

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 12, 2024

Volume 17 Issue 49

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	2

## Tonight's Research Points

- Two down days above the 200ma with a potential Turnaround Tuesday on tap has shown an upside edge over the last 11+ years.
- The CPI report is a wildcard a could potentially create an outsized move on Tuesday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is now neutral. It could easily turn bullish on Tuesday if there is not compelling new bearish evidence that emerges. But it is not there yet.

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

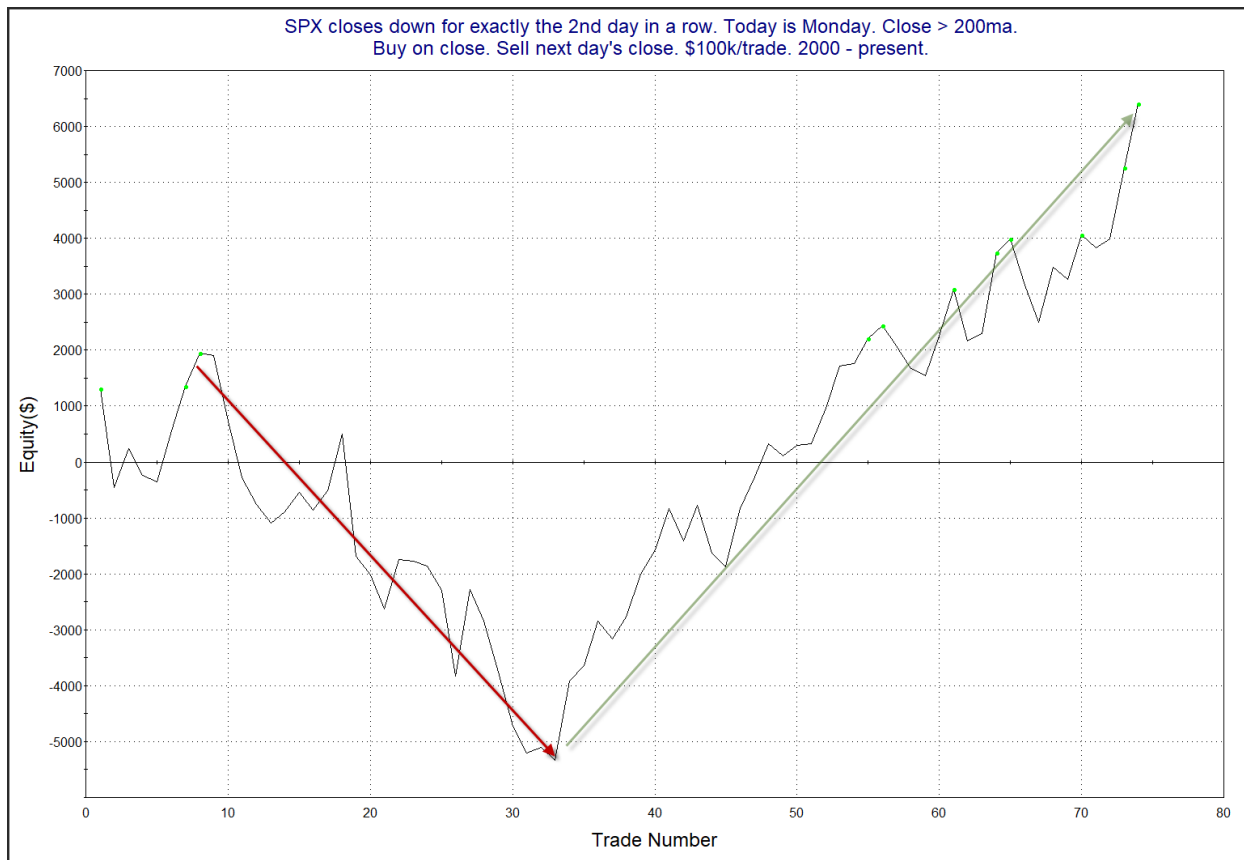
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
March 12, 2024	SPX down 2 days > 200ma. Turnaround Tue	1 day	Bullish			
March 11, 2024	SPX 20-day intraday high and btm 10% cls	1-2 days	Bullish			
March 8, 2024	SPY 2 unfilled gaps up to 50-high	1-4 days	Bullish			
<b>Active - Long Term</b>						
March 11, 2024	SPX 20-day intraday high and btm 10% cls	1-10 days	Bullish	2.00%	-1.50%	-2.80%
March 4, 2024	Jan & Feb both close positive	1-10 months	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			

**The Evidence**

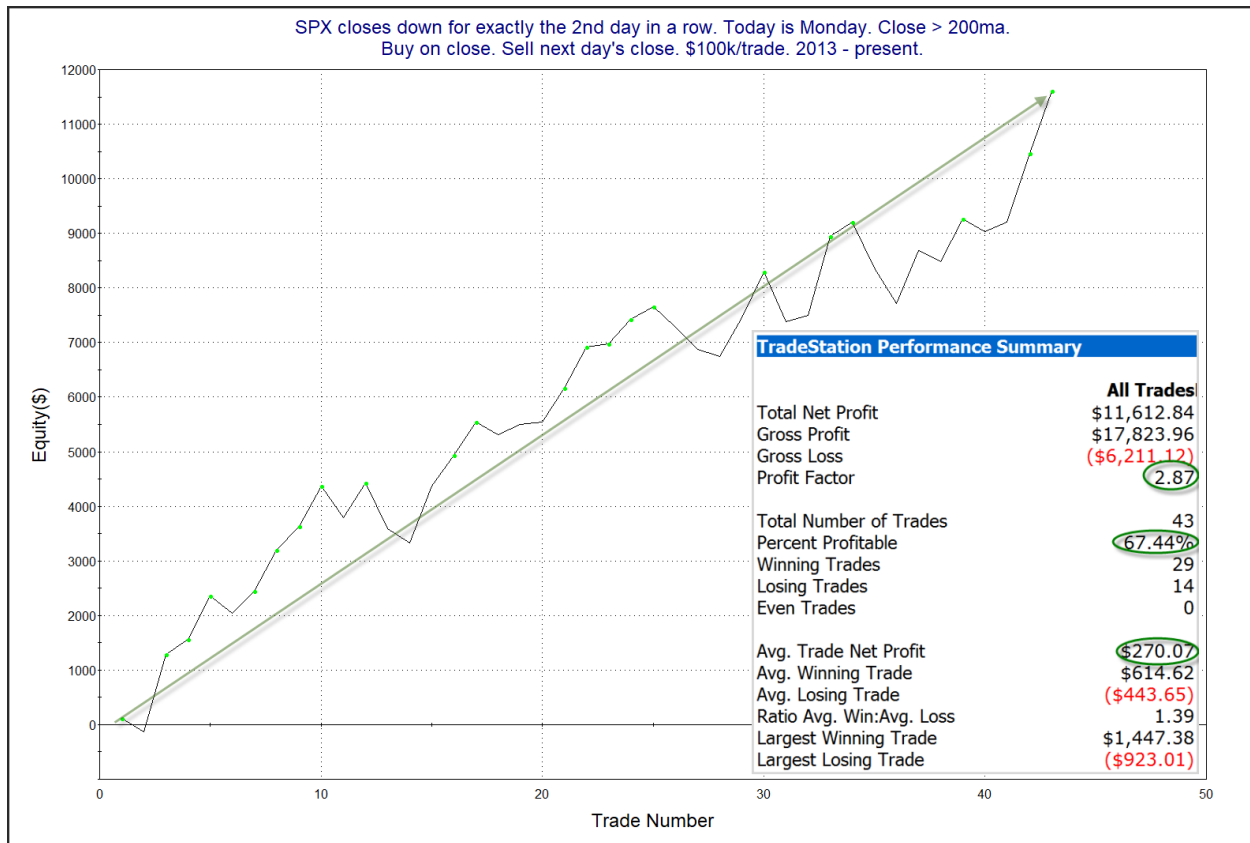
Monday saw mostly moderate selling. SPX declined 0.1%, the NASDAQ dropped 0.4%, and the Russell 2000 lost 0.8%. Breadth was actually positive with the NYSE Up Issues % coming in at 50.1% and the Up Volume % at 58%. NYSE total volume declined some from Monday's level.

I have written a substantial number of times about "Turnaround Tuesday". Over the years Tuesday has exhibited the strongest proficiency for the market to reverse a pullback of any day of the week. But in the case of 2-day pullbacks, which are quite short, they were not terribly consistent prior to 2013. The parameters for the study look for 1) SPX to decline exactly 2 days in a row, 2) today is Monday, and 3) SPX closes above its 200ma.

This is something I last examined in the 2/7/23 letter. Below I have updated the chart from that letter.



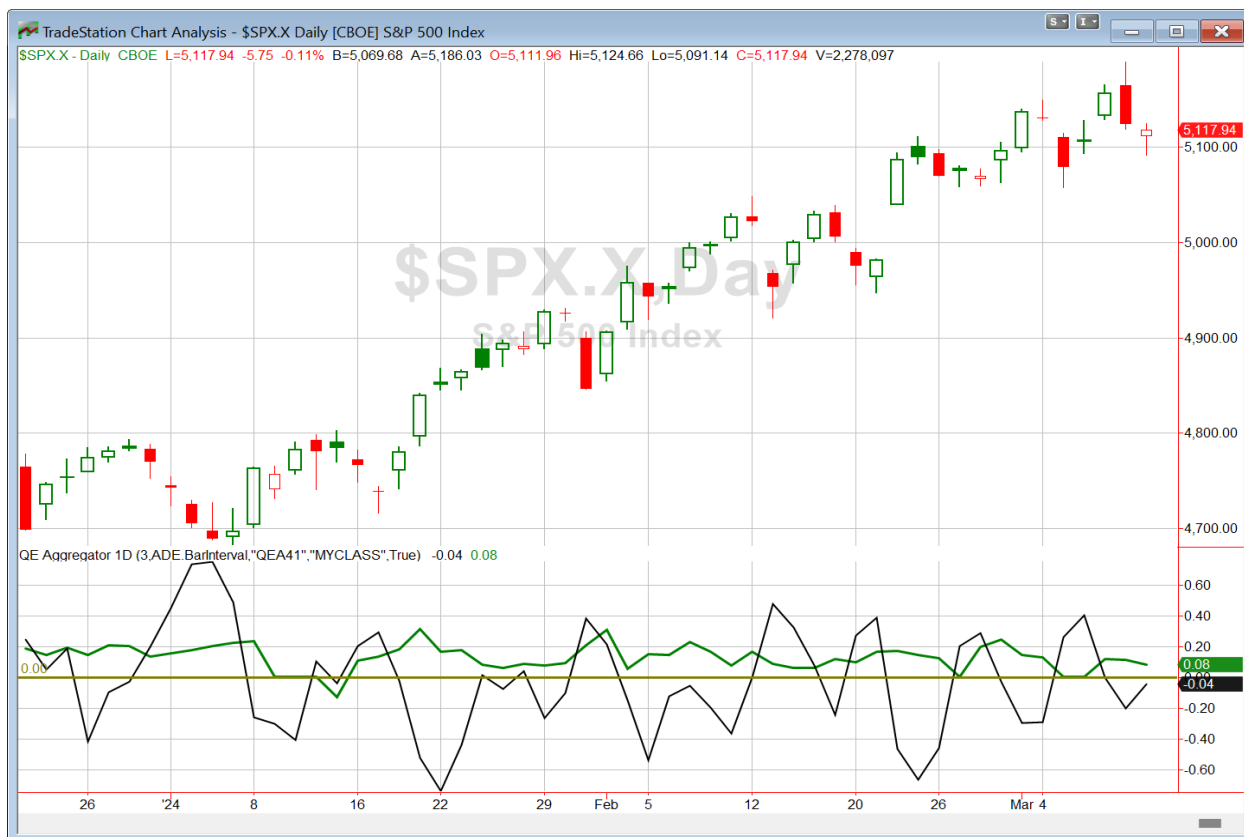
For the 1<sup>st</sup> 33 instances, which took place between 2000 – 2012, there appears to be a mild downside edge. Since then the market has performed strongly on Tuesday. I decided to zoom in on the 2013 – present period of time and examine that closer.



The stats and the persistent upslope of the profit curve are impressive. I have included this study on the active list tonight as a potentially bullish edge.

Of course Tuesday's action could be heavily influenced by the CPI report, which comes out an hour before the NYSE open. With high inflation being the hottest topic in 2022, we saw many highly volatile CPI Days, and there were very large moves in both directions. 2023 saw much more muted reactions to the CPI report, and so did the January release. But on Feb 13<sup>th</sup> SPX traded in a 100+ point range and finished down 1.4%. This was the biggest CPI drop since 9/13/22. So potential for an outsized move certainly exists – especially if the data comes in far from expectations.

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 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 set to remain positive on Tuesday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 5163.91 on Tuesday. That is 0.9% *above* Monday'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 up at least 0.9% in order to remain overbought. Anything other than that and it will be considered "oversold" vs recent expectations as of Tuesday's close.

So the Aggregator is still neutral. Evidence is pointing higher, but SPX is overbought and CPI is a potential volatility event for Tuesday. If a selloff ensues, I suspect we would see some bullish studies and a bullish Aggregator. But we are not there yet, and I don't know what evidence will emerge if the CPI results are followed by a strong rally, or even a flat trading day. So I will wait until I have more clarity and a better defined edge before looking for my next index trade. That could be tomorrow night.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 3/11 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

MRK – 1/3 @ \$124.05 (bought @ limit)

MRK – 1/3 @ \$122.83 (bought @ limit)

### ***Broad Market Large Cap CBI – 2(MRK-2)***

## **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**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
MRK(1/3)	3/5/2024	\$124.05	\$122.77	-1.03%	Catapult
MRK(1/3)	3/6/2024	\$122.83	\$122.77	-0.05%	Catapult

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