

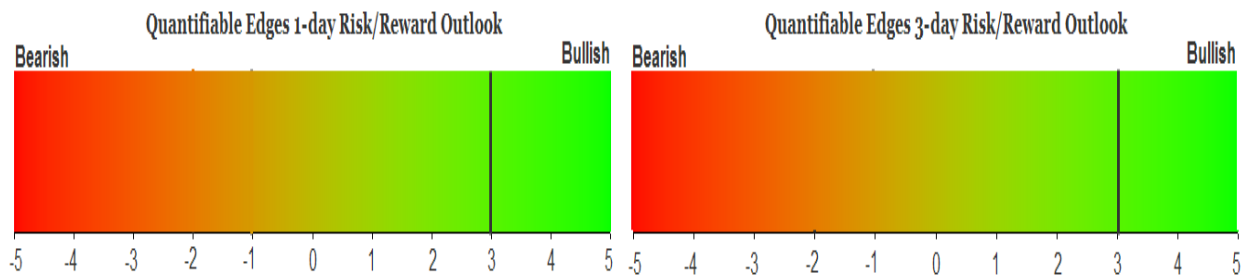
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 7, 2023

Volume 16 Issue 234

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.
- The 1st dip below the 10ma in a while is often buyable.

Short-term Outlook

The Bottom Line

Evidence is pointing to a rebound, and the market is oversold. There appears to be a bullish edge over the next several days.

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						
December 7, 2023	20 low close. 3 closes in intraday range	1-7 days	Bullish	2.20%	-1.40%	-3.30%
December 7, 2023	1st day < 10ma after 15+ above it	1-3 days	Bullish	1.05%	-0.80%	-1.70%
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 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
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			

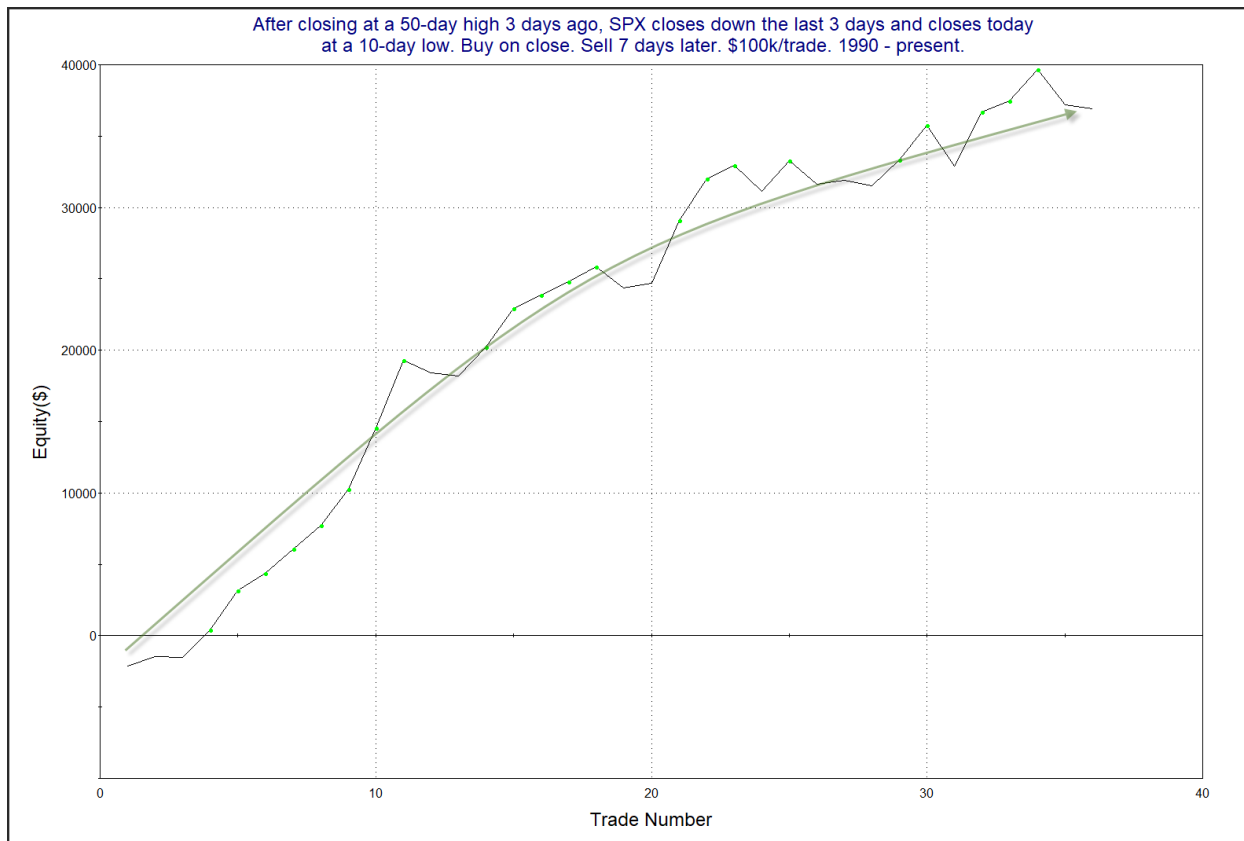
The Evidence

Wednesday's strong open was met with selling during the morning and afternoon, with the market closing near its low of the day. The SPX declined 0.4%, the NASDAQ fell 0.6%, and the Russell 2000 dropped 0.2%. Breadth was weak with the NYSE Up Issues % coming in at 49% and the Up Volume % at 47%. NYSE total volume rose some from Tuesday's level.

The decline in SPX also meant it was the 3rd day in a row in which it closed lower. Often 3-day pullbacks will trigger some bullish studies. In the 8/4/23 letter I showed a study that noted 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. I have updated that study below.

After closing at a 50-day high 3 days ago, SPX closes down the last 3 days and closes today at a 10-day low. Buy on close. Sell X days later. \$100k/trade. 1990 - 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
10	22,824.25	36	22	14	61.11	7,183.08	-14,379.90	2,856.42	-2,858.35	1.00	1.57	634.01
9	30,599.47	36	24	12	66.67	6,197.04	-7,605.60	2,493.75	-2,437.54	1.02	2.05	849.99
8	41,941.44	36	26	10	72.22	6,562.98	-6,058.50	2,364.51	-1,953.58	1.21	3.15	1,165.04
7	36,921.89	36	25	11	69.44	4,736.88	-2,873.10	2,052.40	-1,308.02	1.57	3.57	1,025.61
6	26,733.44	36	22	14	61.11	3,768.08	-6,675.60	1,992.77	-1,221.96	1.63	2.56	742.60
5	27,138.50	36	22	14	61.11	3,892.40	-4,069.80	1,947.50	-1,121.89	1.74	2.73	753.85
4	23,941.17	36	25	11	69.44	3,834.96	-8,150.10	1,731.72	-1,759.25	0.98	2.24	665.03
3	18,267.97	36	26	10	72.22	4,047.12	-7,413.90	1,332.80	-1,638.49	0.81	2.11	507.44
2	15,119.36	36	24	12	66.67	2,659.44	-3,285.00	1,168.93	-1,077.91	1.08	2.17	419.98
1	9,602.77	36	23	13	63.89	2,013.60	-2,930.40	813.04	-699.77	1.16	2.06	266.74

We see here that the odds favor a bounce, and that it has often persisted up to 8 days out. The 7-day profit curve seemed the smoothest and I have shared that below.



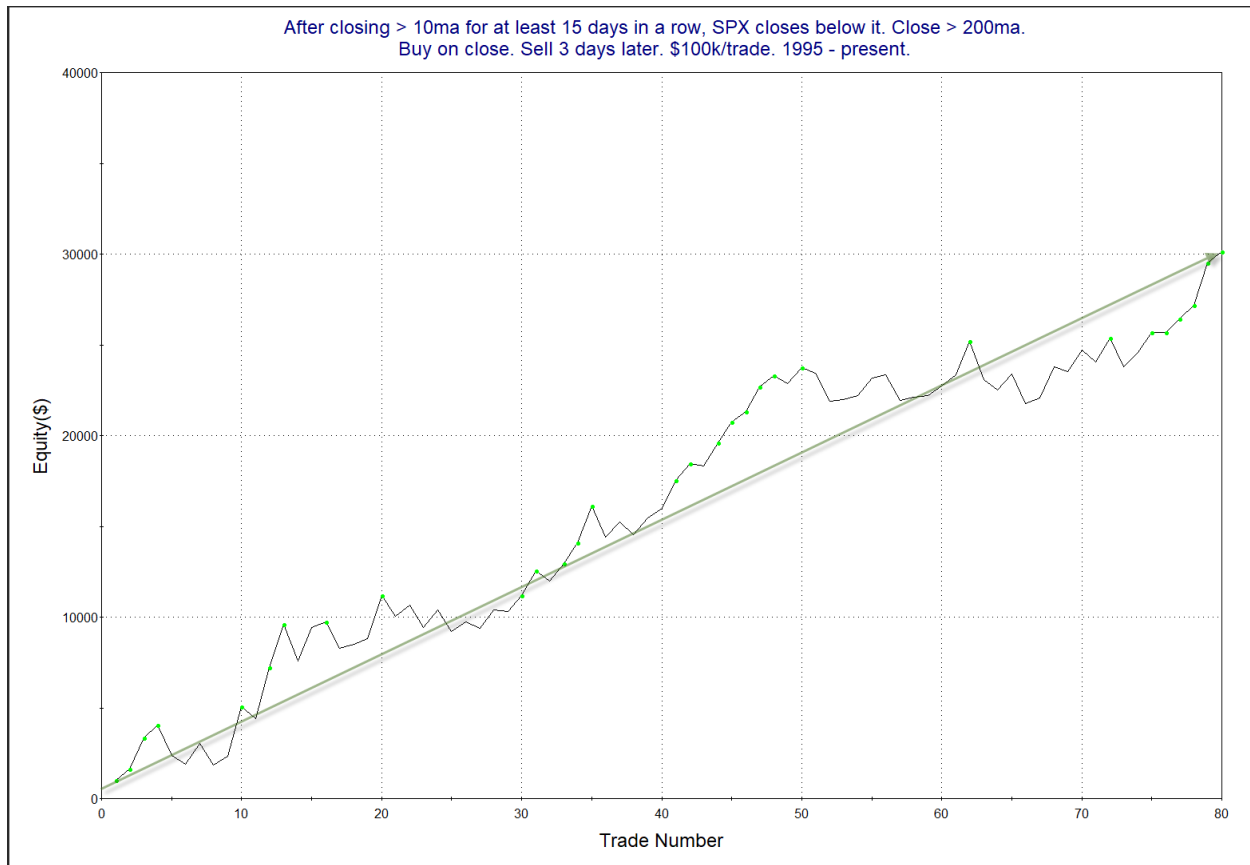
Here we see a persistent upslope. This study seems worth consideration and has been added to the short-term active list.

The lack of pullbacks lately had kept SPX above its short-term moving averages for an extended period. Wednesday, after 24 consecutive closes above the 10ma, SPX dipped down and closed below it. In the 6/26/23 letter I looked at performance following other instances where SPX closed below its 10ma for the first time in over 15 days. Results are updated below.

After closing > 10ma for at least 15 days in a row, SPX closes below it. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

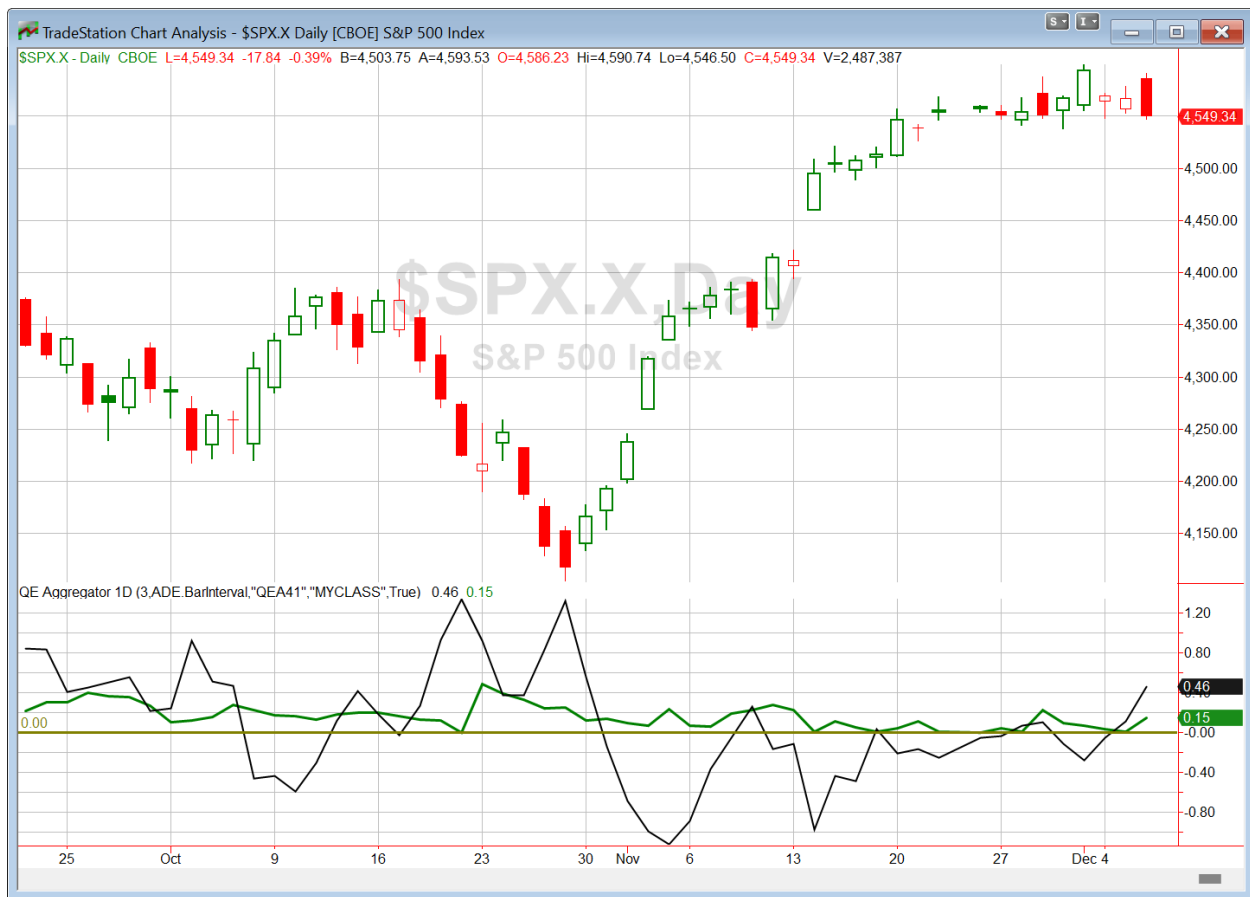
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	39,176.35	80	50	30	62.50	3,505.74	-4,455.15	1,448.30	-1,107.95	1.31	2.18	489.70
4	35,835.18	80	53	27	66.25	3,206.40	-6,072.15	1,310.48	-1,245.20	1.05	2.07	447.94
3	30,150.40	80	55	25	68.75	2,805.12	-2,110.50	1,004.22	-1,003.27	1.00	2.20	376.88
2	18,159.41	80	51	29	63.75	2,682.72	-3,450.16	883.54	-927.62	0.95	1.68	226.99
1	13,467.27	80	49	31	61.25	2,097.92	-1,579.41	605.61	-522.82	1.16	1.83	168.34

The numbers suggest a good chance of a bounce in the next few days. Below is a look at the 3-day profit curve.



The move up has been somewhat choppy, but it has persisted higher for a long time and is again at a new high. The curve seems to offer some confirmation of the upside tendency suggested by the stats table. 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 net expectations are for upside over the next few days. Meanwhile the black Differential Line 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 studies, expectations are set to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4578.64 on Thursday. That is 0.6% above Wednesday's close. Therefore, SPX will need to close up at least 0.6% in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Some new evidence is appealing, and the market is having its first actual pullback in a while. Reward/risk appears solid. Of course the depth of this pullback is muted. It could certainly have further to decline before the bounce arrives. So I like the long side, but I'm inclined to start with a fairly small position on Thursday if I can get a decent fill.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/4– **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

NFLX – 1/3 @ \$453.90 (bought @ limit)

New

NFLX – 1/3 @ \$446.73 (buy @ limit)

CHTR – 1/3 @ \$361.98 (buy @ limit)

Broad Market Large Cap CBI – 3(NFLX-2, CHTR)

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.

NFLX – Buy 1/3 Catapult position @ \$446.73 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of NFLX.

CHTR – Buy 1/3 Catapult position @ \$361.98 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of CHTR.

SPY – Buy 1/4 index position @ \$454.76 LIMIT. Based on the short-term outlook above, I will look to start building a long index position if I can get filled at Wednesday’s closing price or better.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
NFLX(1/3)	12/5/2023	\$450.70	\$446.73	-0.88%	Catapult

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