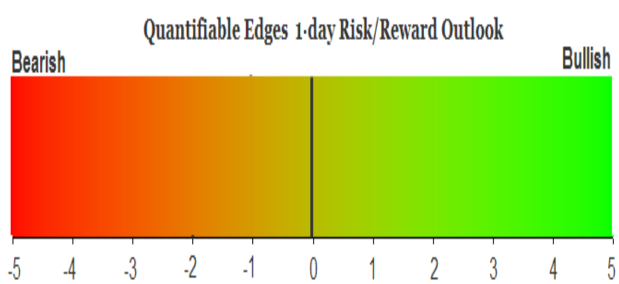
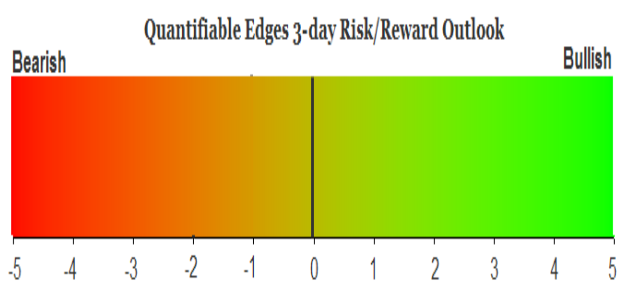
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 6, 2023 Volume 16 Issue 43

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	5

Tonight's Research Points

- The bounce was strong enough over the last 2 days that much of the upside edge has been realized and the potential for further gains is reduced.
- Seasonality will soon turn mixed for a few weeks.
- The SOMA saw a big drop as the Fed continues to reduce liquidity.

Short-term Outlook
The Bottom Line
The Aggregator is again neutral. This appears an opportune time to step out of the market briefly.

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						
March 3, 2023	20-low cls yest. 20-intra low then up cls	1-6 days	Bullish	2.30%	-1.55%	-2.90%
March 2, 2023	Yest 20-low. Gap down cls<open today	1-5 days	Bullish	2.60%	-1.10%	-2.20%
March 2, 2023	20-low > 200ma. CBI of 8 or 9.	1-4 days	Bullish	2.50%	-0.80%	-1.60%
Active - Long Term						
March 3, 2023	20-low cls yest. 20-intra low then up cls	1-10 days	Bullish	3.00%	-1.80%	-3.30%
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 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

Thursday started poorly but rebounded nicely. The SPX gained 0.76%, the NASDAQ rose 0.73%, and the Russell 2000 climbed 0.22%. Breadth was positive with the NYSE Up Issues % coming in at 54% and the Up Volume % at 61%. NYSE total volume declined some from Wednesday's level.

After being squarely oversold the market has bounced back quite nicely the last 1½ days. The effect has basically been to work off the oversold condition and leave several indices back above their 10-day moving averages. Had the reversal not been so strong then the current upside potential would be a little better. But since the move was so good (and that has helped our SPY position nicely), it took out much of the upside edge. I demonstrated this in the 3/12/19 subscriber letter.

There I looked at patterns similar to the current one where SPY made a 10-day intraday low yesterday and then posted an unfilled gap up today along with a close above the open (and above the 200ma). I broke it down by instances that closed above the 10ma versus instances that closed below it. I have updated those tables below.

After making a 10-day intraday low yesterday, SPY leaves an unfilled gap up today and closes above the open. It **closes < 10ma** and closes > 200ma.
Buy on close. Sell X days later. $100k/trade. 1993 - 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
10	80,287.43	52	40	12	76.92	7,038.69	-3,844.83	2,487.12	-1,599.79	1.55	5.18	1,543.99
9	75,516.44	53	38	15	71.70	8,087.07	-4,258.20	2,691.26	-1,783.43	1.51	3.82	1,424.84
8	66,075.22	54	40	14	74.07	7,290.18	-4,268.86	2,376.80	-2,071.19	1.15	3.28	1,223.62
7	69,757.11	55	38	17	69.09	7,447.74	-3,531.11	2,452.84	-1,379.46	1.78	3.97	1,268.31
6	57,617.78	56	41	15	73.21	6,114.54	-3,952.19	2,055.93	-1,778.36	1.16	3.16	1,028.89
5	52,404.13	57	39	17	68.42	6,138.78	-3,450.35	1,906.53	-1,291.21	1.48	3.39	919.37
4	40,852.82	57	38	19	66.67	4,108.68	-2,284.36	1,597.00	-1,043.85	1.53	3.06	716.72
3	23,020.34	61	36	25	59.02	4,462.50	-3,560.24	1,364.04	-1,043.40	1.31	1.88	377.38
2	21,407.21	63	39	24	61.90	4,105.50	-4,266.50	1,276.42	-1,182.21	1.08	1.75	339.80
1	12,913.88	63	37	26	58.73	2,562.30	-2,512.28	964.72	-876.19	1.10	1.57	204.98

After making a 10-day intraday low yesterday, SPY leaves an unfilled gap up today and closes above the open. It **closes > 10ma** and closes > 200ma.
Buy on close. Sell X days later. $100k/trade. 1993 - 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
10	-2,883.18	41	22	19	53.66	5,367.32	-9,339.60	2,210.25	-2,710.99	0.82	0.94	-70.32
9	1,328.19	41	23	18	56.10	3,908.52	-13,294.45	1,900.23	-2,354.28	0.81	1.03	32.39
8	7,364.09	41	25	16	60.98	3,687.84	-6,335.00	1,732.72	-2,247.12	0.77	1.20	179.61
7	9,617.57	42	25	16	59.52	3,805.88	-6,000.15	1,680.72	-2,025.03	0.83	1.30	228.99
6	11,775.45	42	25	17	59.52	3,682.02	-3,947.90	1,484.97	-1,491.11	1.00	1.46	280.37
5	8,429.79	42	22	20	52.38	3,113.39	-3,691.98	1,368.70	-1,084.09	1.26	1.39	200.71
4	7,031.16	42	23	19	54.76	3,004.64	-2,586.55	999.52	-839.88	1.19	1.44	167.41
3	-2,647.04	42	21	21	50.00	2,534.72	-3,297.28	966.83	-1,092.88	0.88	0.88	-63.02
2	-3,162.79	42	21	21	50.00	1,520.12	-2,293.20	756.96	-907.57	0.83	0.83	-75.30
1	-5,372.99	42	18	23	42.86	1,238.60	-2,591.68	527.87	-646.72	0.82	0.64	-127.93

So the current situation falls into the 2nd category. Most of the stats are basically breakeven. Had we not bounced so much, we would have a much better chance of seeing more follow-though over the next couple of weeks. As is, the study does not appear to be suggesting a substantial edge.

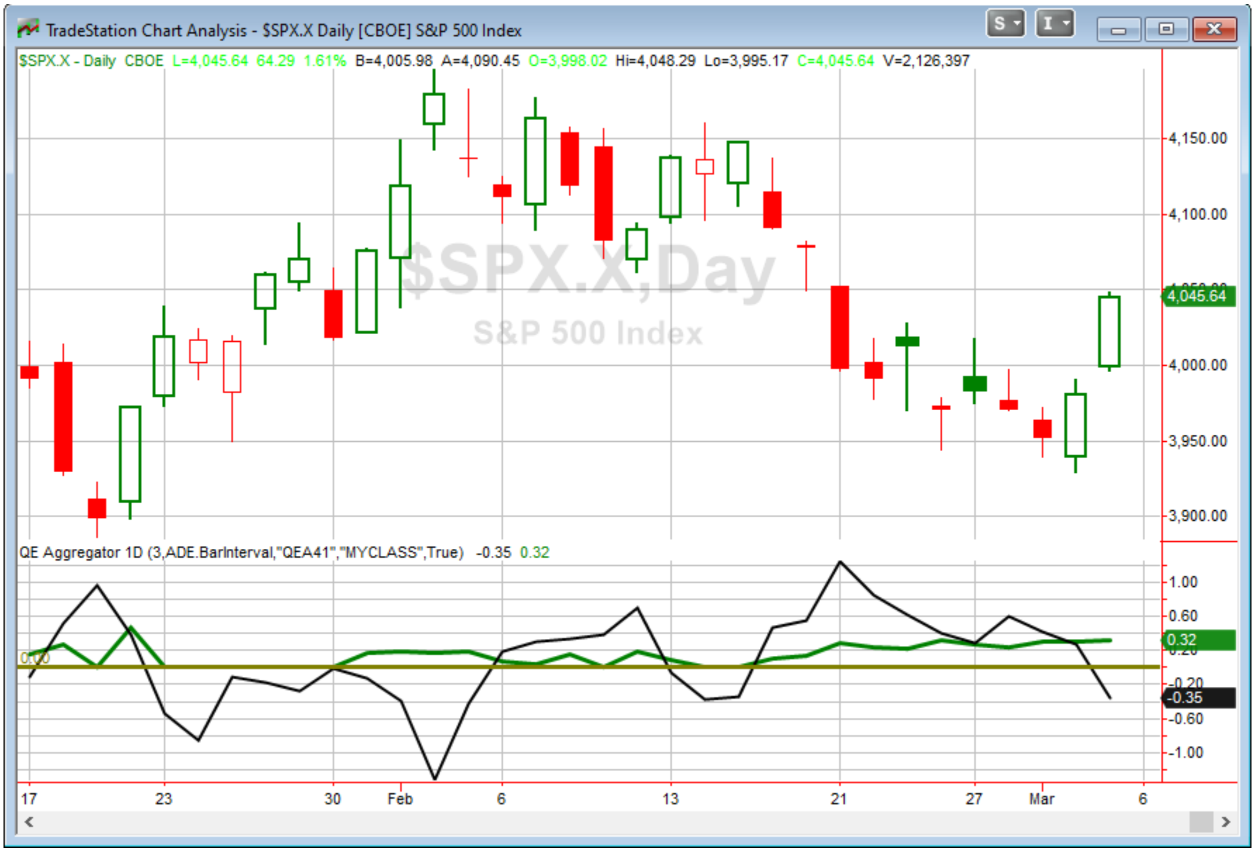
Interestingly, none of the 3 active short-term studies have quite reached their average run-up. So they are all saying there could be a bit more to go for the current bounce.

Below is the Seasonality Calendar for March.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
3/1/2023	58.19	1.583	0.152
3/2/2023	53.36	1.059	0.026
3/3/2023	53.75	1.170	0.062
3/6/2023	53.74	1.157	0.027
3/7/2023	50.76	1.020	-0.020
3/8/2023	52.11	0.917	-0.054
3/9/2023	54.06	0.930	-0.050
3/10/2023	54.93	1.171	0.020
3/13/2023	53.06	0.908	-0.042
3/14/2023	52.38	1.069	0.013
3/15/2023	54.83	1.029	0.004
3/16/2023	52.90	0.904	-0.041
3/17/2023	51.60	0.937	-0.026
3/20/2023	50.63	1.037	0.015
3/21/2023	49.80	1.427	0.108
3/22/2023	45.91	1.204	0.065
3/23/2023	50.47	1.226	0.069
3/24/2023	48.09	0.958	-0.014
3/27/2023	52.92	1.086	0.028
3/28/2023	54.18	1.168	0.054
3/29/2023	54.50	1.228	0.071
3/30/2023	56.74	1.288	0.086
3/31/2023	54.35	1.020	0.004
Baseline	***53.93***	***1.134***	***0.045***

Monday still looks strong, and Tuesday a little less so. After that, the numbers are mixed until you get out to the last week of March when they improve again.

I have updated the Aggregator chart below.



Without any new studies making 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 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 Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3983.03 on Monday. That is 1.55% below Friday's close. Therefore, SPX will need to close down at least 1.55% on Monday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is now flat. After being substantially oversold, the market had a nice bounce over the last two days. That has quickly worked off the short-term oversold reading and left us with a somewhat uncertain short-term outlook. It still have a small amount of long index exposure. I will look to exit that on Monday and then wait for the next favorable reward/risk opportunity to arrive.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/6 – bullish

Combo #1	Combo #2	Combo #3
Long	Long	Long

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in Lesson 8. Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in Lesson 11, Course Downloads. (You must go through the course first in order to access the Downloads.) *This week all 3 combo systems remained "long".*

This past week saw markets bounce. The SPX rose 1.9%, the NASDAQ rallied 2.6%, and the Russell 2000 gained 2.0%. Bonds also moved higher. The US Aggregate Bond ETF (AGG) posted a gain of 0.2%, breaking a 5-week losing streak. TLT, the 20-year Treasury Bond ETF climbed 1.2%. The stock indices all managed to close above their 200-day moving averages. There was one study with intermediate-term implications that (re)triggered on Thursday night. I have copied it below.

SPY did post a higher close, but not before making a new intermediate-term intraday low and a quick dip below the 200ma. The study below was last seen recently in the 2/24/23 letter. It looks at reversals from intermediate-term lows like we saw on Thursday. All stats are updated.

After closing at a 20-day low yesterday, SPY made a new 20-day intraday low today, and then closed up and > 200ma. Buy on close. Sell X days later. $100k/trade. 1993 - 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
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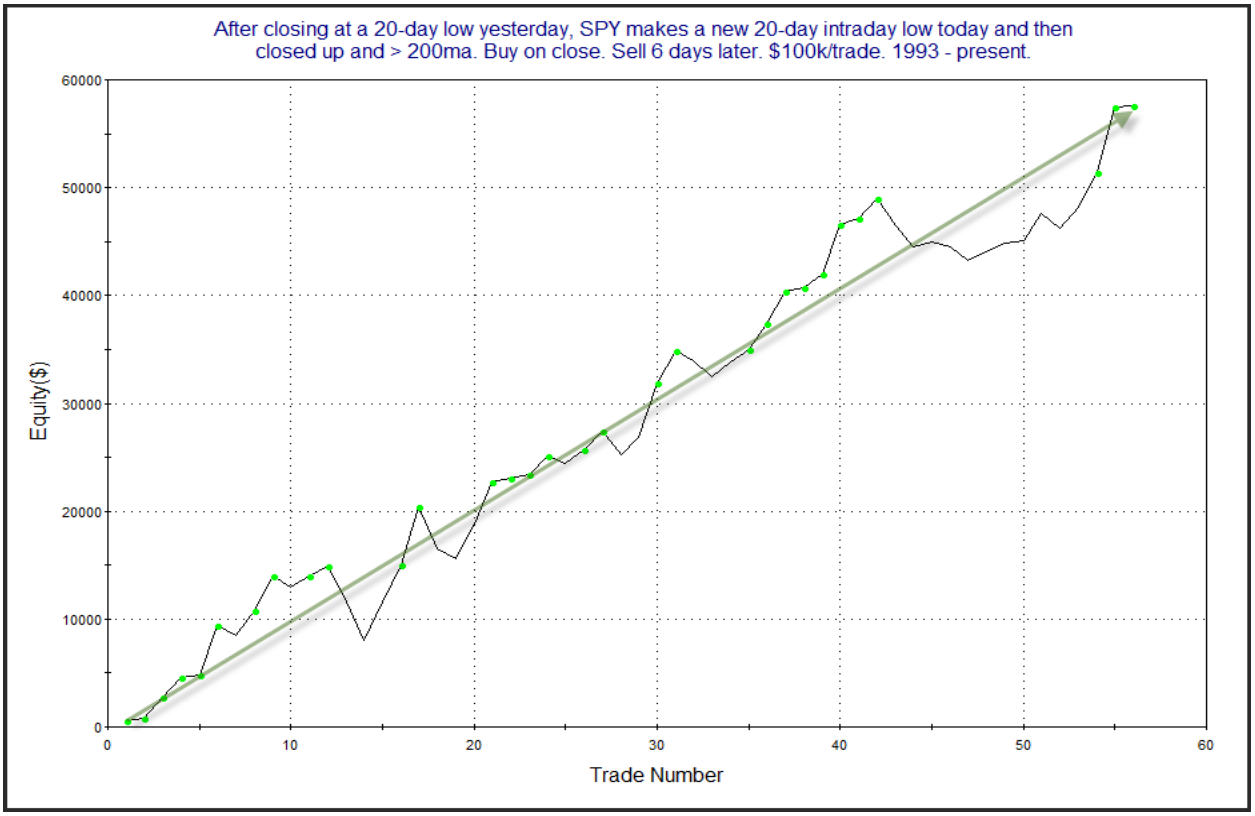
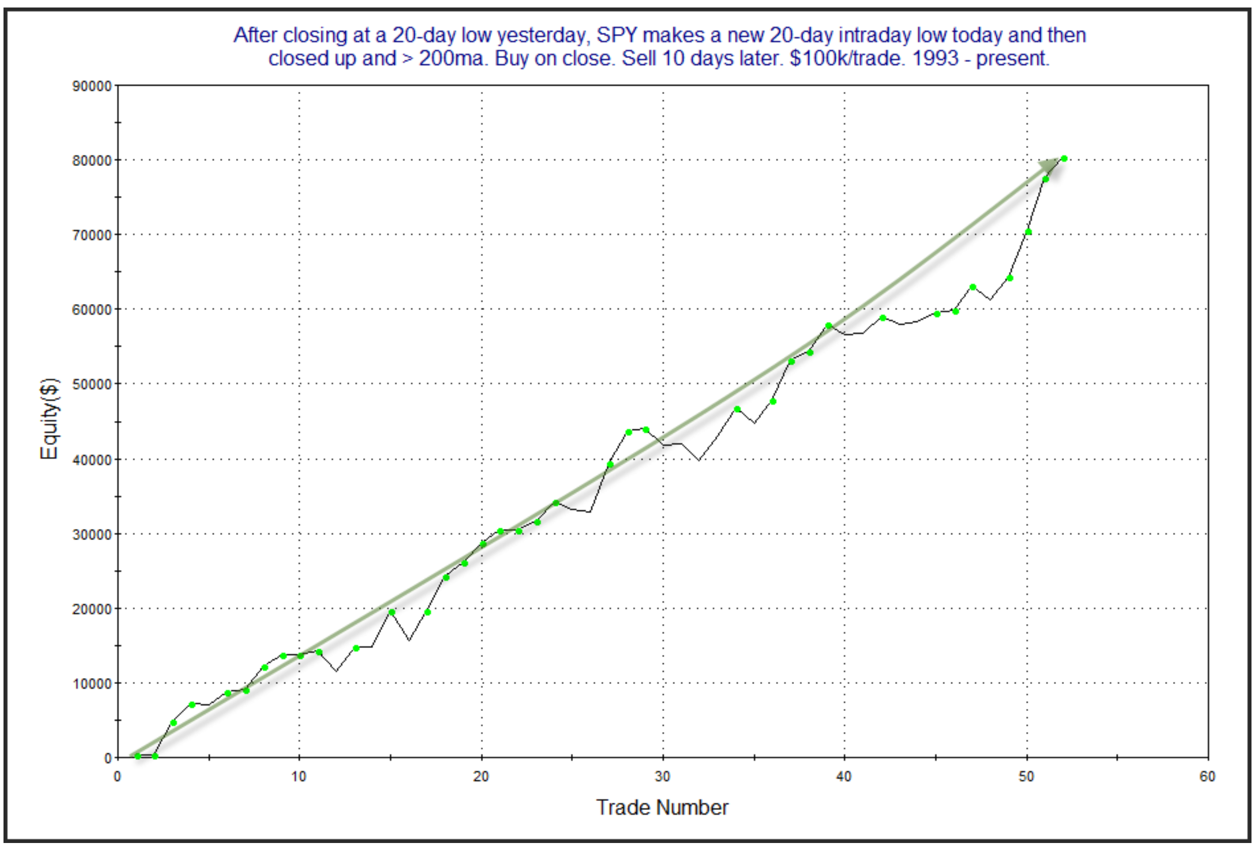
2	21,407.21	63	39	24	61.90	4,105.50	-4,266.50	1,276.42	-1,182.21	1.08	1.75	339.80
1	12,913.88	63	37	26	58.73	2,562.30	-2,512.28	964.72	-876.19	1.10	1.57	204.98

The stats here suggest a solid upside edge over the next couple of weeks. Much of it came in the 1st 6-7 days. Below are looks at both the 6 and 10-day profit curves.


After closing at a 20-day low yesterday, SPY makes a new 20-day intraday low today and then closed up and > 200ma. Buy on close. Sell 6 days later. $100k/trade. 1993 - present.
Equity($)
Trade Number
0
10000
20000
30000
40000
50000
60000
0
10
20
30
40
50
60


After closing at a 20-day low yesterday, SPY makes a new 20-day intraday low today and then closed up and > 200ma. Buy on close. Sell 10 days later. $100k/trade. 1993 - present.
Equity($)
Trade Number
0
10000
20000
30000
40000
50000
60000
70000
80000
90000
0
10
20
30
40
50
60

The strong upslopes serve as some confirmation of the bullish tendency. I have re-posted this study on the short and intermediate-term active lists.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of

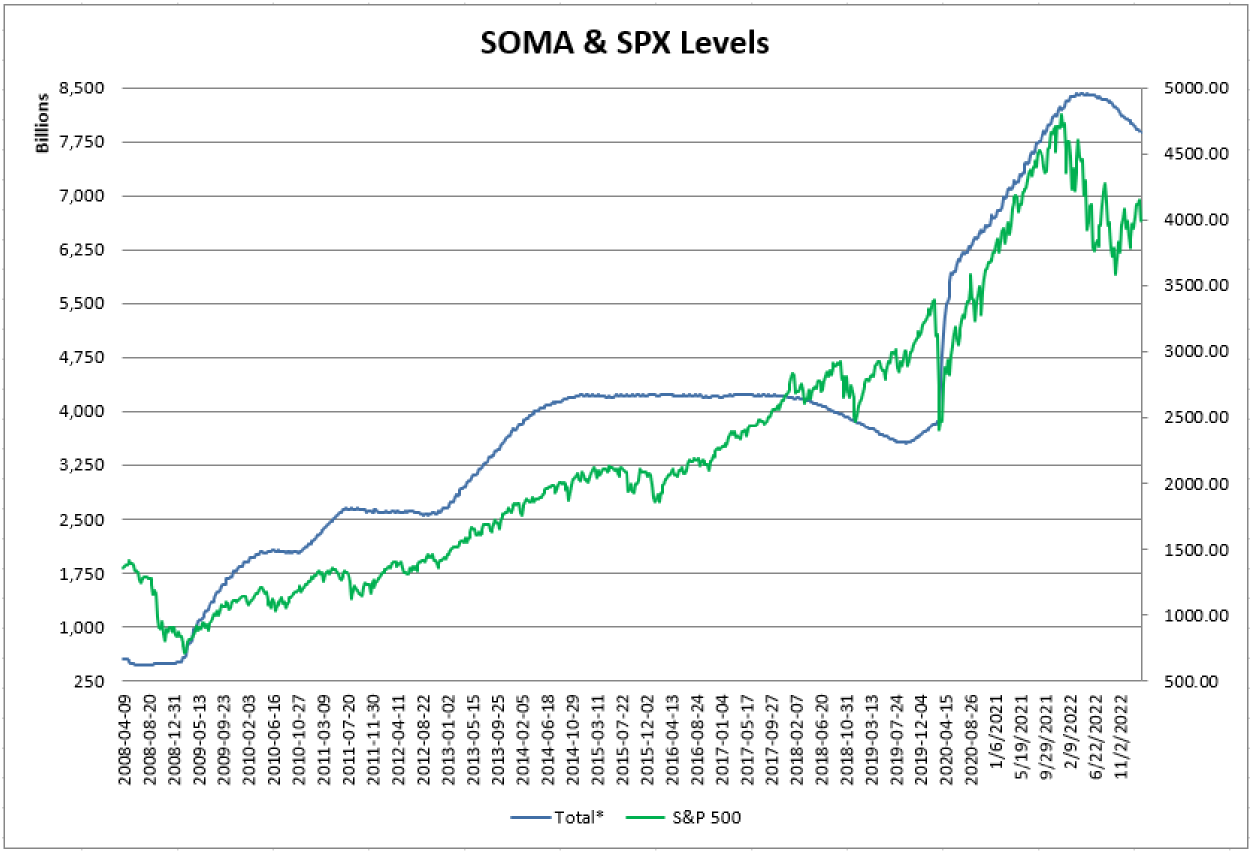
Previous March 1, 2023

Posted March 2, 2023 at 4:30 PM

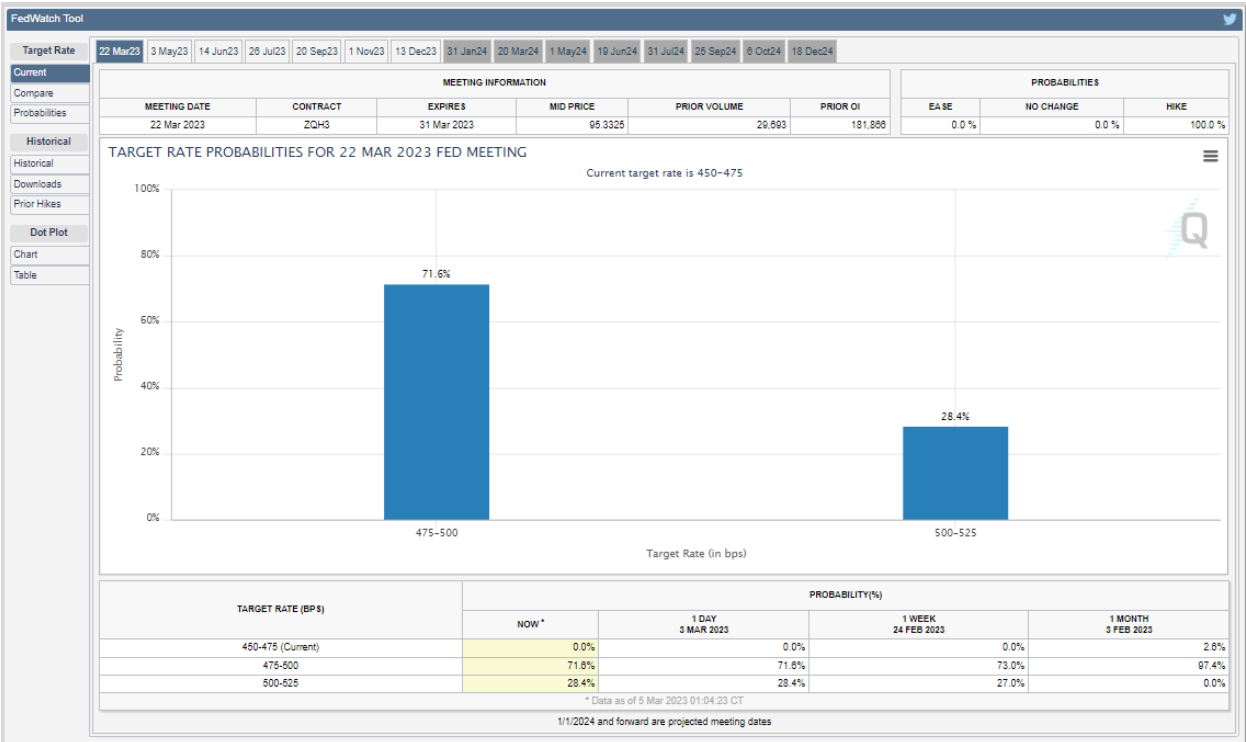
SUMMARY | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	285,020,936.0
US Treasury Notes and Bonds (Notes/Bonds)	4,550,313,109.6
US Treasury Floating Rate Notes (FRNs)	23,428,784.2
US Treasury Inflation-Protected Securities (TIPS)*	377,024,244.5
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,601,598,207.1
Agency Commercial Mortgage-Backed Securities***	8,441,837.5
Total SOMA Holdings	7,848,174,118.9
Change From Prior Week	-38,158,691.4

This week the SOMA declined a little over $38 billion. That is a big week, but in line with what we expected as February came to a close. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is now in the midst of what will likely be the largest ever reduction in the size of the SOMA. The pace of the decline is high and is expected to remain high for a while. Additionally, the Fed has been increasing rates. A few weeks ago the market was hopeful that 1 or 2 more quarter-point hikes would be all for the Fed. But expectations have increased for larger/longer hikes. Odds now favor 3 more hikes and a rate around 5.25% - 5.50% in June. Below is a look at odds for the upcoming March meeting.



Odds above are very similar to what we saw last week. When the Fed claims they are "data dependent", any change in the data is capable of creating a big swing in prices and sentiment. Potential market movers this upcoming week include Chairman Powell talking on both Tuesday and Wednesday, and the employment report on Friday. Overall, Fed policy continues to be a large bearish factor.

My intermediate-term outlook remains similar to where it has been the last few weeks. We had one study trigger Thursday suggesting solid upside odds for the next 2 weeks. Uptrends generally remain intact. Current NASDAQ leadership is a positive. There are several breadth thrust signals active as well. And seasonal cycles remain positive for the next couple of months. So we continue to see bullish evidence in the form of trend, leadership, breadth, momentum, and seasonality. The big negative remains the Fed. If the negative influence of the Fed (or higher inflation or a failing economy) is to assert itself, that will show up in the breadth/momentum/leadership/trend indicators starting to fail/turn. That has not happened yet. Until we start seeing some failures, or bearish evidence, I will continue to side with the bulls. This means I will trade longs more aggressively and shorts more conservatively.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

IBM – 1/3 @ $129.30 (bought @ limit)
JNJ – 1/3 @ $153.26 (bought @ limit)
IBM – 1/3 @ $128.19 (bought @ limit)
JNJ – 1/3 @ $152.57 (bought @ limit)
JNJ – 1/3 @ $152.45 (buy @ limit)

Broad Market Large Cap CBI – 5(IBM-2, JNJ-3)

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	Stop	Notes
SPY(1/4)	***2/21/2023***	***$403.06***	***$404.19***	***0.28%***		***sold on close***
SPY(1/4)	2/22/2023	$398.00	$404.19	1.56%		*sell on open*
GM(1/3)	***2/27/2023***	***$39.18***	***$40.39***	***3.09%***		***sell on open***
PFE(1/3)	2/28/2023	$40.50	$41.15	1.60%		*sell on open*
PFE(1/3)	3/1/2023	$40.56	$41.15	1.45%		*sell on open*
IBM(1/3)	3/1/2023	$128.90	$129.64	0.57%		Catapult
JNJ(1/3)	3/1/2023	$153.01	$154.02	0.66%		Catapult
PFE(1/3)	3/2/2023	$40.06	$41.15	2.72%		*sell on open*
IBM(1/3)	3/2/2023	$128.19	$129.64	1.13%		Catapult
JNJ(1/3)	3/2/2023	$151.75	$154.02	1.50%		Catapult