

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 12, 2024

Volume 17 Issue 9

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The market could be facing a seasonal headwind next week.

Short-term Outlook

The Bottom Line

The Aggregator is long, but I don't really see a bullish edge. I'm more neutral.

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

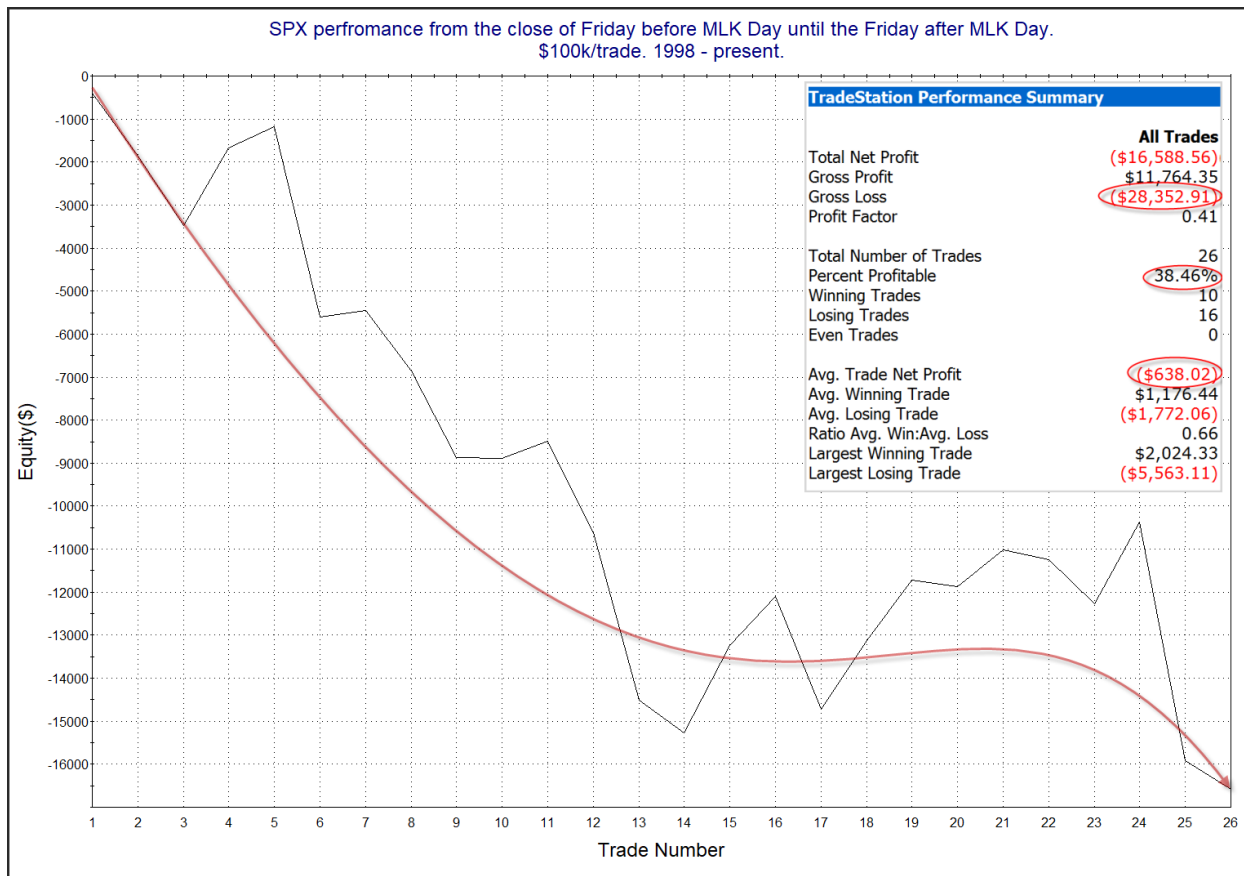
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
January 8, 2024	CBI 11+	1-20 days	Bullish	5.90%	-4.30%	-9.65%
January 2, 2024	5 up to 50-high then down.	1-10 days	Bullish	1.80%	-1.10%	-2.30%
December 27, 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 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			
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

Thursday saw morning weakness but finished mixed with just mild changes. The SPX closed down 0.1%, the NASDAQ rose less than 0.01%, and the Russell 2000 dropped 0.75%. Breadth was weak with the NYSE Up Issues % coming in at 39% and the Up Volume % at 31%. NYSE total volume rose some from Wednesday's level.

The market has been chopping back and forth over the last week or so. And that chop is not helping to generate compelling new evidence. The Quantifinder came up completely blank for the 2nd time in the last 3 days, which is quite unusual. So with nothing pressing to discuss, I thought I would get a head start on the weekend and look at some seasonality studies for next week.

For the 1st 14 years of MLK week (MLK was first observed as a market holiday in 1998) the SPX seemed to struggle consistently. More recently, there has been a lot of chop. This can be seen in the study below, which is updated from the 1/17/23 letter.

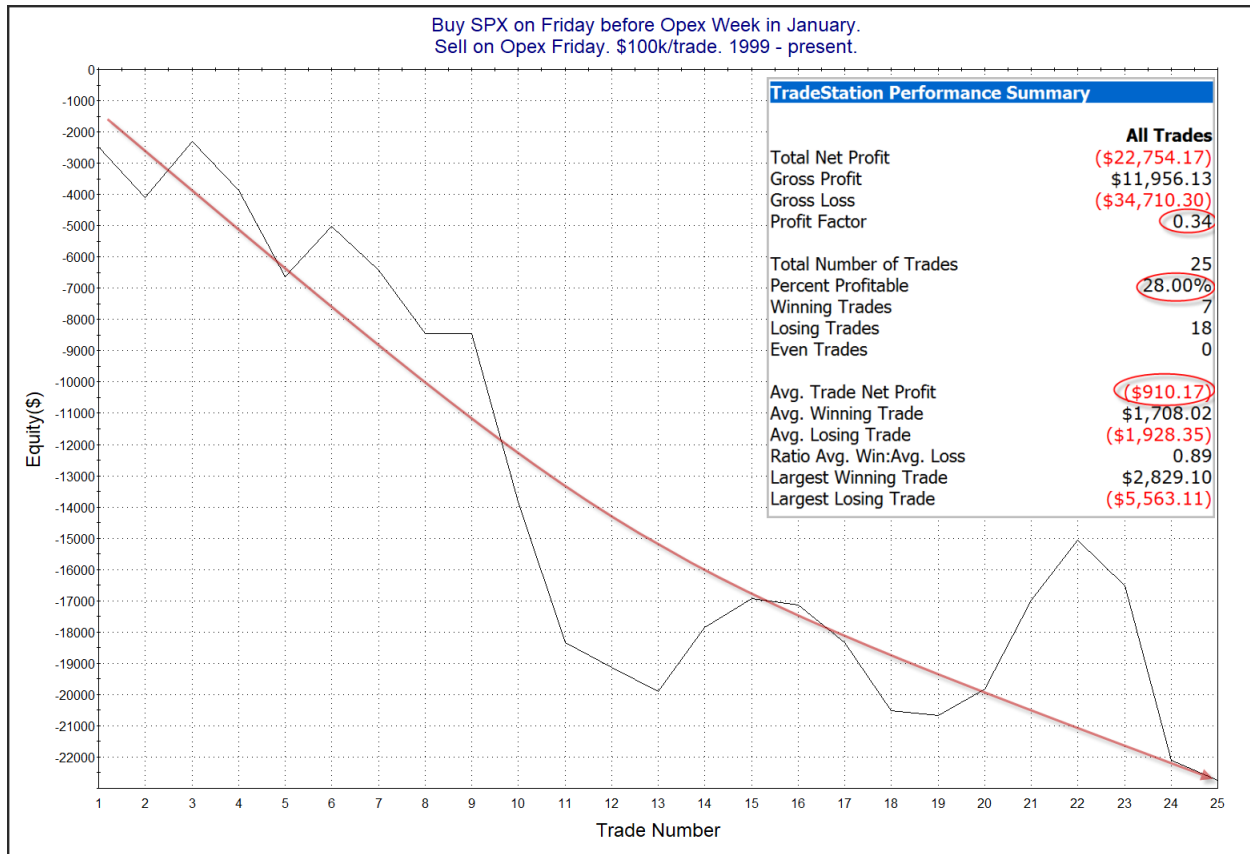


The move lower seemed to abruptly end after the first 14 years, but the last 2 years suggest perhaps the downward bias may be reasserting itself. I've shown similar studies that look at January options expiration (opex) week. The reason they are similar is that January opex week and MLK week often overlap. This is the case next week. So let's look at January opex week performance since 1999.

Buy SPX on Friday before Opex Week in January.
Sell X days later. \$100k/trade. 1999 - present.

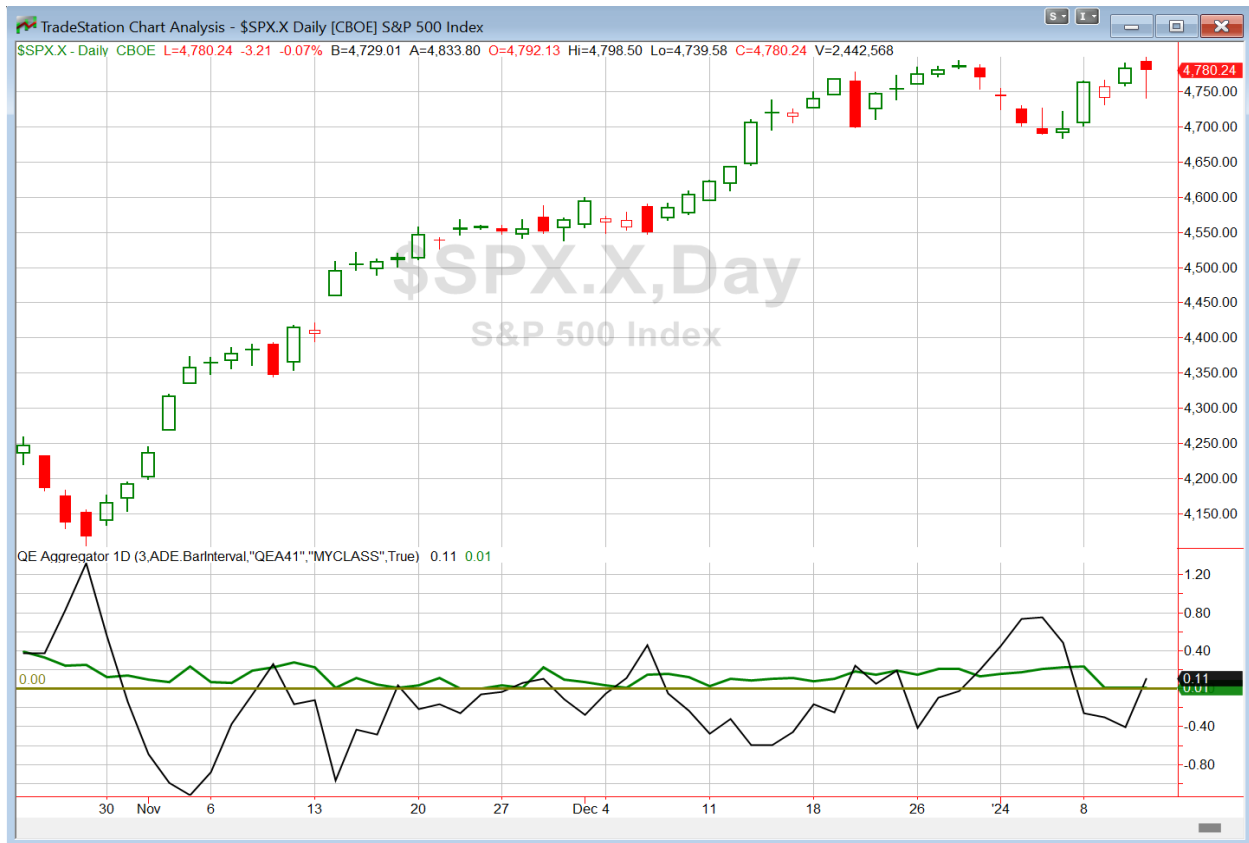
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-23,501.97	25	8	17	32.00	2,829.10	-5,383.93	1,667.60	-2,167.22	0.77	0.36	-940.08
4	-22,632.24	25	9	16	36.00	2,024.33	-5,563.11	1,079.44	-2,021.70	0.53	0.30	-905.29
3	-19,822.56	25	9	16	36.00	2,206.50	-5,345.76	804.76	-1,691.59	0.48	0.27	-792.90
2	-10,501.70	25	10	15	40.00	1,459.15	-2,775.24	530.11	-1,053.52	0.50	0.34	-420.07
1	-6,233.92	25	10	15	40.00	1,080.62	-2,250.08	464.27	-725.11	0.64	0.43	-249.36

Numbers in the stats table appear somewhat bearish. Note that most years the week is 4 days long, while some years the week is 5 days long. Below is a look at opex week performance for holding the full week, regardless of whether it was 4 or 5 days.



This curve looks a good bit like the Martin Luther King Jr week curve – though I’d say it leans a bit more bearish. So traders may want to keep this in mind as we head into MLK/Opex next week. I will probably incorporate it into the Aggregator over the weekend, but to a somewhat lesser degree than I might if recent instances had been more consistent.

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



With the short-term active list still bare, the green Aggregator Line remained just slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line inched 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 on opposite sides of zero. Therefore, the Aggregator formation turned long at the close.

But this is about as weak of a bullish formation as you will see. We see seasonal weakness may be an issue next week. And there are no short-term studies supporting the bullish outlook. So expectations for Friday are tough to anticipate. Meanwhile, the Differential Pivot will be *slightly inverted at 4778.72* on Friday. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down about 1.5 points in order to remain oversold vs recent expectations. Anything other than that and SPX will flip to overbought as of Friday's close.

As you can probably tell, I have no interest in taking on new index exposure with the current setup. Despite the bullish Aggregator, choppy conditions, an inverted pivot, and a lack of compelling evidence are all telling me to enjoy the 3-day weekend without taking on substantial exposure. I hope you enjoy yours as well!

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

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

UNP @ \$239.91 (bought @ limit)

Broad Market Large Cap CBI – 2(BA, 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
UNP(1/3)	1/8/2024	\$239.17	\$236.38	-1.17%	Catapult

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