

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 21, 2024

Volume 17 Issue 56

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Closing at a new long-term high on a Fed Day has often been a plus for the next 1-2 weeks.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Time for a rest and to wait for the next favorable opportunity to emerge.

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 21, 2024	SPX 100-day high on a Fed Day	1-8 days	Bullish	1.70%	-1.00%	-1.70%
March 18, 2024	Opex in Mar, Apr, Oct, or Dec closes down	1-5 days	Bullish			
March 18, 2024	SPX down 3 days 1st time in > 2 months	1-5 days	Bullish			
March 18, 2024	SPX down 3 from 50-high. < 10ma > 10Lo	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 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			
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

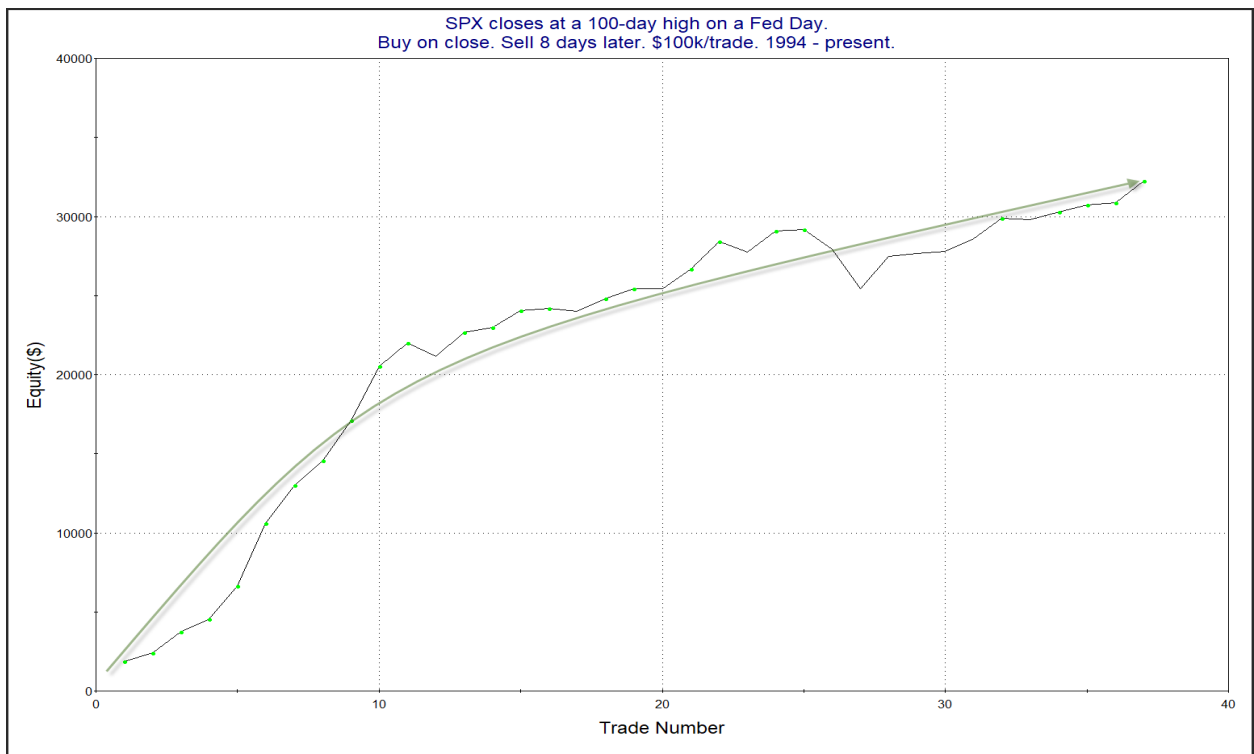
The market was pleased with the Fed announcement, and it managed a substantial rally. SPX gained 0.9%, the NASDAQ rose 1.25%, and the Russell 2000 climbed 1.9%. Breadth was positive with the NYSE Up Issues % coming in at 76% and the Up Volume % at 82%. NYSE total volume declined for the 3rd day in a row.

There were no surprises from the Fed on Wednesday. Rates remained the same. And QT also remains the same. But in his speech Powell indicated they would likely start dialing back QT soon. He did not elaborate on that or give a more definitive time frame. The economy appears strong, employment numbers are good, but inflation is still above where the Fed would like it. So they are keeping rates firm at the moment but continue to anticipate that the next move will be lower. The market took in all the information and decided it was good news. Time to rally.

In “The Quantifiable Edges Guide to Fed Days” I discussed Fed Days that close at new highs. The basic finding was that when the market closed at a short-term high on a Fed Day, then it was likely to pull back over the next few days. But when it closed at a long-term high, then the rally was likely to continue. Below is a study from the guide that last appeared in the 12/14/23 Subscriber Letter.

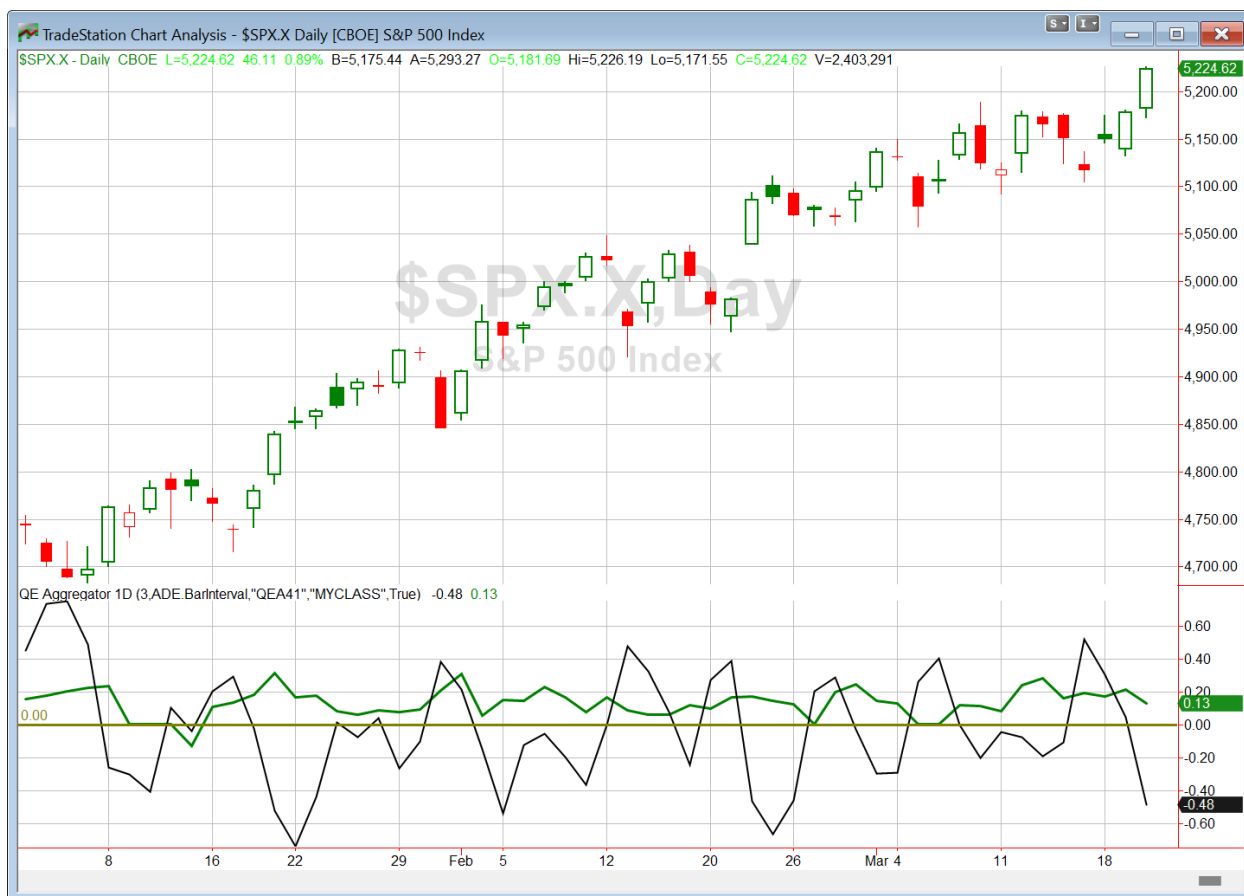
SPX closes at a 100-day high on a Fed Day. Buy on close. Sell X days later. \$100k/trade. 1994 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	31,452.57	37	27	10	72.97	5,492.11	-2,161.08	1,566.09	-1,083.18	1.45	3.90	850.07
9	31,492.73	37	28	9	75.68	5,708.74	-2,346.69	1,560.47	-1,355.59	1.15	3.58	851.15
8	32,268.68	37	30	7	81.08	3,995.65	-2,506.29	1,261.10	-794.91	1.59	6.80	872.13
7	23,642.61	37	27	10	72.97	3,198.09	-1,924.89	1,138.59	-709.93	1.60	4.33	638.99
6	20,950.32	37	27	10	72.97	3,147.85	-1,615.00	1,067.27	-786.60	1.36	3.66	566.22
5	17,413.67	37	25	12	67.57	2,353.88	-2,124.50	997.95	-627.92	1.59	3.31	470.64
4	17,050.95	37	24	13	64.86	3,173.92	-1,601.70	1,083.03	-687.82	1.57	2.91	460.84
3	9,788.52	37	22	15	59.46	2,227.50	-1,349.76	836.50	-574.30	1.46	2.14	264.55
2	10,767.33	37	24	13	64.86	2,314.87	-1,562.33	792.39	-634.61	1.25	2.31	291.01
1	6,870.30	37	22	15	59.46	2,073.34	-1,466.50	622.25	-454.61	1.37	2.01	185.68

This suggests further upside is likely over the next 1-2 weeks. Below is the profit curve assuming an 8-day holding strategy.



There were a couple of sizable losers in 2012-2013, but since then it has rebounded nicely to get the profit curve consistently making new highs again. I believe this study is worth some consideration.

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 dropped 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5176.25 on Thursday. That is 0.9% below Wednesday's close. Therefore, SPX will need to close down at least 0.9% in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now neutral. The new highs are encouraging and tonight's study suggests there should be more to come. But the market is overbought, and this reduces reward/risk. So I am happy to be flat and will wait for the next compelling opportunity to emerge before taking on new index trade ideas.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 3/18 – **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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MRK(1/3)	3/5/2024	\$124.05	\$121.28	-2.23%	<i>sold on open</i>
MRK(1/3)	3/6/2024	\$122.83	\$121.28	-1.26%	<i>sold on open</i>
SPY(1/4)	3/19/2024	\$512.15	\$515.77	0.71%	<i>sold on open</i>

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