

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 29, 2021

Volume 14 Issue 144

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- Down 2+ days on a Fed Day has often been followed by a rally.
- The Russell 2000 rising > 1% while SPX closes lower also suggests a 1-day upside edge.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is now bullish. But the pullback is still mild. I'd like to see it a bit deeper before taking on new long index exposure.

**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 29, 2021	Fed Day. SPX down 2+ days	1-6 days	Bullish			
July 29, 2021	SPX down. RUT up > 1%.	1 day	Bullish			
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			

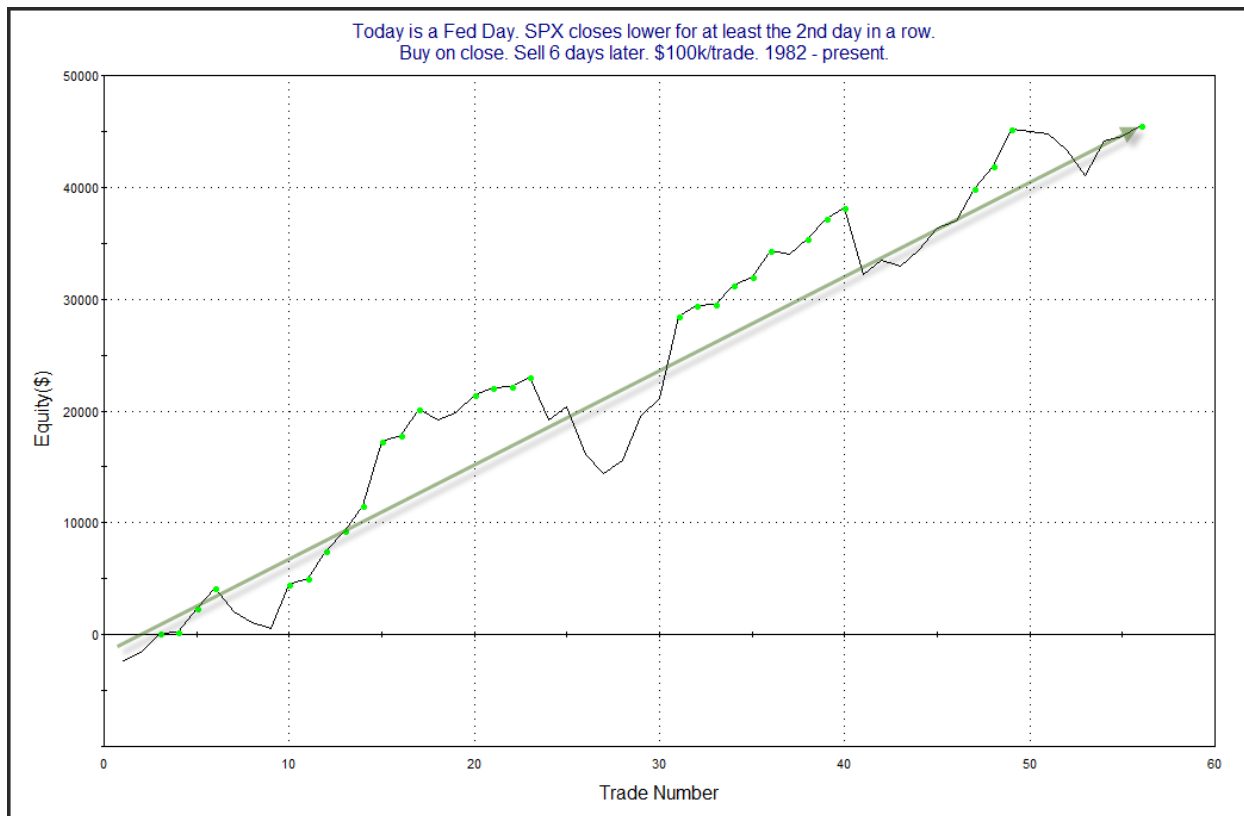
**The Evidence**

The Fed announcement saw a moderate reaction and the market finished mixed. The SPX closed down less than 1 point, the NASDAQ gained 0.7%, and the Russell 2000 rallied 1.5%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 75%. NYSE total volume declined some from Tuesday's level.

It is unusual that a Fed Day would continue a string of down days for SPX. I looked at this in the study below, which was last seen in the 6/17/21 letter. Results have been updated.

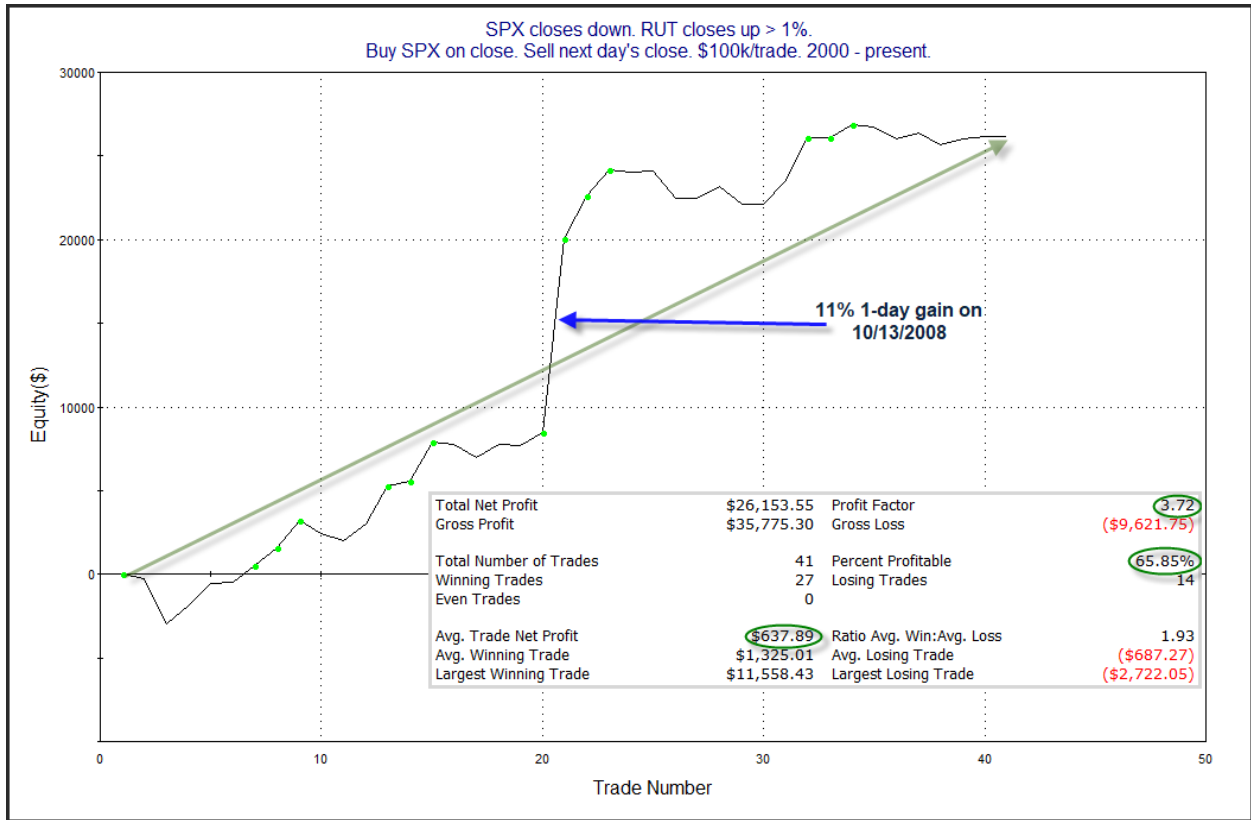
Today is a Fed Day. SPX closes lower for at least the 2nd day in a row. Buy on close. Sell X days later. \$100k/trade. 1982 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	42,477.49	56	36	20	64.29	9,012.33	-5,334.70	2,565.99	-2,494.91	1.03	1.85	758.53
9	43,644.20	56	38	18	67.86	8,967.96	-5,671.36	2,316.10	-2,464.87	0.94	1.98	779.36
8	33,792.35	56	40	16	71.43	8,456.40	-6,514.96	2,021.67	-2,942.16	0.69	1.72	603.43
7	41,132.92	56	42	14	75.00	8,869.37	-6,757.80	1,823.42	-2,532.20	0.72	2.16	734.52
6	45,570.87	56	41	15	73.21	7,361.95	-5,884.97	1,791.54	-1,858.83	0.96	2.63	813.77
5	33,330.39	56	39	17	69.64	6,013.86	-5,581.03	1,597.73	-1,704.76	0.94	2.15	595.19
4	21,851.30	56	34	22	60.71	7,513.37	-4,622.80	1,522.73	-1,360.06	1.12	1.73	390.20
3	8,088.06	56	34	22	60.71	5,035.28	-4,476.12	1,050.82	-1,256.36	0.84	1.29	144.43
2	6,796.82	56	31	25	55.36	5,202.52	-4,613.73	1,099.01	-1,090.90	1.01	1.25	121.37
1	6,347.91	56	35	21	62.50	4,001.33	-5,829.24	878.56	-1,161.99	0.76	1.26	113.36

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.

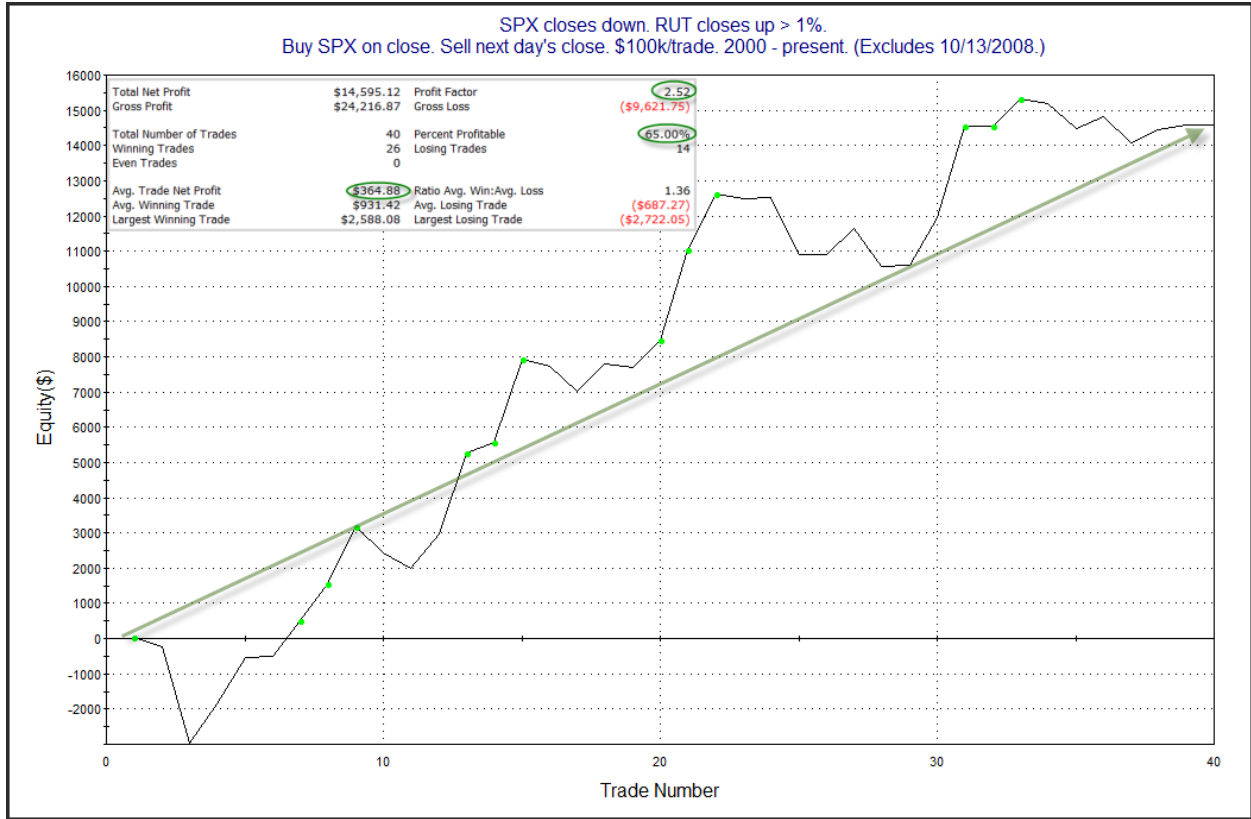


The strong upslope appears to confirm the bullish edge.

Of course while SPX sank slightly, the Russell put it a strong up day. The split market triggered an interesting study from the 4/29/20 subscriber letter. It examined other times the SPX closed down on the same day the Russell 2000 rose at least 1%. I have updated the results below.

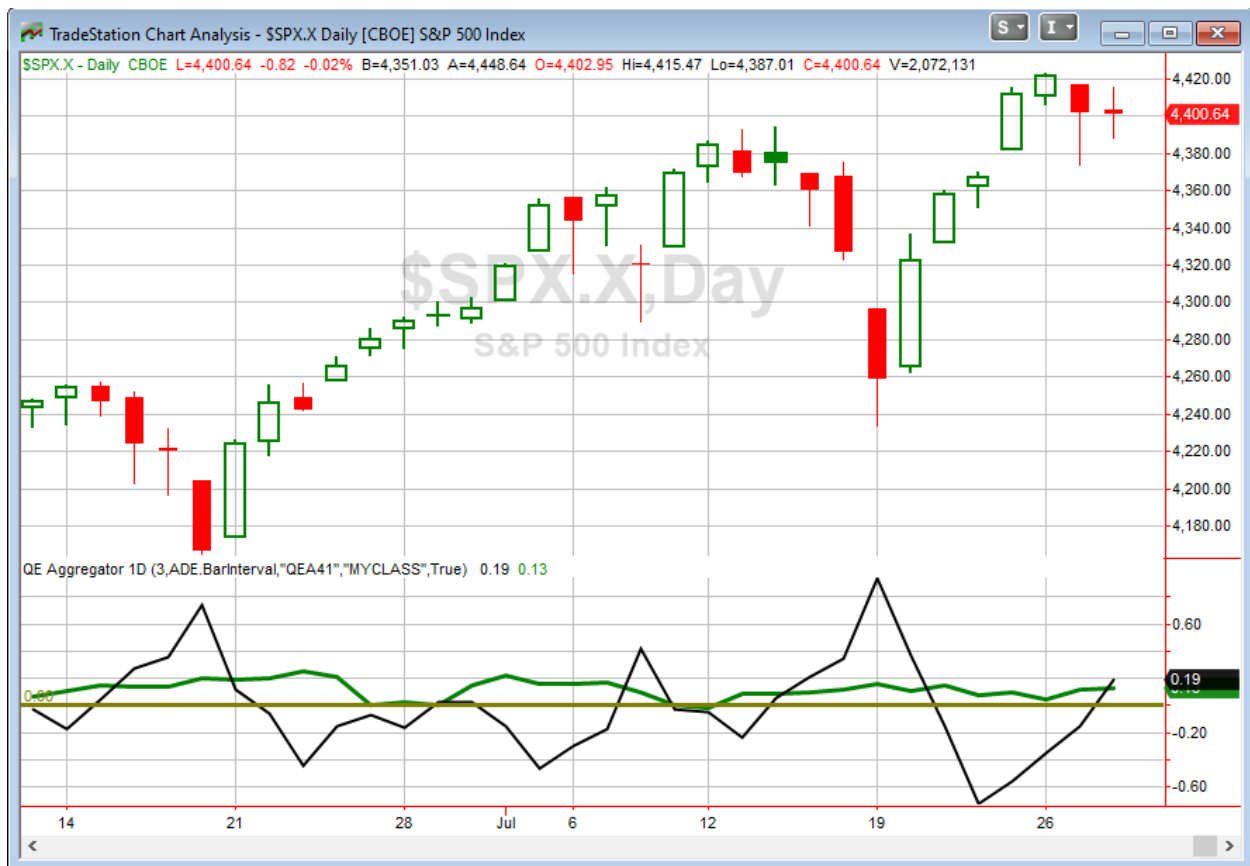


Stats here are very strong, but the one instance noted certainly inflates all the stats and skews the curve. So let's look at the results if we exclude that 2008 instance.



Despite some recent struggles, this still seems worth paying attention to. And the average instance has led to a 0.4% gain the next day. I have included this on 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 moved 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 formation turned long at the close.

Based on the current active list, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4431.74 on Thursday. That is 0.7% above Wednesday's close. So SPX will need to close up at least 0.7% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is long. Short-term evidence is bullish and the SPX is relatively oversold. Despite closing down the last 2 days, SPX remains even above its 5-day moving average. So this is not much of a pullback. I'd like to see it a bit deeper before getting too excited. But I will look to take on some long exposure if SPX closes down much on Thursday.

***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.*

**SPY – Buy ¼ index positions @ \$437.50 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to start taking on some long exposure at the close on Thursday if SPY closes down near its low from Wednesday.

**Current Open Trade Ideas**

None

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