

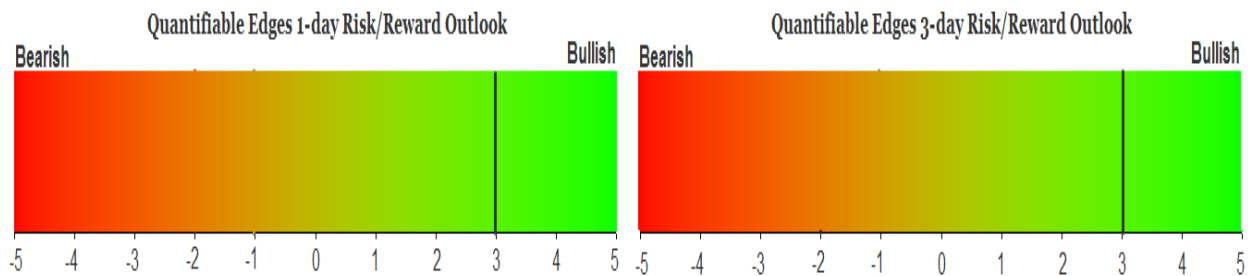
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 17, 2024

Volume 17 Issue 11

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	11

Tonight's Research Points

- The SOX strength on a day NASDAQ declined suggests a bounce on Wednesday.
- The CBI has reached a point that has historically seen short and intermediate-term rallies.

Short-term Outlook

The Bottom Line

The Aggregator is long and the CBI has spiked, but it is tough to get overly excited on just a mild 1-day pullback.

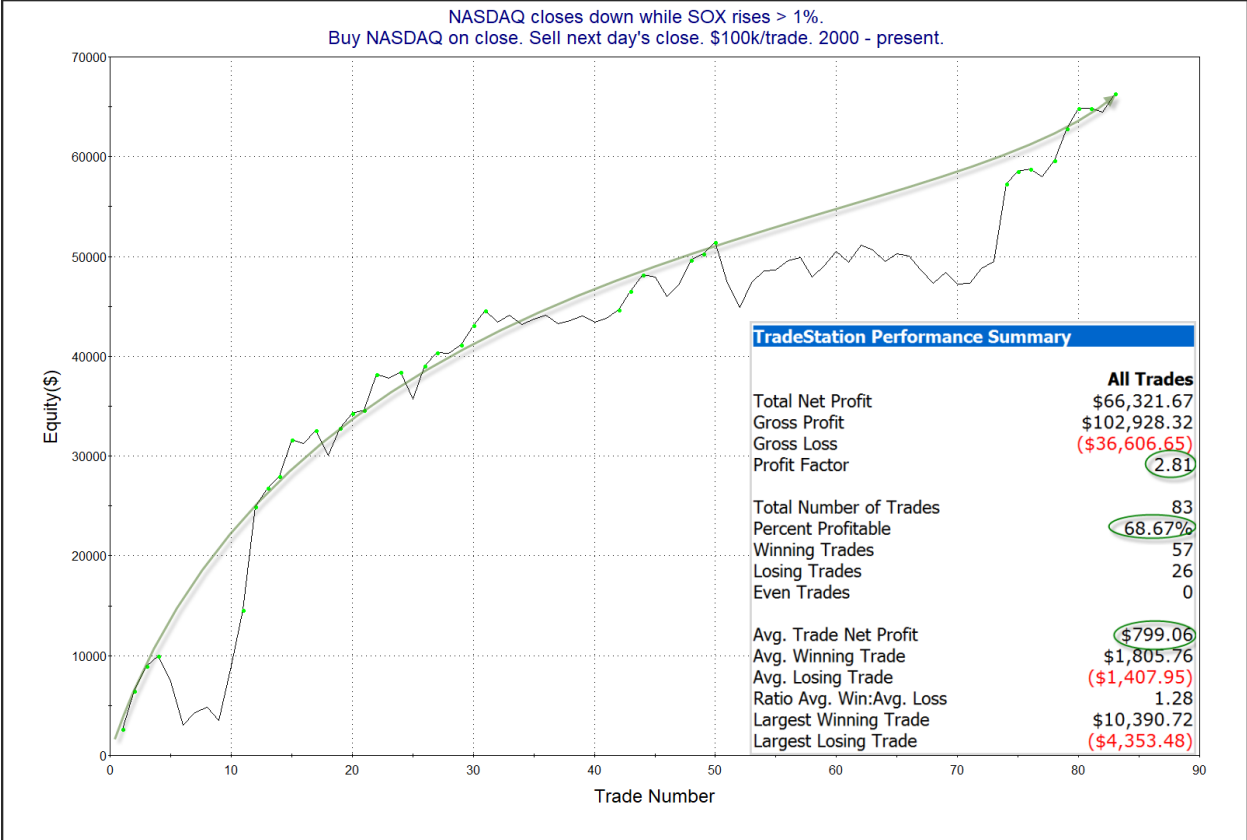
Summary of Current Active Studies (see Letters from listed dates for details) – LIST NOT UPDATED TONIGHT

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 16, 2024	MLK/Jan Opex bearish tendency	1-4 days	Bearish	-2.20%	0.80%	1.70%
Active - Long Term						
January 16, 2024	NASDAQ Leading	int term	Bullish			
January 16, 2024	RUT btm 25% 20-day rng. SPX top 25%	1-40 days	Bullish	5.20%	-3.40%	-6.70%
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 18, 2023	Dow up 7 days in a row	1-19 days	Bullish	3.30%	-1.50%	-2.70%
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

Tuesday saw a pullback. The SPX closed down 0.4%, the NASDAQ lost 0.2%, and the Russell 2000 dropped 1.2%. Breadth was weak with the NYSE Up Issues % coming in at 22% and the Up Volume % at 15%. NYSE total volume rose some from Friday's level.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up 1.3%. When the SOX does well on a day the NASDAQ declines, that has often been followed by a rise in the NASDAQ the next day. This can be seen in the study below, which was last featured in the 7/28/23 letter.

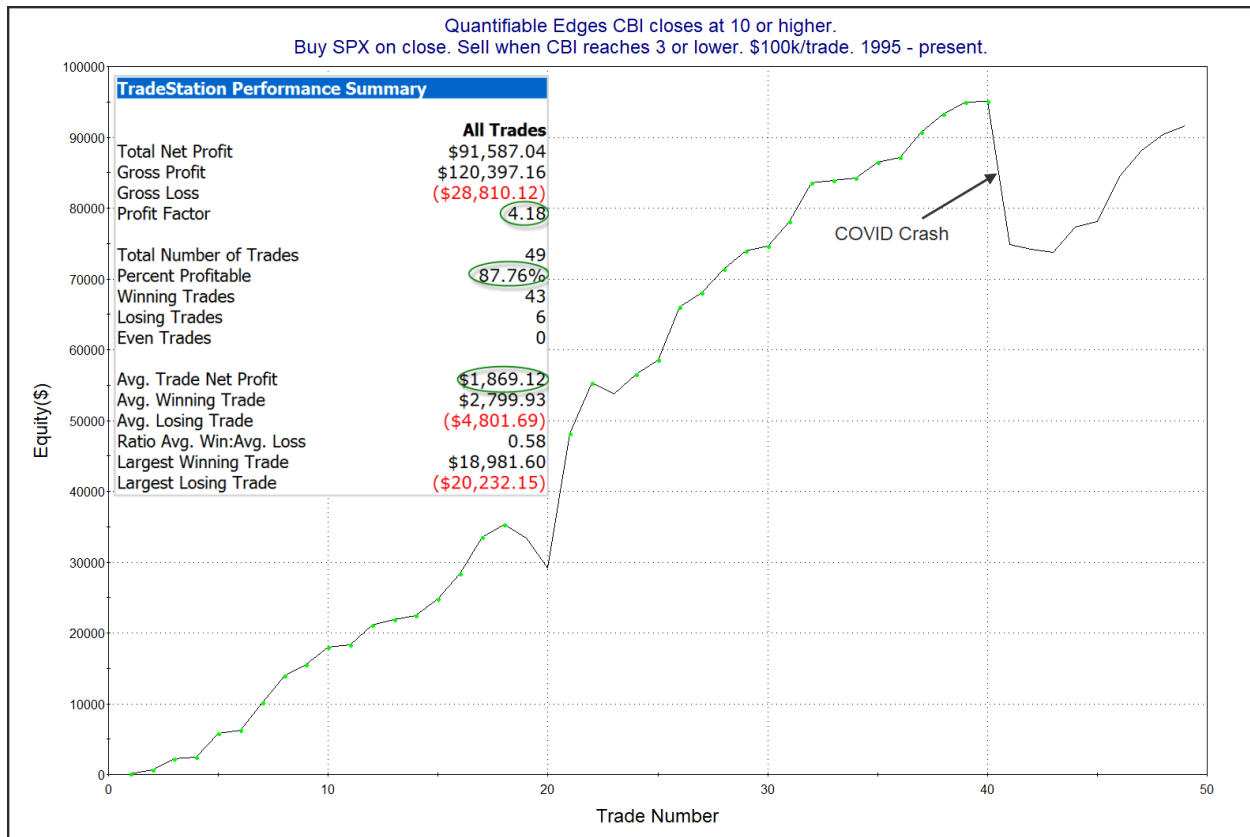


Not exactly a steady rise, but the move and numbers are impressive nonetheless. Below is a look at how the SPX has performed when the NASDAQ/SOX have acted this way.



Results here appear steadier but less explosive. Overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

Also notable about Tuesday's action is that the Quantifiable Edges Capitulative Breadth Indicator (CBI) rose to 11. This is the 2nd time we have seen it spike this high so far this month. I have generally viewed 10+ as strongly bullish over the years. The study below is one I have shown many times before. It looks at SPX performance if you were to buy the index when the CBI reached 10 or higher and then sell when it returned back down to 3 or lower. Results are updated.



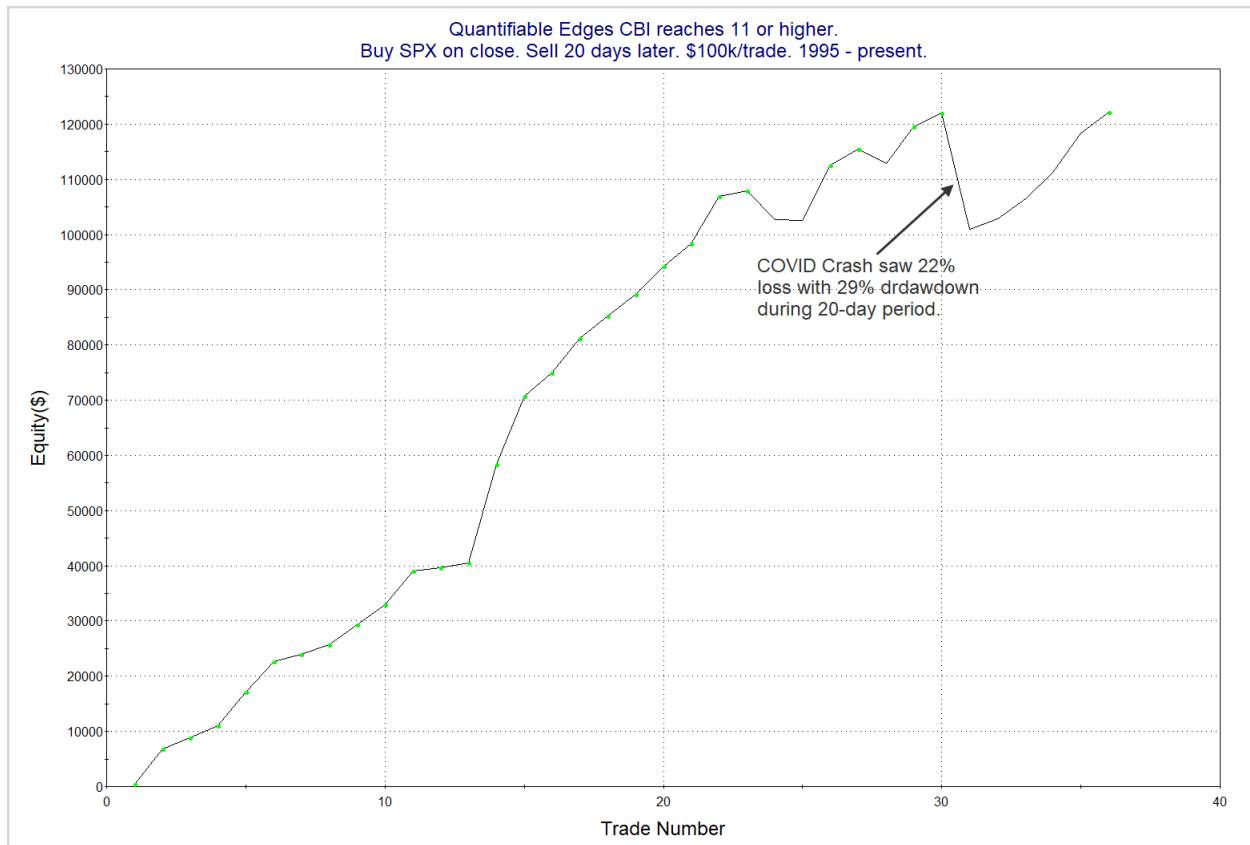
The COVID Crash in March of 2020 accounted for most of the gross losses. Other than that instance, the strategy would have performed very well over the years. And the last 6 instances have all closed higher, making for a nice run since the start of 2022.

I have also shown in the past that readings of 11 or higher have been a bullish intermediate-term indication. The study below is one I have shared several times, most recently in the 1/8/24 letter just a few days ago.

Quantifiable Edges CBI reaches 11 or higher.
Buy SPX 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
20	122,151.91	36	32	4	88.89	17,878.08	-21,107.28	4,728.25	-7,288.03	0.65	5.19	3,393.11
19	110,070.25	36	30	6	83.33	17,534.88	-27,615.11	4,883.89	-6,074.43	0.80	4.02	3,057.51
18	109,691.78	36	31	5	86.11	20,061.36	-25,521.99	4,543.24	-6,229.73	0.73	4.52	3,046.99
17	108,742.18	36	32	4	88.89	21,217.68	-22,283.42	4,309.96	-7,294.13	0.59	4.73	3,020.62
16	96,658.33	36	33	3	91.67	15,329.16	-22,633.41	3,824.33	-9,848.15	0.39	4.27	2,684.95
15	89,699.71	36	28	8	77.78	17,338.20	-18,569.62	4,182.83	-3,427.43	1.22	4.27	2,491.66
14	60,175.17	37	28	9	75.68	15,991.80	-23,004.48	3,825.43	-5,215.20	0.73	2.28	1,626.36
13	82,575.18	38	30	8	78.95	19,377.60	-12,932.89	3,918.87	-4,373.87	0.90	3.36	2,173.03
12	66,897.46	38	29	9	76.32	17,982.36	-20,074.67	3,706.83	-4,511.17	0.82	2.65	1,760.46
11	81,551.24	38	28	10	73.68	20,758.32	-11,991.73	3,989.85	-3,016.46	1.32	3.70	2,146.09
10	71,428.71	38	25	13	65.79	16,319.16	-7,625.38	3,780.46	-1,775.60	2.13	4.09	1,879.70
9	74,192.33	38	28	10	73.68	12,246.96	-11,831.15	3,535.63	-2,480.52	1.43	3.99	1,952.43
8	69,047.06	38	30	8	78.95	15,615.60	-5,568.00	3,101.58	-3,000.03	1.03	3.88	1,817.03
7	72,940.76	38	28	10	73.68	12,720.84	-4,980.00	3,364.99	-2,127.89	1.58	4.43	1,919.49
6	67,421.40	39	30	9	76.92	18,349.11	-8,839.00	2,988.63	-2,470.83	1.21	4.03	1,728.75
5	71,623.16	39	29	10	74.36	18,981.60	-5,174.95	3,212.92	-2,155.16	1.49	4.32	1,836.49
4	61,911.04	39	27	12	69.23	17,851.68	-4,365.00	3,171.69	-1,977.06	1.60	3.61	1,587.46
3	22,633.25	39	24	15	61.54	13,853.40	-9,701.00	2,986.99	-3,270.31	0.91	1.46	580.34
2	10,789.91	39	22	17	56.41	13,116.84	-8,631.00	2,641.73	-2,784.01	0.95	1.23	276.66
1	13,836.06	39	22	17	56.41	10,716.03	-6,760.90	1,988.77	-1,759.82	1.13	1.46	354.77

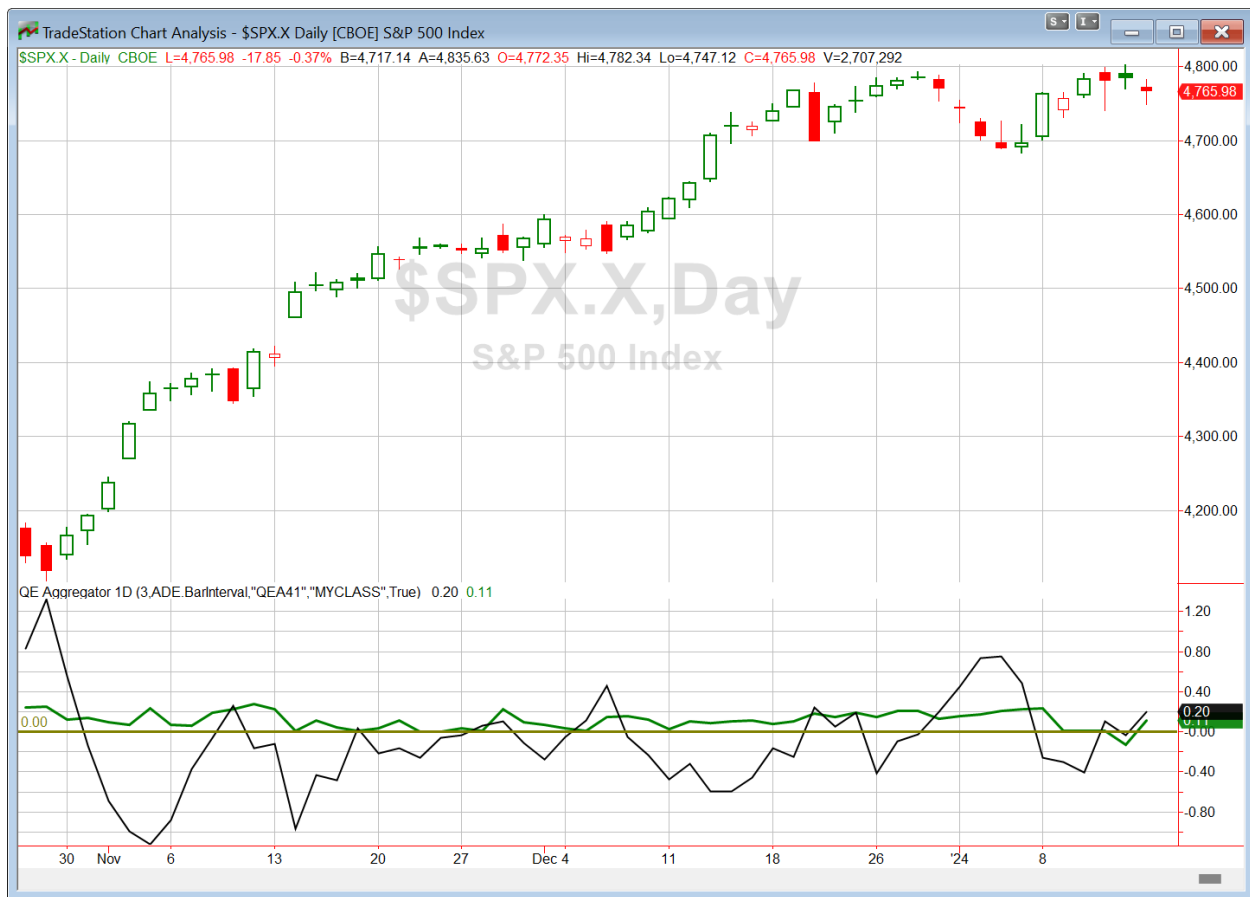
Looking out over the next several weeks, the stats are (almost) all very impressive. The one exception is the Max Losing Trade. And you can guess when that was.



Even with the COVID Crash included, this study has made it back to new highs. Overall, I view the CBI spike over the last few days to be a favorable indication for both the short and intermediate-term.

I will note that the big CBI spike is coming at a very unusual time. Often the SPX is oversold when a spike occurs. Tuesday it was down just 0.4% after closing at a 50-day high the day before. As I noted on Twitter... “Only seen moves to 10+ twice before when immediately following a 50-day [\\$SPX](#) closing high. Here are all 5 times (since 1995) it happened within 5 days: 2/2/2004, 2/25/2020, 1/26/2021, 5/31/2023, and 1/5/2024. The 2020 instance was the COVID Crash. Others saw a bounce within days leading to a new 50-day high fairly quickly.” Anyway, this is not the traditional SPX pullback / CBI spike. So I am a little less enthused about it than I otherwise would be.

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



With tonight's evidence considered, the green Aggregator Line moved back above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also rose 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 flipped to long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Wednesday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4781.05 on Wednesday. That is 0.3% above Tuesday's close. Therefore, SPX will need to close up over 0.3% in order to flip from oversold to overbought versus recent expectations.

So the bearish Aggregator formation only lasted a day, and it is now back to bullish. Short-term evidence is mixed overall, and the market is only down a mild amount, and just one day off a 50-day high. Thus the oversold reading is just on a relative basis. I think there is a decent chance the market bounces, but it may be a little early to get very excited. I may start with a small index position on Wednesday if I can get a favorable fill near the open or the close.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/16 – **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)

CVS @ \$76.56 (buy @ limit)

WFC @ \$47.40 (buy @ limit)

New

BA @ \$200.52 (buy @ limit)

WFC @ \$46.82 (buy @ limit)

AXP @ \$180.97 (buy @ limit)

BAC @ \$32.12 (buy @ limit)

MS @ \$85.97 (buy @ limit)

SCHW @ \$64.31 (buy @ limit)

USB @ \$41.38 (buy @ limit)

Broad Market Large Cap CBI – 11(BA-2, UNP, CVS, WFC-2, AXP, BAC, MS, SCHW, USB)

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.

BA – Buy 1/3 Catapult position @ \$200.52 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of BA.

WFC – Buy 1/3 Catapult position @ \$46.82 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of WFC.

AXP – Buy 1/3 Catapult position @ \$180.97 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of AXP.

BAC – Buy 1/3 Catapult position @ \$32.12 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of BAC.

MS – Buy 1/3 Catapult position @ \$85.97 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of MS.

SCHW – Buy 1/3 Catapult position @ \$64.31 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of SCHW.

USB – Buy 1/3 Catapult position @ \$41.38 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of USB.

SPY – Buy ¼ index position @ \$472.50 LIMIT ON OPEN. If not filled, cancel order and then look to enter @ \$474.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take on some index exposure if I can get a bargain fill near the open or the close on Wednesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
UNP(1/3)	1/8/2024	\$239.17	\$236.21	-1.24%	Catapult
CVS(1/3)	1/16/2024	\$76.56	\$77.42	1.12%	Catapult
WFC(1/3)	1/16/2024	\$46.77	\$46.82	0.11%	Catapult

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