

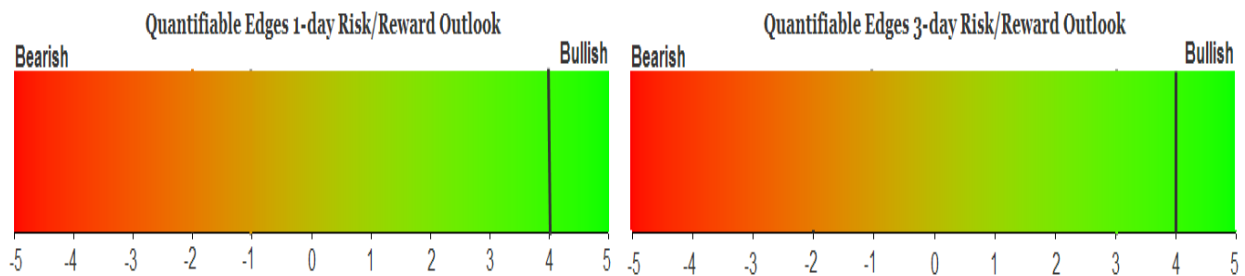
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 5, 2024

Volume 17 Issue 4

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	9

Tonight's Research Points

- The CBI is nearing strongly bullish territory.

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
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

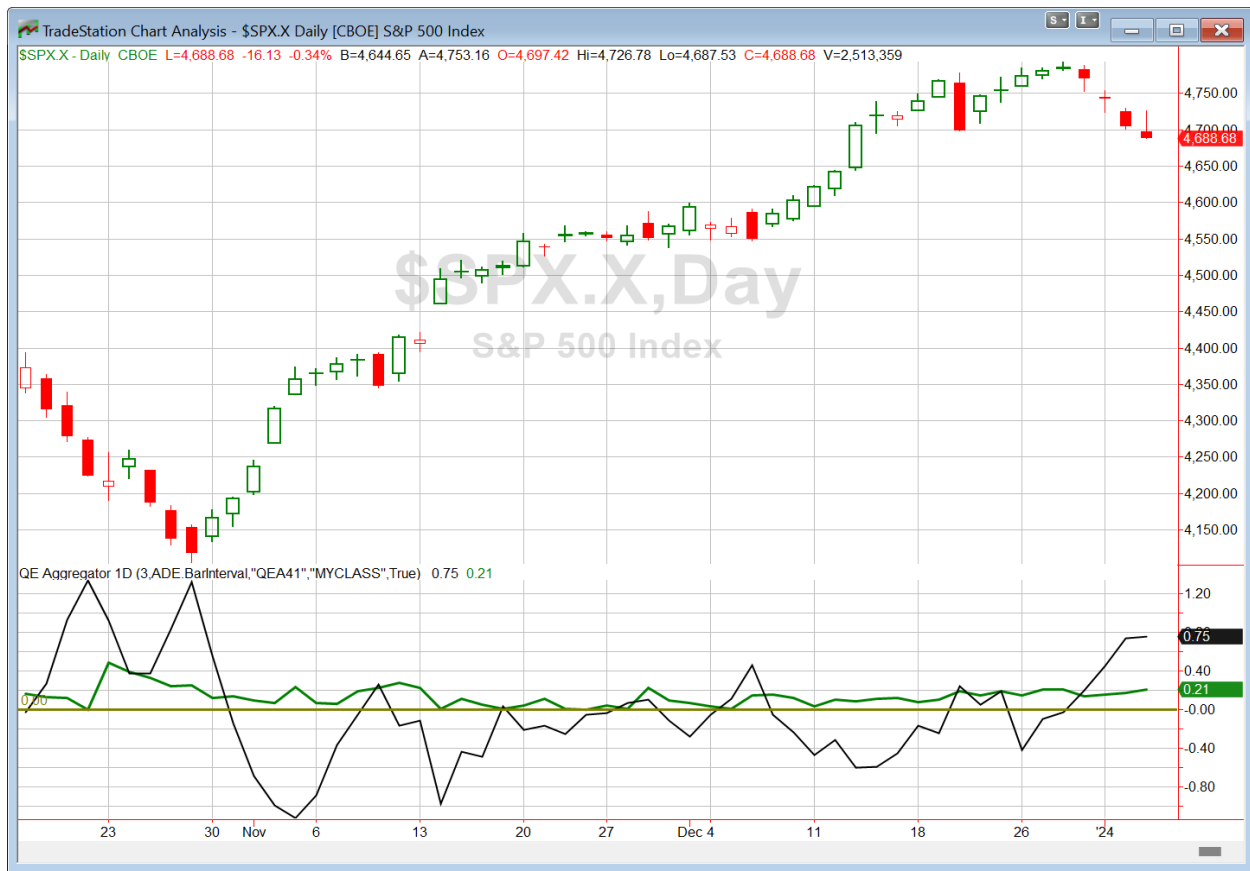
We may not see any up days in 2024. Thursday the SPX fell 0.3%, the NASDAQ declined 0.6%, and the Russell 2000 lost 0.1%. Breadth was mixed with the NYSE Up Issues % coming in at 49% and the Up Volume % at 54%. NYSE total volume rose some from Wednesday's level.

There were a few repeat studies that triggered in the Quantifinder, but nothing new and compelling. The most notable action today was the further rise in the Quantifiable Edges Capitulative Breadth Indicator (CBI). After closing at 5 on Wednesday, the CBI finished at 9 on Thursday. I have typically looked at readings of 10 or higher as strongly bullish. So it just missed. Nine matches the highest reading we have seen in over 7 months. There have not been any readings of 11+ since October of 2022. This can be seen in the chart below, where I have marked off all the other times it reached 9+ in the last 2 years.



The current CBI spike might be enough to get a bounce. I've shown before that moves to 8 or 9 when SPX is above its 200ma and at a 20-day low show a strong tendency to bounce. But SPX is not at a 20-day low right now. Odds still look solid over the next 5-10 days, but the 1-3 day timeframe is more up in the air. So rather than count the CBI reading as immediately bullish, I will wait one more day. If Friday sees more selling, then we will almost certainly see the CBI close at 10 or higher. And in fact, with some many potential setups out there, we could get to 10+ even with a move up on Friday. So I won't be adding any new studies to the Active List tonight. But I am alert to how things are setting up for Friday afternoon.

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



Without any new studies being added tonight, 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 Friday. This could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4765.79 on Friday. That is 1.6% above Thursday's close. Therefore, SPX will need to close up at least 1.6% on Friday 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. There is a decent amount of evidence pointing to a bounce. The CBI is nearing a strongly bullish reading. And there is ample room to the upside before SPX would flip from oversold to overbought vs recent expectations. I continue to like the long side. I have a partial index position right now. I will look to add to it on Friday if SPY closes down some, figuring that would be enough to see the CBI reach 10 or higher.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

ACN @ \$337.92 (bought @ limit)

AVGO @ \$1058.58 (bought @ limit)

BA @ \$243.91 (buy @ limit) – *not filled – cancel for now*

CRM @ \$251.84 (bought @ limit)

HD @ \$338.26 (buy @ limit) – *not filled – cancel for now*

New

ACN @ \$337.09 (buy @ limit)

AVGO @ \$1049.01 (buy @ limit)

QCOM @ \$136.17 (buy @ limit)

CRM @ \$251.24 (buy @ limit)

Broad Market Large Cap CBI – 9(ACN-2, AVGO-2, BA, CRM-2, HD, QCOM)

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 @ \$337.09 LIMIT. From the Catapult section above, this is this is the 2nd of up to 3 possible lots of ACN.

AVGO – Buy 1/3 Catapult position @ \$1049.01 LIMIT. From the Catapult section above, this is this is the 2nd of up to 3 possible lots of AVGO.

QCOM – Buy 1/3 Catapult position @ \$136.17 LIMIT. From the Catapult section above, this is this is the 1st of up to 3 possible lots of QCOM.

CRM – Buy 1/3 Catapult position @ \$251.24 LIMIT. From the Catapult section above, this is this is the 2nd of up to 3 possible lots of CRM.

SPY – Buy 1/4 Index position @ \$467.00 LIMIT ON CLOSE. Based on the short-term outlook I will look to take on a 3rd lot if SPY closes down much on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	1/2/2024	\$472.65	\$467.28	-1.14%	Aggregator
SPY(1/4)	1/3/2024	\$468.79	\$467.28	-0.32%	Aggregator
ACN(1/3)	1/4/2024	\$337.92	\$337.09	-0.25%	Catapult
AVGO(1/3)	1/4/2024	\$1,057.96	\$1,049.01	-0.85%	Catapult
CRM(1/3)	1/4/2024	\$251.83	\$251.24	-0.23%	Catapult

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