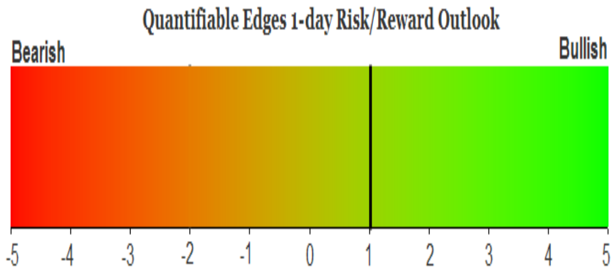
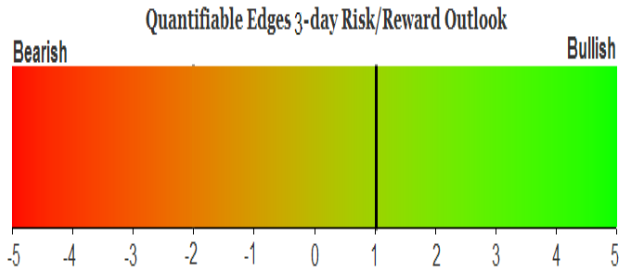
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 16, 2024 Volume 17 Issue 33

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- Two strong breadth days and a 50-day high suggest more short-term upside.
- During uptrends, opex Friday has often seen selling after the open.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But with SPX set to flip from oversold to overbought, I am not inclined to get involved ahead of the long weekend.

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 15, 2024	1-yr Up Issue % Rank > 90% 2x. SPX 50-hi	1-7 days	Bullish	2.00%	-1.30%	-2.90%
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	5-day high. Then down close on 60% Up Iss	1-3 days	Bullish	1.60%	-0.90%	-2.10%

The Evidence

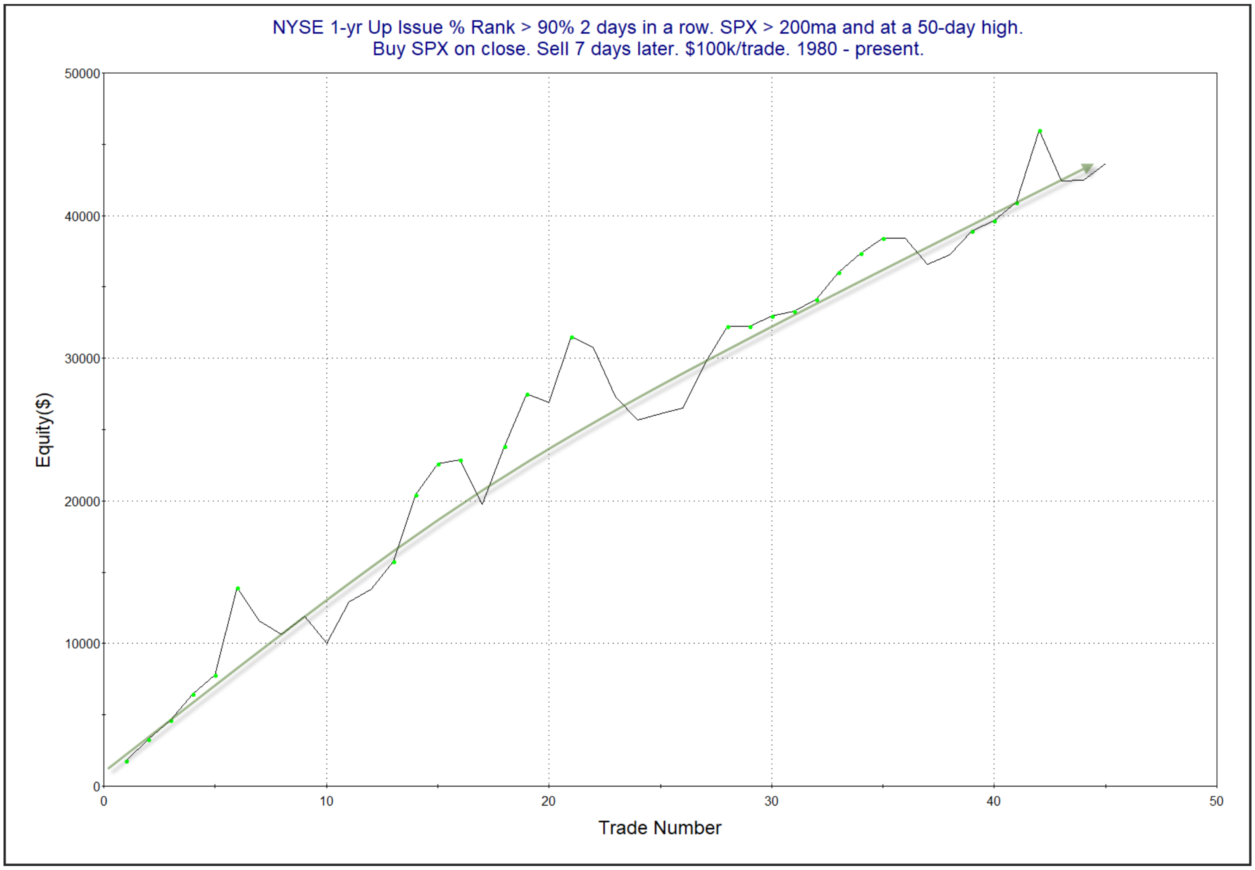
The SPX and Russell 2000 completed the bounce-back from Tuesday's hot CPI. Thursday SPX rose 0.6%, the NASDAQ gained 0.3%, and the Russell 2000 rallied 2.45%. Breadth was strong for the 2nd day in a row with the NYSE Up Issues % coming in at 81.8% and the Up Volume % at 82.5%. NYSE total volume rose some from Wednesday's level.

One tool I use to measure breadth is the Breadth % Rank calculation. For those unfamiliar, Breadth % Rank takes all of the breadth readings over a specified period and assigns a percentile rank rather than just using the raw breadth %.

Using a one-year look back, the last 2 days both saw readings over 94%. The study below simply looks for two consecutive days with a percent rank over 90%. It also requires that the SPX is making a 50-day high while the breadth thrust is occurring. I last discussed it a long time ago in the 10/18/13 letter. Stats are all updated.

NYSE 1-yr Up Issue % Rank > 90% 2 days in a row. SPX > 200ma and at a 50-day high. Buy SPX on close. Sell X days later. $100k/trade. 1980 - 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	44,363.29	42	30	12	71.43	7,961.76	-5,262.54	2,330.56	-2,129.47	1.09	2.74	1,056.27
9	38,403.45	43	27	16	62.79	8,093.68	-6,305.04	2,509.00	-1,833.72	1.37	2.31	893.10
8	43,590.93	45	32	13	71.11	6,280.32	-5,493.28	2,117.35	-1,858.79	1.14	2.80	968.69
7	43,650.26	45	34	11	75.56	6,153.68	-3,567.00	1,876.41	-1,831.61	1.02	3.17	970.01
6	32,220.00	46	31	15	67.39	5,043.84	-3,438.86	1,669.71	-1,302.73	1.28	2.65	700.43
5	24,648.99	46	28	18	60.87	4,482.50	-4,974.00	1,656.49	-1,207.37	1.37	2.13	535.85
4	21,272.89	47	30	17	63.83	6,138.16	-5,732.40	1,434.90	-1,280.84	1.12	1.98	452.61
3	9,098.89	48	30	18	62.50	4,376.64	-6,908.70	1,157.77	-1,424.12	0.81	1.35	189.56
2	11,474.12	49	30	19	61.22	4,399.92	-2,409.33	836.57	-717.00	1.17	1.84	234.17
1	4,729.43	53	29	24	54.72	2,609.46	-1,213.92	543.41	-459.56	1.18	1.43	89.23

The numbers here are all solidly positive. Below you can see the 7-day profit curve.



The solid upslope serves as confirmation of the short-term bullish edge.

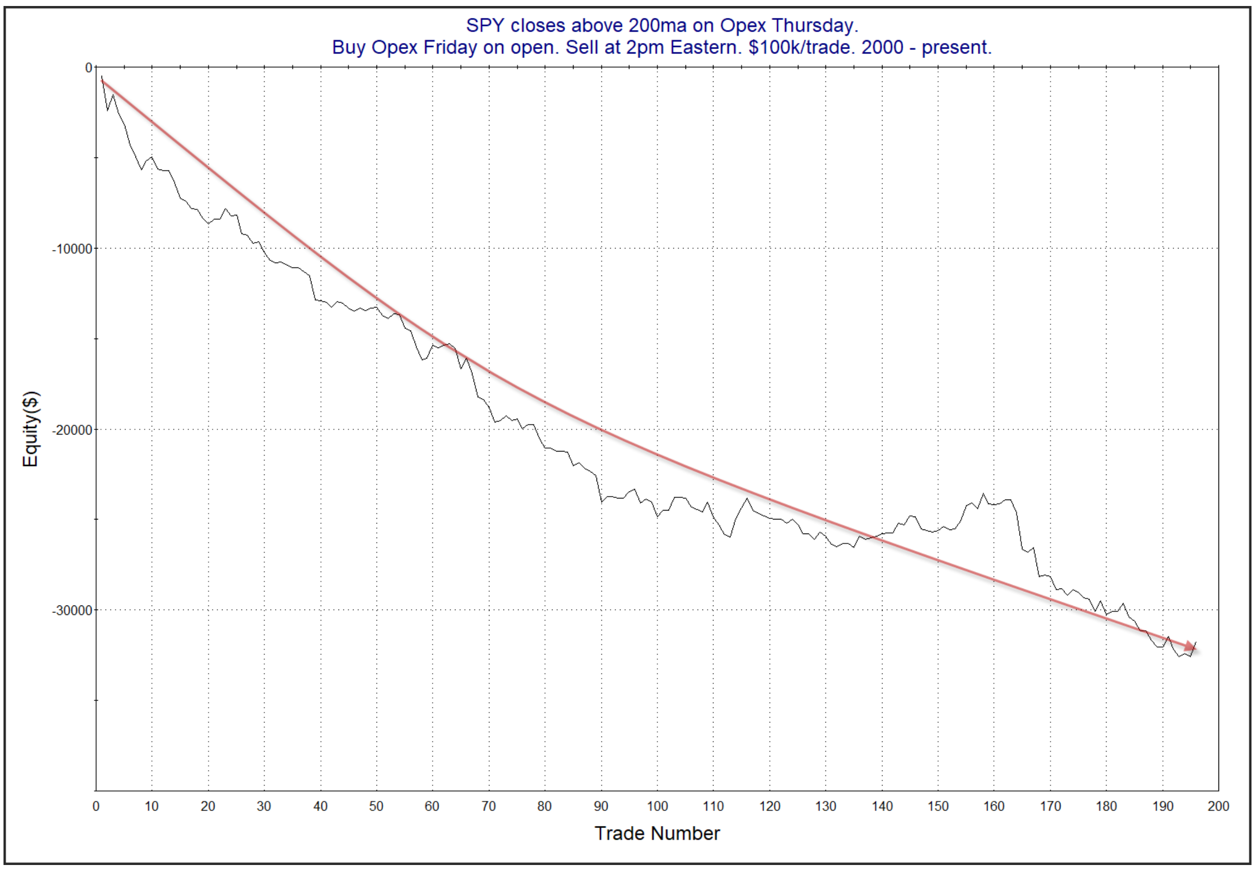
Options expiration occurring on Friday is also notable. Options expiration has long been a day that has seen weakness after the opening bell. I last discussed this in the 1/19/24 letter. I have updated that research below.

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

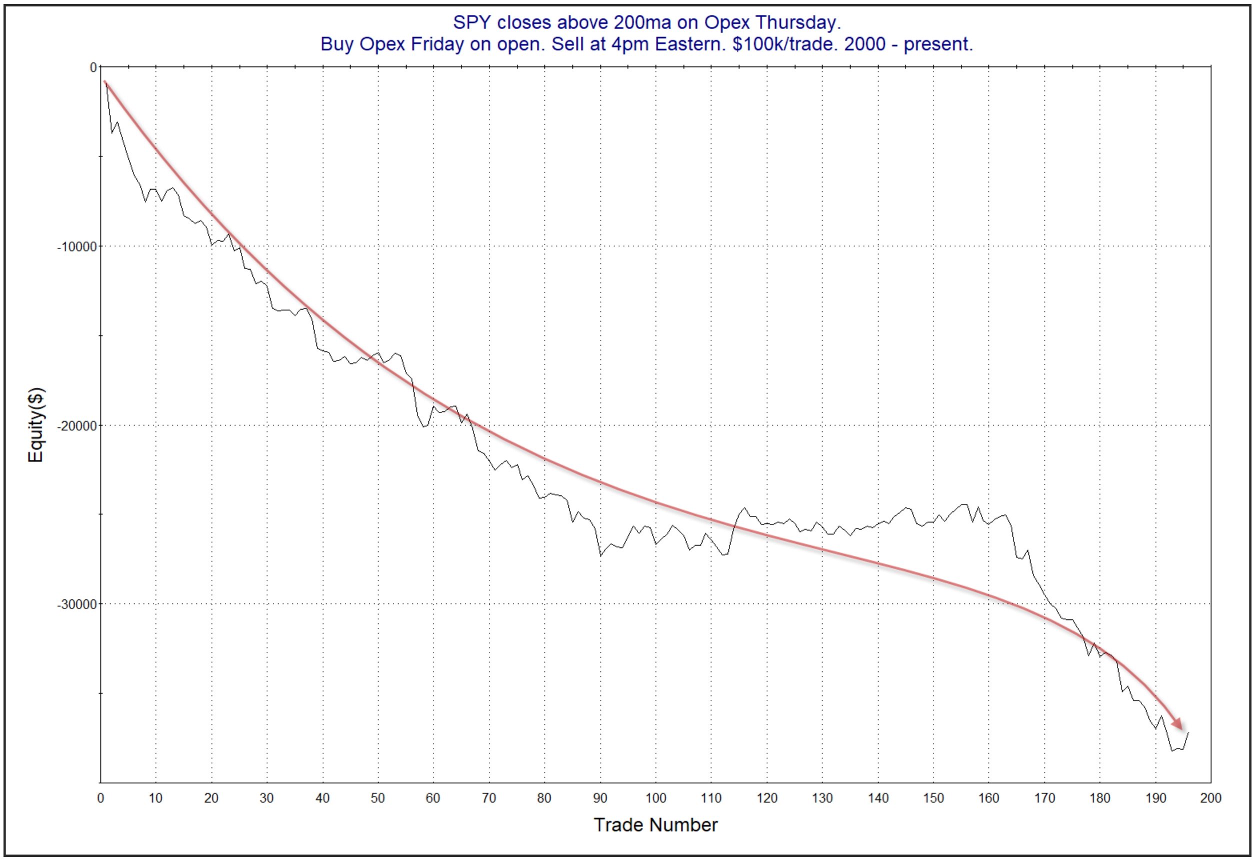
SPY closes above 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. $100k/trade. 2000 - present.

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	-37,122.01	196	79	117	40.31	1,400.58	-2,746.58	326.48	-537.73	0.61	0.41	-189.40
1,500	-31,515.98	196	80	115	40.82	983.92	-2,315.18	301.43	-483.74	0.62	0.43	-160.80
1,400	-31,727.73	196	67	129	34.18	993.96	-2,000.00	296.93	-400.17	0.74	0.39	-161.88
1,300	-28,277.29	196	69	126	35.20	968.86	-1,324.62	281.35	-378.50	0.74	0.41	-144.27
1,200	-26,882.66	196	68	128	34.69	1,243.06	-1,318.40	266.40	-351.55	0.76	0.40	-137.16
1,100	-21,332.25	196	73	122	37.24	1,020.18	-968.50	220.77	-306.95	0.72	0.43	-108.84
1,000	-17,538.32	196	56	140	28.57	365.47	-629.00	135.84	-179.61	0.76	0.30	-89.48

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.

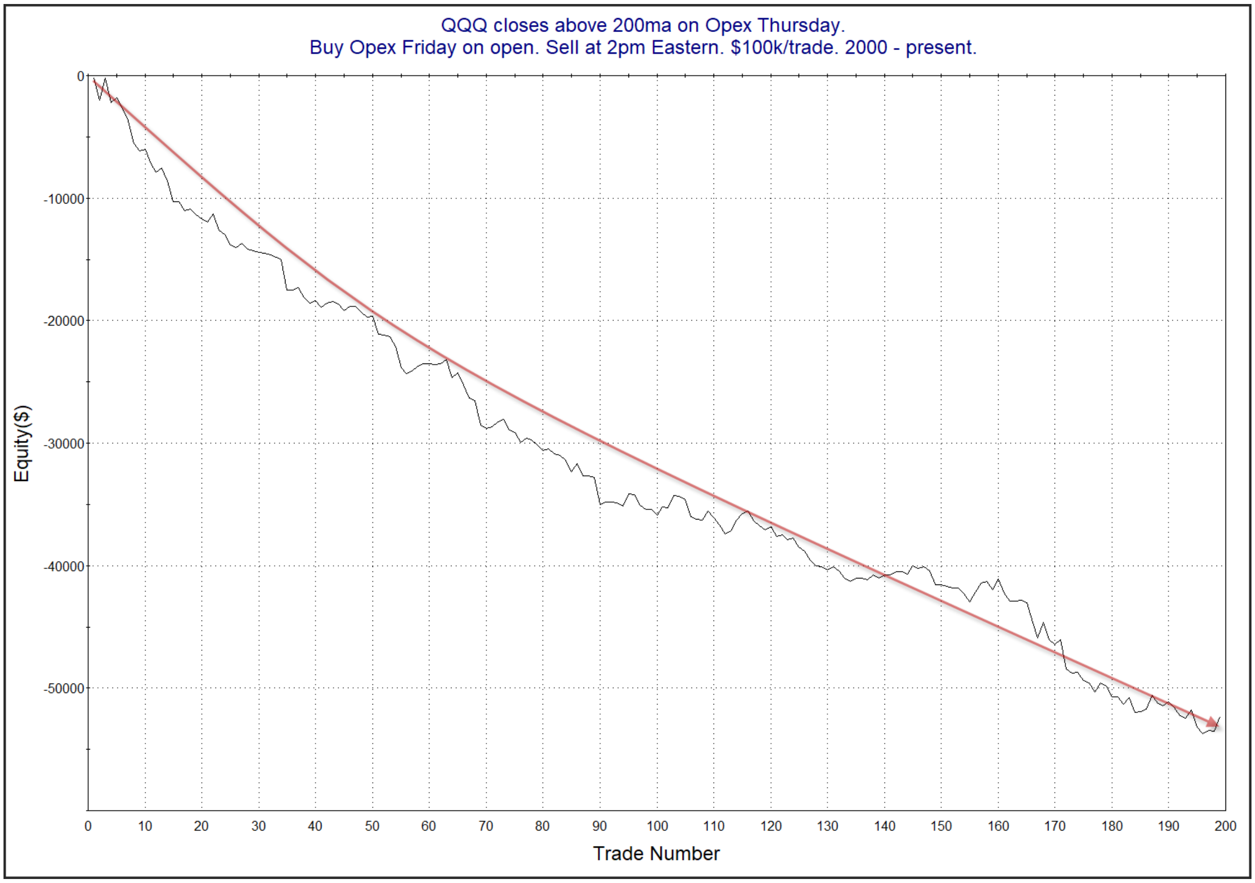


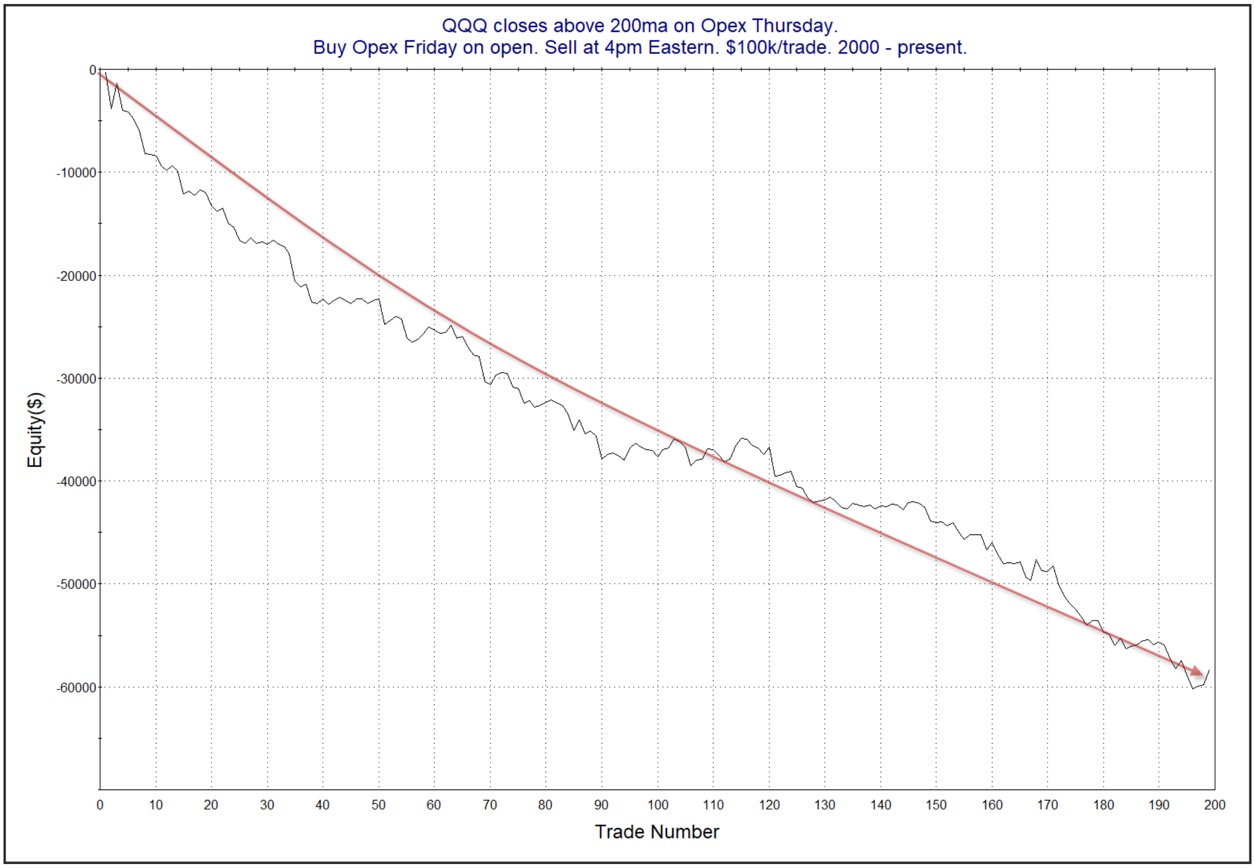
This is also impressive.

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.

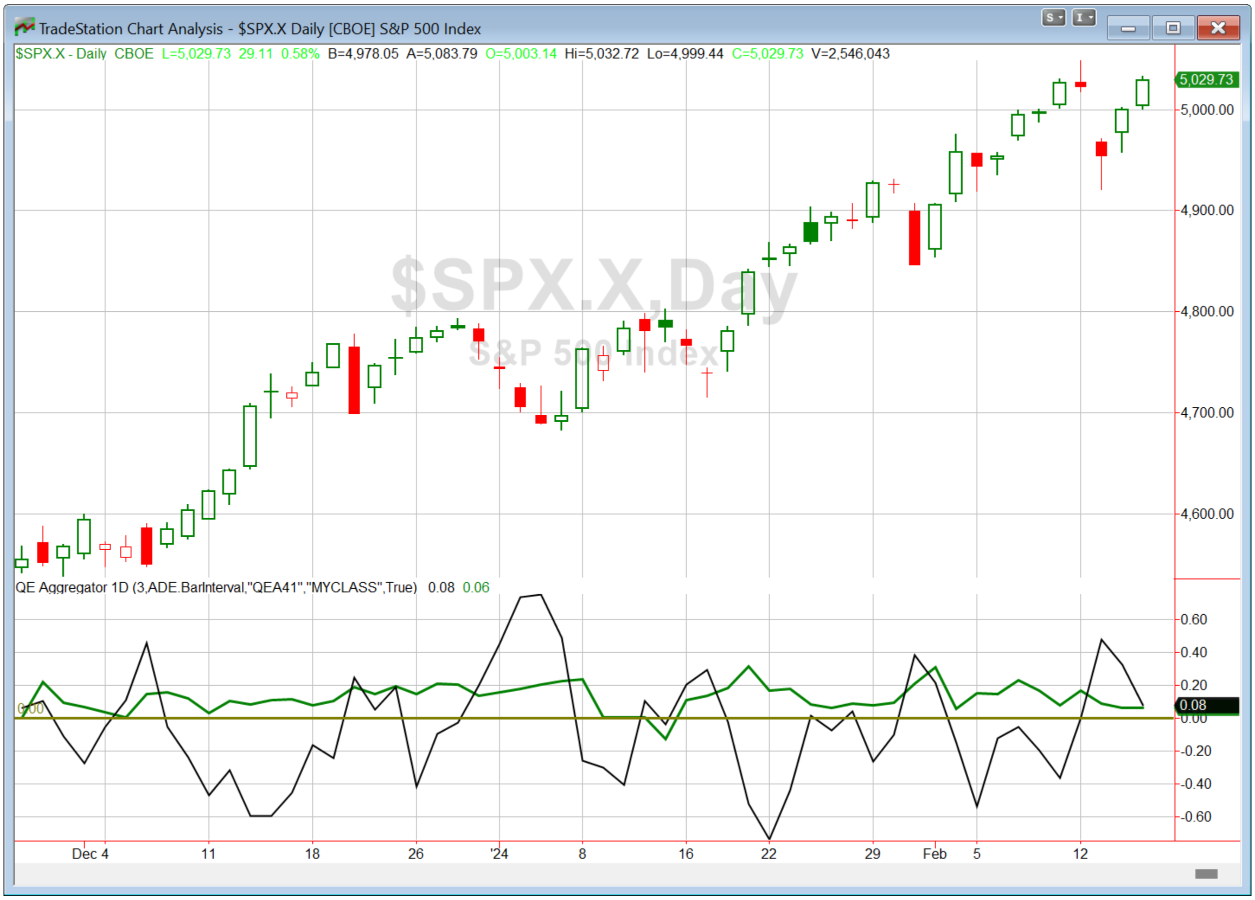
OE Op-Ex Fri Intra Short: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-58,316.02	199	78	121	39.20	2,516.00	-3,525.88	449.62	-771.79	0.58	0.38	-293.05
1,500	-52,242.22	199	73	124	36.68	1,739.00	-2,590.84	422.40	-669.98	0.63	0.37	-262.52
1,400	-52,315.01	199	65	131	32.66	1,822.25	-2,431.68	404.32	-599.97	0.67	0.33	-262.89
1,300	-45,526.78	199	69	129	34.67	1,655.75	-2,382.80	368.56	-550.06	0.67	0.36	-228.78
1,200	-44,883.98	199	71	127	35.68	2,488.25	-1,843.43	346.04	-546.88	0.63	0.35	-225.55
1,100	-36,889.20	199	68	130	34.17	1,998.00	-1,936.40	361.03	-472.61	0.76	0.40	-185.37
1,000	-28,217.05	199	63	135	31.66	1,332.00	-1,198.29	218.12	-310.80	0.70	0.33	-141.79


QQQ closes above 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at 2pm Eastern. $100k/trade. 2000 - present.
Equity($)
0
-10000
-20000
-30000
-40000
-50000
0
10
20
30
40
50
60
70
80
90
100
110
120
130
140
150
160
170
180
190
200
Trade Number



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 held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained 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 Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *strongly inverted at* 4969.22 on Friday. That is 1.2% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down over 1.2% on Friday in order to remain "oversold" vs recent expectations. Anything other than that, and it will flip to "overbought" as of Friday's close.

So the Aggregator is again bullish. But the inverted pivot means that reward potential is quite limited. Unless there is a strong selloff, the bullish signal is unlikely to persist beyond Friday. This is why I generally avoid taking on new exposure when there is an inverted pivot. I'll instead wait for the next favorable entry opportunity before taking on my next short-term index position.

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

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

AMGN @ $291.12 – bought @ Limit

C @ $52.76 – buy @ Limit – *not filled, cancel for now*

Broad Market Large Cap CBI – 2(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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
VZ(1/3)	***2/9/2024***	***$39.90***	***$40.21***	***0.78%***	***sold on open***
AMGN(1/3)	2/12/2024	$289.97	$291.32	0.47%	*dividend adjusted price