

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 8, 2023

Volume 16 Issue 45

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The strong selling came from a high, leaving us without any compelling new evidence to bank on.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish. I am a little less optimistic.

*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>						
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			
<b>Active - Long Term</b>						
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***

Powell's talk was hawkish, and the market sold off hard on Tuesday. The SPX fell 1.5%, the NASDAQ lost 1.25%, and the Russell 2000 declined 1.1%. Breadth was negative with the NYSE Up Issues % coming in at 21% and the Up Volume % at 15%. NYSE total volume declined some from Monday's level.

Below is the key paragraph from Chairman Powell's testimony that led to the selling:

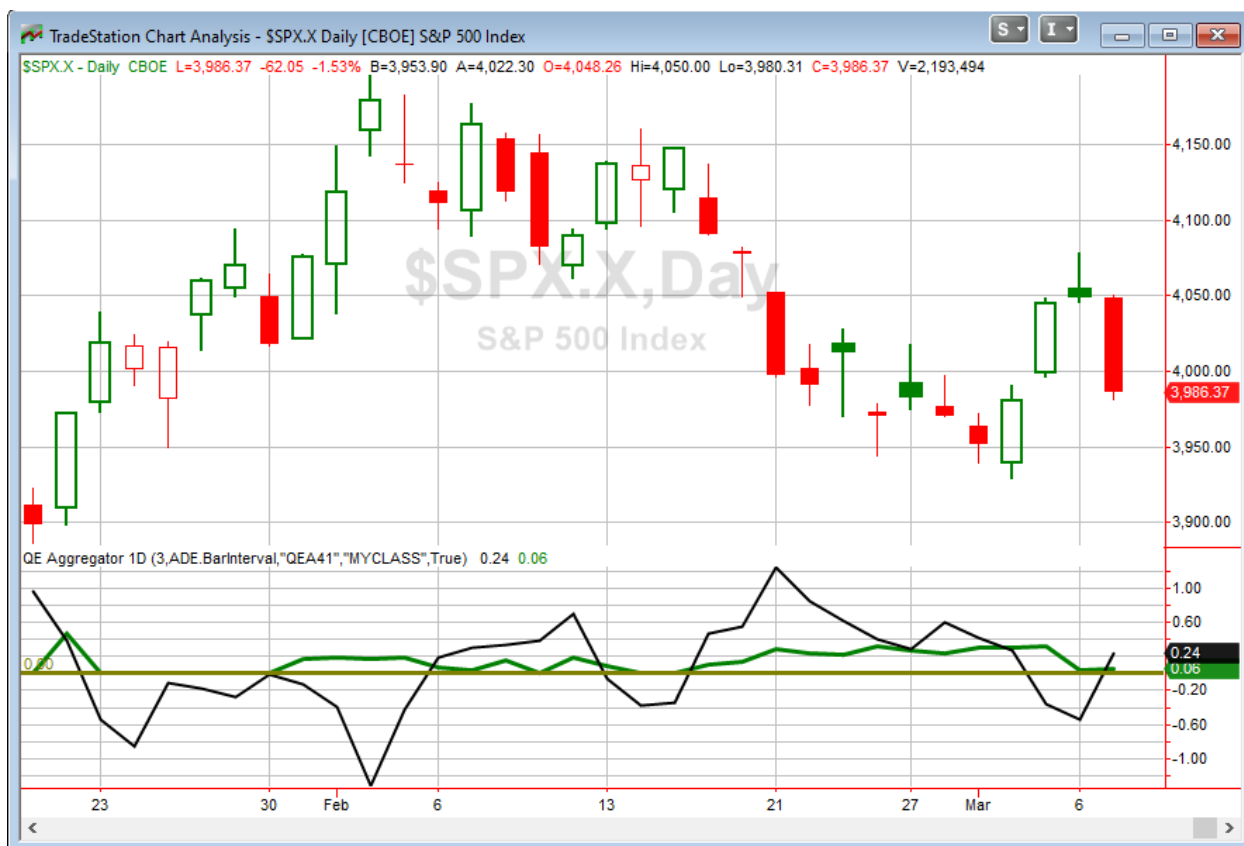
*Although inflation has been moderating in recent months, the process of getting inflation back down to 2 percent has a long way to go and is likely to be bumpy. As I mentioned, the latest economic data have come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated. If the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes. Restoring price stability will likely require that we maintain a restrictive stance of monetary policy for some time.*

None of this should be surprising. The data he refers to the market had already been reacting to recently. This was merely confirmation of what many people already believed. Still, sometimes confirmation is all you need to get the market reacting strongly.

The selling simply brought the SPX and NASDAQ from 10-day highs down to near their 10-day moving averages. Strong selloffs that put the market in an oversold state, or that occur when the market is already oversold, will typically suggest a strong upside edge. But selloffs from high levels don't show nearly as compelling odds of a bounce. It could be just the beginning of a multi-day move lower. I have shown this numerous ways over the years. I am not going to go through the task of generating new studies to demonstrate it tonight. The simple absence of bullish evidence

in the Quantifinder demonstrates the lack of a strong edge as well. No new studies are being added to the Active List tonight.

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



Without any new studies being added tonight 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 crossed above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is 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 studies, expectations are set to remain positive on Wednesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4081.81 on Wednesday. That is a very large 2.4% above Tuesday's close. Therefore, SPX will need to rally at least 2.4% on Wednesday in order to flip from oversold to overbought vs recent expectations. Not much chance of that happening. A more likely scenario for working off the oversold condition is a multi-day rally or consolidation.

So the Aggregator is now bullish. I'm not terribly enthused though. Evidence is mild and we are only one day off a short-term high. It is going to take more selling and more bullish evidence to get me excited about taking on a new long position.

***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
IBM(1/3)	3/1/2023	\$128.90	\$130.28	1.07%		<i>sold on open</i>
JNJ(1/3)	3/1/2023	\$153.01	\$156.09	2.01%		<i>sold on open</i>
IBM(1/3)	3/2/2023	\$128.19	\$130.28	1.63%		<i>sold on open</i>
JNJ(1/3)	3/2/2023	\$151.75	\$156.09	2.86%		<i>sold on open</i>

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