

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 3, 2024

Volume 17 Issue 2

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Numbered System 11111 triggered for SPY.
- The 1st dip below the 10ma in a while is often buyable.

Short-term Outlook

The Bottom Line

Evidence is pointing to a bounce, and the market is squarely oversold. I like the long side.

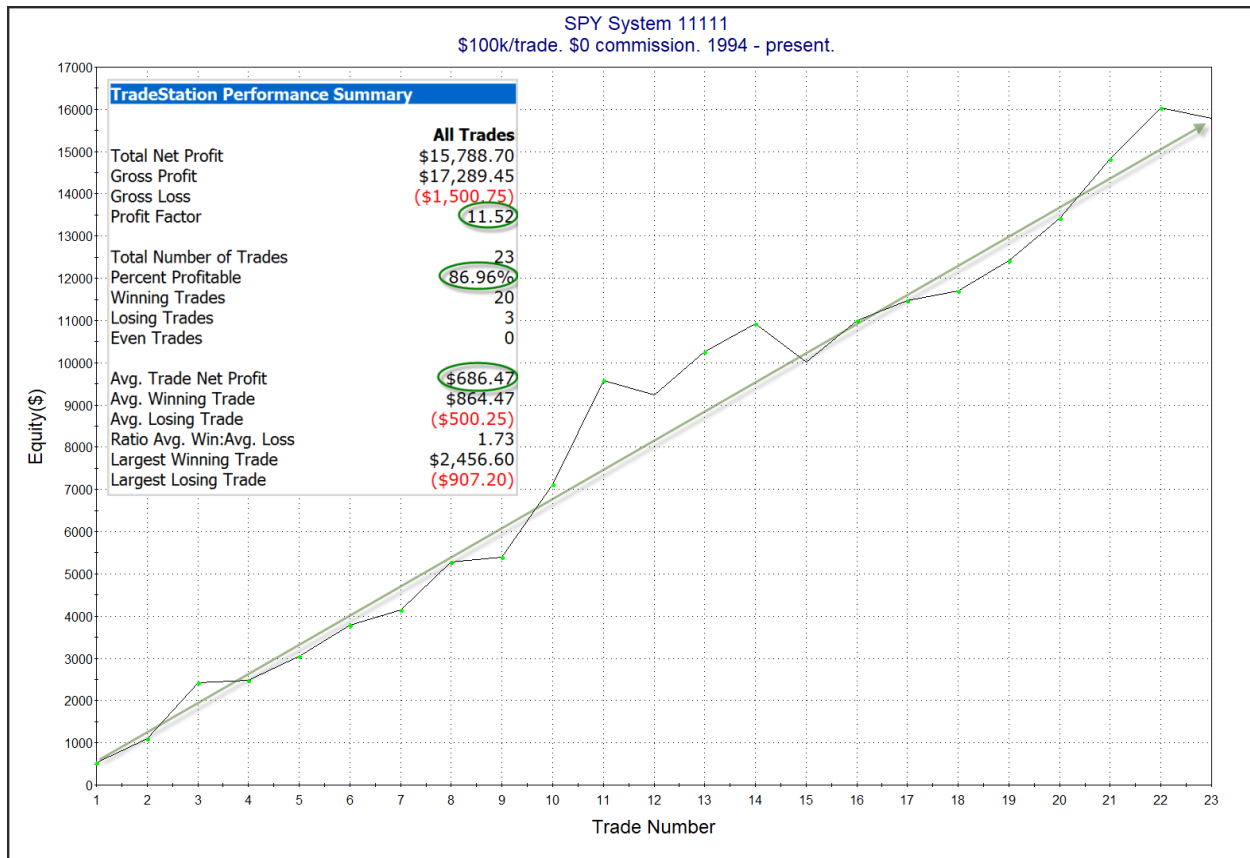
Summary of Current Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 3, 2024	SPY System 11111 triggers	1-3 days	Bullish			
January 3, 2024	1st drop < 10ma in 15+ days	1-3 days	Bullish			
January 2, 2024	5 up to 50-high then down.	1-4 days	Bullish	1.10%	-0.80%	-1.60%
December 21, 2023	Twos 3 night before Christmas	1-8 days	Bullish			
Active - Long Term						
January 2, 2024	5 up to 50-high then down.	1-10 days	Bullish	1.80%	-1.10%	-2.30%
December 27, 2023	%SPX > 50 moves frm 15% > 90% in 50 dys	1-6 months	Bullish			
December 21, 2023	SPX 20-day intra high. NDX worst dn in 20	1-50 days	Bullish			
December 21, 2023	SPX 20-day intra high. Close btm 10% rng	1-10 days	Bullish			
December 18, 2023	Dow up 7 days in a row	1-19 days	Bullish	3.30%	-1.50%	-2.70%
December 14, 2023	RSI(2) crosses over 99	1-15 days	Bullish			
December 11, 2023	Dec Opex Week Starts Bullish period	1-15 days	Bullish	3.30%	-1.90%	-4.10%
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			
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

2024 started off with a down day. The SPX fell 0.6%, the NASDAQ declined 1.6%, and the Russell 2000 lost 0.7%. Breadth was a little weak with the NYSE Up Issues % coming in at 47% and the Up Volume % at 49.6%. NYSE total volume declined some from Friday's level.

I'll note that with the pullback, SPY is now set up to trigger QE numbered system 11111 on Wednesday. A trade at or below SPY's closing price would mean an entry for this system. System 11111 has done fairly well over the years. With SPY, it has done very well. Below are the updated stats.



The stats are quite lopsided in favor of the bulls. And the profit curve is impressive as well. Also notable (but not shown) is that the average trade only lasted about 3 ½ days. The short time in these trades and the high percent that end up profitable speaks to the probability of a quick bounce here. I have incorporated this setup into the Aggregator today. Subscribers may find a link to the system 11111 page below:

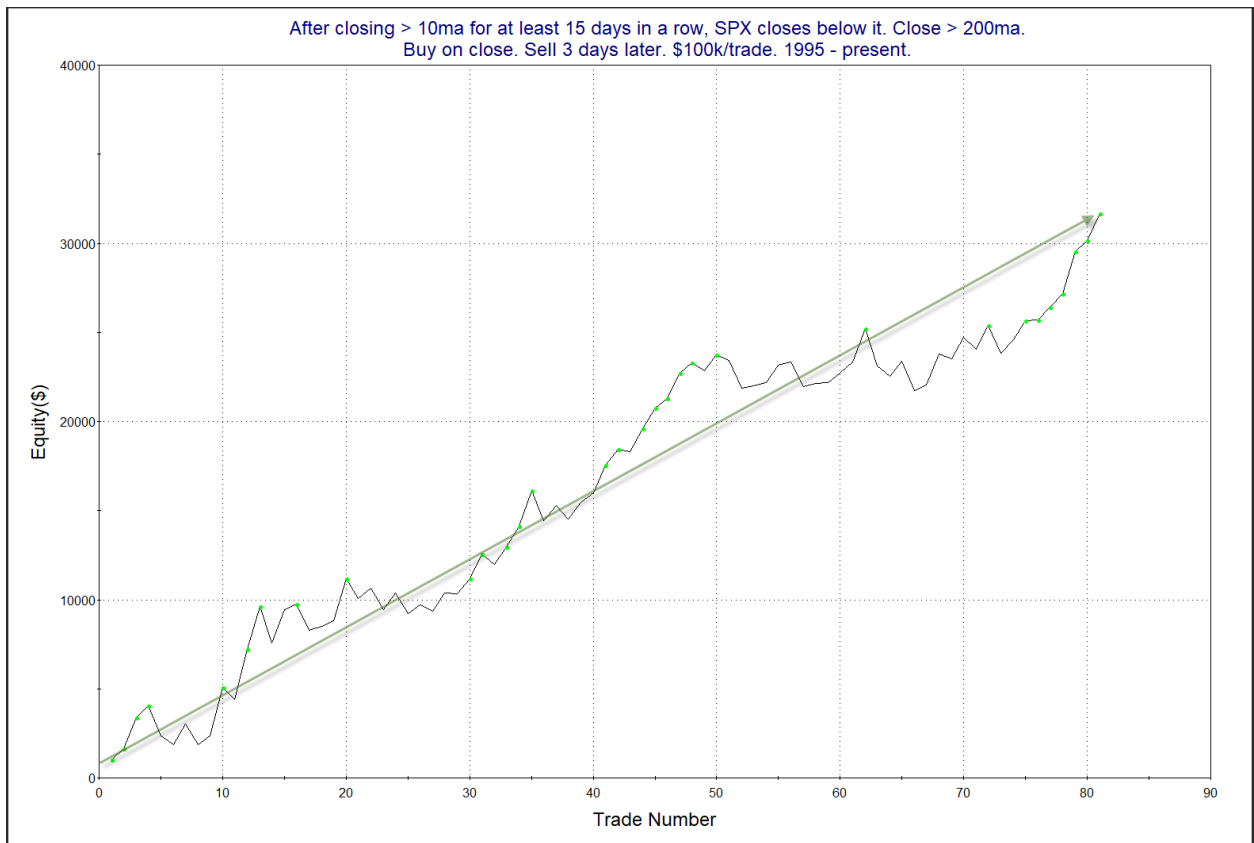
<http://quantifiableedges.com/system-11111/>

The lack of pullbacks lately had kept SPX above its short-term moving averages for an extended period. Tuesday, after 16 consecutive closes above the 10ma, SPX dipped down and closed below it. In the 12/7/23 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.

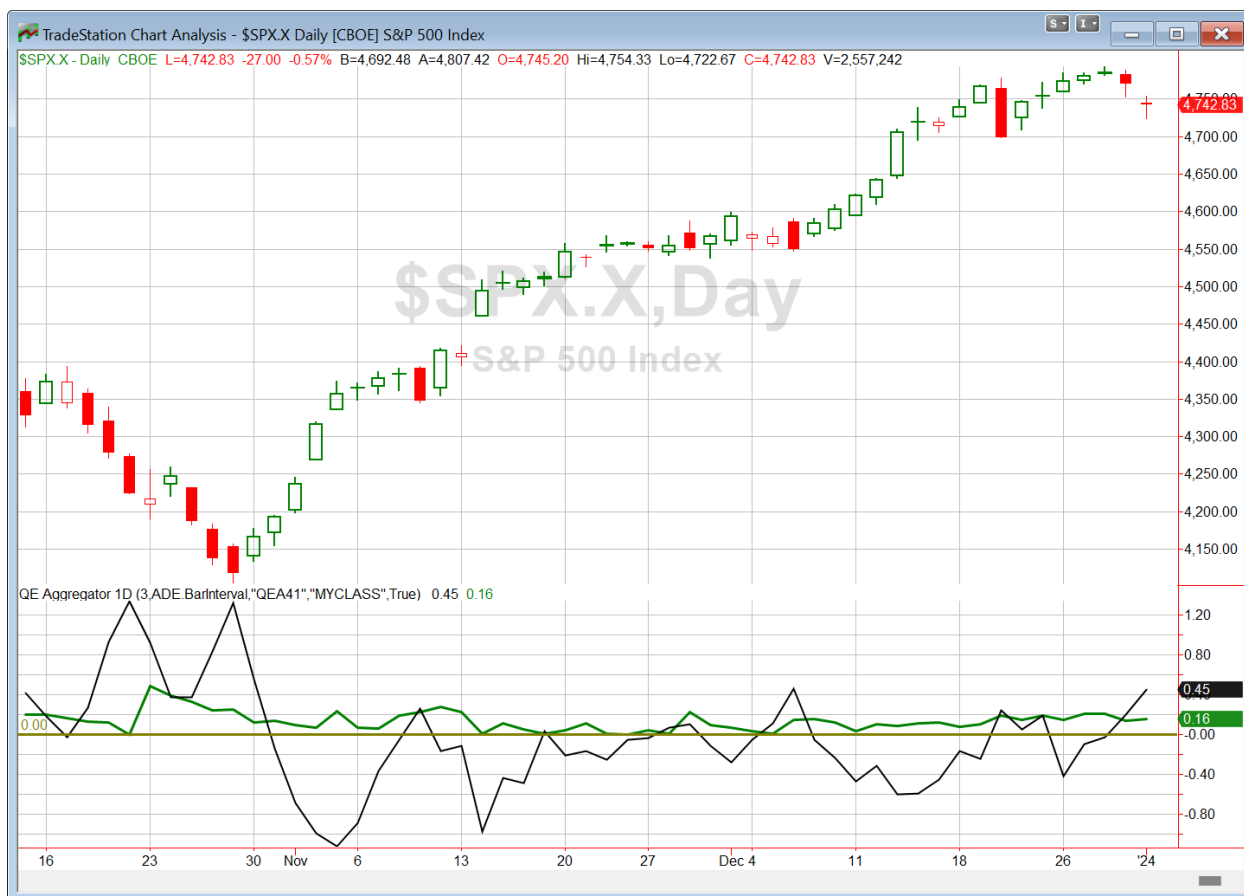
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	42,489.10	81	51	30	62.96	3,505.74	-4,455.15	1,484.86	-1,107.95	1.34	2.28	524.56
4	37,816.74	81	54	27	66.67	3,206.40	-6,072.15	1,322.91	-1,245.20	1.06	2.12	466.87
3	31,685.51	81	56	25	69.14	2,805.12	-2,110.50	1,013.70	-1,003.27	1.01	2.26	391.18
2	19,315.04	81	52	29	64.20	2,682.72	-3,450.16	888.77	-927.62	0.96	1.72	238.46
1	14,228.52	81	50	31	61.73	2,097.92	-1,579.41	608.72	-522.82	1.16	1.88	175.66

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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4809.76 on Tuesday. That is 1.4% above Tuesday's close. Therefore, SPX will need to close up at least 1.4% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. Short-term evidence is building. And there is ample room to the upside before SPX would turn overbought. I like the long side. I took some long exposure at the close on Tuesday. I will look to take some more if SPY closes down a good amount on Wednesday.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/2/2024 – **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 @ \$469.25 LIMIT ON CLOSE. Based on the short-term outlook above, I will add a 2nd lot of SPY if it closes much lower on Wednesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	1/2/2024	\$472.65	\$472.65	0.00%	Aggregator

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