

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 19, 2022

Volume 15 Issue 158

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Narrow range inside days below the 200ma are typically bearish.
- Opex Friday tends to sell off some during the morning after the open.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Looks like we could have some weakness early on Friday, but after that I am no confident in an 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 19, 2022	NR5 inside day < 200ma	1-2 days	Bearish			
Active - Long Term						
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			

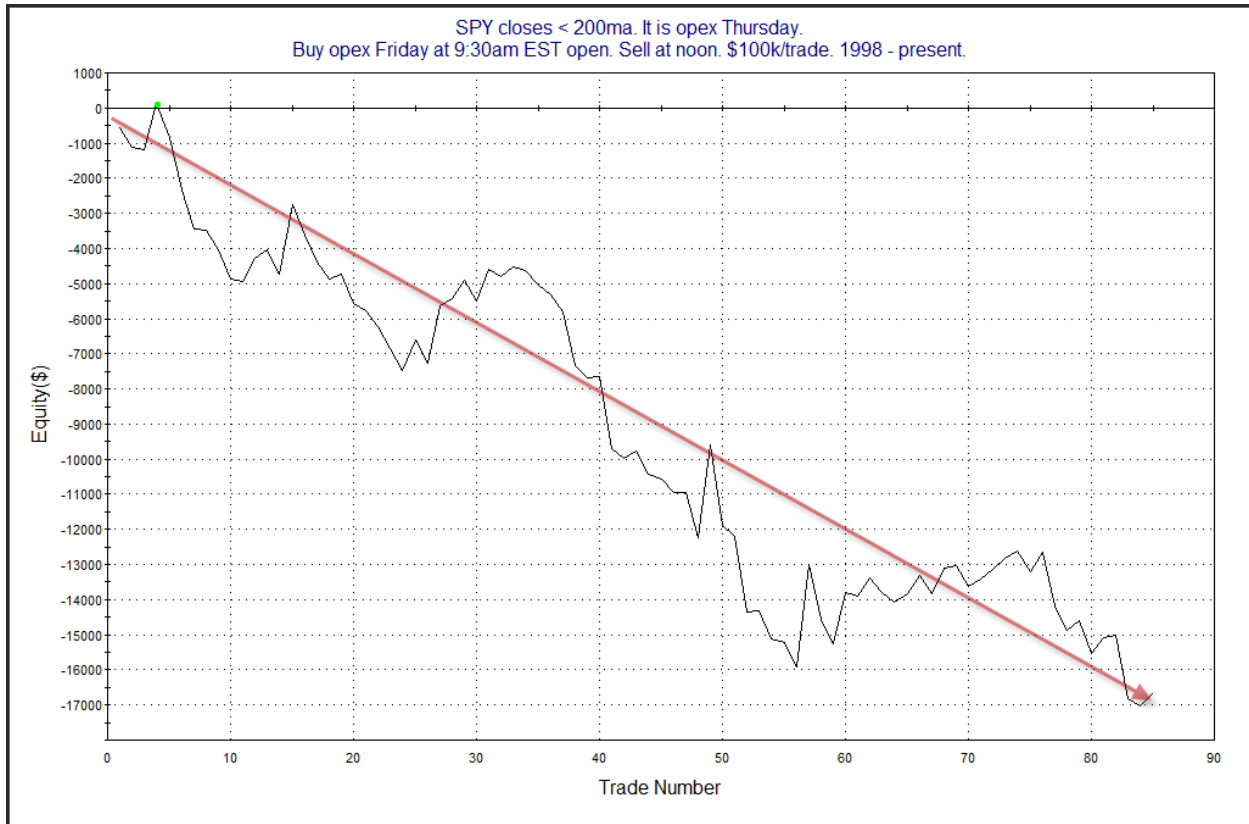
The Evidence

Thursday saw moderate gains for the major indices. The SPX rose 0.23%, the NASDAQ climbed 0.21%, and the Russell 2000 gained 0.68%. Breadth was positive with the NYSE Up Issues % coming in at 58% and the Up Volume % at 56%. NYSE total volume declined some from Wednesday's level.

There were a few studies that appeared in the Quantifinder that looked at the fact that Thursday was an inside day with a low range. In the 8/5/22 letter I looked at low-range days like this a few different ways. In that letter, I showed that times the low range inside day occurs on the lightest volume in a month that it can suggest bullish implications. But times like now when volume was not that low, the next couple of days have often seen selling. The 8/5/22 instance came with extremely light volume. Thursday did not. Below is the stats table for times like now.

SPY posts an inside day under the 200ma. Range is the lowest in 5 days. SPY volume is NOT the lowest in 20 days. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	-14,721.19	58	27	30	46.55	8,586.35	-15,971.55	2,058.30	-2,343.17	0.88	0.79	-253.81
4	-24,951.21	59	29	30	49.15	6,497.00	-13,801.83	1,642.72	-2,419.67	0.68	0.66	-422.90
3	-36,074.04	63	29	34	46.03	7,413.70	-9,763.74	1,573.31	-2,402.94	0.65	0.56	-572.60
2	-26,045.57	67	34	33	50.75	5,188.70	-7,287.40	1,065.13	-1,886.67	0.56	0.58	-388.74
1	-18,567.36	67	33	34	49.25	4,485.60	-5,444.46	888.20	-1,408.18	0.63	0.61	-277.12

The stats suggest a possible downside edge over the next few days. The 2-day curve was perhaps the most impressive. That one can be seen below.



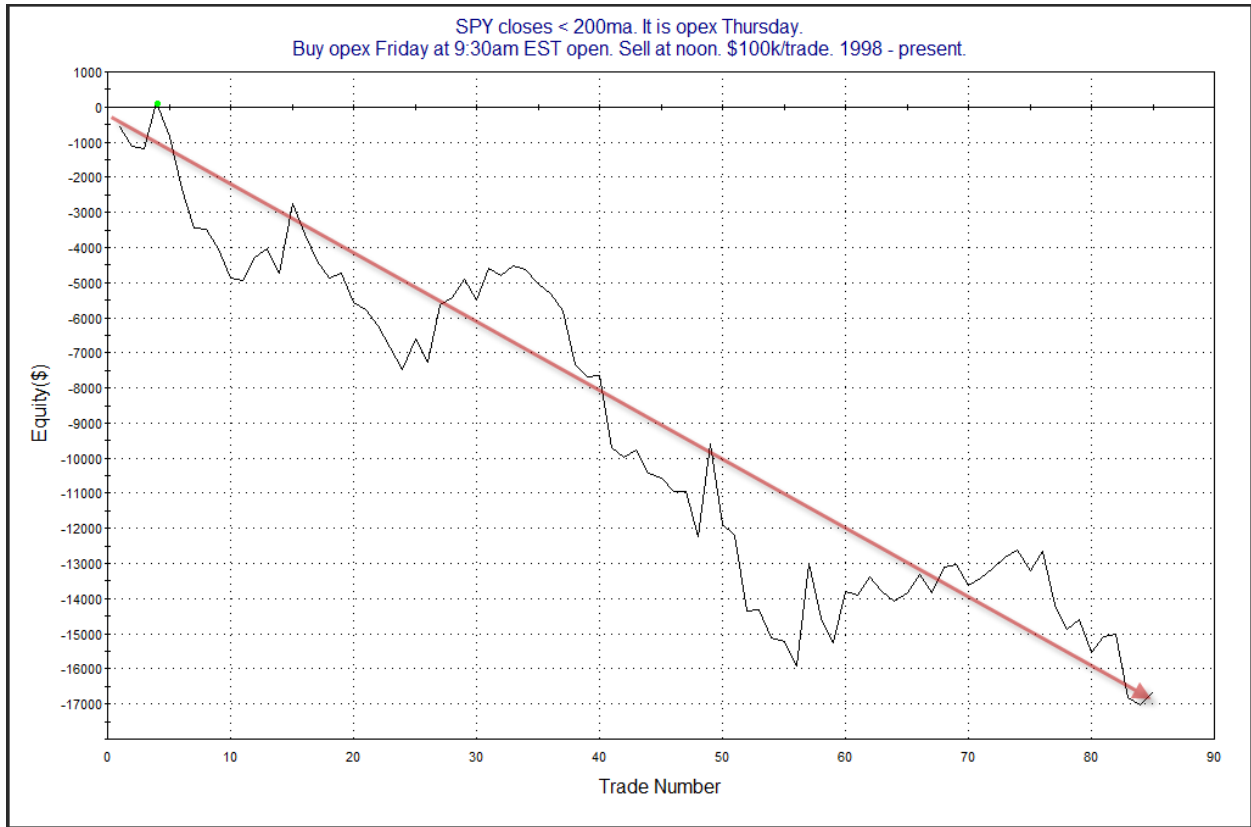
The long move from upper left to lower right serves as some confirmation of the bearish tendency. I have included this study on the active list tonight.

It is also notable that Friday is monthly options expiration. Opex Fridays have a tendency to open strong and then fade. The study below looks at buying the open on Opex Friday during downtrends and then selling at different times of the day.

SPY closes < 200ma. It is opex Thursday.
Buy opex Friday at 9:30am EST open. Sell at time shown. \$100k/trade. 1998 - present.

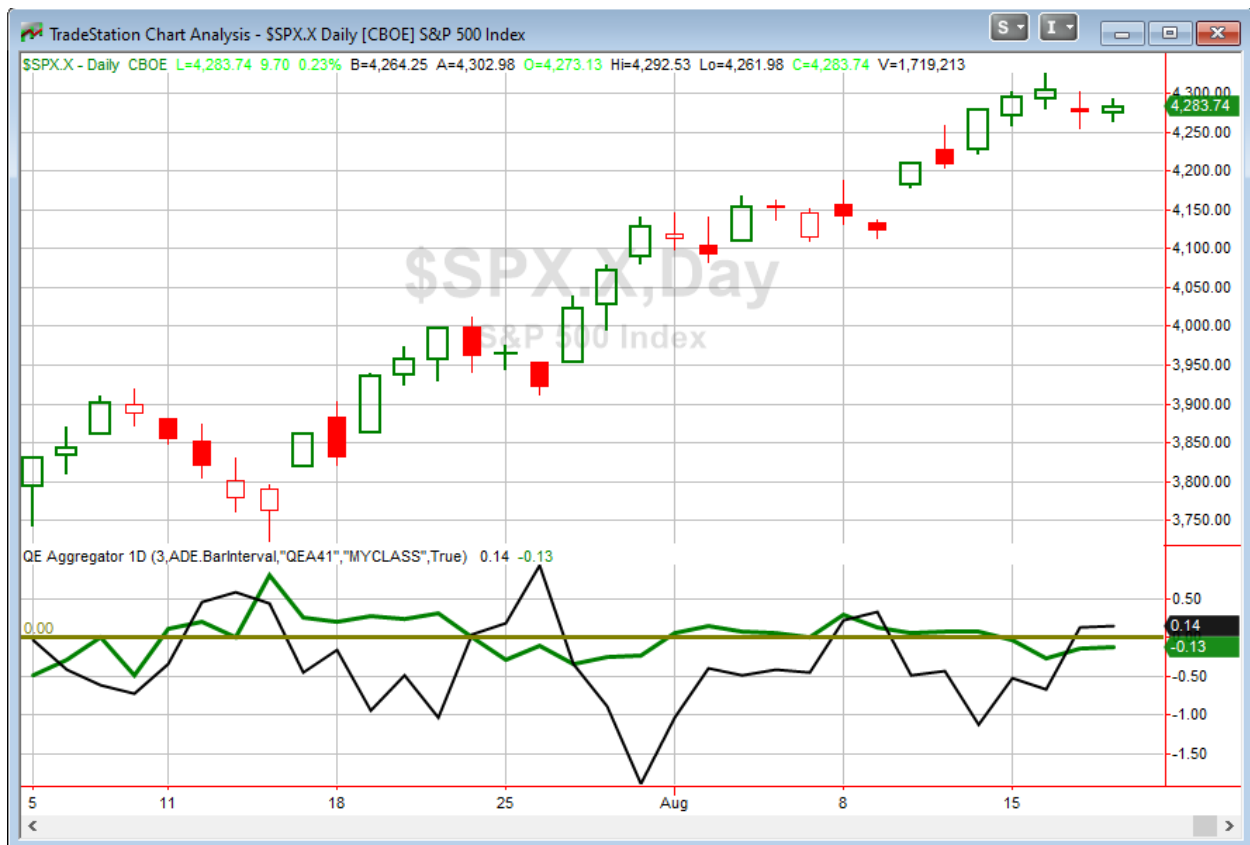
Time	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-10,722.32	84	38	46	45.24	3,825.10	-5,638.68	843.81	-930.15	0.91	0.75	-127.65
1,500	-16,958.11	84	34	50	40.48	4,553.70	-4,243.50	763.24	-858.17	0.89	0.60	-201.88
1,400	-14,027.29	84	32	52	38.10	5,951.58	-3,310.69	860.61	-799.36	1.08	0.66	-166.99
1,300	-15,744.95	84	33	51	39.29	4,913.76	-2,631.68	740.73	-788.02	0.94	0.61	-187.44
1,200	-17,013.18	84	30	54	35.71	2,917.06	-2,295.06	682.75	-694.36	0.98	0.55	-202.54
1,100	-6,023.14	84	36	48	42.86	2,944.02	-3,033.70	619.55	-590.14	1.05	0.79	-71.70
1,000	-5,475.45	84	37	46	44.05	2,298.03	-1,815.51	391.01	-433.54	0.90	0.73	-65.18

While all the numbers are negative, the bearish tendency appears to generally play out by noon. Below is a profit curve showing the 9:30am EST to noon EST performance.



That is a strong, steady decline. Some morning selling would be typical.

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 held 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 stayed flat at the close.

Based on current evidence, expectations are set to remain negative on Friday. Of course this could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4295.06. That is 0.3% above Thursday's close. Therefore, SPX will need to close up at least 0.3% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is neutral. That is generally where I am as well. It seems like there may be a bit of a downside edge for Friday, but it is too short-term for me to try and take a counter-trend trade here in the letter. Very nimble traders could look for some downside early on Friday. I'll wait for a more favorable setup to emerge.

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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