

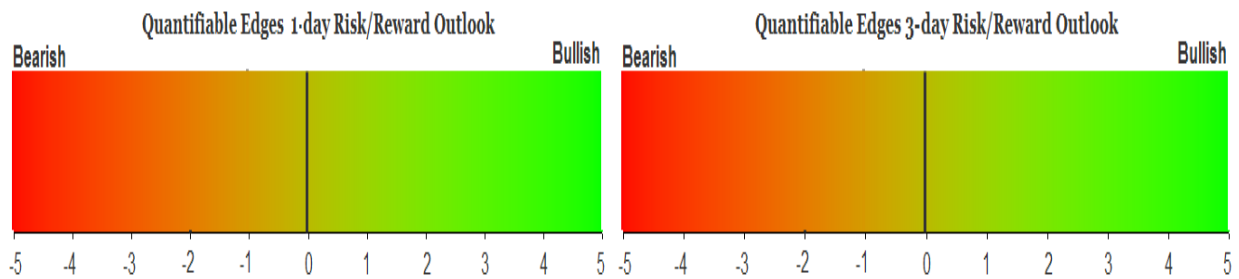
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 20, 2022

Volume 15 Issue 136

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Overbought in a downtrend – type studies are suggesting a dip soon, but the very strong breadth we've seen could lead to more follow-through.
- The 50ma cross doesn't appear to be an important directional signal.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is mixed but leaning bullish. SPX is overbought. This does not appear to be a great reward/risk scenario.

The Evidence

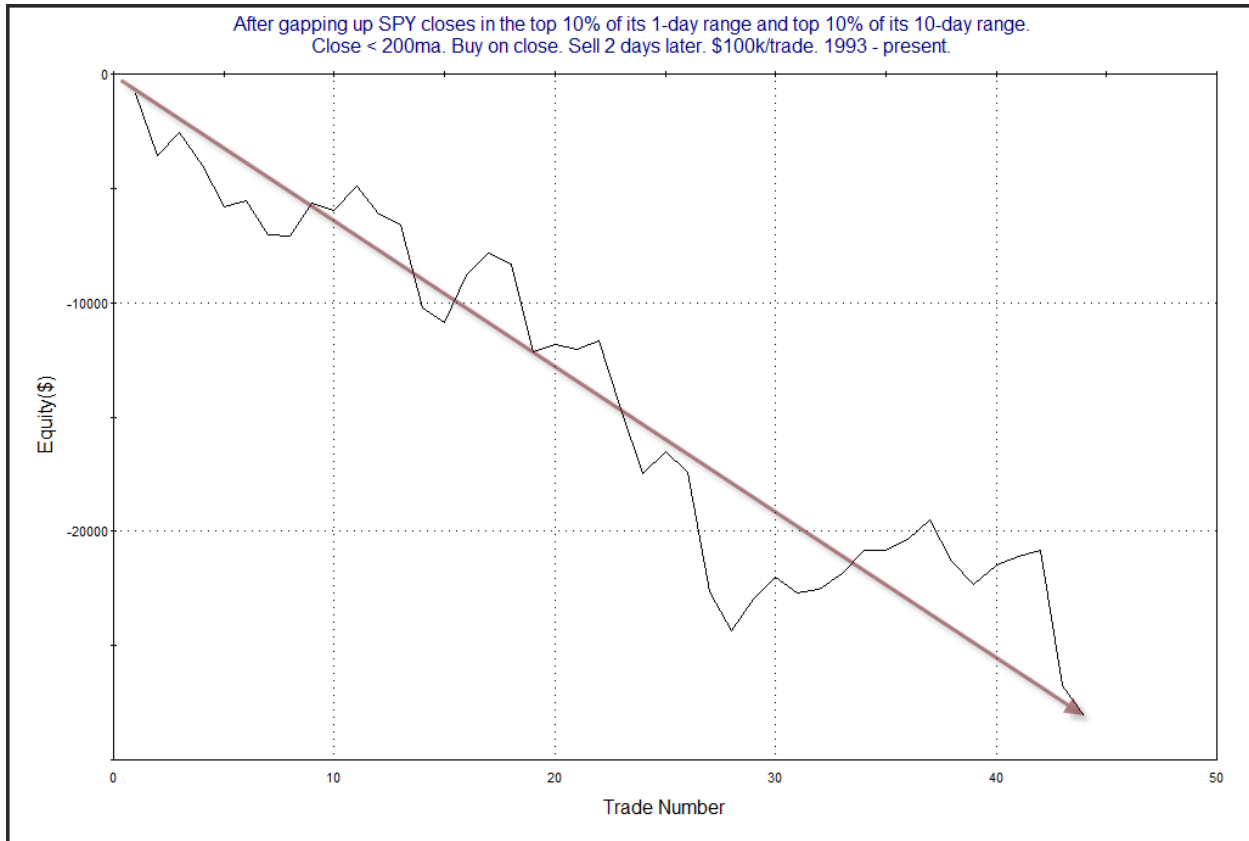
Huge up day. SPX rallied 2.8%, the NASDAQ jumped 3.1%, and the Russell 2000 climbed 3.5%. Breadth was positive with the NYSE Up Issues % coming in at 83% and the Up Volume % at 90.5%. NYSE total volume rose some from Monday’s level.

Evidence was again mixed tonight. As the hour is late, I will keep the commentary brief. First, a couple of bullish studies that triggered.

This 1st one was last seen in the 2/5/19 letter. It examined performance after days in which SPY gapped up and then closed in the top 10% of both the 1-day and 10-day range but below the 200ma. Results are updated.

After gapping up SPY closes in the top 10% of its 1-day range and top 10% of its 10-day range. Close < 200ma. 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	-16,462.69	37	20	17	54.05	3,095.18	-6,223.36	1,294.46	-2,491.28	0.52	0.61	-444.94
4	-20,100.63	40	17	23	42.50	5,167.16	-5,244.16	1,505.87	-1,986.97	0.76	0.56	-502.52
3	-24,765.37	42	16	26	38.10	3,447.12	-5,133.72	1,298.67	-1,751.70	0.74	0.46	-589.65
2	-28,096.35	44	20	24	45.45	2,075.22	-5,921.00	777.04	-1,818.22	0.43	0.36	-638.55
1	-12,007.57	46	21	25	45.65	2,238.25	-3,187.90	626.54	-1,006.60	0.62	0.52	-261.03

Numbers look bearish over the 1st couple of days. Below is a 2-day profit curve.



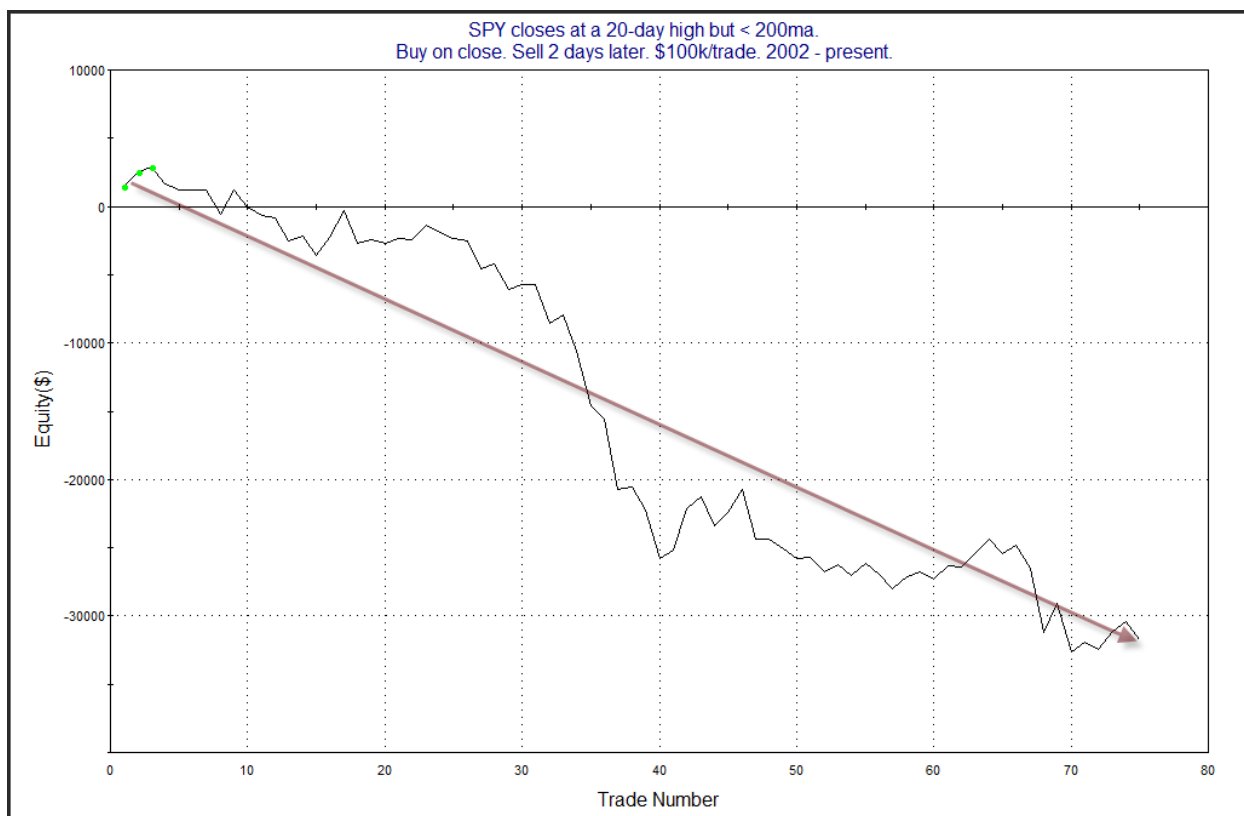
Strong move from upper left to lower right. I have included this study on the active list tonight.

Next is a study from the 5/27/20 letter. It looks at times SPX closed at an intermediate-term high during a long-term downtrend. Results are updated.

SPY closes at a 20-day high but < 200ma.
Buy on close. Sell X days later. \$100k/trade. 2002 - 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	5,219.48	46	27	19	58.70	5,434.00	-6,223.36	1,660.33	-2,084.71	0.80	1.13	113.47
4	-1,983.74	51	28	23	54.90	3,675.36	-5,244.16	1,261.14	-1,621.55	0.78	0.95	-38.90
3	-12,816.70	60	27	33	45.00	3,992.56	-5,133.72	1,570.77	-1,673.56	0.94	0.77	-213.61
2	-31,748.39	75	34	40	45.33	3,047.16	-5,196.96	878.89	-1,540.76	0.57	0.48	-423.31
1	-30,594.76	106	50	56	47.17	3,399.63	-4,190.20	691.49	-1,163.74	0.59	0.53	-288.63

Numbers here also look bearish. Below is a look at the 2-day profit curve.



Choppy, but the move lower has persisted for a long time. I have included this study on the active list tonight.

Not all was bearish. Both Friday and Tuesday showed very strong breadth. Below is a study that looks at other time 2 of 3 days saw 4:1 upside breadth for 2 of 3 days. This is the 1st time I have published this study.

NYSE Up Issues % > 80% today and either yesterday or the day before. SPX > 200ma.
Forward results shown. No repeats for the last 20 days. 1957 - present.

Ticker	Date/Time	Close	Next Day % Chg	2-Day % Chg	3-Day % Chg	4-Day % Chg	5-Day % Chg
\$\$SPX	1/3/1958	40.87	-0.46	0.32	0.29	-0.29	-1.22
\$\$SPX	11/14/1962	60.16	-0.32	0	-0.57	0.48	1.08
\$\$SPX	8/1/1969	93.47	-0.51	-0.06	0.48	0.56	0.5
\$\$SPX	5/28/1970	74.61	2.6	4.33	4.33	5.24	3.69
\$\$SPX	8/24/1970	80.99	0.16	0.27	0.11	1.07	0.65
\$\$SPX	11/29/1971	93.41	0.62	2.17	2.6	3.91	3.32
\$\$SPX	10/9/1974	67.82	2.9	4.9	7.25	5.34	3.7
\$\$SPX	1/2/1975	70.23	0.68	1.2	1.12	-0.27	1.34
\$\$SPX	8/2/1984	157.99	2.76	2.92	2.99	2.38	4.78
\$\$SPX	11/26/2008	887.68	0.96	-8.05	-4.38	-1.91	-4.78
\$\$SPX	12/31/2008	903.25	3.16	2.68	3.48	0.38	0.72
\$\$SPX	3/12/2009	750.74	0.77	0.42	3.65	5.81	4.44
\$\$SPX	7/22/2010	1093.67	0.82	1.95	1.84	1.14	0.72
\$\$SPX	8/11/2011	1172.64	0.53	2.72	1.72	1.81	-2.73
\$\$SPX	10/10/2011	1194.89	0.05	1.03	0.73	2.48	0.5
\$\$SPX	11/30/2011	1246.96	-0.19	-0.21	0.81	0.92	1.13
\$\$SPX	1/26/2016	1903.63	-1.09	-0.54	1.92	1.88	-0.03
\$\$SPX	3/25/2020	2475.56	6.24	2.66	6.1	4.4	-0.2
\$\$SPX	5/20/2020	2971.61	-0.78	-0.54	0.68	2.17	1.96
\$\$SPX	5/27/2022	4158.24	-0.63	-1.37	0.45	-1.2	-0.89
\$\$SPX	7/19/2022	3936.69	0	0	0	0	0
		%Wins	65%	65%	90%	80%	70%
		Avg	0.91	0.84	1.78	1.82	0.93

Results are quite appealing over the 1st 3 days. This study is also included on the Active List tonight.

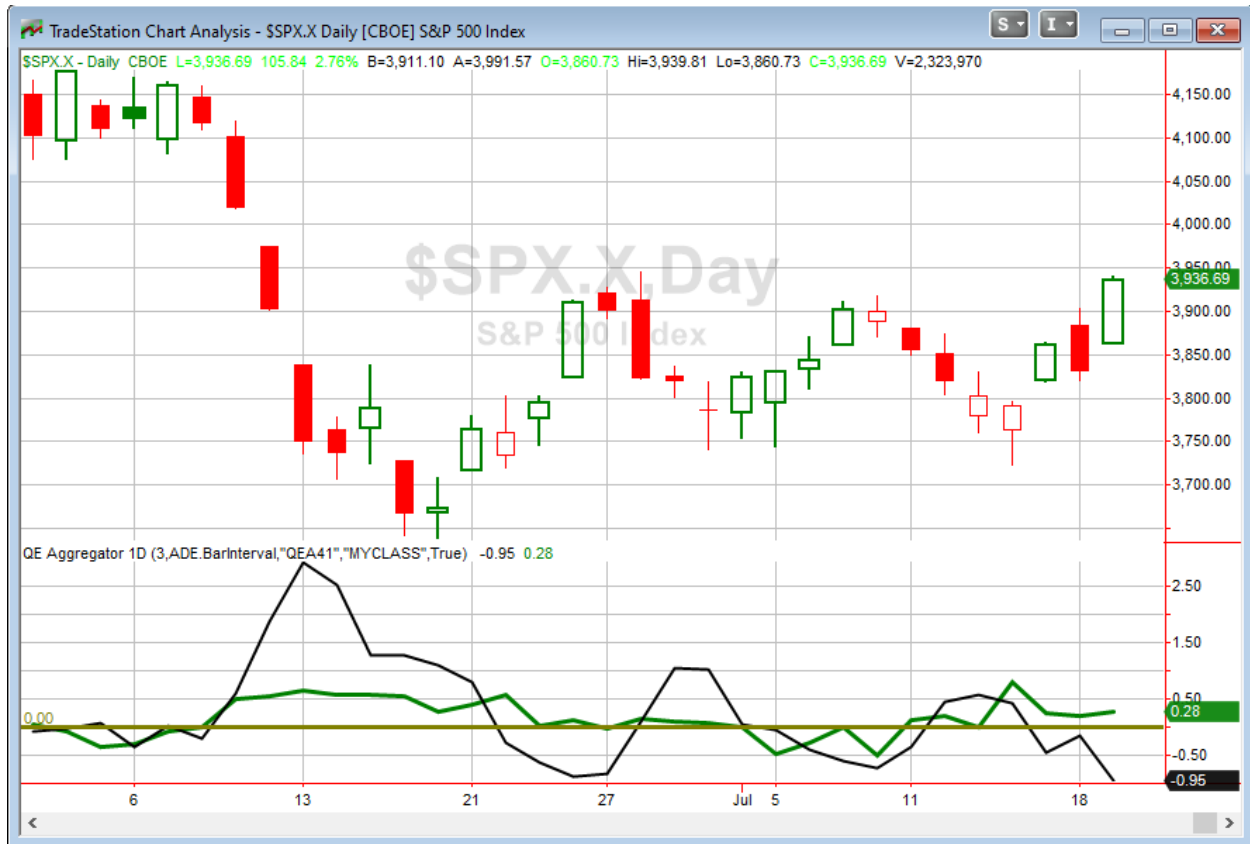
Lastly, I will note that Tuesday was the 1st time SPX closed above its 50ma in a long while. It had gone 60 trading days without a close above the 50ma prior to Tuesday. I looked at performance following other times SPX crossed its 50ma for the 1st time in at least 50 days.

After closing below the 50-day moving average for at least 50 days in a row, SPX closes above it.
Forward returns shown. 1930 - present.

Ticker	Date	Days Under		5-Day % Chg	10-Day %Chg	21-Day % Chg	42-Day % Chg	63-Day % Chg	126-Day % Chg
		50ma	Yesterday Close						
\$\$PX	1/9/1930	57	21.62	-0.56	1.02	6.24	9.71	19.66	-3.93
\$\$PX	8/20/1930	67	20.85	1.39	0.82	-0.82	-18.23	-18.75	-12.85
\$\$PX	1/8/1931	75	16.23	-4.74	-0.99	0.25	7.95	1.42	-11.46
\$\$PX	6/22/1931	59	14.61	3.29	3.35	0.07	-3.22	-21.56	-44.22
\$\$PX	11/9/1931	57	11.52	-9.46	-15.8	-23.78	-26.39	-34.64	-47.92
\$\$PX	2/15/1932	62	8.5	-3.29	-1.76	-4.59	-24.47	-34	-12.47
\$\$PX	7/20/1932	89	4.93	15.01	29.61	54.16	48.88	50.1	43.2
\$\$PX	7/6/1937	75	16.25	0.92	4.25	4.74	-5.48	-16.37	-32.8
\$\$PX	1/6/1938	90	11.42	2.19	2.1	-7.71	-4.73	-18.83	5.87
\$\$PX	7/16/1940	57	10.09	-1.09	2.38	-1.78	2.18	4.36	4.46
\$\$PX	4/2/1941	54	10.01	-3.1	-4.7	-6.79	-5.39	-1.2	1.6
\$\$PX	1/15/1942	75	9.04	-2.54	-1.44	-4.31	-9.18	-14.82	-2.32
\$\$PX	5/11/1942	63	8	-0.75	-0.25	4.88	9	5.75	19.75
\$\$PX	11/4/1946	97	15.33	-3.39	-5.68	-4.11	0.52	3.46	-4.76
\$\$PX	6/10/1947	65	14.56	2.75	2.61	7.69	5.98	2.27	1.85
\$\$PX	7/7/1953	72	24.51	-1.75	-1.43	0.69	-4.08	-4.2	1.71
\$\$PX	11/2/1956	52	46.98	-1.04	-3.6	-1.26	-1.55	-6.73	-1.43
\$\$PX	3/27/1957	51	44.09	1.02	2.02	3.2	6.1	6.8	-2.52
\$\$PX	11/27/1957	83	41.25	0.65	-1.7	-4.05	1.53	-1.38	6.3
\$\$PX	7/27/1962	82	57.2	1.61	0.61	4.11	-1.84	-4.39	15.8
\$\$PX	10/18/1966	63	78.68	0.28	2.71	3.97	3.29	9.07	17.07
\$\$PX	3/27/1969	63	101.1	-1.2	0.46	1.67	2.14	-3.73	-7.61
\$\$PX	8/21/1969	52	95.35	-0.48	-1.79	0.29	1.94	0.58	-7.96
\$\$PX	2/25/1970	65	89.35	0.77	-0.74	0.64	-8.83	-22.45	-9.36
\$\$PX	7/15/1970	66	75.23	2.39	3.74	-0.62	9.09	11.74	23.04
\$\$PX	5/8/1973	71	111.25	-4.21	-6.89	-4.86	-8.19	-4.22	-5.15
\$\$PX	1/23/1974	55	97.07	-0.01	-3.93	-1.73	0.59	-6.97	-12.44
\$\$PX	10/11/1974	82	71.14	1.6	-1.43	5.64	-4.88	1.64	20.33
\$\$PX	10/3/1975	52	85.95	2.63	3.39	2.49	1.92	7.71	18.96
\$\$PX	11/10/1977	75	94.71	0.48	2.09	-1.14	-5.16	-4.89	3.55
\$\$PX	10/30/1981	52	121.89	0.64	-0.18	3.45	0.54	-3.37	-4.16
\$\$PX	4/1/1982	68	113.79	2.14	2.65	2.66	-1.54	-4.46	5.83
\$\$PX	8/1/1984	53	154.08	4.98	5.66	8.13	6.84	8.28	16.43
\$\$PX	12/18/1987	52	249.16	-1.44	3.8	-2.62	5	7.86	7.94
\$\$PX	11/5/1990	74	314.59	1.55	1.51	4.87	0.27	11.66	19.94
\$\$PX	5/18/1994	58	453.69	0.58	0.87	1.05	0.04	2.53	2.5
\$\$PX	10/15/1998	53	1047.49	2.96	3.67	7.47	11.01	18.69	23.1
\$\$PX	12/11/2000	61	1380.2	-4.16	-4.71	-3.87	-3.61	-15.47	-10.04
\$\$PX	10/25/2001	89	1100.09	-1.45	1.68	5.21	4.48	3	-3.15
\$\$PX	8/19/2002	86	950.7	-0.29	-7.64	-8.55	-7.52	-4.3	-11.1
\$\$PX	3/24/2008	58	1349.88	-2.01	1.68	1.93	3.02	-2.37	-7.02
\$\$PX	12/16/2008	72	913.18	-5.48	-1.09	-6.91	-13.66	-14.14	0.57
\$\$PX	10/10/2011	52	1194.89	0.5	4.96	6.78	3.3	8.13	14.55
\$\$PX	7/19/2022	60	3936.69	0	0	0	0	0	0
Created with Amibroker using Norgate Data			Avg Since '57	0.16	0.44	1.12	0.23	0.21	4.44
QuantifiableEdges.com			%Wins Since '57	62%	62%	65%	65%	50%	58%
			Avg Since '30	-0.05	0.51	1.23	-0.29	-1.83	0.46
			%Wins Since '30	51%	56%	58%	56%	47%	51%

These results do not appear compelling for bulls or bears. Three months out it is basically a breakeven proposition. So while the 50ma cross may seem encouraging, it is not a great timing signal on its own.

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 Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3902.61. That is 0.9% below Tuesday's close. Therefore, SPX will need to close down at least 0.9% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is still neutral. Intermediate-term overbought in a long-term downtrend suggests a pullback is likely in the next couple days. But breadth has been so strong that it indicates we could see some more upside follow through. So yet again, the edge is unclear. I will wait for more clarity before looking to take a new index position.

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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