

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 19, 2021

Volume 14 Issue 159

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- A gap down to a short-term low followed by further selling during a long-term uptrend has often led to higher prices in the next few days.
- Weak closes at 5-day lows often lead to a bounce.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Evidence is pointing higher and the market is now quite oversold. A bounce in the next few days appears likely.

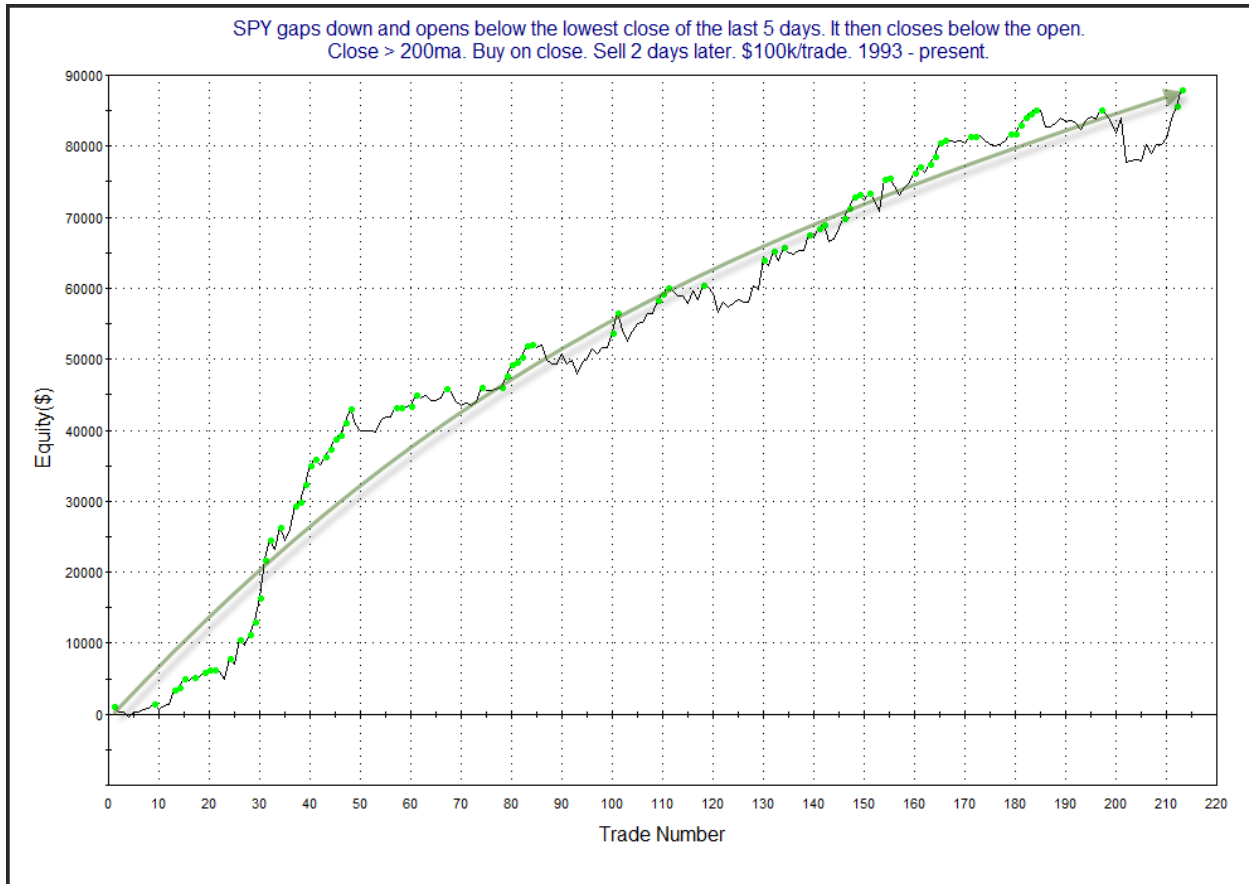
### The Evidence

Wednesday was fairly quiet until the Fed spooked the market in the afternoon. The SPX closed down 1.1%, the NASDAQ lost 0.9%, and the Russell 2000 declined 0.8%. Breadth was negative with the NYSE Up Issues % coming in at 28% and the Up Volume % at 29%. NYSE total volume rose for the 3<sup>rd</sup> day in a row.

The selloff triggered a few studies with moderately bullish implications. The study below was last seen in the 2/24/20 letter. Stats and curves are updated.

SPY gaps down and opens below the lowest close of the last 5 days. It then closes below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	148,740.44	159	102	57	64.15	9,282.24	-14,007.15	2,692.41	-2,208.52	1.22	2.18	935.47
9	152,572.47	167	107	60	64.07	8,378.28	-10,036.80	2,589.17	-2,074.47	1.25	2.23	913.61
8	146,377.24	169	115	53	68.05	8,537.40	-14,030.10	2,297.27	-2,222.82	1.03	2.24	866.14
7	123,339.91	177	114	63	64.41	8,324.13	-9,938.76	2,109.48	-1,859.37	1.13	2.05	696.84
6	136,891.01	181	123	58	67.96	7,873.02	-7,910.10	1,934.30	-1,741.86	1.11	2.35	756.30
5	122,647.45	182	123	58	67.58	8,239.74	-11,128.78	1,737.35	-1,569.78	1.11	2.35	673.89
4	108,167.80	191	129	62	67.54	5,581.02	-10,755.03	1,616.14	-1,617.97	1.00	2.08	566.32
3	95,007.02	200	123	76	61.50	5,117.85	-6,572.02	1,507.25	-1,189.27	1.27	2.05	475.04
2	88,051.00	213	135	75	63.38	5,477.88	-6,228.17	1,169.62	-931.29	1.26	2.26	413.38
1	58,615.80	232	152	80	65.52	5,764.38	-4,181.76	819.28	-823.94	0.99	1.89	252.65

You can see here a moderate upside edge suggested. Win/loss ratio, profit factor, and avg trade all look bullish. Below is the profit curve for the 2-day holding period.



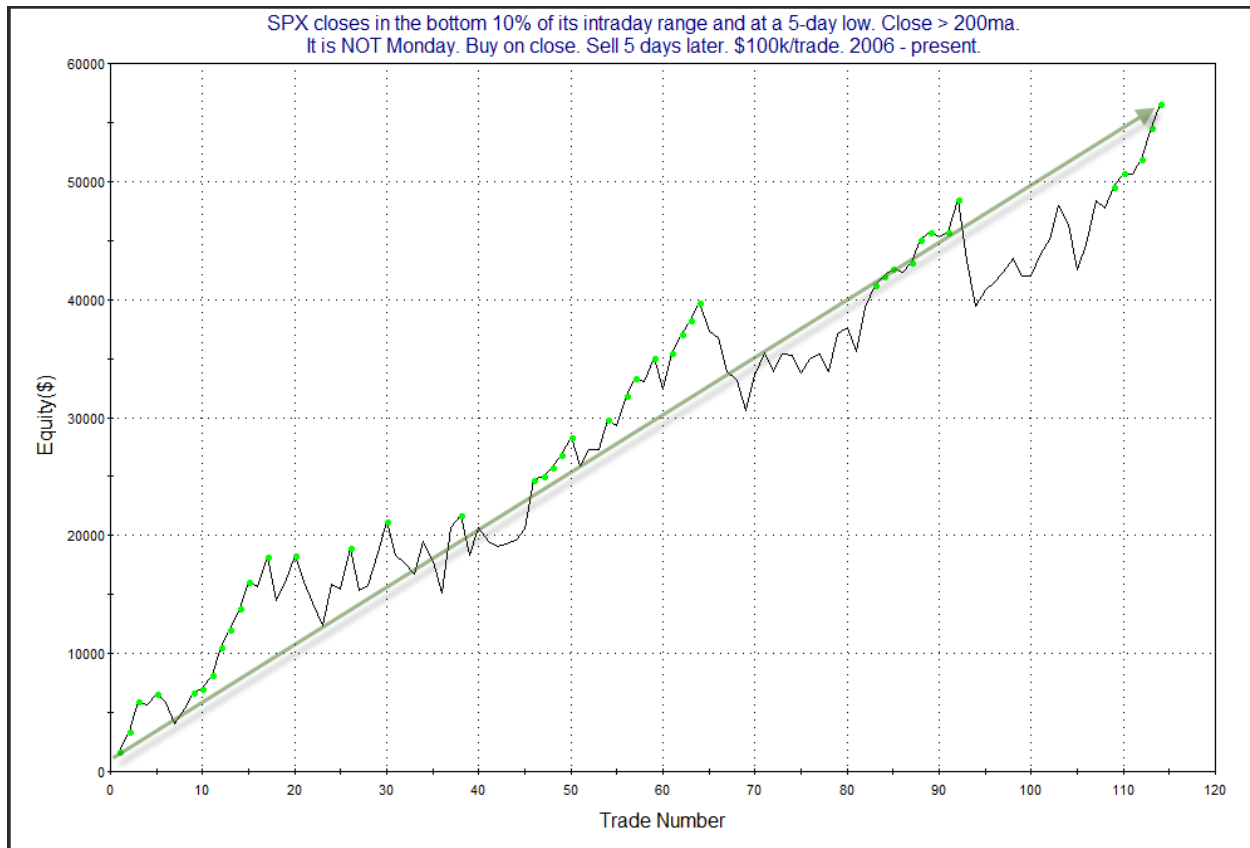
I have decided to include this study on the Active List.

Another interesting study that triggered was last seen in the 7/19/21 letter. It looked at times SPX closed at a 5-day low and near the lows of the day. Mondays were excluded, because in a separate study it was found that Mondays showed an even greater edge. Below are updated results.

SPX closes in the bottom 10% of its intraday range and at a 5-day low. Close > 200ma.  
It is NOT Monday. Buy on close. Sell X days later. \$100k/trade. 2006 - present.

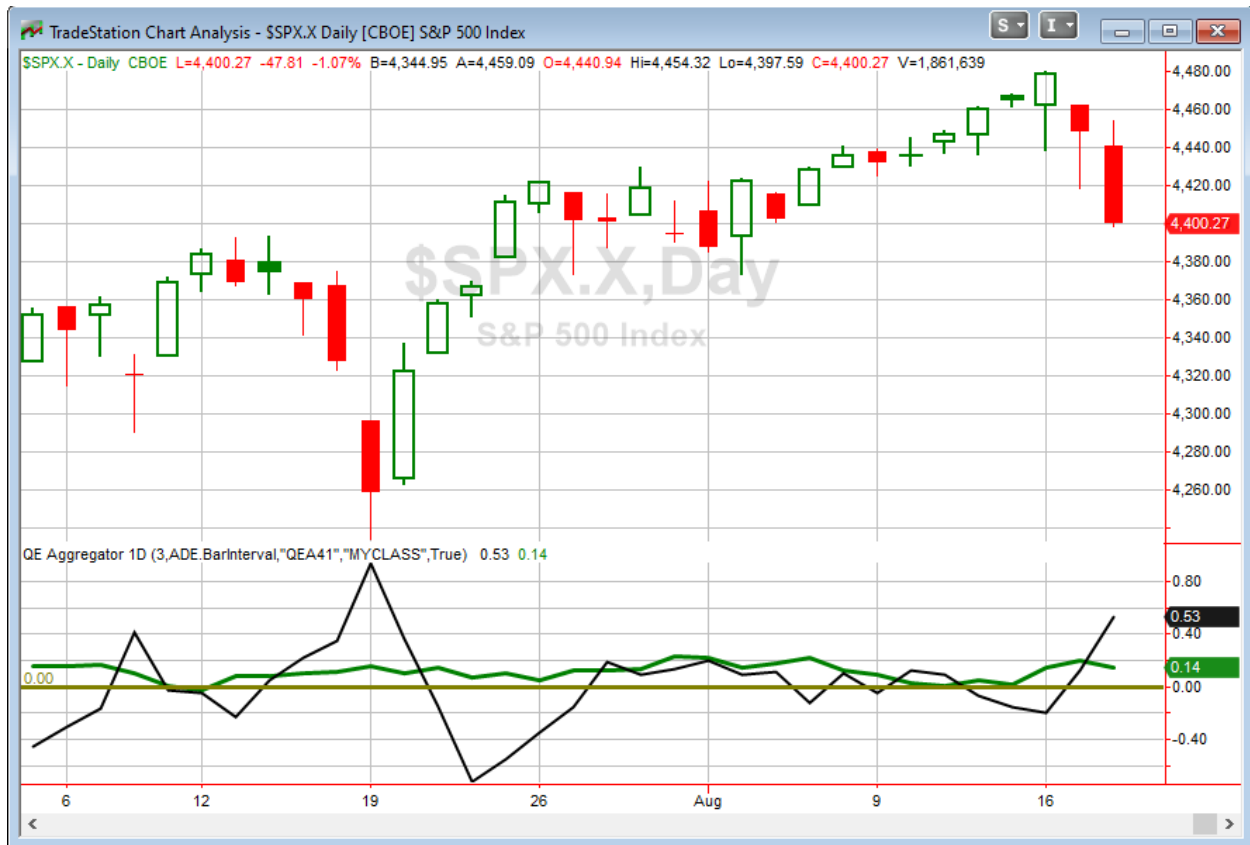
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	56,559.71	114	73	41	64.04	5,555.16	-5,132.88	1,733.92	-1,707.73	1.02	1.81	496.14
4	49,813.14	120	76	44	63.33	5,290.00	-6,520.68	1,565.78	-1,572.42	1.00	1.72	415.11
3	35,850.92	122	79	43	64.75	4,895.50	-5,393.69	1,217.44	-1,402.95	0.87	1.59	293.86
2	34,218.81	131	78	53	59.54	4,424.50	-4,632.95	1,106.34	-982.57	1.13	1.66	261.21
1	19,489.30	142	86	56	60.56	2,671.02	-4,074.84	773.56	-839.95	0.92	1.41	137.25

The stats table shows moderate odds of a move higher over the next few days. Below is a look at the 5-day profit curve.



The stats were not overwhelming, but I do like the profit curve. While it is certainly choppy, it is also very persistent in its move higher. The curve strengthens my confidence in the study. I have included it 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 moved further 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 slated to remain bullish on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4487.45 on Thursday. That is 2.0% above Wednesday's close. Therefore, SPX would need to close up a very sizable 2.0% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. I am seeing a decent number of studies suggesting an upside edge, but most of them only suggest moderate edges. There is plenty of room to the upside before SPX would turn overbought, so reward/risk appears favorable. I generally like the bullish side. I took some long exposure at the close on Wednesday. I may take more on Thursday if SPX closes down again.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 8/16 – neutral*

## **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 position @ \$438.50 LIMIT ON CLOSE.** From the short-term section above, I will look to add to my long exposure if SPY closes down much on Thursday.

## **Current Open Trade Ideas**

**SPY – Bought at close on Wednesday**

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