

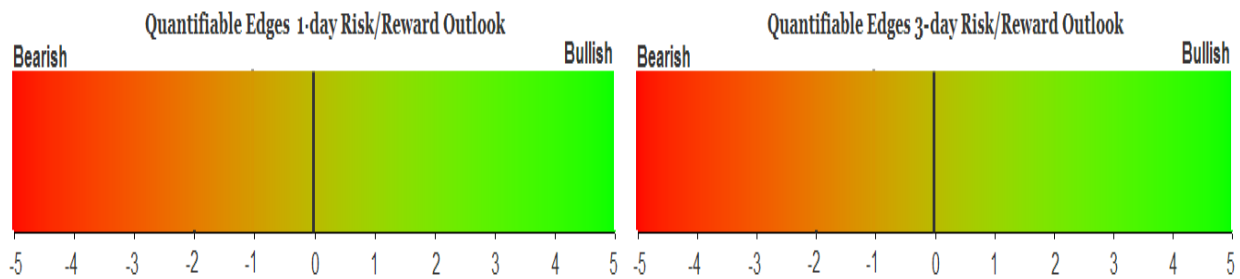
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 23, 2023

Volume 16 Issue 56

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The big outside day down is suggesting a move up over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. It could turn to bullish on Thursday, but it ain't there yet.

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 23, 2023	Up yest -> outside down 1% > 200 2day	1-4 days	Bullish	1.80%	-1.00%	-2.00%
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 70 Thrust	1-80 days	Bullish			
January 13, 2023	Deemer Breakaway Momentum	1-6 months	Bullish			
January 13, 2023	Whaley ADI5 > 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			

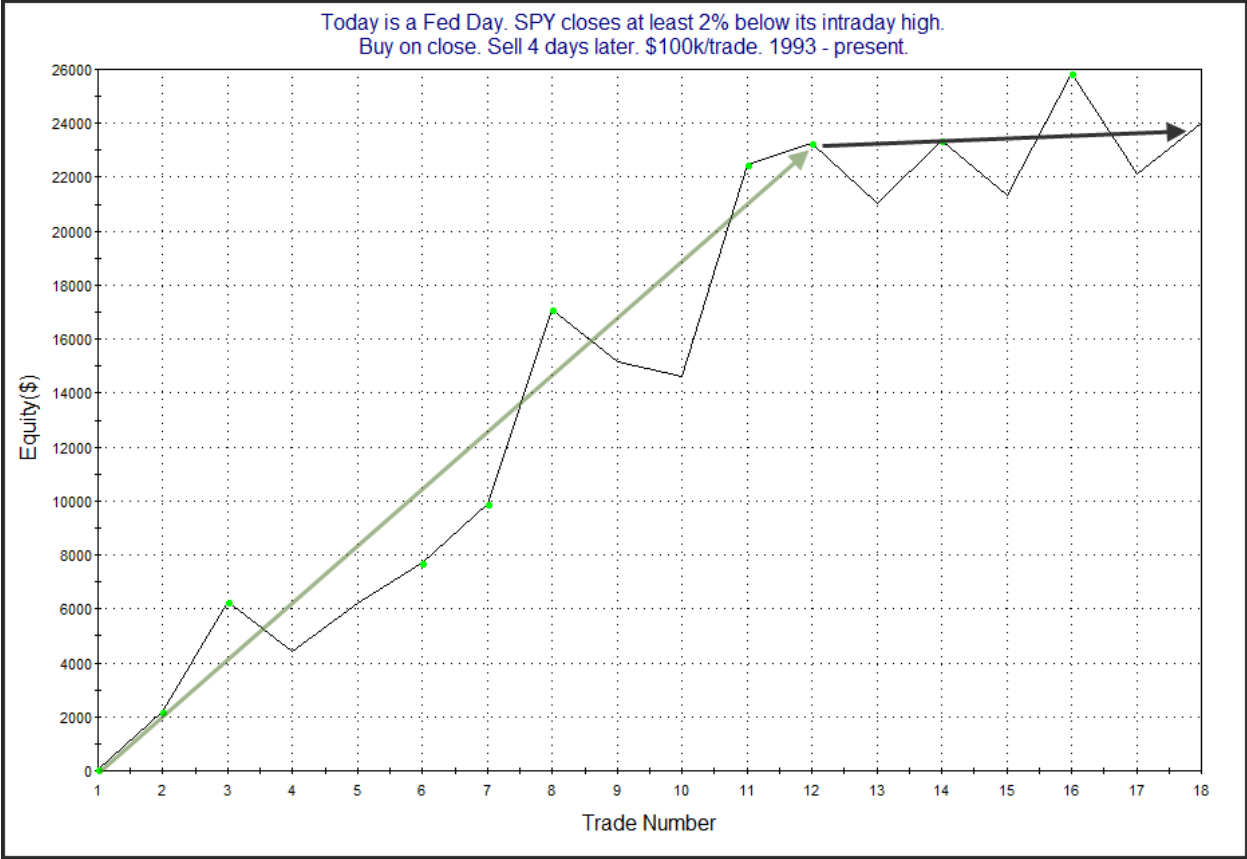
The Evidence

After wiggling and indecision, the market decided to take a big dive in the last 30 minutes of trading. The SPX closed down 1.65%, the NASDAQ lost 1.6%, and the Russell 2000 tumbled 2.8%. Breadth was negative with the NYSE Up Issues % coming in at 26% and the Up Volume % at 13%. NYSE total volume declined since it was quiet trading for most of the day.

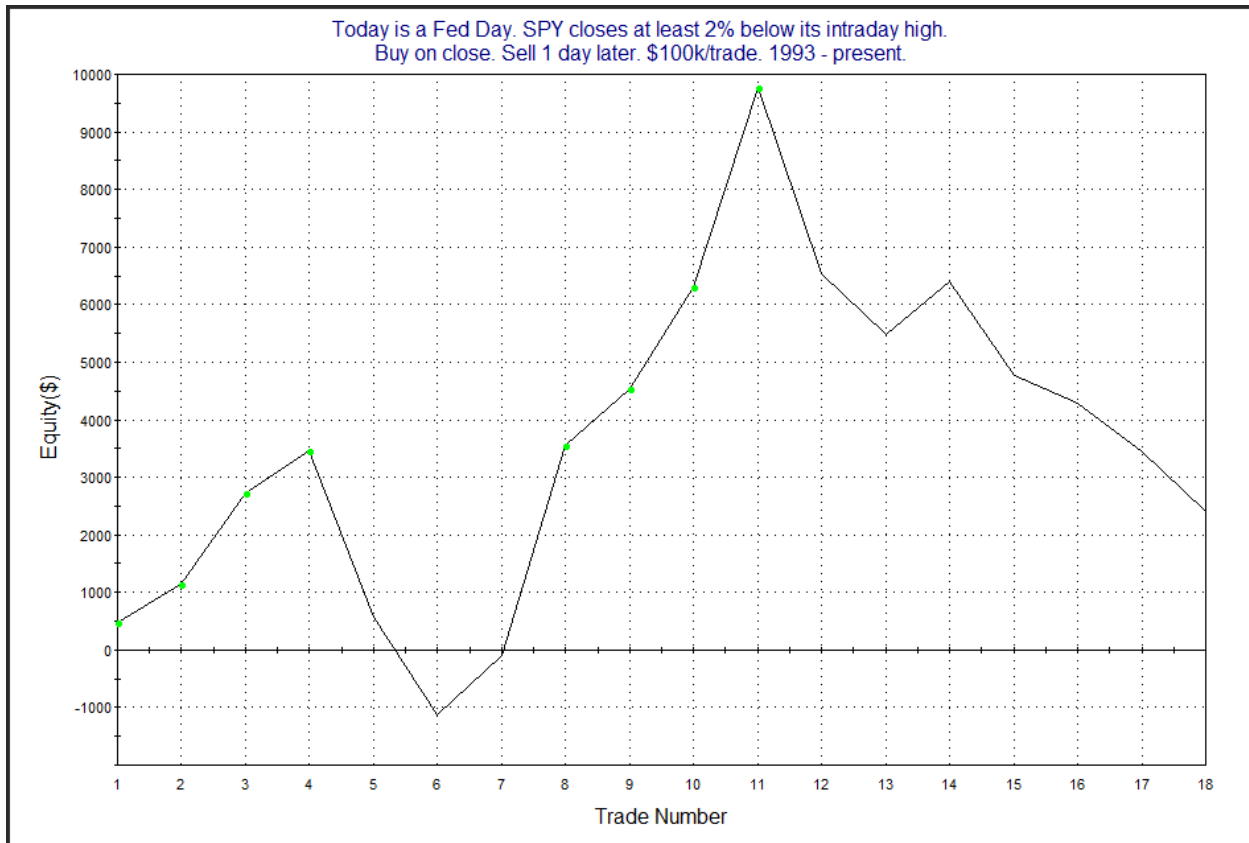
The big Fed Day reversal triggered the study below, which I last covered in the 12/20/18 letter.

Today is a Fed Day. SPY closes at least 2% below its intraday high. 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	23,320.99	18	11	7	61.11	6,086.66	-2,628.75	3,022.09	-1,417.42	2.13	3.35	1,295.61
4	24,031.56	18	12	6	66.67	7,872.42	-3,698.64	3,027.46	-2,049.66	1.48	2.95	1,335.09
3	14,448.52	18	12	6	66.67	4,772.75	-6,717.24	2,313.96	-2,219.83	1.04	2.08	802.70
2	7,509.66	18	11	7	61.11	5,087.19	-4,192.32	2,073.64	-2,185.76	0.95	1.49	417.20
1	2,416.45	18	10	8	55.56	3,649.75	-3,230.89	1,529.50	-1,609.81	0.95	1.19	134.25

The numbers look solid, and suggest late day reversals like we saw on Wednesday have often led to bounces in the coming days. But the profit curves were not as compelling. Below is a look at the 4-day curve.



There has been no progress over the last 1/3 of the chart. It's borderline, but with just 18 instances, I am not inclined to still consider this bullish. In making this decision, I looked at the charts of the 1-3 day timeframes as well. Unfortunately, they looked even worse. Here is the 1-day chart.



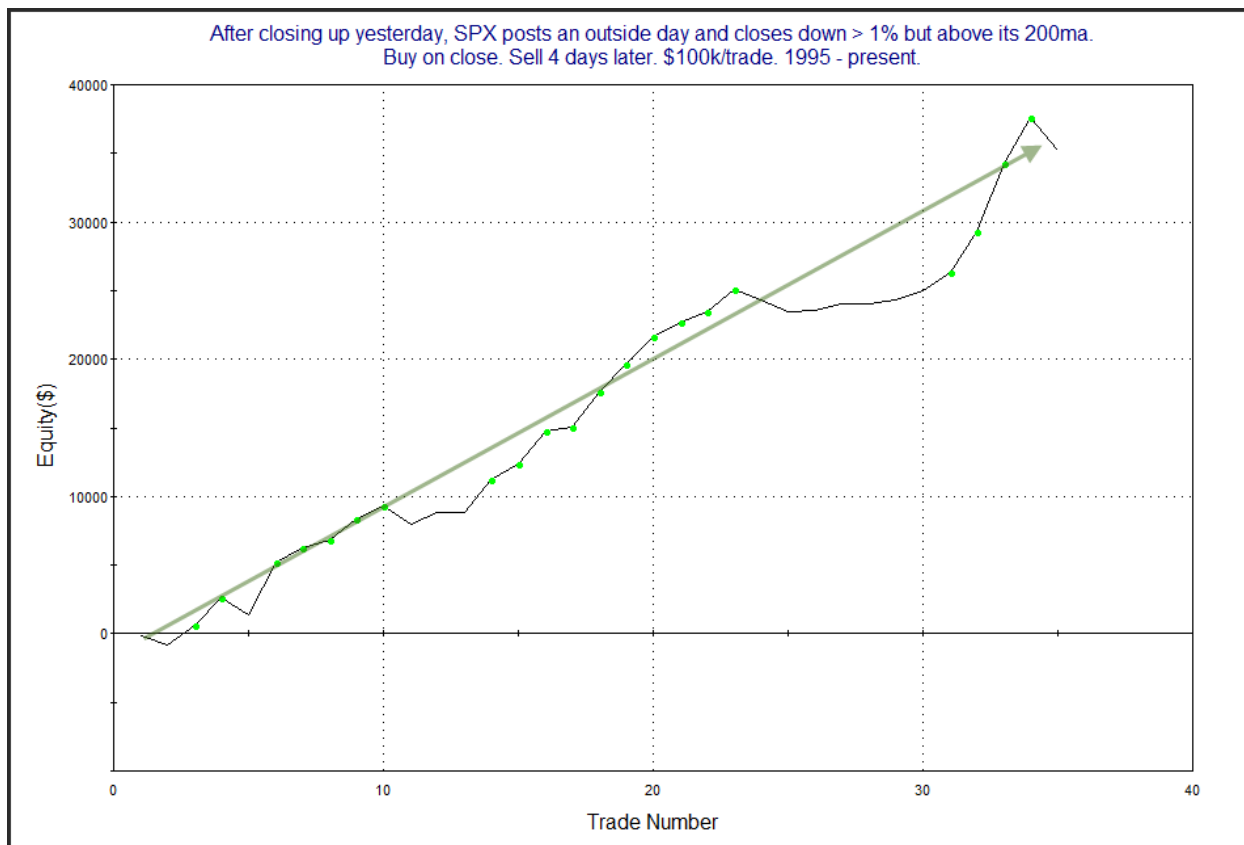
That's not appealing. I have not added this study to the active list.

There was another reversal study that triggered that was interesting. It did not consider the Fed Day. It simply looked at outside day reversals like Wednesday that close down substantially and follow an up day. Last seen in the 10/7/20 letter, I have updated the results below.

After closing up yesterday, SPX posts an outside day and closes down > 1% but above its 200ma.
Buy on close. Sell X days later. \$100k/trade. 1995 - 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	36,667.93	35	25	10	71.43	4,377.84	-2,808.74	1,990.36	-1,309.11	1.52	3.80	1,047.66
4	35,174.32	35	26	9	74.29	5,024.25	-2,476.98	1,641.75	-834.59	1.97	5.68	1,004.98
3	27,392.78	35	25	10	71.43	3,896.91	-1,909.08	1,542.98	-1,118.16	1.38	3.45	782.65
2	20,042.39	35	24	11	68.57	2,489.94	-2,397.96	1,244.86	-894.02	1.39	3.04	572.64
1	1,895.16	35	20	15	57.14	1,695.63	-1,799.08	715.84	-828.12	0.86	1.15	54.15

The numbers point to a possible upside edge. Below is a profit curve using a 4-day holding strategy.



The move from lower left to upper right is impressive. One concern I had when examining this study was the 200ma filter, because the SPX closed extremely close to its 200ma on Wednesday. So I decided to look at other times that it closed below the 200ma, but within 3% of it. While there were not a lot of instances, the numbers looked solidly bullish. Therefore, I have added this study to the active list tonight.

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



With tonight's evidence considered, the green Aggregator Line remained 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 list of active studies, expectations are set to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3955.32. That is 0.5% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.5% in order to remain overbought vs recent expectations. Anything less than that and it will remain "overbought" as of Thursday's close.

So the Aggregator is again neutral. We could easily see a long Aggregator signal develop on Thursday, but it is not here yet. I will give it another day before considering a new index position. I don't see a good reason to jump the gun in this volatile environment.

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.

None.

Current Open Trade Ideas

None

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