

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 18, 2022

Volume 15 Issue 157

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day.

### *Short-term Outlook*

#### *The Bottom Line*

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

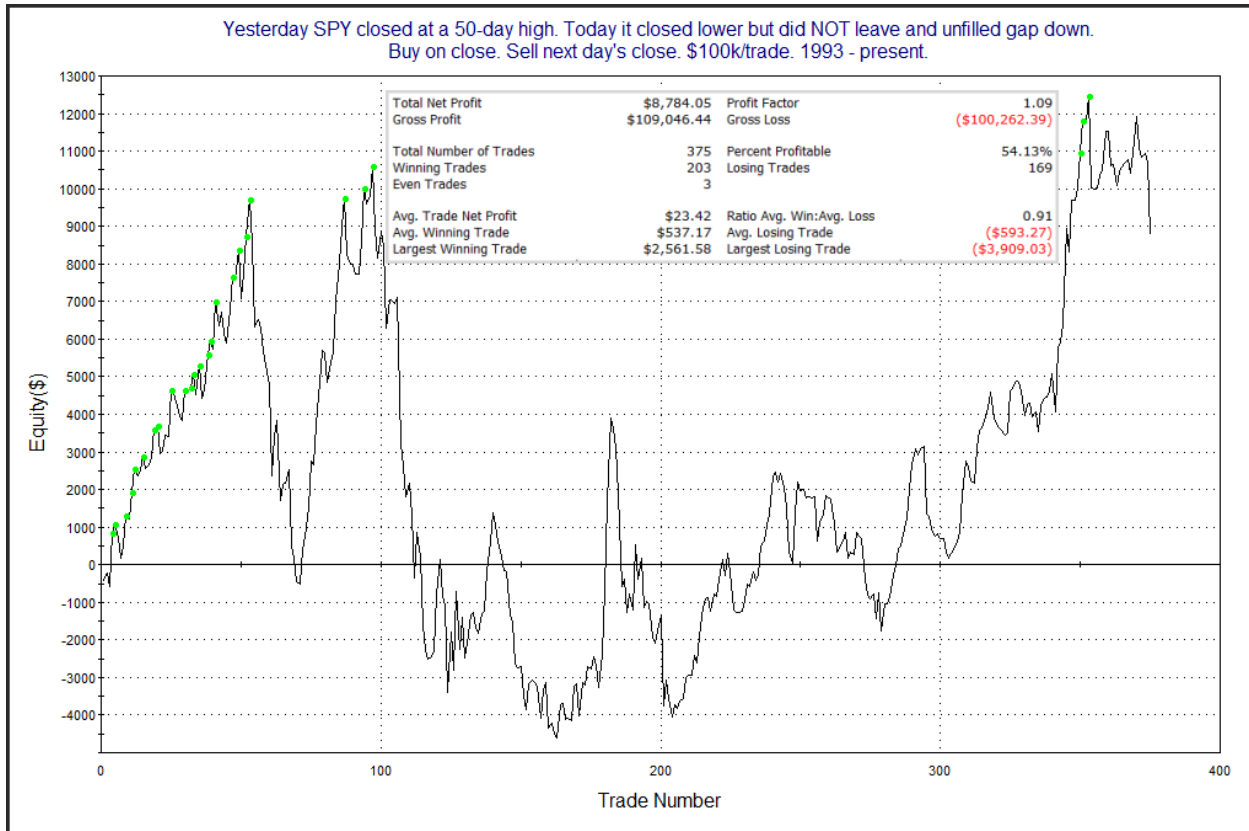
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
August 18, 2022	Unfilled gap down from 50-day high	1 day	Bearish			
August 17, 2022	SPX up 3 < 200ma. Today small up.	1-2 days	Bearish			
<b>Active - Long Term</b>						
August 16, 2022	SPX goes from < 15% above 50 to < 90%	1-6 months	Bullish			
August 15, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
August 11, 2022	50-day high breakout on 90% Up Vol	1-40 days	Bullish	8.00%	-1.80%	-4.40%
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			

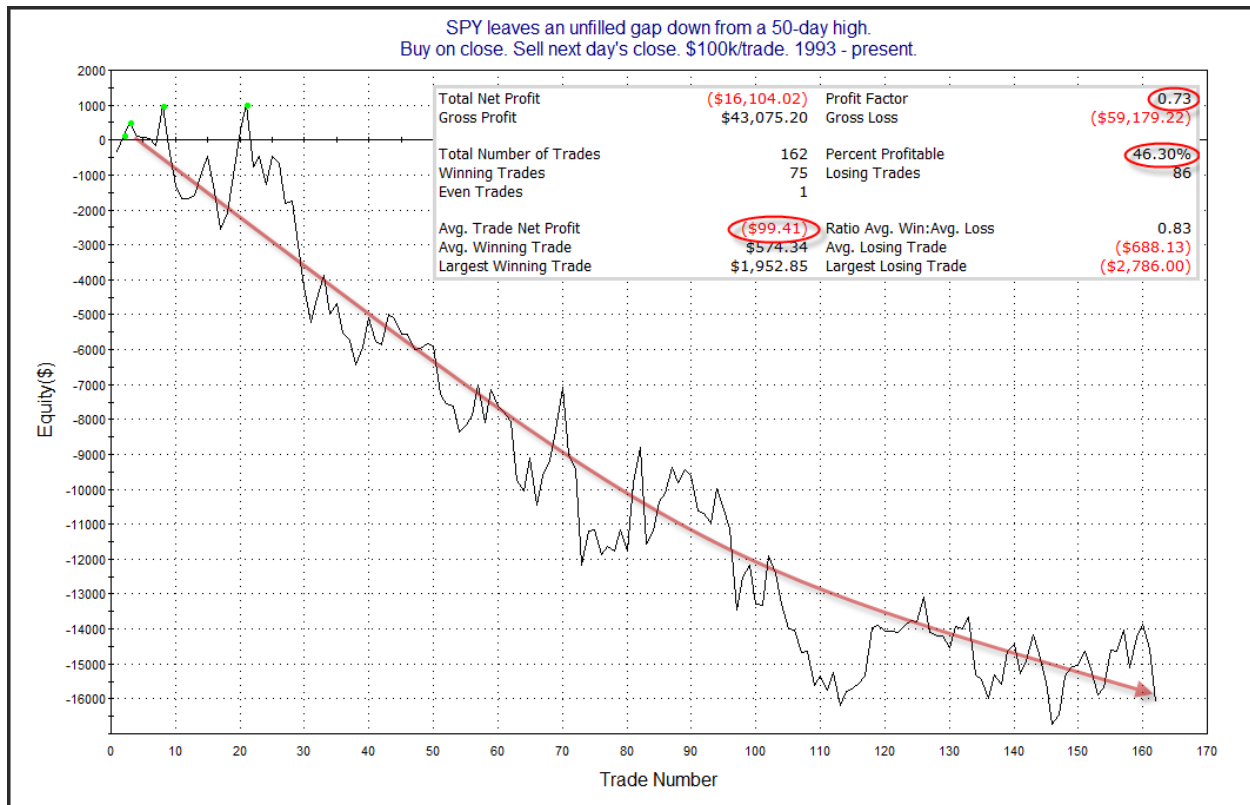
***The Evidence***

The market had a down day on Wednesday. The SPX lost 0.7%, the NASDAQ declined 1.25%, and the Russell 2000 dropped 1.6%. Breadth was strongly negative with the NYSE Up Issues % coming in at 53% and the Up Volume % at 63%. NYSE total volume rose some from Monday's level.

The 1<sup>st</sup> day down from an intermediate-term high does not often suggest a strong edge. But when the 1<sup>st</sup> day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They are updated from the 11/18/21 letter. The 1<sup>st</sup> one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.



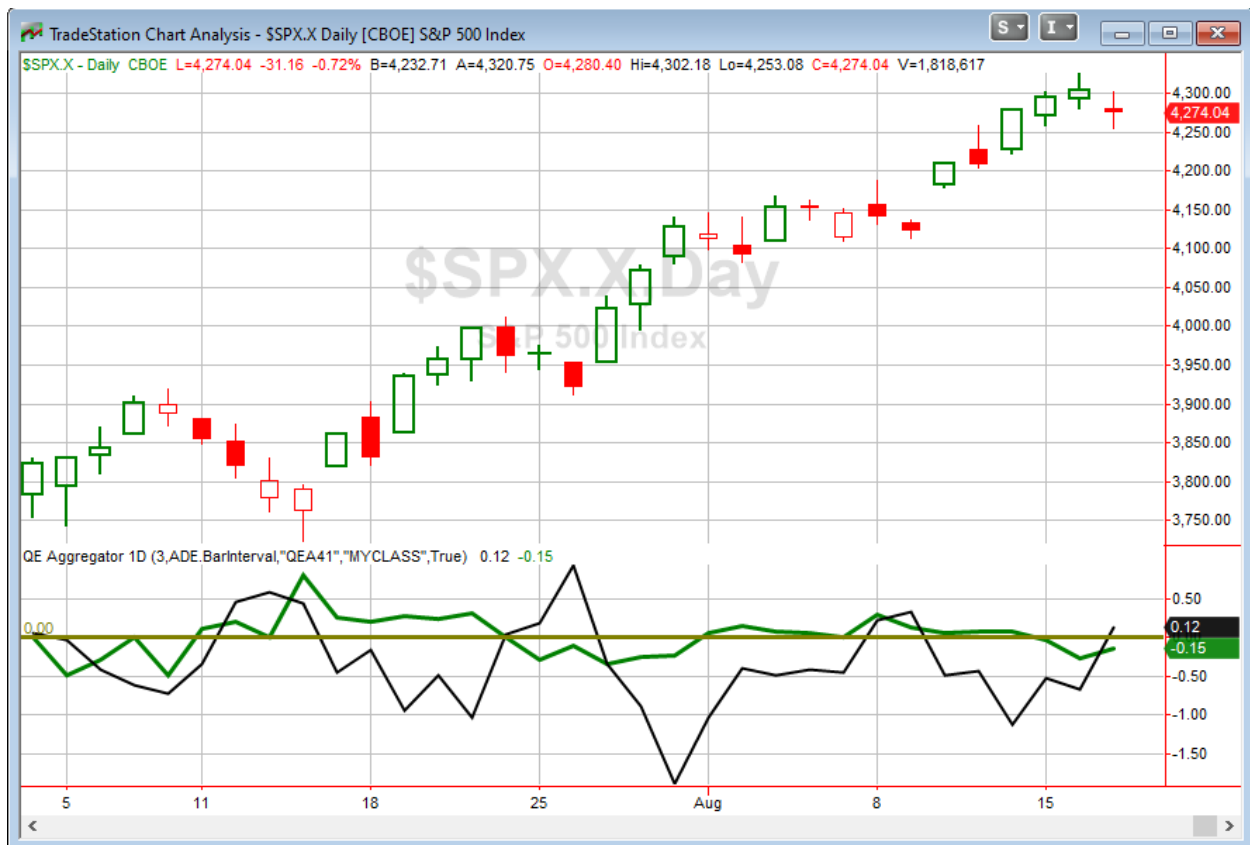
There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



While the curve has flattened some in recent years, it did make a new low fairly recently, and is again approaching one. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Wednesday did *not* include an unfilled gap lower.

Also notable about Wednesday's action was that breadth, as measured by the NYSE Up Issue %, came in at the weakest level since the 6/16/22 bottom day. I did not find any compelling directional edge based on some studies I ran, but continued weak breadth could very well generate evidence. I'll keep an eye on breadth as usual to see if it clues us in on anything in the coming days and weeks.

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



With today's evidence considered, the green Aggregator line remained below zero. Negative readings mean expectations are for downside over the next over the next few days. Meanwhile the black Differential Line inched above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 turned flat at the close.

With both short-term active studies set to expire on Thursday and the intermediate-term outlook slightly bullish, expectations are slated to turn slightly positive. Of course expectations will be highly influence by any new evidence that emerges. Meanwhile, the Differential Pivot will be 4302.30. That is 0.7% above Wednesday's close. Therefore, SPX will need to close up at least 0.7% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is neutral. That is where I am at as well. Perhaps this is the start of a multi-day pullback. And if so, then we may see a bullish setup emerge as quickly as tomorrow. But I am not inclined to jump the gun by over-anticipating in this market. I'll see what new evidence emerges on Thursday and take it from there.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 8/15 – slightly bullish*

## **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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