

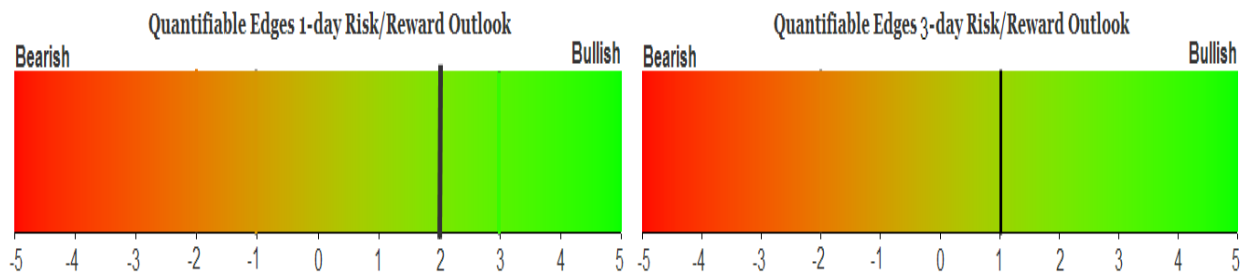
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 14, 2023

Volume 16 Issue 49

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Some studies suggest strong odds for a “Turnaround Tuesday”.
- The 3-day pullback to new lows also suggests a bounce.
- SPY’s big gap down, reversal, and then down close is a pattern that has often been followed by short-term gains.

Short-term Outlook

The Bottom Line

The Aggregator is now bullish, but risks remain high.

The Evidence

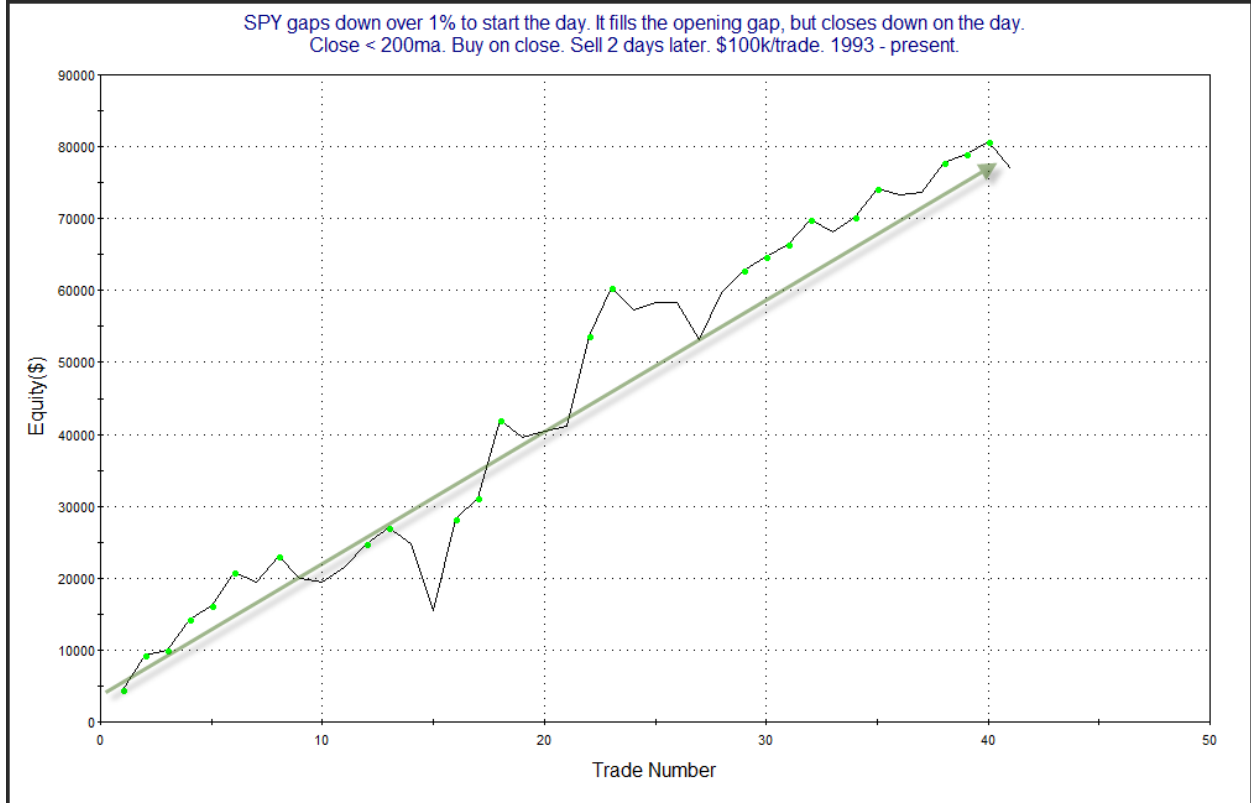
Monday was back and forth and finished mixed. The SPX fell 0.15%, the NASDAQ rose 0.45%, and the Russell 2000 tumbled 1.6%. Breadth was strongly negative with the NYSE Up Issues % coming in at 28% and the Up Volume % at 27%. NYSE total volume rose for the 3rd day in a row.

The action on Monday, with SPY gapping down, then filling the gap but failing to close positive, is one that has been followed by short-term gains on a fairly consistent basis. This can be seen in the study below.

**SPY gaps down over 1% to start the day. It fills the opening gap, but closes down on the day.
Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.**

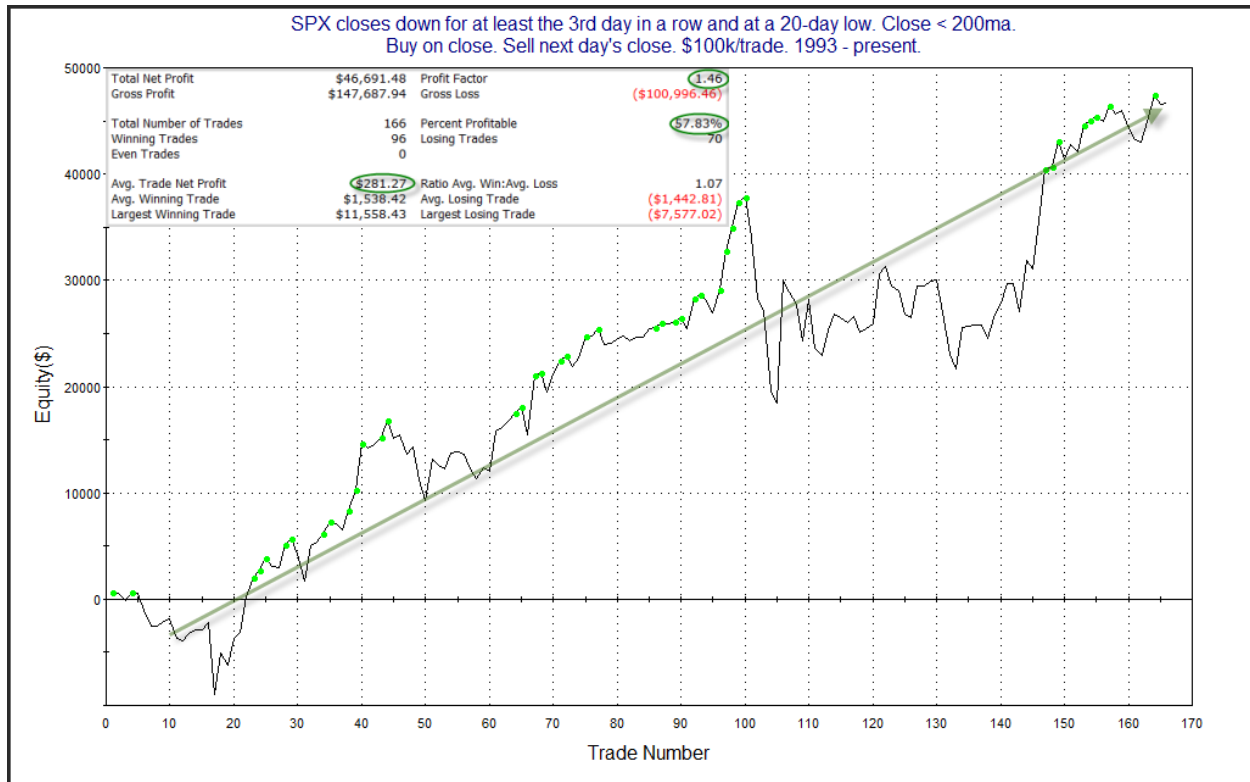
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	25,437.54	38	21	17	55.26	19,398.00	-11,713.44	5,052.86	-4,745.44	1.06	1.32	669.41
4	50,793.51	39	24	15	61.54	17,914.00	-9,229.44	4,398.99	-3,652.15	1.20	1.93	1,302.40
3	57,242.43	39	25	14	64.10	14,708.85	-6,458.40	3,762.83	-2,630.59	1.43	2.55	1,467.75
2	76,890.95	41	30	11	73.17	12,814.15	-9,235.25	3,678.35	-3,041.78	1.21	3.30	1,875.39
1	46,066.33	43	25	18	58.14	14,507.65	-6,980.25	3,326.10	-2,060.34	1.61	2.24	1,071.31

Results here are very strong over the next 1-2 days. Below is a look at the 2-day profit curve.



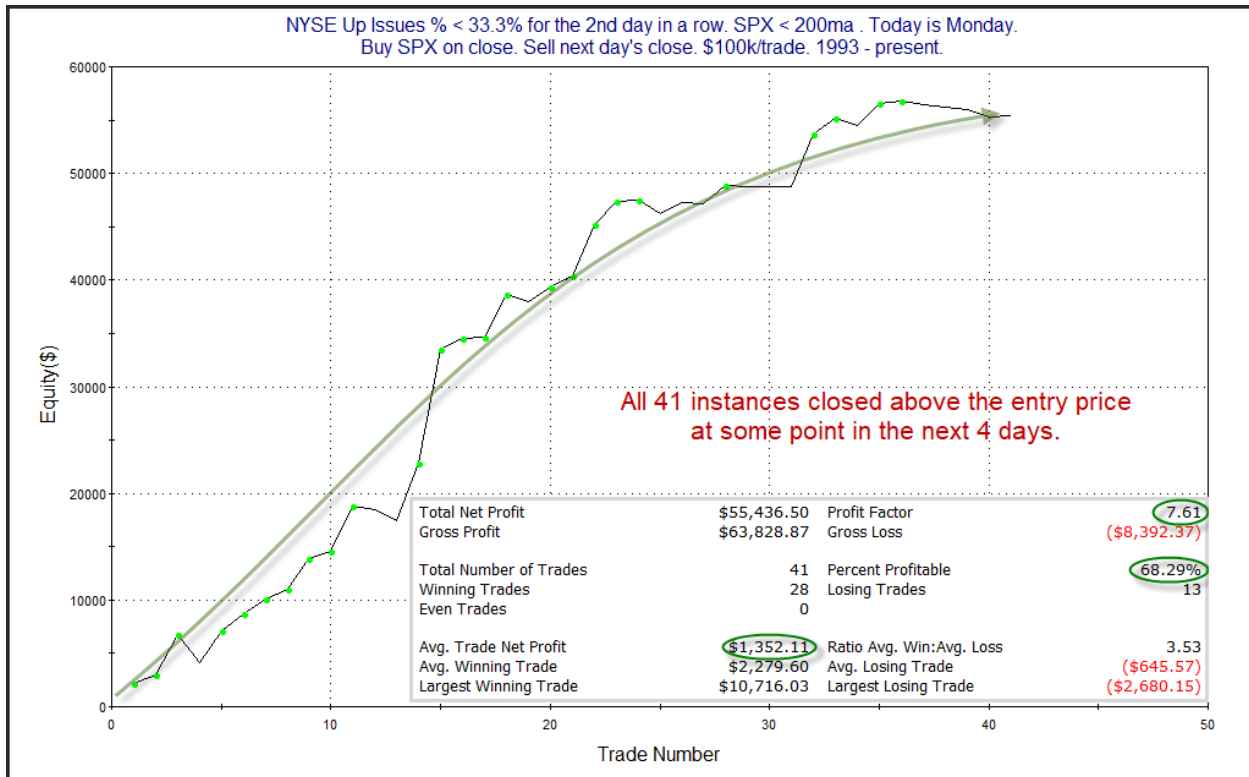
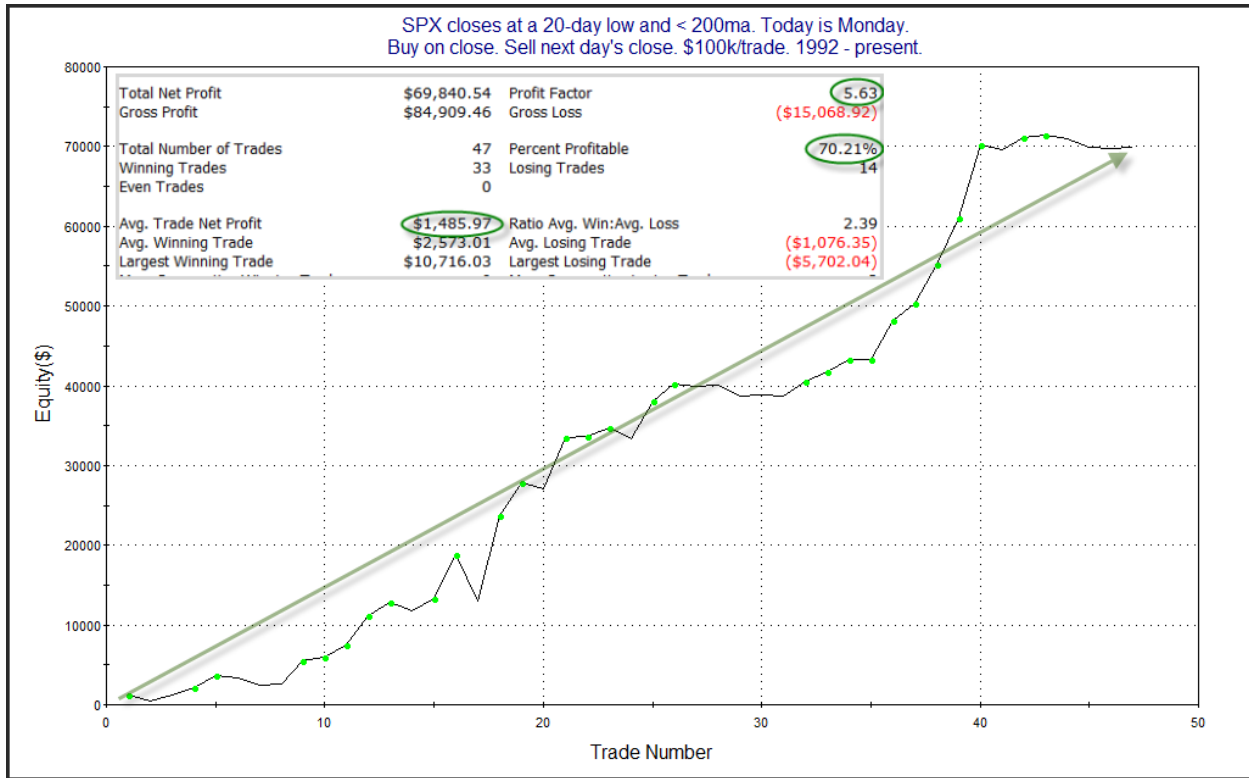
That is a nice, steady move higher from lower left to upper right. This study seems worth consideration and I have added it to the active list tonight.

There were a few studies that looked at the 3-day pullback that suggested a possible upside edge. The study below combines the 3-day pullback and the 20-day low. Results are updated.



The curve is very choppy, but the study may be worth some consideration as a 1-day edge.

There were also a few “Turnaround Tuesday” studies that suggested an upside edge. Rather than discuss them individually, I have pasted 2 of the most compelling ones below. They were both last found in the 12/20/22 letter.



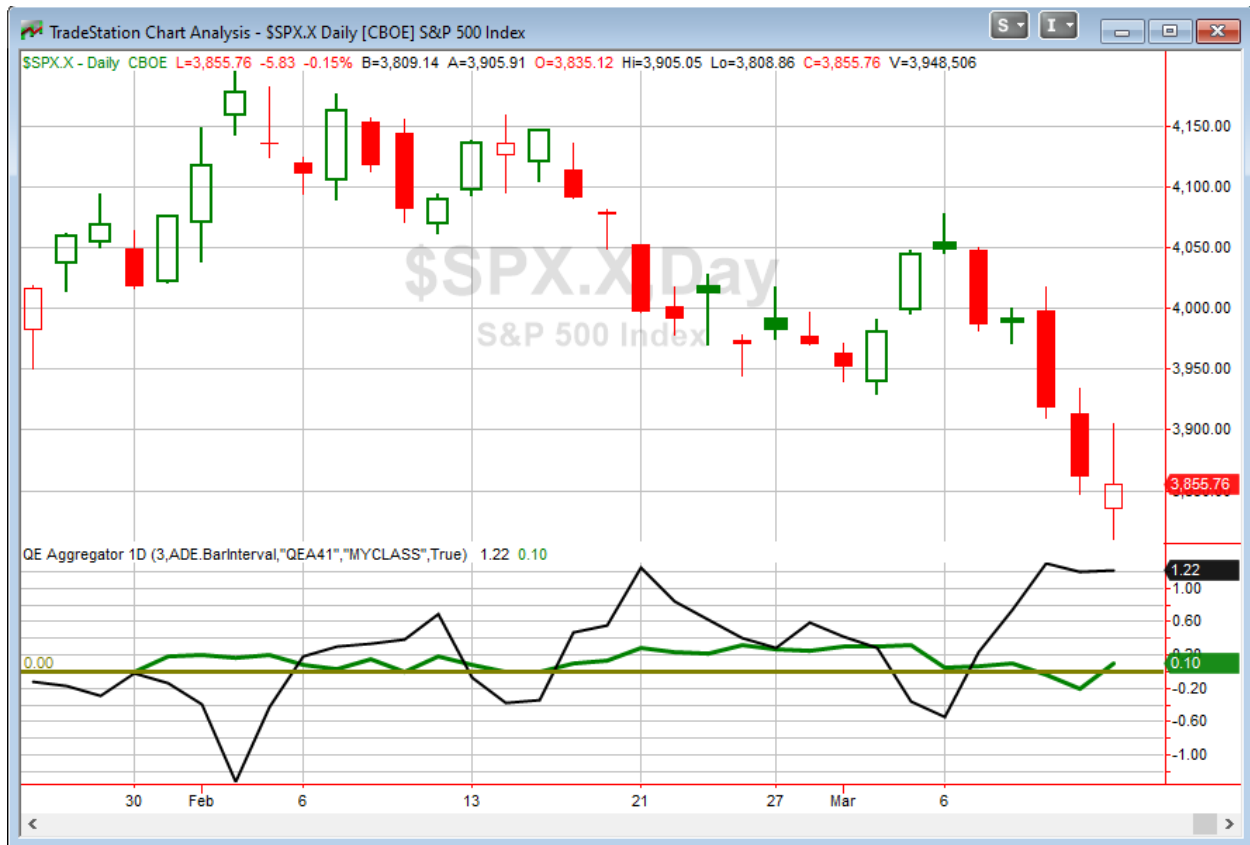
Solidly bullish evidence supporting the idea of a Turnaround Tuesday.

Of course Tuesday we will see the release of the CPI report one hour before the NYSE open. And that will set the tone for the day. The tone for most CPI release dates since the Fed began fighting inflation has been on of high volatility. This can be seen in the table below, from last night's letter.

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%
Jan-23	February 14, 2023	64.76	-0.03%
	Average	122.49	0.20%
	All other days ATR since 5/11	70.84	

So the studies are suggesting a pop, and if the market likes the CPI, it could be a strong pop.

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



With tonight's evidence considered, the green Aggregator Line moved 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 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 flip back to negative on Tuesday. This could easily change if new bullish evidence emerges. And this market seems to be capable of generating strong moves that could trigger studies suggesting edges in either direction. Meanwhile, the Differential Pivot will be 3922.11 on Tuesday. That is 1.7% above Monday's close. Therefore, SPX will need to rally at least 1.7% on Tuesday in order to flip from oversold to overbought vs recent expectations. That is a big number, but in a volatile, oversold market like this with CPI on tap, it is certainly possible.

So the Aggregator is bullish. Tonight's evidence suggests a quick bounce. But risk remains elevated, and expectations are set to turn back to negative on Tuesday. So I remain wary of taking on new index positions. I'll continue to exercise patience until a more favorable setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/13 – slightly 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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