

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 14, 2024

Volume 17 Issue 31

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- Despite the strong selling, I did not see anything terribly compelling trigger.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is an upside edge, but bullish evidence is somewhat muted. Therefore I will only look to take advantage if there are bargain prices available on Wednesday.

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

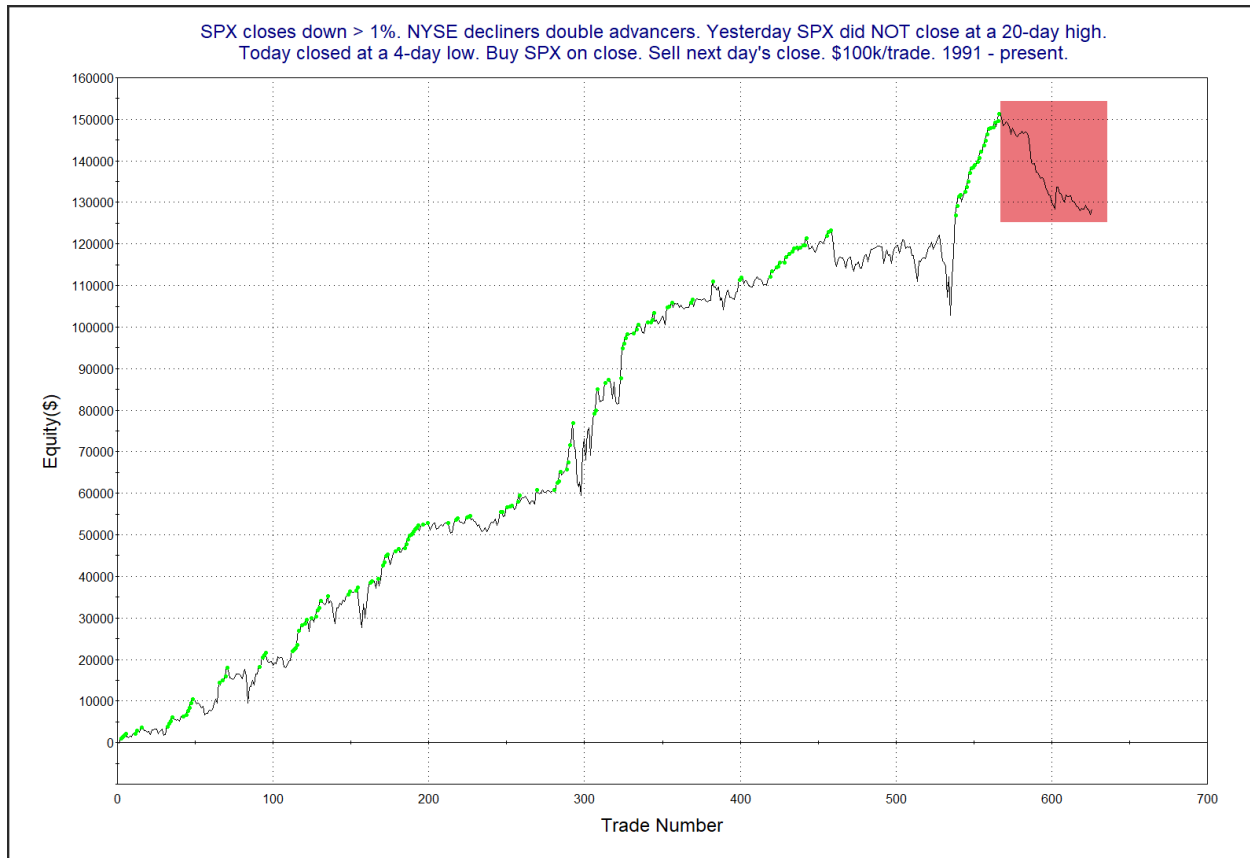
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 12, 2024	5-day high. Then down close on 60% Up Iss	1-3 days	Bullish	1.60%	-0.90%	-2.10%
Active - Long Term						
February 12, 2024	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.40%	-9.00%
February 5, 2024	Up Vol % < 40%. SPX up.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
February 2, 2024	SPX up > 15% last 3 months	1-6 months	Bullish			
January 29, 2024	5 up to 50 high. Down 1.	1-10 days	Bullish	1.80%	-1.10%	-2.30%
January 25, 2024	SPX 20-day intra high. Close btm 10% rng.	1-10 days	Bullish	2.00%	-1.50%	-2.80%
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 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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
February 12, 2024	.3 Higher Highs, Lows, Closes. Dn clos	1-4 days	Bullish	1.30%	-0.80%	-1.70%
February 5, 2024	Up Vol % < 40%. SPX up and > 200ma.	1-7 days	Bullish	1.70%	-1.30%	-2.50%

The Evidence

So the market did NOT like the CPI report. The SPX lost 1.4%, the NASDAQ fell 1.8%, and the Russell 2000 tumbled 4.0%. Breadth was positive with the NYSE Up Issues % coming in at 9% and the Up Volume % at 7.5%. NYSE total volume rose some from Monday's level.

It initially appeared that there would be a fair amount of evidence that could trigger based on the sizable selloff that was underway until 3:30pm EST. But the rally in the last 30 minutes wiped out much of the bullish evidence that was primed to appear.

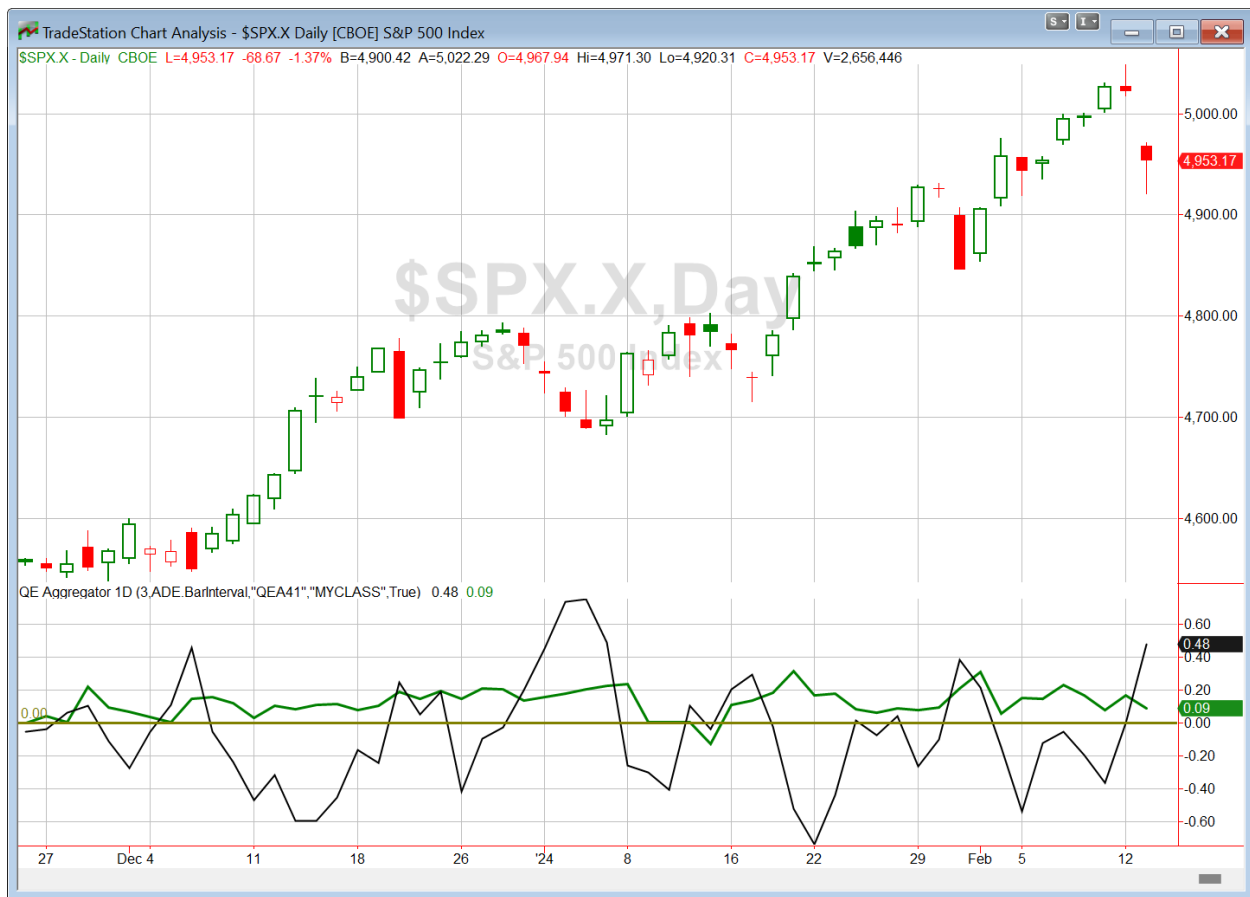
There was one study, from the 5/13/20 letter that looked at strong selloffs that occur on weak breadth. It suggested bullish implications. But it has not really played out well over the last couple of years. Below is an updated look at the 1-day results of the study.



The last 60+ instance have gone against the longer-term trend. These date back to January of 2022. Some of the other curves are not quite as negative, but all of them have failed to make gains over the last 2 years. So I am not inclined to include this study on the active list tonight.

Also notable is that the intraday drawdown in SPX on Tuesday was about 2%. This was more than enough to go far beyond the standard drawdown for the “pullback with continued higher highs and higher closes” study from last night. Therefore, that study has been removed from the Active List. This leaves us with just one study on the list. Not what I would call overall strongly compelling evidence.

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



Even with the lack of bullish evidence tonight, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line shot 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 turned long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Wednesday. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5049.32 on Wednesday. That is 1.9% above Tuesday's close. Therefore, SPX would need to close up a very sizable 1.9% on Wednesday in order to flip from oversold to overbought vs recent expectations. That's unlikely. A more likely scenario for working off the oversold condition is a multi-day rally or consolidation.

So the Aggregator is now bullish. With SPX so oversold, there is ample room to bounce, and potential reward appears strong. But evidence, while bullish, is light. So I will look for a potential entry on Wednesday to take advantage of a potential bounce. But I will only do so if I can get a favorable entry on a big gap down at the open or a lower close on the day.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 2/12 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

VZ @ \$39.91 – bought @ Limit

AMGN @ \$291.12 – bought @ Limit

New

C @ \$52.76 – buy @ Limit

Broad Market Large Cap CBI – 3(VZ, AMGN, C)

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.

SPY – Buy ¼ index position @ \$491.00 LIMIT ON OPEN. If not filled on open, cancel order and look to enter @ \$494.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will be a buyer on a sizable gap down, or a close that is even slightly below Tuesday’s close.

C – Buy 1/3 Catapult position @ \$52.76 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of C.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
VZ(1/3)	2/9/2024	\$39.90	\$40.13	0.58%	Catapult
AMGN(1/3)	2/12/2024	\$289.97	\$290.48	0.18%	Catapult

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