

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 7, 2023

Volume 16 Issue 128

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- A strong close heading into an employment day has often seen employment day gains.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side, but I will only be looking to buy under the right circumstances on Friday. The jobs report is a wildcard.

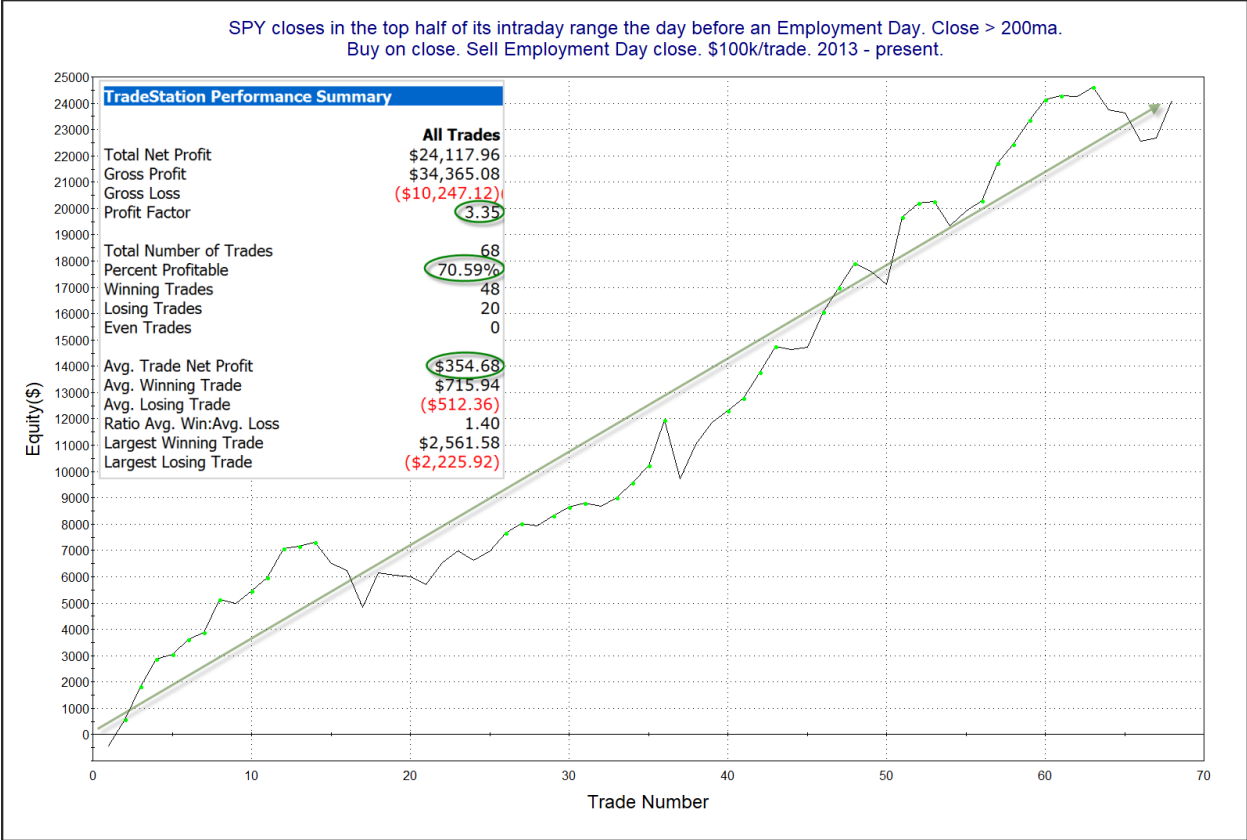
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 7, 2023	Strong close. Jobs report tomorrow.	1 day	Bullish			
July 3, 2023	Close month at high of month	1-5 days	Bullish	1.90%	-1.10%	-2.40%
Active - Long Term						
June 23, 2023	Up Vol < 40% SPX up and > 200ma	1-10 days	Bullish	2.15%	-1.50%	-3.30%
June 20, 2023	5up to 50-high. Down 1. > 200ma	1-10 days	Bullish	1.85%	-1.10%	-2.30%
June 20, 2023	20-high.Close btm 10%.	1-10 days	Bullish	2.00%	-1.50%	-2.90%
June 16, 2023	RSI(2) cross over 99.	1-15 days	Bullish	2.30%	-1.50%	-2.95%
June 5, 2023	SPX 50-day %b crosses 100	1-50 days	Bullish	4.90%	-4.50%	-9.00%
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
May 1, 2023	NASDAQ Leading	int term	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

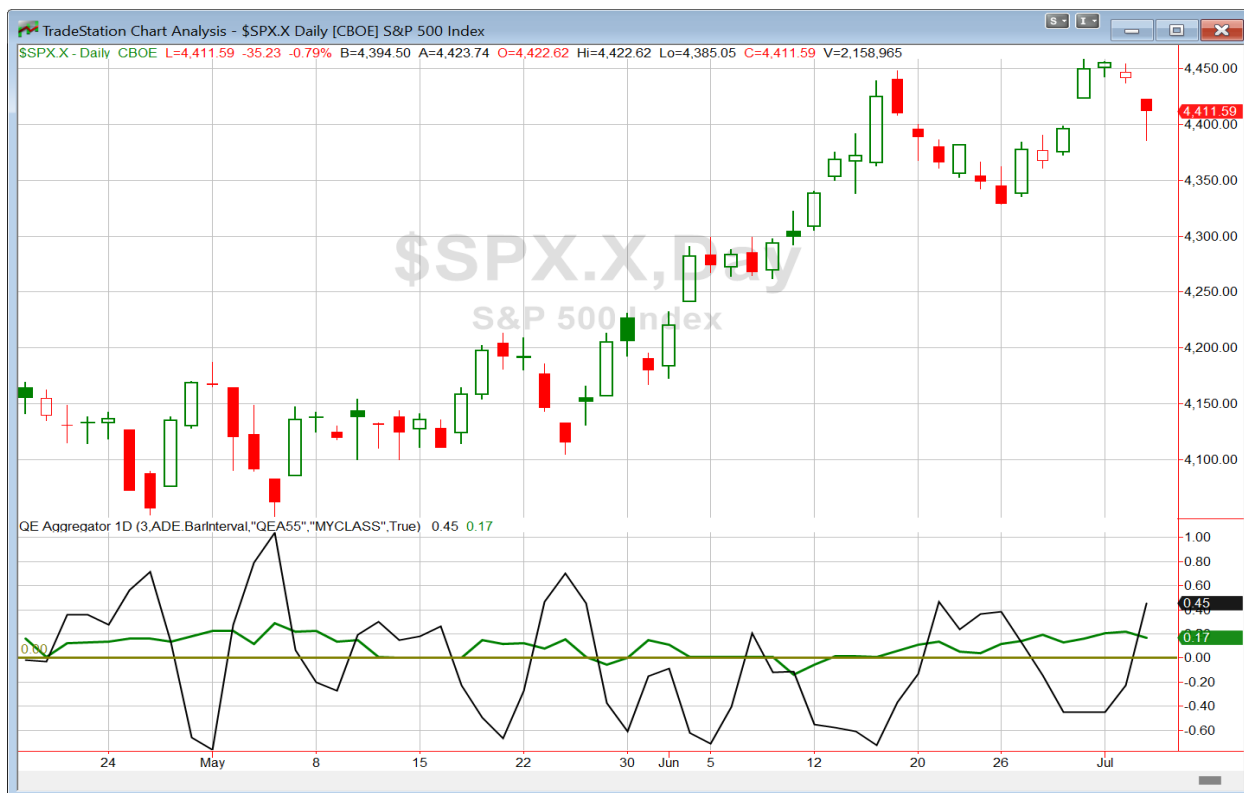
Thursday got off to a rough start. And while the indices closed near their highs, it was still a sizable down day for stocks. The SPX declined 0.8%, the NASDAQ also fell 0.8%, and the Russell 2000 tumbled 1.6%. Breadth was negative with the NYSE Up Issues % coming in at 16% and the Up Volume % at 10%. NYSE total volume was higher than Wednesday's level.

Notable about Friday morning is that we will see the release of BLS employment report. Employment days have often seen the market rally in recent years. Interestingly, this tendency has been stronger when there has been some optimism the day before. The study below, last seen in the 6/2/23 letter, looks back to 2013 at all other times SPY closed above the 200ma and in the top half of its intraday range on the day before an employment day. Results are updated.



While the curve has struggled some in recent instances, it has shown persistent upwards action for a substantial amount of time. Overall evidence appears compelling enough to include this on the active list as a 1-day study.

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



With today's evidence considered, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line shot 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 turned long at the close.

Based on the current active studies, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4477.13 on Friday. That is 1.5% above Thursday's close. Therefore, SPX will need to close up at least 1.5% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. There is some evidence pointing higher, and the market has ample room to the upside before it will flip from oversold to overbought. So on the surface, risk/reward appears favorable. Of course the jobs report is due out an hour before the open. And despite tonight's study suggesting its likely to be followed by a rally, it is a wildcard. I like the long side, but Thursday saw the most volatility in a while and tomorrow a volatility event is looming. Aggressive traders could consider taking on some long exposure if the market gaps down to start the day. I'll wait until the close, and only look to buy if we get additional selling on Friday. I believe a 3rd day lower would likely trigger additional evidence suggesting a bounce. And even if it doesn't, the Aggregator will likely still be on a buy signal.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/3 – 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.

SPY – Buy ¼ index position @ \$439.50 LIMIT ON CLOSE. Based on the short-term outlook, I will look to take on a small amount of long exposure if SPY closes down a bit on Friday

Current Open Trade Ideas

None.

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