

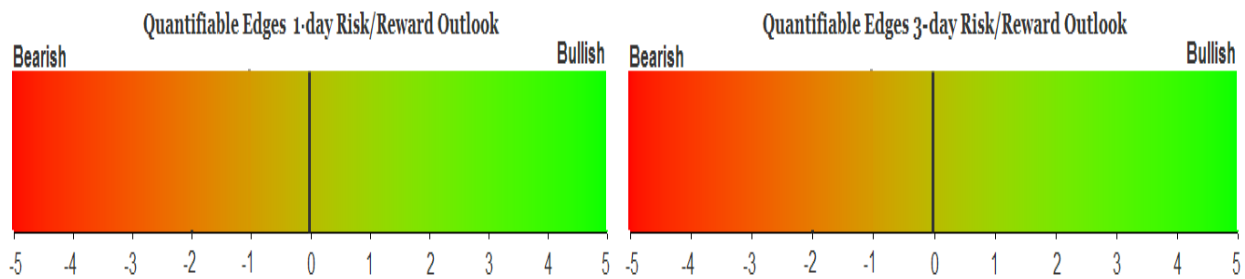
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 23, 2024

Volume 17 Issue 15

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	8

Tonight's Research Points

- The intraday high, unfilled gap, and weak close imply short-term strength.
- 3 days up to a 200-day high on a Monday is often followed by more buying.

Short-term Outlook

The Bottom Line

Evidence continues to emerge suggesting more upside, but with the market already quite overbought on short-term basis, I am 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						
January 23, 2024	3 days up. 200-day high on a Monday.	1-2 days	Bullish			
January 23, 2024	Unfilled gap up. 20-day high. Close < open	1-3 days	Bullish			
January 22, 2024	SPY Breakaway Gap	1-5 days	Bullish			
January 17, 2024	CBI 10+	1-8 days	Bullish			
Active - Long Term						
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%
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			
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			

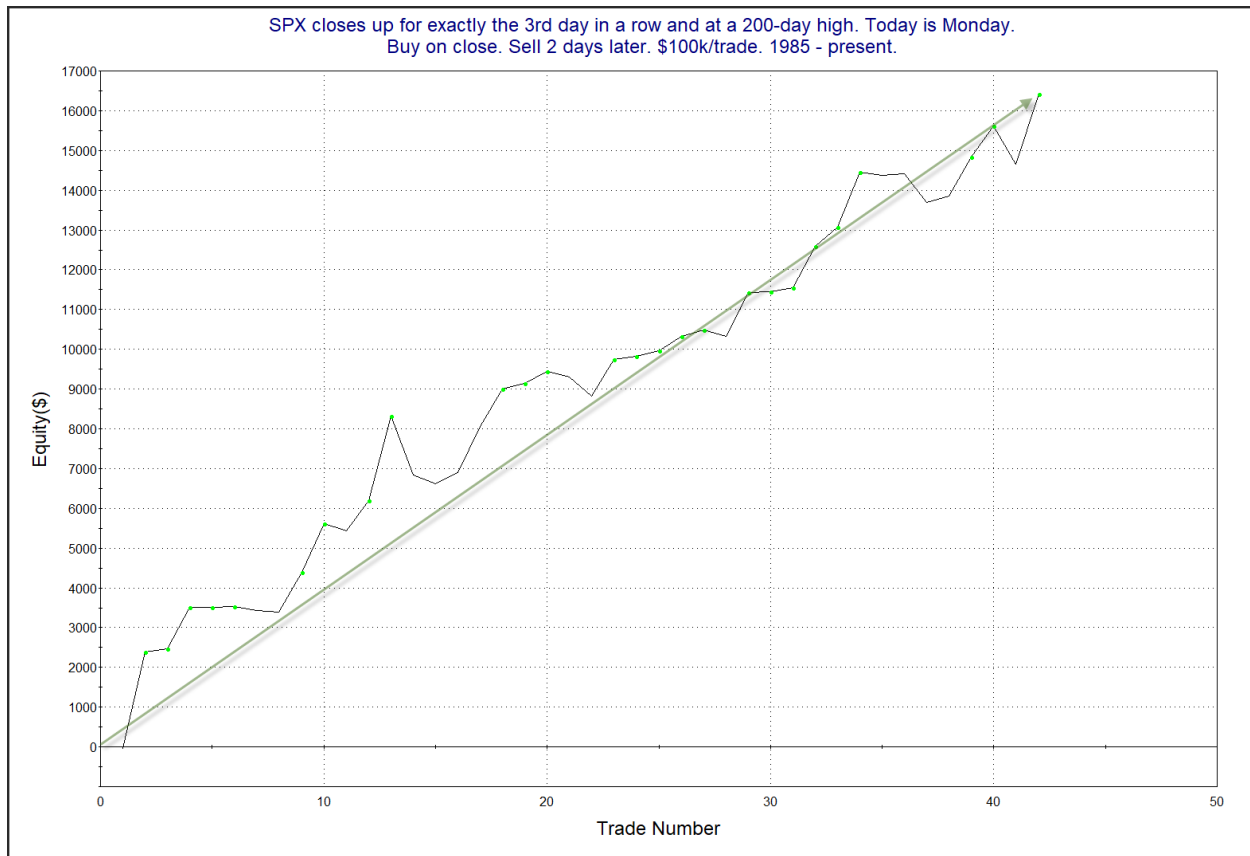
The Evidence

The rally continued on Monday, with smallcaps really getting a boost. The SPX closed up 0.2%, the NASDAQ gained 0.3%, and the Russell 2000 rallied 2.0%. Breadth was positive with the NYSE Up Issues % coming in at 75% and the Up Volume % at 64%. NYSE total volume declined some from Friday's high opex level.

One interesting study that triggered looked at other times SPX closed up 3 days in a row and made a new 200-day high on a Monday. Results below are updated from the 7/5/23 letter.

SPX closes up for exactly the 3rd day in a row and at a 200-day high. Today is Monday. Buy on close. Sell X days later. \$100k/trade. 1985 - 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	25,494.24	42	29	13	69.05	3,565.00	-1,497.69	1,199.62	-714.97	1.68	3.74	607.01
4	19,809.76	42	26	16	61.90	3,489.10	-2,042.82	1,208.49	-725.69	1.67	2.71	471.66
3	20,071.42	42	29	13	69.05	2,359.80	-1,300.86	910.95	-488.16	1.87	4.16	477.89
2	16,423.67	42	30	12	71.43	2,426.12	-1,482.30	701.92	-386.16	1.82	4.54	391.04
1	5,876.10	42	23	19	54.76	1,687.28	-539.07	434.75	-217.01	2.00	2.43	139.91

Results here appear quite bullish. Below is a look at the 2-day profit curve.



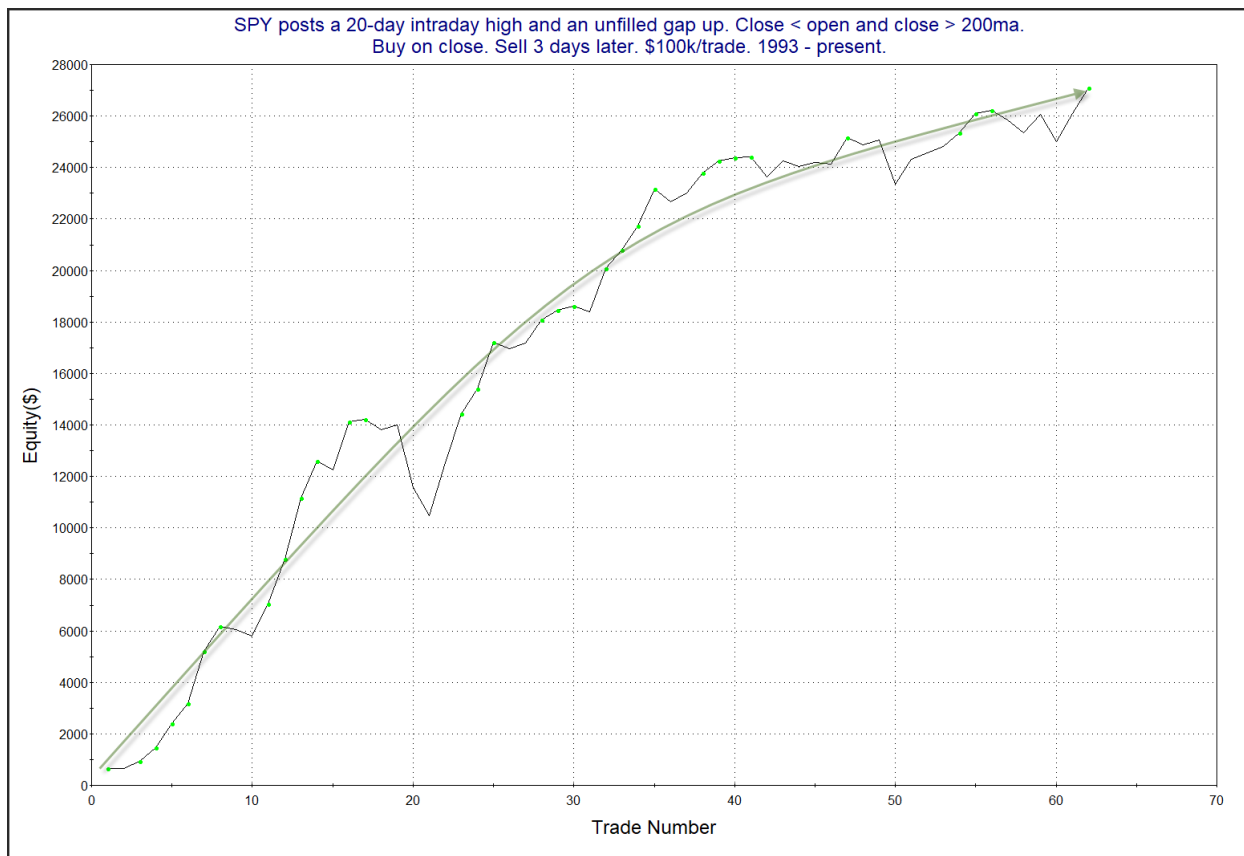
That is a very consistent move from lower left to upper right. I find the study appealing, and have included it on the active list as a 2-day edge.

There was a study from the 11/8/19 letter that looked at unfilled gaps up that make a 20-day high, but close below the open. It suggested an upside edge over the next several days. Below is an updated look.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - 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
10	50,017.12	53	37	16	69.81	4,838.35	-4,810.68	1,869.06	-1,196.12	1.56	3.61	943.72
9	43,164.49	54	41	13	75.93	3,741.10	-5,564.16	1,484.38	-1,361.17	1.09	3.44	799.34
8	38,406.96	55	39	15	70.91	3,352.48	-6,021.40	1,455.74	-1,224.47	1.19	3.09	698.31
7	32,191.80	57	37	20	64.91	3,751.55	-4,952.36	1,448.00	-1,069.21	1.35	2.51	564.77
6	31,783.10	57	37	20	64.91	4,159.10	-6,414.24	1,436.53	-1,068.42	1.34	2.49	557.60
5	25,458.53	57	34	23	59.65	3,754.17	-4,540.20	1,244.94	-733.45	1.70	2.51	446.64
4	23,630.45	58	41	17	70.69	3,436.02	-2,228.24	884.88	-744.10	1.19	2.87	407.42
3	27,108.21	62	44	17	70.97	2,362.10	-2,427.88	856.38	-621.91	1.38	3.56	437.23
2	21,666.31	63	39	24	61.90	1,998.70	-926.12	796.22	-391.09	2.04	3.31	343.91
1	8,556.35	64	40	24	62.50	1,708.92	-1,015.84	418.11	-340.34	1.23	2.05	133.69

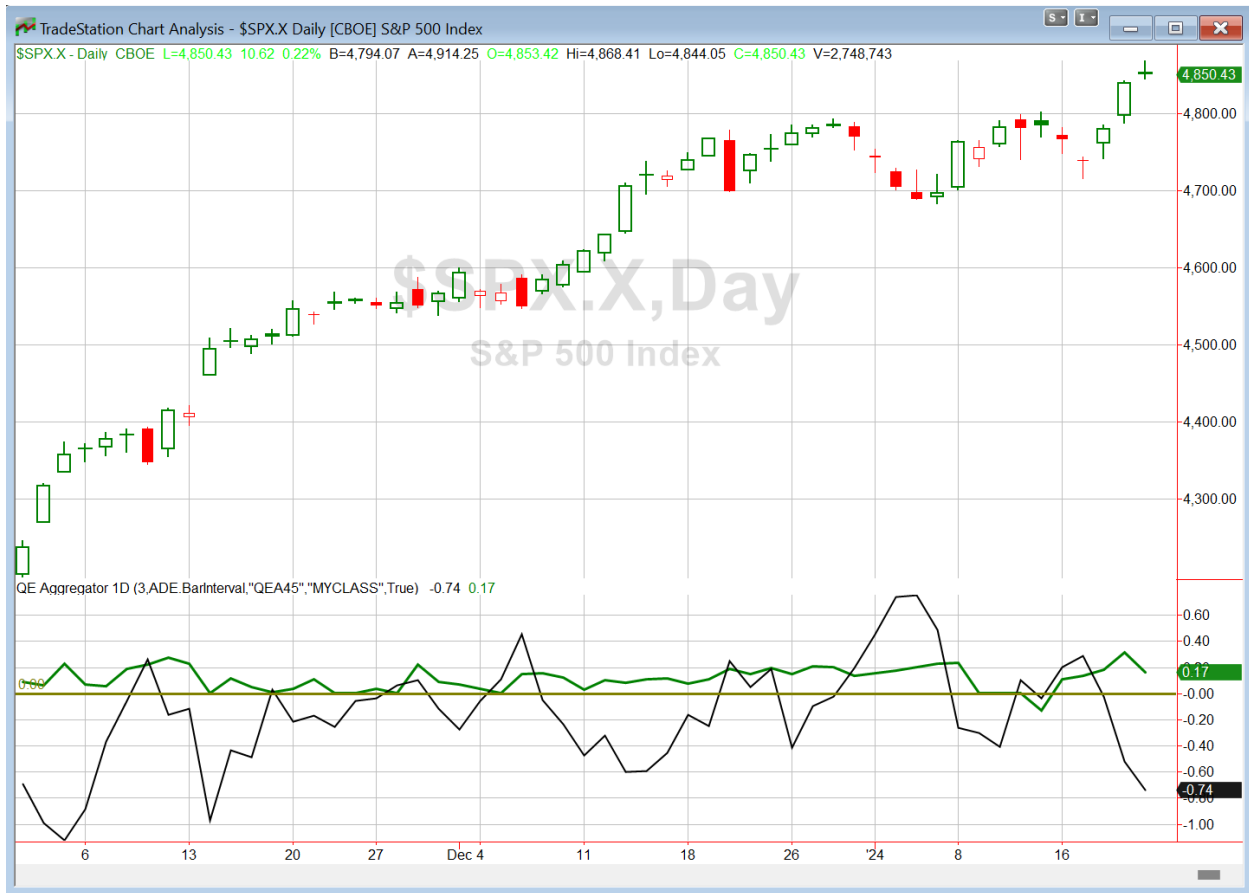
The numbers here suggest a solid bullish tendency in the days following such setups. Below is a look at a 3-day profit curve.



Here we see a persistent move up that also supports the idea of a bullish tendency. I have included this study on the active list as well.

I will also note that the CBI dropped from 13 to 8 on Monday. It is no longer strongly bullish, and seems to be approaching a more neutral reading. A little more upside from the remaining Catapults should get it done.

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 held 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 stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain positive on Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4800.99 on Tuesday. That is 1.0% below Monday's close. Therefore, SPX will need to close down 1.0% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. Not a surprise. Despite the short-term overbought market conditions, bullish evidence continues to emerge. So there is certainly no edge in trying to short the overbought condition. But the fact that we are so overbought also reduces reward potential for bulls. I'm currently flat on short-term index trades. I'll remain so until a more compelling entry setup emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/22 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

CVS @ \$76.56 (bought @ limit)

MS @ \$85.97 (bought @ limit)

SCHW @ \$64.31 (bought @ limit)

USB @ \$41.38 (bought @ limit)

MS @ \$84.41 (bought @ limit)

USB @ \$40.82 (bought @ limit)

MS @ \$83.90 (bought @ limit)

USB @ \$40.15 (bought @ limit)

Broad Market Large Cap CBI – 8(CVS, MS-3, SCHW, USB-3)

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
CVS(1/3)	1/16/2024	\$76.56	\$73.93	-3.44%	Catapult
WFC(1/3)	1/16/2024	\$46.77	\$48.23	3.12%	<i>sold on open</i>
WFC(1/3)	1/17/2024	\$46.82	\$48.23	3.01%	<i>sold on open</i>
AXP(1/3)	1/17/2024	\$179.45	\$184.26	2.68%	<i>sold on open</i>
BAC(1/3)	1/17/2024	\$31.72	\$32.55	2.62%	<i>sell on open</i>
MS(1/3)	1/17/2024	\$84.85	\$85.73	1.04%	Catapult
SCHW(1/3)	1/17/2024	\$60.93	\$63.63	4.43%	Catapult
USB(1/3)	1/17/2024	\$41.35	\$41.78	1.04%	Catapult
WFC(1/3)	1/18/2024	\$46.55	\$48.23	3.61%	<i>sold on open</i>
CAT(1/3)	1/18/2024	\$277.35	\$288.67	4.08%	<i>sell on open</i>
BAC(1/3)	1/18/2024	\$31.75	\$32.55	2.52%	<i>sell on open</i>
MS(1/3)	1/18/2024	\$84.41	\$85.73	1.56%	Catapult
JPM(1/3)	1/18/2024	\$167.09	\$170.46	2.02%	<i>sold on open</i>
USB(1/3)	1/18/2024	\$40.82	\$41.78	2.35%	Catapult
COF(1/3)	1/19/2024	\$124.92	\$129.68	3.81%	<i>sell on open</i>
BAC(1/3)	1/19/2024	\$31.73	\$32.55	2.58%	<i>sell on open</i>
MS(1/3)	1/19/2024	\$83.90	\$85.73	2.18%	Catapult
USB(1/3)	1/19/2024	\$40.15	\$41.78	4.06%	Catapult
AXP(1/3)	1/19/2024	\$179.79	\$184.26	2.49%	<i>sold on open</i>

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