

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 4, 2024

Volume 17 Issue 3

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	5

## Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce the next day.
- A gap below a short-term low and further selling in a long-term uptrend is often followed by a move up over the next few days.
- 3 down days from a 50-day high that closes < 10ma but above 10-day low suggest an upside edge.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is pointing to a bounce, and the market is squarely oversold. I again 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
<b>Active - Short Term</b>						
January 3, 2024	SPY System 1111 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	Twas 3 night before Christmas	1-8 days	Bullish			
<b>Active - Long Term</b>						
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			

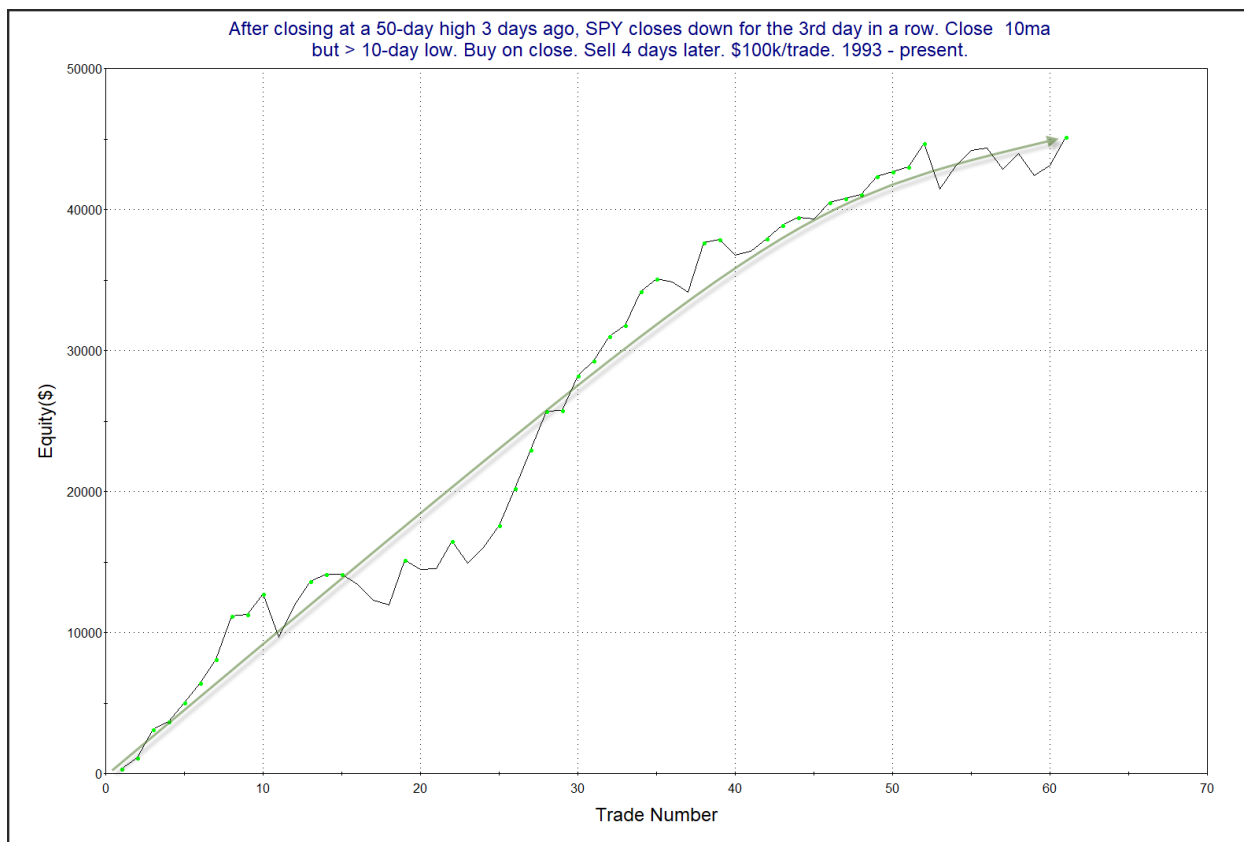
**The Evidence**

Wednesday saw the market struggle for the 2<sup>nd</sup> day in a row. The SPX fell 0.8%, the NASDAQ declined 1.2%, and the Russell 2000 lost 2.7%. Breadth was weak with the NYSE Up Issues % coming in at 28% and the Up Volume % at 24%. NYSE total volume rose some from Tuesday’s level.

There were a few studies that triggered in the Quantifinder suggesting an upside edge. The 3-day pullback study below is one I found especially compelling. It considered the fact that the 3-day pullback was occurring right after a high was hit. Additionally, it required that the pullback was deep enough to put it below the 10ma, but *not* deep enough to see it at a 10-day closing low. It was last seen in the 9/9/21 subscriber letter, and I have updated the stats.

After closing at a 50-day high 3 days ago, SPY closes down for the 3rd day in a row. Close 10ma but > 10-day low. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	42,767.32	60	41	19	68.33	3,522.94	-3,453.71	1,564.83	-1,125.82	1.39	3.00	712.79
4	45,158.50	61	48	13	78.69	3,543.50	-3,235.68	1,273.61	-1,228.83	1.04	3.83	740.30
3	30,964.66	61	41	20	67.21	3,543.50	-4,572.96	1,262.27	-1,039.42	1.21	2.49	507.62
2	17,287.54	61	41	20	67.21	3,073.95	-2,781.35	921.36	-1,024.42	0.90	1.84	283.40
1	8,757.32	61	36	25	59.02	3,149.85	-2,031.09	764.05	-749.94	1.02	1.47	143.56

Under these circumstances, it appears bounces have been both reliable and powerful. The 1<sup>st</sup> four days show some very impressive stats. Below is a look at the profit curve assuming a 4-day exit technique.



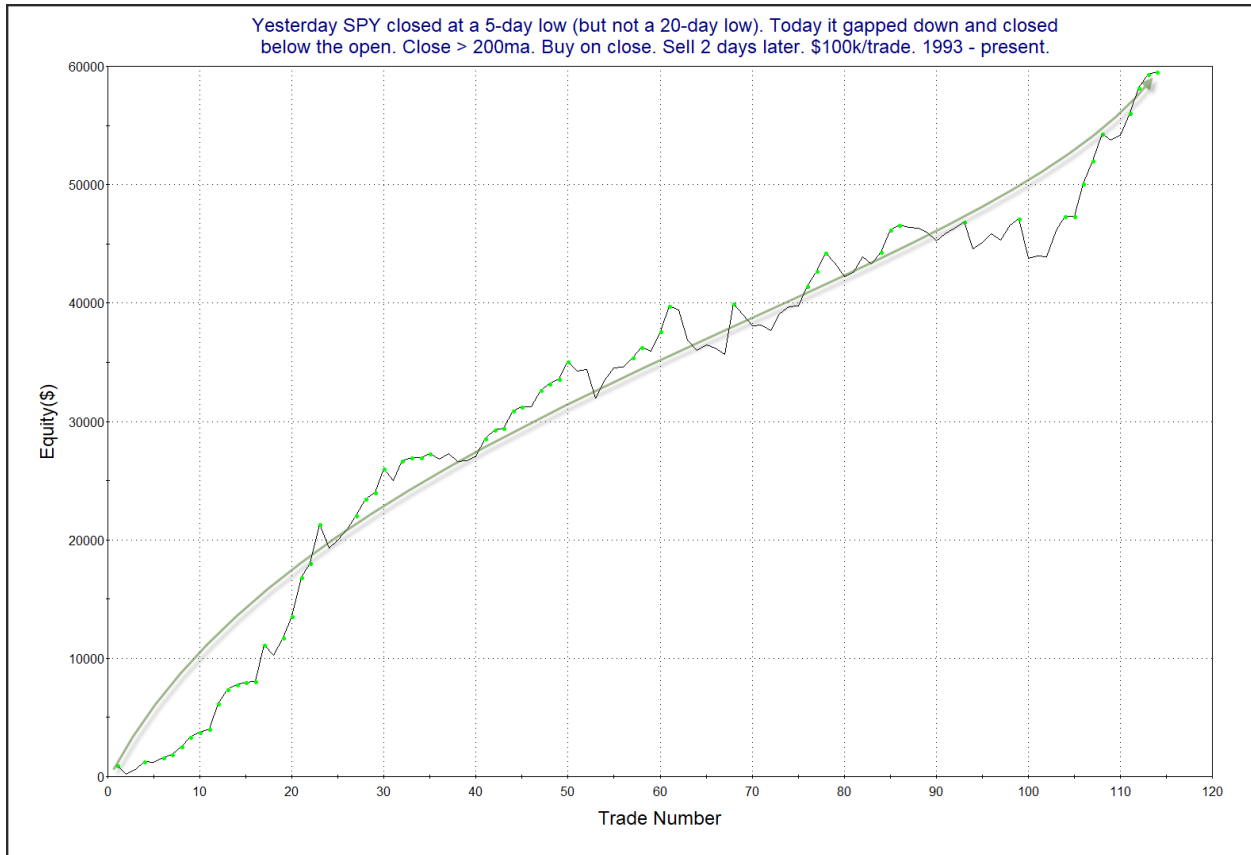
Despite a few recent bumps, the curve appears to provide confirmation of the bullish tendency suggested by the stats table.

In the 6/27/23 letter I showed a study that examined gaps down and poor closes following a 5-day low. The setup appeared bullish. But I have also noted in the past that it was even more bullish if the gap down followed a 20-day low. So 20-day low instances are excluded in the below study to prevent the data from looking overly bullish. Stats are updated.

Yesterday SPY closed at a 5-day low (but not a 20-day low). Today it gapped down and closed below the open. Close > 200ma. Buy on close. Sell X days later. 1993 - present.

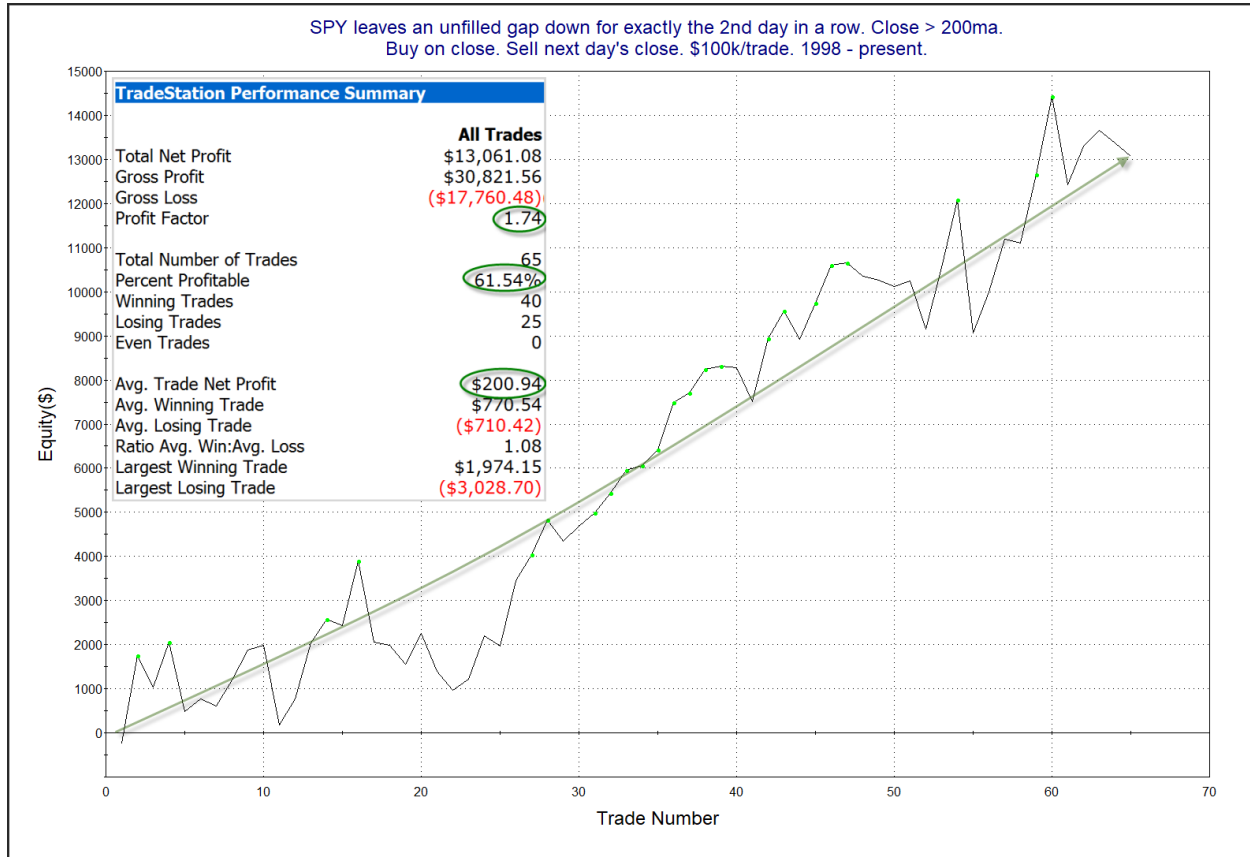
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	88,573.34	111	77	33	69.37	5,165.28	-5,063.85	1,667.72	-1,207.30	1.38	3.22	797.96
4	53,210.04	111	75	36	67.57	4,647.50	-8,109.60	1,473.21	-1,591.12	0.93	1.93	479.37
3	52,608.61	113	72	40	63.72	4,290.00	-7,722.10	1,430.85	-1,260.31	1.14	2.04	465.56
2	59,541.82	114	83	31	72.81	4,305.42	-3,385.20	1,041.37	-867.47	1.20	3.21	522.30
1	33,179.82	118	81	37	68.64	2,143.68	-4,181.76	798.62	-851.58	0.94	2.05	281.18

Odds here appear bullish, especially over the 1<sup>st</sup> 2 days. Below is a profit curve assuming a 2-day exit strategy.



The persistent upslope serves as confirmation of the bullish potential. I have included this study on the Active List tonight.

Also notable about Wednesday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. This 3<sup>rd</sup> study suggested bullish implications when this occurred during a long-term uptrend. I took another look at the study tonight. It was last seen in the 9/7/23 and has been updated.



The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

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. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 4795.01 on Thursday. That is 1.9% above Wednesday's close. Therefore, SPX will need to close up at least 1.9% on Thursday in order to flip from oversold to overbought vs recent expectations. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is bullish. Short-term evidence continues to build. And there is ample room to the upside before SPX would turn overbought. I like the long side. I added a 3rd lot of long exposure near the close on Wednesday. There are 5 Catapults that triggered on Wednesday. Rather than adding a 3rd lot of SPY, I will look to trade them. If SPX struggles again on Thursday, then I may look to take a 3rd lot of SPY on Friday

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/2/2024 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

*New*

ACN @ \$337.92 (buy @ limit)

AVGO @ \$1058.58 (buy @ limit)

BA @ \$243.91 (buy @ limit)

CRM @ \$251.84 (buy @ limit)

HD @ \$338.26 (buy @ limit)

***Broad Market Large Cap CBI – 5(ACN, AVGO, BA, CRM, HD)***

### **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.*

**ACN – Buy 1/3 Catapult position @ \$337.92 LIMIT.** From the Catapult section above, this is this is the 1<sup>st</sup> of up to 3 possible lots of ACN.

**AVGO – Buy 1/3 Catapult position @ \$1057.58 LIMIT.** From the Catapult section above, this is this is the 1<sup>st</sup> of up to 3 possible lots of AVGO.

**BA – Buy 1/3 Catapult position @ \$243.91 LIMIT.** From the Catapult section above, this is this is the 1<sup>st</sup> of up to 3 possible lots of BA.

**CRM – Buy 1/3 Catapult position @ \$251.84 LIMIT.** From the Catapult section above, this is this is the 1<sup>st</sup> of up to 3 possible lots of CRM.

**HD – Buy 1/3 Catapult position @ \$338.26 LIMIT.** From the Catapult section above, this is this is the 1<sup>st</sup> of up to 3 possible lots of HD.

## **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
SPY(1/4)	1/2/2024	\$472.65	\$468.79	-0.82%	Aggregator
SPY(1/4)	1/3/2024	\$468.79	\$468.79	0.00%	Aggregator

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