

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 29, 2024

Volume 17 Issue 41

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Wednesday's action generated an inside day, which followed an already tight-ranged NR7 on Tuesday. Such shrinking range in an uptrend typically resolves to the upside.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. It seems to be about time to start building a long position.

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 29, 2024	NR7 then inside day > 200ma	1-2 days	Bullish			
Active - Long Term						
February 26, 2024	SPX 50-day high. TNX 50-day high > 4%.	1-15 days	Bearish			
February 12, 2024	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.40%	-9.00%
February 2, 2024	SPX up > 15% last 3 months	1-6 months	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 ADT ₅ > 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

All the major indices pulled back some on Wednesday. SPX closed down 0.2%, the NASDAQ fell 0.55%, and the Russell 2000 dropped 0.8%. Breadth was negative with the NYSE Up Issues % coming in at 44% and the Up Volume % at 45%. NYSE total volume declined some from Tuesday’s level.

Tom McClellan this evening noted the following:



NR7 stands for “narrow range 7”. SPY posted the narrowest range day of the last 7 days, and it did that for the 4th day in a row. That is extremely unusual. The only other times SPY has done

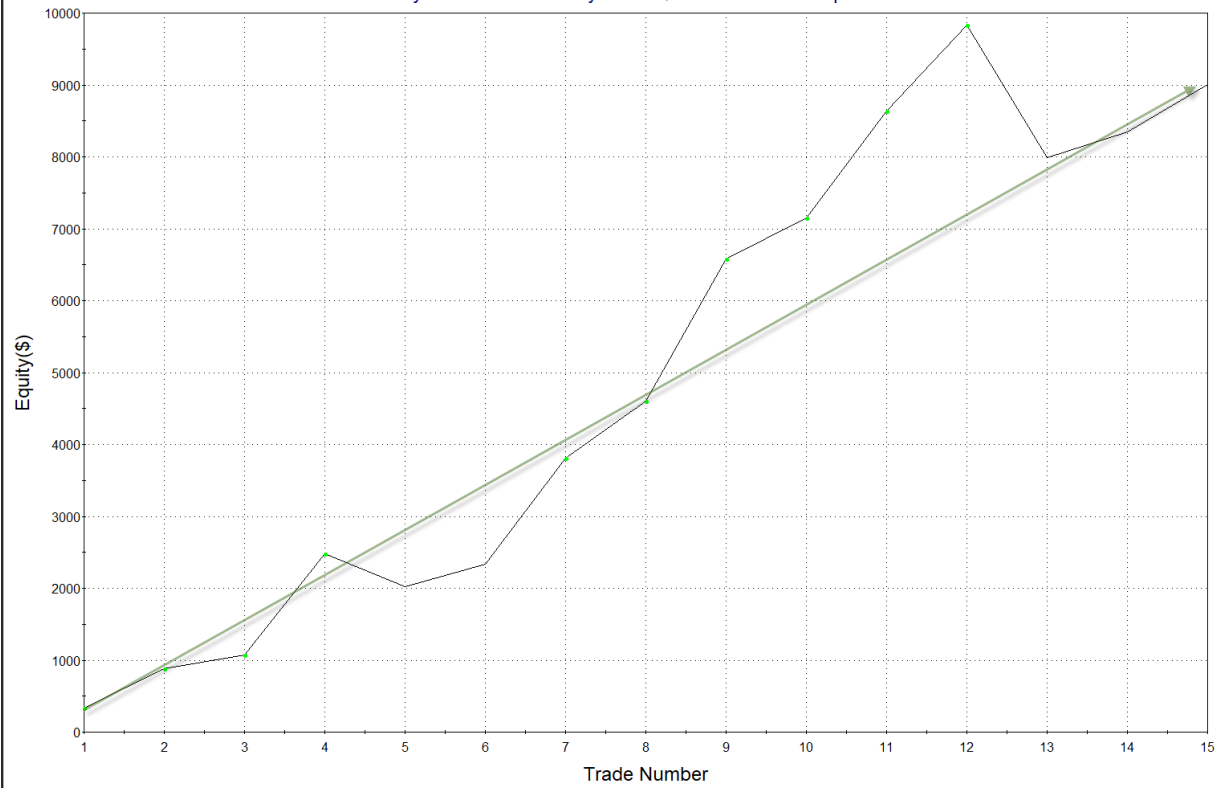
this since its inception in 1993 were: 1/20/97, 12/24/2007, 3/7/2013, and 12/24/2014. I'll note two of these instances were on Christmas Eve. The persistent narrow ranges leading up to Christmas was likely a simple quieting of trading as traders began holidays early. There is not much that we can learn from just 4 instances, aside from the fact that the small ranges we have seen the last few days are quite remarkable.

I looked at the setup a bit differently. I examined other times SPY posted an "inside day", which is a day where SPY has a higher low and a lower high than the day before, that immediately followed an NR7 day. I also included a 200ma filter in the study. Results were interesting, and can be seen in the table below.

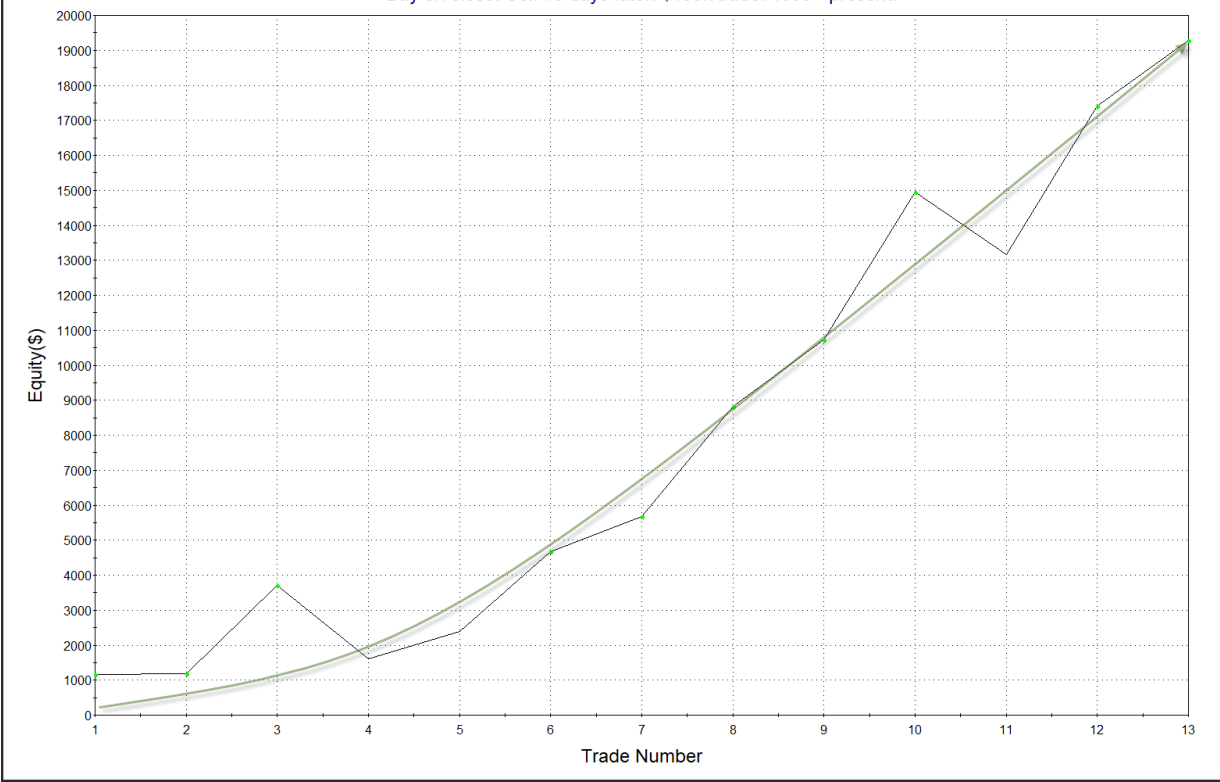
After posting an NR7 day yesterday, SPY posts an inside day today and closes above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	19,292.15	13	11	2	84.62	4,252.53	-2,092.02	2,106.63	-1,940.39	1.09	5.97	1,484.01
9	18,497.20	13	10	3	76.92	4,586.89	-2,557.89	2,332.74	-1,610.06	1.45	4.83	1,422.86
8	17,362.30	14	10	4	71.43	4,278.23	-2,317.25	2,333.17	-1,492.34	1.56	3.91	1,240.16
7	16,870.89	14	11	3	78.57	4,240.28	-2,382.09	2,025.47	-1,803.10	1.12	4.12	1,205.06
6	13,026.25	14	9	5	64.29	3,488.87	-2,146.50	1,991.69	-979.79	2.03	3.66	930.45
5	13,595.79	15	10	5	66.67	3,530.56	-3,150.00	1,787.68	-856.20	2.09	4.18	906.39
4	11,910.92	15	10	5	66.67	2,881.67	-1,890.00	1,627.40	-872.62	1.86	3.73	794.06
3	8,118.52	15	10	5	66.67	2,942.39	-3,037.50	1,272.90	-922.10	1.38	2.76	541.23
2	9,003.58	15	13	2	86.67	1,982.09	-1,842.75	869.49	-1,149.92	0.76	4.91	600.24
1	1,408.01	15	10	5	66.67	1,295.42	-2,007.00	548.82	-816.03	0.67	1.35	93.87

Not a lot of instances, but the stats are impressive. Below is a look at both the 2-day and the 10-day profit curves.

After posting an NR7 day yesterday, SPY posts an inside day today and closes above the 200ma.
Buy on close. Sell 2 days later. \$100k/trade. 1993 - present.

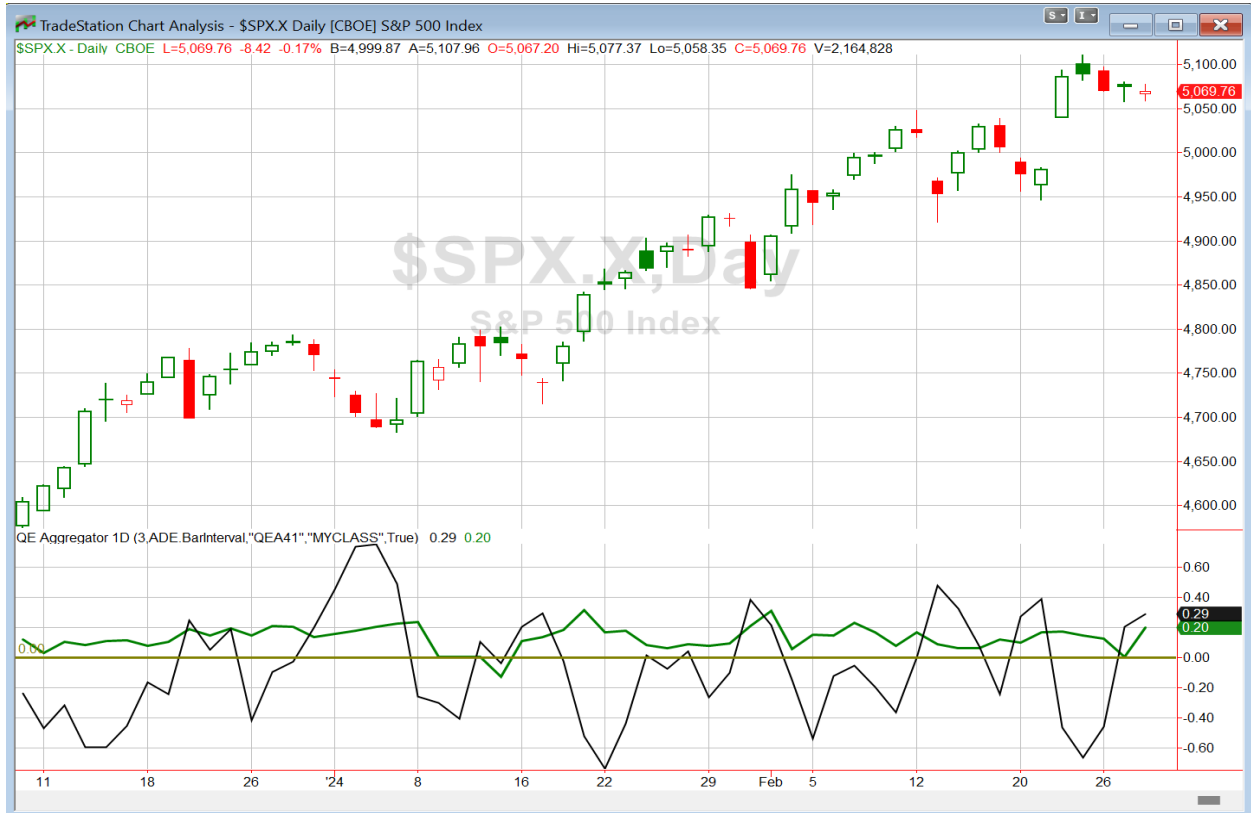


After posting an NR7 day yesterday, SPY posts an inside day today and closes above the 200ma.
Buy on close. Sell 10 days later. \$100k/trade. 1993 - present.



Both curves are impressive and show a persistent upside tendency. Of course with just 13 instances, I do have some skepticism. I decided to include this study on the Active List tonight as a 2-day study, but not a 10-day study. Ten days seemed like a long time to give this study the benefit of the doubt since it has had so few instances.

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 also closed 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 Active List, expectations are set to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5091.93 on Thursday. That is 0.4% above Wednesday's close. Therefore, SPX will need to close up at least 0.4% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. SPX has pulled back some, and is currently oversold vs recent expectations. Meanwhile, we are seeing a bit of short-term bullish evidence emerge. It is not the strongest setup, but with the intermediate-term leaning bullish, it could be worth starting a small position on Thursday if a favorable fill is available. That is what I will be looking to do.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 2/26 – **moderately bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

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 @ \$506.00 LIMIT. Based on the short-term outlook above, I will start to build a long index position if SPY pulls back even a mild amount on Thursday

Current Open Trade Ideas

None

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