

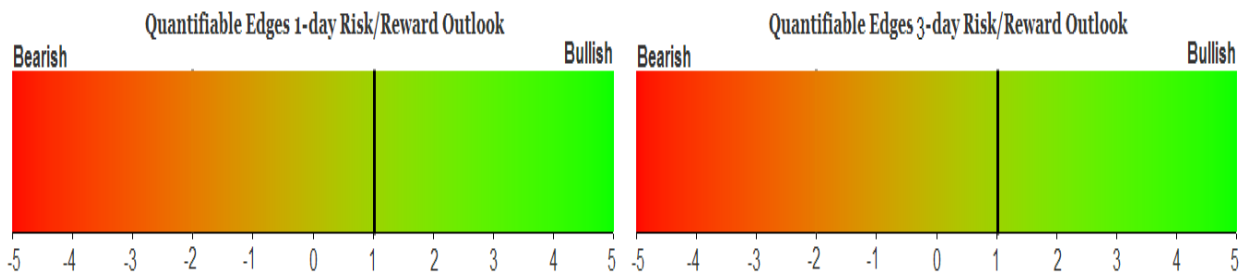
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 19, 2024

Volume 17 Issue 13

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	21

## Tonight's Research Points

- Despite the bounce, the CBI kept rising. There are lots of stocks still primed for a rebound.
- During uptrends, opex Friday has often seen selling after the open.

## *Short-term Outlook*

### *The Bottom Line*

Odd market. Neutral Aggregator since the market is overbought. Evidence mixed but leaning bullish. But CBI is sky high, suggesting more rally could come.

**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 17, 2024	CBI 10+	1-8 days	Bullish			
January 16, 2024	MLK/Jan Opex bearish tendency	1-4 days	Bearish	-2.20%	0.80%	1.70%
<b>Active - Long Term</b>						
January 17, 2024	CBI 11+	1-20 days	Bullish	5.90%	-4.30%	-9.65%
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 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 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			

**The Evidence**

The indices saw nice bounces on Thursday. The SPX rose 0.9%, the NASDAQ rallied 1.35%, and the Russell 2000 gained 0.55%. Breadth was positive with the NYSE Up Issues % coming in at 56% and the Up Volume % at 51%. NYSE total volume rose some from Wednesday's level.

Despite the rally in the indices, we are still seeing a large number of stocks that appear oversold and primed for a bounce. When the market bounces, the CBI will typically drop. But few of those oversold stocks made much headway on Thursday. And we saw even more decline further. This caused the CBI to reach 21. That is the highest reading we have seen since the COVID Crash in March of 2020. Below is the full list of instances where the CBI reached 20 or higher.

Buy SPX when Quantifiable Edges CBI reaches 20. Sell when it closes <= 3. \$100k/trade. 1995 - present.				
Date	Trade	Price	% Profit	Runup/Ddn
12/6/1996	Buy	\$739.60	0.83%	\$1,867.05
12/19/1996	Sell	\$745.77		(\$3,092.85)
8/31/1998	Buy	\$957.55	7.53%	\$8,408.40
9/14/1998	Sell	\$1,029.70		(\$1,825.20)
9/20/2001	Buy	\$984.54	8.91%	\$9,174.84
10/3/2001	Sell	\$1,072.28		(\$4,018.79)
7/19/2002	Buy	\$847.75	6.49%	\$7,261.02
7/30/2002	Sell	\$902.78		(\$8,432.19)
10/9/2008	Buy	\$909.92	4.85%	\$14,648.51
10/30/2008	Sell	\$954.09		(\$7,643.08)
5/21/2010	Buy	\$1,087.69	-2.94%	\$1,636.18
6/9/2010	Sell	\$1,055.69		(\$4,268.81)
7/2/2010	Buy	\$1,022.58	4.66%	\$4,720.99
7/8/2010	Sell	\$1,070.25		(\$410.31)
7/27/2015	Buy	\$2,067.64	0.89%	\$2,236.80
8/12/2015	Sell	\$2,086.05		(\$746.40)
8/24/2015	Buy	\$1,893.21	4.48%	\$5,214.04
9/15/2015	Sell	\$1,978.09		(\$1,358.76)
2/5/2018	Buy	\$2,648.94	3.71%	\$3,902.76
2/23/2018	Sell	\$2,747.30		(\$4,301.25)
10/29/2018	Buy	\$2,641.25	3.10%	\$4,266.10
11/2/2018	Sell	\$2,723.06		(\$218.67)
12/21/2018	Buy	\$2,416.58	3.87%	\$4,251.29
1/2/2019	Sell	\$2,510.03		(\$2,870.00)
2/26/2020	Buy	\$3,116.39	-20.56%	\$650.56
3/25/2020	Sell	\$2,475.56		(\$29,584.96)

In most cases, SPX saw a strong bounce in the following days. COVID was a huge outlier. Of course the markets shown above were all very different than the one we are experiencing now. They were volatile, and most did not occur with the market near new highs. March 2020 is a notable exception, since that did spike quickly with SPX still near an all-time high. The fact that the CBI spiked so high without a substantial market selloff has me a little distrustful of the typically bullish implications. On the other hand, I do think it is encouraging to have all these equities primed to rally in the coming days. That would seem to suggest the market could benefit and ramp higher from here,

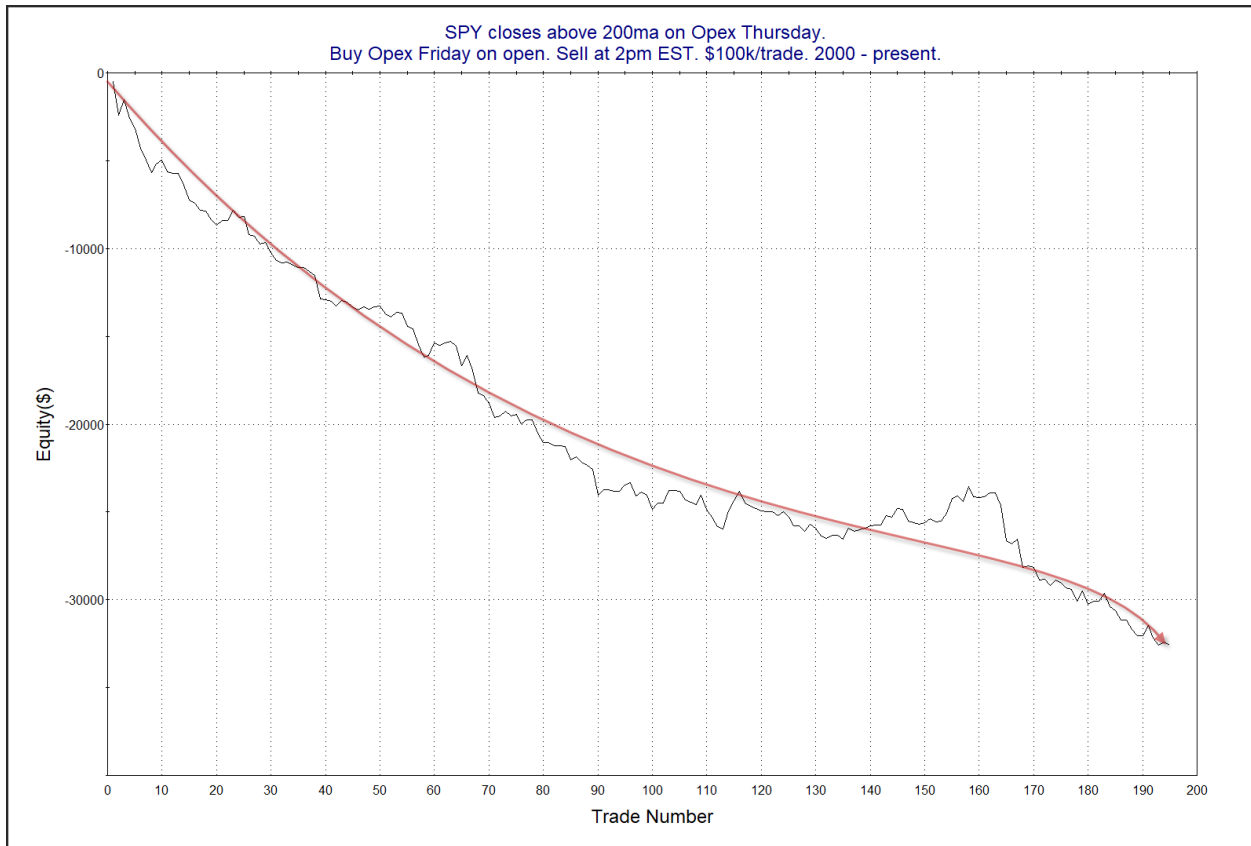
Options expiration occurring on Friday is notable. Options expiration has long been a day that has seen weakness after the opening bell. I last discussed this in the 12/15/23 letter. I have updated that research below.

This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

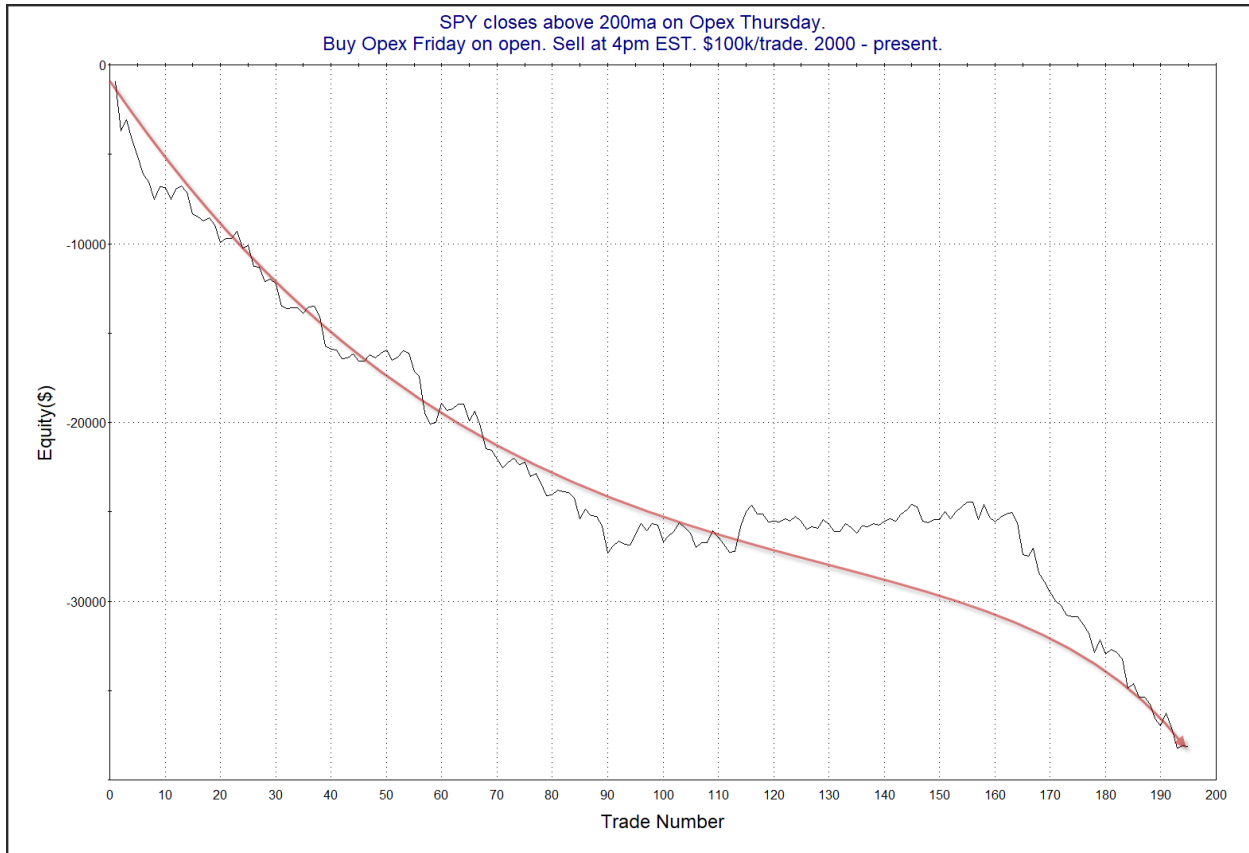
SPY closes above 200ma on Opex Thursday.  
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-38,118.94	195	78	117	40.00	1,400.58	-2,746.58	317.89	-537.73	0.59	0.39	-195.48
1,500	-32,469.02	195	79	115	40.51	983.92	-2,315.18	293.18	-483.74	0.61	0.42	-166.51
1,400	-32,567.91	195	66	129	33.85	993.96	-2,000.00	288.70	-400.17	0.72	0.37	-167.01
1,300	-28,810.24	195	68	126	34.87	968.86	-1,324.62	277.65	-378.50	0.73	0.40	-147.74
1,200	-27,137.64	195	67	128	34.36	1,243.06	-1,318.40	266.57	-351.55	0.76	0.40	-139.17
1,100	-21,463.92	195	72	122	36.92	1,020.18	-968.50	222.00	-306.95	0.72	0.43	-110.07
1,000	-17,594.75	195	55	140	28.21	365.47	-629.00	137.29	-179.61	0.76	0.30	-90.23

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

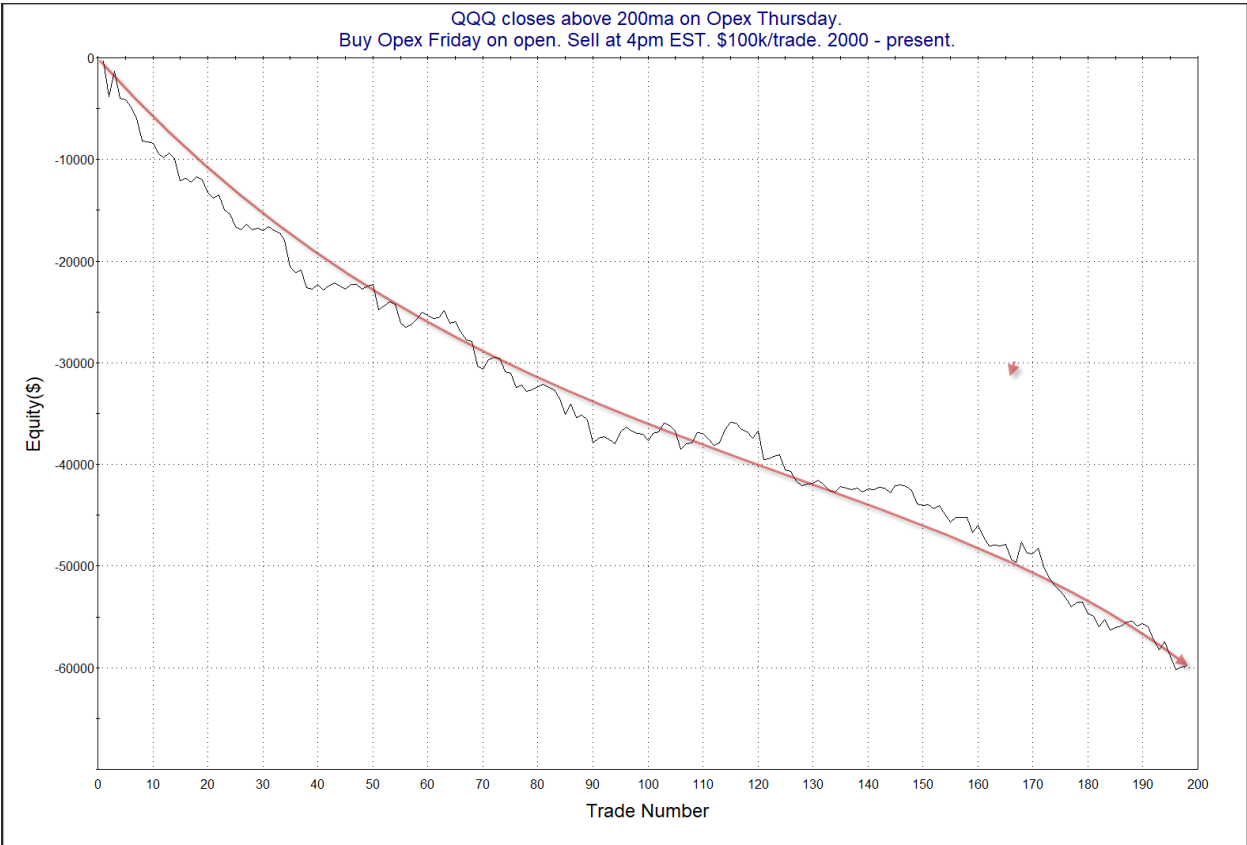
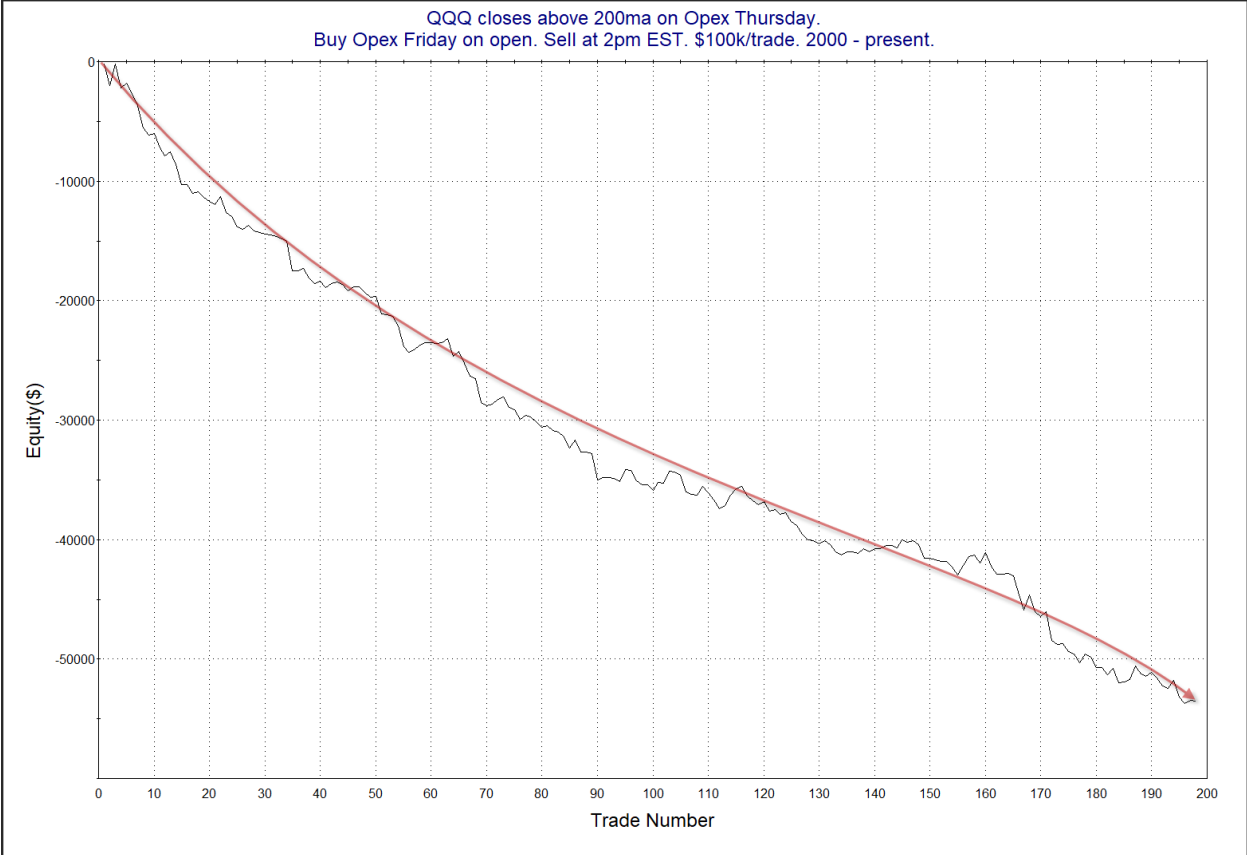


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

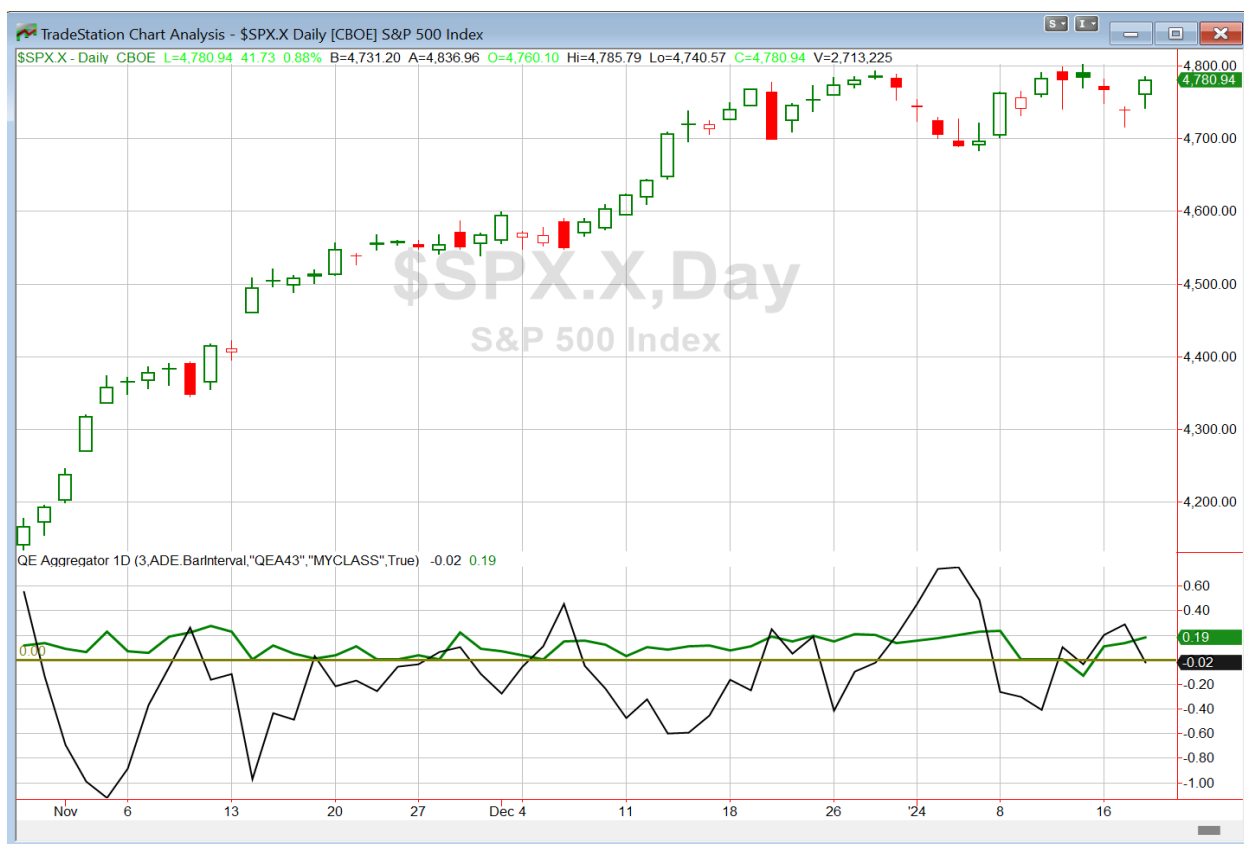
QQQ closes above 200ma on Opex Thursday.  
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-59,770.44	198	77	121	38.89	2,516.00	-3,525.88	436.57	-771.79	0.57	0.36	-301.87
1,500	-53,614.36	198	72	124	36.36	1,739.00	-2,590.84	409.21	-669.98	0.61	0.35	-270.78
1,400	-53,491.13	198	64	131	32.32	1,822.25	-2,431.68	392.26	-599.97	0.65	0.32	-270.16
1,300	-46,298.76	198	68	129	34.34	1,655.75	-2,382.80	362.62	-550.06	0.66	0.35	-233.83
1,200	-45,309.90	198	70	127	35.35	2,488.25	-1,843.43	344.90	-546.88	0.63	0.35	-228.84
1,100	-37,092.48	198	67	130	33.84	1,998.00	-1,936.40	363.39	-472.61	0.77	0.40	-187.34
1,000	-28,335.63	198	62	135	31.31	1,332.00	-1,198.29	219.72	-310.80	0.71	0.32	-143.11



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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 dipped 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 list of active studies, expectations are slated to remain positive on Friday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4765.11 on Friday. That is 0.3% below Thursday's close. Therefore, SPX will need to close down over 0.3% on Friday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Evidence is mixed. Opex Friday is often met with selling after the open. On the other hand, we have a sky high CBI. So seeing this bounce continue a bit longer would not surprise me in the least. Still, with the neutral Aggregator and odd circumstances, I decided I will take profits if I can get a decent fill on Friday.

*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*

CVS @ \$76.56 (bought @ limit)

WFC @ \$47.40 (bought @ limit)

BA @ \$200.52 (buy @ limit) – *not filled – cancel for now*

WFC @ \$46.82 (bought @ limit)

AXP @ \$180.97 (bought @ limit)

BAC @ \$32.12 (bought @ limit)

MS @ \$85.97 (bought @ limit)

SCHW @ \$64.31 (bought @ limit)

USB @ \$41.38 (bought @ limit)

CAT @ \$278.63 (bought @ limit)

JPM @ \$167.09 (bought @ limit)

BAC @ \$31.80 (bought @ limit)

MS @ \$84.41 (bought @ limit)

USB @ \$40.82 (bought @ limit)

WFC @ \$46.67 (bought @ limit)

#### ***New***

COF @ \$124.92 (buy @ limit)

AXP @ \$179.79 (buy @ limit)

BAC @ \$31.73 (buy @ limit)

MS @ \$83.90 (buy @ limit)

USB @ \$40.15 (buy @ limit)

***Broad Market Large Cap CBI – 21(BA-2, CVS, WFC-3, AXP-2, BAC-3, MS-3, SCHW, USB-3, CAT, JPM, COF)***

### **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.*

**COF – Buy 1/3 Catapult position @ \$124.92 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of COF.

**BAC – Buy 1/3 Catapult position @ \$31.73 LIMIT.** From the Catapult section above, this is the 3<sup>rd</sup> and final lot of BAC.

**MS – Buy 1/3 Catapult position @ \$83.90 LIMIT.** From the Catapult section above, this is the 3<sup>rd</sup> and final lot of MS.

**USB – Buy 1/3 Catapult position @ \$40.15 LIMIT.** From the Catapult section above, this is the 3<sup>rd</sup> and final lot of USB.

**AXP – Buy 1/3 Catapult position @ \$179.79 LIMIT.** From the Catapult section above, this is the 2<sup>nd</sup> of up to 3 possible lots of AXP.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
UNP(1/3)	1/8/2024	\$239.17	\$237.99	-0.49%	sell on open
CVS(1/3)	1/16/2024	\$76.56	\$73.88	-3.50%	Catapult
WFC(1/3)	1/16/2024	\$46.77	\$46.44	-0.71%	Catapult
WFC(1/3)	1/17/2024	\$46.82	\$46.44	-0.81%	Catapult
AXP(1/3)	1/17/2024	\$179.45	\$179.79	0.19%	Catapult
BAC(1/3)	1/17/2024	\$31.72	\$31.73	0.03%	Catapult
MS(1/3)	1/17/2024	\$84.85	\$83.90	-1.12%	Catapult
SCHW(1/3)	1/17/2024	\$60.93	\$62.72	2.94%	Catapult
USB(1/3)	1/17/2024	\$41.35	\$40.15	-2.90%	Catapult
SPY(1/4)	1/17/2024	\$471.82	\$476.49	0.99%	sell @ \$477.00 LIMIT
WFC(1/3)	1/16/2024	\$46.55	\$46.44	-0.24%	Catapult
CAT(1/3)	1/16/2024	\$277.35	\$281.90	1.64%	Catapult
BAC(1/3)	1/16/2024	\$31.75	\$31.73	-0.06%	Catapult
MS(1/3)	1/16/2024	\$84.41	\$83.90	-0.60%	Catapult
JPM(1/3)	1/16/2024	\$167.09	\$167.42	0.20%	Catapult
USB(1/3)	1/16/2024	\$40.82	\$40.15	-1.64%	Catapult

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