

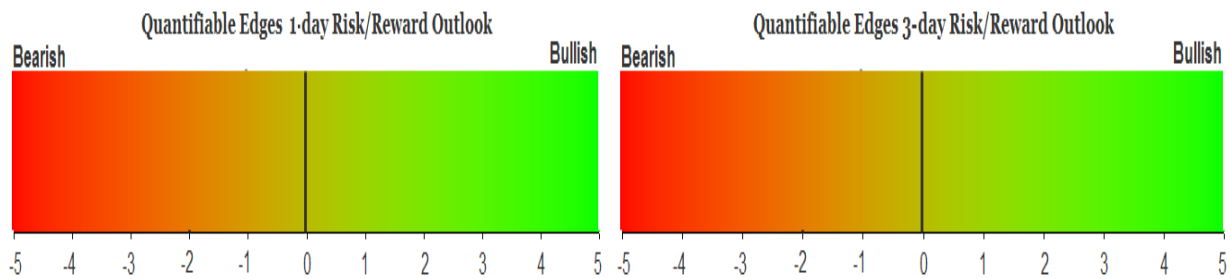
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 14, 2023

Volume 16 Issue 30

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- CPI will be a wildcard on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. 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 13, 2023	Opex week in Feb seasonally bullish	1-3 days	Bullish	1.30%	-0.70%	-1.80%
Active - Long Term						
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

Monday pretty much saw buying throughout the day. The SPX rose 1.1%, the NASDAQ rallied 1.5%, and the Russell 2000 gained 1.2%. Breadth was positive with the NYSE Up Issues % coming in at 75% and the Up Volume % at 77%. NYSE total volume declined some from Friday's level.

We have seen a lot of back and forth chop over the last couple of weeks. And Monday's action again left the SPX in the middle area of its 10-day range. No real progress has been made by either bulls or bears. That does not generally bode well for generating gobs of compelling evidence. And Monday's action did not inspire any new and compelling studies for the active list. Of course Tuesday at 8:30am EST is the CPI release. I spoke about this in Sunday's letter.

For most of my time trading, the CPI release was a non-event. That is because inflation was not really an issue since the early 80s. But since inflation returned in 2022, the CPI data has sparked some very large moves. Below is an update to a table I showed the last few months that examines SPX performance on all CPI release days since May 2022.

SPX Action on Recent CPI Release Dates

Reference Month	Release Date	SPX True Range	SPX % Change
Apr-22	May 11, 2022	120.27	-1.65%
May-22	June 10, 2022	117.66	-2.91%
Jun-22	July 13, 2022	70.37	-0.45%
Jul-22	August 10, 2022	88.56	2.13%
Aug-22	September 13, 2022	189.13	-4.32%
Sep-22	October 13, 2022	193.83	2.60%
Oct-22	November 10, 2022	209.76	5.54%
Nov-22	December 13, 2022	110.4	0.73%
Dec-22	January 12, 2023	60.2	0.34%
	Average	128.91	0.22%
	All other days ATR since 5/11	72.28	

The average true range on CPI days has been 78% larger than the average true range on all other days since 5/11/2022. January saw the most mild numbers of the bunch. I suspect that is an anomaly. With the Fed talking about policy being “data dependent”, data releases like CPI have the ability to generate sizable (over)reactions. So we very well could see a sharp market move on Tuesday. And that adds a bit extra risk to the equation.

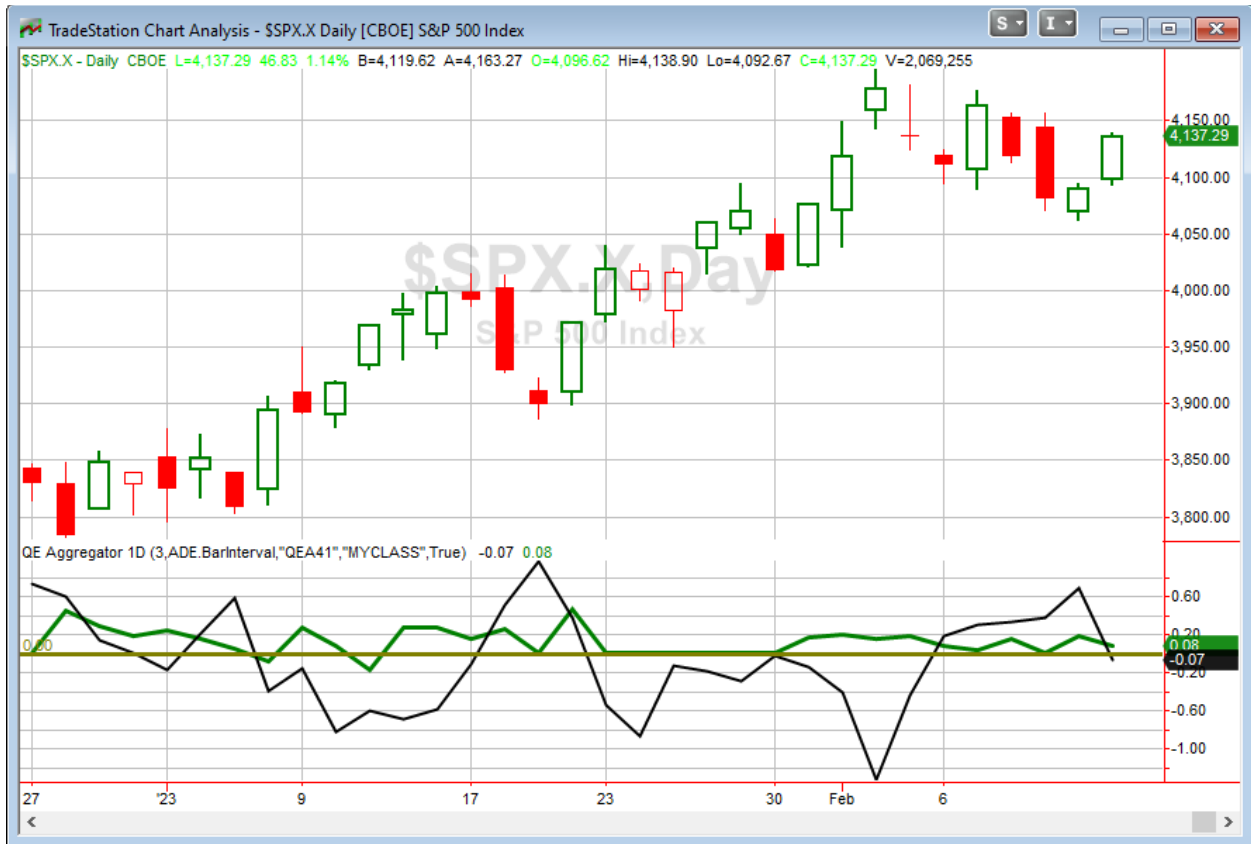
Tonight I decided to also examine NDX performance on recent CPI release dates. Below is the NDX version of the table shown above.

NDX Action on Recent CPI Release Dates

Reference Month	Release Date	NDX True Range	NDX % Change
Apr-22	May 11, 2022	531.8	-3.06%
May-22	June 10, 2022	444.43	-3.56%
Jun-22	July 13, 2022	320.73	-0.14%
Jul-22	August 10, 2022	378.69	2.85%
Aug-22	September 13, 2022	735.3	-5.54%
Sep-22	October 13, 2022	647.02	2.30%
Oct-22	November 10, 2022	814.65	7.49%
Nov-22	December 13, 2022	459.97	1.09%
Dec-22	January 12, 2023	254.84	0.50%
	Average	509.71	0.21%
	All other days ATR since 5/11	286.76	

NDX moves have been more extreme. But on a relative basis, they are almost exactly the same, with NDX average true range coming in 78% higher on CPI release days vs other days since 5/11/22. That matches the 78% increase for SPX. So tomorrow should be interesting, and we could get a sizable move (and/or sizable swings during the day).

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



Without any new studies being added tonight, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line dropped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is 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 turned flat at the close.

Based on the current active studies, expectations are set to remain positive on Tuesday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4089.28

on Tuesday. That is 1.2% below Monday's close. Therefore, SPX will need to close down at least 1.2% on Tuesday in order to change from overbought to oversold vs recent expectations.

So the Aggregator is now neutral. I am flat and I am ok with that under these circumstances. We have a neutral setup, limited short-term directional evidence, and potential for high volatility. Not an appealing combination. Tuesday's action could easily bring about some new studies. I will see how it unfolds and then take a fresh look at the evidence tomorrow night.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/13 – 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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
NKE(1/3)	1/10/2023	\$121.51	\$125.15	3.00%	sell on open

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