

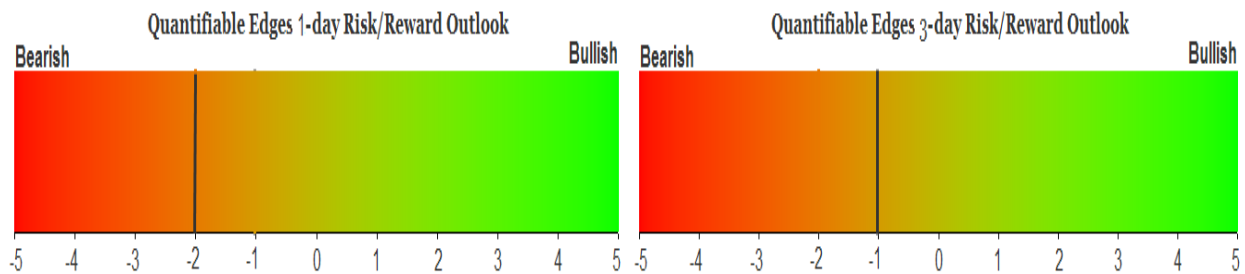
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 19, 2020

Volume 13 Issue 161

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Such negative breadth on an up day is rare, but has often been followed by some selling the next day.

Short-term Outlook

The Bottom Line

The Aggregator flipped to bearish, but expectations are set to flip again on Wednesday. So the edge does not appear substantial.

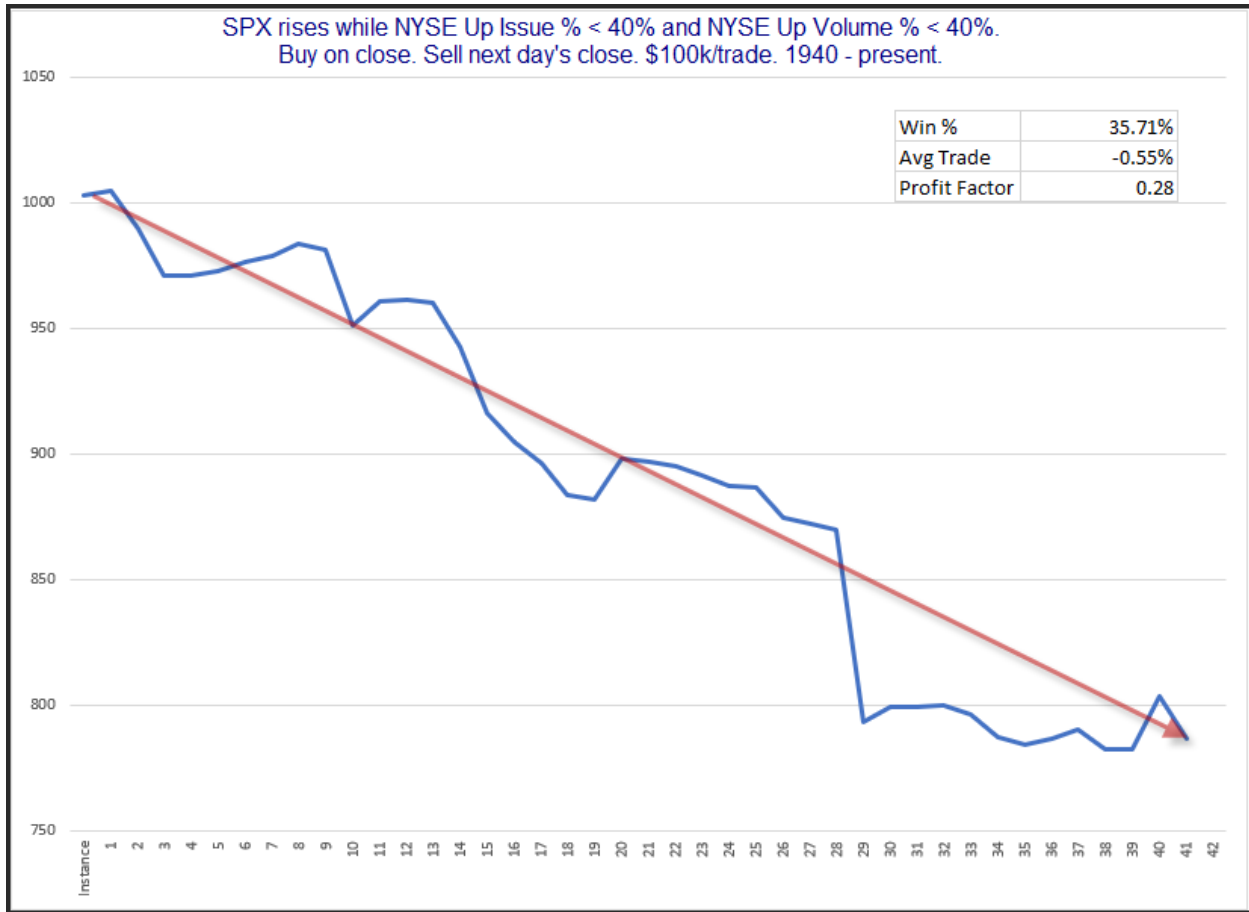
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 19, 2020	SPX up. Up Vol% and Up Issue % < 40%	1 day	Bearish			
August 18, 2020	SPY 20-high. Close < open	1-3 days	Bullish	1.00%	-0.60%	-1.10%
Active - Long Term						
August 12, 2020	SPX Dn 1 after 5+ up to 50-high	1-10 days	Bullish	1.90%	-1.00%	-2.10%
August 11, 2020	DJI & SPX up 7 days in a row > 200	1-20 days	Bullish	3.00%	-2.00%	-4.20%
August 11, 2020	RSI2 crosses over 99	1-15 days	Bullish	2.20%	-1.50%	-3.00%
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 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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
August 17, 2020	SPX dn 2 from 50-high < 0.25%	1-2 days	Bullish			

The Evidence

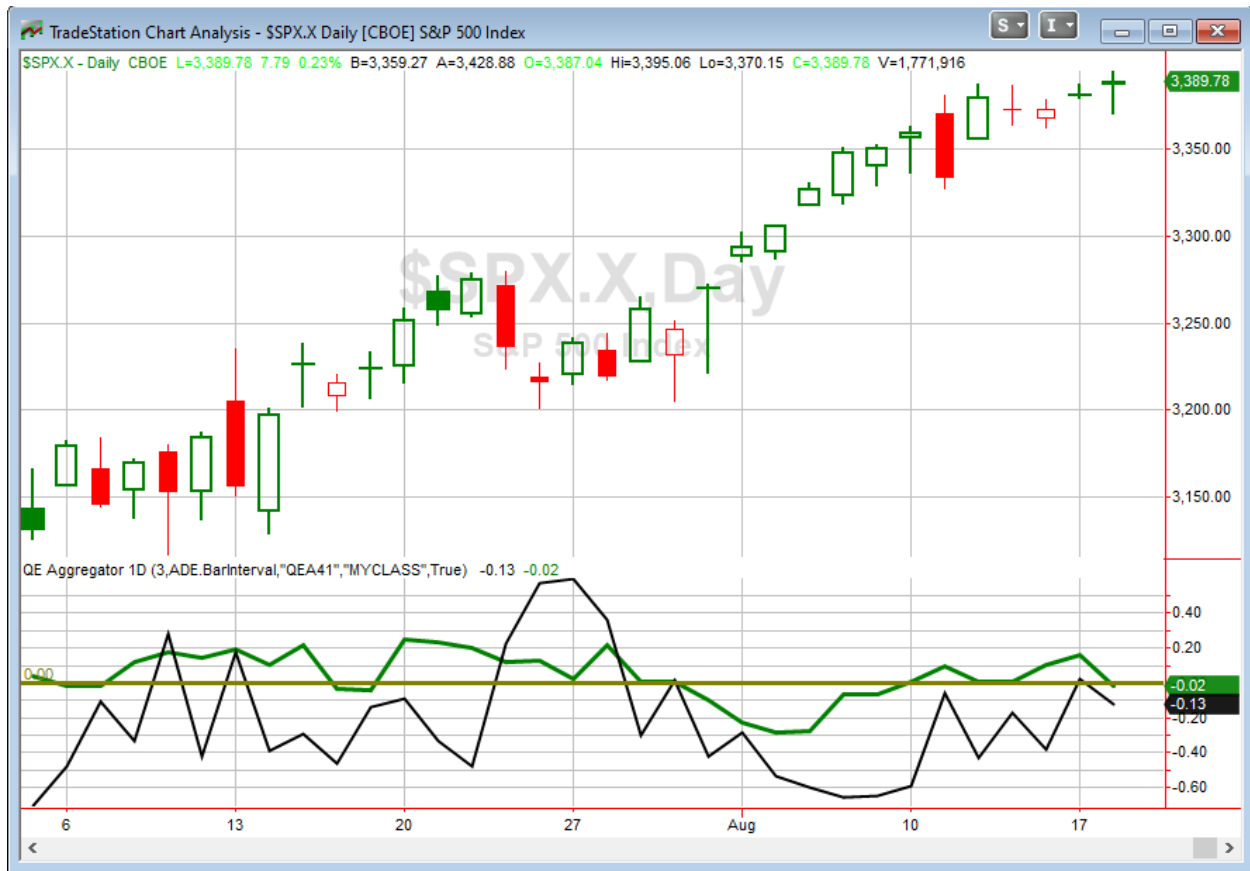
While the SPX and NASDAQ made all-time highs, results were somewhat mixed on Monday. The SPX rose 0.2%, the NASDAQ rallied 0.7%, and the Russell 2000 lost 1.0%. Breadth was negative as the NYSE Up Issues % was 39.3% and the Up Volume % came in at 35.2%. NYSE total volume rose some from Monday's level.

The divergence between breadth and the big-cap indices was fairly remarkable on Tuesday. It is rare to see such negative numbers when SPX rises. This triggered a few studies in the Quantifinder. The most compelling of these studies was from the 10/18/10 subscriber letter. It looked at times when the SPX closed higher on a day that both the NYSE Up Issues % and Up Volume % closed < 40%. Using my Norgate database I was able to run the results back to 1940.



The low win %, strong downsloping curve and weak profit factor all point to a 1-day downside edge. I have added this study to the active list tonight.

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



With tonight's evidence considered, the green Aggregator Line dropped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also fell 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 flipped to short at the close.

With the current list of active studies, expectations are slated to turn back to positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3376.76 on Wednesday. That is 0.4% below Tuesday's close. So SPX will need to close down at least 0.4% on Wednesday in order to flip from overbought to oversold vs recent expectations.

That was a quick flip of the Aggregator. If the intermediate-term was neutral or bearish, I might be tempted to try and short a gap up and then cover on the close on Wednesday. But bearish evidence is light, and is set to expire on Wednesday. I am not inclined to trade that aggressively with a counter-trend trade. I'll continue to wait for a more favorable reward/risk setup to emerge before taking on new index exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/17 – slightly bullish

The intermediate-term outlook was last updated in the 8/17/20 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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