

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 6, 2024

Volume 17 Issue 45

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- I examine SPX performance following past State of the Union addresses.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But the lack of short-term bullish evidence has me feeling more neutral than bullish.

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						
None						
Active - Long Term						
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
March 4, 2024	NASDAQ Leading	int term	Bullish			
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			
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, target hit, or avg drawdown + 1 std dev exceeded)						
March 5, 2024	NASDAQ down. SOX up > 1%.	1 day	Bullish			
March 1, 2024	50-high then inside for 5 days	1-3 days	Bullish			

The Evidence

A late bounce took some of the sting out of the Tuesday’s selloff, but the market still closed broadly lower. SPX finished down 1.0%, the NASDAQ fell 1.65%, and the Russell 2000 lost 1.0%. Breadth was weak with the NYSE Up Issues % coming in at 42% and the Up Volume % at 45%. NYSE total volume declined some from Monday’s level.

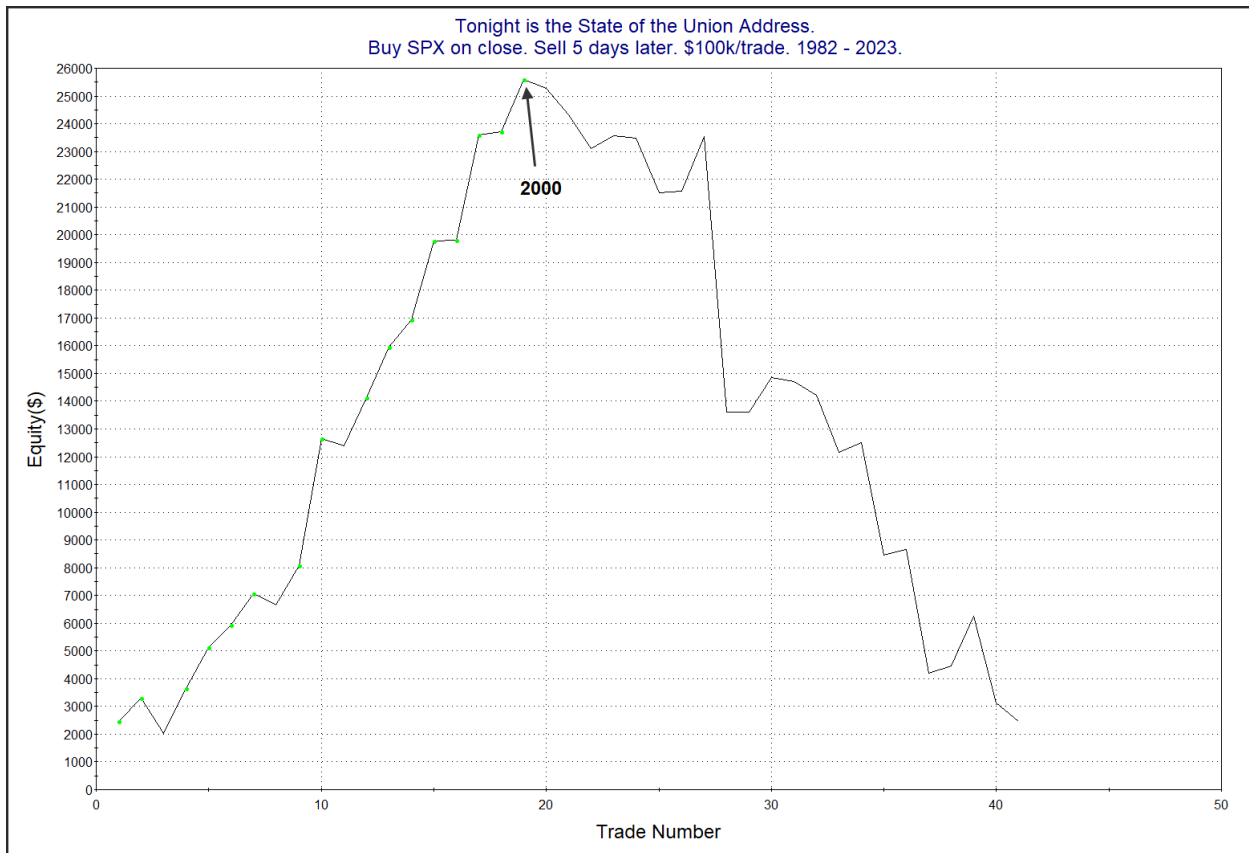
Despite the selling, nothing new and compelling emerged in the Quantifinder on Tuesday. We do have a busy next few days coming up from a news standpoint. Wednesday Jerome Powell will be speaking. His remarks could certainly move the market. Then Thursday night is Biden’s State of the Union address, which will be followed by the employment report Friday morning before the open.

I have looked at performance following State of the Union before – most recently in the 2/8/23 letter. I decided to update that study tonight. The data table below looks back to 1982. There were a few instances, such as 2001 and 2009 where the speech was not an official “State of the Union”, but was delivered under a different name. I have included those speeches in the results as well.

Tonight is the State of the Union address.
Buy SPX on close. Sell X days later. \$100k/trade. 1982 - present.

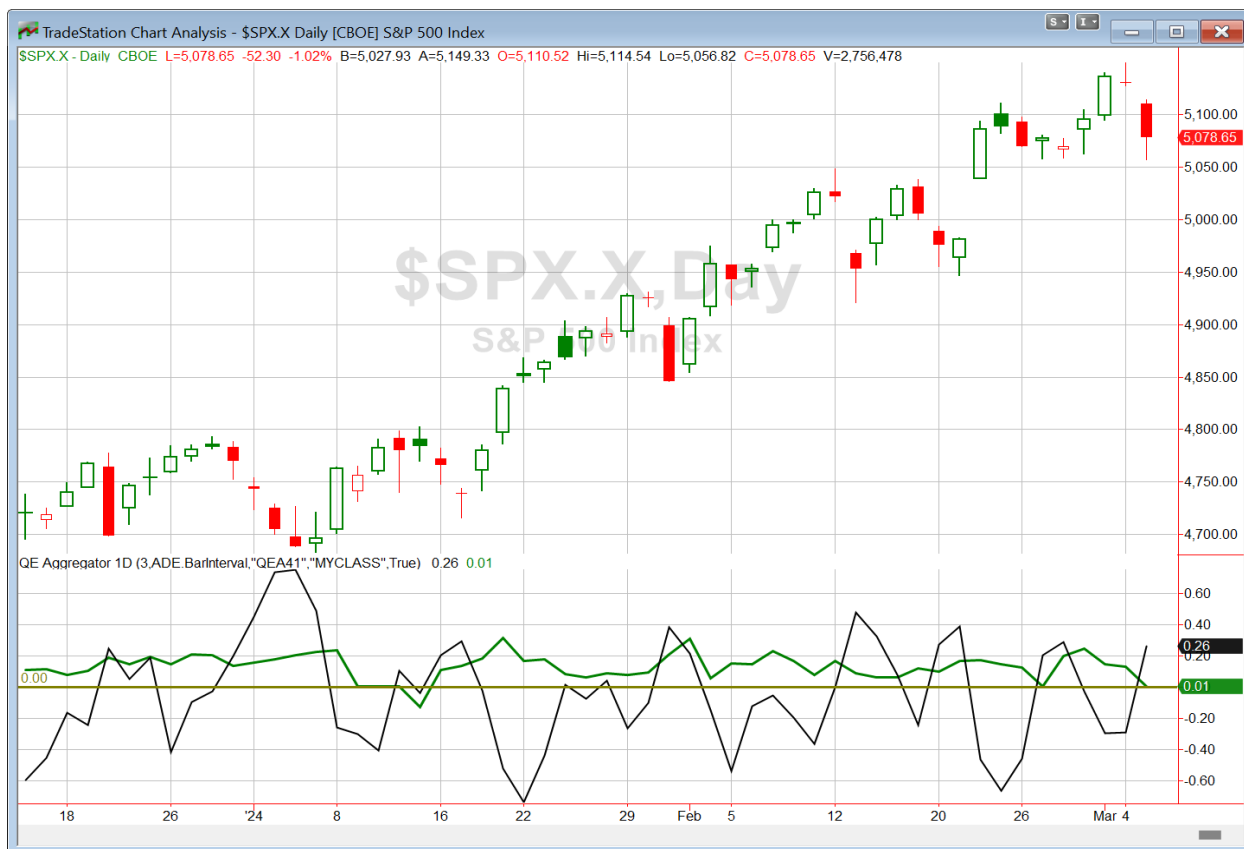
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	3,139.36	40	24	16	60.00	4,579.74	-9,908.49	1,412.80	-1,923.00	0.73	1.10	78.48
4	-297.34	40	23	17	57.50	3,712.50	-9,329.28	1,430.71	-1,953.16	0.73	0.99	-7.43
3	2,339.30	40	25	15	62.50	4,522.28	-4,908.45	1,034.17	-1,567.66	0.66	1.10	58.48
2	7,559.80	40	24	16	60.00	3,237.64	-2,619.99	1,025.58	-1,065.89	0.96	1.44	188.99
1	1,015.92	40	24	16	60.00	1,846.44	-2,726.40	716.31	-1,010.98	0.71	1.06	25.40

The stats do not suggest much of an edge. But the profit curves seem to tell a more interesting story. Here is the 5-day curve.



All the curves look something like this in that since the turn of the century the market has tumbled after these speeches rather than been inspired by them. I guess they just don't write speeches like they used to.

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



Without any new studies being added to the Active List tonight, the green Aggregator Line held slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line climbed 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.

With only intermediate-term studies currently active, expectations are set to remain positive on Wednesday. But expectations over the next few days will be largely impacted any new short-term evidence that emerges. Meanwhile, the Differential Pivot will be 5166.84 on Wednesday. That is 1.7% above Tuesday's close. Therefore, SPX will need to close up a very large 1.7% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now positive. But short-term evidence is lacking, and expectations are positive solely due to intermediate-term evidence. That does not give me great confidence from a short-term timing perspective. If SPX closes down again on Wednesday that would make for 3 days in a row. And 3 down days typically generates some bullish studies. I'll also note that the VIX has moved higher since there is substantial uncertainty right now with regards to news

pending. (Powell's talk, Biden's speech, and the Friday jobs report.) Wednesday should remove some uncertainty with Powell speaking. If there is a negative market reaction and further spike in the VIX and VIX futures, then there is a good chance that would be an overreaction. So I am not inclined to get involved with a new index trade at the open on Wednesday, but under the right circumstances, I might look to take on some short VIX exposure near the close. A trade idea along these lines is in the New Trade Ideas section near the bottom of the letter.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/4 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MRK – 1/3 @ \$124.05 (bought @ limit)

New

MRK – 1/3 @ \$124.05 (buy @ limit)

Broad Market Large Cap CBI – 1(MRK)

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.

MRK – Buy 1/3 Catapult position @ \$122.83 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of MRK.

SVIX – Buy ½ position @ \$39.60 LIMIT ON CLOSE (IF SPX CLOSES < 5078.65.) Based on the short-term outlook above, I will look to take on some short-vol exposure on Wednesday afternoon if SPX continues lower and I can get a favorable fill in SVIX.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MRK(1/3)	3/5/2024	\$124.05	\$122.83	-0.98%	Catapult

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