

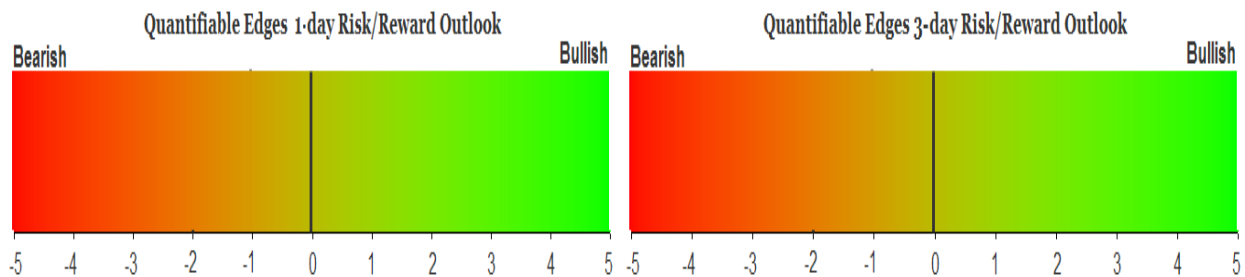
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 22, 2021

Volume 14 Issue 139

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The strong breadth over the last two days could be a short to intermediate-term positive, but in recent times under similar circumstances, it has not meant much.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is leaning bullish but the market is overbought. I am neutral as well.

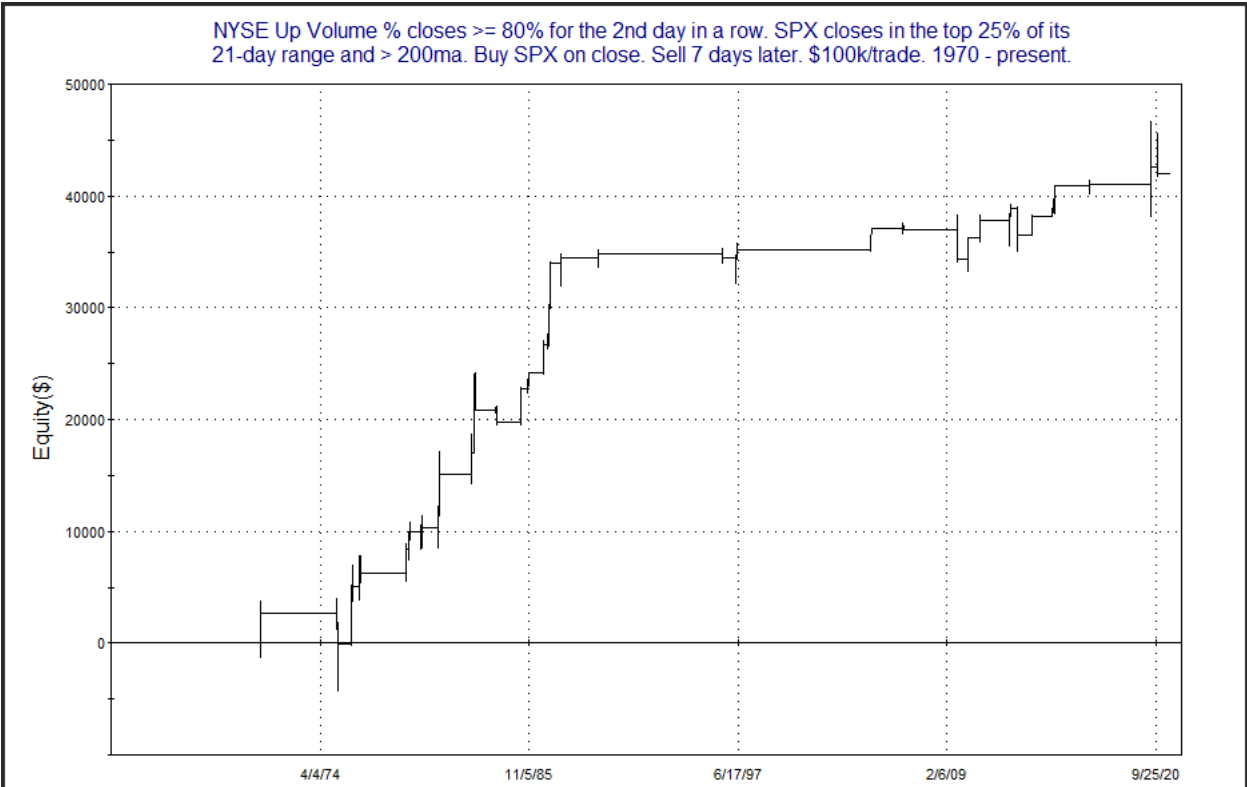
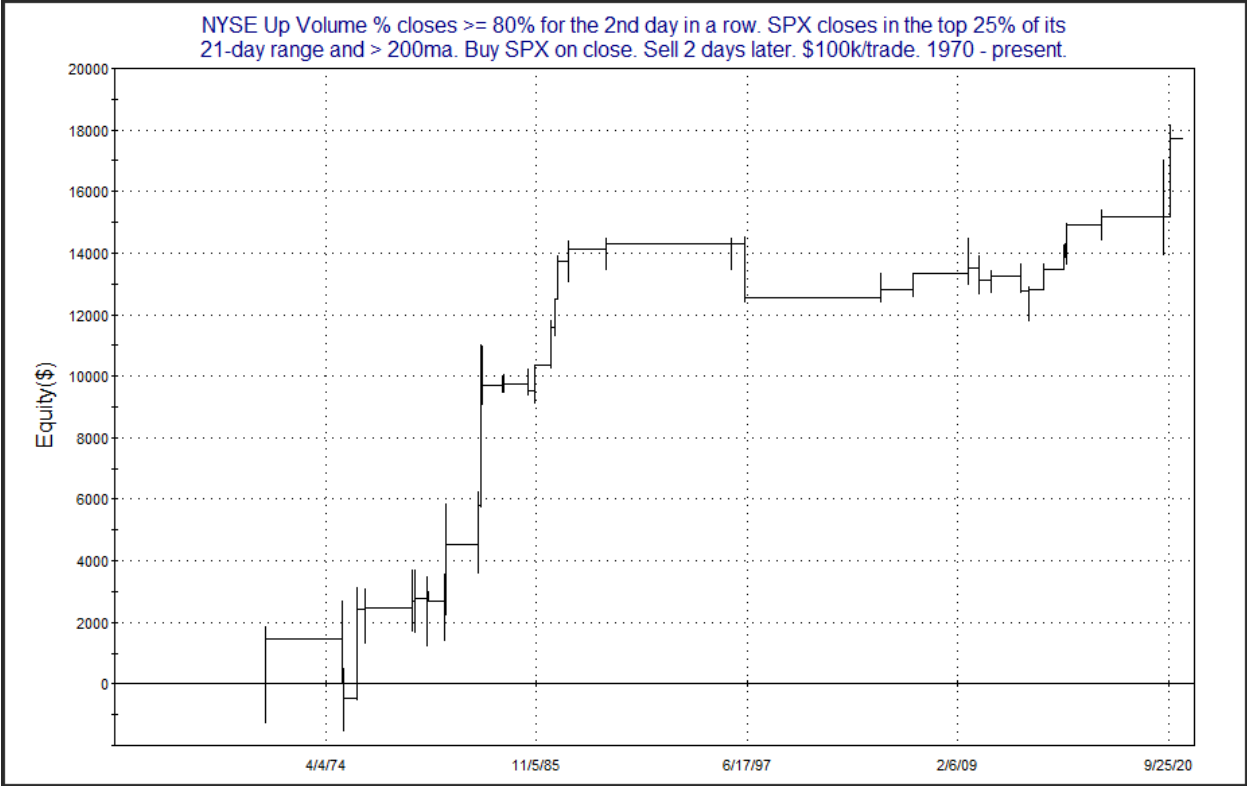
The Evidence

The bounce continued for a 2nd day on Wednesday. The SPX rose 0.8%, the NASDAQ gained 0.9%, and the Russell 2000 rallied 1.8%. Breadth was positive with the NYSE Up Issues % coming in at 72% and the Up Volume % at 84%. NYSE total volume declined some from Tuesday's level.

The 2nd day of strong breadth is somewhat notable. And it not very surprising considering how powerfully the Russell 2000 rebounded since Monday. Strong breadth is often seen as a positive. I decided tonight to look at other instances where there were back to back 80% Up Volume days while the S&P 500 was above its 200ma and closed in the top quarter of its 1-month (21-day) range.

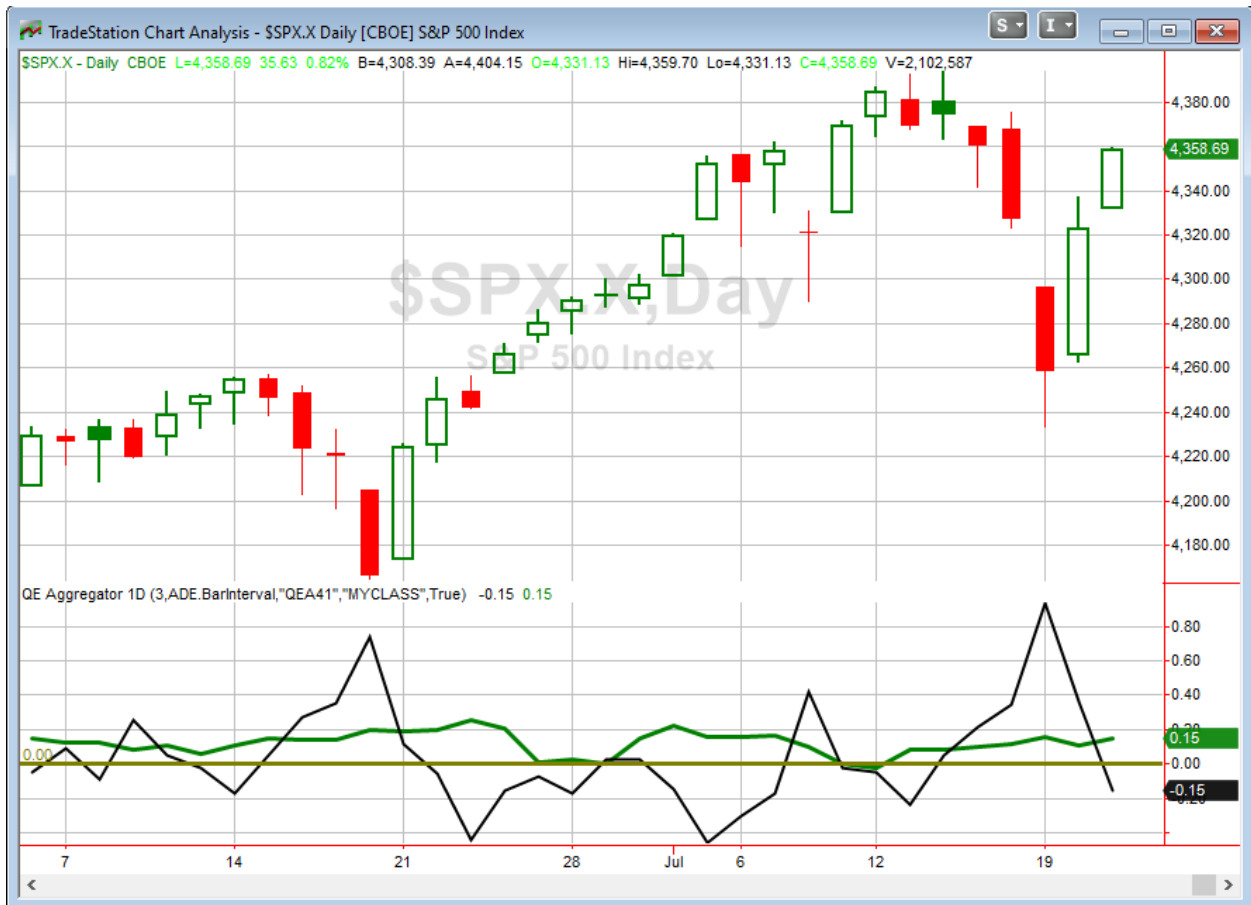
NYSE Up Volume % closes >= 80% for the 2nd day in a row. SPX closes in the top 25% of its 21-day range and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
20	73,375.67	34	27	7	79.41	10,956.00	-5,826.00	3,501.32	-3,022.84	1.16	4.47	2,158.11
19	61,933.98	35	24	11	68.57	10,918.32	-5,931.00	3,639.78	-2,310.98	1.57	3.44	1,769.54
18	54,244.03	35	26	9	74.29	8,727.84	-4,992.00	3,144.30	-3,056.43	1.03	2.97	1,549.83
17	46,339.99	35	26	9	74.29	9,187.20	-6,060.33	2,926.23	-3,304.66	0.89	2.56	1,324.00
16	50,103.83	35	25	10	71.43	9,658.00	-5,585.01	3,104.06	-2,749.76	1.13	2.82	1,431.54
15	44,555.71	35	26	9	74.29	9,141.00	-6,284.01	2,798.97	-3,135.28	0.89	2.58	1,273.02
14	45,455.13	35	27	8	77.14	7,854.00	-6,948.06	2,669.62	-3,328.07	0.80	2.71	1,298.72
13	46,590.25	35	28	7	80.00	8,597.16	-6,046.35	2,400.20	-2,945.07	0.81	3.26	1,331.15
12	46,069.22	35	27	8	77.14	8,756.00	-5,229.00	2,310.43	-2,039.04	1.13	3.82	1,316.26
11	52,760.62	35	28	7	80.00	8,162.00	-4,159.96	2,382.14	-1,991.32	1.20	4.79	1,507.45
10	55,900.69	35	28	7	80.00	7,961.76	-3,915.94	2,439.54	-1,772.33	1.38	5.51	1,597.16
9	50,228.41	36	25	10	69.44	8,093.68	-5,207.55	2,523.96	-1,287.05	1.96	4.90	1,395.23
8	45,702.19	37	26	11	70.27	6,853.00	-4,082.16	2,381.20	-1,473.56	1.62	3.82	1,235.19
7	41,967.96	37	28	9	75.68	6,153.68	-3,567.00	2,084.97	-1,823.48	1.14	3.56	1,134.27
6	37,892.24	37	29	8	78.38	5,973.00	-4,589.90	1,763.19	-1,655.05	1.07	3.86	1,024.11
5	24,548.94	37	27	10	72.97	4,477.52	-5,333.58	1,486.22	-1,557.89	0.95	2.58	663.48
4	23,215.74	38	27	11	71.05	6,138.16	-5,732.40	1,410.34	-1,351.21	1.04	2.56	610.94
3	16,569.30	38	26	12	68.42	4,376.64	-6,908.70	1,260.85	-1,351.07	0.93	2.02	436.03
2	17,711.25	38	27	11	71.05	4,399.92	-1,940.54	914.81	-635.33	1.44	3.53	466.09
1	4,573.56	38	18	20	47.37	1,848.00	-1,022.56	691.89	-394.02	1.76	1.58	120.36

The numbers here seem to suggest an upside edge over the following days and weeks. I looked at several curves, though, and did not love them. Below are the 2-day and 7-day curves as examples.



Most of the edge was realized by the mid to late eighties. Since then, a substantial upside edge has not been demonstrated. So perhaps the strong breadth the last two days is a positive. Or perhaps we are just seeing a strong reaction after breadth numbers had gotten so bad. It seems inconclusive. The extreme breadth is certainly not bearish, but we may need more than just two strong days to gain real confidence in a bullish breadth message. No new studies are being added to the active list tonight.

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



Without any new studies making the cut, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line dove down below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is 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 formation turned flat at the close.

Based on the current active list, expectations are set to remain positive on Thursday. This could certainly change if compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 4273.04 on Thursday. That is 2.0% below Wednesday's close. Therefore, SPX will need to close down about 2.0%% if it is to flip from overbought to oversold vs recent expectations on Thursday afternoon.

So after a strong 2-day bounce, the Aggregator has turned back to neutral. Expectations remain positive, though evidence is not terribly strong. And with SPX now short-term overbought, potential reward is limited and risk is elevated. I took my index positions off near the close on Wednesday. With a neutral outlook, I am content to sit and wait for the next favorable opportunity to arrive before jumping back into an index position.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 7/19 – 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)</i>	<i>7/16/2021</i>	<i>\$431.34</i>	<i>\$434.55</i>	<i>0.74%</i>		<i>sold on close</i>
<i>SPY(1/4)</i>	<i>7/16/2021</i>	<i>\$424.97</i>	<i>\$434.55</i>	<i>2.25%</i>		<i>sold on close</i>
<i>LRCX</i>	<i>7/19/2021</i>	<i>\$577.99</i>	<i>\$637.25</i>	<i>10.25%</i>		<i>sold on close</i>
WBA(1/3)	7/20/2021	\$45.58	\$46.67	2.39%		sell on open

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