

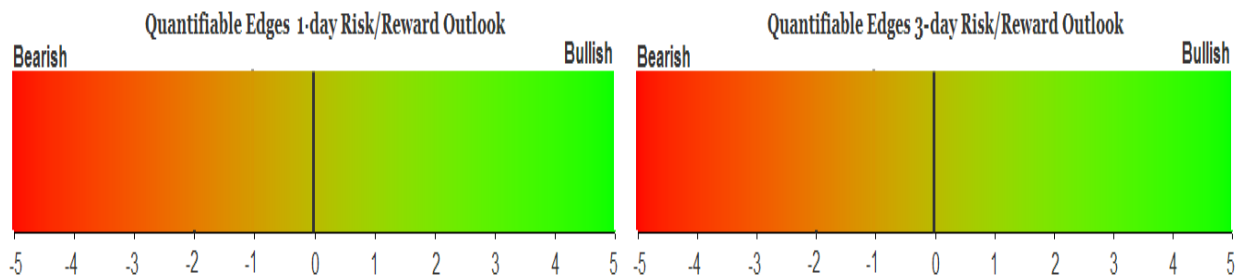
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 21, 2023

Volume 16 Issue 54

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Monday's narrow range day following high-volume selling on Friday suggests an upside edge over the next few days.
- SPY's unfilled gap up and move higher happened in a way that suggests a possible dip on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral, evidence is mixed, and risks are elevated heading into the Fed meeting.

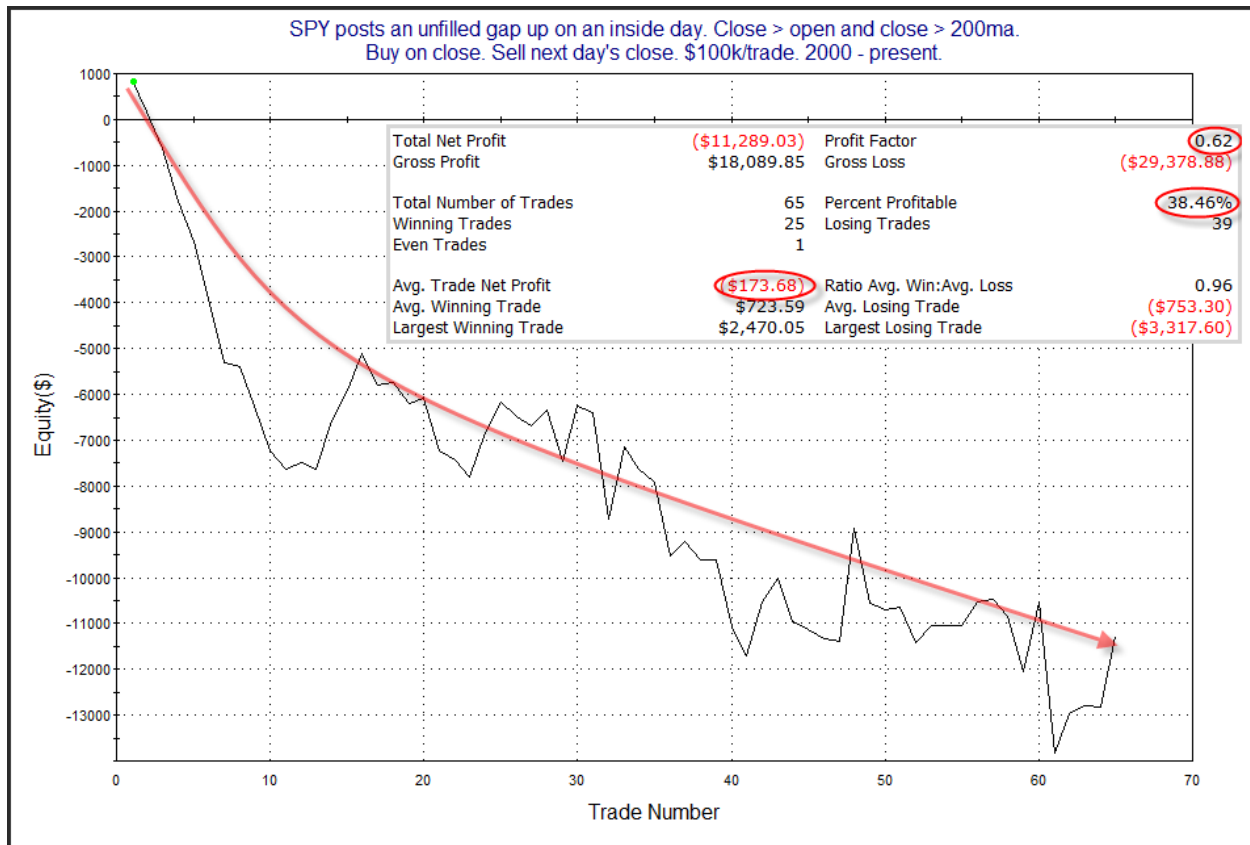
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 21, 2023	Unfilled gap up. Close > open. Inside day	1 day	Bearish			
March 21, 2023	Dn close on 10-hi volume ->NR7.	1-5 days	Bullish	2.65%	-1.30%	-3.25%
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 7 o 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

Monday saw a bit of a rebound for stocks. The SPX gained 0.9%, the NASDAQ rose 0.4%, and the Russell 2000 rallied 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 61% and the Up Volume % at 60%. NYSE total volume declined from the high level on Friday.

Monday's action traded in a fairly tight range. Tuesday might also if traders do not want to make big bets ahead of the Fed meeting. While studies tonight are mixed, they both consider the small range seen on Monday. The first study looks at days like Monday where the market gaps higher, never fills, and moves higher from open to close without making a higher high. Last seen in the 10/8/20 letter, results below are updated.



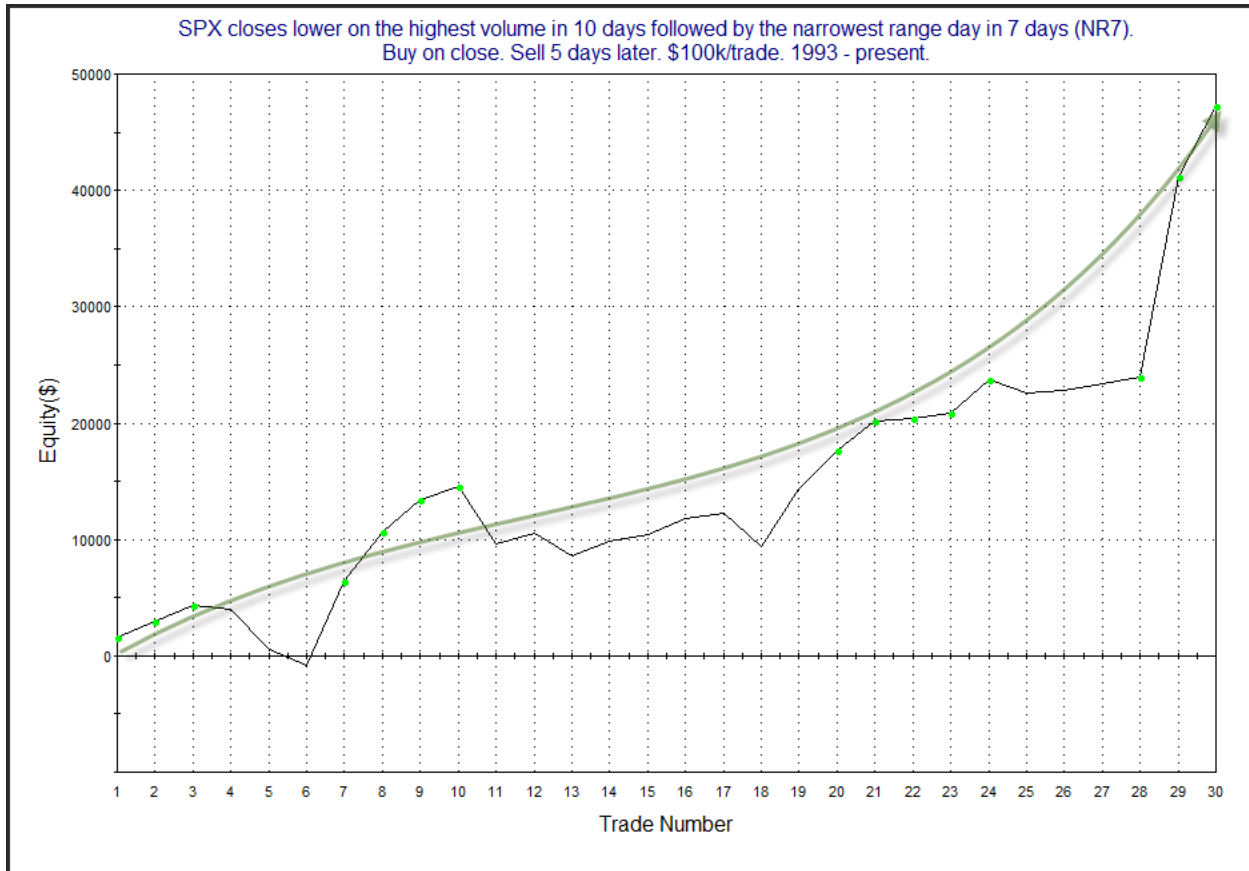
Implications here appear somewhat bearish. The profit curve is not ideal, but it still appears to suggest a downside edge. Overall, this study appears to be worth some consideration, and I have included it on the active list tonight.

This next study was last discussed in the 7/23/18 letter. It looked at times SPX fell on relatively high volume (like Friday) and then posted the narrowest range day in 7 days (commonly referred to as an NR7 day). I have updated the results below.

SPX closes lower on the highest volume in 10 days followed by the narrowest range day in 7 days (NR7).
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	47,220.26	30	23	7	76.67	17,127.00	-4,887.20	2,751.46	-2,294.75	1.20	3.94	1,574.01
4	42,037.89	30	22	8	73.33	13,379.08	-3,325.56	2,496.24	-1,609.91	1.55	4.26	1,401.26
3	31,290.86	30	18	12	60.00	17,277.48	-6,426.24	2,598.09	-1,289.57	2.01	3.02	1,043.03
2	20,879.87	30	20	10	66.67	10,479.04	-4,627.20	1,539.11	-990.23	1.55	3.11	696.00
1	13,833.92	30	19	11	63.33	9,236.92	-2,214.00	1,211.28	-834.58	1.45	2.51	461.13

The numbers all lean bullish, and the upside edge appears to persist for the next week. Below is a look at a profit curve assuming a 5-day hold.



It is a bit choppy, but the curve has persisted from lower left to upper right. This serves as some confirmation of the upside edge. One concern I had when considering this study within the context of the current market is that Monday's setup followed opex Friday. Opex Friday often has high volume. So I wondered if I should disqualify the study on this basis. I ran the study again and added opex Friday as a filter to see results for times like now.

SPX closes lower on the highest volume in 10 days followed by the narrowest range day in 7 days (NR7). Yesterday was opex Friday. 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	20,133.43	8	6	2	75.00	17,127.00	-2,851.50	4,023.87	-2,004.89	2.01	6.02	2,516.68
4	12,837.98	8	5	3	62.50	13,379.08	-2,964.75	3,396.39	-1,381.32	2.46	4.10	1,604.75
3	16,973.18	8	4	4	50.00	17,277.48	-2,610.00	5,547.43	-1,304.13	4.25	4.25	2,121.65
2	13,622.45	8	6	2	75.00	10,479.04	-599.90	2,461.63	-573.65	4.29	12.87	1,702.81
1	10,286.17	8	5	3	62.50	9,236.92	-478.10	2,283.97	-377.89	6.04	10.07	1,285.77

There are only 8 instances, but results are stronger than without the filter. So I see no good reason not to include the original study on the active list.

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



With tonight's studies considered, the green Aggregator Line closed above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line closed 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 list of active studies, expectations are set to remain positive on Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3948.81 on Tuesday. That is 0.1% below Monday's close. Therefore, SPX will only need to close down 0.1% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Evidence is mixed, and with the Fed announcement due Wednesday, risk is elevated. I am not terribly enthused. But I would look to take on a small amount of long exposure on Tuesday near the close if SPX sells off strongly and triggers the "5-day low ahead of a Fed Day" study I shared in the weekend letter.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 3/20 – neutral***

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.

SPY – Buy ¼ index position @ \$387.79 LIMIT ON CLOSE. From the short-term outlook above, I will look to take some long exposure if the SPX closes down substantially just ahead of the Fed meeting.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
IBM(1/3)	3/16/2023	\$122.96	\$125.94	2.42%	sell on open

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