

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 24, 2025

Volume 18 Issue 15

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Low volume breakouts to new highs have often seen short-term follow through – especially when the market has a streak of up days going.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am at as well.

Summary of Recent 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						
January 24, 2025	SPX up 3+ and 50-high breakout low vol	1-5 days	Bullish	1.60%	-0.90%	-1.85%
January 23, 2025	SPX up > 200. NYSE Up Vol < 40%	1-8 days	Bullish	1.90%	-1.30%	-2.80%
Active - Long Term						
January 21, 2025	First 75 of new president bullish	1-75 days	Bullish			
January 8, 2025	SPX down 1% 3rd day in last 10	1-20 days	Bullish	4.00%	-3.60%	-8.50%
December 23, 2024	Rebound from 1-month low on a Friday	1-20 days	Bullish			
November 26, 2024	Triple 70 Thrust	1-80 days	Bullish	9.40%	-4.60%	-11.20%
September 30, 2024	NASDAQ Leading	int term	Bullish			
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
February 2, 2023	SPX Golden Cross	int term	Bullish			

The Evidence

Thursday saw gains for the indices. SPX climbed 0.5%, the NASDAQ rose 0.2%, and the Russell 2000 gained 0.5%. Breadth was strong as the NYSE Up Issues % closed at 57% and the NYSE Up Volume % posted a 68% reading. NYSE total volume declined some from Wednesday's level.

Thursday saw SPX close at a new high for the 1st time since 12/6/24. The new high triggered a few studies in the Quantifinder. I have shown numerous times before that breakouts to new highs show a better chance of following through if they are occurring after a decent basing period of at least 1-2 weeks. Some other studies that triggered showed evidence that to some people might seem counter-intuitive. Some studies showed that breakouts that occurred on declining volume have followed-through much better than breakouts accompanied by rising volume. Others showed that when the breakout has come after the market had already risen for at least the past 2 days, then it has done a better job of carrying that momentum forward.

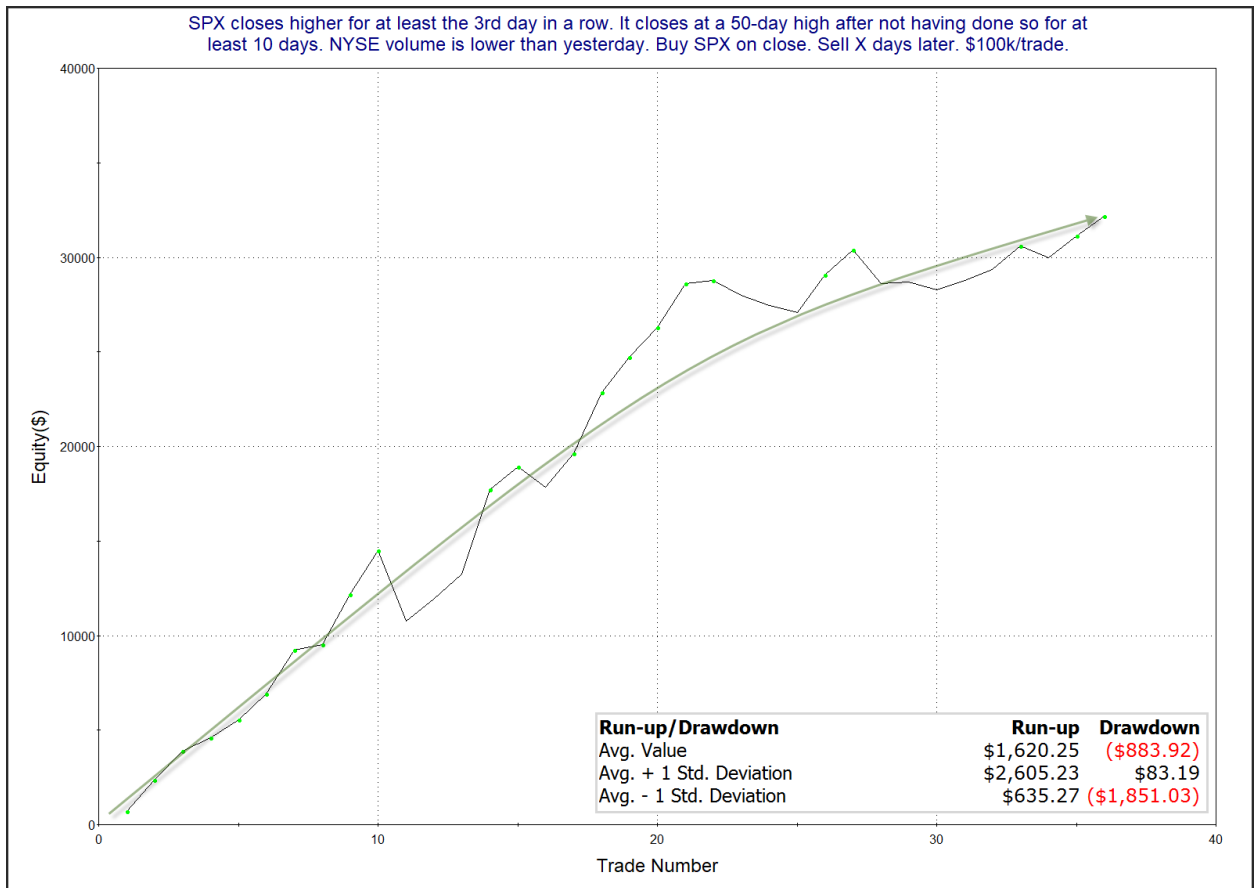
In the 11/27/14 Letter I combined these concepts and published the following study. (All stats are updated.)

SPX closes higher for at least the 3rd day in a row. It closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday
 Buy SPX on close. Sell X days later. \$100k/trade.

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	32,160.79	36	28	8	77.78	4,482.50	-3,693.73	1,480.74	-1,162.49	1.27	4.46	893.36
4	22,139.25	36	29	7	80.56	4,440.00	-2,145.44	1,033.95	-1,120.76	0.92	3.82	614.98
3	20,607.85	36	25	11	69.44	3,950.00	-1,082.79	1,060.04	-535.73	1.98	4.50	572.44
2	15,644.27	36	28	8	77.78	2,133.10	-1,312.40	784.16	-789.04	0.99	3.48	434.56
1	6,287.15	36	23	13	63.89	1,384.02	-1,022.01	517.85	-432.57	1.20	2.12	174.64

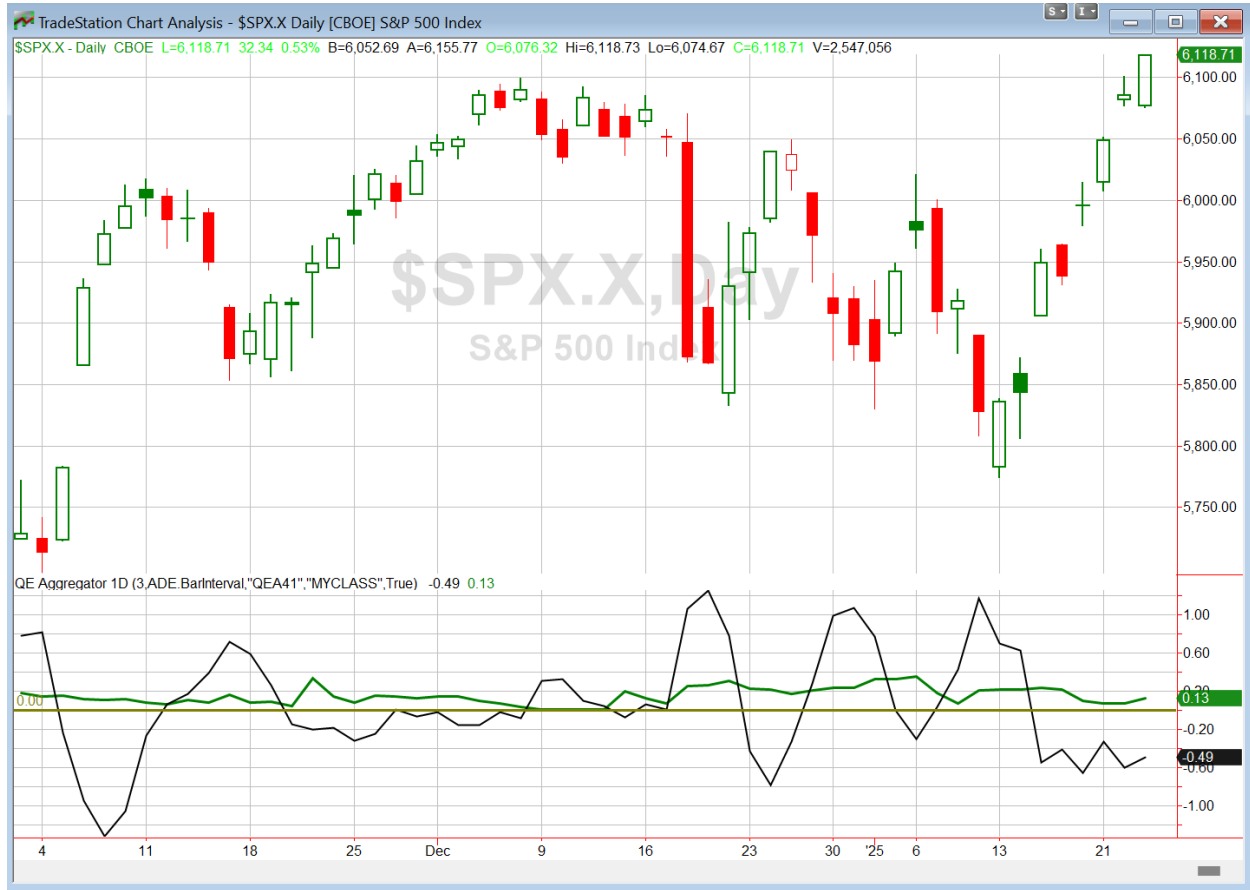
34 of 36 instances (94%) closed above the entry price at some point in the next week.

Stats here are very impressive, especially with a setup where the SPX is already extended. The consistency is impressive as well. Below is a look at the profit curve assuming a 5-day holding period.



The curve has persisted higher for a long time. This serves as some confirmation of the upside edge suggested by the stats table. Evidence is compelling enough that I added it to the active list.

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



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held 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 slated to remain bullish on Friday. This could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 6071.74. That is 0.8% below Thursday's close. Therefore, SPX will need to close down at least 0.8% on Friday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. Short-term evidence is pointing higher, but the overbought nature of the market greatly reduces reward/risk. So this does not seem to be a great time to enter new positions. I will continue to wait until a more favorable entry opportunity arises before looking to take on new index exposure.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/21 – **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

None

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