

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 13, 2024

Volume 17 Issue 50

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- The Russell 2000 closed down for the 3rd day in a row while SPX closed at a 3-day high. This has often been followed by gains over the next 1-10 days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I'm not seeing a compelling reason to get excited about the long of the short side.

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						
March 13, 2024	Russell 2000 down 3 days. SPX 3-day high	1-4 days	Bullish	2.00%	-0.70%	-1.55%
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			
Active - Long Term						
March 13, 2024	Russell 2000 down 3 days. SPX 3-day high	1-10 days	Bullish	3.30%	-1.20%	-2.60%
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			

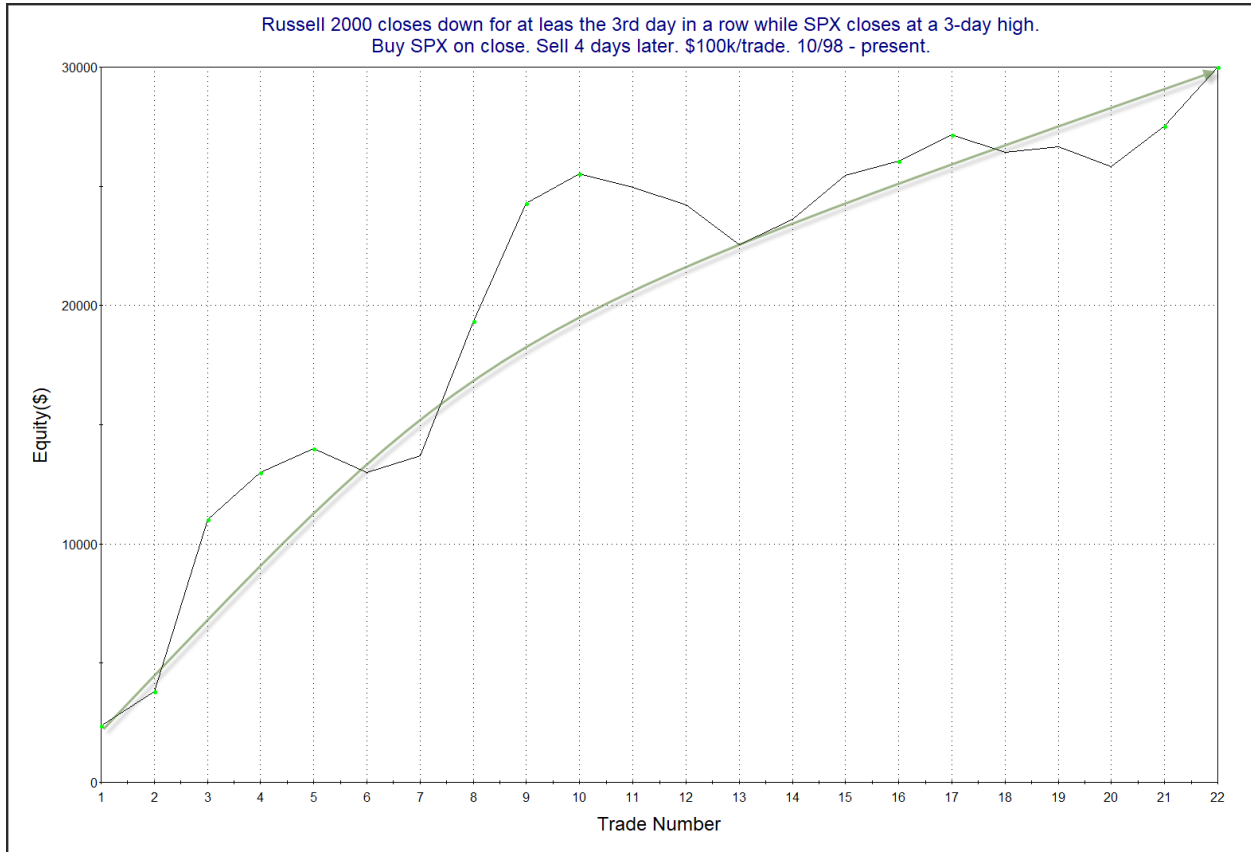
The Evidence

A high CPI did not deter big cap buying on Tuesday. SPX rallied 1.1%, the NASDAQ rose 1.5%, and the Russell 2000 was about breakeven with a 0.02% loss%. Breadth was actually positive with the NYSE Up Issues % coming in at 54% and the Up Volume % at 53%. NYSE total volume rose some from Monday's level.

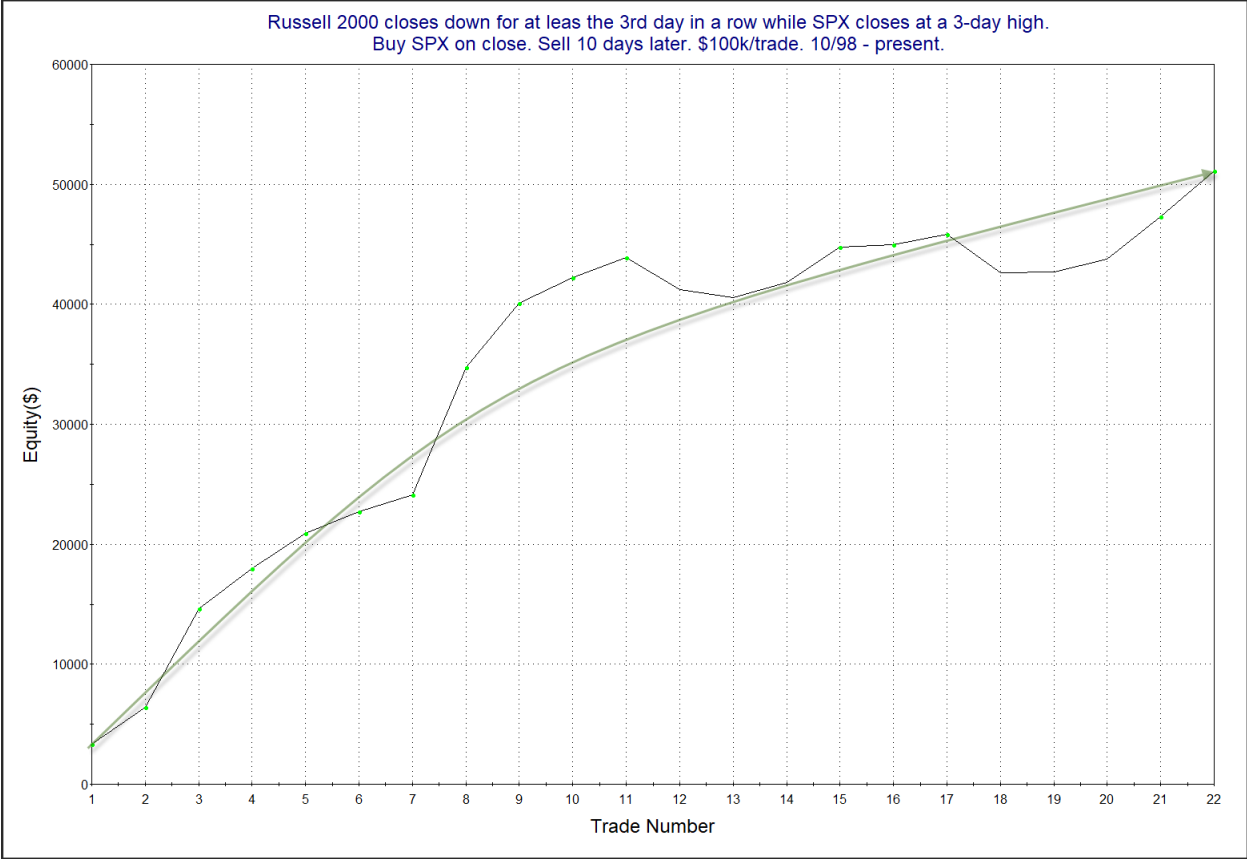
One aspect of recent market action that is interesting and suggestive of an upside edge is the fact that despite the rise in the SPX, the Russell 2000 closed lower for the third day in a row. The study below was last seen in the 9/20/19 Subscriber Letter. It requires that the Russell 2000 closes down for at least the 3rd day in a row while SPX closes at a 3-day high. Stats are updated.

Russell 2000 closes down for at least the 3rd day in a row while SPX closes at a 3-day high. Buy SPX on close. Sell X days later. \$100k/trade. 10/98 - 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	51,109.90	22	19	3	86.36	10,577.93	-3,173.28	3,032.79	-2,171.07	1.40	8.85	2,323.18
9	41,706.21	22	16	6	72.73	8,209.02	-3,932.94	3,099.20	-1,313.50	2.36	6.29	1,895.74
8	37,161.96	22	15	7	68.18	9,347.15	-2,195.82	2,961.28	-1,036.75	2.86	6.12	1,689.18
7	40,855.81	22	15	7	68.18	9,614.11	-2,783.20	3,110.09	-827.94	3.76	8.05	1,857.08
6	36,906.34	22	17	5	77.27	9,598.49	-3,491.60	2,632.86	-1,570.45	1.68	5.70	1,677.56
5	32,165.24	22	16	6	72.73	7,700.66	-2,075.04	2,471.36	-1,229.42	2.01	5.36	1,462.06
4	29,996.39	22	16	6	72.73	7,217.86	-1,680.10	2,220.10	-920.86	2.41	6.43	1,363.47
3	20,310.36	22	16	6	72.73	4,839.33	-1,626.02	1,595.04	-868.39	1.84	4.90	923.20
2	19,338.55	22	16	6	72.73	5,134.01	-1,747.68	1,422.73	-570.85	2.49	6.65	879.02
1	11,652.53	23	14	9	60.87	4,708.01	-820.82	1,163.60	-515.32	2.26	3.51	506.63

As you can see, stats are overwhelmingly bullish right off the bat, and they stay strong through the first two weeks. Instances are a little bit low, but the stats at this point are very impressive. Below is a profit curve using a 4-day exit.

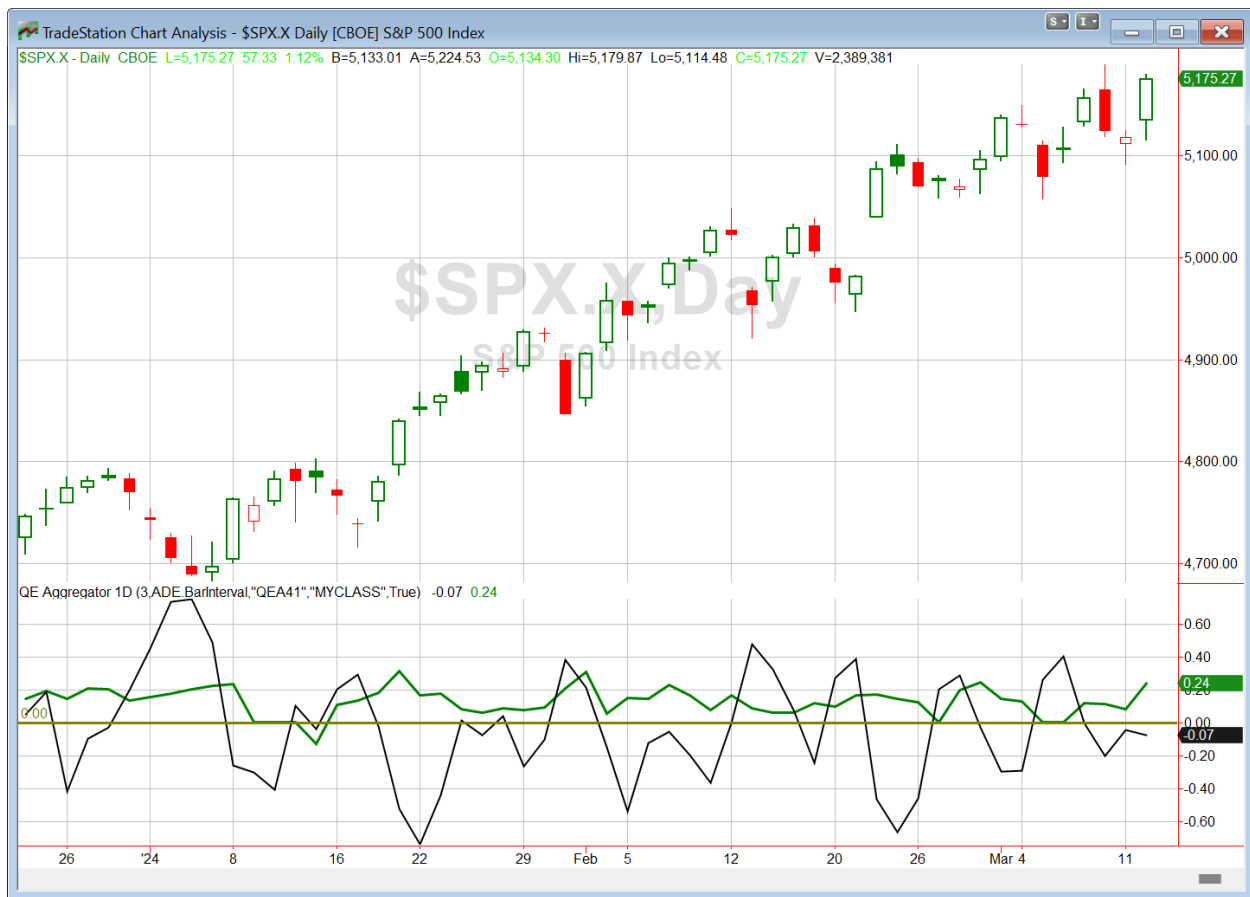


This looks pretty solid. I also produced a profit curve for a 10-day holding period.



The move up has been impressive. I have included this study on both the short-term and the intermediate-term active list.

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 Wednesday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5135.63 on Wednesday. That is 0.8% below Tuesday's close. Therefore, SPX will need to close down at least 0.8% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is still neutral. Evidence continues to point higher, but the persistent market remains overbought. The overbought condition reduces potential reward and increases risk. So despite the bullish evidence, I have no interest in taking on new long index exposure here. I'll continue to wait for a more compelling setup to emerge.

*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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MRK(1/3)	3/5/2024	\$124.05	\$122.66	-1.12%	Catapult
MRK(1/3)	3/6/2024	\$122.83	\$122.66	-0.14%	Catapult

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