

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 13, 2021

Volume 14 Issue 132

## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Short      | 0           |

## Tonight's Research Points

- Big down days rarely happen on opex Tuesday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish, but reward seems quite limited. I lean more neutral.

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

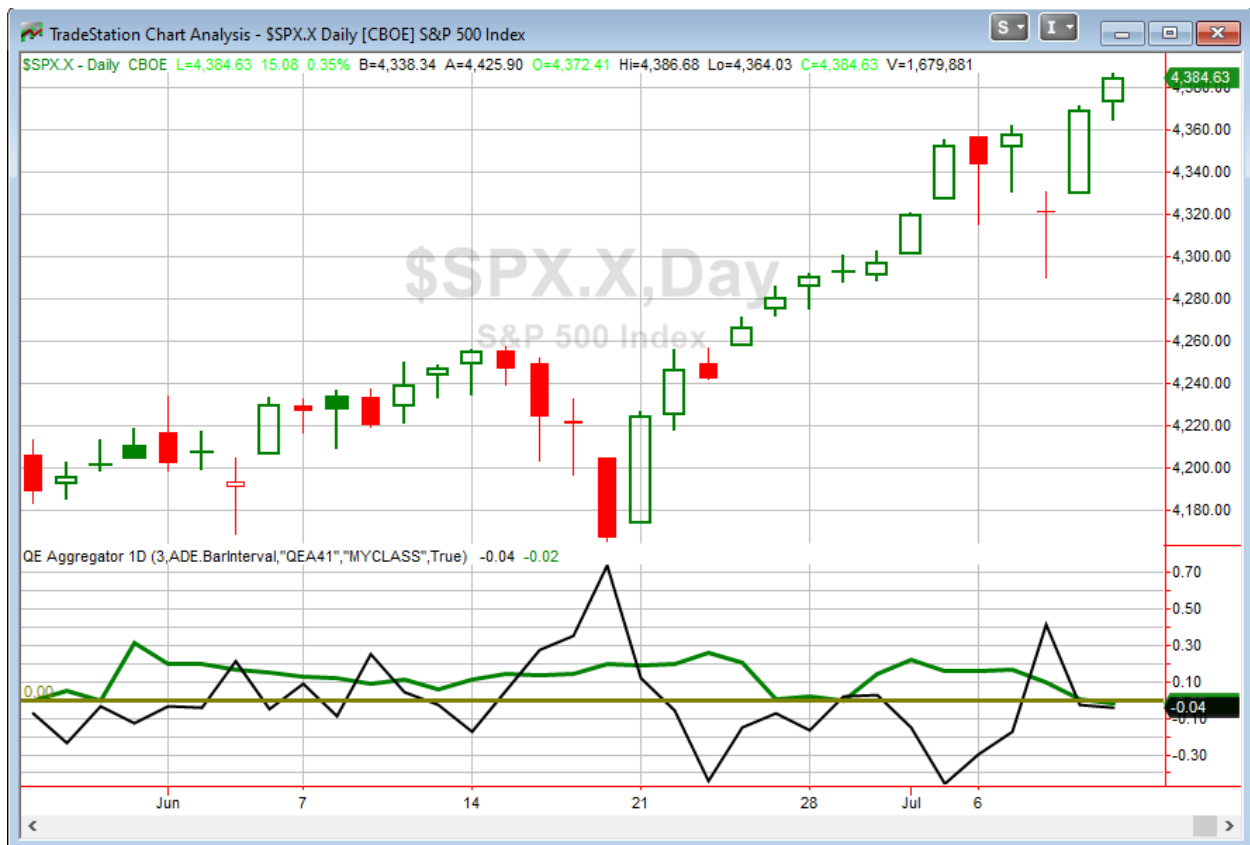
| Study Date                                                                 | Description                             | Time span  | Bias    | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|----------------------------------------------------------------------------|-----------------------------------------|------------|---------|------------|------------|------------------------|
| <b>Active - Short Term</b>                                                 |                                         |            |         |            |            |                        |
| July 12, 2021                                                              | SPX up 1%. Lowest volume 20 days        | 1-2 days   | 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 |            |            |                        |
| <b>Active - Long Term</b>                                                  |                                         |            |         |            |            |                        |
| July 8, 2021                                                               | Russell btm 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 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 |            |            |                        |

**The Evidence**

Monday saw more gains and more new highs for the indices. The SPX finished up 0.35%, the NASDAQ gained 0.2%, and the Russell 2000 climbed 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 57% and the Up Volume % at 52%. NYSE total volume rose some from Friday's very low level.

Aside from the new highs, which is becoming commonplace, Monday was unremarkable. And it left me without any compelling new studies to share tonight. This happens sometimes when the market is in an upward grind like we have seen lately. Tuesday morning we will get the CPI release, Wednesday Fed Chairman Powell will be talking in front of Congress, and Friday is monthly options expiration. So there is plenty coming up in the next few days that could trigger more interesting action and compelling studies.

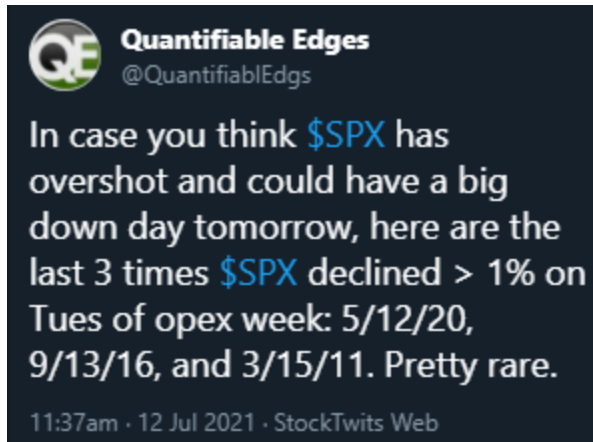
I have updated [the Aggregator chart](#) below.



Without any new studies making the cut tonight, the green Aggregator Line dipped slightly below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line closed just under 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are slightly negative and SPX is mildly overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

With all the short-term bearish studies set to expire on Tuesday, expectations are set to turn back to positive. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4338.58 on Tuesday. That is 1.05% below Monday's close. So it will take a sizable drop to flip SPX from overbought to oversold as of Tuesday's close.

Opex week is often quiet and big down moves tend to be uncommon. I ran a little study during the day looking for times that SPX closed down over 1% on Tuesday of opex week...



The Aggregator is bearish, but it appears a big down day is fairly unlikely. So reward for a short position may not be great. Additionally, expectations are slated to flip to bullish. This limits reward potential even more. This is the first bearish Aggregator formation since May, but it does not seem like one to get excited about. I am not interested in taking on a counter-trend trade with a 1-day lifespan. I expect a better edge will avail itself before long, and I will have plenty of cash on the sideline to try and take advantage of it. For now, I'll wait and watch.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 7/12 – somewhat bullish***

### **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**

None

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