

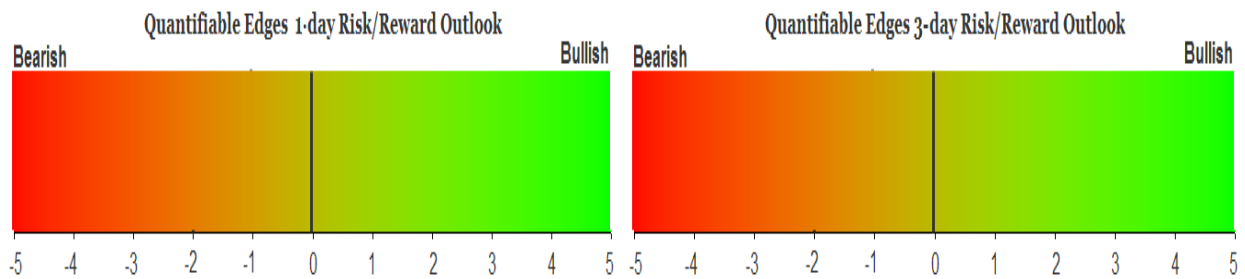
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 7, 2021

Volume 14 Issue 128

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Me too.

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						
July 7, 2021	5+ to 50-high then down 1	1-4 days	Bullish	1.10%	-0.80%	-1.65%
July 6, 2021	SPX 200 hi. Mc Osc < 0 12 days in row	1-3 days	Bearish	-1.90%	0.70%	1.50%
July 6, 2021	SPX 6+ to 50 high. Today biggest gain	1-4 days	Bullish	1.60%	0.45%	0.90%
July 6, 2021	DJI 50-low to 50-hi in 10 days	1-5 days	Bullish			
July 1, 2021	Close month at high of month.	1-5 days	Bullish	1.65%	-1.20%	-2.40%
June 29, 2021	NYSE Up Vol < 40% with SPX up.	1-7 days	Bullish	1.80%	-1.10%	-2.20%
Active - Long Term						
July 6, 2021	SPX 200 hi. Mc Osc < 0 12 days in row	1-45 days	Bearish	-6.50%	2.45%	4.50%
July 2, 2021	SPX RSI2 > 99	1-15 days	Bullish	2.30%	-1.50%	-3.00%
June 28, 2021	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.80%
June 14, 2021	NASDAQ leading	int term	Bullish			
May 3, 2021	Worst 6 Months	1-6 months	Bearish			
April 22, 2021	% of SPX stocks > 100ma exceeds 94%	int term	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
July 6, 2021	SPX 20-hi VIX 20-lo Volume 10-lo	1 day	Bearish			

The Evidence

Tuesday was another day of mixed action. The SPX finished down 0.2%, the NASDAQ rose 0.2%, and the Russell 2000 declined 1.4%. Breadth was weak with the NYSE Up Issues % coming in at 35% and the Up Volume % at 20%. NYSE total volume rose some from Friday's level.

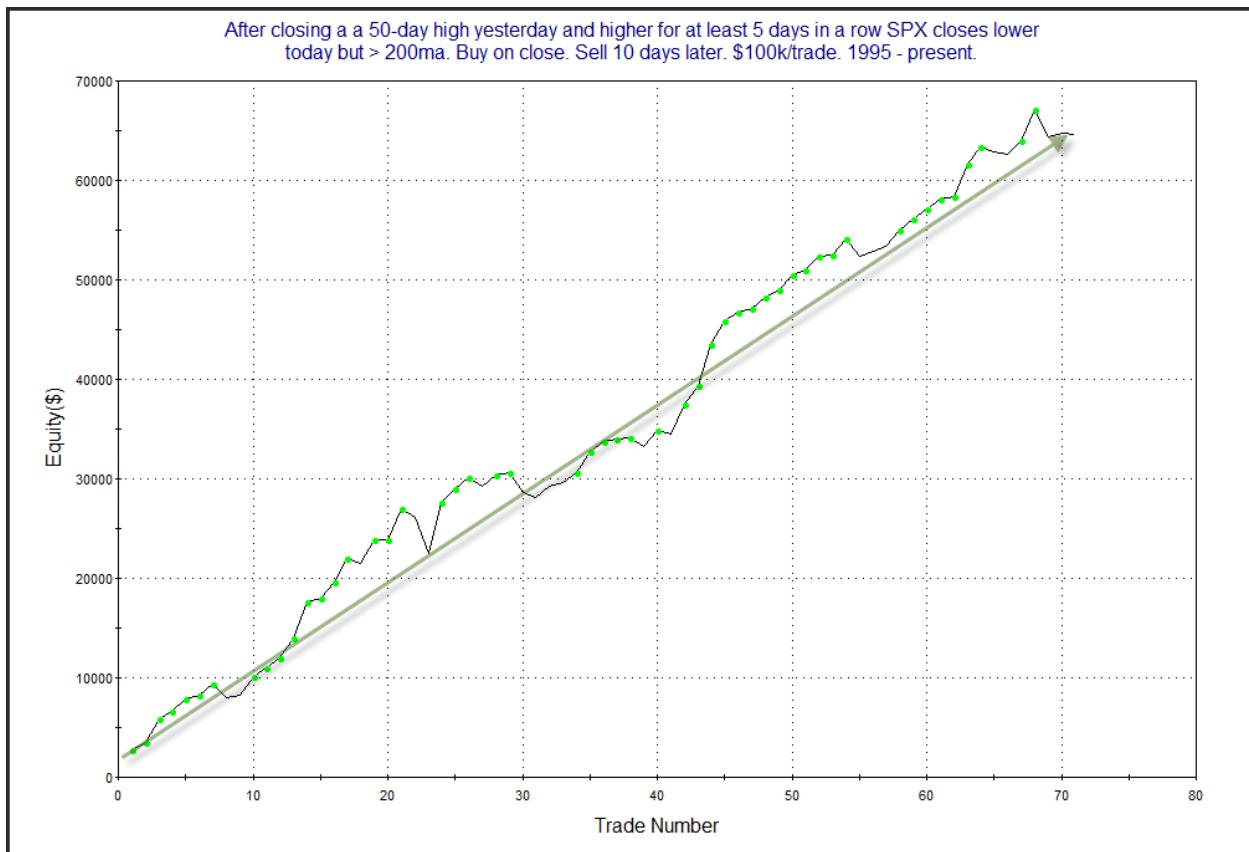
I showed a study over the weekend that discussed the weak breadth numbers we have been seeing lately. They can also be seen in the very low number of Russell 3000 stocks closing above their moving averages. My Russell 3000 data goes back as far as mid-1990. Today marked just the 2nd time that the NASDAQ hit a new 200-day high while less than 33% of Russell 3000 finished above their 20-day moving average. Last July 9th was the only other instance. You can't read anything into something so rare. But it does demonstrate how poor breadth has been lately.

A compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was from the 3/17/21 Letter. I have updated the stats in the table below.

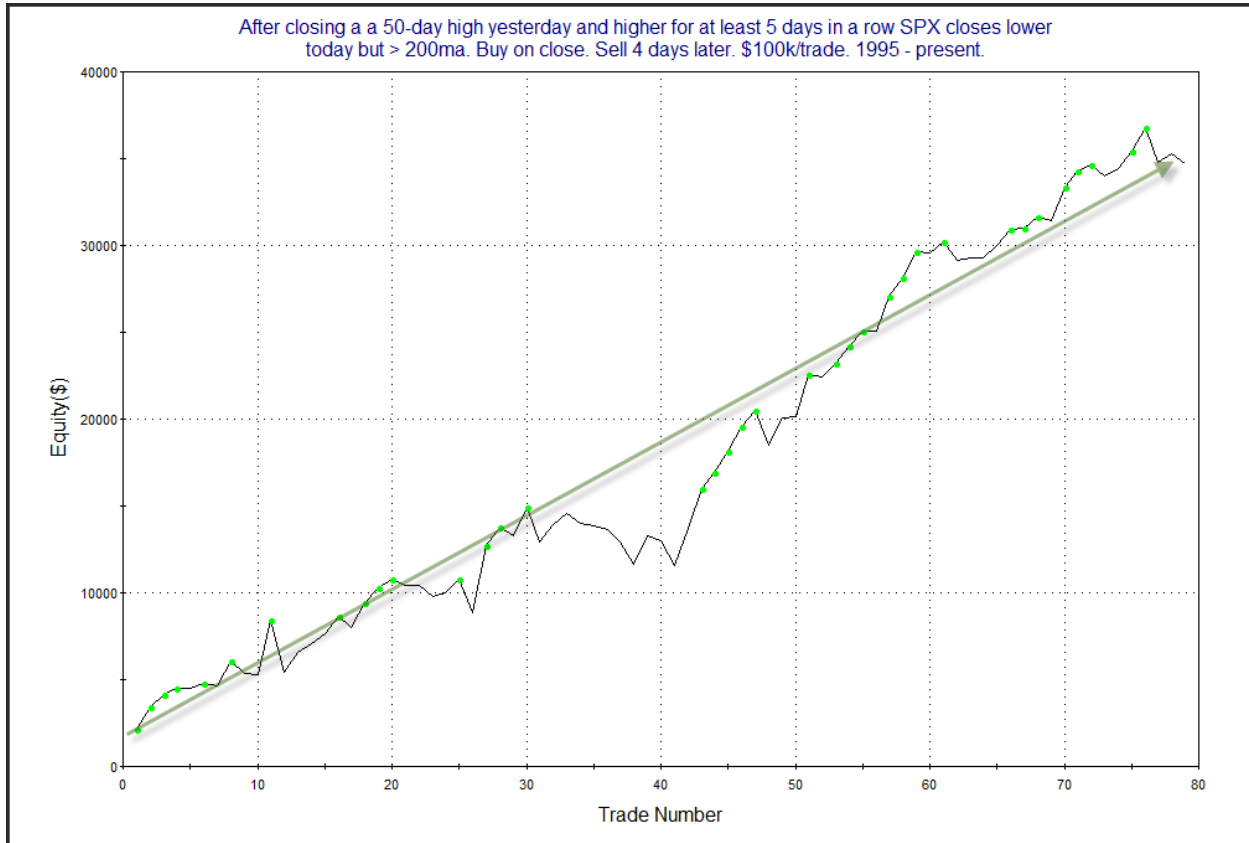
After closing a 50-day high yesterday and higher for at least 5 days in a row SPX closes lower today but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

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	64,662.22	71	57	14	80.28	5,131.35	-3,672.90	1,423.86	-1,178.42	1.21	4.92	910.74
9	62,448.12	74	59	15	79.73	5,023.20	-4,151.40	1,403.90	-1,358.81	1.03	4.06	843.89
8	51,411.42	75	52	23	69.33	4,878.08	-4,874.10	1,537.33	-1,240.42	1.24	2.80	685.49
7	39,448.09	77	52	25	67.53	3,874.76	-4,511.36	1,365.31	-1,261.93	1.08	2.25	512.31
6	40,870.09	79	56	23	70.89	4,307.20	-3,637.71	1,230.38	-1,218.75	1.01	2.46	517.34
5	31,056.03	79	52	27	65.82	4,252.50	-4,717.16	1,088.82	-946.76	1.15	2.21	393.11
4	34,748.17	79	51	28	64.56	3,843.00	-3,003.39	1,102.06	-766.31	1.44	2.62	439.85
3	20,752.32	79	50	29	63.29	2,472.85	-1,992.34	855.76	-759.85	1.13	1.94	262.69
2	22,002.29	79	53	26	67.09	2,437.50	-2,614.95	761.97	-707.01	1.08	2.20	278.51
1	13,093.23	79	51	27	64.56	1,751.19	-1,744.10	512.37	-482.87	1.06	2.00	165.74

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.



The strong upslope appears to confirm the bullish edge. Next let's look at the 4-day curve.



Results are choppy. But even with more whipsaws this one appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

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



With tonight's evidence considered, the green Aggregator Line remained well above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is quite 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 stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Wednesday. This possibly could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4335.94 on Wednesday. That is 0.2% below Tuesday's close. So SPX will need to close down at least 0.2% in order to flip from overbought to oversold vs expectations on Wednesday.

So the Aggregator is again neutral. Evidence is mostly bullish, but SPX remains overbought. We could see a bullish Aggregator formation emerge on Wednesday if SPX closes down a bit. And that would seem likely if there is a move lower. But I am not inclined to jump the gun on an entry. I'll give it another day and consider any new evidence before considering new index positions for Thursday or Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/6 – somewhat bullish

The intermediate-term outlook was last updated in the 7/6 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](#)

Open Catapult Triggers

BIIB – 1/3 @ \$349.16 (bought @ Limit)

BIIB – 1/3 @ \$347.93 (bought @ Limit)

BIIB – 1/3 @ \$340.27 (buy @ Limit)

Broad Market Large Cap CBI – 3(BIIB-3)

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	Stop	Notes
BIIB(1/3)	6/25/2021	\$348.67	\$344.89	-1.08%		Catapult
BIIB(1/3)	6/28/2021	\$343.00	\$344.89	0.55%		Catapult
BIIB(1/3)	6/29/2021	\$338.87	\$344.89	1.78%		Catapult

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