

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 8, 2022

Volume 15 Issue 128

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- Several bearish studies seem to have lost there edge in recent years.

Short-term Outlook

The Bottom Line

The Aggregator flat. I still feel there is a higher likelihood the market dips over the next few days than further rallying. But I am not wed to that opinion.

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

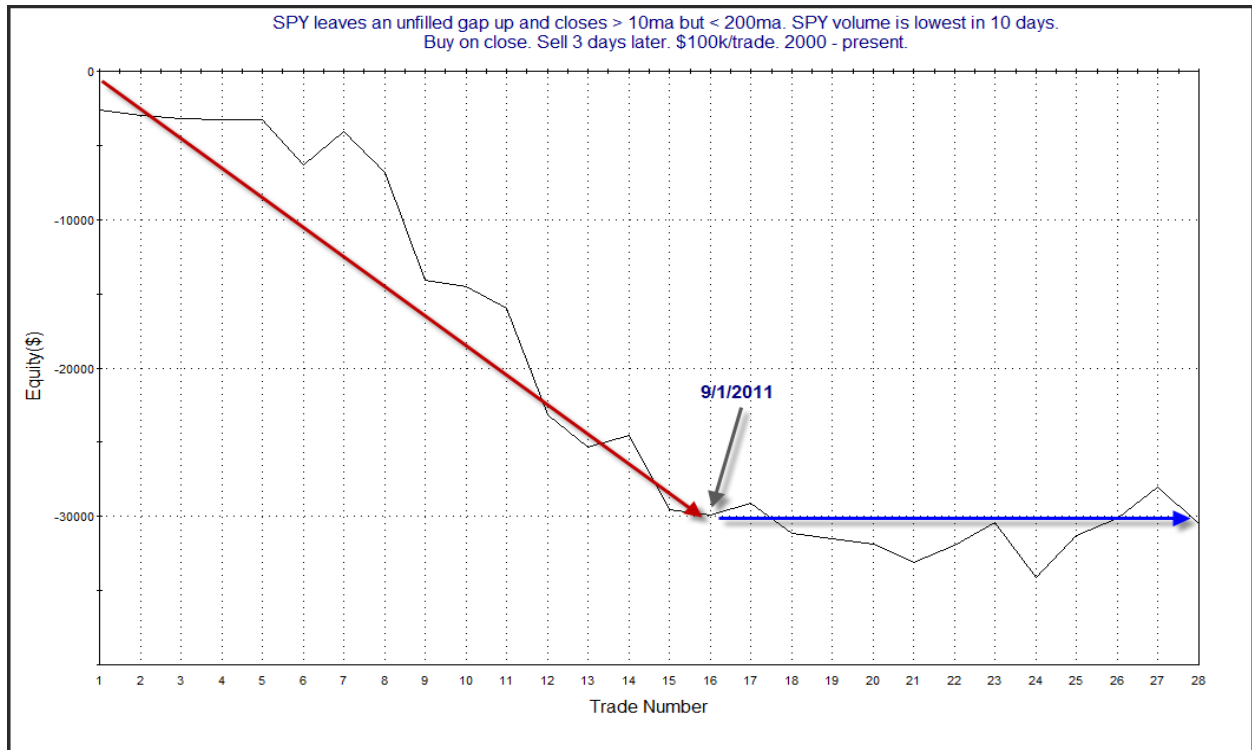
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	Bearish			
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
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			

The Evidence

Thursday was a rally day. SPX closed up 1.5%, the NASDAQ gained 2.3%, and the Russell 2000 jumped 2.4%. Breadth was positive with the NYSE Up Issues % coming in at 77% and the Up Volume % at 89%. NYSE total volume came in at the lowest level in nearly a month.

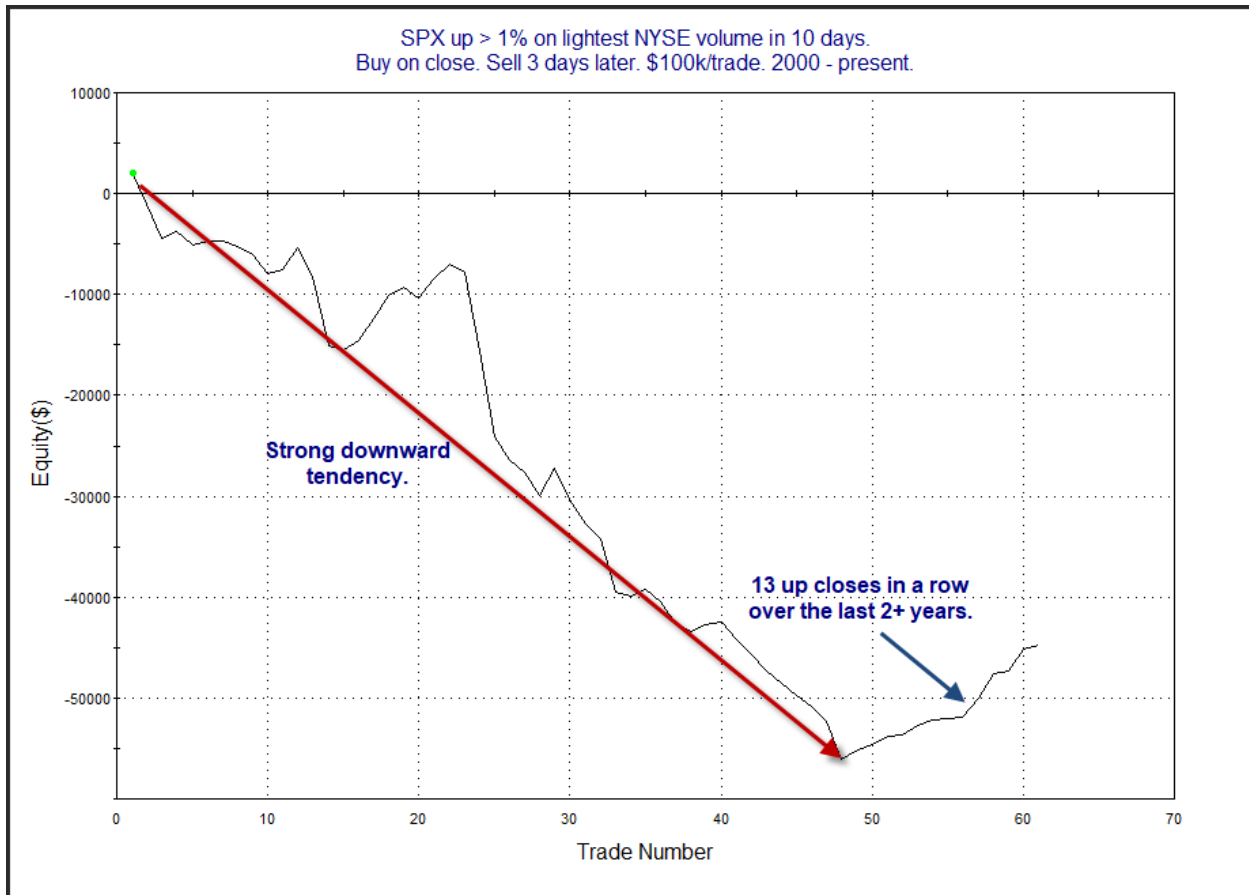
I am seeing a good number of studies in the Quantifinder that used to suggest a bearish edge, but no longer appear to, or at least the edge is in serious doubt. Last night I shared a study that showed 3-day rallies under the 200ma were bearish from 1980 – 2011. But since 2011, the curve had not persisted downwards. Tonight I will show a couple of other studies with similar results.

This 1st one looks at unfilled gaps up that close above the 10ma but below the 200ma on light volume. It was last discussed in the 5/6/20 letter. The curve is updated.



Just like last night's study, the downward tendency stopped asserting itself in 2011.

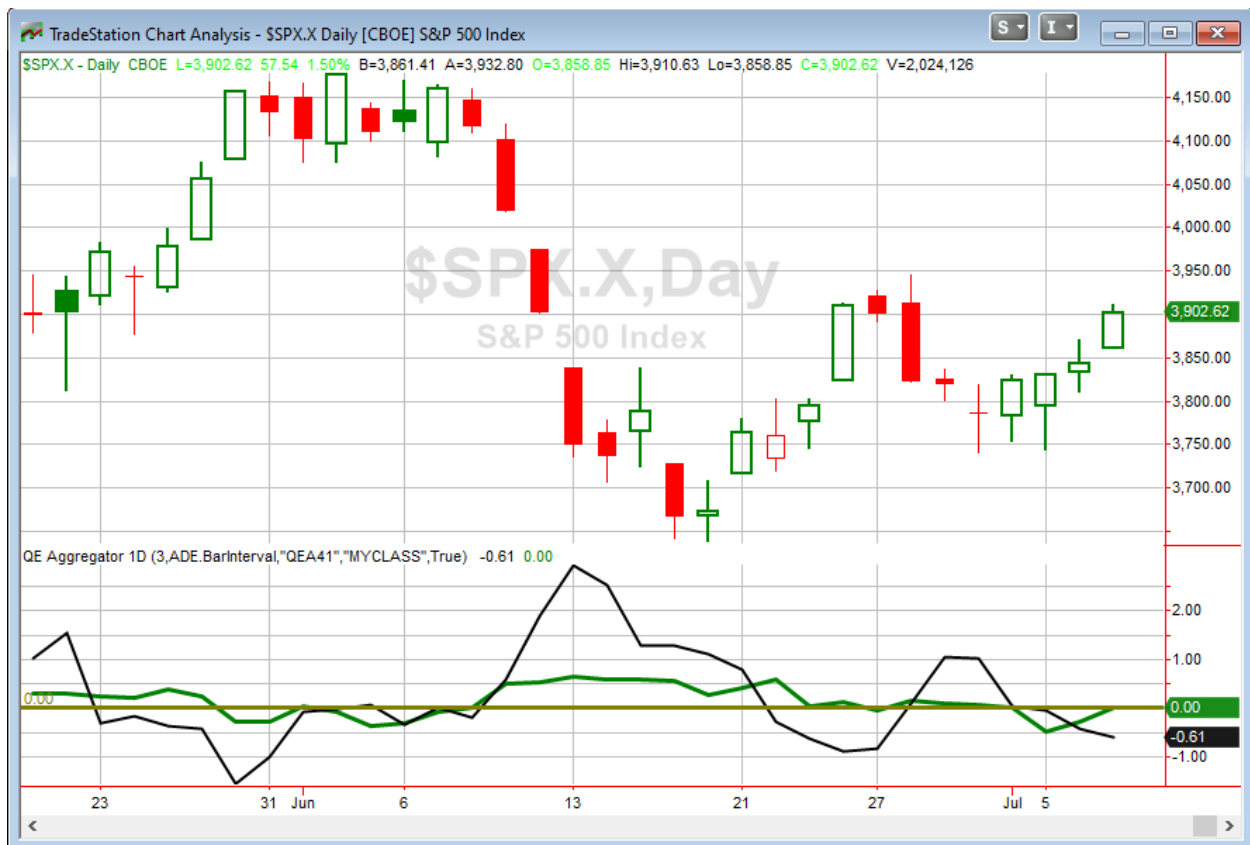
Another interesting study looked at 1% up days on the lightest NYSE volume in at least 10 days. I last featured this study in the 6/26/20 letter. The curve below is updated.



This one worked up until a couple of years ago. But with 13 trades in a row going against the previous trend, it longer appears that I'd want to rely on this setup to provide a bearish edge. So I have not added any new studies to the active list tonight.

Beyond the lack of strong evidence, I will also note that Friday morning will see the release of the latest employment report. There has not been a consistent tendency for employment days recently. But they do tend to generate large market reactions. So I would not be surprised to see a sizable gap at the open on Friday, since the futures will have an hour to react after the release of the numbers.

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



With nothing new making the cut tonight, the green Aggregator line closed right at zero. Flat readings mean expectations are neutral over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are flat and SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current list of active studies, expectations are set to remain breakeven on Friday. So any new evidence that emerges will have a substantial impact on expectations. Meanwhile, the Differential Pivot will be 3814.56. That is 2.3% below Thursday's close. Therefore, SPX will need to close down 2.3% on Friday to flip from overbought to oversold vs recent expectations. That is a sizable amount and it speaks to just how overbought the market is.

So the Aggregator is now neutral. I still have a small bearish lean. We are seeing some borderline bearish evidence, and most intermediate-term studies have been negative lately as well. Additionally, SPX is strongly overbought. So short-term bearish seems to have a little better odds than short-term bullish. I have a small amount of short SPY exposure from Wednesday. I'll look to exit that if I can get a favorable fill, but I won't be looking to just get out at any price. I'll look for a gap down or a lower close to cover.

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	\$41.81	-7.72%	Catapult
SPY(1/4)(s)	7/6/2022	\$383.25	\$388.99	-1.50%	see note below

I will cover my short SPY position if: 1) SPY opens @ \$388.00 or less, or 2) SPY closes <= \$388.98.

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