

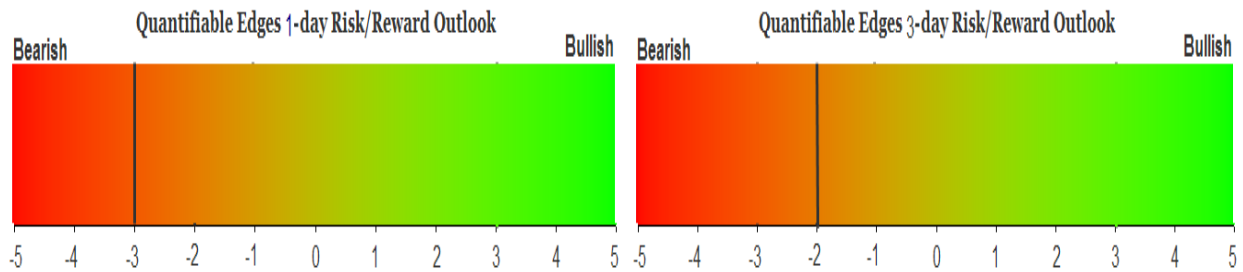
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 6, 2020

Volume 13 Issue 152

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- 3+ days of strong Nasdaq breadth are often followed by a down day.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. I believe there is a good chance of a pullback in the next couple of days.

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

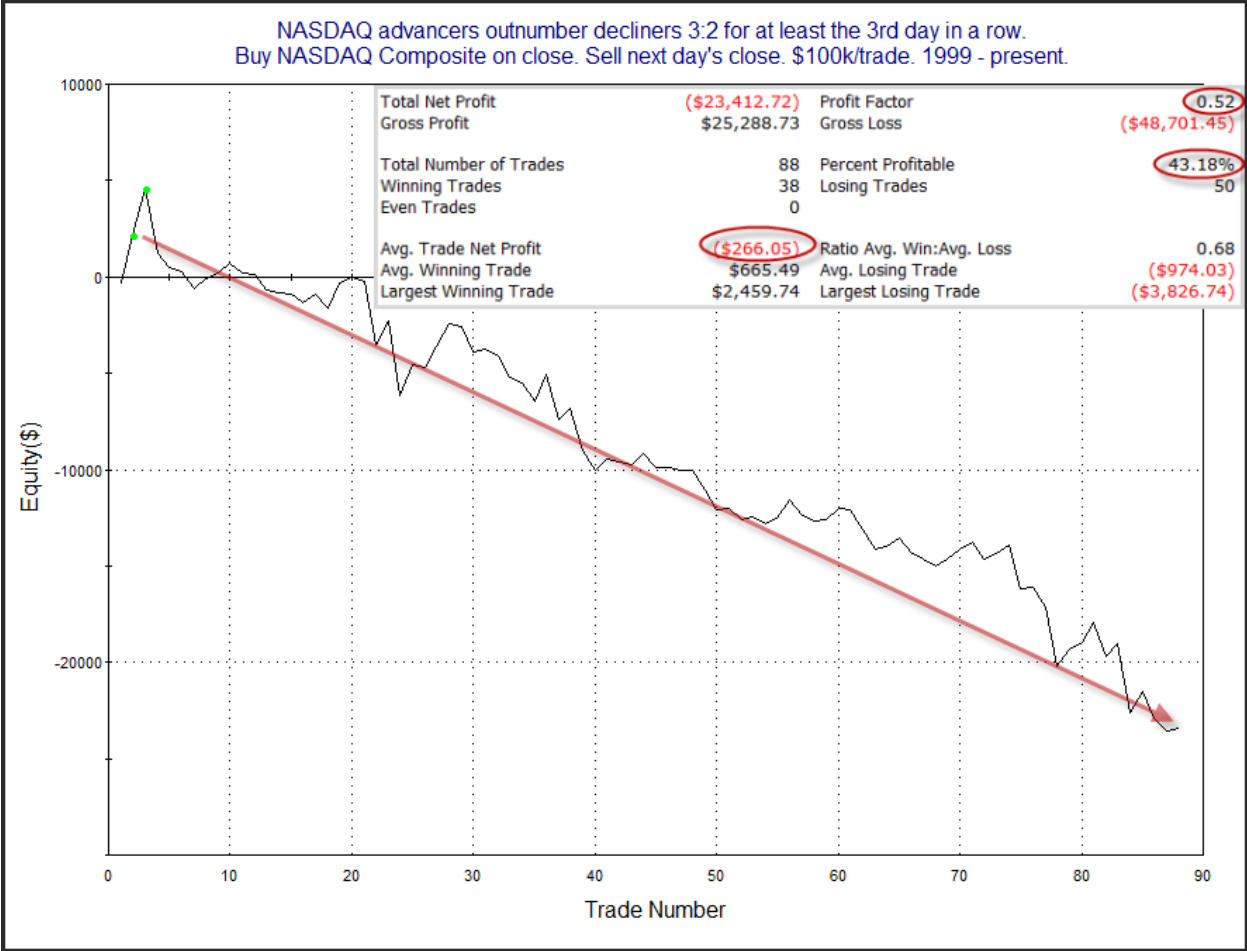
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 6, 2020	NASDAQ breadth 3:2 positive 3+ days	1 day	Bearish			
August 3, 2020	NDX up 1% with SOX down	1-6 days	Bearish	-3.10%	1.80%	3.90%
Active - Long Term						
July 24, 2020	NDX big dn day. SPX new high.	1-50 days	Bullish	6.00%	-2.85%	-5.50%
July 9, 2020	Golden Cross	int term	Bullish			
June 8, 2020	3 Breadth Sigs (BAM/90%Day/A-D Hi)	1-63 days	Bullish			
April 30, 2020	3 70% Up Issues Days	1-85 days	Bullish	10.40%	-4.30%	-11.00%
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			

The Evidence

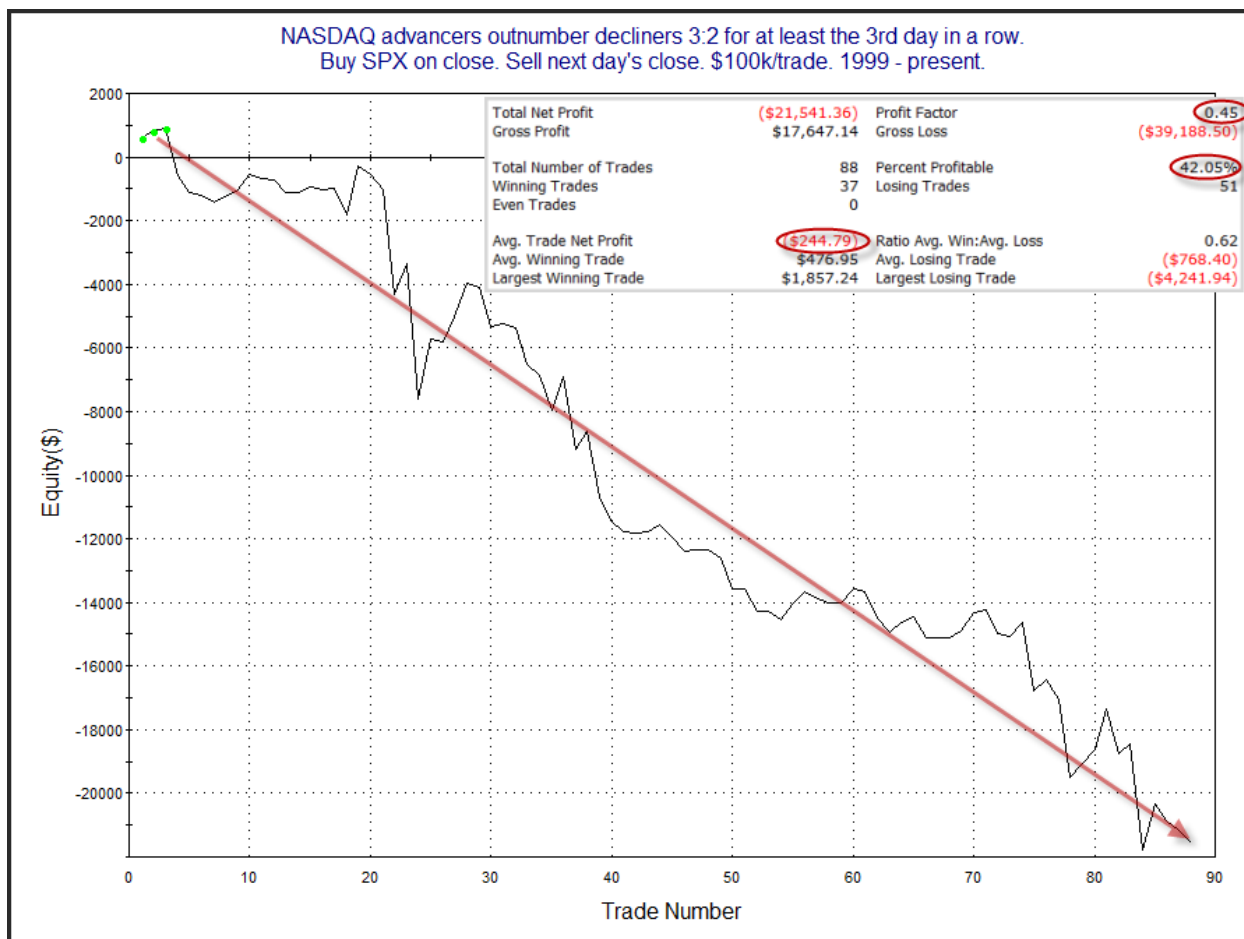
The market rally persisted on Wednesday. The SPX gained 0.6%, the NASDAQ rose 0.5%, and the Russell 2000 climbed 1.9%. Breadth was positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 73%. NYSE total volume rose some from Tuesday's level.

Wednesday saw a 3rd day in a row of strong NASDAQ breadth. This triggered a study that looked at times Nasdaq advancers outnumbered decliners by more than 3:2 for 3+ days. It suggested such persistent lopsided breadth was about enough, and it was often followed by a down day. I last showed the study in the 6/17/20 letter and have updated the results below.

First let's look at how the NASDAQ has performed the day after such a run of strong breadth.



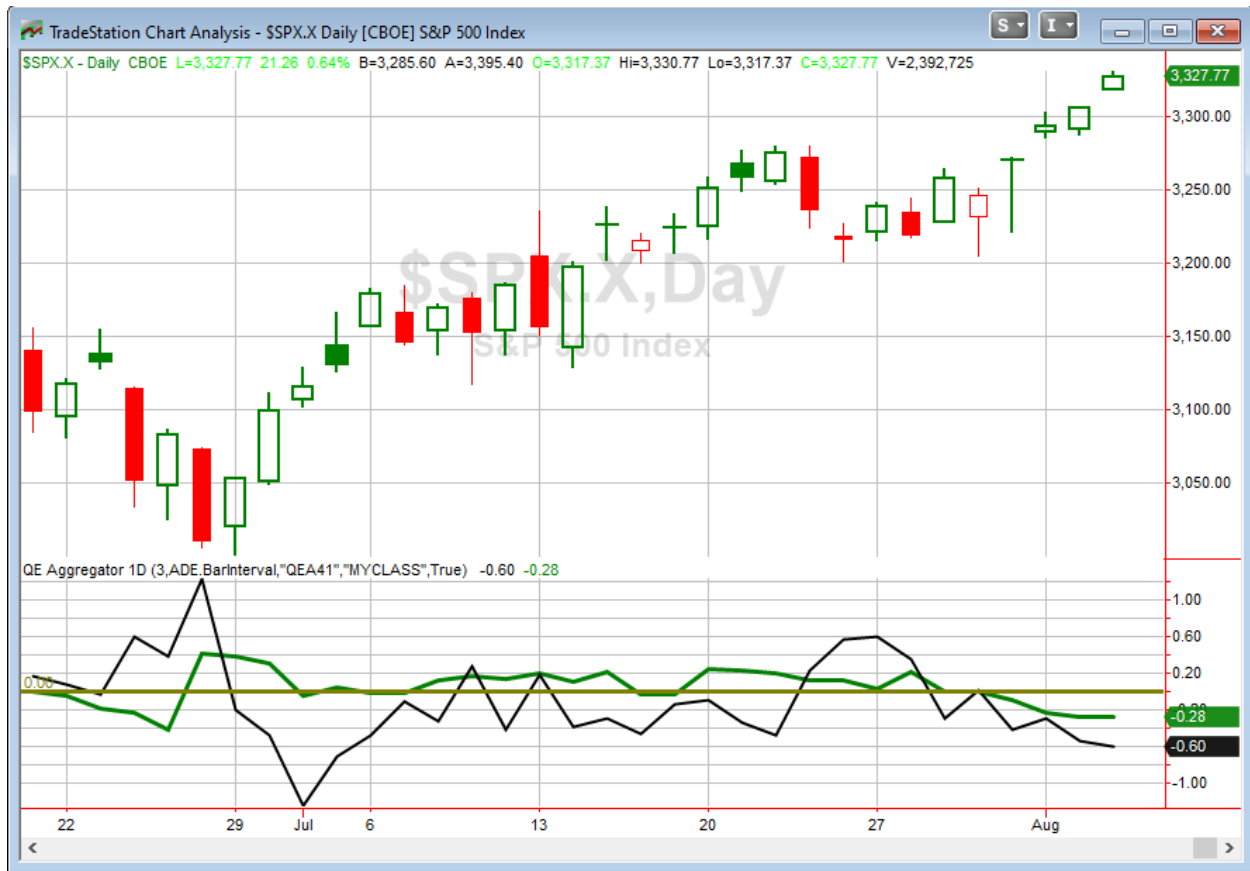
The stats are lopsided to the downside, suggesting a bearish edge. The curve has persisted lower for a good long time. Overall, this seems to suggest a downside edge. I also looked to see how the SPX performed following the setup.



Very similar numbers and curve. It appears the NASDAQ breadth setup has also led to pullback in the SPX much of the time.

Last night I discussed the 3/10 offset HV indicator the low reading was suggesting that a sharp move could occur in the coming days. Wednesday's reading of 0.20 is even lower. It does not appear that Wednesday's rally was the "big move". A volatility spike is still expected according to this indicator.

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



With tonight's evidence considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal stayed short at the close.

Based on the current list of active studies, expectations are slated to remain negative on Thursday. This could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3283.81 on Thursday. That is 1.3% below Wednesday's close. Therefore, SPX would need to close down at least 1.3% on Thursday in order to flip from short-term overbought to short-term oversold versus recent expectations.

So the Aggregator is again bearish, but the push higher has been relentless. We did get a 2nd short-term study tonight confirming the bearish edge. But it only has a 1-day edge. Still, with overall reward/risk pretty good and multiple short-term studies pointing lower, I like the odds of a brief pullback here. I will look to take on some short exposure on Thursday if I can get a favorable fill at the open.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/3 – slightly bullish

The intermediate-term outlook was last updated in the 8/3/20 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult 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.

SPY – Sell short ¼ index position @ \$332.15 LIMIT ON OPEN. Based on the short-term outlook above, I will look to take advantage of an apparent downside edge if I am able to get a favorable short entry at the open on Thursday. If not filled at the open, I will cancel the order immediately.

Current Open Trade Ideas

None

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