

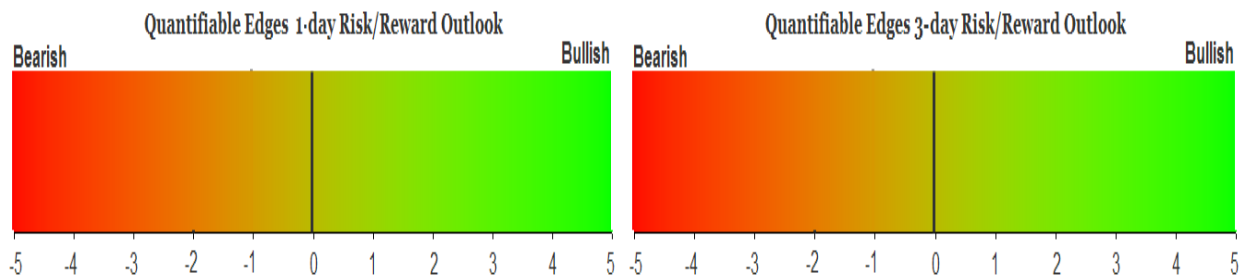
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 28, 2023

Volume 16 Issue 59

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The low 3/10 Offset HV suggests we could see a big move in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am also.

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 27, 2023	Week after 4th Fri in March bullish	1-5 days	Bullish	2.10%	-1.10%	-2.30%
March 27, 2023	SPY up 2 < 3 ago > 200	1-2 days	Bullish			
March 24, 2023	Gap up, 0075% rise -> close < open	1-3 days	Bullish	1.90%	-1.60%	-3.50%
March 23, 2023	Up yest -> outside down 1% > 200 2day	1-4 days	Bullish	1.80%	-1.00%	-2.00%
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 ADT5 > 7 3.66	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 24, 2023	Up Vol < 40%. SPX up > 200ma	1-2 days	Bullish			
March 21, 2023	Dn close on 10-hi volume ->NR7.	1-5 days	Bullish	2.65%	-1.30%	-3.25%

The Evidence

Monday saw mixed results for the major indices. The SPX closed up 0.2%, the NASDAQ lost 0.5%, and the Russell 2000 gained 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 74% and the Up Volume % at 78%. NYSE total volume declined some from Friday's level.

In looking at a few studies tonight, I found nothing that suggested a strong edge. That's not very surprising, since the market did not accomplish much on Monday, and there has been decent chop over the last week or so.

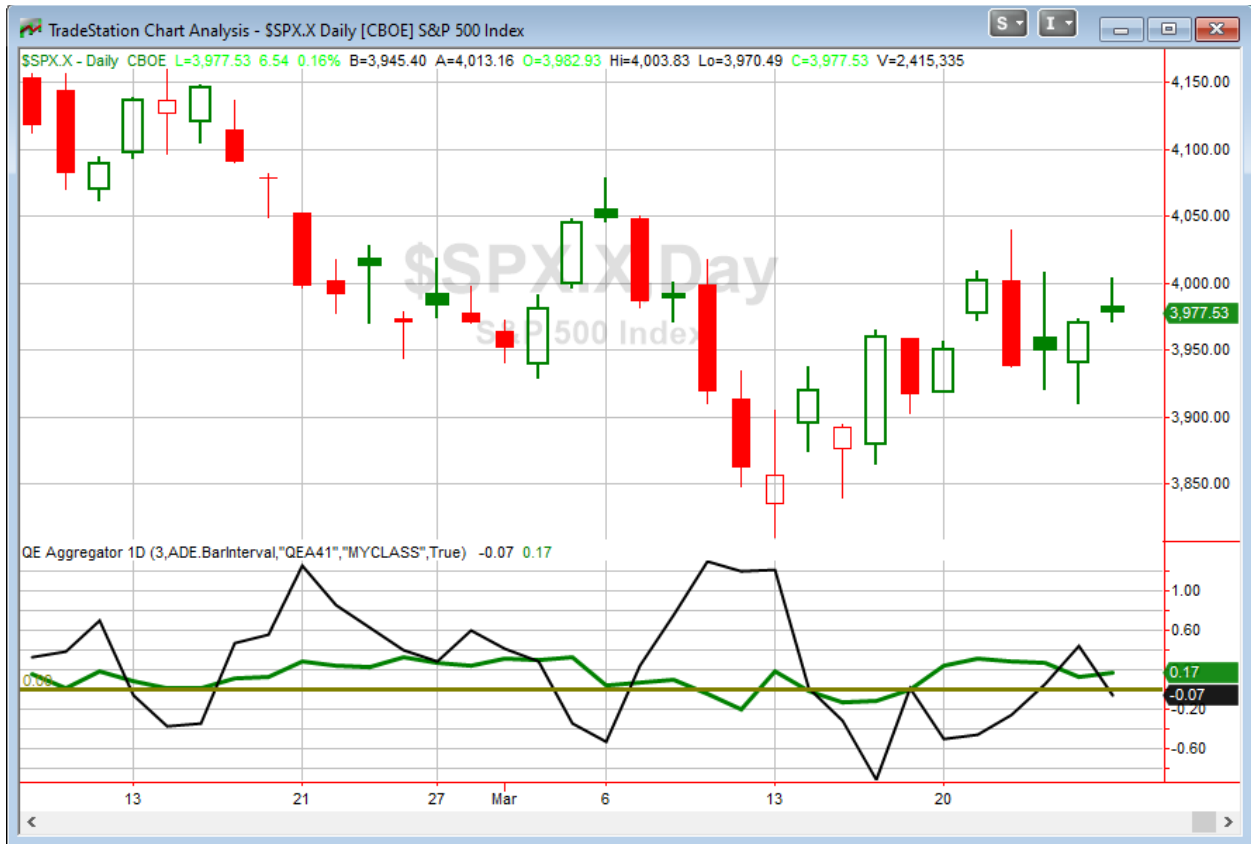
One factor that traders may want to consider is the fact that the 3/10 Offset HV indicator closed at just 0.12 on Monday. This suggests a volatility expansion is likely to occur in the next few days.

I [first introduced the 3/10 Offset HV in July of 2009](#). It essentially takes a short 3-day measure of Historical Volatility and compares that to the 10-day measure of 3-days ago. Low readings indicate there has been a contraction in volatility. High readings indicate there has been an expansion. Anything at or below 0.25 is regarded as extremely low. Often after very low numbers like this we see a volatility expansion take place.

In the July 2009 study I found on average when the 3/10 Offset HV falls below 0.25, then the 3-day Historical Volatility reading 3 days later is about 5.5 times higher than on the trigger day. I decided to examine this again in 2015. I found that during the 2009-2015 period that HV over this time period increased on average 4.75x over the next 3 days. While lower, the point remained the same – relatively big moves often emerged after tight consolidations.

It's important to note that the 3/10 Offset HV indicator predicts volatility, not direction. For direction I look to the Aggregator. Of course tonight the Aggregator is neutral. The low 3/10 Offset HV implies that a move in either direction could be exaggerated and increases risk (and possible reward).

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 dipped 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 turned flat at the close.

Based on the current list of 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 *slightly inverted* at 3982.68. That is 0.1% *above* Monday'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 a little over 0.1% in order to remain overbought. Anything other than that and SPX will flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Expectations remain somewhat higher, but there is no confirming evidence tonight. While SPX is overbought, it could easily flip to oversold on Tuesday and generate another bullish formation. But we have no assurance what evidence might emerge. And with the 3/10 Offset HV so low, there is big move potential. That means being wrong could hurt more than usual over the next few days. So I'm glad to have taken an early exit on my SPY position, and I will remain on the sidelines until a more appealing setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/27 – slightly bullish

The intermediate-term outlook was last updated in the 3/27/23 Letter. It can be found in the most recent weekly letter on the website. <http://quantifiableedges.com/current-weekly-letter/>

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	3/24/2023	\$391.84	\$398.12	1.60%	<i>sold on open</i>

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