

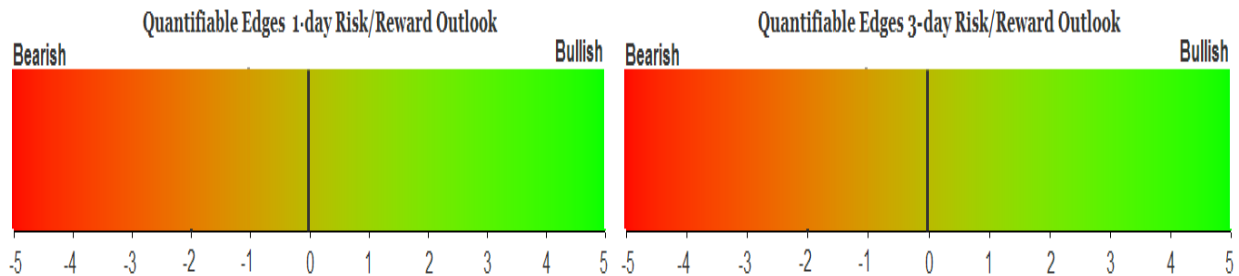
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 20, 2023

Volume 16 Issue 75

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- During uptrends, opex Friday has often seen selling after the open.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral. That is where I am at as well.

**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>						
None						
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
April 18, 2023	Tax Day & Day After Bullish	1-2 days	Bullish			

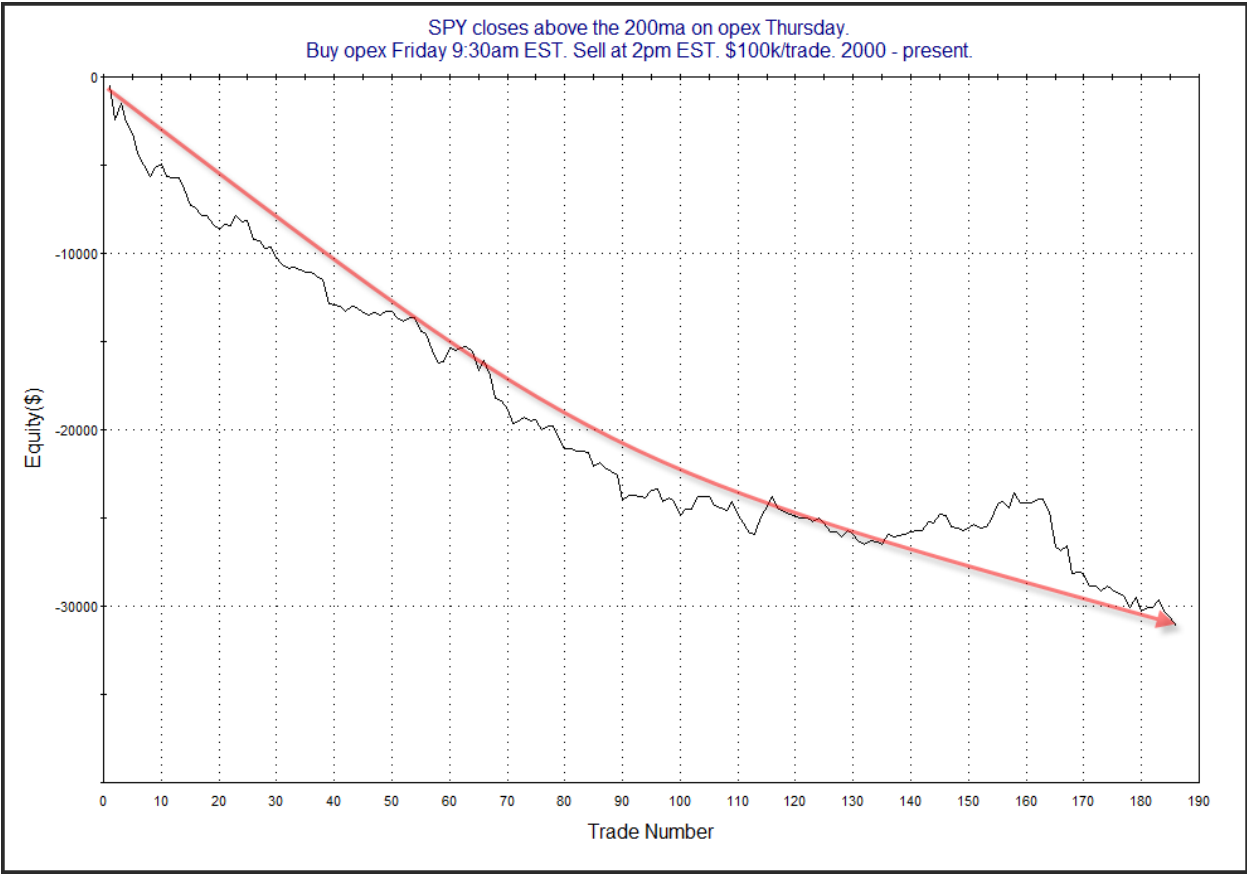
**The Evidence**

Wednesday was another day where the market did not accomplish very much. The SPX lost 0.01%, the NASDAQ gained 0.03%, and the Russell 2000 rose 0.22%. Breadth was negative with the NYSE Up Issues % coming in at 47% and the Up Volume % at 44%. NYSE total volume declined some from Tuesday's level.

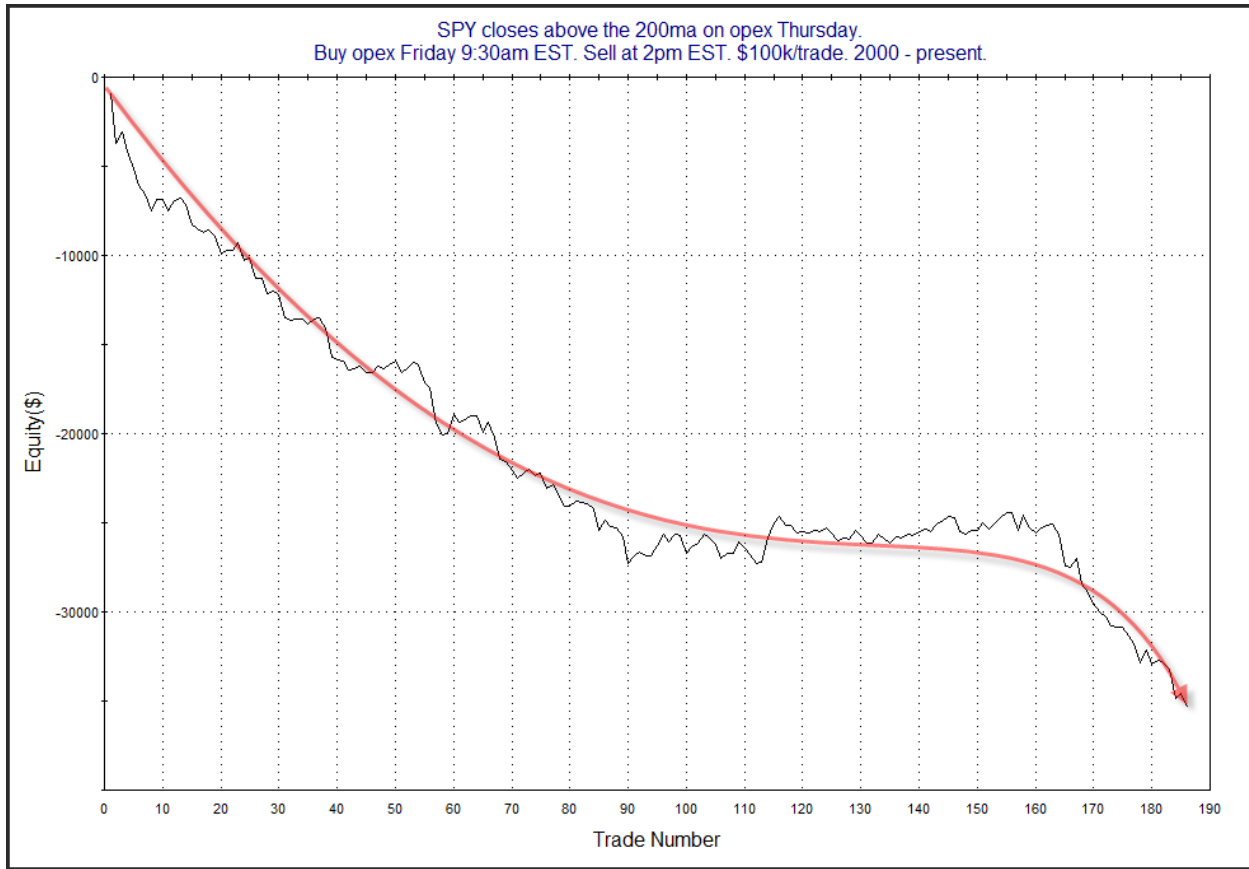
The sideways action again failed to trigger anything in the way of compelling directional evidence. But it is notable that Friday is monthly options expiration. So I thought I would talk about that. Options expiration has long been a day that has seen weakness after the opening bell. Below is a study, last seen in the 3/17/23 letter, showing results of purchasing SPY at the open and then exiting at different times during the day.

SPY closes above the 200ma on opex Thursday. Buy opex Friday 9:30am EST. Sell at time shown on left. \$100k/trade. 2000 - present.													
OE Op-Ex Fri Intra Short: timeofday	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	
1,600	-35,377.53	186	76	110	40.86	1,400.58	-2,746.58	315.39	-539.52	0.58	0.40	-190.20	
1,500	-30,367.60	186	77	108	41.40	983.92	-2,315.18	291.19	-488.79	0.60	0.42	-163.27	
1,400	-31,166.75	186	62	124	33.33	993.96	-2,000.00	294.72	-398.70	0.74	0.37	-167.56	
1,300	-27,647.99	186	66	119	35.48	968.86	-1,324.62	276.86	-385.89	0.72	0.40	-148.65	
1,200	-25,931.13	186	65	121	34.95	1,243.06	-1,318.40	262.22	-355.17	0.74	0.40	-139.41	
1,100	-19,754.63	186	69	116	37.10	1,020.18	-968.50	223.09	-303.00	0.74	0.44	-106.21	
1,000	-16,476.77	186	53	133	28.49	365.47	-629.00	137.04	-178.50	0.77	0.31	-88.58	

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

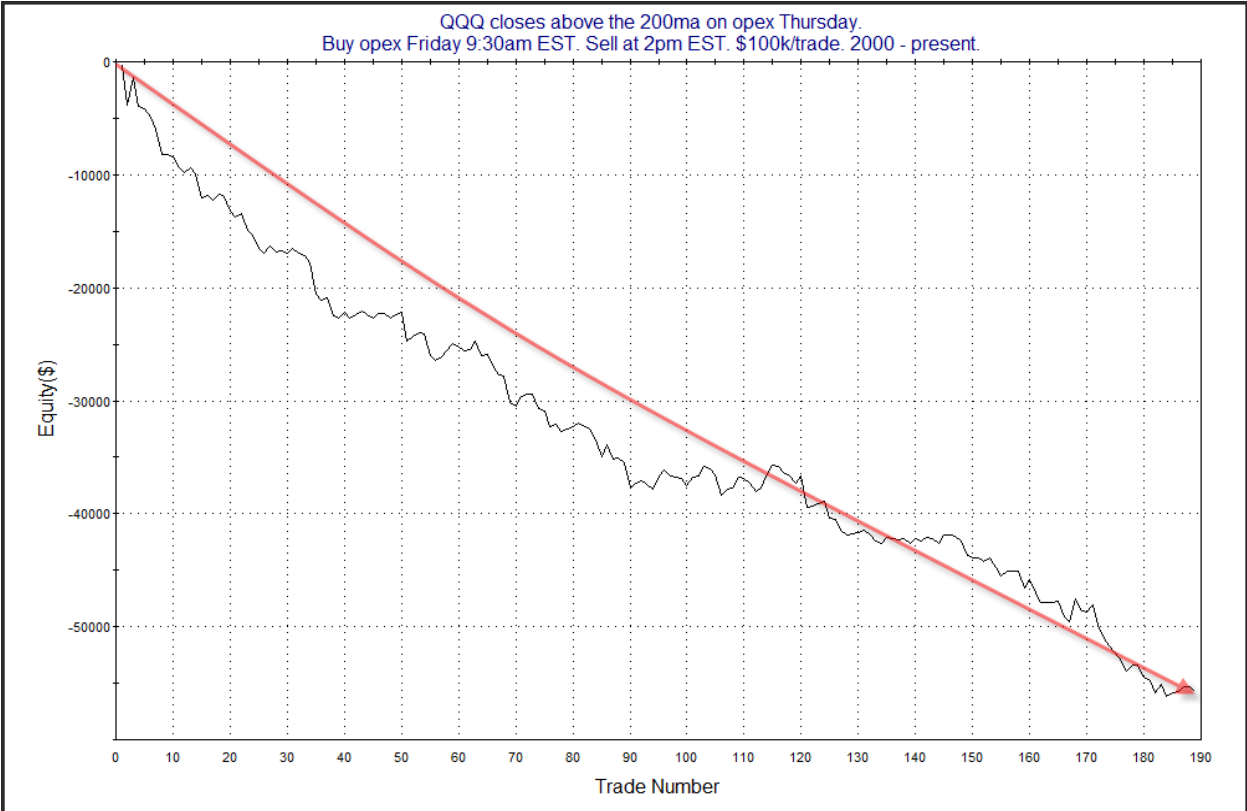
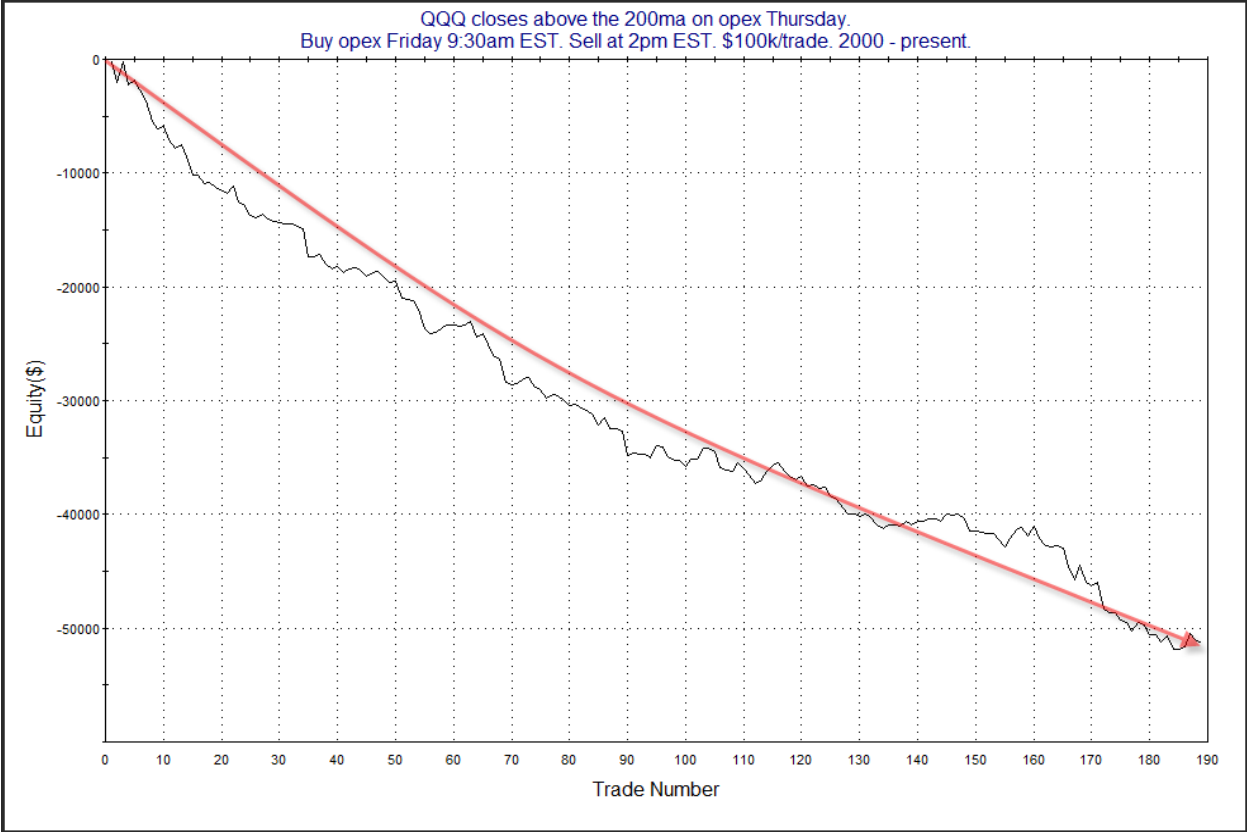


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

QQQ closes above the 200ma on opex Thursday.  
Buy opex Friday 9:30am EST. Sell at time shown on left. \$100k/trade. 2000 - present.

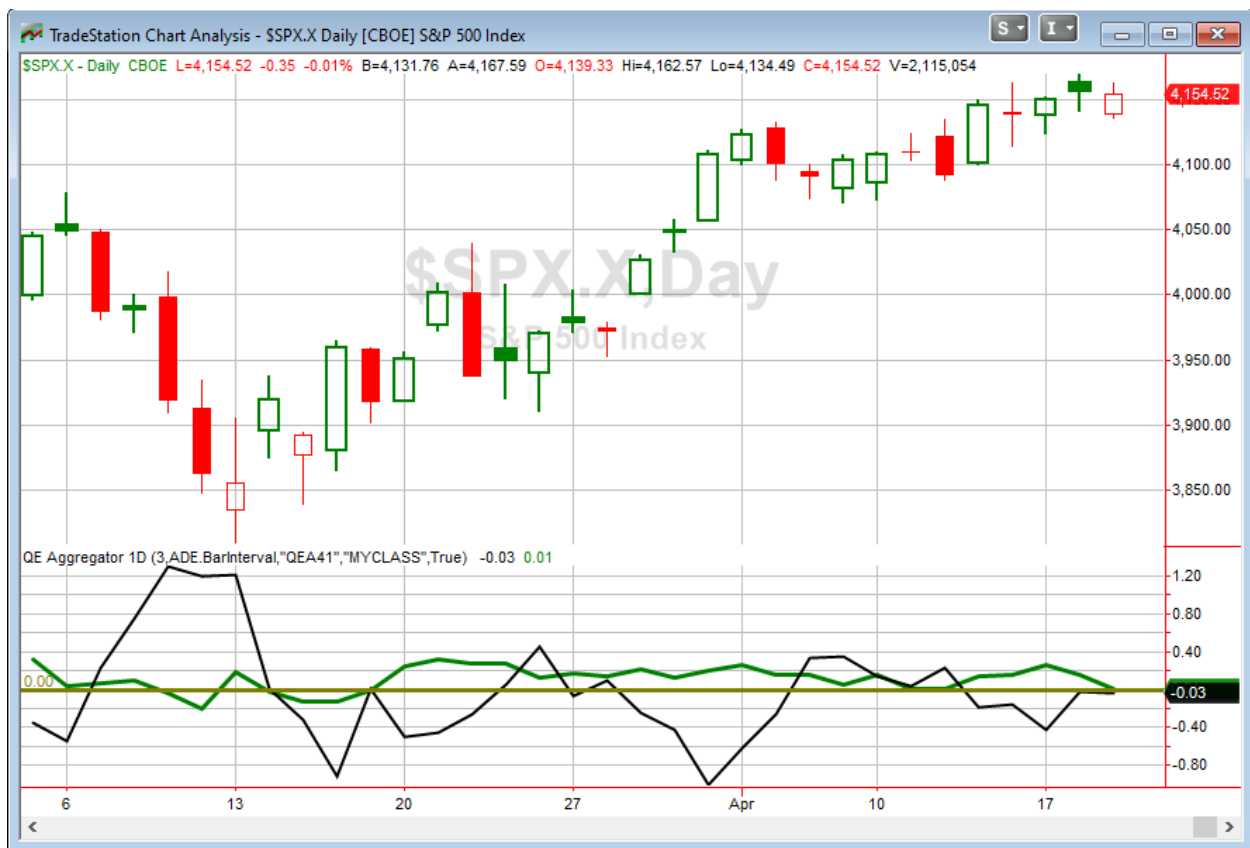
OE Op-Ex Fri Intra Short: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-55,749.36	189	73	116	38.62	2,510.56	-3,518.64	438.41	-756.49	0.58	0.36	-294.97
1,500	-50,479.84	189	68	119	35.98	1,726.01	-2,575.80	408.90	-657.86	0.62	0.36	-267.09
1,400	-51,326.25	189	61	126	32.28	1,818.31	-2,418.42	388.32	-595.35	0.65	0.32	-271.57
1,300	-44,154.80	189	65	123	34.39	1,652.17	-2,376.36	363.43	-551.04	0.66	0.35	-233.62
1,200	-43,301.31	189	64	121	33.86	2,473.64	-1,834.30	352.56	-544.34	0.65	0.34	-229.11
1,100	-33,899.75	189	65	124	34.39	1,984.45	-1,928.16	360.07	-462.13	0.78	0.41	-179.36
1,000	-26,384.88	189	59	129	31.22	1,319.89	-1,192.98	223.97	-306.97	0.73	0.33	-139.60



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

I will also note that the night before opex (from Thursday's close to Friday's open) used to exhibit a substantial bullish tendency. But that tendency is no longer evident. Between 2003 – 2014 ES futures gapped up about 72% of the time on opex Friday when ES was above the 200ma. But the same setup from 2015 – present has seen ES gap up less than 50% of the time. Still, while the night before has failed to maintain its bullish edge, the bearish tendency on the day of opex has persisted.

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



Without any new studies making the active list, 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 held slightly 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. And with both lines so close to zero, this is about as neutral as it gets. Therefore, the Aggregator formation stayed flat at the close.

With the short-term active list now bare, the positive expectations are solely due to the intermediate-term evidence. Any new studies that emerge over the next few days could have a sizable impact on expectations. Meanwhile, the Differential Pivot will be *inverted* at 4174.49 on Thursday. 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 will need to close up at least 0.5% on Thursday in order to remain overbought versus recent expectations. Anything shy of that and SPX will be considered "oversold" as of Thursday's close.

So the Aggregator is again neutral. It could easily flip to bullish on Thursday afternoon. But with Friday's bearish intraday tendency, I will not be inclined to jump in to a new position just yet. I will continue to wait for a more compelling entry opportunity to arrive.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 4/17 – 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.

### **Current Open Trade Ideas**

None

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