

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 7, 2022

Volume 15 Issue 127

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	1

Tonight's Research Points

- SPX closing higher on a day with lousy breadth is often followed by some weakness.

Short-term Outlook

The Bottom Line

The Aggregator bearish. I like the short-side but the edge could flip very quickly depending on Thursday's action.

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						
July 7, 2022	SPX up, NYSE Up Issues & Vol < 40%	1 day	Bearish			
July 6, 2022	Gap dn, drop lower, reverse up	1-2 days	Bearish			
Active - Long Term						
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	Bearish			
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

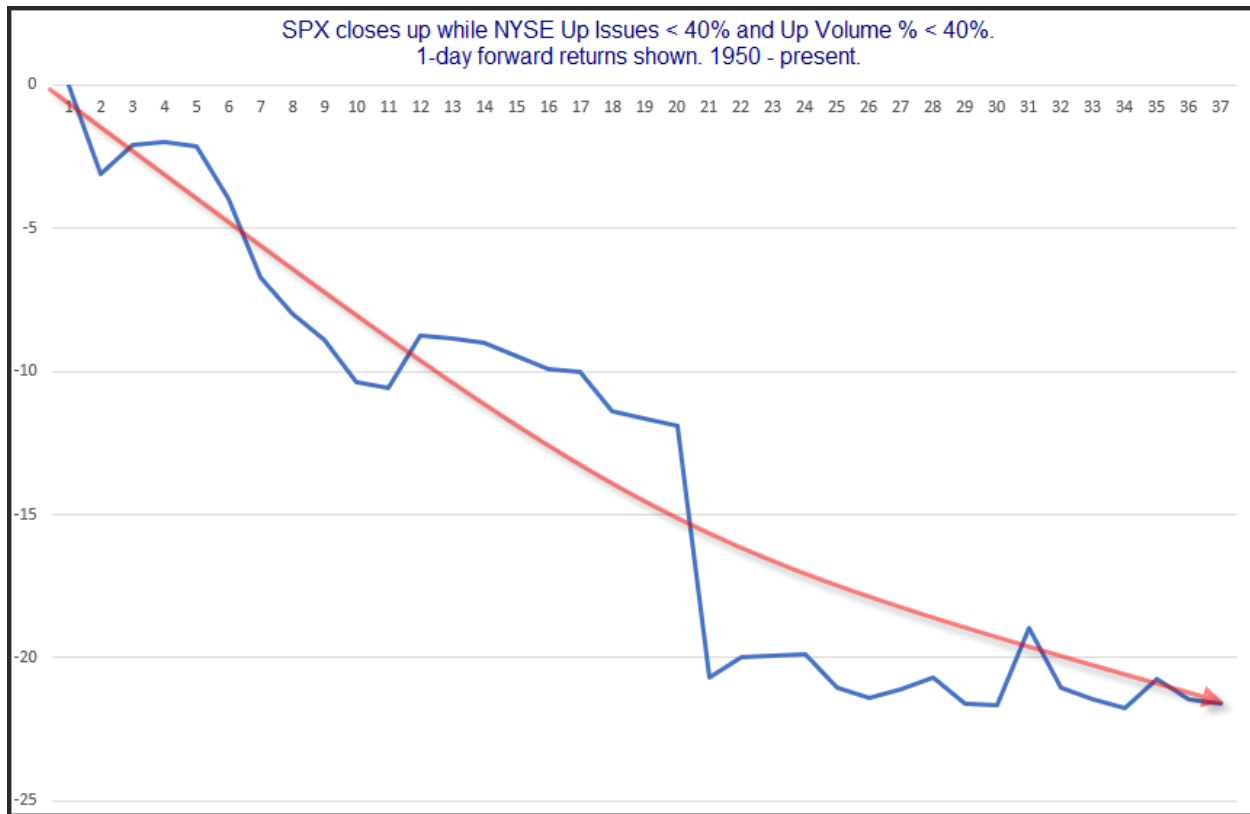
Wednesday saw mixed results for the major indices. SPX closed up 0.4%, the NASDAQ gained 0.35%, and the Russell 2000 declined 0.8%. Breadth was negative with the NYSE Up Issues % coming in at 38% and the Up Volume % at 28%. NYSE total volume declined some from Tuesday's level.

The strongly negative breadth on a day that the SPX and NASDAQ rose stood out as notable. In the 4/17/20 letter I look at other instances where SPX rose and the NYSE Up Issues % and Up Volume % both closed below 40%. An updated version of that study is below.

SPX closes up while NYSE Up Issues % < 40% and NYSE Up Volume % < 40%.
Forward returns shown. 1950 - present.

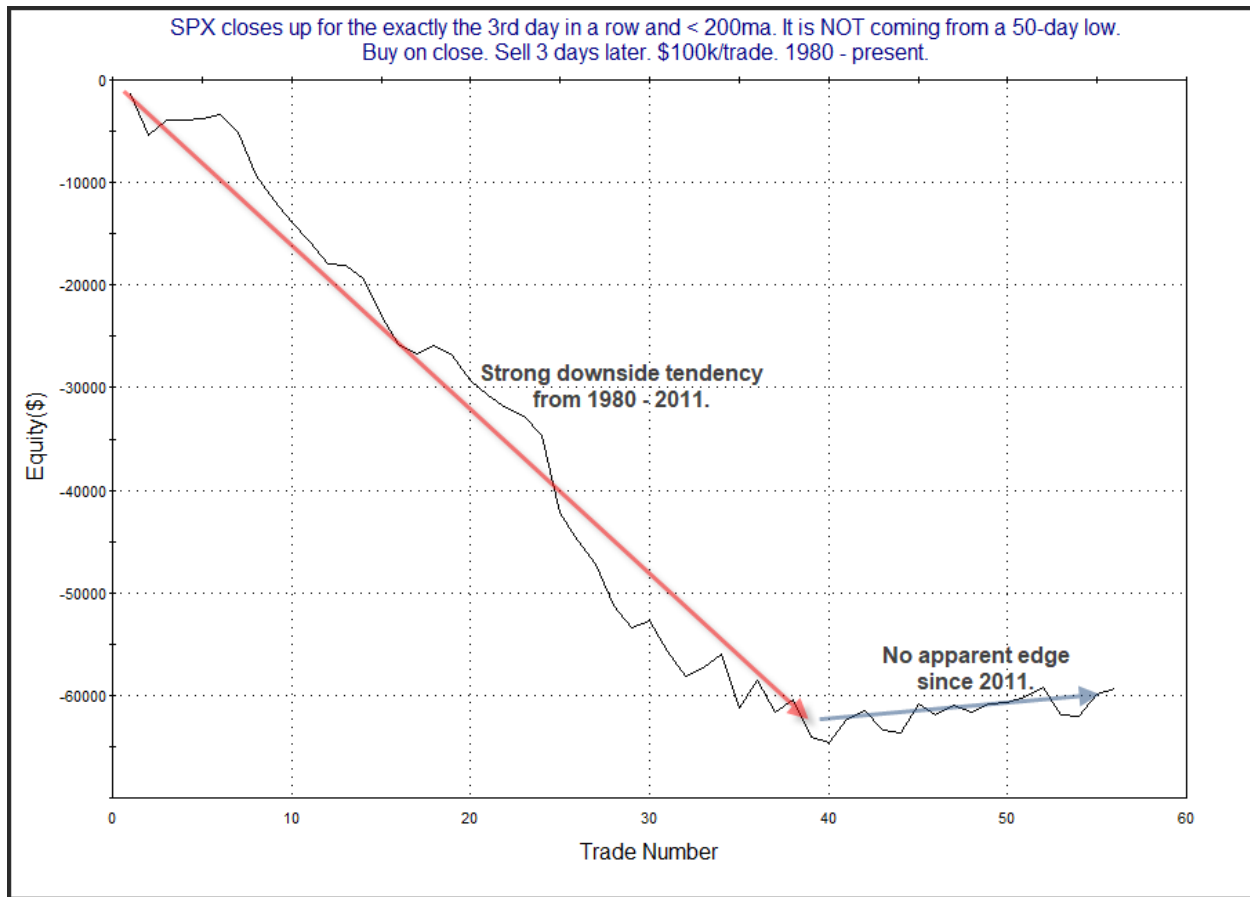
Ticker	Date/Time	Close	NYSE Up Issue %	NYSE Up Volume %	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg
SSPX	2/6/1953	26.51	20.45	7.41	-3.09	-3.36	-3.28	-2.9	-3.24
SSPX	12/15/1953	24.71	36.35	39.72	1.01	0.93	1.13	0.97	0.2
SSPX	6/10/1957	47.9	29.48	19.42	0.08	0.31	0.5	0.52	0.71
SSPX	10/23/1961	68.06	37.15	26.69	-0.12	0.41	0.59	0.41	0.53
SSPX	6/1/1965	88.72	30.17	25.09	-1.84	-2.05	-1.81	-2.07	-3.14
SSPX	5/22/1970	72.25	39.25	35.28	-2.77	-4.1	0.72	3.27	5.95
SSPX	1/23/1973	118.22	35.06	35.15	-1.26	-1.5	-1.87	-2.02	-1.85
SSPX	5/21/1974	87.91	34.98	37.11	-0.93	-0.71	0.76	0.52	-1.16
SSPX	3/4/1980	112.78	30.22	37.66	-1.46	-3.66	-5.21	-5.56	-4.43
SSPX	1/25/1982	115.41	28.83	34.38	-0.19	0.29	3.04	4.32	2.05
SSPX	11/19/1986	237.66	35.11	37.26	1.85	3.45	4.12	4.42	4.67
SSPX	4/19/1994	442.54	33.42	35.69	-0.13	1.4	1.15	2.3	2.11
SSPX	6/7/1996	673.31	26.9	39.8	-0.17	-0.35	-0.63	-0.8	-1.11
SSPX	5/17/1999	1339.49	34.98	38.35	-0.46	0.35	-0.05	-0.69	-2.45
SSPX	4/23/2004	1140.6	35.06	39.69	-0.44	-0.22	-1.59	-2.34	-2.92
SSPX	3/23/2005	1172.53	22.78	34.12	-0.09	0.15	-0.61	0.76	0.69
SSPX	12/13/2007	1488.41	33.91	36.35	-1.37	-2.86	-2.25	-2.38	-1.9
SSPX	6/9/2008	1361.76	36.02	36.63	-0.24	-1.93	-1.61	-0.13	-0.12
SSPX	6/23/2008	1318	33.69	36.27	-0.28	0.3	-2.64	-3.01	-2.88
SSPX	9/26/2008	1213.01	33.16	38.91	-8.79	-3.85	-4.28	-8.14	-9.38
SSPX	10/15/2010	1176.19	39.61	34.73	0.72	-0.87	0.17	0.35	0.59
SSPX	11/13/2014	2039.33	35.73	32.61	0.02	0.1	0.61	0.46	0.66
SSPX	7/17/2015	2126.64	35.28	28.26	0.08	-0.35	-0.59	-1.15	-2.21
SSPX	1/19/2016	1881.33	32.89	30.6	-1.17	-0.66	1.36	-0.23	1.19
SSPX	5/18/2016	2047.63	33.95	34.34	-0.37	0.23	0.02	1.39	2.1
SSPX	3/9/2017	2364.87	30.12	39.83	0.33	0.36	0.02	0.86	0.7
SSPX	5/4/2017	2389.52	36.22	35.61	0.41	0.41	0.31	0.42	0.21
SSPX	7/5/2017	2432.54	38.95	35.86	-0.94	-0.3	-0.21	-0.29	0.44
SSPX	12/10/2018	2637.72	32.52	26.14	-0.04	0.51	0.49	-1.43	-3.48
SSPX	4/16/2020	2799.55	37.19	30.36	2.68	0.84	-2.25	-0.01	-0.06
SSPX	5/11/2020	2930.19	34.47	25.93	-2.05	-3.76	-2.65	-2.27	0.81
SSPX	8/18/2020	3389.78	39.17	34.25	-0.44	-0.13	0.22	1.22	1.59
SSPX	1/21/2021	3853.07	38.88	34.6	-0.3	0.06	-0.09	-2.66	-1.7
SSPX	7/22/2021	4367.48	31.08	24.01	1.01	1.26	0.78	0.76	1.18
SSPX	8/16/2021	4479.71	35.53	28.52	-0.71	-1.77	-1.65	-0.85	0
SSPX	11/18/2021	4704.54	34.77	29.13	-0.14	-0.46	-0.29	-0.07	-2.34
				Avg	-0.60	-0.60	-0.49	-0.45	-0.50
				Median	-0.26	-0.18	-0.07	-0.10	0.10
				% Wins	27.8%	47.2%	47.2%	44.4%	50.0%

The numbers that stand out here are the 1-day results. Below is a profit curve for those.



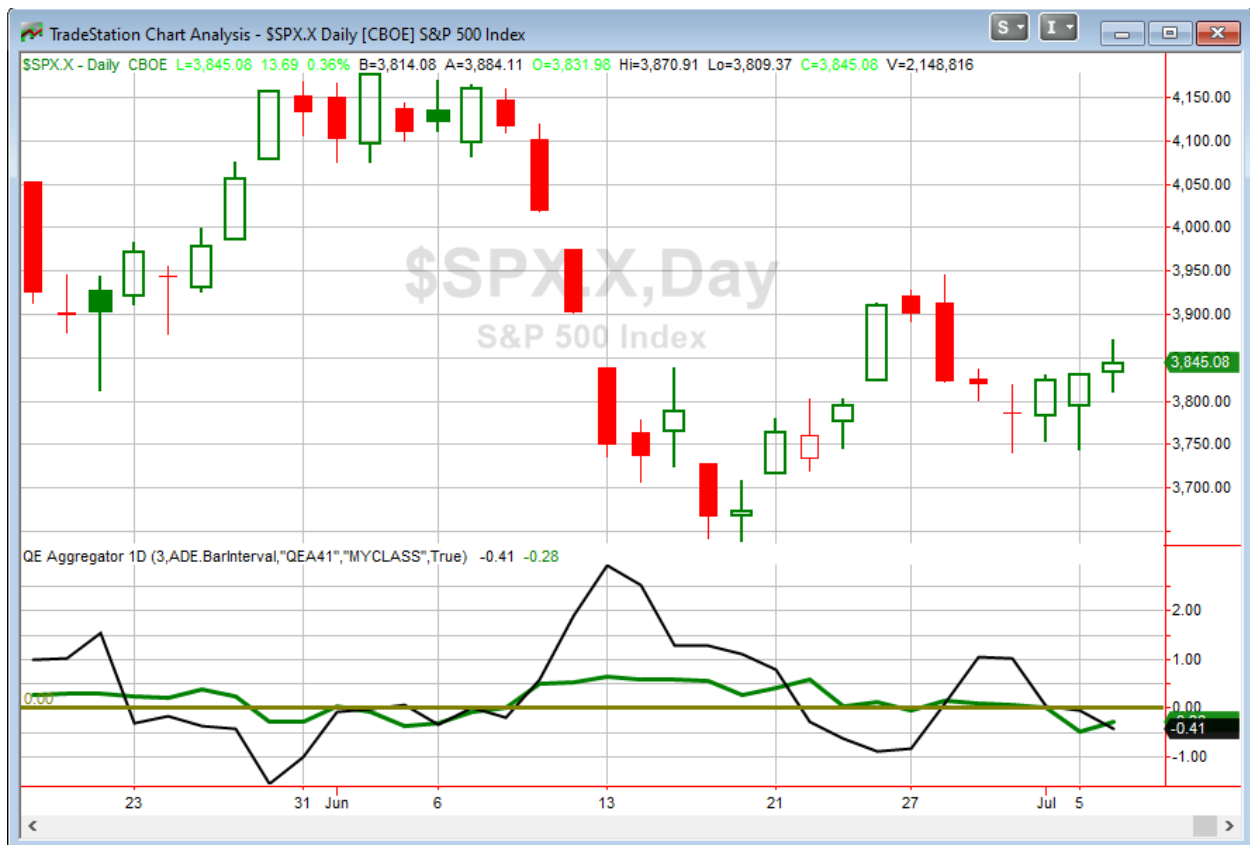
The persistent downslope supports the idea of a bearish tendency.

There were also several studies that noted the fact that SPX closed up for the 3rd day in a row while under the 200ma. Also notable is that the 3-day rally did not come immediately after a 50-day low. These studies all suggested a possible downside edge. And from 1980 – 2011 that edge seemed to play out quite consistently over the next few days. But not really since. The study below is one that was last discussed in the 3/27/20 letter. The 3-day profit curve you see is updated.



Most trips below the 200ma since 2011 have been very short. So it is not a big surprise that this study has not performed as well since then. The current bear is more like the those before 2011 in that it is at least 6 months in length. Still, it is difficult to out any faith in something that has not persisted over the last 11 years. So I will not be including any of these 3-day countertrend rally studies on the active list tonight.

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



With tonight's evidence considered, the green Aggregator line remained below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line also held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation stayed short at the close.

Based on the current list of active studies, expectations are set to turn flat on Thursday. SO any new evidence that emerges will have a substantial impact on expectations. Meanwhile, the Differential Pivot will be 3832.28. That is 0.3% below Wednesday's close. Therefore, SPX will need to close down 0.3% on Thursday to flip from overbought to oversold vs recent expectations.

So the Aggregator is again bearish. Evidence is pointing lower, and the market is mildly overbought. But there is not much clarity beyond Thursday, since both short-term active studies are set to expire on Thursday. This does not give any potential new positions much time to work. I took a small index position at the close on Wednesday. I won't be adding to it on Thursday. I may take a quick exit if SPX closes lower.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/5– neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MO – 1/3 @ \$45.31 (bought @ limit)

Broad Market Large Cap CBI – 1 (MO)

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 tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MO(1/3)	6/21/2022	\$45.31	\$41.16	-9.16%	Catapult
SPY(1/4)(s)	7/6/2022	\$383.25	\$383.25	0.00%	shorted on close

I will cover my short SPY position if SPX closes <= 3832.28 (the Differential Pivot).

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