

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 11, 2023

Volume 16 Issue 130

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The 2-day pattern would have suggested bullish implication if SPY had closed below its 10ma. But a late surge left odds looking more neutral.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I'm slightly bullish.

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						
None						
Active - Long Term						
June 23, 2023	Up Vol < 40% SPX up and > 200ma	1-10 days	Bullish	2.15%	-1.50%	-3.30%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
July 10, 2023	Dn 3 days from 50-high. Poor close today.	1 day	Bullish			
July 3, 2023	Close month at high of month	1-5 days	Bullish	1.90%	-1.10%	-2.40%

The Evidence

Monday saw quiet trading with mostly mild gains. The SPX rose 0.24%, the NASDAQ gained 0.18%, and the Russell 2000 rallied 1.6%. Breadth was positive with the NYSE Up Issues % coming in at 69% and the Up Volume % at 71%. NYSE total volume declined some from Friday's level.

On Friday the bulls tried to make a move higher and failed, making for a higher high and a lower close. On Monday the opposite happened. The bears failed in their attempt at a move lower. In the 1/31/20 Subscriber Letter I looked at two-day moves like this. I found results to be substantially different based on whether the market is near the top or the bottom of its short-term range. When the pattern occurs in the lower end of the short-term range it has been consistently bullish over the next 4-5 days. This can be seen in the below test, which I have updated.

Yesterday SPY makes a higher high on the day and closes down. Today it makes a lower low and closes up. Close < 10ma and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1/1/2000 - 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	29,297.38	37	23	13	62.16	4,183.86	-3,202.60	1,871.68	-1,057.80	1.77	3.13	791.82
4	23,445.75	39	29	10	74.36	3,519.51	-2,597.76	1,254.33	-1,292.97	0.97	2.81	601.17
3	14,577.64	39	26	13	66.67	2,740.83	-4,266.24	1,088.66	-1,055.97	1.03	2.06	373.79
2	10,252.39	39	22	17	56.41	3,303.21	-2,271.36	1,167.86	-908.27	1.29	1.66	262.88
1	2,504.87	39	20	19	51.28	1,722.12	-1,972.23	807.87	-718.56	1.12	1.18	64.23

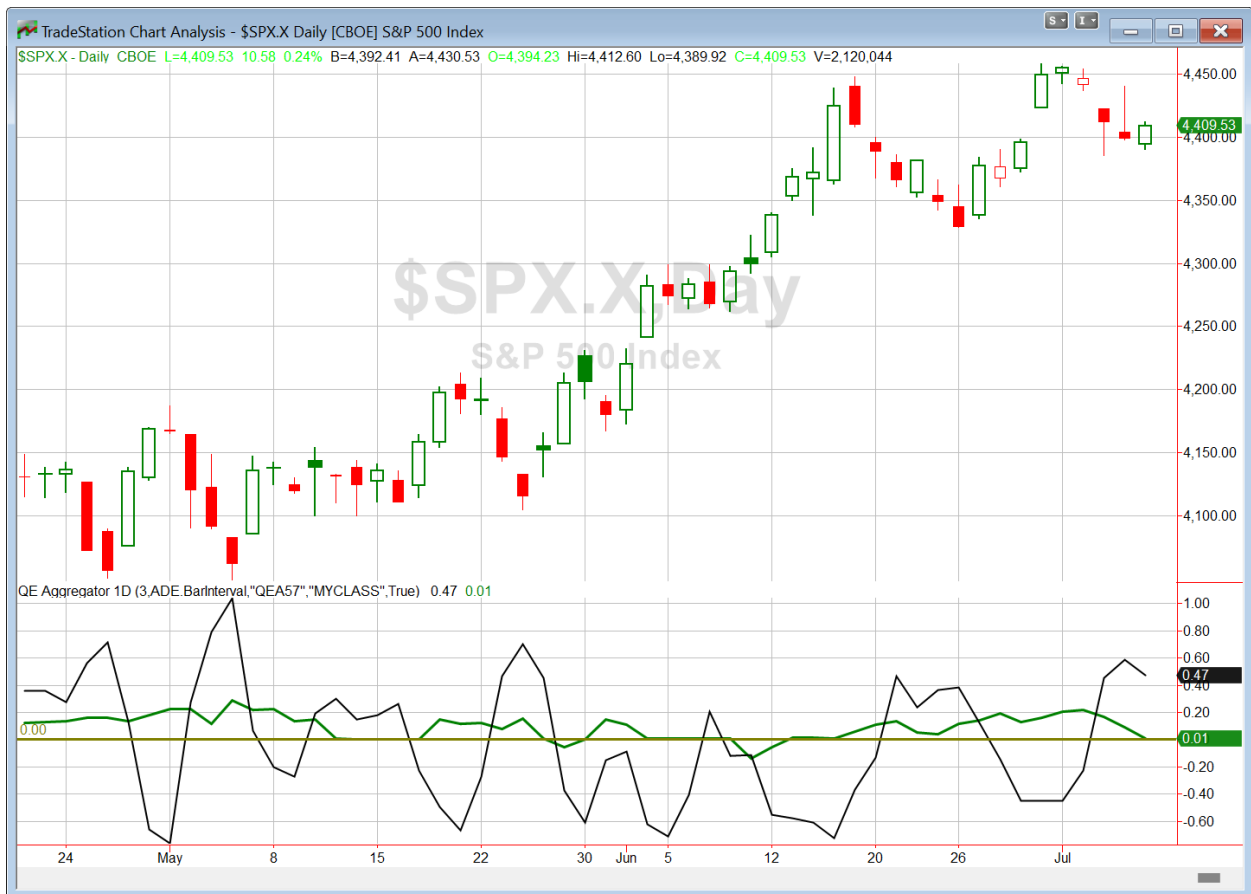
Odds favor a move higher and the stats are very impressive over the next 4-5 days. But a surge in the last 10 minutes of trading on Monday moved the SPY up through its 10ma. And that may have dampened the odds for further gains. Below is the same pattern, but with SPY closing above the 10ma.

Yesterday SPY makes a higher high on the day and closes down. Today it makes a lower low and closes up. Close > 10ma and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1/1/2000 - 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	7,268.59	67	39	28	58.21	4,926.56	-4,205.52	1,211.83	-1,428.31	0.85	1.18	108.49
4	1,849.30	70	37	33	52.86	2,740.55	-4,496.88	1,014.43	-1,081.35	0.94	1.05	26.42
3	-516.08	70	39	31	55.71	2,578.08	-2,876.70	882.74	-1,127.20	0.78	0.99	-7.37
2	6,713.27	71	44	27	61.97	2,767.50	-2,211.88	730.28	-941.45	0.78	1.26	94.55
1	194.59	71	36	35	50.70	1,590.39	-1,605.37	484.85	-493.15	0.98	1.01	2.74

Numbers here are not appealing. Unfortunately, this is the setup we are currently facing. So there is a not a strong edge suggested by Monday's price action.

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



Without anything new making the active list tonight, the green Aggregator Line remained slightly above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line also held 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.

Both of the studies on the Short-Term Active List expired on Monday. So the positive expectations we see are all due to intermediate-term evidence. Any new evidence that emerges in the next few days could have a strong impact on expectations. Meanwhile, the Differential Pivot will be 4437.83 on Tuesday. That is 0.6% above Monday's close. Therefore, SPX will need to close up at least 0.6% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. The market is short-term oversold. But evidence is really light. I already have a small index position from Friday. I won't be looking to add any more to that on Tuesday. I will simply hold onto it another day and the re-evaluate again tomorrow night.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/10 – 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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	7/7/2023	\$438.55	\$439.66	0.25%	Aggregator

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