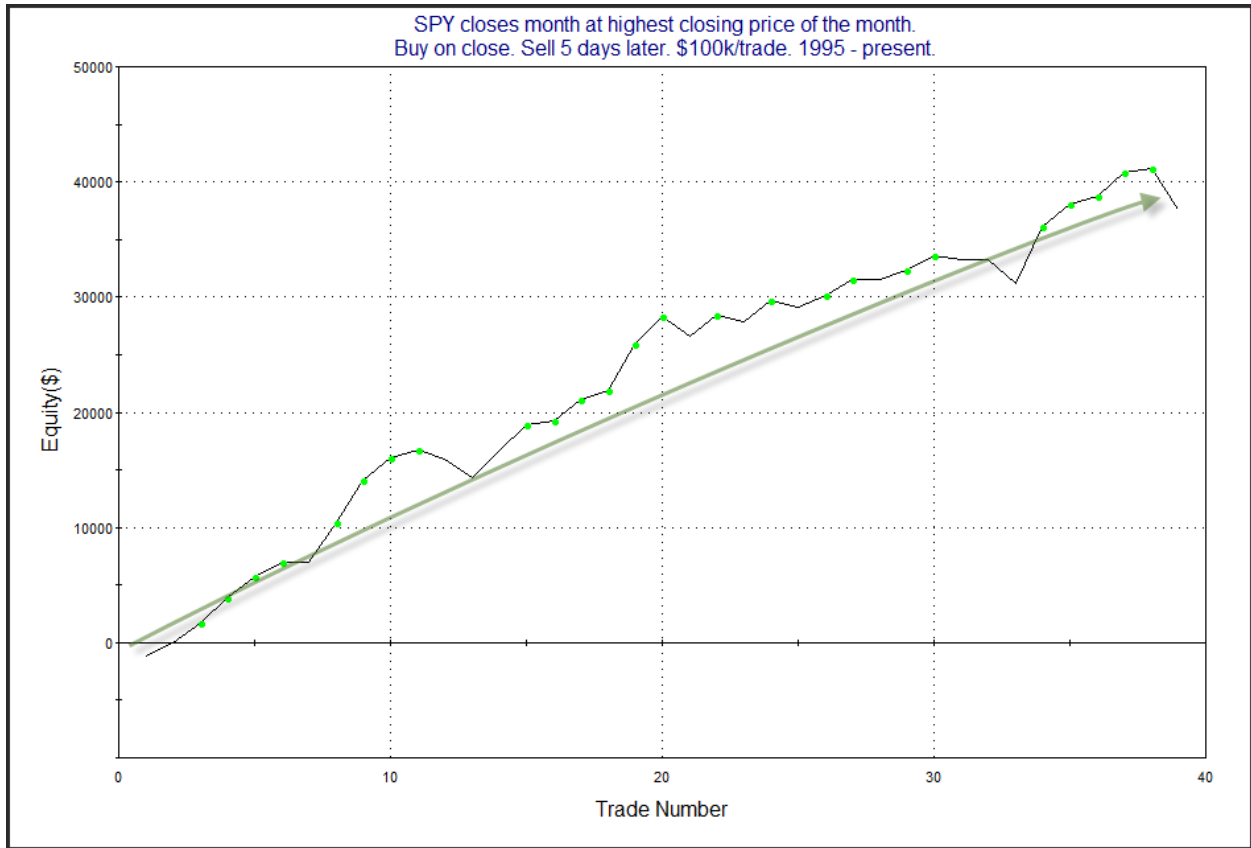
That is a total sideways choppy mess. It does not seem to suggest any short-term directional edge.

But the fact that SPY closed at an intermediate-term high on the last day of the month suggests that we could see further rallying in the next few days. Results below are updated from the 12/1/22 letter.

SPY closes month at highest closing price of the month.
Buy on close. Sell X days later. \$100k/trade. 1995 - present.

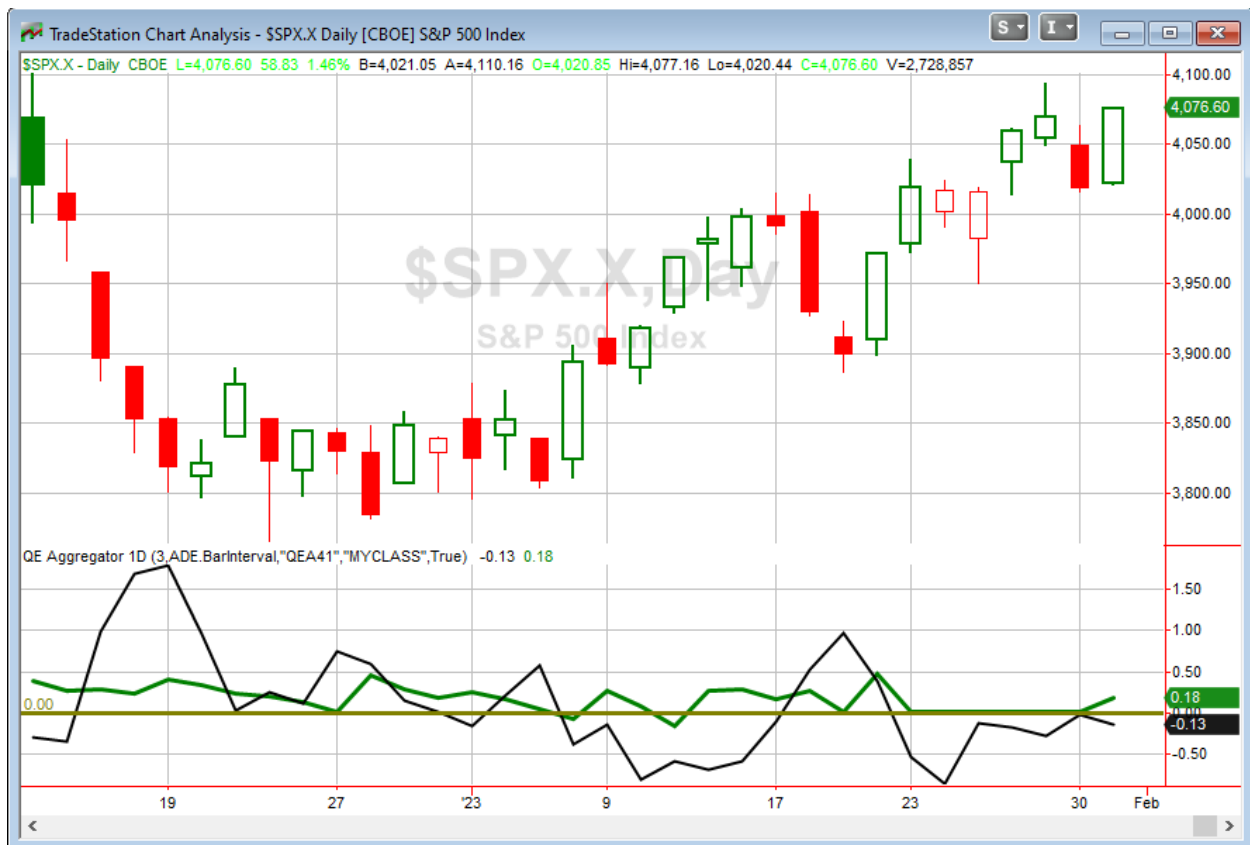
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	37,604.82	39	28	10	71.79	4,926.56	-3,557.40	1,788.66	-1,247.76	1.43	4.01	964.23
4	31,921.51	39	27	12	69.23	5,394.96	-4,338.40	1,731.35	-1,235.40	1.40	3.15	818.50
3	20,846.88	39	26	13	66.67	4,105.92	-4,678.40	1,380.47	-1,157.33	1.19	2.39	534.54
2	11,900.42	39	21	18	53.85	3,954.78	-4,848.40	1,244.81	-791.14	1.57	1.84	305.14
1	3,445.04	39	20	19	51.28	1,850.94	-1,359.03	691.15	-546.20	1.27	1.33	88.33

The numbers across the board are quite compelling. Below is an equity curve showing results assuming a 5-day holding period.



Even with December's failure, the steady upslope is comforting. I have added this study to the active list tonight.

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 held 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.

Based on the current active list, expectations are primed to remain positive Wednesday. Of course this could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4070.51 on Wednesday. That is 0.15% below Tuesday's close. So SPX will only need to close down about 0.15% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. There does not appear to be a sizable edge right now. But Wednesday's action could be volatile and could change things very quickly. An easy entry did not set up for me on Tuesday. So I will sit out a day and re-evaluate the situation tomorrow night.

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>KHC(1/3)</i>	<i>1/19/2023</i>	<i>\$39.66</i>	<i>\$40.56</i>	<i>2.27%</i>	<i>sold on open</i>

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