

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 7, 2020

Volume 13 Issue 153

## Market Overview



## Signals Overview

Aggregator	CBI Reading
<b>Short</b>	<b>0</b>

## Tonight's Research Points

- A strong close heading into an employment day has often seen employment day gains.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish, but reward/risk does not appear great right here. I am sidelined.

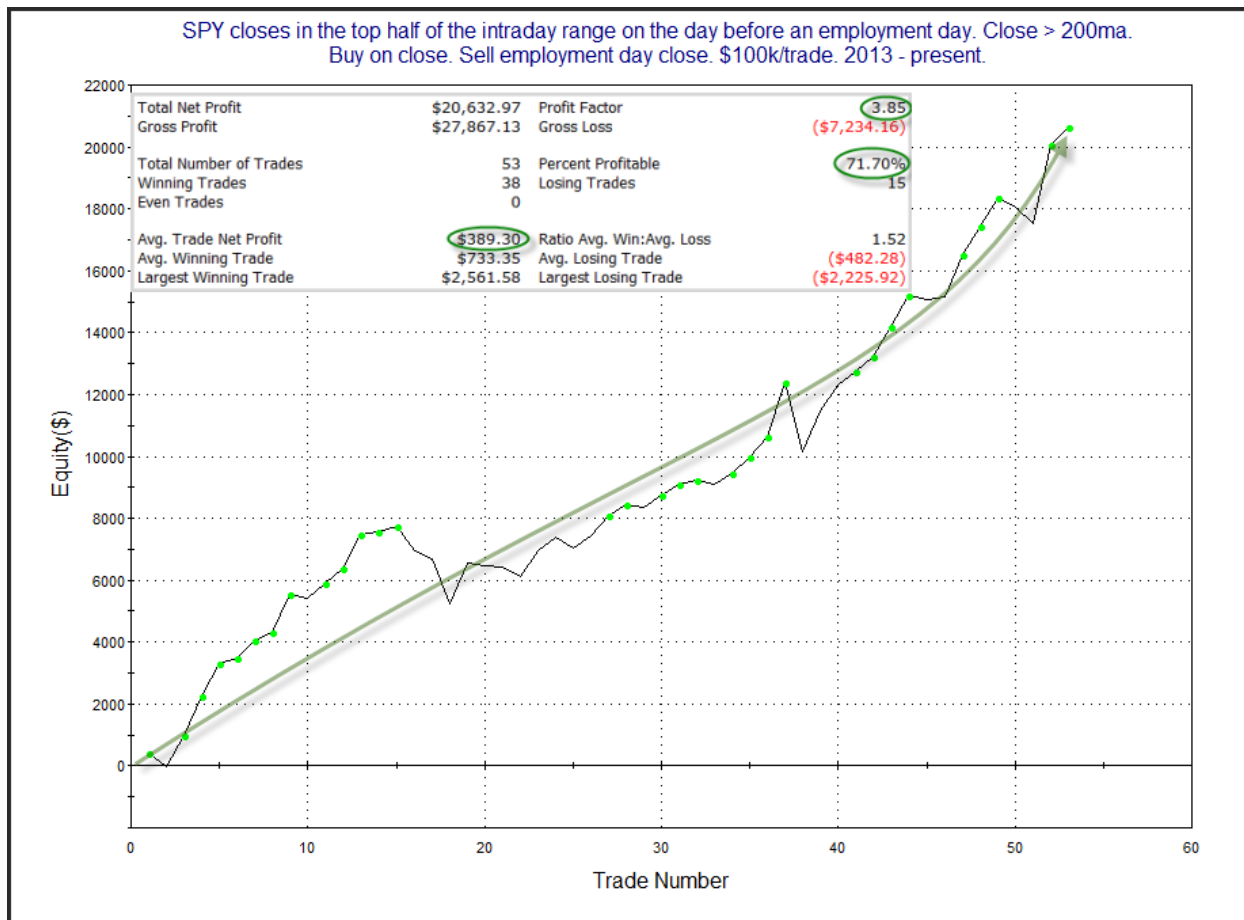
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
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%
<b>Active - Long Term</b>						
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 kept on going for most of the indices. The SPX gained 0.6%, and the NASDAQ rose 1.0%, but the Russell 2000 lost 0.1%. Breadth was negative as the NYSE Up Issues % was 49% and the Up Volume % came in at 43%. NYSE total volume declined some from Wednesday's level.

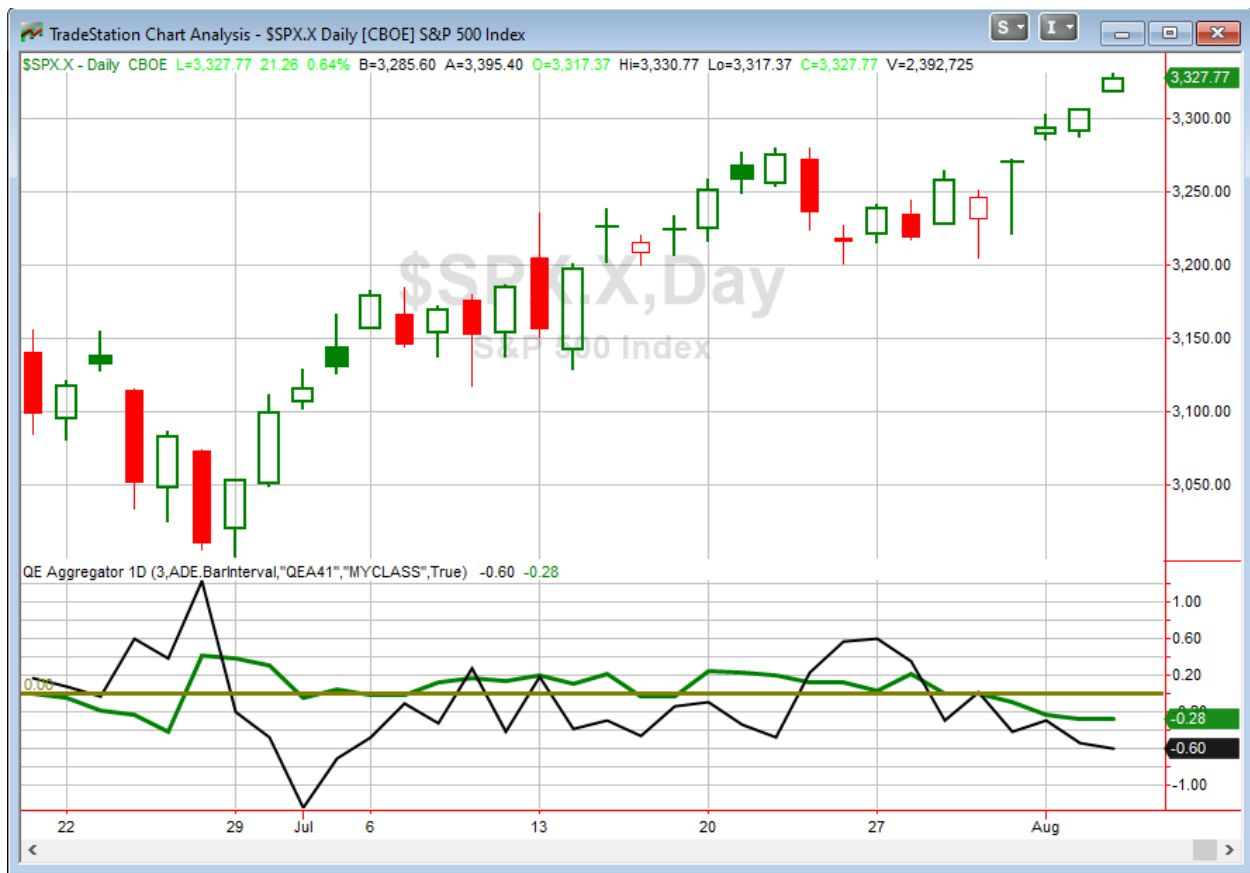
Notable about Friday morning is that we will see the release of BLS employment report. Employment days have often seen the market rally in recent years. Interestingly, this tendency has been stronger when there has been some optimism the day before. The study below, from the 7/2/20 letter, looks back to 2013 at all other times SPY closed above the 200ma and in the top half of its intraday range on the day before an employment day. Results are updated.



Both the numbers and the curve are impressive. They suggest a 1-day upside edge.

I will also note that the employment report is very capable of sparking a big move. And a big move is a bit overdue, with the 3/10 Offset HV indicator, which I discussed the last couple of nights, still coming in with a low reading.

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



Even 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 Friday, but flip bullish on Monday. Friday's expectations could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3285.73 on Friday. That is 1.9% below Thursday's close. Therefore, SPX would need to close down at least 1.9% on Friday in order to flip from short-term overbought to short-term oversold versus recent expectations.

So the Aggregator is again bearish. But it is very tenuous. One-day expectations are actually positive. Three-day are negative, but quite mildly. I am not interested in a counter-trend trade on a day with positive expectations and explosive potential. The 3/10 Offset HV is wound tight, the employment report could be a wildcard, and COVID-relief negotiations heading into the weekend could also be a big market mover. I'll remain sidelined and ready to pounce when the next strongly favorable reward/risk opportunity emerges.

***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.*

**None tonight.**

**Current Open Trade Ideas**

None

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