

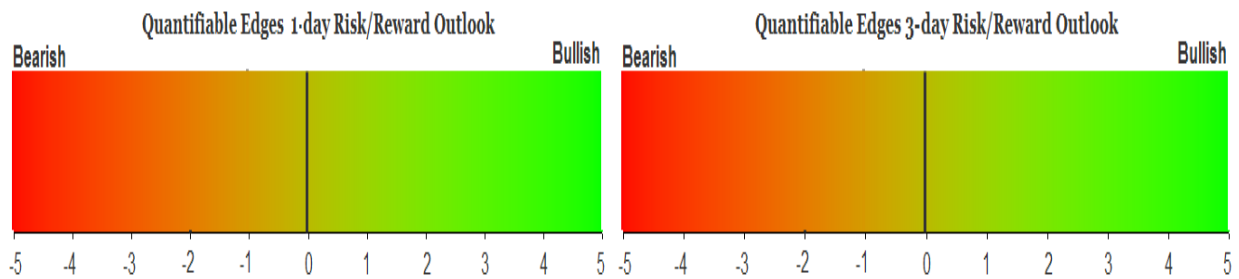
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 19, 2022

Volume 15 Issue 135

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The SPY gap up and reversal lower on Monday looks like it suggests an upside edge for the next couple of days.
- SPY closed down a fair amount but Friday's gap up remains unfilled. Often this has been followed by another down day.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Evidence is mixed and the market is mid-range. Seems like anything could happen.

**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
<b>Active - Short Term</b>						
July 18, 2022	SPY unfilled up. Dn next day no fill.	1 day	Bearish			
July 18, 2022	Gap up & cls dn. < 200ma. Volume low	1-2 days	Bullish			
<b>Active - Long Term</b>						
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**

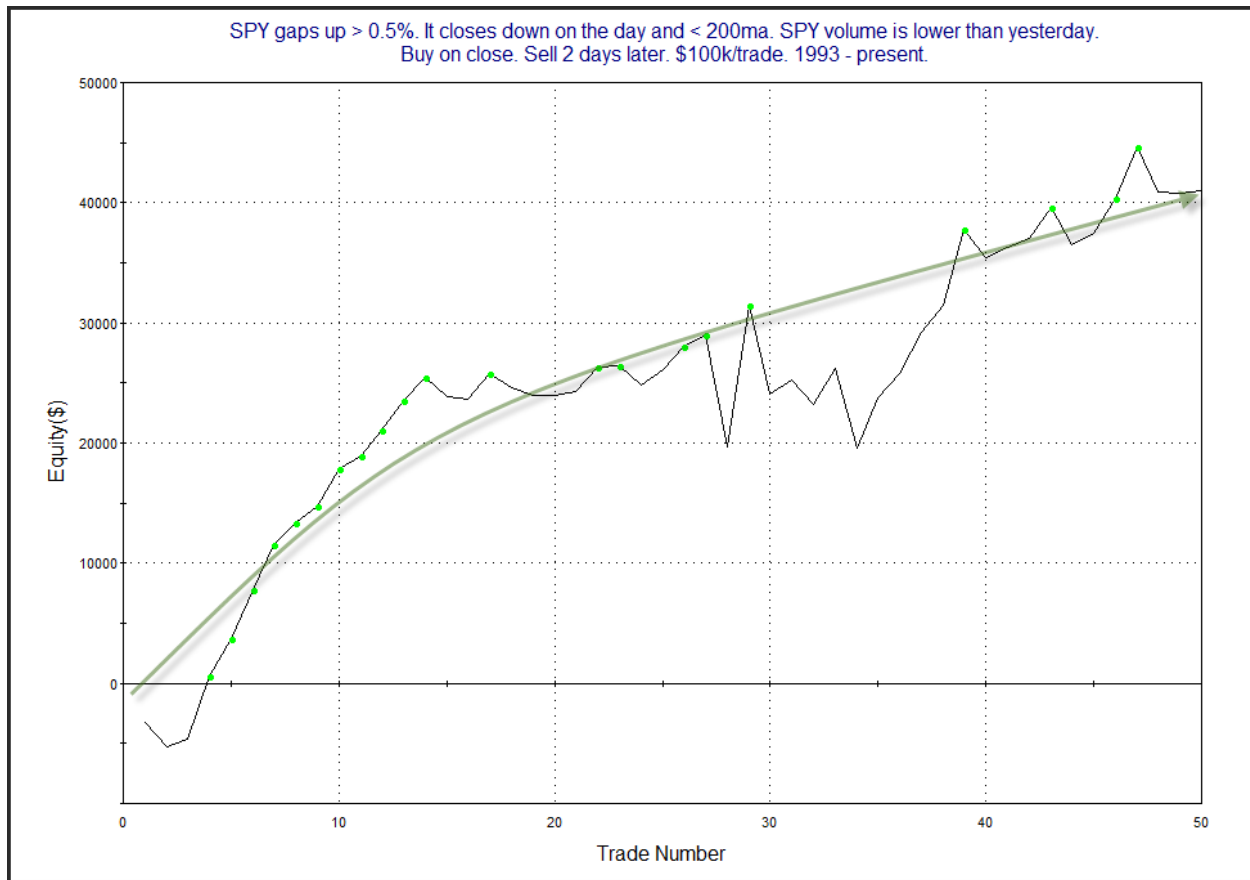
Monday started strong but finished poorly. SPX closed down 0.84%, the NASDAQ lost 0.81%, and the Russell 2000 fell 0.3%. Breadth was positive with the NYSE Up Issues % coming in at 53% and the Up Volume % at 64%. NYSE total volume declined from Friday's high opex level.

Action on Monday did not generate decisive evidence. Studies that triggered were mixed. Let's take a look.

One study from the Quantifinder that I found appealing is below. It looks at the gap up and reversal in SPY. Last seen in the 6/2/22 letter, I have updated the results.

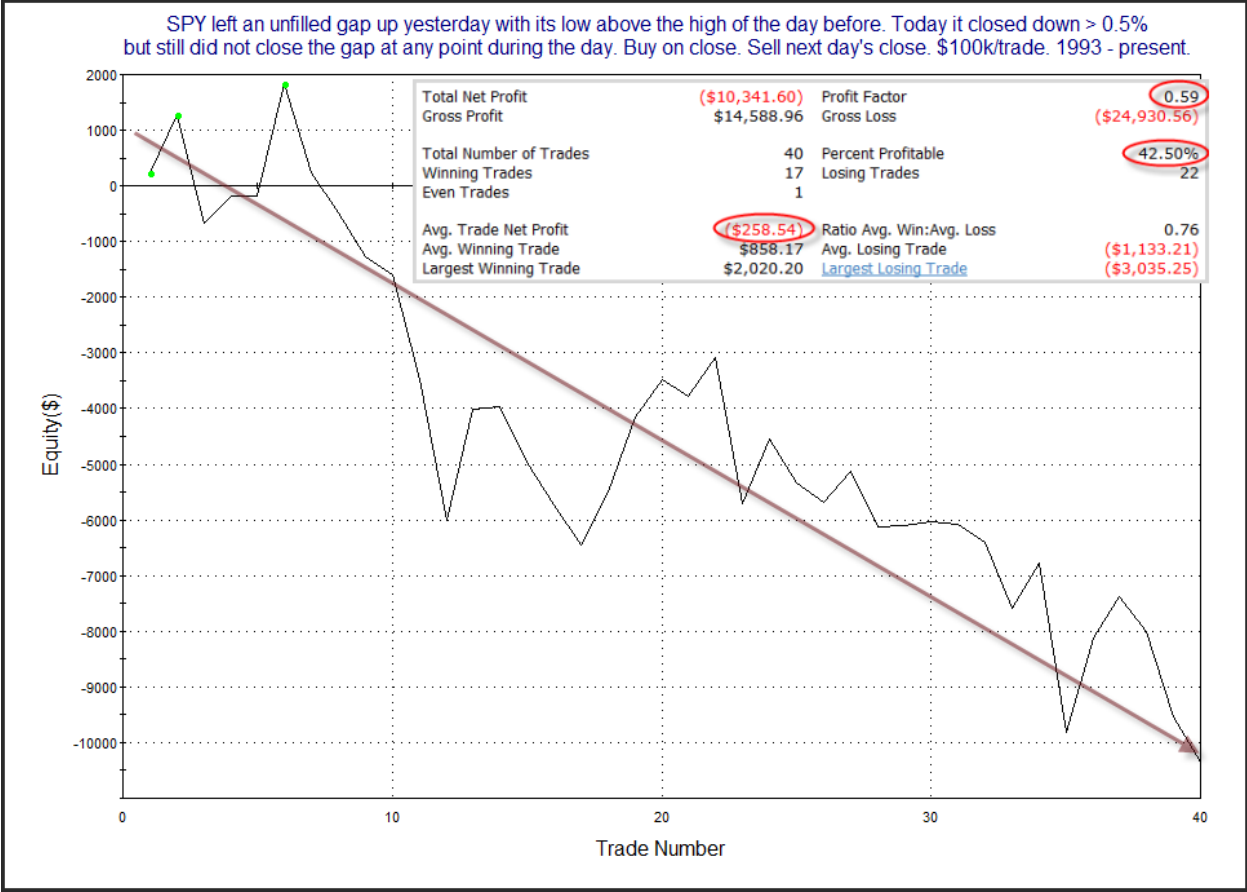
SPY gaps up > 0.5%. It closes down on the day and < 200ma. SPY volume is lower than yesterday. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	29,389.84	47	30	17	63.83	5,876.56	-9,016.04	2,809.42	-3,228.98	0.87	1.54	625.32
4	33,814.92	47	32	15	68.09	6,060.50	-8,130.08	2,463.51	-3,001.15	0.82	1.75	719.47
3	18,249.08	49	31	18	63.27	7,186.58	-11,518.47	2,275.71	-2,905.44	0.78	1.35	372.43
2	41,031.73	50	35	15	70.00	11,736.30	-9,320.67	2,464.91	-3,016.00	0.82	1.91	820.63
1	11,262.24	51	31	20	60.78	4,803.44	-7,436.23	1,543.78	-1,829.74	0.84	1.31	220.83

Numbers here look strong over the first 1-2 days. Below is a look at the 2-day profit curve.



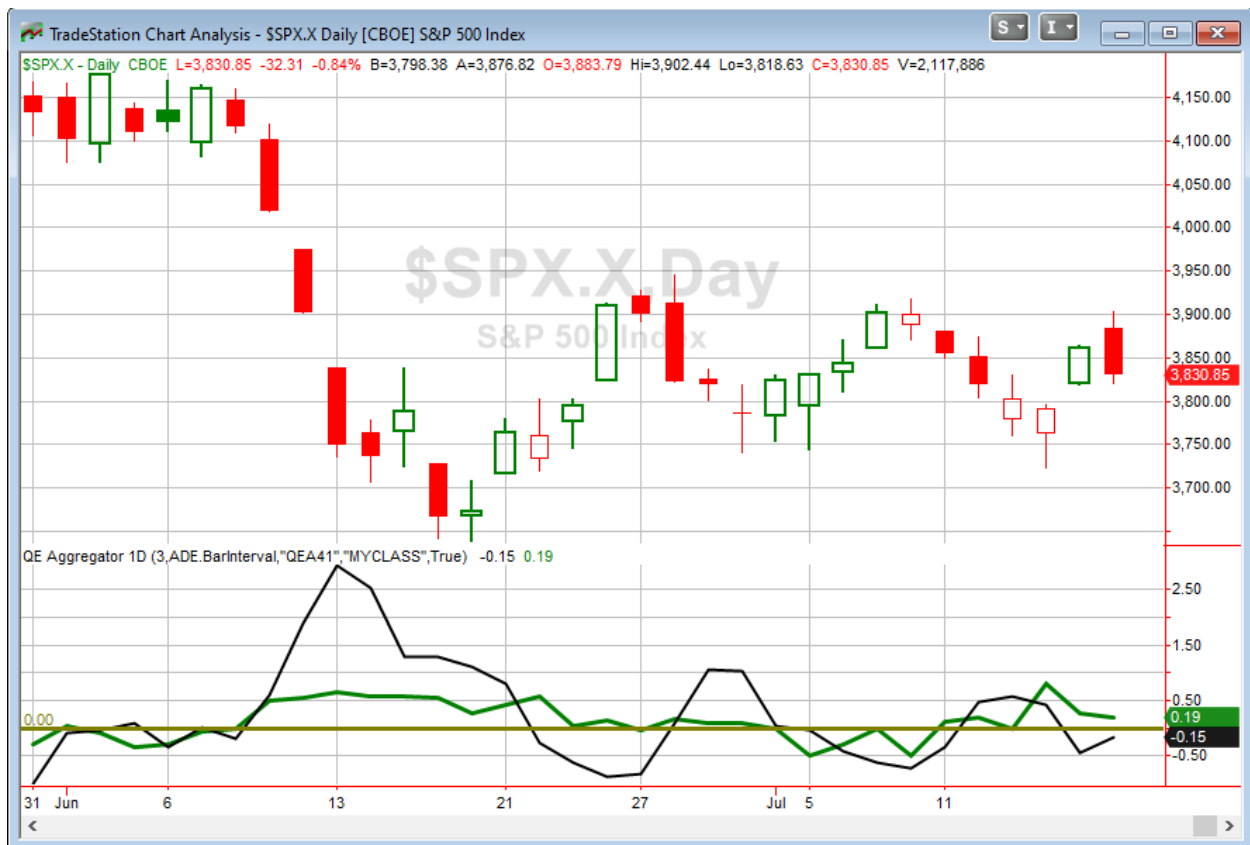
There is some real chop in this curve, but the dips have recovered fairly quickly, and it was making a new high just recently. I have included this on the Active List tonight.

There was also an interesting study from the 6/1/22 letter that triggered. It noted that while SPY closed down a fair amount today, it still did not fill the large upside gap that was left on Friday. I updated that study below.



The stats are somewhat negative. The curve has made its way from upper left to lower right, though it has certainly been a choppy ride. As a 1-day study this appears worthy of consideration. The market could take another stab at filling the gap on Tuesday.

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



With tonight's evidence considered, the green Aggregator line remained above zero. Positive readings mean expectations are for upside 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 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 current list of active studies, expectations are slated to remain positive on Tuesday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3827.20. That is 0.1% below Monday's close. Therefore, SPX will only need to close down 0.1% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is still neutral. Evidence is mixed, and the SPX is very mildly overbought. In other words, not only is there not a strong edge right now, but Tuesday could easily finish bullish, bearish, or neutral. I still don't see anything to get excited about. I will continue to wait until a more compelling setup emerges before putting new capital at risk.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 7/18– neutral***

The intermediate-term outlook was last updated in the 7/18/22 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 tonight.**

**Current Open Trade Ideas**

**None**

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