

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 31, 2021

Volume 14 Issue 167

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- No compelling evidence emerged tonight.
- As I showed last night, a poor close on Tuesday could create a bullish setup for Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is mostly lacking, and the market is overbought. Not my preferred setup for taking on new positions.

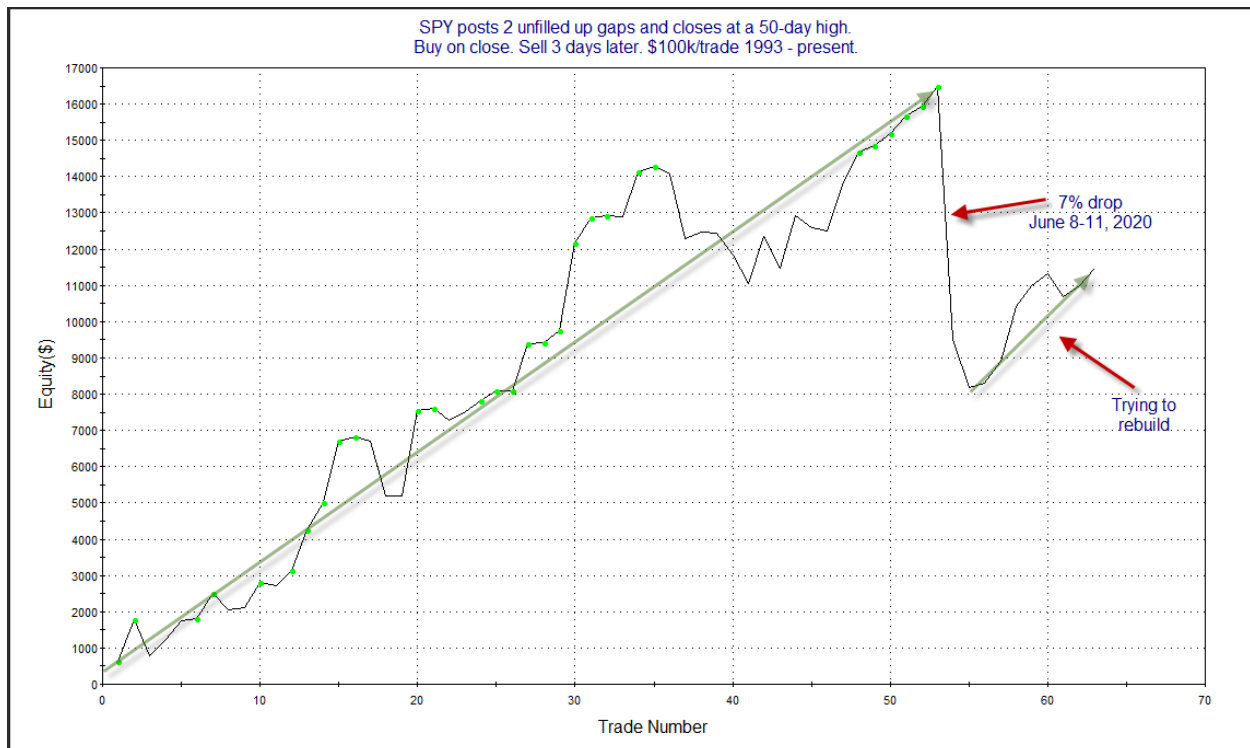
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
August 30, 2021	NASDAQ Leading	int term	Bullish			
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%
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 27, 2021	5+ days to 50-high, then down 1.	1-4 days	Bullish	1.10%	-0.80%	-1.65%

The Evidence

Split market conditions returned on Monday. The SPX rose 0.4%, the NASDAQ gained 0.9%, and the Russell 2000 fell 0.5%. Breadth was negative with the NYSE Up Issues % coming in at 42.3% and the Up Volume % at 41.8%. NYSE total volume declined some from Friday’s level. It will likely be quite low this week, with many traders getting in their last vacations before Labor Day.

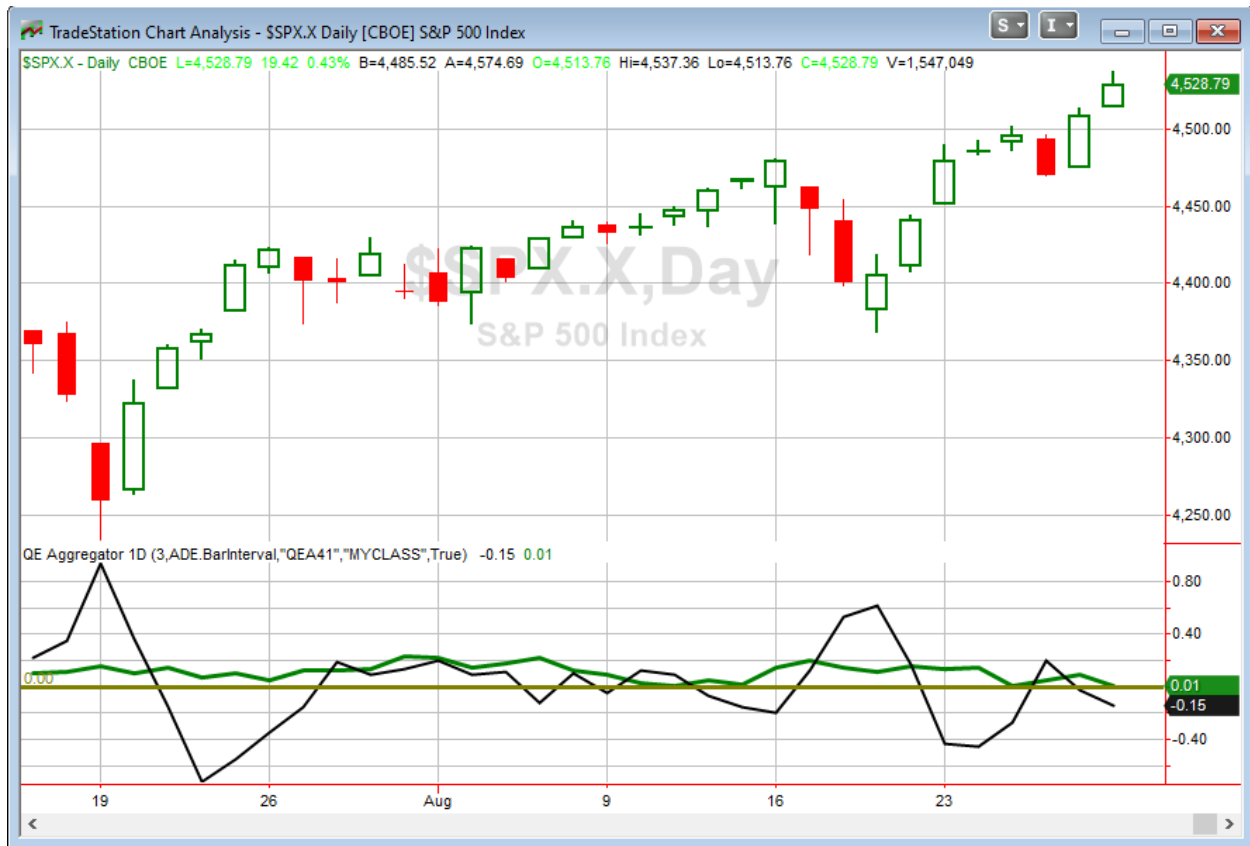
The action failed to generate any compelling studies. There was one that appeared in the Quantifinder that seemed bullish for a long time. It was last seen in the 11/5/19 letter and has been updated below. It looks at times there have been back to back unfilled up gaps and a 50-day closing high.



There was an instance in June of last year that ruined the profit curve and harmed the stats a good amount. While the edge may still persist, and the profit curve appears to be trying to head back to new highs, there has not been good enough consistency in recent years for me to still consider this an upside edge. So I am leaving this study off the Active List tonight.

I have also removed the “5+ days to a 50-day high and then down 1 day” study a bit early. It reached its 4-day profit target in just 2 days. So any further gains would not be attributable to that particular study.

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



Without any new short-term studies being added tonight, 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 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.

With the short-term active list now empty, expectations will be highly influenced by any new evidence that emerges over the next few days. Meanwhile, the Differential Pivot will be 4478.80 on Tuesday. That 1.1% below Monday's close. Therefore, SPX will need to close down at least 1.1% on Tuesday in order to flip from overbought to oversold vs recent expectations.

Monday did not change anything. Evidence is very weak but pointing higher. The market is overbought, and reward/risk is not great up here for short-term long trades. As I showed last night, some afternoon selling on Tuesday could set up Wednesday for a rebound. Aggressive traders could look to play that – especially if SPX closes down below the Differential Pivot. Conservative traders may still want to wait for more of a pullback and more confirming evidence. I'll take the conservative approach for now.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/30 – somewhat 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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