

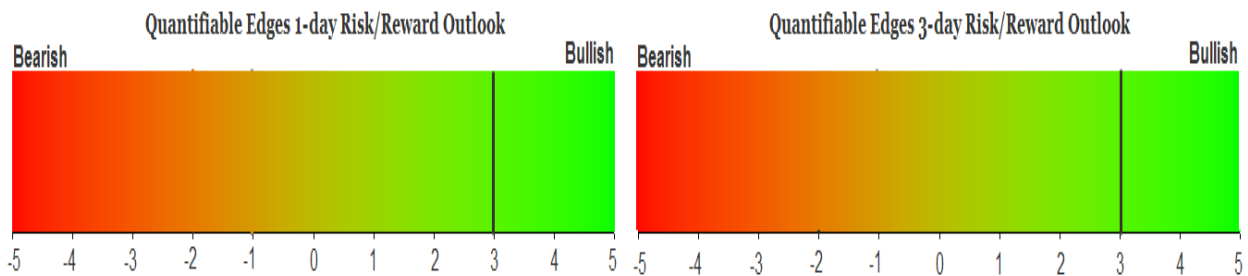
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 18, 2024

Volume 17 Issue 12

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	17

Tonight's Research Points

- Two unfilled down gaps the last two days are suggesting an upside edge for Thursday.
- The CBI continues to spike strongly on this moderate decline.

Short-term Outlook

The Bottom Line

The Aggregator is long and the CBI has spiked. I like the long side, but still feel some caution is warranted. Despite the weak breadth / high CBI, there has not been much of a pullback yet.

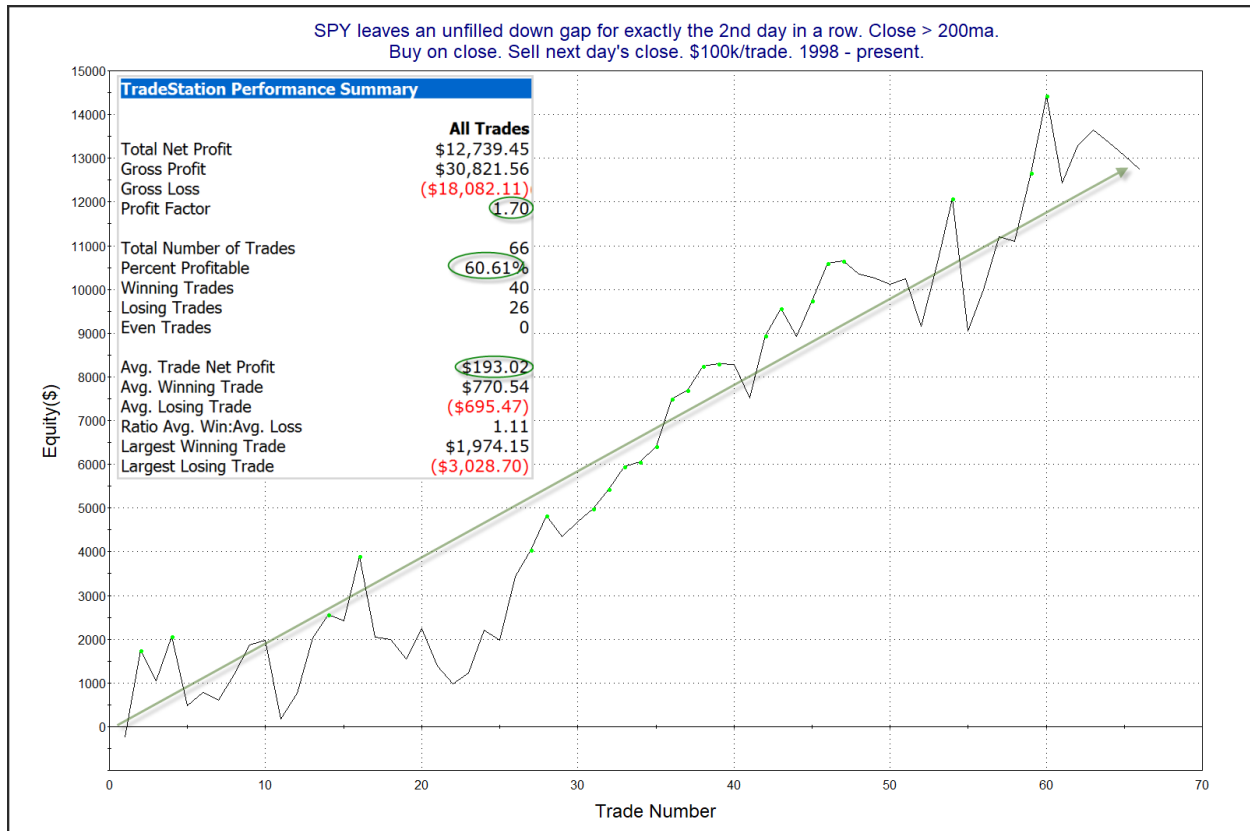
Summary of Current Active Studies (see Letters from listed dates for details) – LIST NOT UPDATED TONIGHT

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

Wednesday was a 2nd down day for the market, although it closed near the top of its intraday range. The SPX closed down 0.56%, the NASDAQ lost 0.59%, and the Russell 2000 dropped 0.73%. Breadth was weak with the NYSE Up Issues % coming in at 25% and the Up Volume % at 15%. NYSE total volume declined some from Tuesday's level.

One notable about Wednesday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. The study below suggested bullish implications when this occurred during a long-term uptrend. Stats are all updated from the 9/7/23 letter.



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.

As you will see in the CBI section down below, the CBI continued to spike on Wednesday, reaching 17. That is the highest reading we've seen since January of 2021. And it is very surprising to see such a big spike occur on what appears to be a mild pullback from a long-term high. While I view the high CBI as a bullish indication, I am still a bit wary of the current setup due to the unusual way in which it has occurred. But I will also note that the CBI is not the only breadth indicator that has shown unusual readings the last couple of days. I saw the following on Twitter this afternoon:



Jason Goepfert ✓



@jasongoepfert

On October 5, 1979, the S&P 500 recorded a 52-week high.

The next day, more than 85% of NYSE volume flowed into declining issues. The same thing happened the next day.

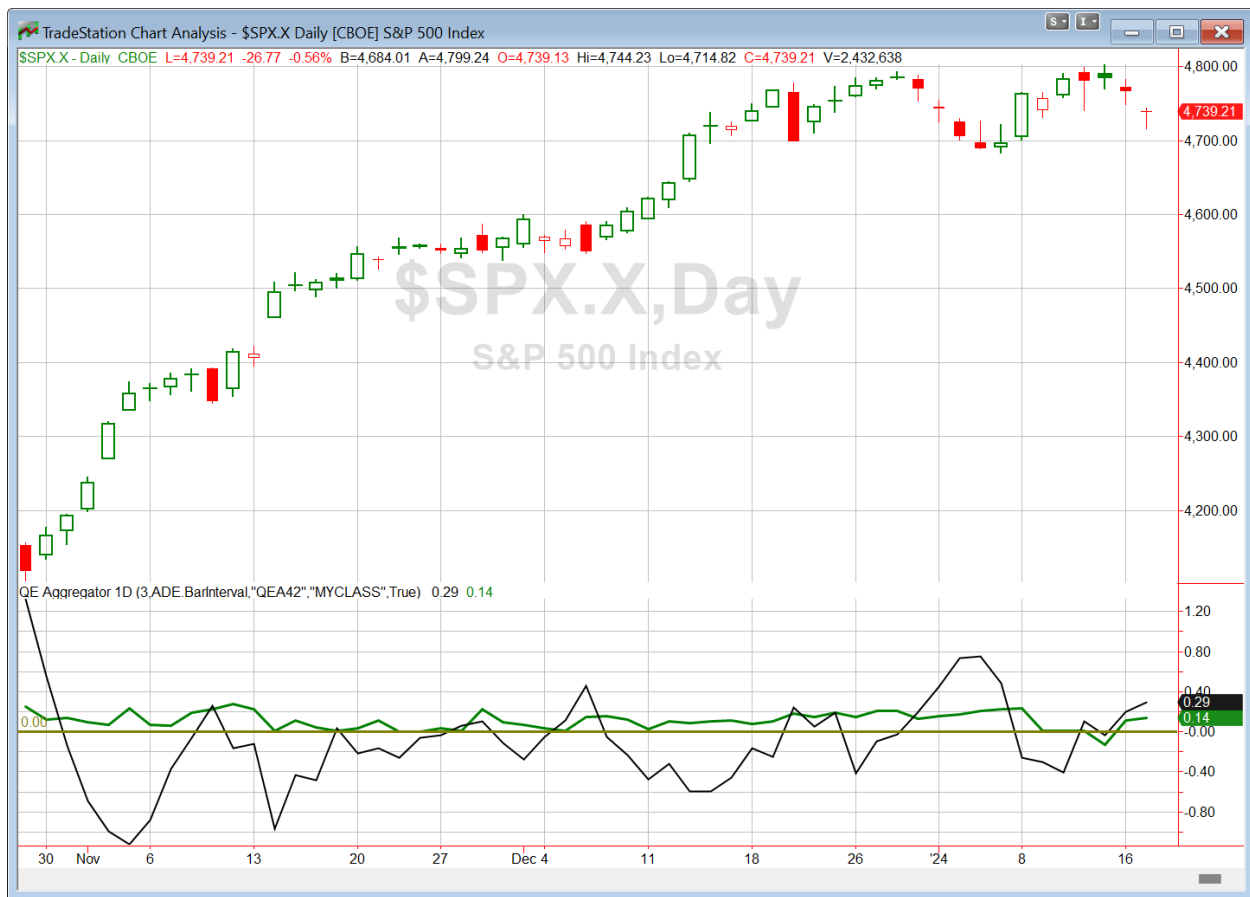
It is the only day in 60 years a new high was followed by consecutive 85% down volume days.

Until today.

Even looking at new highs within the past week, there aren't many precedents.

So we have very broad selling (by multiple measures) coming off a long-term SPX high. A short-term bounce appears likely, but it is tough to have much faith when dealing with circumstances that are so out of the ordinary.

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 also 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 list of active studies, expectations are slated to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4777.99 on Thursday. That is 0.8% above Wednesday's close. Therefore, SPX will need to close up over 0.8% on Thursday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator remains bullish. Evidence is pointing higher and there is ample room to the upside before SPX would flip to overbought. I like the long side. I don't love it. But I like it. The high CBI is nice. But the really broad selling right after a new high is unusual and has me a little wary. I have some long index exposure already. If the market struggles again on Thursday, I may look to increase the size of my position at near 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 (bought @ limit)

WFC @ \$47.40 (bought @ limit)

BA @ \$200.52 (buy @ limit)

WFC @ \$46.82 (bought @ limit)

AXP @ \$180.97 (bought @ limit)

BAC @ \$32.12 (v @ limit)

MS @ \$85.97 (bought @ limit)

SCHW @ \$64.31 (bought @ limit)

USB @ \$41.38 (bought @ limit)

New

CAT @ \$278.63 (buy @ limit)

JPM @ \$167.09 (buy @ limit)

BAC @ \$31.80 (buy @ limit)

MS @ \$84.41 (buy @ limit)

USB @ \$40.82 (buy @ limit)

WFC @ \$46.67 (buy @ limit)

Broad Market Large Cap CBI – 17(BA-2, UNP, CVS, WFC-3, AXP, BAC-2, MS-2, SCHW, USB-2, CAT, JPM)

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.

WFC – Buy 1/3 Catapult position @ \$46.67 LIMIT. From the Catapult section above, this is the 3rd and final lot of WFC.

CAT – Buy 1/3 Catapult position @ \$278.63 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of CAT.

BAC – Buy 1/3 Catapult position @ \$31.82 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of BAC.

MS – Buy 1/3 Catapult position @ \$84.41 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of MS.

JPM – Buy 1/3 Catapult position @ \$167.09 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of JPM.

USB – Buy 1/3 Catapult position @ \$40.82 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of USB.

SPY – Buy ¼ index position @ \$468.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will increase my long inde exposure if we get a sizable down day on Thursday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
UNP(1/3)	1/8/2024	\$239.17	\$235.81	-1.40%	Catapult
CVS(1/3)	1/16/2024	\$76.56	\$76.99	0.56%	Catapult
WFC(1/3)	1/16/2024	\$46.77	\$46.67	-0.21%	Catapult
WFC(1/3)	1/17/2024	\$46.82	\$46.67	-0.32%	Catapult
AXP(1/3)	1/17/2024	\$179.45	\$181.00	0.86%	Catapult
BAC(1)	1/17/2024	\$31.72	\$31.80	0.25%	Catapult
MS(1/3)	1/17/2024	\$84.85	\$84.41	-0.52%	Catapult
SCHW(1/3)	1/17/2024	\$60.93	\$63.45	4.14%	Catapult
USB(1/3)	1/17/2024	\$41.35	\$40.82	-1.28%	Catapult
SPY(1/4)	1/17/2024	\$471.82	\$472.29	0.10%	Aggregator

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