

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 29, 2023

Volume 16 Issue 228

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The 3/10 Offset HV indicator suggests a big move could be on the horizon.

Short-term Outlook

The Bottom Line

The Aggregator formation is bullish, but it is a very weak setup.

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						
	None					
Active - Long Term						
November 22, 2023	5 up to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
November 21, 2023	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
November 17, 2023	SPX up & > 200. Up Vol % < 40%.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
November 9, 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	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

Tuesday was mixed and mild. The SPX rose 0.1%, the NASDAQ climbed 0.3%, and the Russell 2000 dipped 0.5%. Breadth was slightly positive with the NYSE Up Issues % coming in at 51% and the Up Volume % at 54%. NYSE total volume declined some from Monday’s level.

One factor that traders may want to consider is the fact that the 3/10 Offset HV indicator closed at just 0.17 on Tuesday. This suggests a volatility expansion is likely to occur in the next few days.

I [first introduced the 3/10 Offset HV in July of 2009](#). It essentially takes a short 3-day measure of Historical Volatility and compares that to the 10-day measure of 3-days ago. Low readings indicate there has been a contraction in volatility. High readings indicate there has been an expansion. Anything at or below 0.25 is regarded as extremely low. Often after very low numbers like this we see a volatility expansion take place.

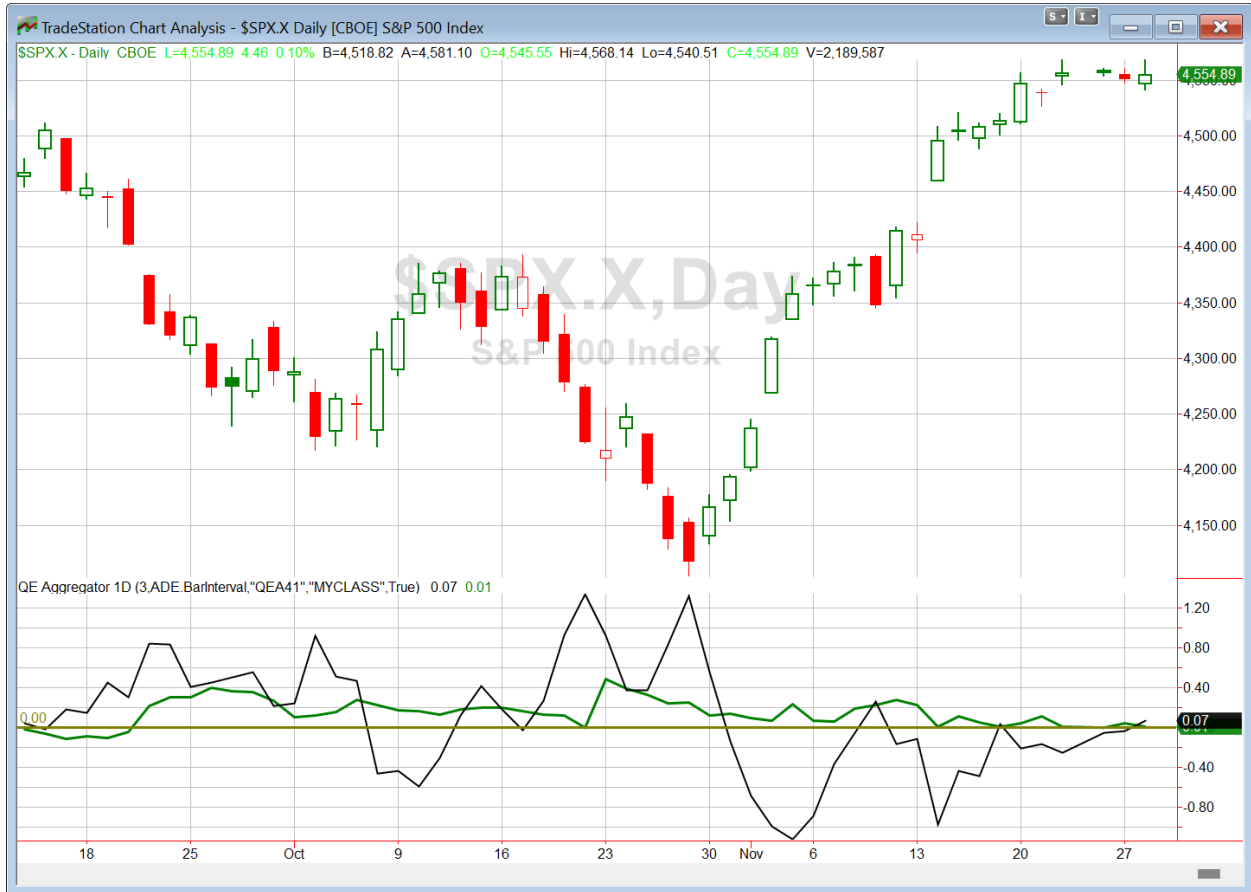
In the July 2009 study I found on average when the 3/10 Offset HV falls below 0.25, then the 3-day Historical Volatility reading 3 days later is about 5.5 times higher than on the trigger day. I decided to examine this again in 2015. I found that during the 2009-2015 period that HV over this time period increased on average 4.75x over the next 3 days. While lower, the point remained the same – relatively big moves often emerged after tight consolidations.

In August of 2009 I published a study that found this condition created a favorable environment for trading Opening Range Breakouts (ORBs). A link to that study is below:

[Quantifiable Edges ORBs Study](#)

It's important to note that the 3/10 Offset HV indicator predicts volatility, not direction. For direction I look to the Aggregator. Unfortunately, the active list is light right now.

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



Without any new evidence making the cut, the green Aggregator Line held slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line inched above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are mildly positive and SPX is relatively 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 studies, expectations are set to remain positive on Wednesday. But with the Short-Term Active List now bare, expectations will be largely dependent on any new

evidence that emerges. Meanwhile, the Differential Pivot will 4564.86 on Wednesday. That is 0.2% above Tuesday's close. Therefore, SPX will need to close up at least 0.2% in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now long. But it is about as weak of a long signal as you will ever see. Short-term evidence is completely lacking. Meanwhile, while the SPX is oversold versus recent expectations, it is overbought based on most other measures. So the bull case appears quite weak. I don't feel compelled to take on new exposure under these circumstances. I'll continue to wait for a more compelling risk/reward opportunity before putting on my next short-term index trade.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 11/27– **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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