

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 7, 2023

Volume 16 Issue 25

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Turnaround Tuesday has not shown its typical bullish edge under similar circumstances.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but with short-term evidence so light, I am not enthusiastic.

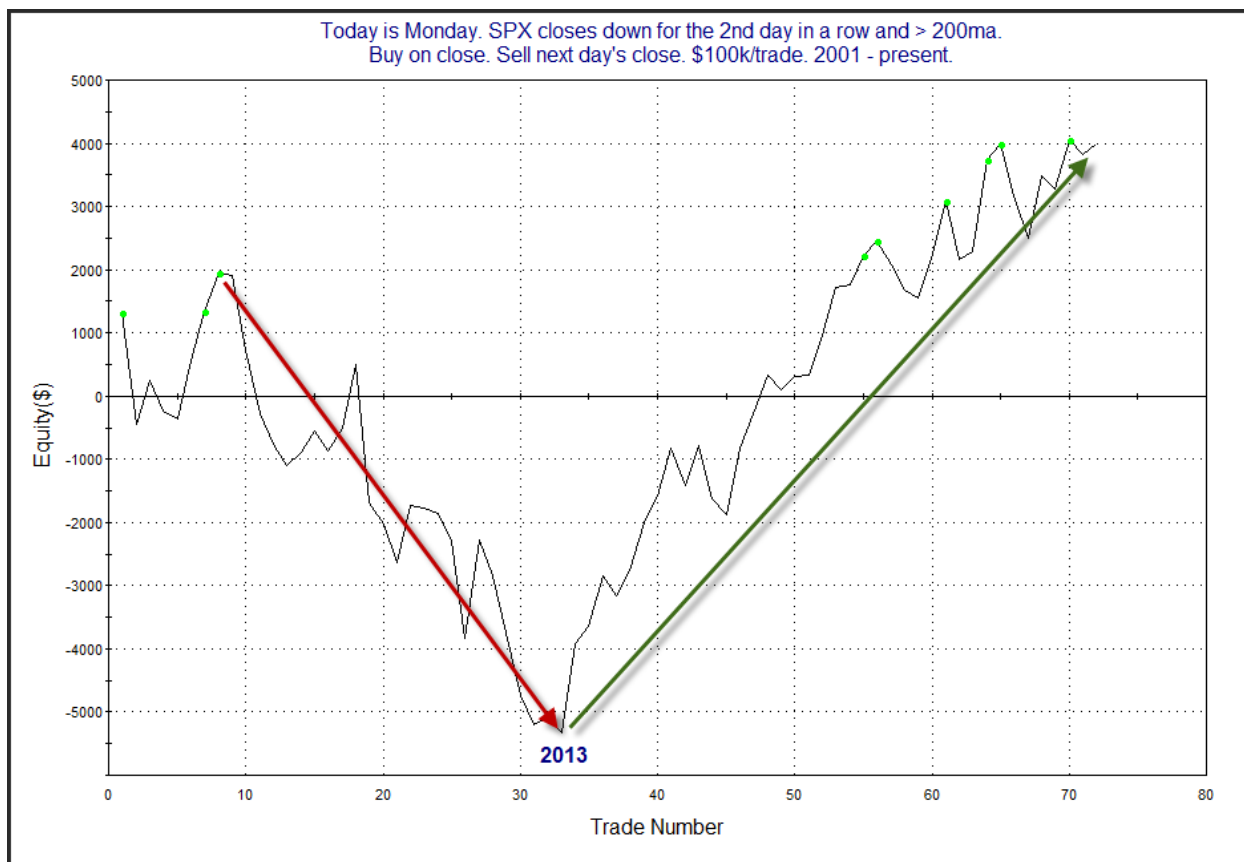
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 3, 2023	SPX up > 2% in 3 days. HV Off < 0.25	1-4 days	Bullish	1.40%	-0.90%	
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

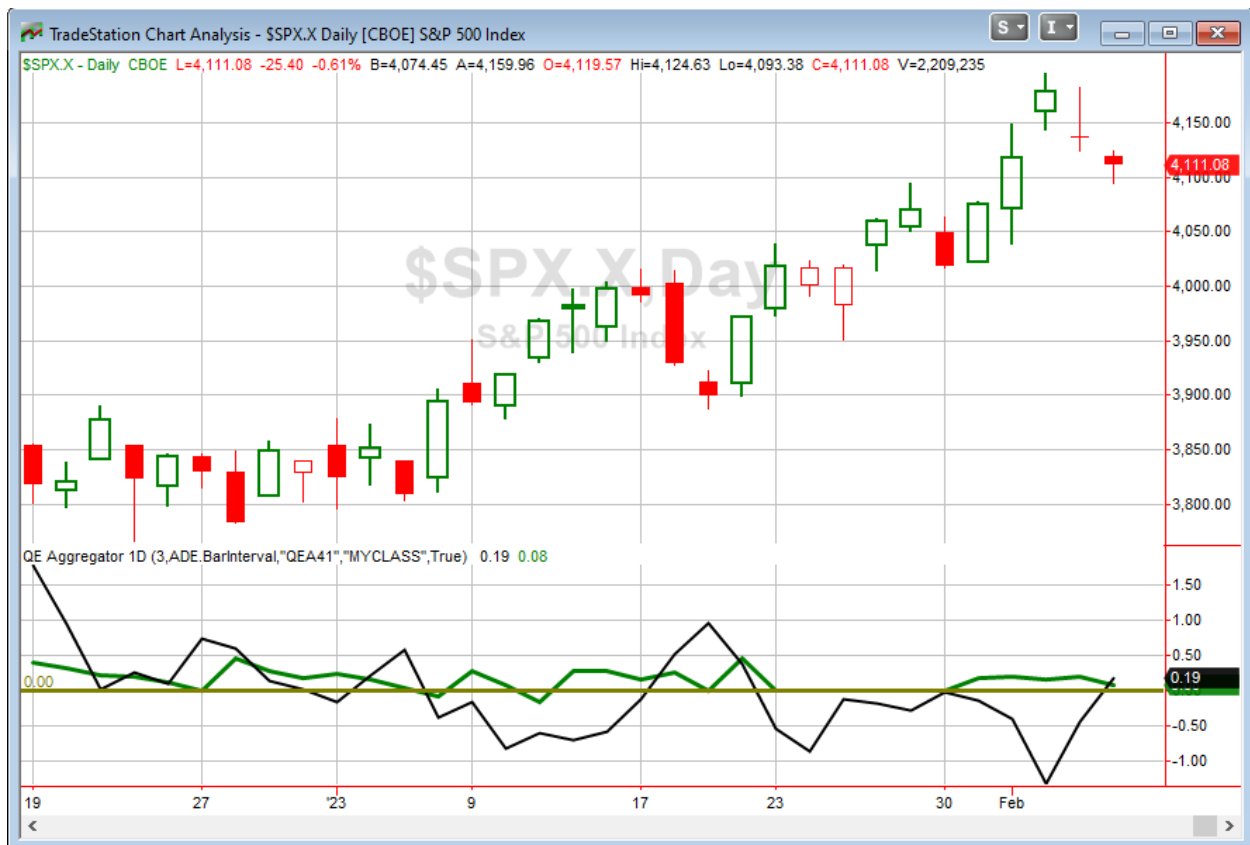
Monday saw the major averages close lower The SPX fell 0.6%, the NASDAQ lost 1.0%, and the Russell 2000 dropped 1.4%. Breadth was negative with the NYSE Up Issues % coming in at 25% and the Up Volume % at 32%. NYSE total volume declined some from Friday's level.

I have written a substantial number of times about "Turnaround Tuesday". Over the years Tuesday has exhibited the strongest proficiency for the market to reverse a pullback of any day of the week. But in the case of 2-day pullbacks, which are quite short, they have not been as consistent. This is something I last examined in the 10/12/21 letter. Below I have updated the chart from that letter.



We see here a complete reversal. Maybe the former downside edge is now an upside edge. Or maybe there is no real edge at all under these circumstances. If I just knew about the last 35-40 instances, I would likely be convinced of an upside edge. But I know what came before it. And I have no good explanation for the sudden performance shift. So I am not quite ready to say this is compelling bullish evidence. But if it continues to show an upward tendency I'll likely change my mind soon.

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



Without any new short-term studies being added, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line crossed above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is still oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current active list, expectations are primed to remain positive Tuesday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4201.18 on Tuesday. That is a sizable 2.2% above Monday's close. So SPX will need to close up 2.2% Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. Evidence is light, but leaning slightly higher. And the market is strongly oversold, with plenty of room to the upside before it would flip to overbought. So reward/risk favors the bulls. This is a setup I would generally look to take advantage of with some long exposure. But we have not had any confirming bullish evidence emerge the last couple of nights. So I am lacking enthusiasm here. I'd like to see some additional bullish evidence emerge to confirm the short-term edge. If we get that on Tuesday, then I will look to go long on Wednesday. But I am not ready to take on new long exposure just yet.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/6 – 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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