

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 12, 2023

Volume 16 Issue 131

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- CPI will be released Wednesday morning an hour before the open. In 2022 that led to some outsized moves. In 2023 so far, not so much.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too.

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			

The Evidence

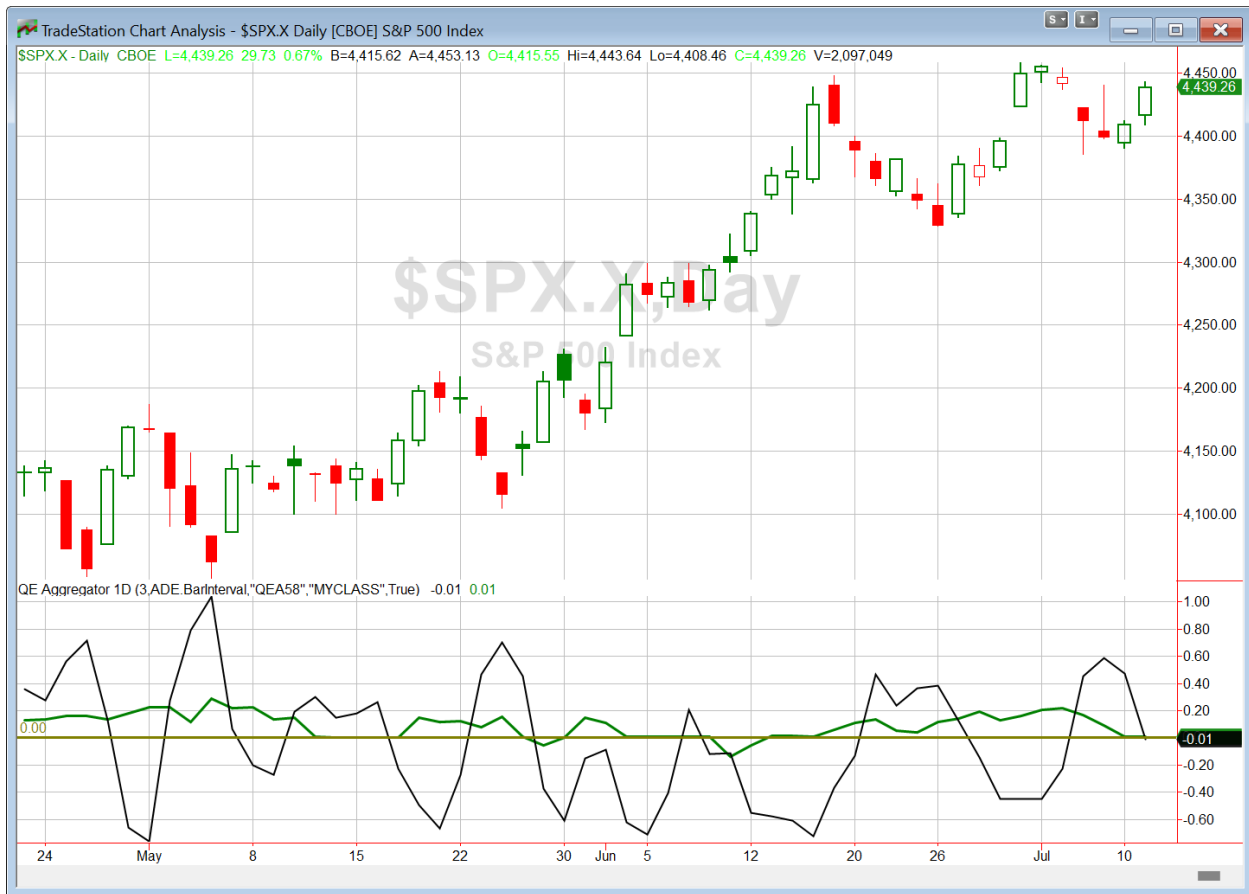
Tuesday saw a rise for the major indices. The SPX climbed 0.7%, the NASDAQ gained 0.55%, and the Russell 2000 rallied 1.0%. Breadth was strong with the NYSE Up Issues % coming in at 77% and the Up Volume % at 83%. NYSE total volume declined some from Monday’s level.

Lots of talk about CPI. But most of these talkers seem to be focusing on a subject that is “so 2022”. I mean...get with the times. The chart below is one I showed several times last year, but I have not shown it the last few months. It shows action on CPI release dates over the last 14 months.

Recent CPI Release Date Stats			
Reference Month	Release Date	SPX True Range	SPX % Change
Apr-22	May 11, 2022	120.27	-1.65%
May-22	June 10, 2022	117.66	-2.91%
Jun-22	July 13, 2022	70.37	-0.45%
Jul-22	August 10, 2022	88.56	2.13%
Aug-22	September 13, 2022	189.13	-4.32%
Sep-22	October 13, 2022	193.83	2.60%
Oct-22	November 10, 2022	209.76	5.54%
Nov-22	December 13, 2022	110.4	0.73%
Dec-22	January 12, 2023	60.2	0.34%
Jan-23	February 14, 2023	64.76	-0.03%
Feb-23	March 14, 2023	81.87	1.65%
Mar-23	April 12, 2023	47.43	-0.41%
Apr-23	May 10, 2023	55.36	0.45%
May-23	June 13, 2023	41.27	0.11%
	Average	103.63	0.27%
	May - Dec 2022 Release Date Avg	137.50	0.21%
	Jan - Jun 2023 Release Date Avg	58.48	0.35%

The CPI report made for some very volatile days last year. But this year...meh. The average range in May – Dec 2022 (137.50 SPX points) was 2.35x what we have seen so far this year (58.48 SPX points). I don't know what the reading will be tomorrow. And I don't know which way the market will react. (We don't have any compelling short-term directional evidence at the moment.) But unless the number is a big surprise and SPX completely tanks, I'd say there is a good chance we will see a drop in the VIX.

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 moved just barely below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. 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.

The short-term active list is now blank. So the positive expectations we see are all due to intermediate-term evidence. Any new evidence that emerges in the next few days should have a strong impact on expectations. Meanwhile, the Differential Pivot will be 4420.10 on Wednesday. That is 0.4% below Tuesday's close. Therefore, SPX will need to close down at least 0.4% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. And it does not get much more neutral than both lines so close to zero. CPI is a potential volatility event, but it has not been one recently. I have some long exposure. I will look to take profits on that on Wednesday. I won't sell if it is a huge gap down, but I will take an exit well below Tuesday's close if need be. I set my limit in the trade ideas section down below. Traders that would like to avoid getting hurt by a possible CPI surprise could consider selling part or all of their position in the pre-market before the 8:30am release.

*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	\$442.46	0.89%	<i>Sell @ \$440.50 limit</i>

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