

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 7, 2023

Volume 16 Issue 44

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Breadth was weak, but that could be a positive based on tonight's study.
- The rising VIX with SPX at a 10-day high under similar circumstances has shown a downside tendency the next day.

Short-term Outlook

The Bottom Line

The Aggregator is again 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						
March 7, 2023	NYSE Up Vol < 40%. SPX up > 200	1-8 days	Bullish	1.80%	-1.20%	-2.60%
March 7, 2023	SPX Golden Cross	1 day	Bearish			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
March 3, 2023	20-low cls yest. 20-intra low then up	1-6 days	Bullish	2.30%	-1.55%	-2.90%
March 2, 2023	Yest 20-low. Gap down cls < open to	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%

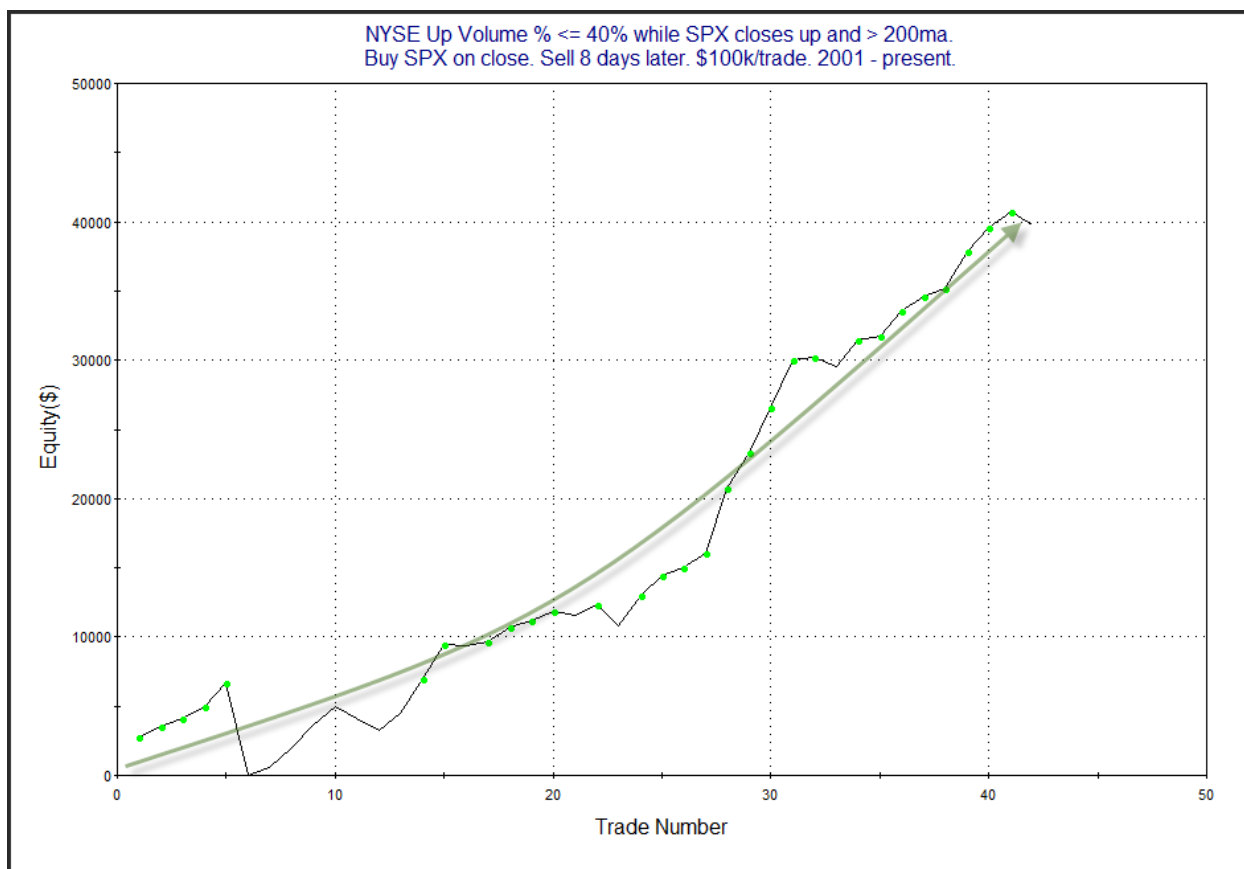
The Evidence

Monday started strongly, but finished mixed. The SPX gained 0.1%, the NASDAQ lost 0.1%, and the Russell 2000 fell a sizable 1.5%. Breadth was negative with the NYSE Up Issues % coming in at 35% and the Up Volume % at 32%. NYSE total volume rose some from Friday's level.

Weak breadth is generally regarded as a negative for the market. But sometimes weak breadth works as an "oversold" type condition suggesting a short-term upside edge. And that is what the first study suggests. With SPX closing up and the Up Volume % coming in under 40% it triggered the study below, which was last featured in the 10/7/21 letter.

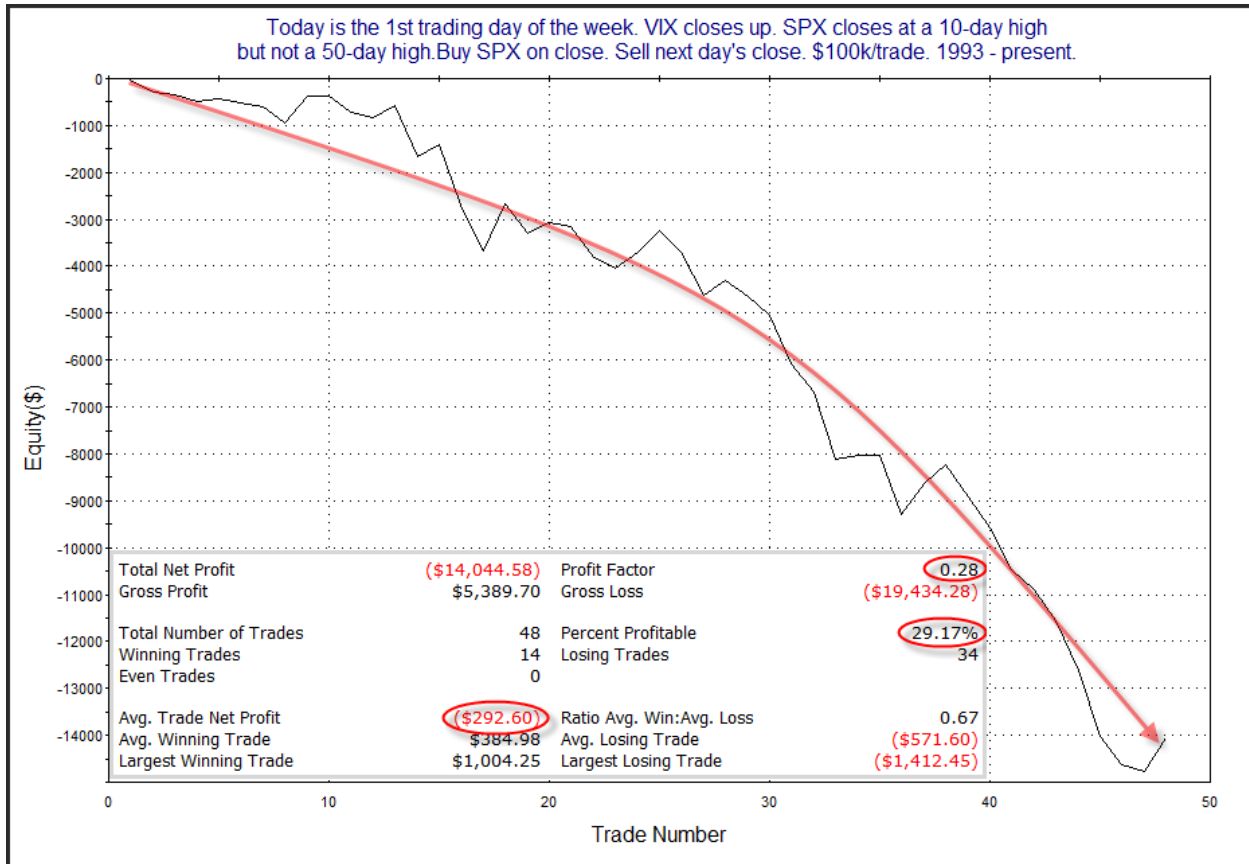
NYSE Up Volume % <= 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	42,282.72	40	32	8	80.00	3,969.23	-7,891.63	1,852.84	-2,126.01	0.87	3.49	1,057.07
9	40,113.19	41	32	9	78.05	3,793.00	-7,594.37	1,729.15	-1,691.06	1.02	3.64	978.37
8	39,728.65	42	34	8	80.95	4,666.56	-6,657.20	1,521.78	-1,501.48	1.01	4.31	945.92
7	35,845.00	44	36	8	81.82	5,211.84	-3,690.83	1,319.14	-1,455.52	0.91	4.08	814.66
6	33,512.69	44	33	11	75.00	6,018.56	-3,495.92	1,386.94	-1,114.21	1.24	3.73	761.65
5	26,971.49	47	36	11	76.60	4,787.84	-3,769.15	1,148.38	-1,306.39	0.88	2.88	573.86
4	15,015.64	48	31	17	64.58	2,689.05	-2,557.50	1,039.88	-1,012.98	1.03	1.87	312.83
3	16,910.35	50	33	17	66.00	2,513.92	-2,547.82	915.15	-781.74	1.17	2.27	338.21
2	14,626.80	54	37	17	68.52	2,661.75	-2,848.17	732.63	-734.14	1.00	2.17	270.87
1	7,066.61	59	36	23	61.02	1,790.64	-1,371.49	502.84	-479.82	1.05	1.64	119.77

Results have been surprisingly strong over the last 22 years. Below is a look at a 8-day profit curve.



The curve has shown strong upside persistence, including the recent instances. Overall, I find these results intriguing and have added this study to the short-term Active List.

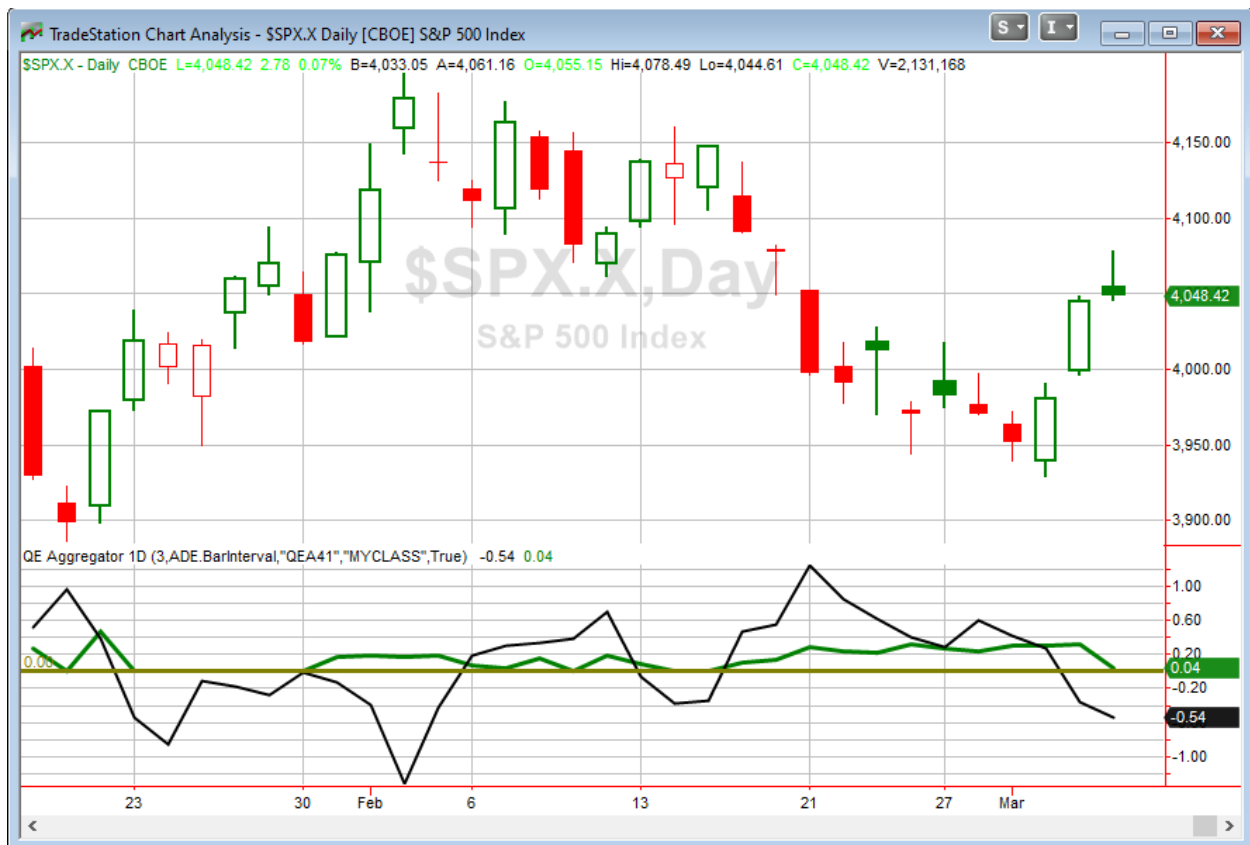
While the SPX closed higher, so did the VIX. This is against the norm as they will most often close in opposite directions. But the VIX has a natural tendency to decline on Friday afternoons ahead of the weekend and then rise on Mondays after the weekend. So occurrences of both closing higher are much less abnormal on Monday than on any other day of the week. In a strong bull market with SPX hitting 50-day or greater highs, the fact that they both close higher on a Monday has not mattered a whole heck of a lot. But when the SPX has been short-term overbought without making intermediate-term highs as it is now, the inclination has appeared bearish for the next day. This can be seen in the study below, which was last featured in the 10/6/20 letter.



The strong, persistent downslope is impressive and the curve is continuing to make new lows. There have been more than 2x as many losers as winners and the losers were larger on average. Both the curve and the numbers support the idea of a bearish tendency. I have included this study on the Active List tonight.

So we have a bullish study and a bearish study being added to the Active List tonight. I will also note that all 3 short-term bullish studies that were active last night reached their targets and have therefore been removed from the list.

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



With tonight's mix of studies considered, the green Aggregator Line remained slightly 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 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 studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4014.99 on Tuesday. That is 0.8% below Monday's close. Therefore, SPX will need to close down at least 0.8% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Evidence is mixed but leaning bullish while the market is short-term overbought. I'm neutral as well and don't see a compelling reason to get involved in a new trade at this point. I'll wait for the next compelling setup to emerge before putting capital back to work.

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

The intermediate-term outlook was last updated in the 3/6/23 Letter. It can be found in the [most recent weekly letter](#) on the website.

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	2/22/2023	\$398.00	\$405.05	1.77%		<i>sold on open</i>
PFE(1/3)	2/28/2023	\$40.50	\$41.09	1.46%		<i>sold on open</i>
PFE(1/3)	3/1/2023	\$40.56	\$41.09	1.31%		<i>sold on open</i>
IBM(1/3)	3/1/2023	\$128.90	\$130.19	1.00%		<i>sell on open</i>
JNJ(1/3)	3/1/2023	\$153.01	\$155.56	1.67%		<i>sell on open</i>
PFE(1/3)	3/2/2023	\$40.06	\$41.09	2.57%		<i>sold on open</i>
IBM(1/3)	3/2/2023	\$128.19	\$130.19	1.56%		<i>sell on open</i>
JNJ(1/3)	3/2/2023	\$151.75	\$155.56	2.51%		<i>sell on open</i>

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