

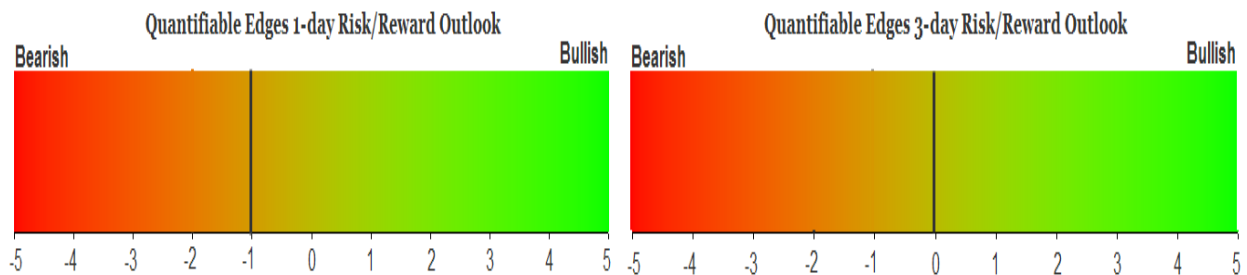
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 23, 2021

Volume 14 Issue 140

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Breadth was exceptionally weak, and we are seeing mixed messages from some breadth-related studies.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am neutral as well.

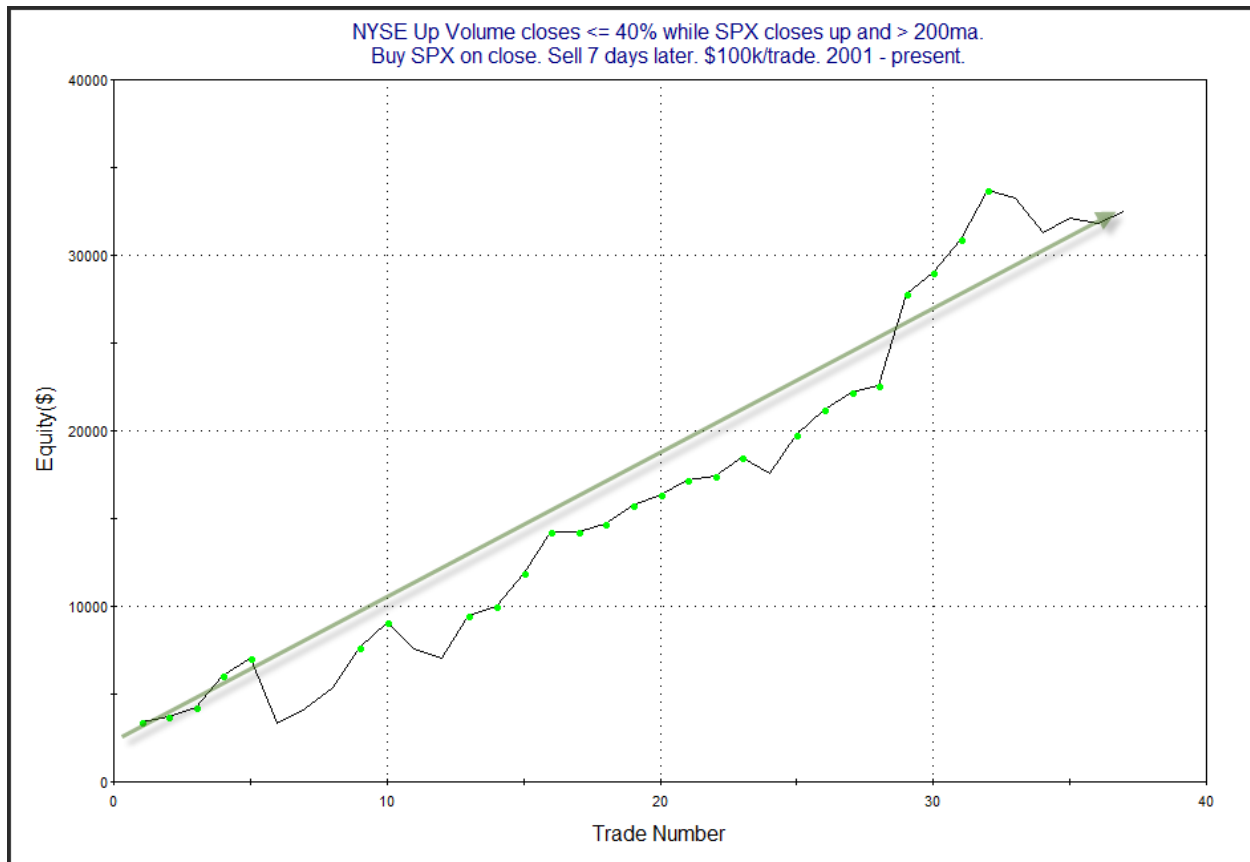
The Evidence

Thursday saw mixed results for the indices. The SPX rose 0.2%, the NASDAQ gained 0.4%, and the Russell 2000 declined 1.55%. Breadth was negative with the NYSE Up Issues % coming in at 31% and the Up Volume % at 23%. NYSE total volume declined some from Wednesday’s level.

Weak breadth is generally regarded as a negative for the market. But we have seen some studies in recent weeks that saw weak breadth as an “oversold” type condition suggesting a short-term upside edge. Tonight the message is mixed. First let’s consider the bullish study. With SPX closing up and the Up Volume % coming in under 40% it triggered the study below, which has been featured a few times in recent months. It is updated from the 7/15/21 letter.

NYSE Up Volume closes <= 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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	37,941.78	34	27	7	79.41	3,969.23	-7,891.63	1,905.98	-1,931.40	0.99	3.81	1,115.93
9	35,472.82	35	27	8	77.14	3,793.00	-7,594.37	1,778.37	-1,567.91	1.13	3.83	1,013.51
8	33,573.59	36	29	7	80.56	4,666.56	-6,657.20	1,538.87	-1,579.09	0.97	4.04	932.60
7	32,486.02	37	30	7	81.08	5,211.84	-3,690.83	1,396.61	-1,344.61	1.04	4.45	878.00
6	28,477.35	38	28	10	73.68	6,018.56	-3,495.92	1,439.72	-1,183.48	1.22	3.41	749.40
5	22,927.12	40	31	9	77.50	4,787.84	-3,769.15	1,157.18	-1,438.38	0.80	2.77	573.18
4	13,382.99	40	27	13	67.50	2,689.05	-2,557.50	1,033.71	-1,117.47	0.93	1.92	334.57
3	12,351.91	41	27	14	65.85	2,513.92	-2,547.82	935.09	-921.10	1.02	1.96	301.27
2	10,069.15	42	27	15	64.29	2,661.75	-2,848.17	753.64	-685.27	1.10	1.98	239.74
1	4,626.45	46	28	18	60.87	1,790.64	-1,371.49	499.41	-519.84	0.96	1.49	100.57

Results have been surprisingly strong over the last 20 years. Many people would interpret the weak breadth as a bearish sign. But in recent times it has not slowed the run higher, and the SPX has likely been boosted by a broader rebound in the following days. Below is a look at a 7-day profit curve.



The curve had shown strong upside persistence. I'll also note that the setup has become more common in recent years. Thursday was the 28th instance since the start of 2016. Prior to 2016, there were only 11 instances in 15 years. Overall, I find these results intriguing and have added this study to the short-term Active List.

The study below was from the 12/11/18 letter. Instead of NYSE Up Volume %, it looked at Up Issues %, and required an even lower bar before triggering.

SPX closes up on a day where NYSE Up Issues closes < 33.3%.
 Buy SPX on close. Sell next day's close. \$100k/trade. 1970 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$9,645.44)	Profit Factor	0.55
Gross Profit	\$11,977.79	Gross Loss	(\$21,623.23)
Total Number of Trades	21	Percent Profitable	23.81%
Winning Trades	5	Losing Trades	16
Even Trades	0		
Avg. Trade Net Profit	(\$459.31)	Ratio Avg. Win:Avg. Loss	1.77
Avg. Winning Trade	\$2,395.56	Avg. Losing Trade	(\$1,351.45)
Largest Winning Trade	\$9,089.88	Largest Losing Trade	(\$8,783.02)

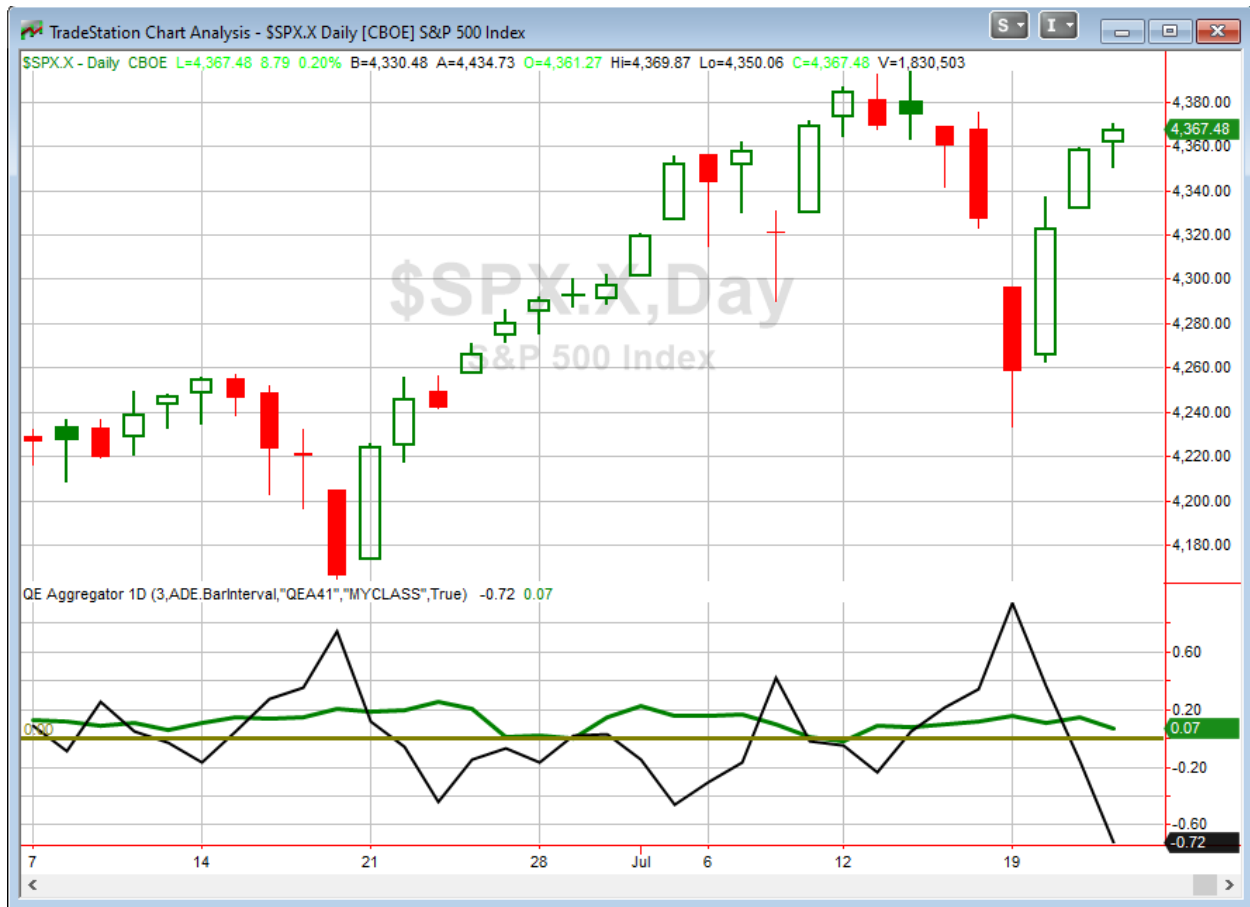
The numbers here look squarely bearish. Below is a look at all the individual instances.

SPX closes up on a day where NYSE Up Issues closes < 33.3%.
Buy SPX on close. Sell next day's close. \$100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
5/25/1976	Buy	\$99.49	-0.15%	\$653.25
5/26/1976	Sell	\$99.34		(\$844.20)
10/23/1978	Buy	\$98.18	-0.70%	\$783.86
10/24/1978	Sell	\$97.49		(\$1,068.90)
10/30/1978	Buy	\$95.06	-2.01%	\$777.74
10/31/1978	Sell	\$93.15		(\$2,459.34)
3/4/1980	Buy	\$112.78	-1.46%	\$1,027.76
3/5/1980	Sell	\$111.13		(\$1,949.20)
1/25/1982	Buy	\$115.41	-0.19%	\$1,030.54
1/26/1982	Sell	\$115.19		(\$796.72)
4/27/1987	Buy	\$281.83	0.24%	\$1,454.94
4/28/1987	Sell	\$282.51		\$0.00
10/20/1987	Buy	\$236.83	9.10%	\$9,465.46
10/21/1987	Sell	\$258.37		\$0.00
3/31/1994	Buy	\$445.76	-1.53%	\$0.00
4/4/1994	Sell	\$438.92		(\$2,217.60)
10/4/1994	Buy	\$461.77	-1.79%	\$0.00
10/5/1994	Sell	\$453.52		(\$2,700.00)
6/7/1996	Buy	\$673.30	-0.17%	\$45.88
6/10/1996	Sell	\$672.16		(\$466.20)
7/27/1998	Buy	\$1,147.26	-1.48%	\$0.00
7/28/1998	Sell	\$1,130.24		(\$2,420.34)
9/16/1999	Buy	\$1,318.48	1.28%	\$1,429.50
9/17/1999	Sell	\$1,335.42		\$0.00
3/23/2005	Buy	\$1,172.53	-0.09%	\$644.30
3/24/2005	Sell	\$1,171.42		(\$94.35)
12/13/2007	Buy	\$1,488.42	-1.38%	\$0.00
12/14/2007	Sell	\$1,467.95		(\$1,382.88)
6/23/2008	Buy	\$1,318.02	-0.28%	\$600.00
6/24/2008	Sell	\$1,314.29		(\$1,020.00)
9/26/2008	Buy	\$1,213.53	-8.83%	\$0.00
9/29/2008	Sell	\$1,106.42		(\$8,783.02)
7/20/2015	Buy	\$2,128.28	-0.43%	\$9.66
7/21/2015	Sell	\$2,119.21		(\$592.48)
12/14/2015	Buy	\$2,021.94	1.06%	\$1,564.57
12/15/2015	Sell	\$2,043.41		\$0.00
1/19/2016	Buy	\$1,881.33	-1.17%	\$0.00
1/20/2016	Sell	\$1,859.33		(\$3,659.12)
3/9/2017	Buy	\$2,364.87	0.33%	\$503.58
3/10/2017	Sell	\$2,372.60		(\$76.86)
12/10/2018	Buy	\$2,637.72	-0.04%	\$1,355.31
12/11/2018	Sell	\$2,636.78		(\$607.54)

It is interesting that there were 2 huge outliers with a trade with so low a sample size. Other than those there appears to be a pretty steady downside edge. I have added this study to the Active List.

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



With tonight's evidence considered, 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 further below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is strongly 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 stayed flat at the close.

Based on the current active list, expectations are set to remain positive on Friday. This could certainly change if compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 4339.45 on Friday. That is 0.6% below Thursday's close. Therefore, SPX will need to close down about 0.6% if it is to flip from overbought to oversold vs recent expectations on Friday afternoon.

Thursday did not change much. Expectations remain mildly positive, but the market is clearly overbought in the short-term. So reward/risk does not appear strongly favorable. The Aggregator is neutral and so am I. I will wait for a better setup before putting money back to work.

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
WBA(1/3)	7/20/2021	\$45.58	\$46.52	2.06%		<i>sold on open</i>

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