

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 9, 2021

Volume 14 Issue 130

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day, but that has not been the case as much in recent years.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. But evidence is mixed and I am not loving risk/reward.

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

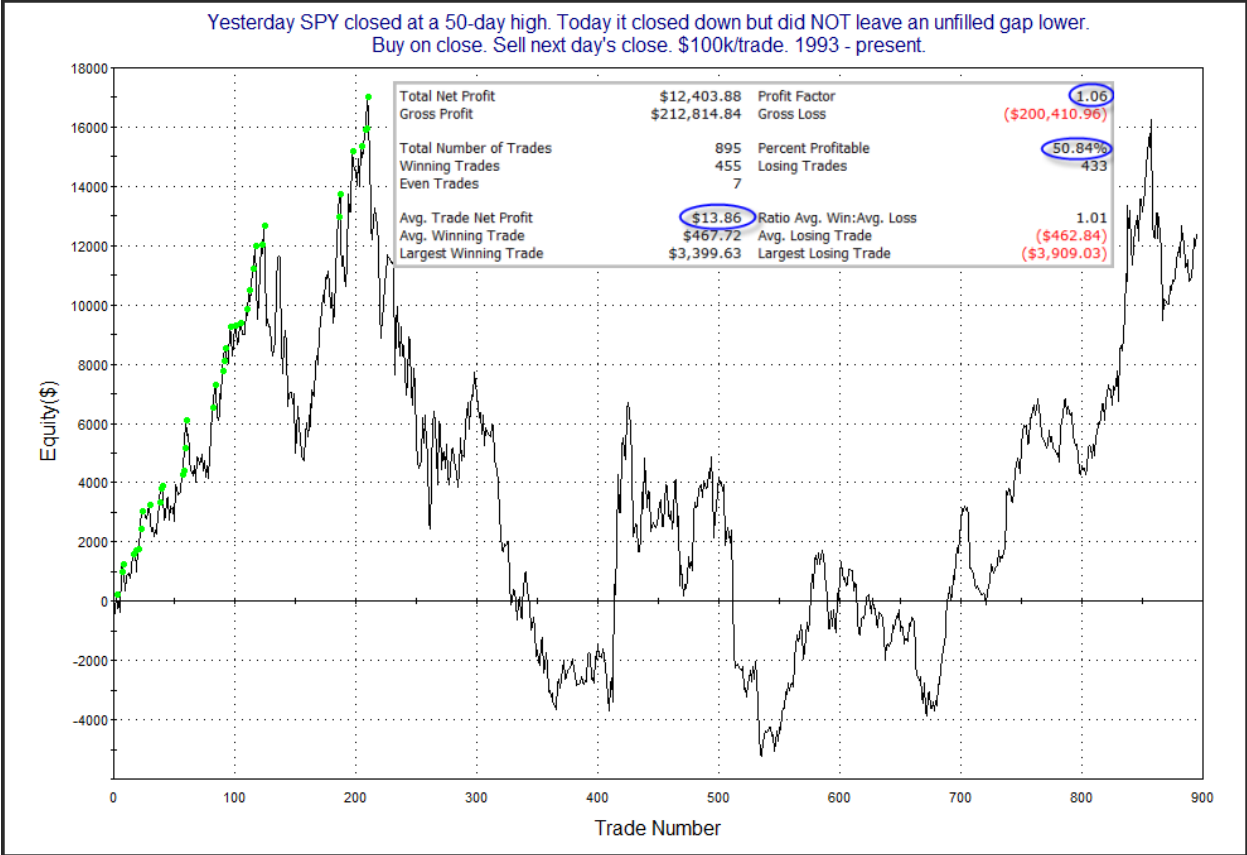
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
July 9, 2021	Gap down from 50-high	1 day	Bearish			
July 8, 2021	Russell 2000 dn 3 days. SPX 3-day high	1-4 days	Bullish			
July 8, 2021	SPX 50-high. VXX 5-high.	1-4 days	Bearish			
July 7, 2021	5+ to 50-high then down 1	1-4 days	Bullish	1.10%	-0.80%	-1.65%
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%
<b>Active - Long Term</b>						
July 8, 2021	Russell tm 25% 20-day rng. SPX top 25%	1- 40 days	Bullish			
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
July 6, 2021	SPX 6+ to 50 high. Today biggest g	1-4 days	Bullish	1.60%	0.45%	0.90%

**The Evidence**

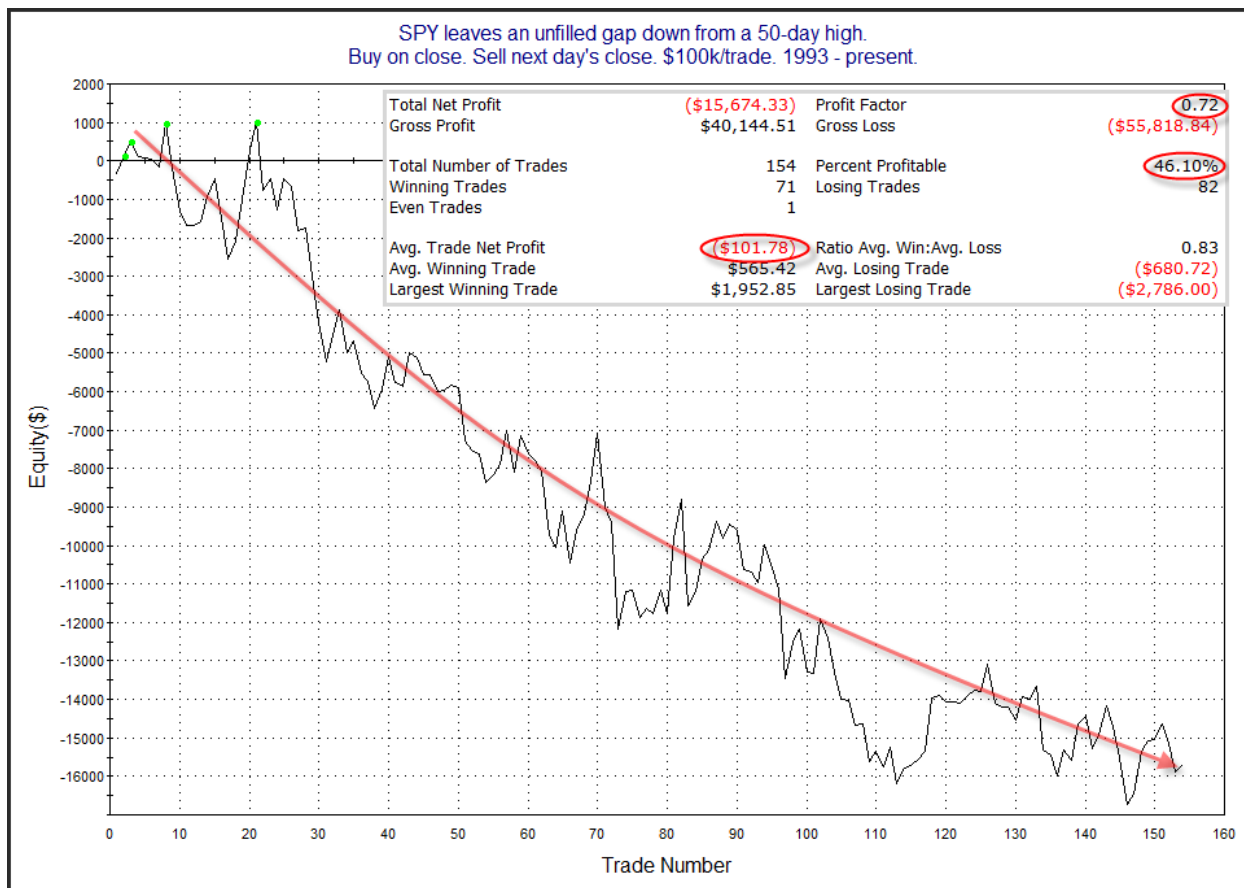
Thursday opened with a big gap lower, but the losses were partially recovered during the day. The SPX finished down 0.9%, the NASDAQ lost 0.7%, and the Russell 2000 declined 0.9%. Breadth was weak with the NYSE Up Issues % coming in at 24.5% and the Up Volume % at 21%. NYSE total volume rose some from Wednesday's level.

Wednesday's VXX action and the study I shared last night spooked me. Unfortunately, there was not much time to reposition, since the market took a big tumble between the time I sent the letter out last night, and Thursday morning's open. So the question now is, "was that it?". The VXX study called for a quick drop. And it felt like a big drop Thursday morning. But neither SPY nor QQQ closed below their 10ma on Thursday. And it was just a 1-day decline from an all-time high. So perhaps there is further still to go. There were no studies I identified that suggested a strong upside edge.

The 1<sup>st</sup> day down from a high does not often suggest a strong edge. But when the 1<sup>st</sup> day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They are updated from the 4/20/21 letter. The 1<sup>st</sup> one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.

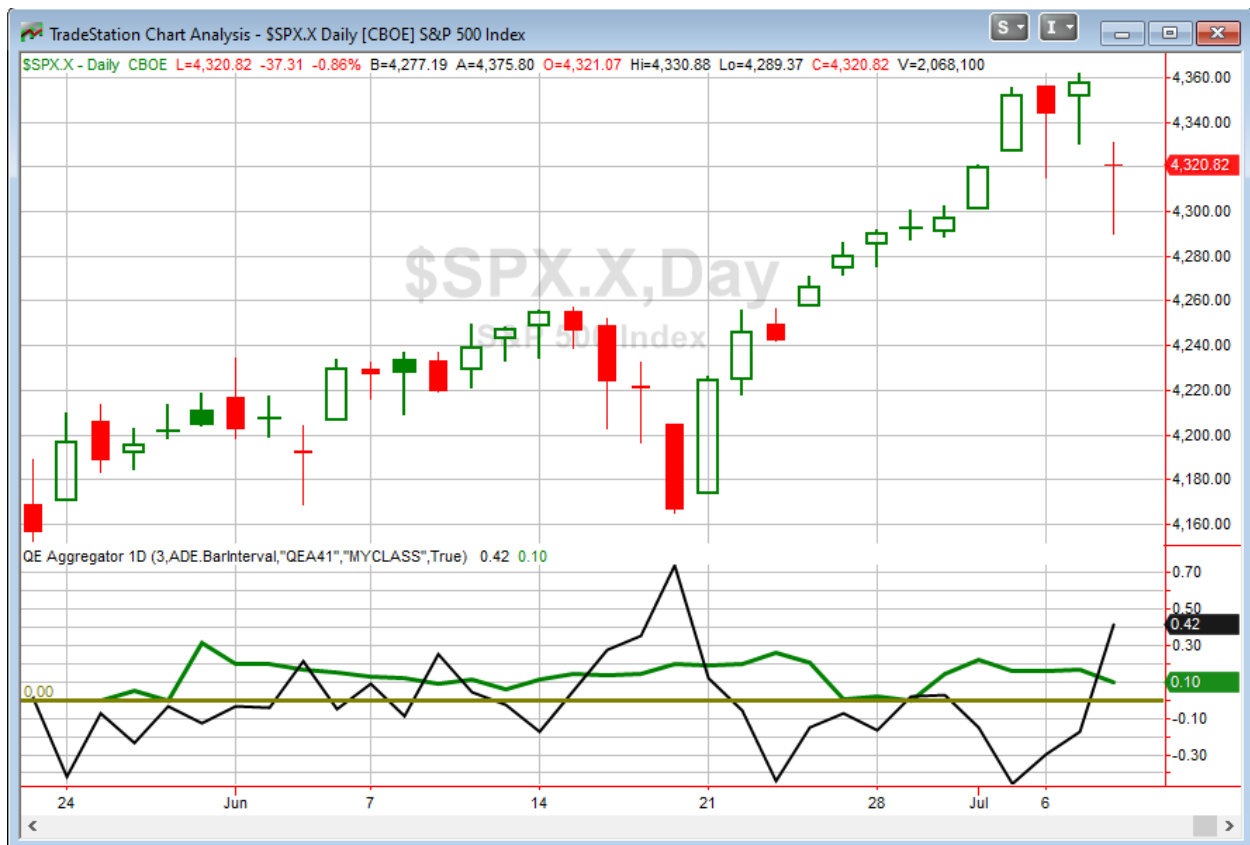


There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



While the curve has flattened some in recent years, it did make a new low fairly recently. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Thursday did *not* include an unfilled gap lower.

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



Even 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 rose above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator turned long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Friday. This possibly could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4366.70 on Friday. That is 1.1% above Thursday's close. So SPX would need to close up a sizable 1.1% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. Most studies from the last few days are suggesting a bounce. But I am not as enthused. Tonight's gap down study leans bearish, and just one down day is not much of a pullback to buy into. And while VXX closed up 6.5% today, we did see substantially larger spikes in the study last night. So risk appears high compared to potential reward. I don't plan to add new index exposure on Friday. I'll see how it plays out, consider new evidence over the weekend, and then perhaps look for an entry on Monday.

## ***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***

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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>BIIB(1/3)</i>	<i>6/25/2021</i>	<i>\$348.67</i>	<i>\$350.07</i>	<i>0.40%</i>		<i>sold on open</i>
<i>BIIB(1/3)</i>	<i>6/28/2021</i>	<i>\$343.00</i>	<i>\$350.07</i>	<i>2.06%</i>		<i>sold on open</i>
<i>BIIB(1/3)</i>	<i>6/29/2021</i>	<i>\$338.87</i>	<i>\$350.07</i>	<i>3.31%</i>		<i>sold on open</i>

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