

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 13, 2023

Volume 16 Issue 132

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The intraday high, unfilled gap, and weak close imply short-term strength.

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						
July 13, 2023	Unfill gap up. 20-day high. Cls < open.	1-2 days	Bullish			
Active - Long Term						
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

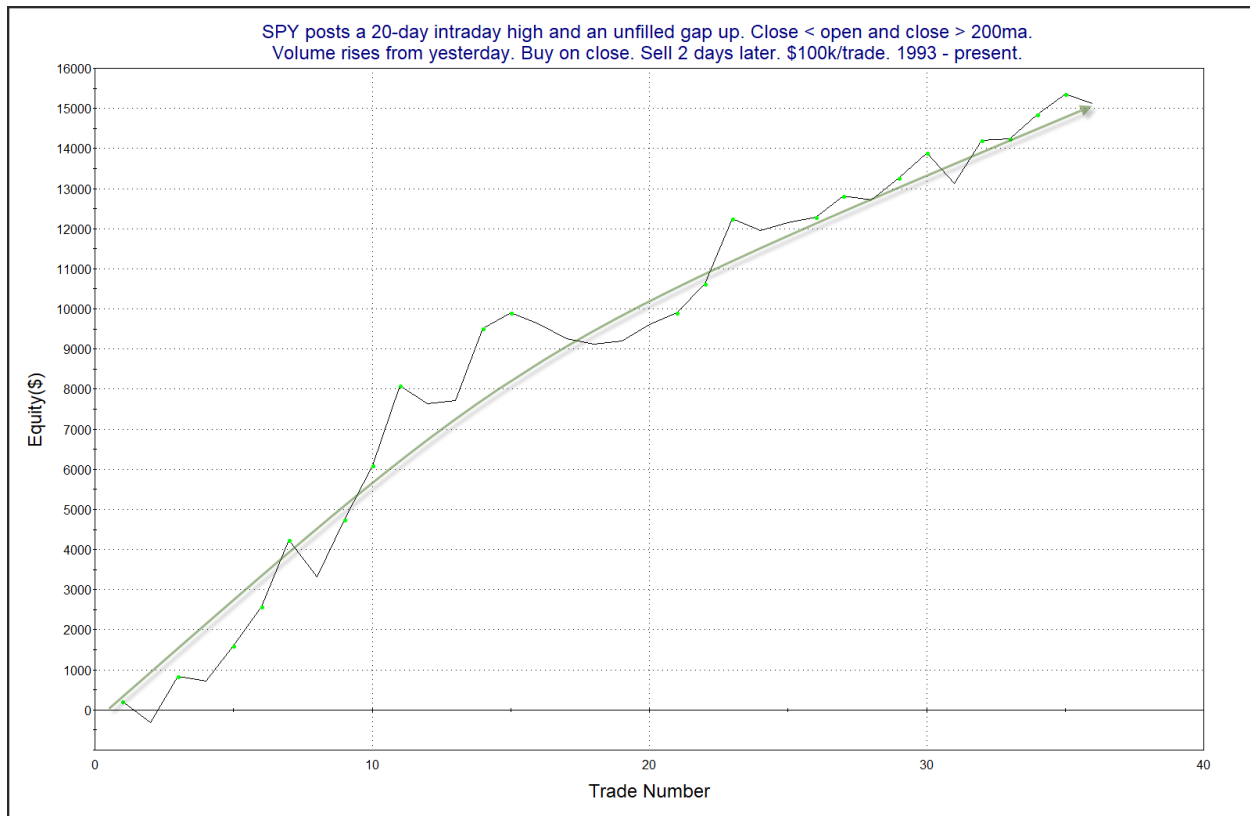
Inflation numbers came in low and the market celebrated. The SPX climbed 0.7%, the NASDAQ gained 1.15%, and the Russell 2000 rallied 1.05%. Breadth was strong with the NYSE Up Issues % coming in at 72% and the Up Volume % at 68%. NYSE total volume rose some from Tuesday's level.

In the 11/8/19 subscriber letter I looked at times SPY left an unfilled gap up and made a 20-day intraday high. I found that high volume and a weak close tended to be two things seemed to benefit odds for the next few days. The study below is updated from that letter. It is how SPY set up on Wednesday afternoon.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and close > 200ma. Volume rises from yesterday. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
10	36,521.49	31	22	9	70.97	3,751.11	-2,117.20	1,961.50	-736.84	2.66	6.51	1,178.11
9	30,756.50	31	26	5	83.87	3,393.26	-1,194.09	1,366.13	-952.58	1.43	7.46	992.15
8	27,258.73	32	24	7	75.00	3,352.48	-1,581.20	1,366.00	-789.32	1.73	5.93	851.84
7	27,485.38	33	24	9	72.73	3,310.89	-1,451.12	1,410.47	-707.31	1.99	5.32	832.89
6	26,244.15	33	23	10	69.70	3,008.79	-2,000.96	1,431.40	-667.80	2.14	4.93	795.28
5	19,751.87	34	19	15	55.88	3,754.17	-1,469.32	1,310.10	-342.67	3.82	4.84	580.94
4	16,790.90	34	26	8	76.47	3,436.02	-1,816.43	840.59	-633.04	1.33	4.32	493.85
3	17,070.63	35	26	8	74.29	2,056.39	-1,718.70	815.76	-517.39	1.58	5.12	487.73
2	15,115.54	36	25	11	69.44	1,998.70	-926.12	771.63	-379.56	2.03	4.62	419.88
1	8,560.69	36	27	9	75.00	1,708.92	-626.82	418.55	-304.46	1.37	4.12	237.80

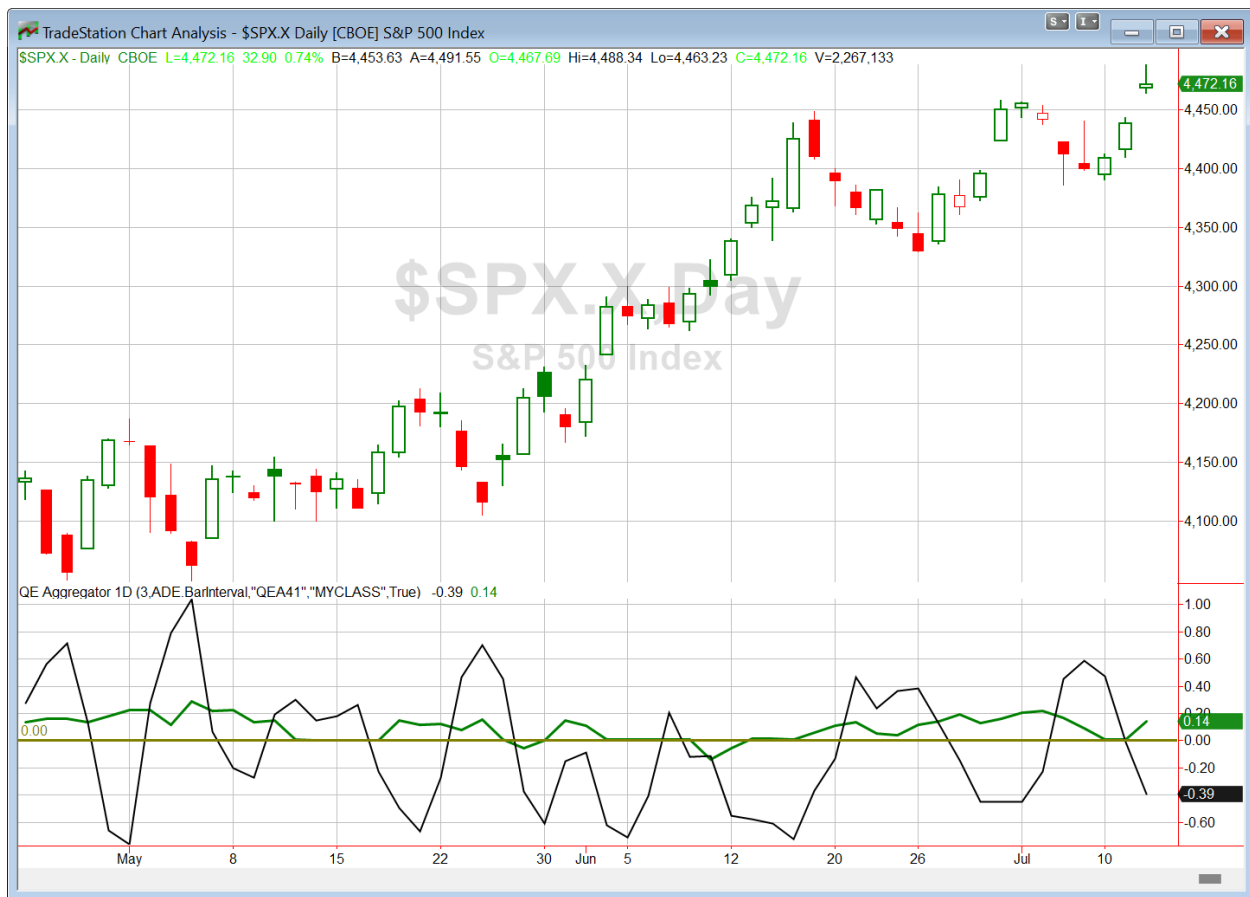
34 of 36 instances (94%) closed above the entry price at some point in the next 3 days.

Numbers look strong for the next couple of weeks. Much of the gains for the 1st week came in the 1st two days. Below is a look at a 2-day profit curve.



The strong and persistent upslope are encouraging, and offer some confirmation of the bullish edge suggested by the numbers. Again I have included this study on the active list. Nothing else really stuck out as suggesting an edge.

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



With tonight'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 held 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 stayed flat at the close.

Based on the current active list, expectations are set to remain positive on Thursday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4420.90 on Thursday. That is 1.15% below Wednesday's close. Therefore, SPX will need to close down at least 1.15% on Thursday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Evidence is still pointing higher, but the 3-day rally has SPX at new highs and short-term overbought. So risk/reward is not greatly favorable. I flattened out my index position at the open on Wednesday. I intend to remain sidelined until the next compelling opportunity arrives.

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	\$446.39	1.79%	<i>sold on open</i>

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