

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 14, 2022

Volume 15 Issue 122

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- No new compelling evidence emerged tonight.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is where I am at as well.

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						
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			

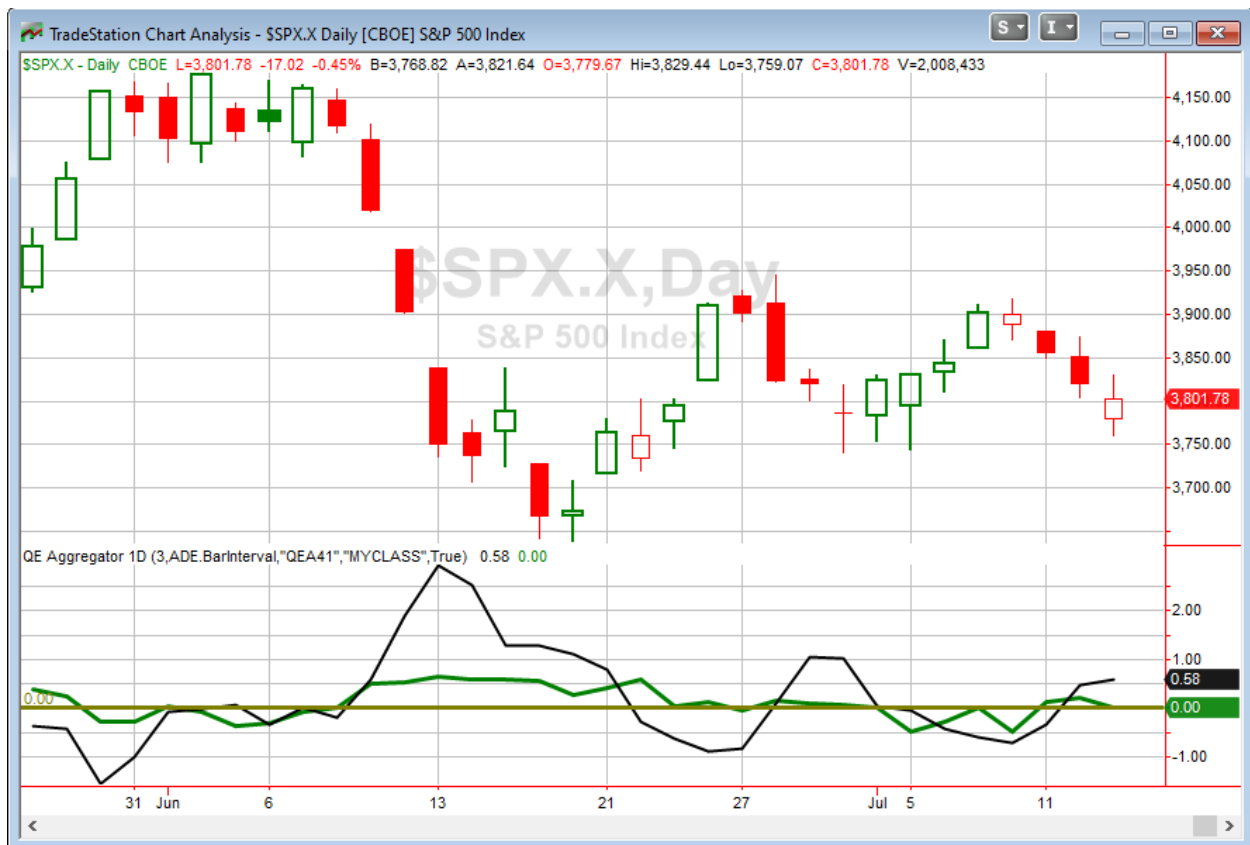
The Evidence

Wednesday saw a big gap down after the inflation numbers came in higher than most people expected. The indices rallied all the way back into positive territory for a while, but faded late and ended with losses. SPX closed down 0.45%, the NASDAQ declined 0.15%, and the Russell 2000 fell 0.12%. Breadth was negative with the NYSE Up Issues % coming in at 43% and the Up Volume % at 47%. NYSE total volume rose some from Tuesday's level.

Wednesday was the 4th day in a row that SPX declined. Prior to the 4-day decline we had a 4-day rally. That is unusual action for a bear market. How unusual? I looked back to 1980 to find other times a rally of at least 4 days was immediately followed by a decline of at least 4 days when SPX was below the 200ma. There have only been 3 other such instances: 8/6/2004, 10/6/2005, and 9/22/2011. But this is the 1st time where the 4-day selloff did not completely wipe out the 4-day rally. I am not sure that means anything, but it does demonstrate a point I am planning to discuss in the next weekend letter. The 2022 bear market has had more persistent moves than we have seen in any recent bear market. The 2002-2003 bear market was extremely choppy, with many quick reversals on a day to day basis. The 2008 bear was the choppiest of all-time. And the 2020 COVID crash also so big day-to-day whipsaws. Not 2022 so far. This one has behaved a bit differently. Anyway, I'll go into more detail this weekend.

Tonight I found no new evidence that compelled me to believe there is a strong short-term edge based on current market action. SPX is somewhat oversold after having declined the last 4 days, but it is still in the middle 3rd of its 10-day trading range. Seasonality is not providing great hints (although opex Friday could be interesting – more on that tomorrow). Breadth measures are not reaching extremes either. Right now I just don't see an edge worth betting on. That can change quickly. But tonight I will not be adding any new studies to the active list.

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



With the short-term active list now bare and the intermediate-term outlook neutral, the green Aggregator line closed right at zero. Zero readings mean expectations are flat over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are flat and SPX is oversold. 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.

There are no active short-term studies at the moment, so expectations will be highly dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be 3839.80. That is 1.0% above Wednesday's close. Therefore, SPX will need to close up at least 1.0% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is neutral. Evidence is lacking and the market is range-bound. As I said above, I don't see an edge worth betting on. So I won't be betting on Thursday. I'll wait until a setup with favorable reward/risk avails itself.

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

None

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