

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 9, 2023

Volume 16 Issue 215

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- RSI(2) crossing above 99 bodes well for the intermediate-term.

Short-term Outlook

The Bottom Line

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

Summary of Current 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						
November 7, 2023	SPX up. Up Vol & Up Issue % < 40%	1-4 days	Bearish	-2.00%	1.00%	1.80%
November 7, 2023	SPX up & > 200. Up Vol % < 40%.	1-7 days	Bullish	1.70%	-1.30%	-2.60%
November 6, 2023	Zweig Thrust	1-6 days	Bullish			
Active - Long Term						
11//2023	RSI(2) crosses over 99	1-15 days	Bullish			
November 8, 2023	SPX up 7 in a row and close > 200ma	1-20 days	Bullish	3.10%	-1.90%	-4.05%
November 7, 2023	SPX up & > 200. Up Vol % < 40%.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
November 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	5 higher closes. Up 3%. < 50-high.	1-15 days	Bullish	3.30%	-1.70%	-3.05%
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
November 6, 2023	Best 6 Months	6 months	Bullish			
November 6, 2023	NASDAQ Leading	int term	Bullish			
October 2, 2023	SPX down 4 weeks but above 40-week ma	1-10 weeks	Bullish			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

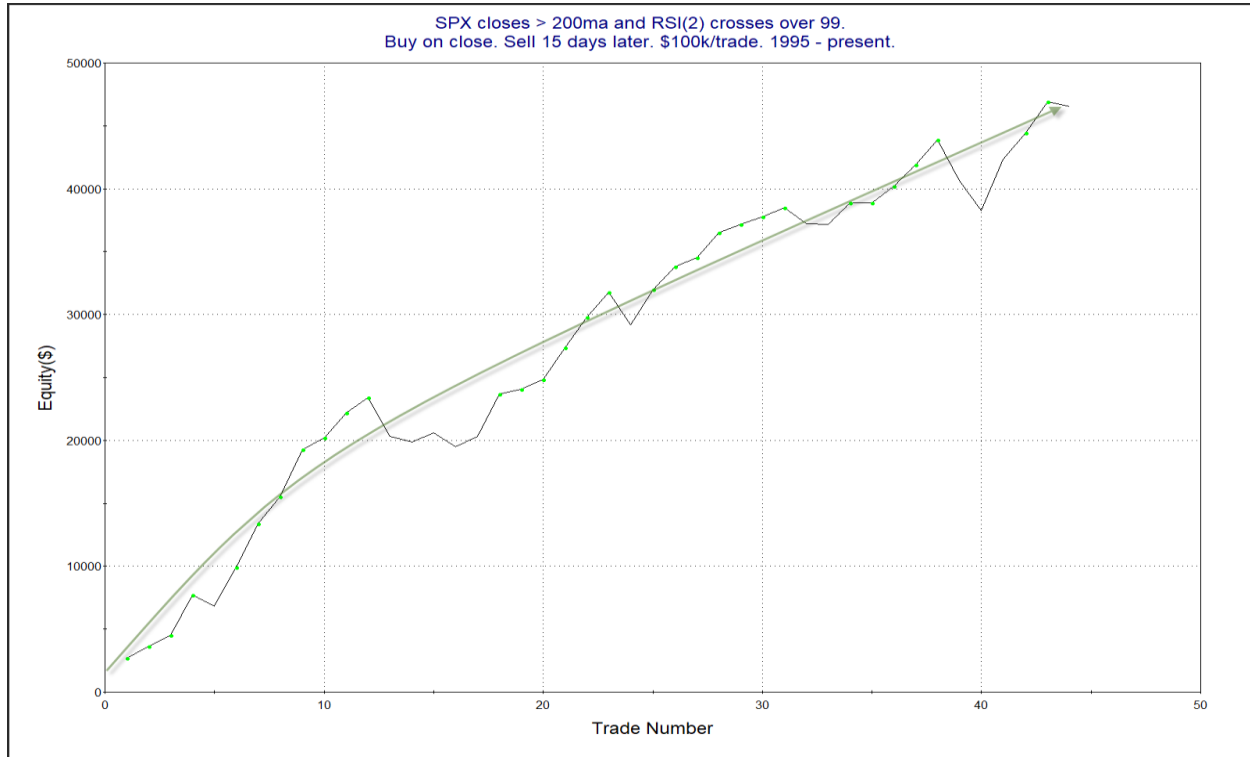
The Evidence

Wednesday saw mixed results for the indices. The SPX gained 0.%, the NASDAQ rose 0.%, and the Russell 2000 declined 0.3%. Breadth was weak with the NYSE Up Issues % coming in at 42% and the Up Volume % at 33%. NYSE total volume rose some from Tuesday's level.

The recent rally has left the market short-term overbought by most measures. Short-term overbought often triggers some studies that suggest a downside edge, but when the overbought condition gets very strongly overbought, then those downside edges often disappear. And at some point, rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we have seen this scenario unfold. It is exemplified in the study below from the 8/27/20 Letter, which uses RSI(2).

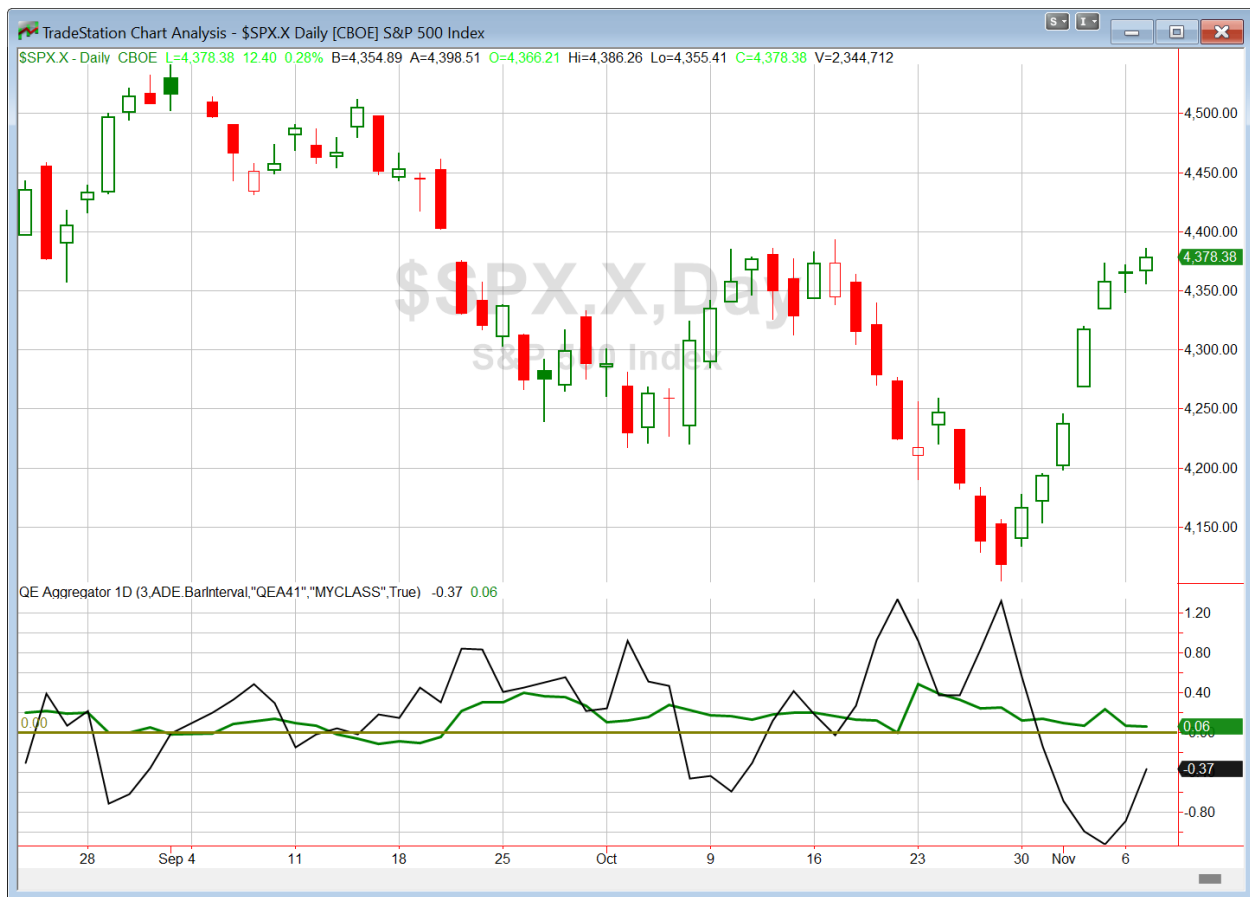
SPX closes > 200ma and RSI(2) crosses over 99. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
15	46,537.44	44	34	10	77.27	4,055.36	-3,265.02	1,816.94	-1,523.85	1.19	4.05	1,057.67
14	41,205.28	44	34	10	77.27	4,461.36	-4,024.68	1,680.17	-1,592.06	1.06	3.59	936.48
13	43,618.59	46	36	10	78.26	3,989.82	-3,320.01	1,600.69	-1,400.63	1.14	4.11	948.23
12	38,984.40	47	36	11	76.60	4,058.61	-3,175.53	1,485.40	-1,317.29	1.13	3.69	829.46
11	37,796.20	48	36	12	75.00	4,106.40	-3,857.28	1,530.40	-1,441.51	1.06	3.18	787.42
10	32,308.08	49	37	12	75.51	3,770.55	-3,907.12	1,348.10	-1,464.31	0.92	2.84	659.35
9	27,459.03	49	36	13	73.47	3,453.27	-3,440.07	1,197.83	-1,204.84	0.99	2.75	560.39
8	22,545.93	49	33	16	67.35	3,547.80	-4,112.92	1,262.42	-1,194.62	1.06	2.18	460.12
7	17,051.61	50	31	19	62.00	3,564.39	-4,153.62	1,128.70	-944.12	1.20	1.95	341.03
6	7,088.22	50	30	20	60.00	2,634.36	-5,296.92	1,024.66	-1,182.58	0.87	1.30	141.76
5	11,204.17	50	33	17	66.00	2,859.08	-3,596.40	904.64	-1,097.01	0.82	1.60	224.08
4	7,686.90	50	33	17	66.00	2,697.92	-3,039.18	816.34	-1,132.48	0.72	1.40	153.74
3	3,050.83	51	30	21	58.82	3,504.64	-2,880.45	780.07	-969.10	0.80	1.15	59.82
2	4,631.46	51	30	21	58.82	2,273.92	-2,348.76	670.19	-736.87	0.91	1.30	90.81
1	1,276.83	51	26	25	50.98	2,096.10	-3,515.37	490.41	-458.95	1.07	1.11	25.04

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.



The upside edge has been apparent for a while, and it still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.

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



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4382.08 on Thursday. That is less than 0.1% below Wednesday's close. Therefore, SPX will only need to close down about 1 point on Thursday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is still neutral. Wednesday was just another day just like the other day. It did not change the short-term outlook. So I'll again repeat what I have been saying...*The market is clearly overbought. But it is so overbought, that further gains appear likely. Still, this does not appear to be a great entry point for a short-term trade. I will wait for a more favorable reward/risk setup before looking to take on my next index position.*

*Intermediate-term Outlook (2 weeks – 2 months) – updated 11/6– **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 tonight.

Current Open Trade Ideas

None

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