

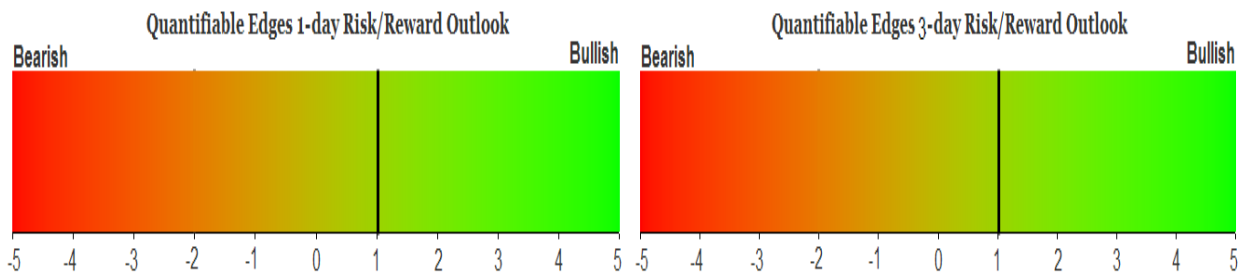
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 13, 2022

Volume 15 Issue 121

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Turnaround Wednesday?

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I am not very enthusiastic with evidence light and a big economic release due in the morning that could create volatility.

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 13, 2022	3 days down on Tuesday. SPX < 200	1 day	Bullish			
Active - Long Term						
July 11, 2022	NASDAQ Leading	int term	Bullish			
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 12, 2022	2 days down < 200. Turn Tues coming	1 day	Bullish			
July 11, 2022	SPY down. RSI(2) > 85.	1-2 days	Bearish			

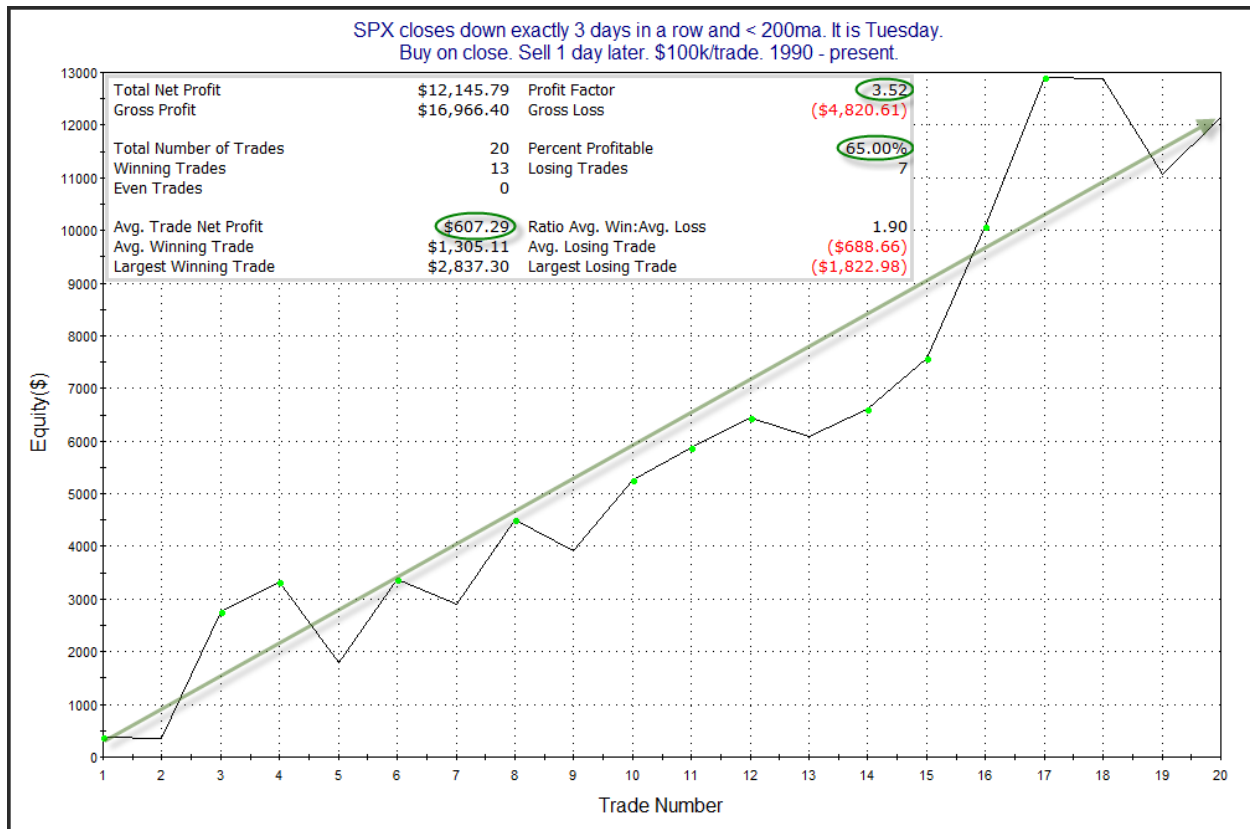
The Evidence

Tuesday saw selling ahead of Wednesday’s CPI report. SPX closed down 0.9%, the NASDAQ tumbled 0.95%, and the Russell 2000 dropped 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 45% and the Up Volume % at 41%. NYSE total volume rose some from Monday’s level.

The bearish evidence from the weekend won out, and Turnaround Tuesday was a disappointment. But we have seen in the past that when Turnaround Tuesday fails, it often means there will be a bounce on Wednesday. I’ll also note that Wednesday can frequently be viewed as the 2nd most likely day to see a bounce. The study below looks at 3-day pullbacks (below the 200ma). It breaks them down by day of week and shows next-day performance.

SPX closes down exactly 3 days in a row and < 200ma. It is the day of week shown. Buy on close. Sell 1 day later. \$100k/trade. 1990 - present.												
Day of Week	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
Mon	23,443.98	27	19	8	70.37	4,884.12	-2,680.15	1,624.82	-928.45	1.75	4.16	868.30
Tue	12,145.79	20	13	7	65.00	2,837.30	-1,822.98	1,305.11	-688.66	1.90	3.52	607.29
Wed	8,666.57	36	19	17	52.78	6,901.83	-3,162.00	1,405.35	-1,060.89	1.32	1.48	240.74
Thu	1,554.35	30	17	13	56.67	2,422.82	-3,177.16	1,081.85	-1,295.16	0.84	1.09	51.81
Fri	-27,269.08	35	15	20	42.86	5,054.10	-6,760.90	801.52	-1,964.59	0.41	0.31	-779.12

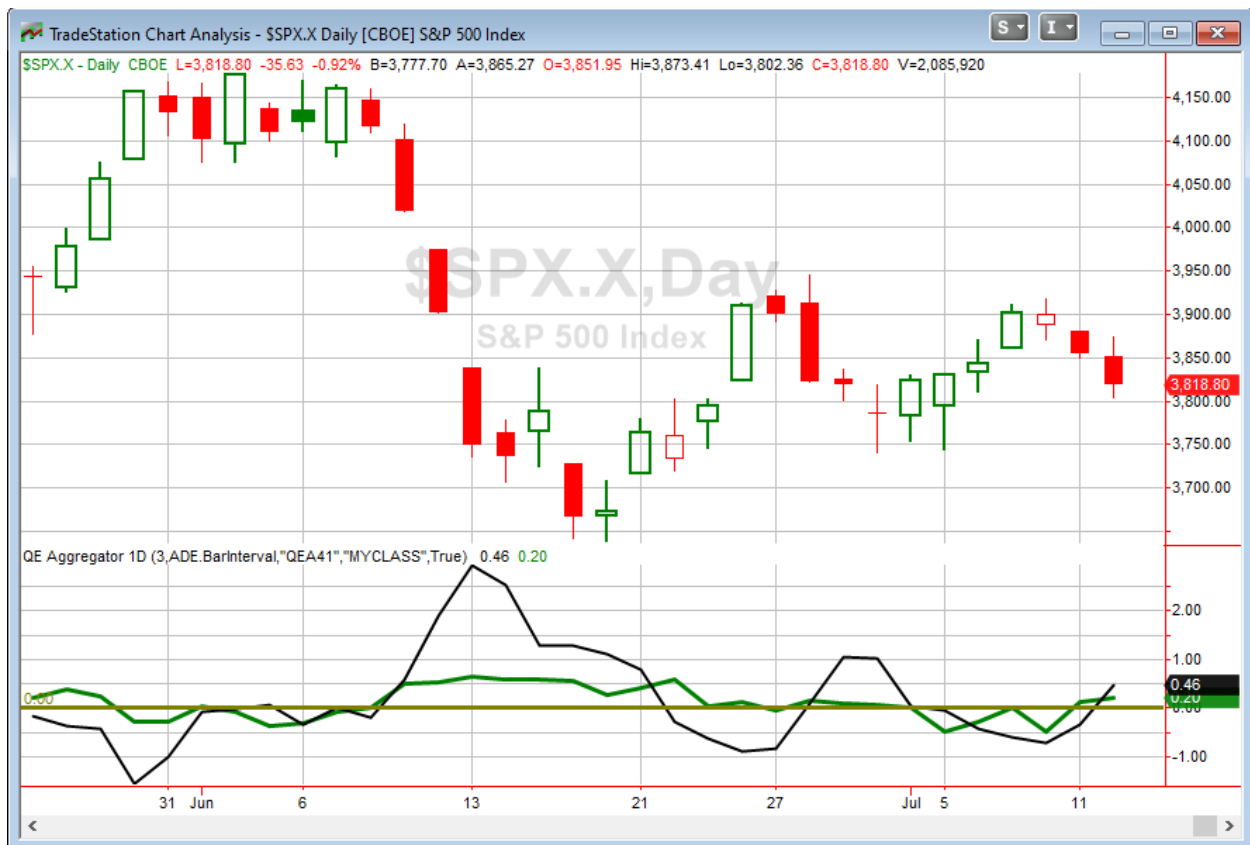
The "Mon" numbers are the best, meaning good performance on Turnaround Tuesday after a 3-day pullback. But "Tue" is a fairly close 2nd (and way better than 3rd, 4th, and 5th place). Here is a closer look at the stats and profit curve for the current setup with a 3-day dive heading into Wednesday.



That is a solid profit curve to go along with the numbers. I have added this study to the active list tonight.

Of course tomorrow is the CPI report. And it could generate a strong reaction. Therefore, risk is a bit elevated. Good chance the selloff the last 3 days was partly due to traders' concern about the report. So there may be a relief rally once the data is released. But there are no good studies regarding performance on/around CPI release dates. The lack of studies is because CPI was basically a non-event for 40 years. Powell has made it an event again...like Timberlake bringing sexy back.

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



With today's evidence considered, the green Aggregator held above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line moved above zero. 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.

There are no active short-term studies with influence beyond Wednesday, so expectations will be highly dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be 3868.61. That is 1.3% above Tuesday's close. Therefore, SPX will need to close up at least 1.3% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. But with the CPI wildcard and the fact that expectations could easily finish neutral or bearish on Wednesday, I am not inclined to get involved in a new index long position just yet. SPX is only a small amount below its 10ma and the mid-point of its 10-day range. In a market like this, I prefer a more considerable edge before getting involved in a new trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/11– 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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MO(1/3)	6/21/2022	\$45.31	\$42.03	-7.24%	<i>sold on open</i>

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