

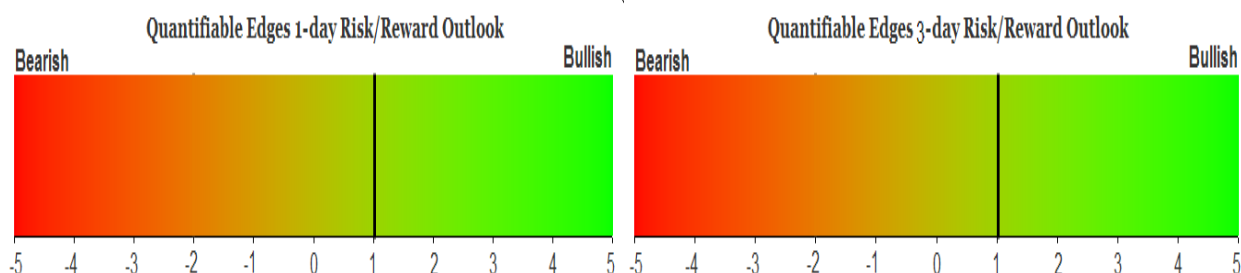
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 8, 2024

Volume 17 Issue 5

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	5

## Tonight's Research Points

- The bounce was strong, and while it appears there could be a little more to go, the upside potential is not as great as if the bounce had been weaker.

## *Short-term Outlook*

### *The Bottom Line*

Evidence suggests we could see more upside, but SPX has quickly turned short-term overbought, creating a neutral outlook.

**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 8, 2024	CBI 10+	1-8 days	Bullish			
January 4, 2024	3 down from 50-high < 10ma > 10-low	1-4 days	Bullish			
<b>Active - Long Term</b>						
January 8, 2024	CBI 11+	1-20 days	Bullish	5.90%	-4.30%	-9.65%
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			
November 21, 2023	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
November 7, 2023	Whaley ADT <sub>5</sub> > 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			
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
<b>January 8, 2024</b>	<b>50-high then 5 lower lows</b>	<b>1-3 days</b>	<b>Bullish</b>			

**The Evidence**

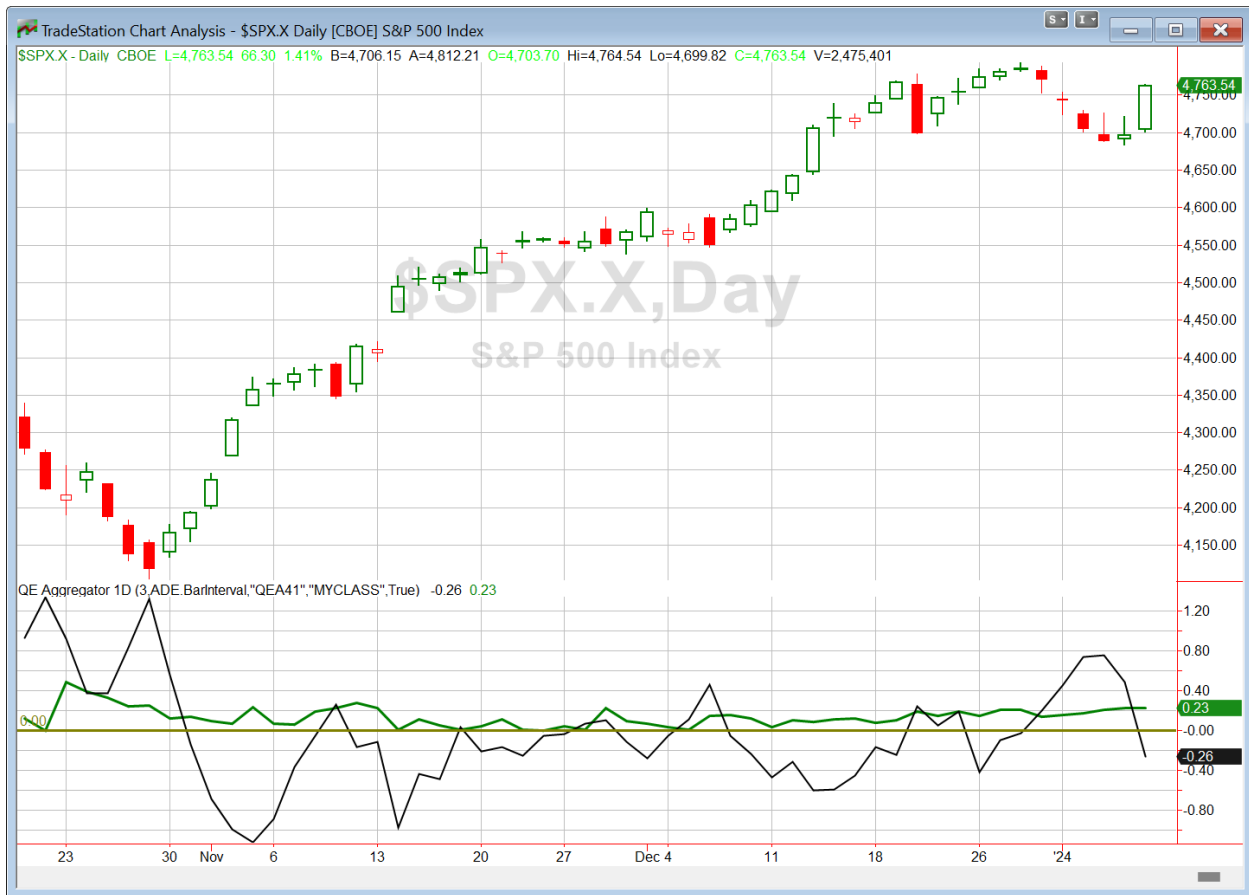
Monday gave us a big bounce. The SPX finished up 1.4%, the NASDAQ rose 2.2%, and the Russell 2000 rallied 1.9%. Breadth was strong with the NYSE Up Issues % coming in at 75% and the Up Volume % at 70%. NYSE total volume declined some from Friday's level.

The bounce was expected, but the size of the move on Monday was larger than expected. There were a few studies that triggered in the Quantifinder that looked at 2-day bounces from short-term lows. The basic finding of these studies is that when the bounce is mild there is often follow-through. But a strong bounce might quickly wear itself out. The studies found that 2-day bounces that finish below the 10ma have shown a short-term upside edge. But that edge was not present at times the SPX (or QQQ) closed above their 10ma. And both did on Monday. One index that did close below its 10ma was the NASDAQ Composite. But the setup for the NASDAQ composite over the last few years has not shown a bullish edge under such circumstances. So there did not seem anything worth strong consideration for inclusion on the Active List tonight.

I will note that the 5 lower lows study from last night has already reached its target and been removed from the Active List.

Also notable is that the CBI finished at just 5 after closing Friday afternoon at 11. I have often viewed a return to 3 or lower as a reasonable short-term exit strategy for spikes to 10+, so we could certainly see some short-term following through to Monday's rally

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



Without any new studies making the cut 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 dropped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4713.39 on Tuesday. That is 1.05% below Monday's close. Therefore, SPX will need to close down at least 1.05% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is now neutral. I often like to try and hold onto some exposure until the CBI reverts to neutral after we have had a spike to 10+. And I will look to do that on Tuesday, only exiting part of my position at the open. If we get another solid up day, I will exit the rest at the close. Then I'll wait for the next favorable entry opportunity to emerge.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/9 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

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

ACN @ \$337.92 (bought @ limit)

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

ACN @ \$337.09 (bought @ limit)

QCOM @ \$136.17 (bought @ limit)

UNP @ \$239.91 (bought @ limit)

***Broad Market Large Cap CBI – 5(ACN-2, BA, QCOM, UNP)***

### **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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	1/2/2024	\$472.65	\$474.60	0.41%	<i>sell on open</i>
SPY(1/4)	1/3/2024	\$468.79	\$474.60	1.24%	<b>sell @ \$476.00 LIMIT ON CLOSE</b>
ACN(1/3)	1/4/2024	\$337.92	\$340.35	0.72%	Catapult
AVGO(1/3)	1/4/2024	\$1,057.96	\$1,074.85	1.60%	<i>sell on open</i>
CRM(1/3)	1/4/2024	\$251.83	\$260.87	3.59%	<i>sell on open</i>
ACN(1/3)	1/5/2024	\$337.09	\$340.35	0.97%	Catapult
AVGO(1/3)	1/5/2024	\$1,049.01	\$1,074.85	2.46%	<i>sell on open</i>
CRM(1/3)	1/5/2024	\$251.21	\$260.87	3.85%	<i>sell on open</i>
QCOM(1/3)	1/5/2024	\$136.16	\$139.03	2.11%	Catapult
UNP(1/3)	1/8/2024	\$239.17	\$240.62	0.61%	Catapult

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