

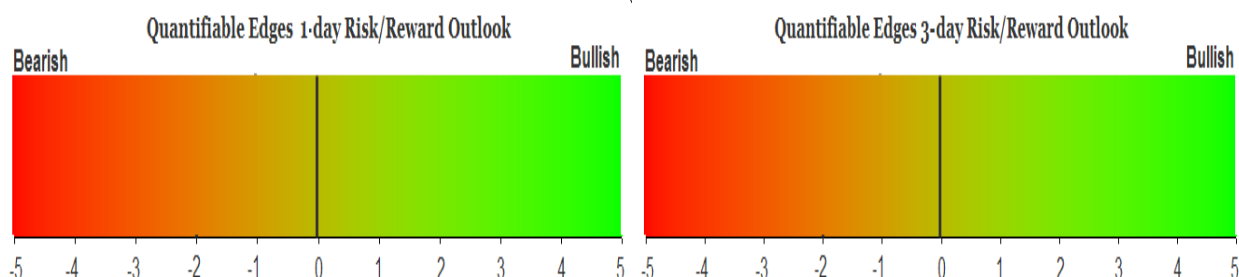
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 23, 2023

Volume 16 Issue 98

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- The Friday/Monday pattern would have suggested a bullish edge if SPX was trading lower in its range. But not with it closing near the top of its recent range like Monday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Mild evidence suggesting an upside edge in a short-term overbought market. I'm not enthused once again.

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 19, 2023	SPX breakout on lower volume	1-5 days	Bullish			
Active - Long Term						
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
May 1, 2023	NASDAQ Leading	int term	Bullish			
February 2, 2023	SPX Golden Cross	int term	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			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

Monday finished mostly higher. The SPX gained 0.02%, the NASDAQ rose 0.5%, and the Russell 2000 rallied 1.2%. Breadth was positive with the NYSE Up Issues % coming in at 59% and the Up Volume % at 65%. NYSE total volume declined as it typically does on the Monday after opex Friday.

On Friday the bulls tried to make a move higher and failed, making for a higher high and a lower close. On Monday the opposite happened. The bears failed in their attempt at a move lower. In the 1/31/20 Subscriber Letter I looked at two-day moves like this. I found results to be substantially different based on whether the market is near the top or the bottom of its short-term range. When the pattern occurs in the lower end of the short-term range it has been consistently bullish. But not times like Monday when it closed in the top half. This can be seen in the studies below.

Yesterday SPX made a higher high and closed down on the day. Today SPX makes a lower low and closes up on the day. Close > 200ma and close > 10ma. Buy on close. Sell X days later. \$100k/trade. 2000 - 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	2,700.38	65	37	28	56.92	4,787.84	-3,770.60	1,139.70	-1,409.59	0.81	1.07	41.54
4	-3,162.89	72	42	30	58.33	2,703.38	-4,575.48	861.54	-1,311.58	0.66	0.92	-43.93
3	-2,929.10	72	39	33	54.17	2,513.92	-2,726.23	828.50	-1,067.89	0.78	0.92	-40.68
2	2,749.31	73	42	31	57.53	2,723.04	-2,362.36	670.84	-820.19	0.82	1.11	37.66
1	835.82	73	37	36	50.68	1,560.24	-1,466.50	501.44	-492.15	1.02	1.05	11.45

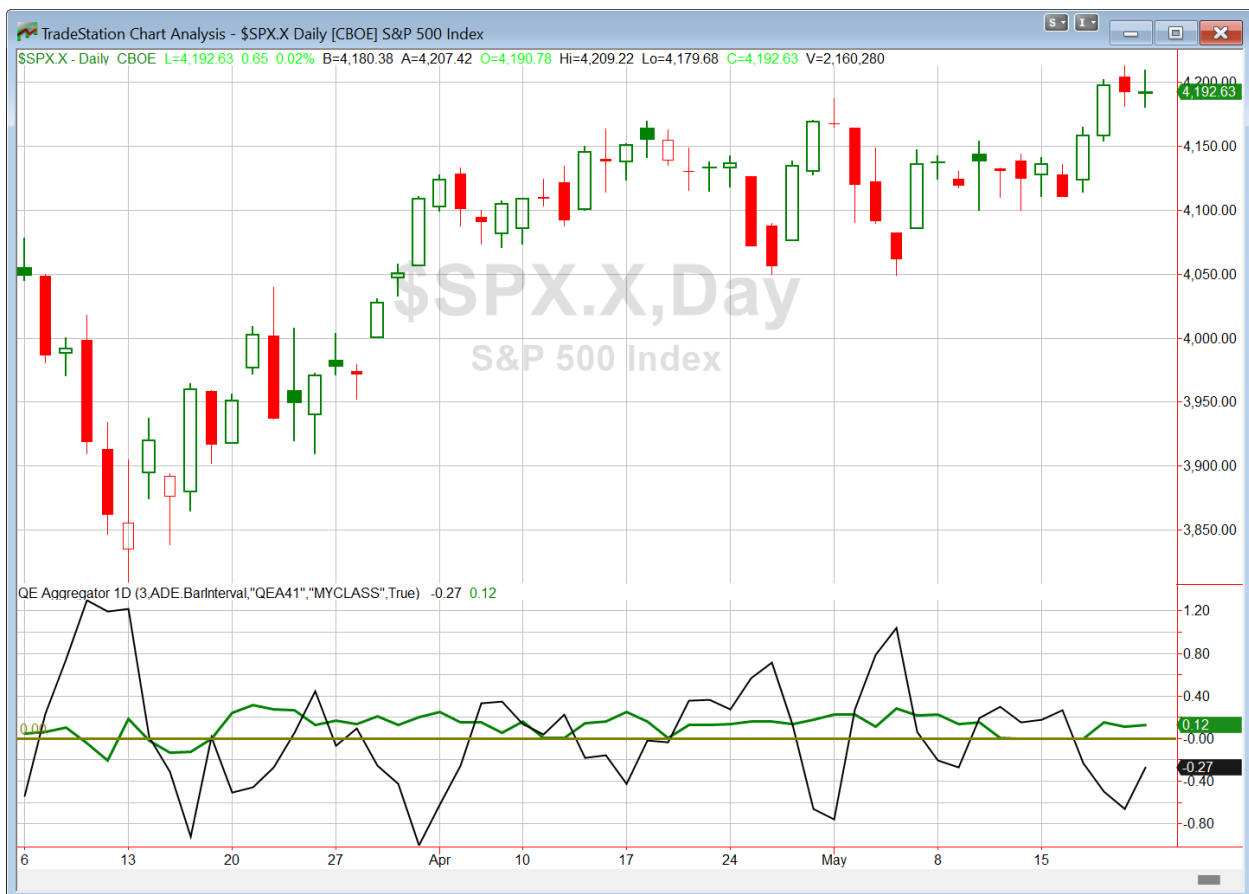
No apparent edge here. But what if SPX had closed below the 10ma?

Yesterday SPX made a higher high and closed down on the day. Today SPX makes a lower low and closes up on the day. Close > 200ma and close < 10ma.
Buy on close. Sell X days later. \$100k/trade. 2000 - 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	33,371.13	31	22	9	70.97	4,026.30	-3,209.58	1,939.87	-1,033.99	1.88	4.59	1,076.49
4	28,043.55	32	27	5	84.38	3,492.30	-2,618.70	1,355.07	-1,708.68	0.79	4.28	876.36
3	14,668.35	32	22	10	68.75	2,666.40	-3,490.90	1,157.28	-1,079.17	1.07	2.36	458.39
2	8,957.66	32	20	12	62.50	3,150.30	-2,246.00	1,148.57	-1,167.81	0.98	1.64	279.93
1	4,758.72	32	17	15	53.13	1,712.28	-1,970.00	890.15	-691.59	1.29	1.46	148.71

This would have been a much more appealing scenario. Unfortunately, the close in the upper end of the range does not look so good. No new studies made the Active List tonight.

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



Without any new short-term studies making the cut, 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 fail to close on the same side of zero. Therefore, the Aggregator formation stayed flat at the close.

Based of the current list of active studies, expectations are set to remain positive on Tuesday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4204.31 on Tuesday. That is 0.3% *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 at least 0.3% on Tuesday in order to remain overbought. Anything less than that and SPX will be considered "oversold" as of Tuesday's close..

So the Aggregator is neutral. Mild evidence is still pointing higher. And while we are overbought at present, SPX is going to need to rally on Tuesday in order to remain overbought. So we could easily see a long Aggregator formation tomorrow night if SPX closes flat or down. That is worth knowing in order to mentally prep. But I have no idea what evidence might emerge on Tuesday. So I am not inclined to start thinking about new trades yet. I'll wait and see how Tuesday plays out and see what studies emerge. Only then might I consider new positions for Wednesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/22 – slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

MDLX – 1/3 @ \$75.87 (buy @ limit)

Broad Market Large Cap CBI – 1(MDLZ)

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.

MDLZ – Buy 1/3 Catapult position @ \$75.87 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of MDLZ.

Current Open Trade Ideas

None

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