

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 21, 2023

Volume 16 Issue 76

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 0 |

Tonight's Research Points

- Thursday was the 1st time SPY closed at a 5-day low in a while, while still closing above its 10ma. That has typically meant a bounce in the next several days.
- During uptrends, opex Friday has often seen selling after the open.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side, but am a little wary of Friday's intraday action.

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 | | | | | | |
| April 21, 2023 | SPY 1st 5-low in 10. Close > 10ma. | 1-5 days | Bullish | 1.40% | -1.15% | -2.30% |
| 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 > 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 | | | |

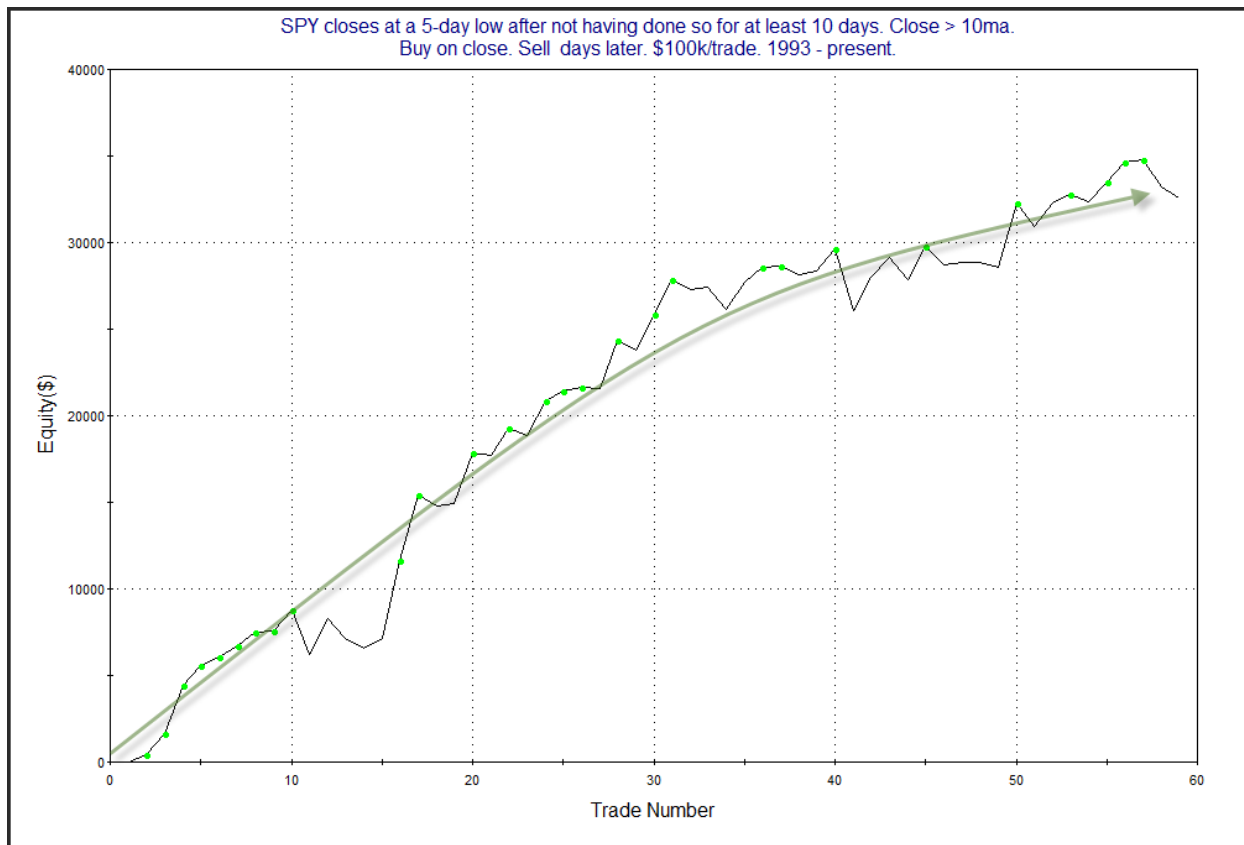
The Evidence

Thursday saw a bit of selling. The SPX lost 0.6%, the NASDAQ fell 0.8%, and the Russell 2000 dropped 0.5%. Breadth was negative with the NYSE Up Issues % coming in at 37% and the Up Volume % at 25%. NYSE total volume rose some from Wednesday’s level.

Thursday’s action caused SPY to close in an interesting position. Traders could look at the chart and say it is “short-term oversold” due to the fact that it closed at a 5-day low. They might also say it is “short-term overbought” since it closed above its 10-day moving average. I have found that edges often arise when something is short-term overdone in one timeframe, but overdone in another direction in another timeframe. The study below looks at the current discrepancy. It was last seen in the 9/8/21 letter and has been updated.

| SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma. 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 | 32,557.68 | 59 | 38 | 21 | 64.41 | 4,496.34 | -3,570.00 | 1,352.50 | -897.01 | 1.51 | 2.73 | 551.83 |
| 4 | 27,138.52 | 59 | 37 | 22 | 62.71 | 3,240.45 | -2,475.20 | 1,240.29 | -852.37 | 1.46 | 2.45 | 459.97 |
| 3 | 22,364.92 | 59 | 39 | 20 | 66.10 | 3,452.40 | -3,393.78 | 1,094.74 | -1,016.49 | 1.08 | 2.10 | 379.07 |
| 2 | 13,783.18 | 59 | 36 | 23 | 61.02 | 3,809.72 | -3,737.28 | 979.81 | -934.35 | 1.05 | 1.64 | 233.61 |
| 1 | 6,256.06 | 59 | 33 | 26 | 55.93 | 2,225.48 | -3,909.03 | 695.98 | -642.75 | 1.08 | 1.37 | 106.03 |

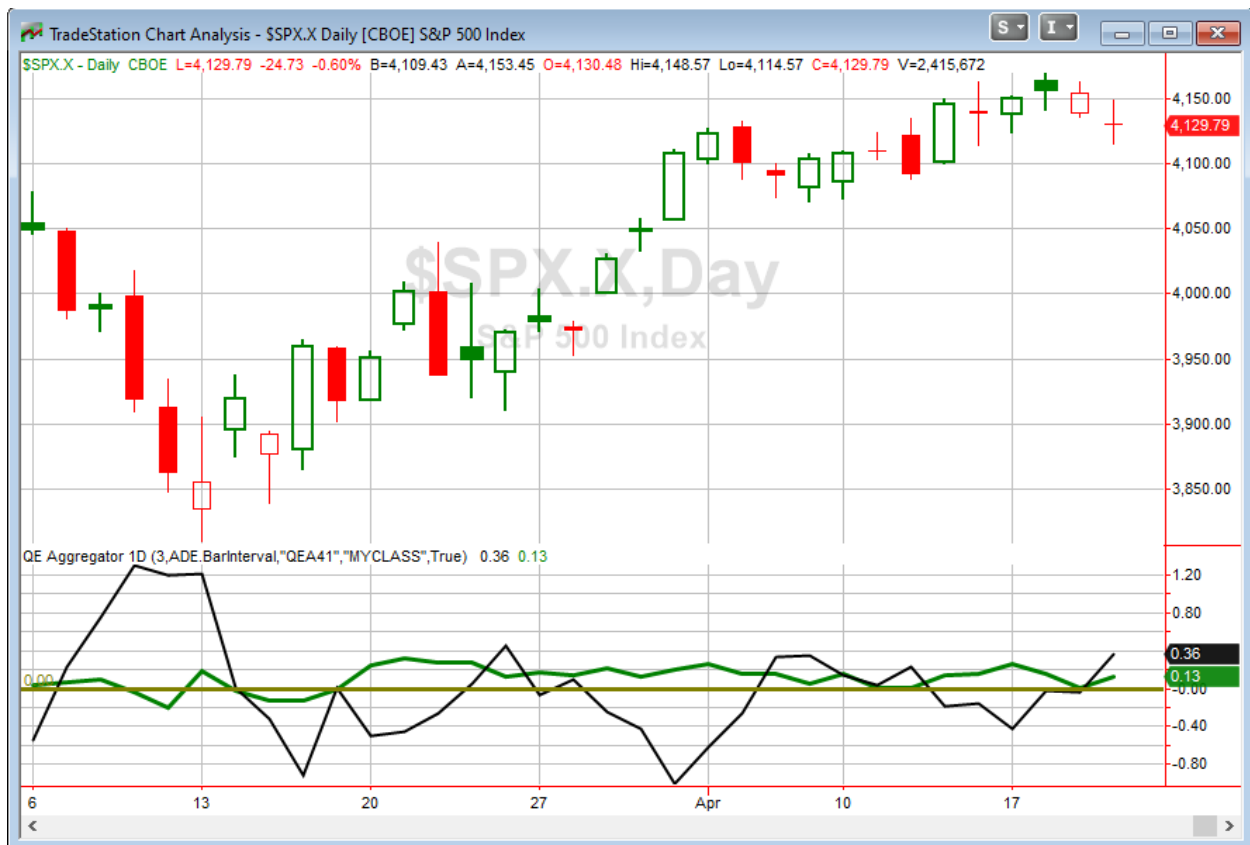
Results here suggest a solid edge over the next 1-5 days. Below is the 5-day profit curve.



The strong and persistent upslope is impressive, and serves as some confirmation of the bullish edge suggested by the numbers. I have added this study to the Active List tonight.

In last night's letter I showed that opex Friday often sees selling between the open and the close. I won't repeat that research here tonight, but you can check out last night's letter if you want to see it again.

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 moved up 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 list, expectations are set to remain positive on Friday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4178.31 on Friday. That is 1.2% above Thursday's close. Therefore, SPX will need to close up at least 1.2% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Evidence is leaning positive and the pullback may be offering a favorable entry point. But as I discussed last night, opex Friday tends to sell off during the day. So rather than look to enter into a possible long trade Friday morning, I will wait until the close before considering taking on a new long index position.

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.

SPY – Buy ¼ index position @ \$411.87 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to start scaling into an index position if SPY closes lower on Friday.

Current Open Trade Ideas

None

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