

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 13, 2021

Volume 14 Issue 155

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Breadth was weak, but that could be a positive based on tonight's study.
- The high SPX, low VIX and low volume seen on Thursday are a combination that has often led to a dip the next day.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is my take 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
Active - Short Term						
August 13, 2021	SPX high. VIX and volume low.	1 day	Bearish			
August 13, 2021	SPX up. NYSE Up Volume < 40%	1-7 days	Bullish	1.70%	-1.10%	-2.25%
Active - Long Term						
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			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

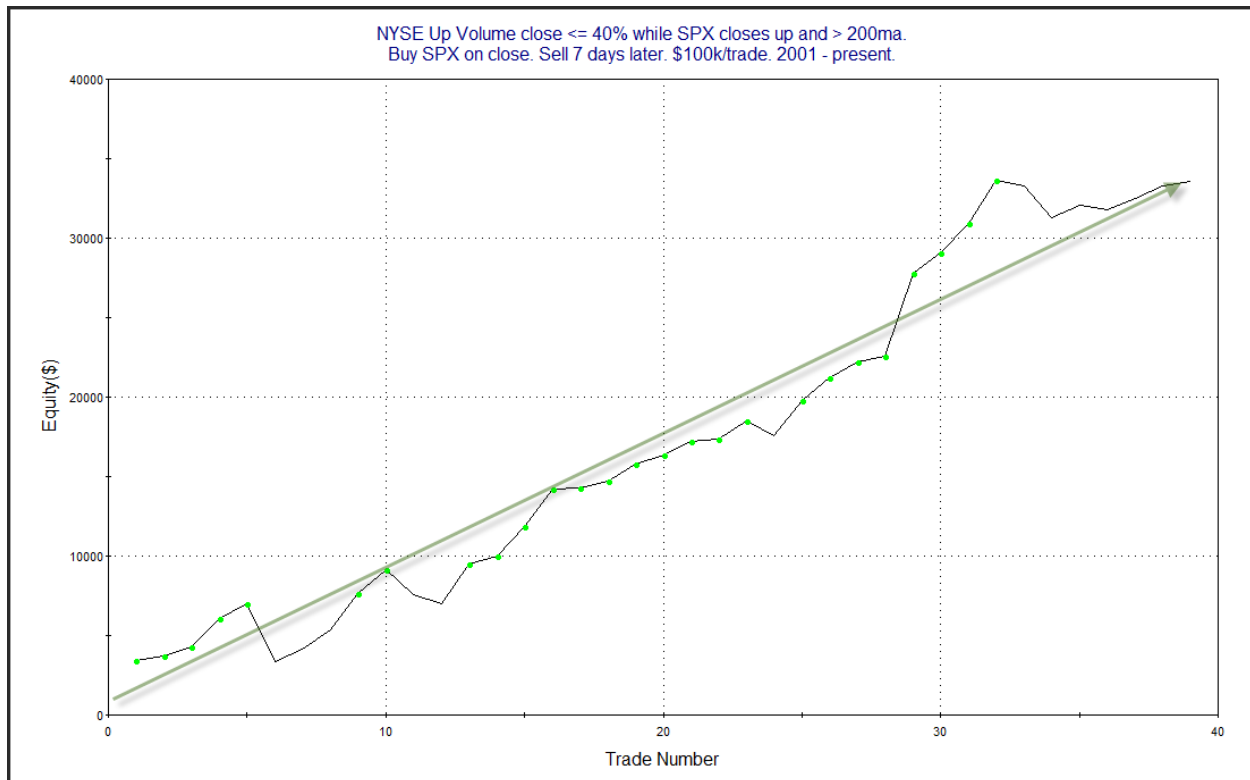
The Evidence

As has been the case lately, Thursday was another day of mixed results. The SPX rose 0.3%, the NASDAQ gained 0.35%, and the Russell 2000 declined 0.3%. Breadth was negative with the NYSE Up Issues % coming in at 44% and the Up Volume % at 39%. 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 recently that saw weak breadth as an “oversold” type condition suggesting a short-term upside edge. And that is what tonight’s study suggests. 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 7/23/21 letter.

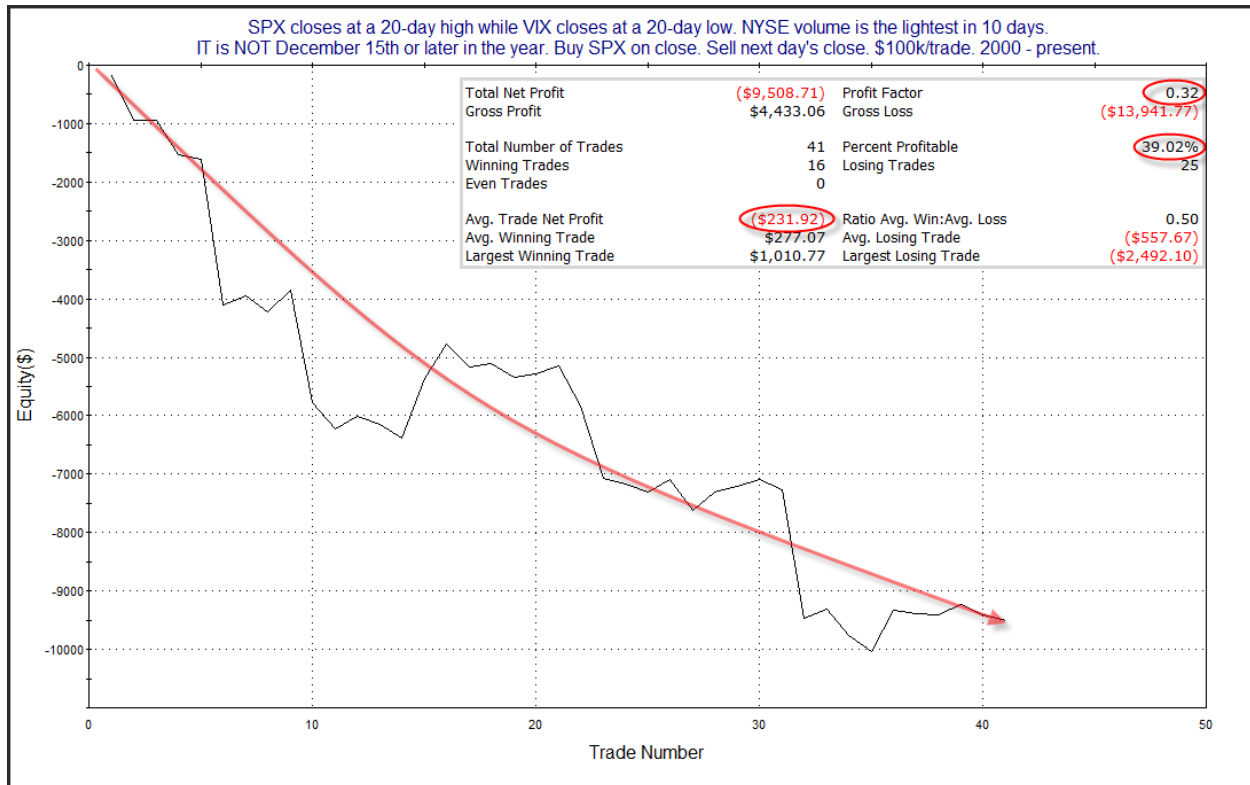
NYSE Up Volume close <= 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	38,521.26	35	28	7	80.00	3,969.23	-7,891.63	1,858.61	-1,931.40	0.96	3.85	1,100.61
9	36,070.34	36	28	8	77.78	3,793.00	-7,594.37	1,736.20	-1,567.91	1.11	3.88	1,001.95
8	34,629.59	37	30	7	81.08	4,666.56	-6,657.20	1,522.77	-1,579.09	0.96	4.13	935.93
7	33,560.73	39	32	7	82.05	5,211.84	-3,690.83	1,342.91	-1,344.61	1.00	4.57	860.53
6	29,088.51	39	29	10	74.36	6,018.56	-3,495.92	1,411.15	-1,183.48	1.19	3.46	745.86
5	24,063.86	41	32	9	78.05	4,787.84	-3,769.15	1,156.54	-1,438.38	0.80	2.86	586.92
4	14,112.51	41	28	13	68.29	2,689.05	-2,557.50	1,022.84	-1,117.47	0.92	1.97	344.21
3	13,099.47	42	28	14	66.67	2,513.92	-2,547.82	928.39	-921.10	1.01	2.02	311.89
2	11,275.19	43	28	15	65.12	2,661.75	-2,848.17	769.80	-685.27	1.12	2.10	262.21
1	5,832.49	48	30	18	62.50	1,790.64	-1,371.49	506.32	-519.84	0.97	1.62	121.51

Results have been surprisingly strong over the last 20 years. Below is a look at a 7-day profit curve.



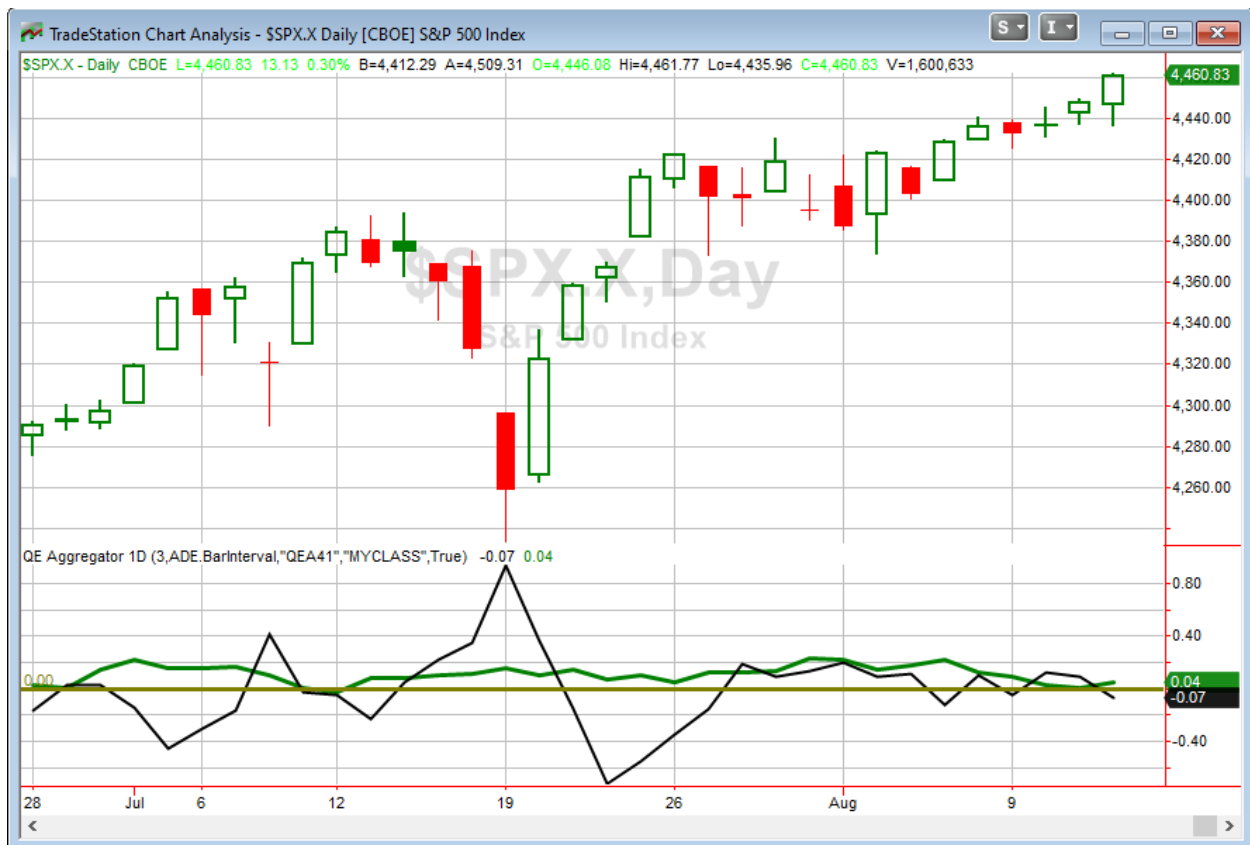
The curve has shown strong upside persistence, including the recent instances. I'll also note that the setup has become more common in recent years. Thursday was the 37th instance since the start of 2016. Prior to 2016, there were only 11 instances in 15 years. Overall, I find these results intriguing and have added this study to the short-term Active List.

Other notables about Thursday are that 1) SPX closed at a long-term high, 2) VIX closed at an intermediate-term low, and 3) NYSE volume was light. Low volume and a low VIX can both be potential signs of complacency and suggest a short-term pullback. This triggered the study below, which was last seen just a few days ago in the 8/9/21 letter.



Beyond day 1 there did not appear to be a substantial edge. But the odds and curve for the 1-day hold suggest a downside 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 slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line dipped 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 slated to remain bullish on Friday. Of course that could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4447.55 on Friday. That is 0.3% below Thursday's close. Therefore, SPX would need to close down at least 0.3% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral, with evidence mixed and SPX just moderately overbought. I am still not seeing a compelling setup to take on new index positions. So I will continue to wait until a compelling setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/9 – somewhat bullish

The intermediate-term outlook was last updated in the 8/9 Letter. It can be found in the most recent weekly letter on the website.

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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