

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 25, 2022

Volume 15 Issue 162

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- SPY closed up, but the series of lower highs and lower lows continued, suggesting a downside edge.

Short-term Outlook

The Bottom Line

The Aggregator is neutral, and the market could be quiet ahead of the Fed talk on Friday. I am neutral as well.

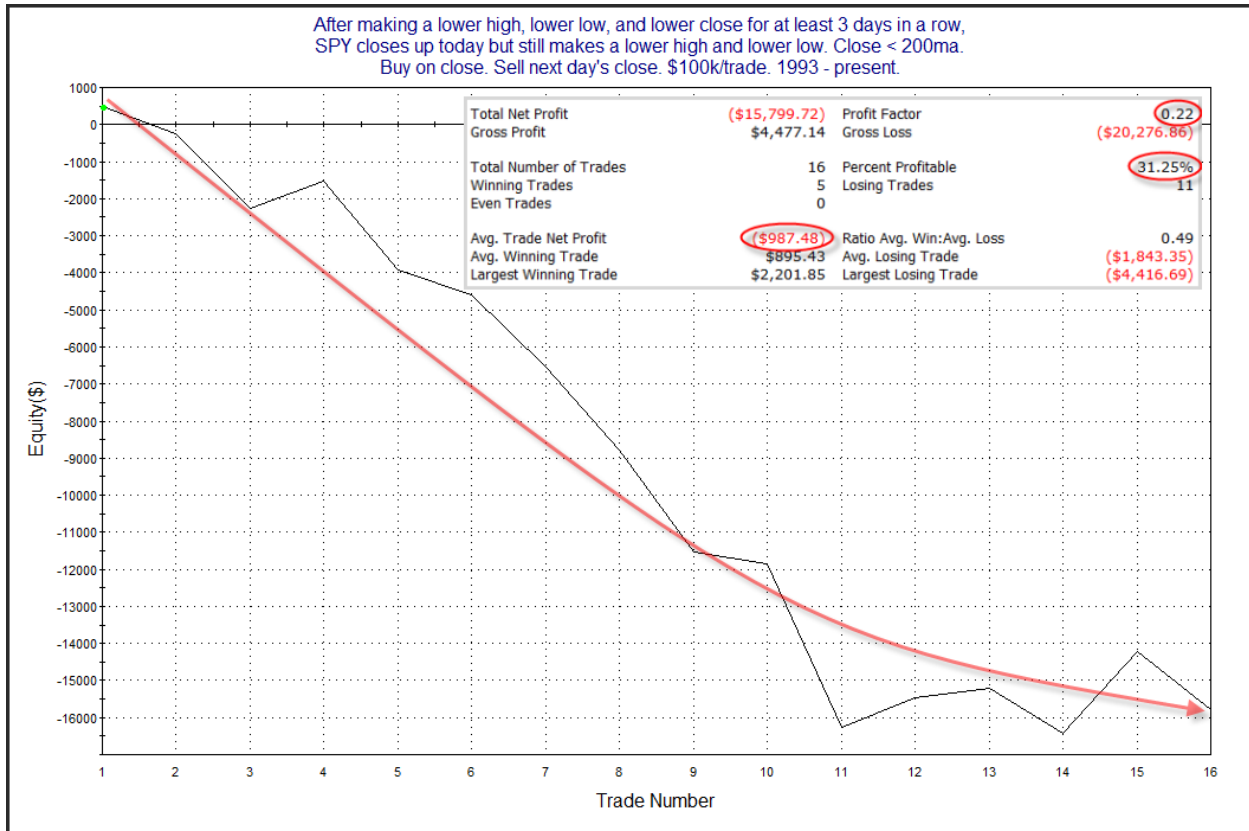
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 25, 2022	3 Lower hi,lo,cls. Up close but lower h,l	1 day	Bearish			
Active - Long Term						
August 23, 2022	10ema breadth collapse	1 month	Bearish			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
August 24, 2022	3+ days lower. Today mild. < 200	1 day	Bullish			
August 23, 2022	Up Issue % < 30% 2 days. No 20-low	1-2 days	Bullish			
August 22, 2022	SPX dn 1%. Bad breadth. 4 low < 200	1-3 days	Bullish	2.40%	-2.10%	-4.40%

The Evidence

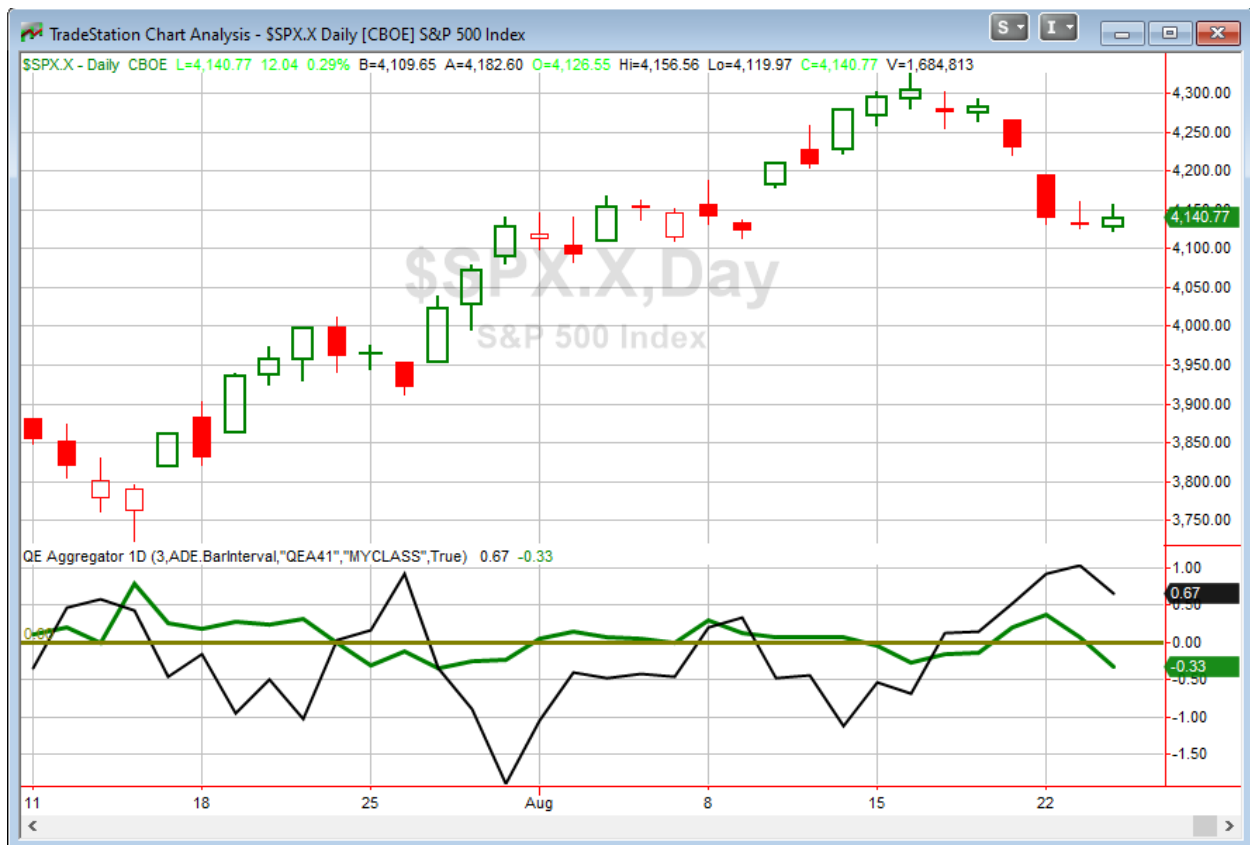
Wednesday saw moderate increases. The SPX closed up 0.3%, the NASDAQ gained 0.4%, and the Russell 2000 rose 0.8%. Breadth was positive with the NYSE Up Issues % coming in at 63% and the Up Volume % at 73%. NYSE total volume declined for the 3rd day in a row.

One interesting aspect of Tuesday's action is that while it ended the streak of lower closes, the streaks of lower highs and lower lows both remain intact. We have a study that looks at similar action from the 5/11/22 letter. Results are updated below.



Despite the low number of instances, the results appear bearish and the curve supports the hypothesis of a downside edge.

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



With tonight's evidence considered, the green Aggregator dropped 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 turned flat at the close.

With the last short-term study set to expire on Thursday, expectations will be largely dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be 4156.46. That is 0.4% above Wednesday's close. Therefore, SPX will need to close up at least 0.4% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is neutral. While we see some evidence that SPX could see a drop on Thursday, there is not much visibility beyond that. And with SPX still oversold, reward/risk is not terribly favorable for considering a short position. Like the Aggregator, I have a neutral bias. So I will look to exit the small long SPY position I am currently in if I can get a decent fill on Thursday. Thursday may be another quiet day with traders taking end of summer vacations and also hesitant to get heavily positioned ahead of Jerome Powell's speech on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/22 – slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MMM – 1/3 @ \$141.59 (bought @ limit)

NEE – 1/3 @ \$87.96 (buy @ limit)

Broad Market Large Cap CBI – 2(MMM, NEE)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	8/22/2022	\$413.35	\$413.67	0.08%	<i>sell @ \$413.50 LIMIT</i>
MMM(1/3)	8/23/2022	\$141.00	\$141.04	0.03%	Catapult
NEE(1/3)	8/24/2022	\$87.96	\$88.71	0.85%	Catapult

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