

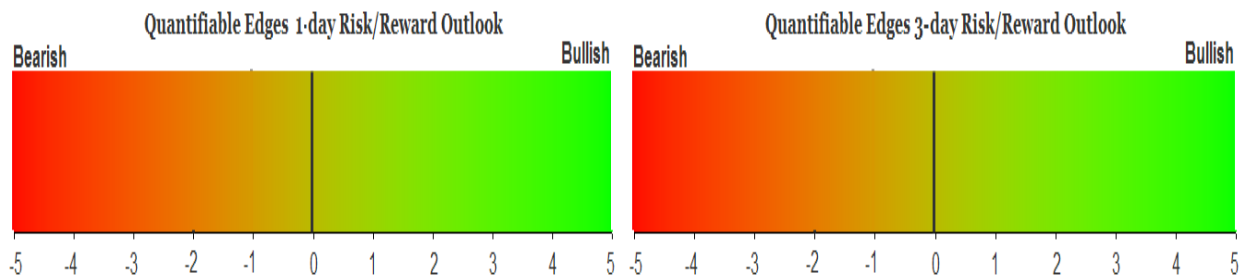
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 28, 2021

Volume 14 Issue 143

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The Fed Day setup does not appear as bullish as it often does.
- 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. I am as well.

**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 27, 2021	1st down day after 5 up to 50-high	1-4 days	Bullish	1.10%	-0.80%	-1.65%
July 23, 2021	SPX up. Up Vol % < 40%. SPX > 200	1-7 days	Bullish	1.80%	-1.10%	-2.20%
<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%
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 27, 2021	SPX 50-high. VIX up.	1-2 days	Bearish			

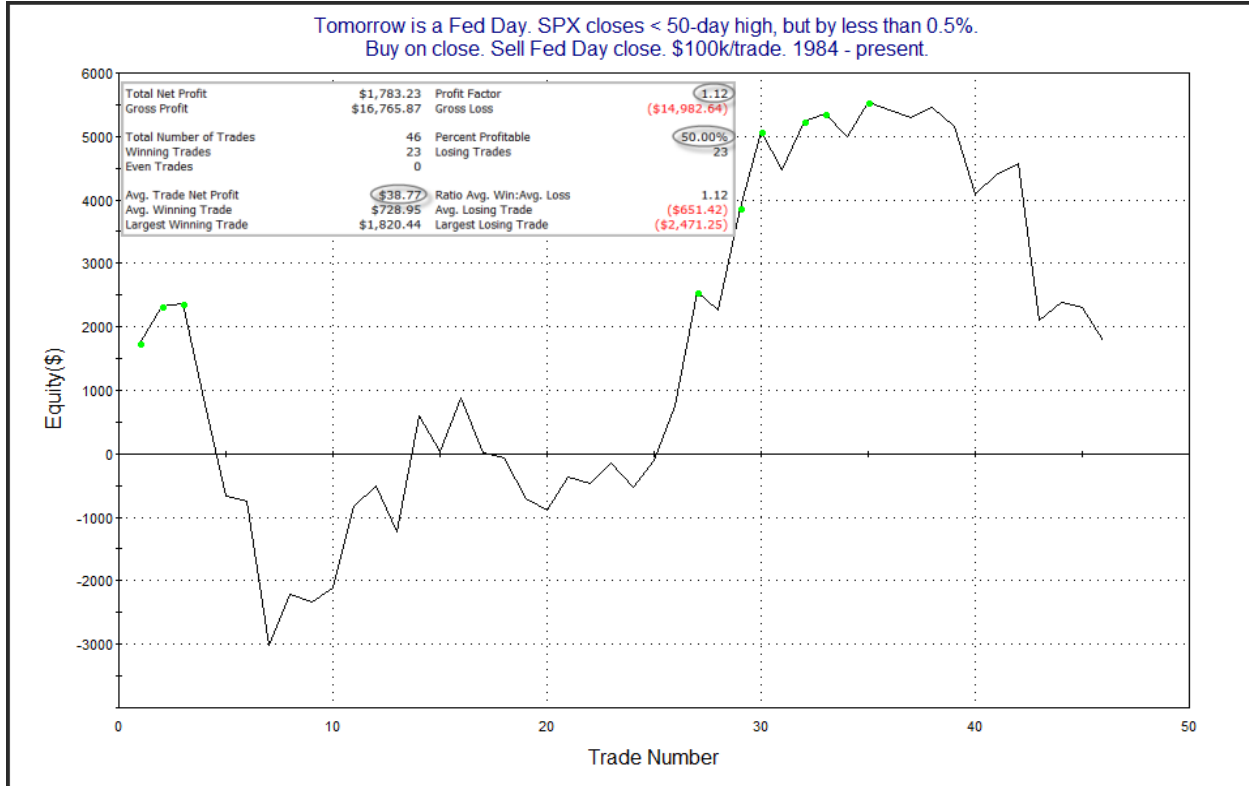
**The Evidence**

The market pulled back on Tuesday, but finished well above its lows of the day. The SPX closed down 0.5%, the NASDAQ lost 1.2%, and the Russell 2000 declined 1.3%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 40%. NYSE total volume rose some from Monday's level.

Last night I discussed how Fed Days are often bullish, but the edge is greatly impacted by where the market closes on the day before the Fed Day. I broke it down into quartiles. The lower in the range SPY closed, the better the Fed Day edge. But on Tuesday, SPY closed in the top quartile of its intraday range. Below are the results I showed last night based on that setup.

TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
<b>All Trades</b>			
Total Net Profit	\$6,110.74	Profit Factor	1.24
Gross Profit	\$31,924.29	Gross Loss	(\$25,813.55)
Total Number of Trades	86	Percent Profitable	47.67%
Winning Trades	41	Losing Trades	43
Even Trades	2		
Avg. Trade Net Profit	\$71.06	Ratio Avg. Win:Avg. Loss	1.30
Avg. Winning Trade	\$778.64	Avg. Losing Trade	(\$600.32)
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,739.69)

Basically breakeven. The typically bullish edge just isn't there. It is also notable that SPX closed near a long-term high as well. The study below is also one I have shown in the past. It looks at times SPX closed below a 50-day high, but by less than 0.5%, on the day before a Fed Day.



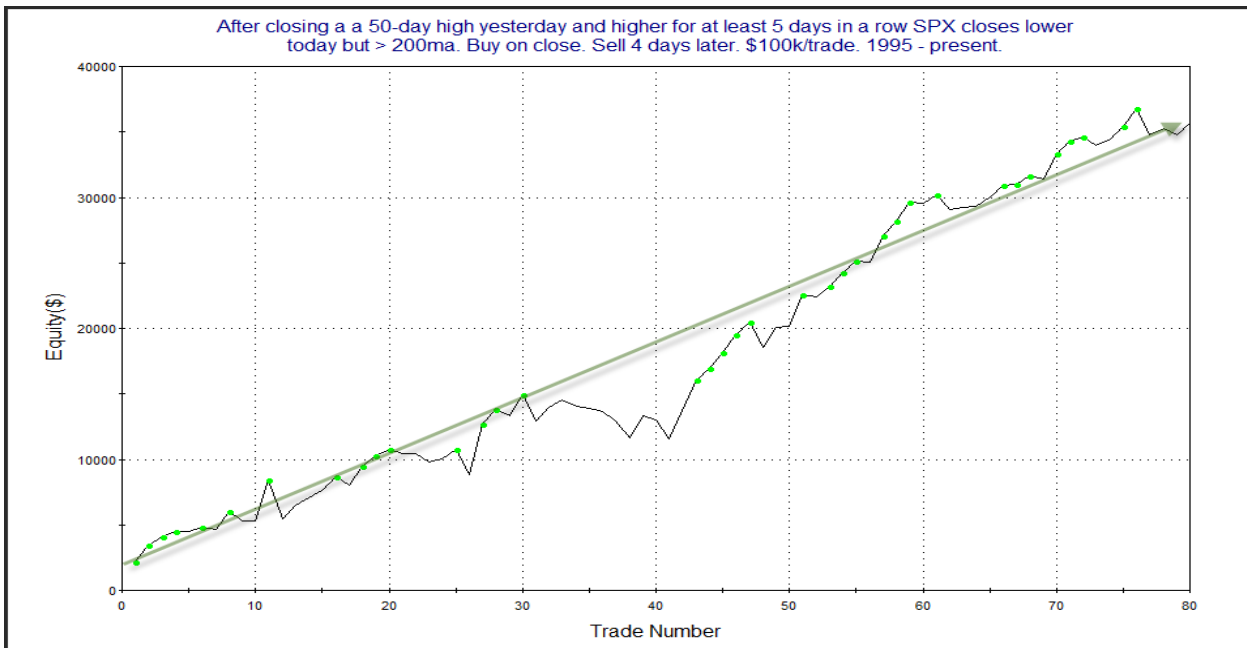
This study also suggests the Fed Day edge just isn't there for tomorrow.

But there was a compelling study that triggered tonight which indicated 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 7/7/21 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.

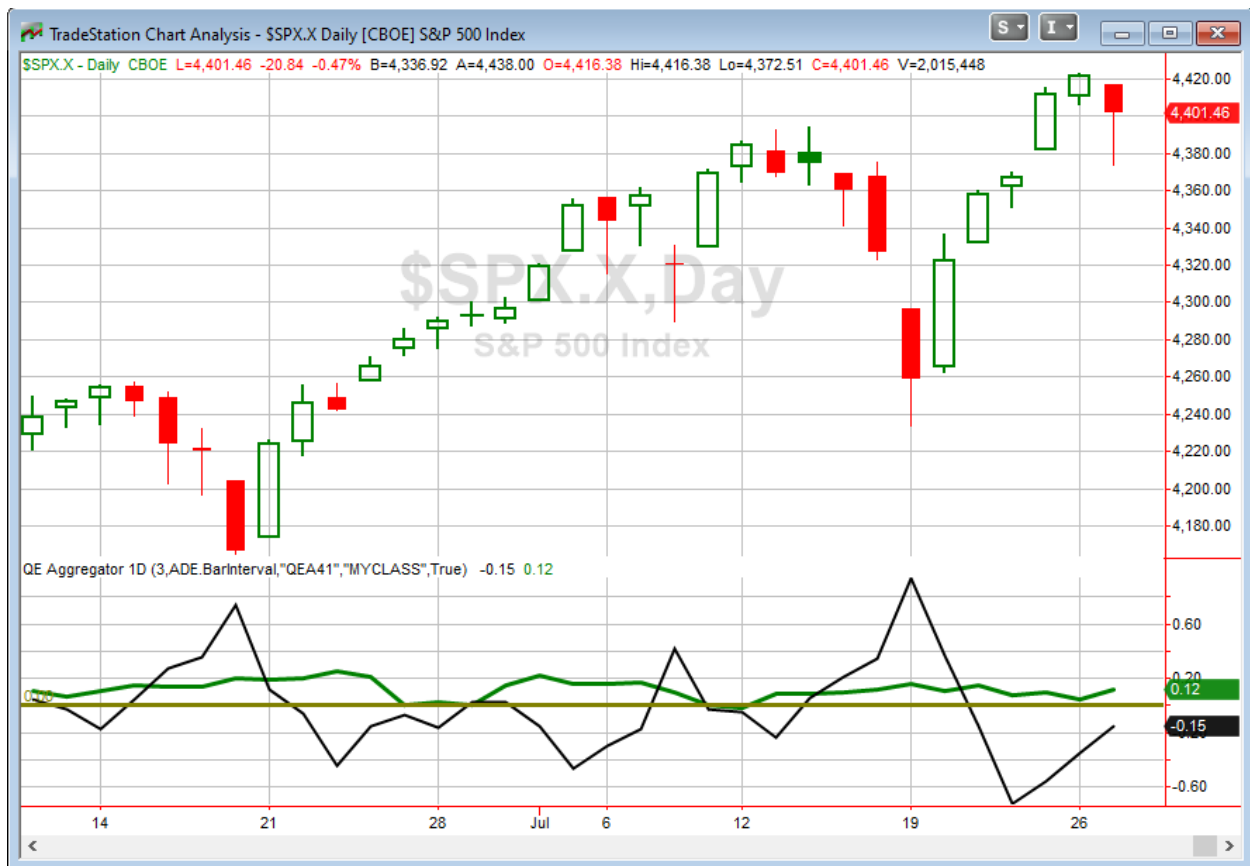
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	64,191.18	72	57	15	79.17	5,131.35	-3,672.90	1,423.86	-1,131.26	1.26	4.78	891.54
9	60,491.97	75	59	16	78.67	5,023.20	-4,151.40	1,403.90	-1,396.14	1.01	3.71	806.56
8	51,034.68	76	52	24	68.42	4,878.08	-4,874.10	1,537.33	-1,204.43	1.28	2.77	671.51
7	39,827.36	78	53	25	67.95	3,874.76	-4,511.36	1,346.71	-1,261.93	1.07	2.26	510.61
6	41,577.56	80	57	23	71.25	4,307.20	-3,637.71	1,221.21	-1,218.75	1.00	2.48	519.72
5	31,646.44	80	53	27	66.25	4,252.50	-4,717.16	1,079.41	-946.76	1.14	2.24	395.58
4	35,693.24	80	52	28	65.00	3,843.00	-3,003.39	1,099.04	-766.31	1.43	2.66	446.17
3	21,350.55	80	51	29	63.75	2,472.85	-1,992.34	850.71	-759.85	1.12	1.97	266.88
2	21,479.73	80	53	27	66.25	2,437.50	-2,614.95	761.97	-700.18	1.09	2.14	268.50
1	13,428.80	80	52	27	65.00	1,751.19	-1,744.10	508.97	-482.87	1.05	2.03	167.86

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 strong stats. But much of the gains have actually been realized in the first 4 days. Below is a look at the profit curve for the 4-day exit strategy.



The strong upslope appears to confirm the bullish edge. I have included this study on the Active List tonight.

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 remained 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 stayed flat at the close.

Based on the current active list, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 4425.65* on Wednesday. That is 0.55% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.55% on Wednesday in order to remain overbought. Anything other than that and it will be considered "oversold" vs recent expectations as of Wednesday's close.

So the Aggregator is flat. Evidence remains bullish, but the market is overbought. We also have the Fed wildcard on Wednesday. Overall the Fed setup appears neutral, but that does not mean it can't generate some large reaction after the 2pm announcement. I'll wait and see. If we get a strong reaction, that might create a tradeable edge in the next few days. Not a compelling setup yet.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 7/26 – somewhat bullish***

The intermediate-term outlook was last updated in the 7/26 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.

**Current Open Trade Ideas**

None

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