

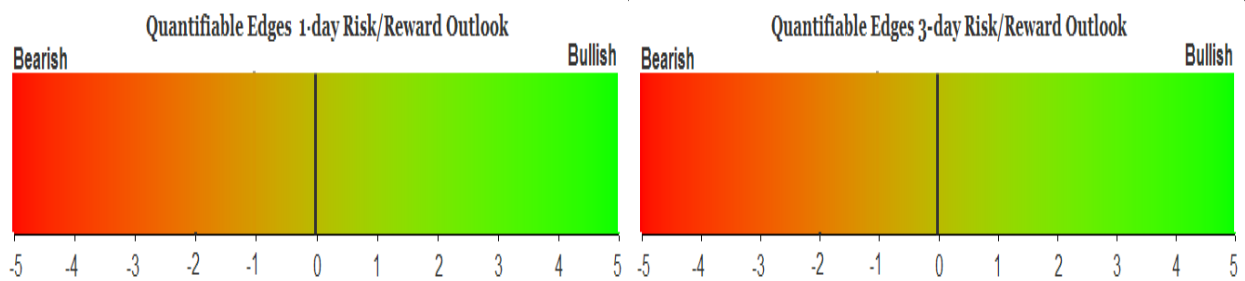
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 26, 2021

Volume 14 Issue 164

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 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 don't believe there is a strong directional edge for the next few days.

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						
None						
Active - Long Term						
August 18, 2021	Up 5 days then down < 3 days ago	1-11 days	Bullish			
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%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
August 20, 2021	4 Lower Lows. 20 Low.. Up close	1-6 days	Bullish			
August 25, 2021	NASDAQ Adv:Decl Ratio > 3:2 for 3 days	1 day	Bearish			
August 18, 2021	Bottom 10% range & 5-day low	1-5 days	Bullish			

The Evidence

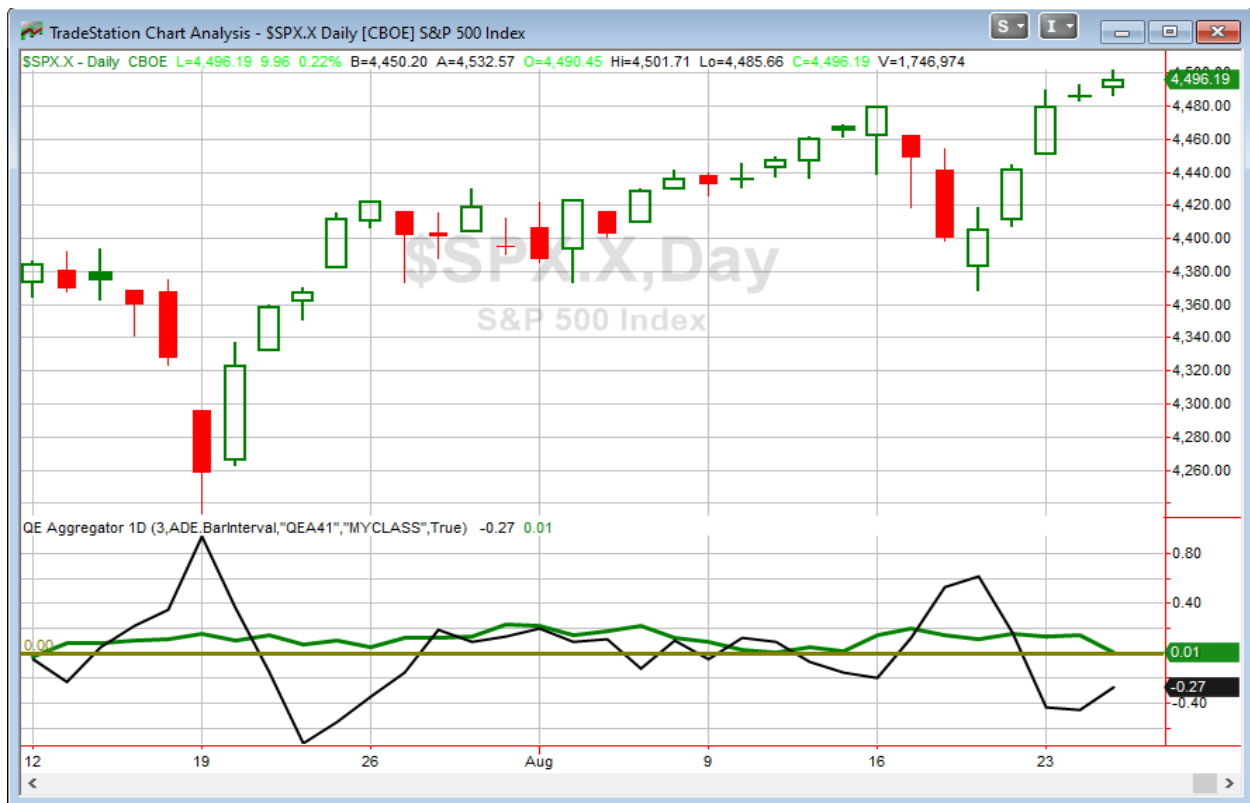
Wednesday was another day of gains. The SPX closed up 0.2%, the NASDAQ rose 0.15%, and the Russell 2000 rallied 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 67% and the Up Volume % at 80%. NYSE total volume rose some from Monday’s level.

Wednesday was the 5th day in a row that SPX closed higher. And with it closing at an all-time high, it is overbought by a few measures. Overbought in a strong uptrend is a tough place to enter a new trade. The overbought nature means the market is susceptible to a pullback at any time. It also means additional gains are often muted. So reward/risk for longs is generally poor. But it is very difficult trying to pick tops or make money shorting during a strong uptrend. The study below is from the 12/18/19 letter. It examines other times SPX closed up 5 days in a row (short-term overbought) and closed at a 50-day high (long-term uptrend).

SPX closes up 5 days in a row. Close > 200ma and at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	15,527.69	54	33	21	61.11	3,434.08	-3,049.86	995.91	-825.58	1.21	1.90	287.55
4	7,379.44	54	33	21	61.11	2,338.90	-2,965.30	680.36	-717.74	0.95	1.49	136.66
3	2,582.00	54	29	25	53.70	1,976.04	-1,626.02	577.29	-566.38	1.02	1.18	47.81
2	2,368.63	54	33	21	61.11	1,807.74	-1,883.64	486.54	-651.77	0.75	1.17	43.86
1	15.95	54	26	28	48.15	1,384.02	-1,763.20	313.59	-290.62	1.08	1.00	0.30

As you can see, the numbers are mildly bullish, but not suggestive of a strong edge or very favorable reward/risk for bulls. This is not a study that will be added to the Active List. But hopefully it makes the point.

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



Without any compelling new evidence emerging tonight, 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 slated to remain bullish on Thursday. But with the short-term studies all expiring or meeting their profit targets, this is entirely due to the intermediate-term evidence. Meanwhile, the Differential Pivot will be *slightly inverted at 4497.27* on Thursday. That is about 1 *point* above Wednesday's close. An inverted pivot means that the Differential Line will cross zero if SPX closes flat. In this case, SPX will need to close up a little over a point in order to remain overbought versus recent expectations. Anything less than that and it will be considered "oversold" versus expectations as of Thursday's close.

So the Aggregator is again neutral. The market is slightly overbought, and evidence is weak. We could easily see a bullish, bearish, or neutral Aggregator formation on Thursday night. I again don't see an edge worth playing. I will continue to wait until a more favorable reward/risk opportunity emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/23 – slightly bullish

The intermediate-term outlook was last updated in the 8/23 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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