

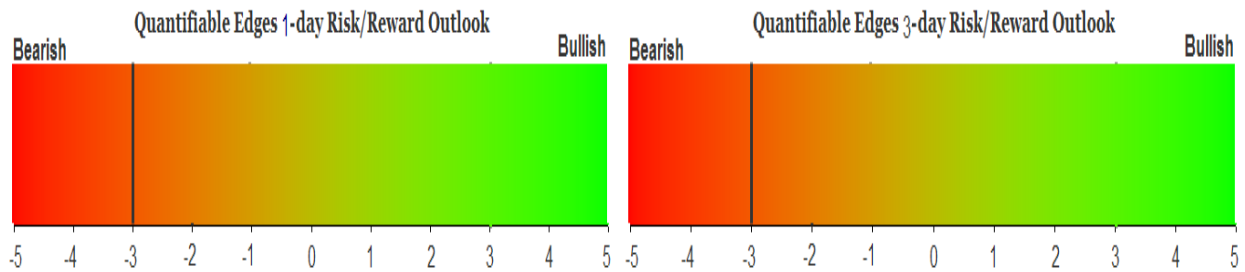
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 29, 2022

Volume 15 Issue 143

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- Two 1% up days to a 10-day high below the 200ma have almost always seen a dip over the following days.
- An unfilled gap up and close near the top of the 2-week and 1-day ranges also suggests a pullback.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is short. Bearish evidence is building, and the market is strongly overbought for the short-term. I believe we should see a decline in the next few days.

**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 28, 2022	Unfill dn yest. Unfill up today > high[2]	1 day	Bearish			
July 28, 2022	Unfill up 0.5% - 1%. Close > open < 200	1 day	Bearish			
July 28, 2022	SPX 10-high < 100-high on Fed Day	1-2 days	Bearish			
July 26, 2022	SPX up.VIX up. Monday. Close < 200ma	1-5 days	Bearish	-3.40%	1.95%	3.80%
July 26, 2022	SPX top of 10-day range. Inside day < 200	1-3 days	Bearish			
<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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
July 27, 2022	Fed Day bullish	1 day	Bullish			

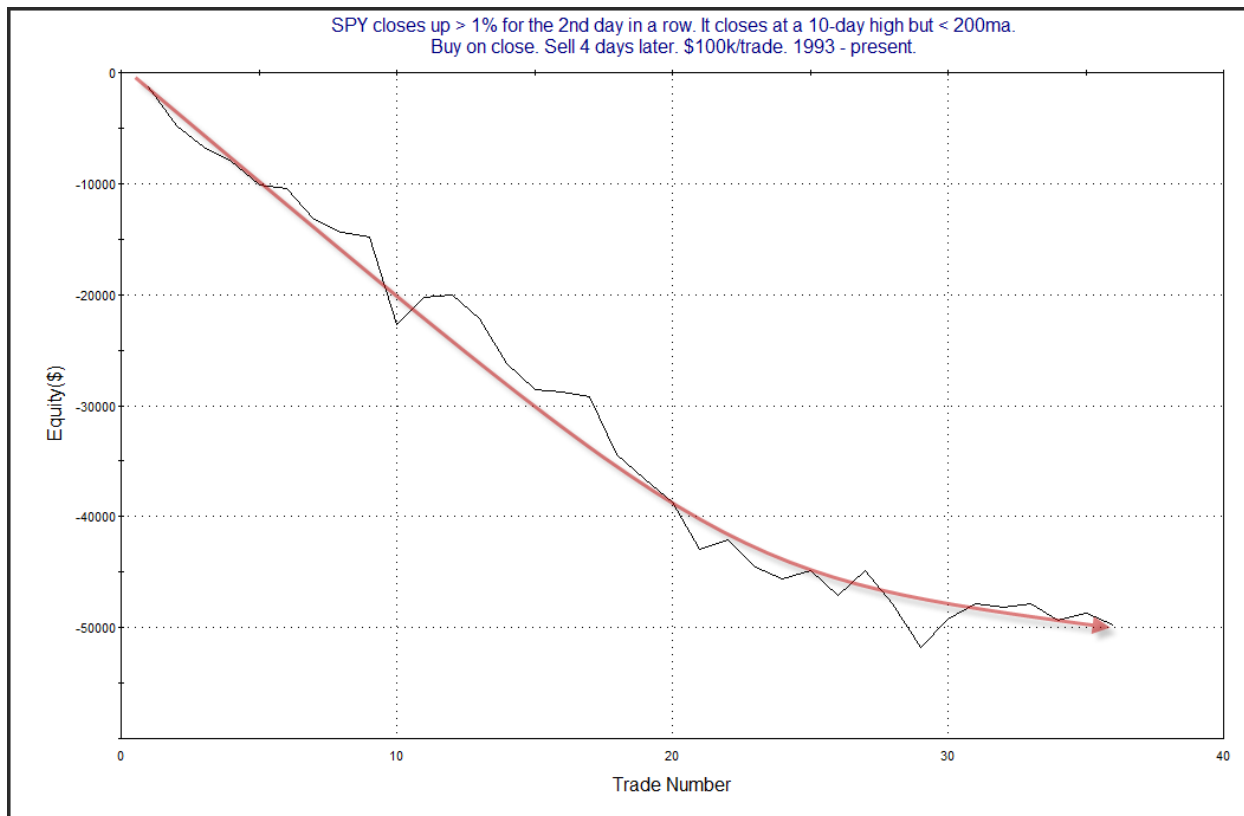
**The Evidence**

The Fed rally continued on Thursday, with just a brief dip in the morning. SPX finished the day up 1.2%, the NASDAQ gained 1.1%, and the Russell 2000 jumped 1.3%. Breadth was positive with the NYSE Up Issues % coming in at 75% and the Up Volume % at 74%. NYSE total volume came in higher than the last few days.

With price action continuing to press higher, we got a few more “short-term overbought in a long-term downtrend” type studies. The consensus is again showing a bearish inclination. This first study looks at strong multi-day moves below the 200ma. It requires 2 days of 1% gains and a 10-day high. It was last seen in the 5/31/22 letter. All stats are updated.

SPY closes up > 1% for the 2nd day in a row. It closes at a 10-day high but < 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	-35,710.70	35	14	21	40.00	3,399.42	-7,053.11	1,585.05	-2,757.21	0.57	0.38	-1,020.31
4	-49,809.85	36	9	27	25.00	2,475.56	-7,879.83	1,251.47	-2,261.97	0.55	0.18	-1,383.61
3	-35,508.15	36	11	25	30.56	2,864.79	-5,502.64	1,303.61	-1,993.91	0.65	0.29	-986.34
2	-33,023.70	36	13	23	36.11	2,505.60	-5,350.20	1,044.98	-2,026.45	0.52	0.29	-917.33
1	-23,529.41	37	13	24	35.14	2,052.00	-8,857.80	605.77	-1,308.52	0.46	0.25	-635.93
<b>34 of 36 instances (94%) closed below the entry price at some point in the next 3 days.</b>												

The numbers here all suggest a downside edge. The equity curve is below.



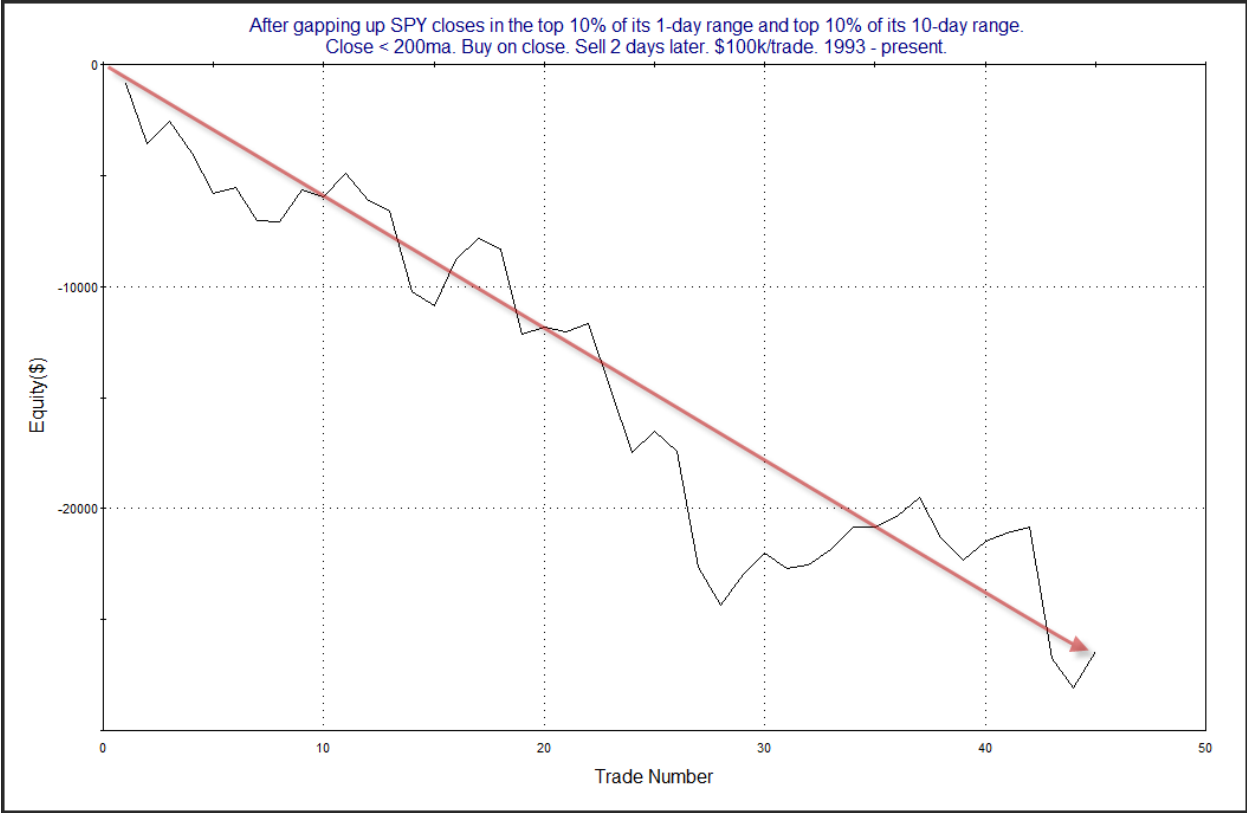
The strong, fairly steady downslope serves as some confirmation of the bearish edge.

This next study was last seen jus last week in the 7/20/22 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.

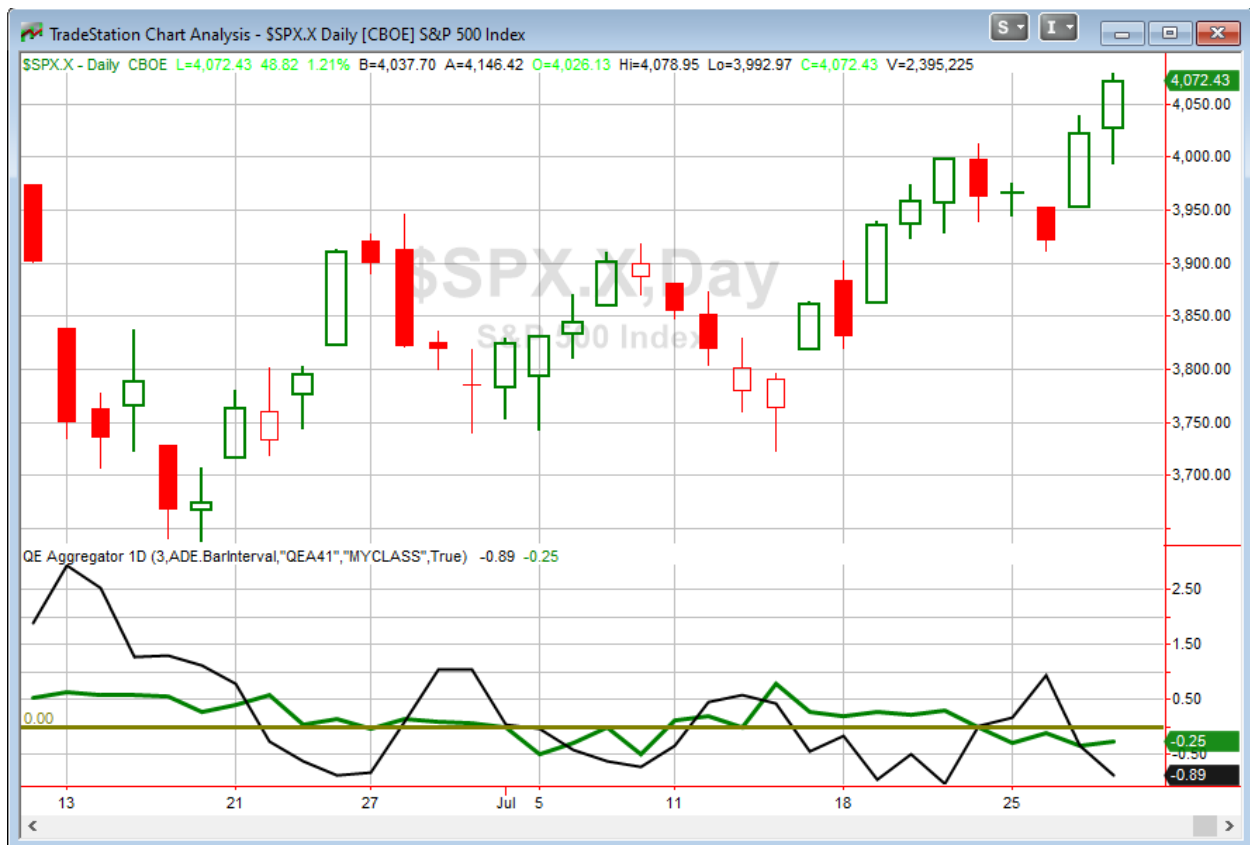
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-16,813.21	38	20	18	52.63	3,095.18	-6,223.36	1,294.46	-2,372.35	0.55	0.61	-442.45
4	-19,262.43	41	18	23	43.90	5,167.16	-5,244.16	1,468.78	-1,986.97	0.74	0.58	-469.82
3	-24,049.09	43	17	26	39.53	3,447.12	-5,133.72	1,264.42	-1,751.70	0.72	0.47	-559.28
2	-26,440.27	45	21	24	46.67	2,075.22	-5,921.00	818.90	-1,818.22	0.45	0.39	-587.56
1	-11,372.57	47	22	25	46.81	2,238.25	-3,187.90	626.93	-1,006.60	0.62	0.55	-241.97

Numbers look bearish over the 1<sup>st</sup> 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.

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



With tonight's evidence considered, the green Aggregator line remained below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line also held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation stayed short at the close.

Based on the current active list, expectations are set to remain negative on Friday. This could change if very strong new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3899.68 on Friday. That is a whopping 4.2% below Thursday's close. In other words, not likely. This overbought condition will almost certainly take at least a few days to get worked off.

So the Aggregator is bearish. Evidence is continuing to build for the bears. And SPX is getting more and more short-term overbought. It sure appears as if a pullback should happen in the next few days. I took some short exposure near the close on Thursday. I won't be looking to immediately add to it on Friday. With the intermediate-term outlook neutral and the intermediate-term trend now rising I am not inclined to take aggressive positions, and would prefer to see how Friday plays out and re-evaluate over the weekend before making my next move.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/25 – 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**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
SPY(s)(1/4)	7/28/2022	\$406.07	\$406.07	0.00%	shorted on close

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