

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 3, 2023

Volume 16 Issue 23

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- More good news for intermediate-term bulls.
- Low 3/10 Offset HV numbers along with the rally suggest an upside edge in the coming days.

## *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
<b>Active - Short Term</b>						
February 3, 2023	SPX up > 2% in 3 days. HV Off < 0.25	1-4 days	Bullish	1.40%	-0.90%	
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
February 2, 2023	50-day breakout on declining vol	1-5 days	Bullish	1.50%	-1.00%	-1.90%
February 1, 2023	High of month at EOM	1-5 days	Bullish			

**The Evidence**

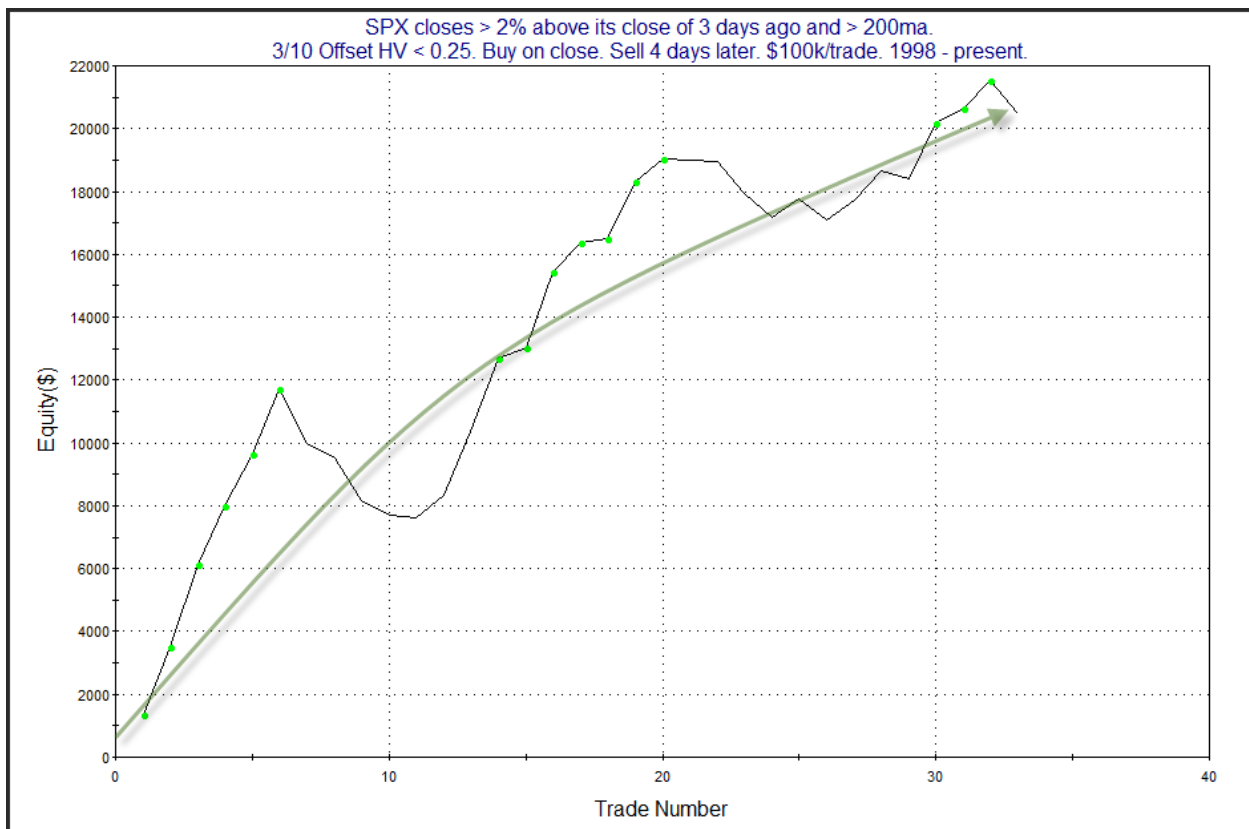
Thursday was another strong up day. The SPX closed up 1.5%, the NASDAQ rose 3.25%, and the Russell 2000 gained 2.1%. Breadth was positive with the NYSE Up Issues % coming in at 71% and the Up Volume % at 66%. NYSE total volume rose some from Wednesday's level.

There were some interesting intermediate-term bullish indicators that triggered on Thursday. But they are all either recent repeats, or at least recently discussed. So rather than repeat everything, I will just provide some links. First, SPX Golden Cross, which is a long-term trend indicator, finally happened. [I last discussed this indicator on Sunday](#). (It was clear it was going to happen in a few days.) We also saw a momentum study trigger that noted the SPX close above its 50-period Bollinger Band. This last triggered and was discussed [in the December 2<sup>nd</sup> letter](#). Lastly, we saw a Triple 70 breadth thrust. That means we have had 3 days in a row where the NYSE Up Issues % closed > 70%. This also triggered in January and [I discussed it in the 1/13 letter](#).

Also notable Thursday is that the Quantifiable Edges 3/10 Offset HV indicator came in very low, which is fairly unusual considering we've seen a strong move higher over the last several days. The 3/10 Offset HV compares the 3-day historical volatility to the 10-day historical volatility number of 3 days ago. A low reading suggests there has been a contraction in volatility. This triggered the study below, which I last featured in the 3/30/22 letter.

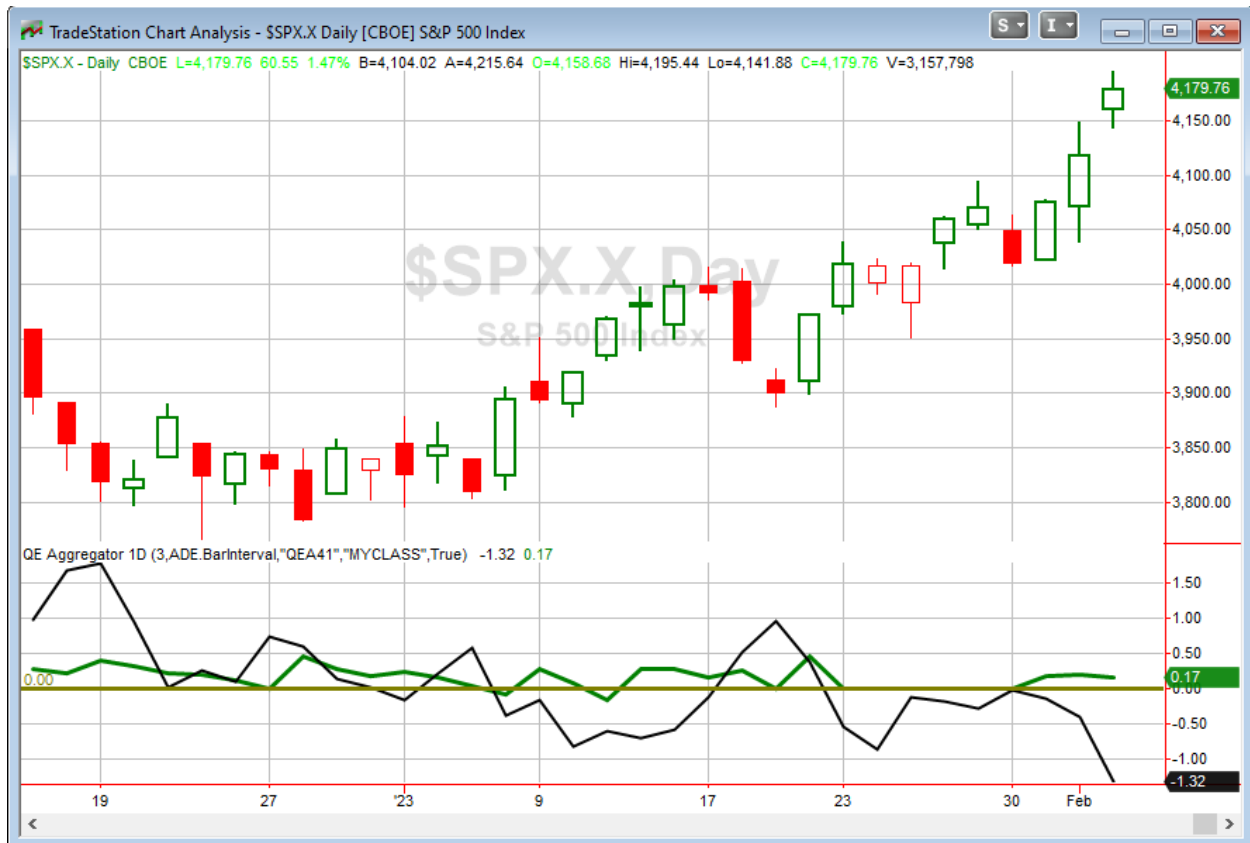
SPX closes > 2% above its close of 3 days ago and > 200ma. 3/10 Offset HV < 0.25. Buy on close. Sell X days later. \$100k/trade. 1998 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	21,948.38	33	26	7	78.79	3,481.56	-2,287.35	1,253.89	-1,521.81	0.82	3.06	665.10
4	20,487.14	33	21	12	63.64	2,616.60	-1,697.04	1,349.54	-654.43	2.06	3.61	620.82
3	16,445.94	33	24	9	72.73	2,315.72	-1,800.54	1,026.52	-910.07	1.13	3.01	498.36
2	12,803.90	34	21	13	61.76	2,451.76	-2,124.99	1,074.80	-751.30	1.43	2.31	376.59
1	1,187.26	36	18	18	50.00	1,857.24	-2,159.69	494.41	-428.45	1.15	1.15	32.98

The numbers here all seem to suggest an upside edge. Below is the profit curve for the 4-day period.



This curve looks solid. 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 Friday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4082.57 on Friday. That is 2.3% below Thursday's close. So SPX will need to close down about 2.3% on Friday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is once again neutral. Thursday did not really change anything. Evidence is pointing higher, but the market is so overbought already that reward/risk is not very favorable. So I still find myself waiting for better odds before putting new capital at risk. After some disappointing earnings after the close, futures are down quite a bit. There is no telling if that will even last until the open on Friday, but it could make for an interesting start to the day and add some volatility to the mix.

*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**

**None.**

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