

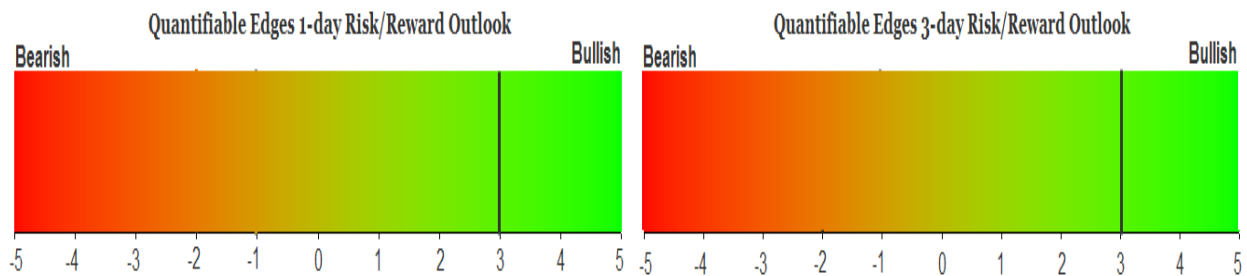
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 9, 2022

Volume 15 Issue 150

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Four down closes with the most recent being the largest has typically led to a bounce over the next couple of days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is an upside edge.

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						
August 10, 2022	Down 4. Biggest drop today. < 200	1-2 days	Bullish			
August 9, 2022	5 high, down close & 60% Up Iss %	1-3 days	Bullish			
August 9, 2022	50-high 1% above yest. Close down.	1-3 days	Bullish			
Active - Long Term						
August 1, 2022	NYSE Up Issues % > 70% 3 straight days	1-80 days	Bullish	9.85%	-4.72%	-11.90%
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

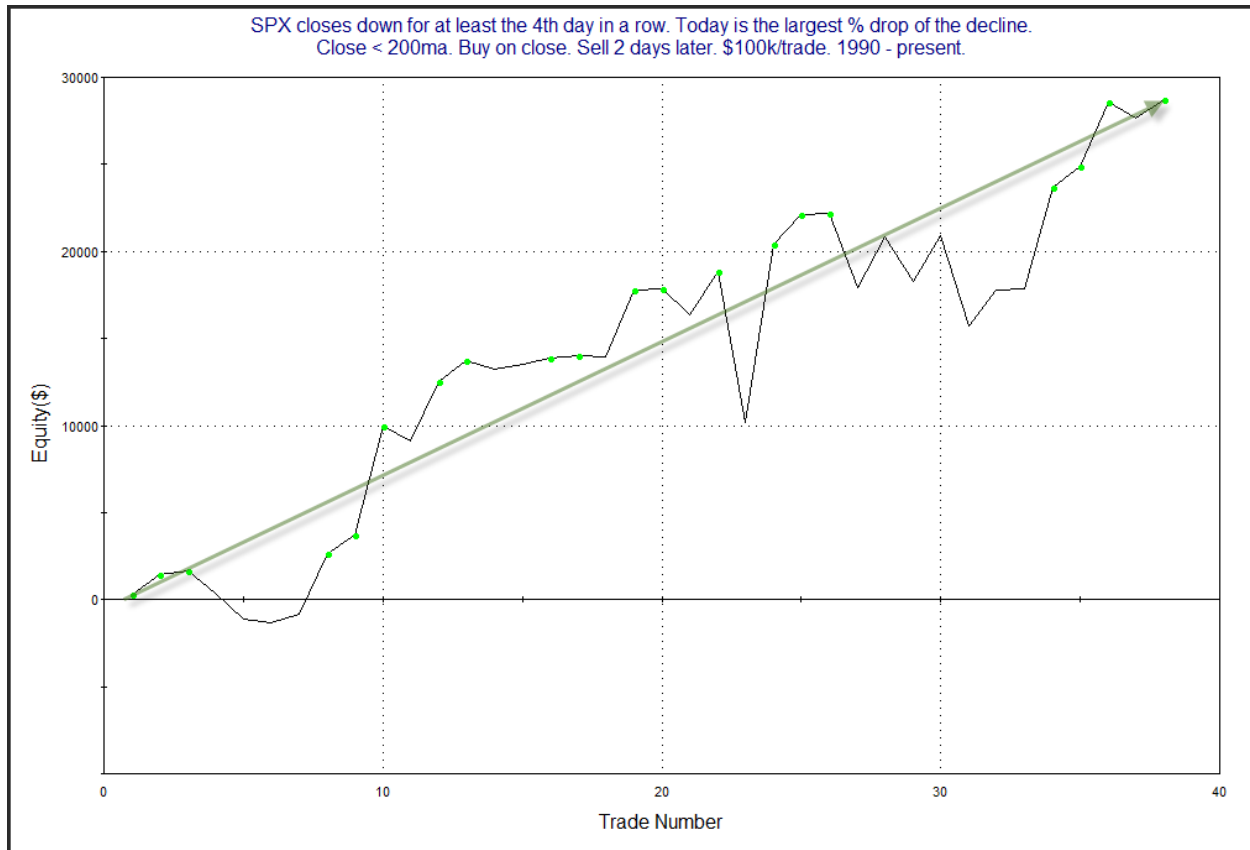
Tuesday started with a gap lower, and then saw the market trade in a narrow range during the day. The indices all finished lower. SPX lost 0.4%, the NASDAQ declined 1.2%, and the Russell 2000 dropped 1.5%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 42%. NYSE total volume declined some from Monday’s level.

There were several studies that triggered tonight noting the tight trading range and low volume. Several have also triggered recently, and I have discussed in the last few weeks that many of these narrow range studies that used to suggest a bearish edge when SPX was in a downtrend, have not seen the edge persist over the last several years. So I am not including any of them tonight.

One study that caught my interest was from way back in the 11/25/11 letter. It looked at 4+ day pullbacks that saw an acceleration lower on the most recent day. I have updated the results below.

SPX closes down for at least the 4th day in a row. Today is the largest % drop of the decline. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1990 - 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	39,810.21	36	25	11	69.44	6,853.60	-6,440.08	2,579.14	-2,242.56	1.15	2.61	1,105.84
4	15,801.06	36	22	14	61.11	6,541.50	-10,632.61	2,178.60	-2,294.86	0.95	1.49	438.92
3	2,158.34	36	20	16	55.56	5,654.88	-9,701.00	2,105.11	-2,496.50	0.84	1.05	59.95
2	28,696.74	38	26	12	68.42	10,183.87	-8,631.00	2,157.22	-2,282.58	0.95	2.05	755.18
1	11,993.32	40	22	18	55.00	4,897.20	-3,884.00	1,240.43	-849.79	1.46	1.78	299.83
92% of instances closed above the entry price at some point in the next week.												

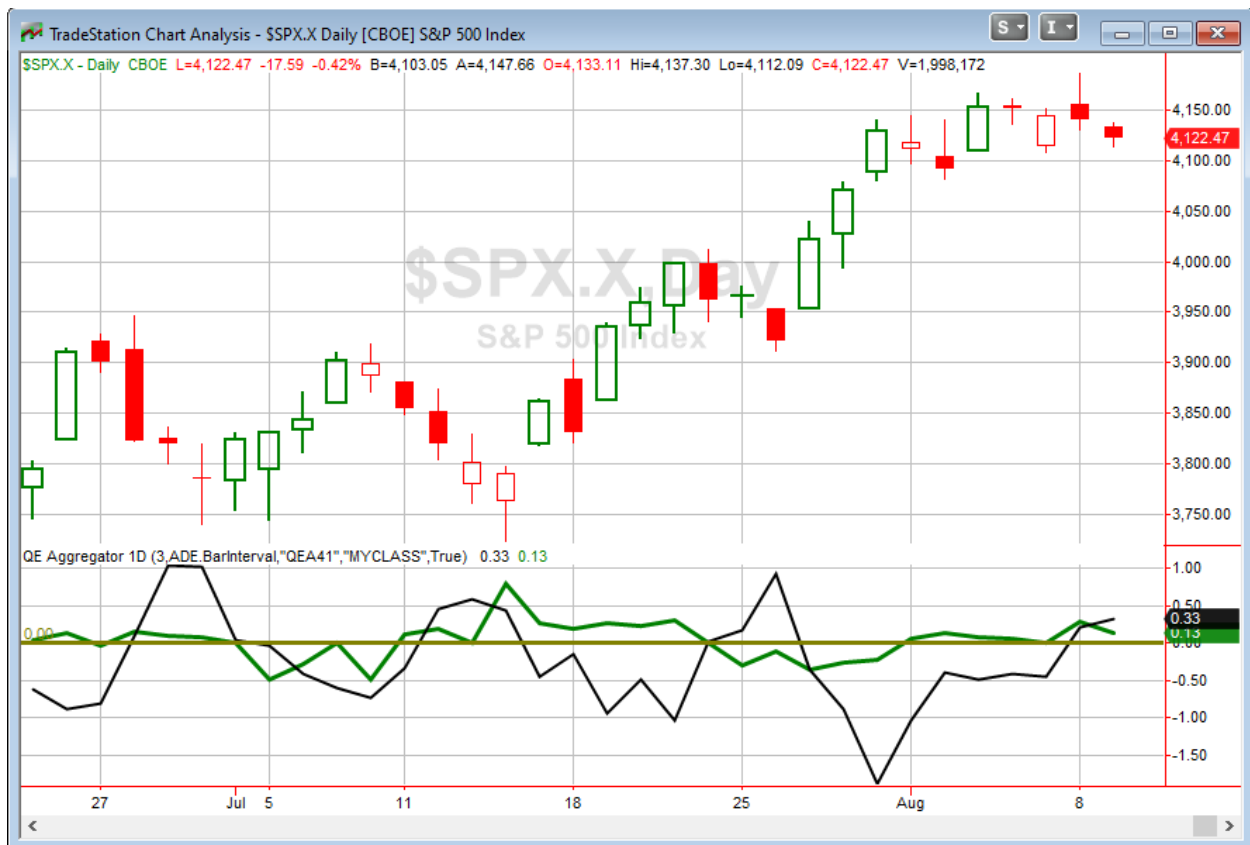
The numbers suggest a possible upside edge over the next couple of days. Below is a look at the 2-day profit curve.



While the curve is choppy, the upside tendency has persisted for a long time and the curve is back at new highs. I decided to include this study on the active list tonight.

I will note that the CPI number is coming out on Wednesday. For a long time, CPI was a non-event, but with inflation high on everyone's economic outlook list these days, it has the capability to create a volatile reaction. Could make Wednesday interesting. Certainly more interesting than Tuesday's tight range.

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 over the next few days. Meanwhile the black Differential Line also closed 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 stayed long at the close.

Based on the current active list, 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 4150.65. That is 0.7% above Tuesday's close. Therefore, SPX will need to close up at least 0.7% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is again bullish. We see more bullish evidence tonight and SPX is even more oversold. I like the long side. I will look to take a small index position on Wednesday unless we see a gap higher following the CPI report that never fills.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/8 – improving but still 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.

SPY – Buy 1/4 index position @ \$411.35 LIMIT. Based on the short-term outlook above, I will look to start an index position on Wednesday if I can get filled at Tuesday's closing price or better.

Current Open Trade Ideas

None

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