

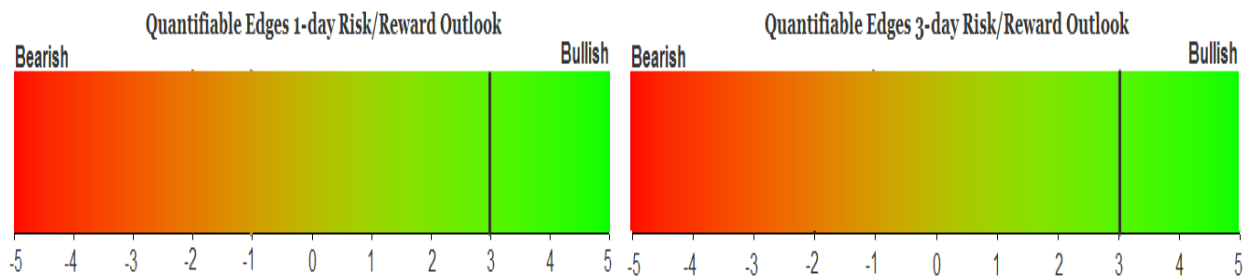
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 5, 2023

Volume 16 Issue 86

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 3 down days, a gap down, and a 10-day low have combined for a substantial upside edge in the past.
- The gap down and continued selling on Thursday could be setting the market up for a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is long and reward/risk appears compelling. I'm short-term bullish.

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						
May 5, 2023	Dn 3, 10-low, unfilled gap dn.	1-2 days	Bullish			
May 5, 2023	5-low yest. Gap dn and close < open.	1-2 days	Bullish			
May 4, 2023	3 dn from 50-high. < 10ma > 10-low	1-4 days	Bullish	1.60%	-0.95%	-2.00%
May 4, 2023	Down 2+ days. Today Fed Day.	1-6 days	Bullish	1.80%	-2.70%	-5.10%
Active - Long Term						
May 1, 2023	NASDAQ Leading	int term	Bullish			
February 2, 2023	SPX Golden Cross	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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
May 1, 2023	End of month at high of month	1-5 days	Bullish	1.90%	-1.10%	-2.30%

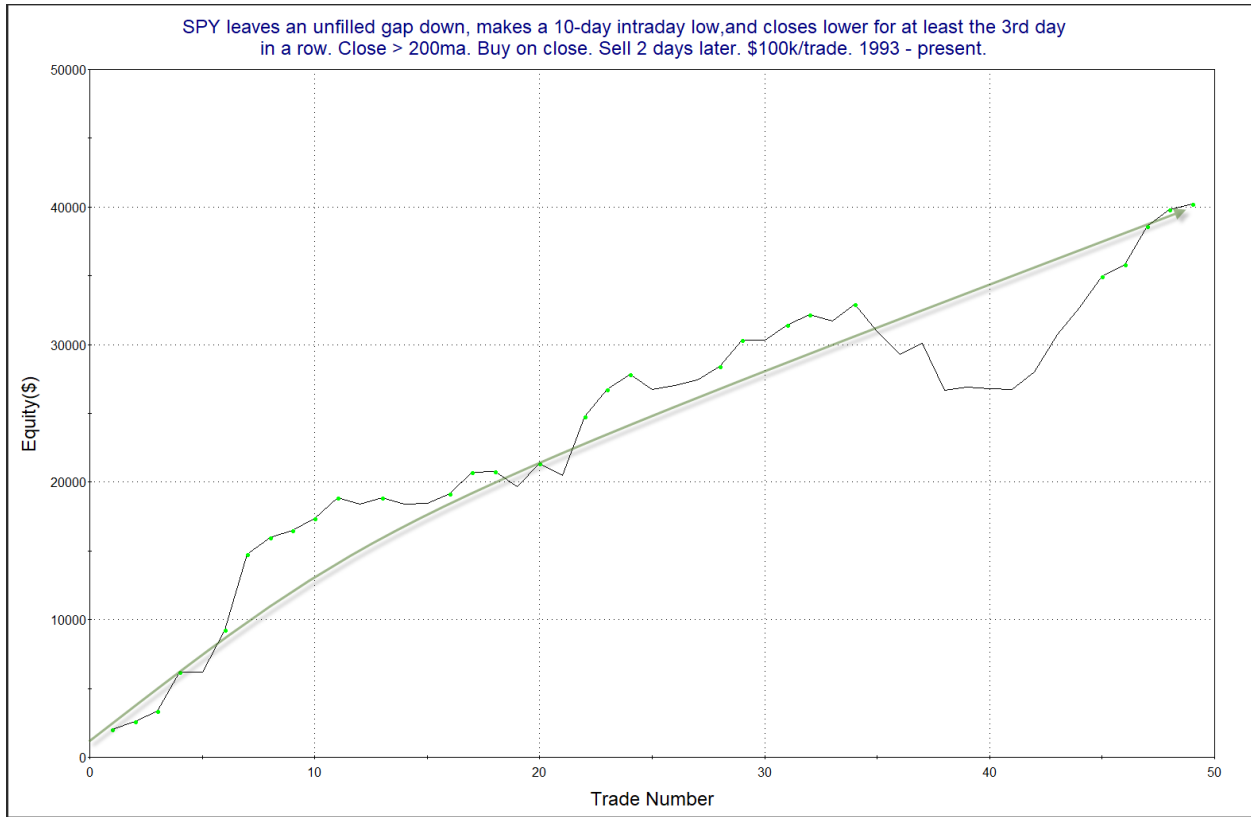
The Evidence

The selloff extended another day on Thursday. The SPX lost 0.7%, the NASDAQ fell 0.5%, and the Russell 2000 declined 1.2%. Breadth was negative with the NYSE Up Issues % coming in at 29% and the Up Volume % at 33%. NYSE total volume rose some for the 3rd day in a row.

Some observations that suggest a possible upside edge are 1) SPY has now closed lower 3 days in a row during a long-term uptrend, and 2) SPY left an unfilled gap down and made a short-term low. These things triggered a few studies in the Quantifinder tonight. The study below combined them and served as a good description of the current market setup. It looked for multiple down days, short-term lows, and an unfilled gap down. It was last seen in the 2/22/23 letter. I have updated the results.

SPY leaves an unfilled gap down, makes a 10-day intraday low, and closes lower for at least the 3rd day in a row. Close > 200ma. 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	47,721.44	49	34	15	69.39	8,239.74	-4,770.78	2,026.22	-1,411.34	1.44	3.25	973.91
4	33,407.25	49	32	17	65.31	5,581.02	-8,109.60	1,984.34	-1,770.10	1.12	2.11	681.78
3	35,418.24	49	34	15	69.39	4,249.44	-7,722.10	1,674.04	-1,433.27	1.17	2.65	722.82
2	40,194.46	49	36	12	73.47	5,477.88	-3,385.20	1,440.59	-972.24	1.48	4.45	820.30
1	23,961.31	52	38	14	73.08	5,764.38	-3,028.70	969.31	-919.47	1.05	2.86	460.79
92% of instances closed above the entry price at some point in the next week.												

The stats suggest a high probability of an almost immediate bounce. Below is a profit curve assuming a 2-day holding period.



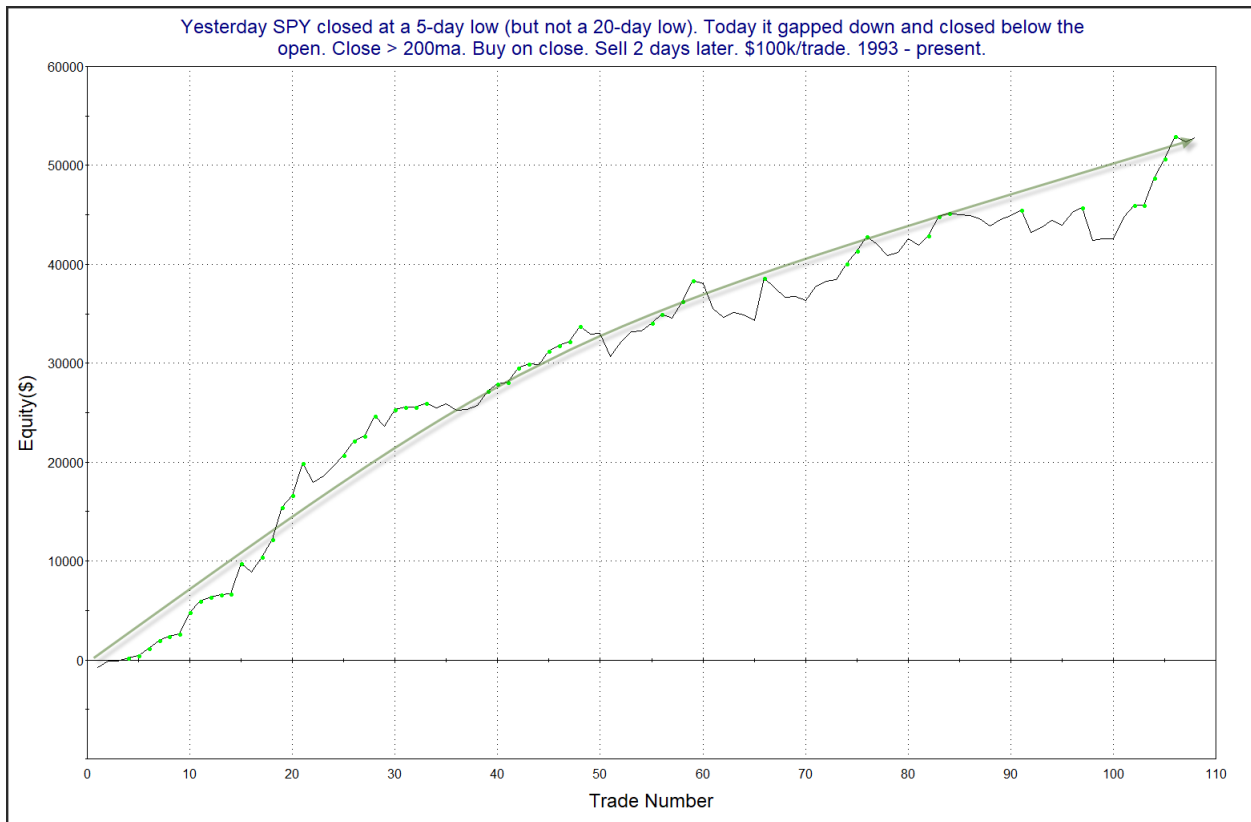
The curve is a little choppy, but it has made its way from lower left to upper right. And the last 8 instances have all turned out winners. The study certainly seems strong enough to include on the Active List tonight.

In the 2/22/23 letter I also showed a study that examined gaps down and poor closes following a 5-day low. The setup appeared bullish. But I have also noted in the past that it was even more bullish if the gap down followed a 20-day low. So 20-day low instances are excluded in the below study to prevent the data from looking overly bullish. Stats are updated.

Yesterday SPY closed at a 5-day low (but not a 20-day low). Today it gapped down and closed below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

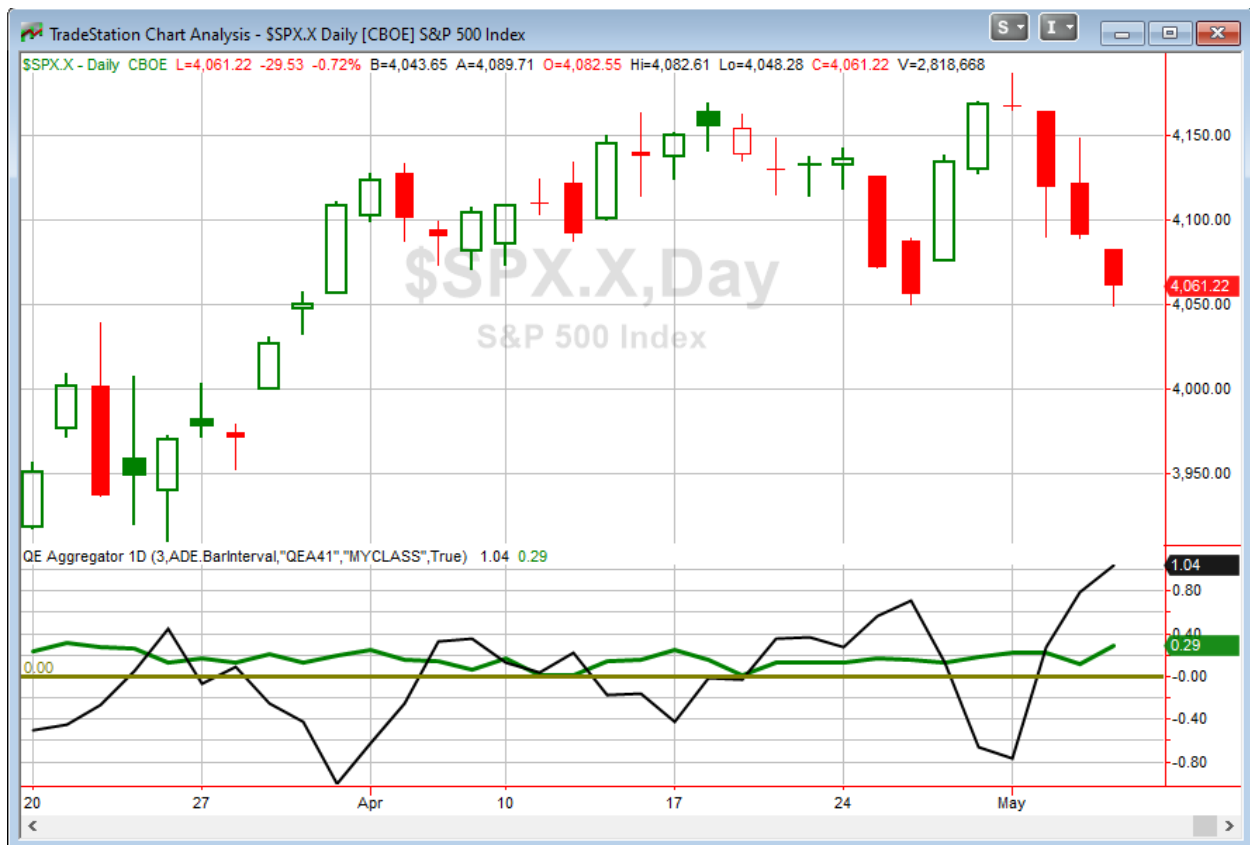
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	80,533.55	105	72	32	68.57	5,165.28	-5,063.85	1,662.66	-1,224.31	1.36	3.06	766.99
4	46,480.80	105	70	35	66.67	4,647.50	-8,109.60	1,464.68	-1,601.34	0.91	1.83	442.67
3	48,219.06	107	67	39	62.62	4,290.00	-7,722.10	1,453.12	-1,259.99	1.15	1.98	450.65
2	52,798.66	108	77	31	71.30	4,305.42	-3,385.20	1,034.94	-867.47	1.19	2.96	488.88
1	29,294.35	112	77	35	68.75	2,143.68	-4,181.76	783.67	-887.10	0.88	1.94	261.56

Odds here appear bullish, especially over the 1st 2 days. Below is a profit curve assuming a 2-day exit strategy.



The persistent upslope serves as confirmation of the bullish potential. I have included this study on 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 also held 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 stayed long at the close.

Based on the current active list, expectations are set to remain positive on Friday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4144.47 on Friday. That is 2.0% above Thursday's close. Therefore, SPX would need to close up at least 2.0% to flip from oversold to overbought vs recent expectations. More likely we are going to need to see a multi-day rally or consolidation in order for that to happen.

So the Aggregator is bullish. I like the evidence we have seen the last couple of days. I believe there is a strong likelihood we see a bounce in the next few days. And with ample room to the upside, reward/risk appears compelling. I will look to add another lot to my SPY position on Friday if I can get a favorable fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/1 – 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 @ \$405.00 LIMIT. Based on the short-term outlook above, I will look to take on a little more SPY exposure on even a tiny pullback on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	5/3/2023	\$408.02	\$405.13	-0.71%	Aggregator

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