

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 8, 2023

Volume 16 Issue 26

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- No compelling new studies emerged tonight.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but the Differential Pivot is inverted. So upside is somewhat limited.

*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>						
February 2, 2023	SPX Golden Cross	int term	Bullish			
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			

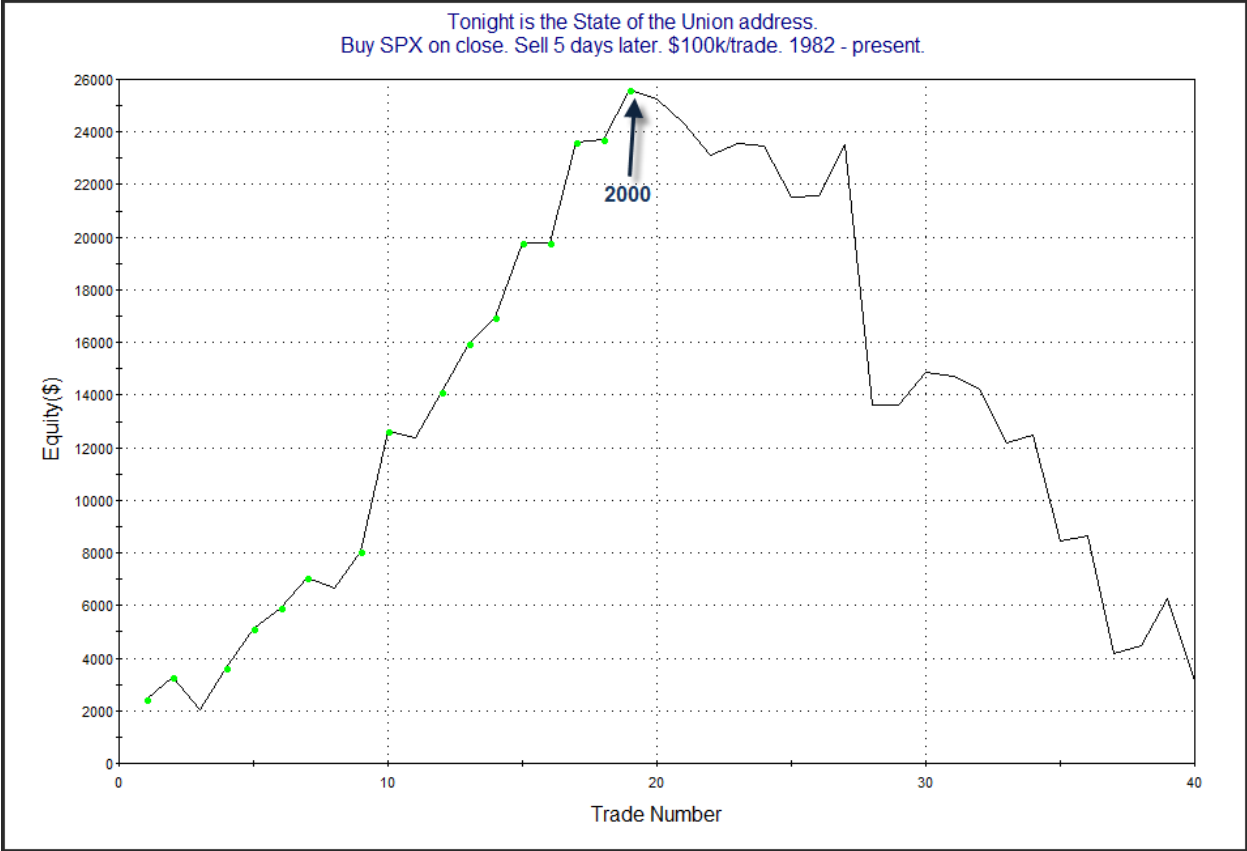
**The Evidence**

After some large swings back and forth, the major indices finished the day with substantial gains. The SPX rose 1.3%, the NASDAQ rallied 1.9%, and the Russell 2000 climbed 0.8%. Breadth was negative with the NYSE Up Issues % coming in at 62% and the Up Volume % at 63%. NYSE total volume rose some from Monday's level.

I guess I should have been more aggressive with last night's bullish aggregator signal, because the market popped nicely on Tuesday. It almost made up for the last 2 days of losses. It also made the recent action look quite choppy. Choppy action often fails to generate strong edges, and I am again faced with a lack of new, compelling studies. But we do have the State of the Union address tonight. So let's look at how the market has reacted to that in the past. The data table below looks back to 1982. There were a few instances, such as 2001 and 2009 where the speech was not an official "State of the Union", but was delivered under a different name. I have included those speeches in the results as well.

Tonight is the State of the Union address. Buy SPX on close. Sell X days later. \$100k/trade. 1982 - 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	3,139.36	40	24	16	60.00	4,579.74	-9,908.49	1,412.80	-1,923.00	0.73	1.10	78.48
4	-297.34	40	23	17	57.50	3,712.50	-9,329.28	1,430.71	-1,953.16	0.73	0.99	-7.43
3	2,339.30	40	25	15	62.50	4,522.28	-4,908.45	1,034.17	-1,567.66	0.66	1.10	58.48
2	7,559.80	40	24	16	60.00	3,237.64	-2,619.99	1,025.58	-1,065.89	0.96	1.44	188.99
1	1,015.92	40	24	16	60.00	1,846.44	-2,726.40	716.31	-1,010.98	0.71	1.06	25.40

The stats do not suggest much of an edge. But the profit curves seem to tell a more interesting story. Here is the 5-day curve.



All the curves look something like this in that since the turn of the century the market has tumbled after these speeches rather than been inspired by them. I guess they just don't write speeches like they used to.

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



Without any new short-term studies being added to the Active List, 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 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 stayed long at the close.

Based on the current active list, expectations are primed to remain slightly positive Wednesday. Of course this could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4159.29 on Wednesday. That is 0.1% *below* Tuesday'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 down over 0.1% in order to remain "oversold" vs recent expectations. Anything other than that and it will be considered "overbought" as of Wednesday's close.

So the Aggregator is still bullish. But the inverted pivot limits potential upside to just 1 day. I generally view inverted pivots as opportune times to take profits if they are available, and not as great times to enter new positions. I don't have index profits to take in this case, since I was conservative and did not look to take long exposure on Tuesday. So I will just stand pat and wait for the next favorable entry opportunity.

*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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