

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 18, 2023

Volume 16 Issue 135

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

### *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
<b>Active - Short Term</b>						
July 18, 2023	VIX up. SPX 50-high. Monday	1-2 days	Bearish			
July 17, 2023	SPY 3 higher hi, lo, cls. Dn cls. Hi hi & lo	1-4 days	Bullish	1.30%	-0.80%	-1.70%
July 14, 2023	Up Vol > 65% 5 days in a row. SPX > 200ma	1-3 days	Bullish			
<b>Active - Long Term</b>						
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			

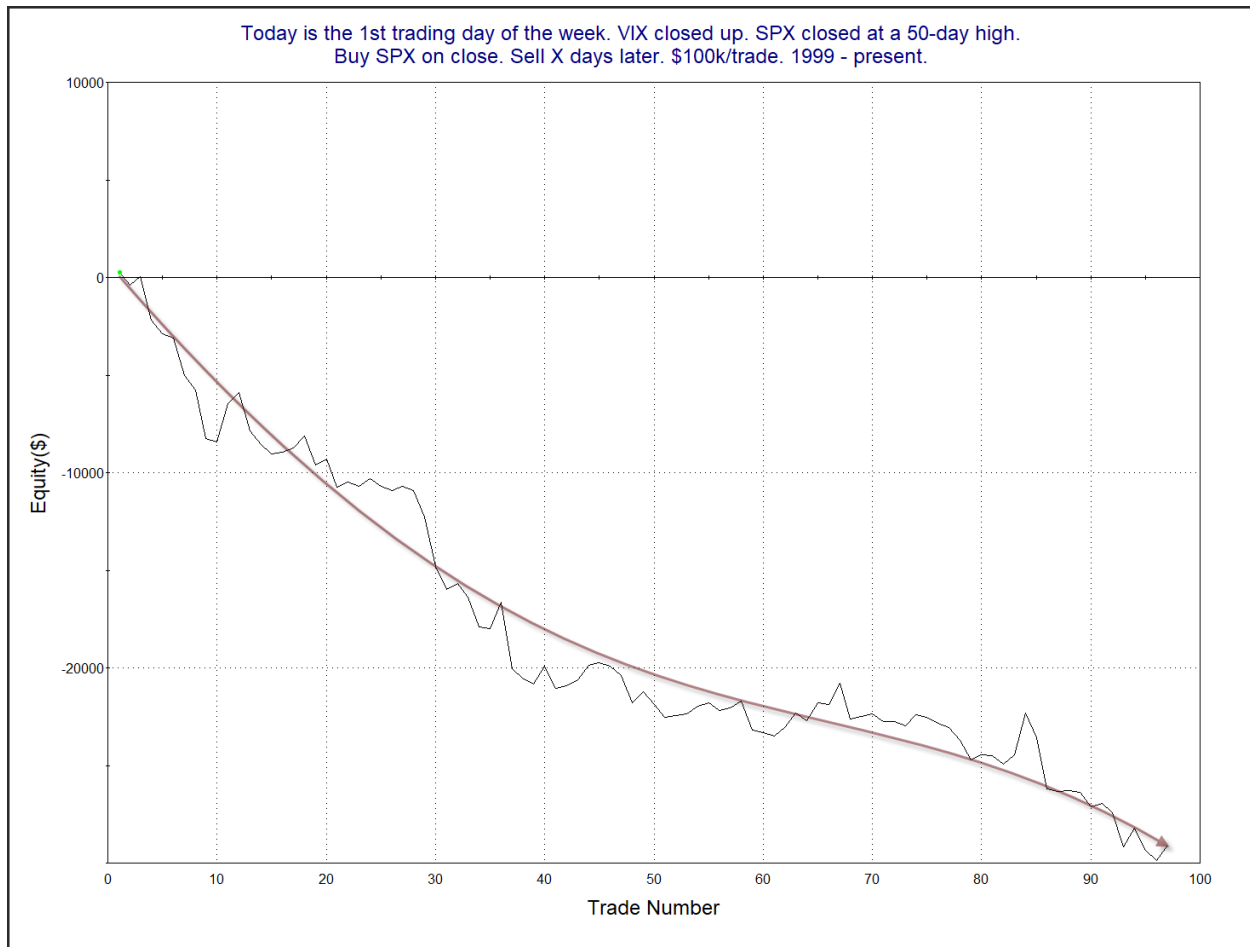
**The Evidence**

Monday was an up day with some new highs for the major indices. The SPX gained 0.4%, the NASDAQ rose 0.9%, and the Russell 2000 rallied 1.0%. Breadth was positive with the NYSE Up Issues % coming in at 56% and the Up Volume % at 55%. NYSE total volume declined some from Friday's level.

One study from the Quantifinder looked at the rise in the VIX that accompanied the SPX new high. The VIX has a natural tendency to rise on Mondays. So although VIX most often moves lower when SPX rises, Monday is the most likely day of the week to see the two of them rise together. Still, times SPX closed at a 50-day high while VIX rose on a Monday have previously suggested a downside edge. Last seen in the 6/13/23 letter, results of this study are updated.

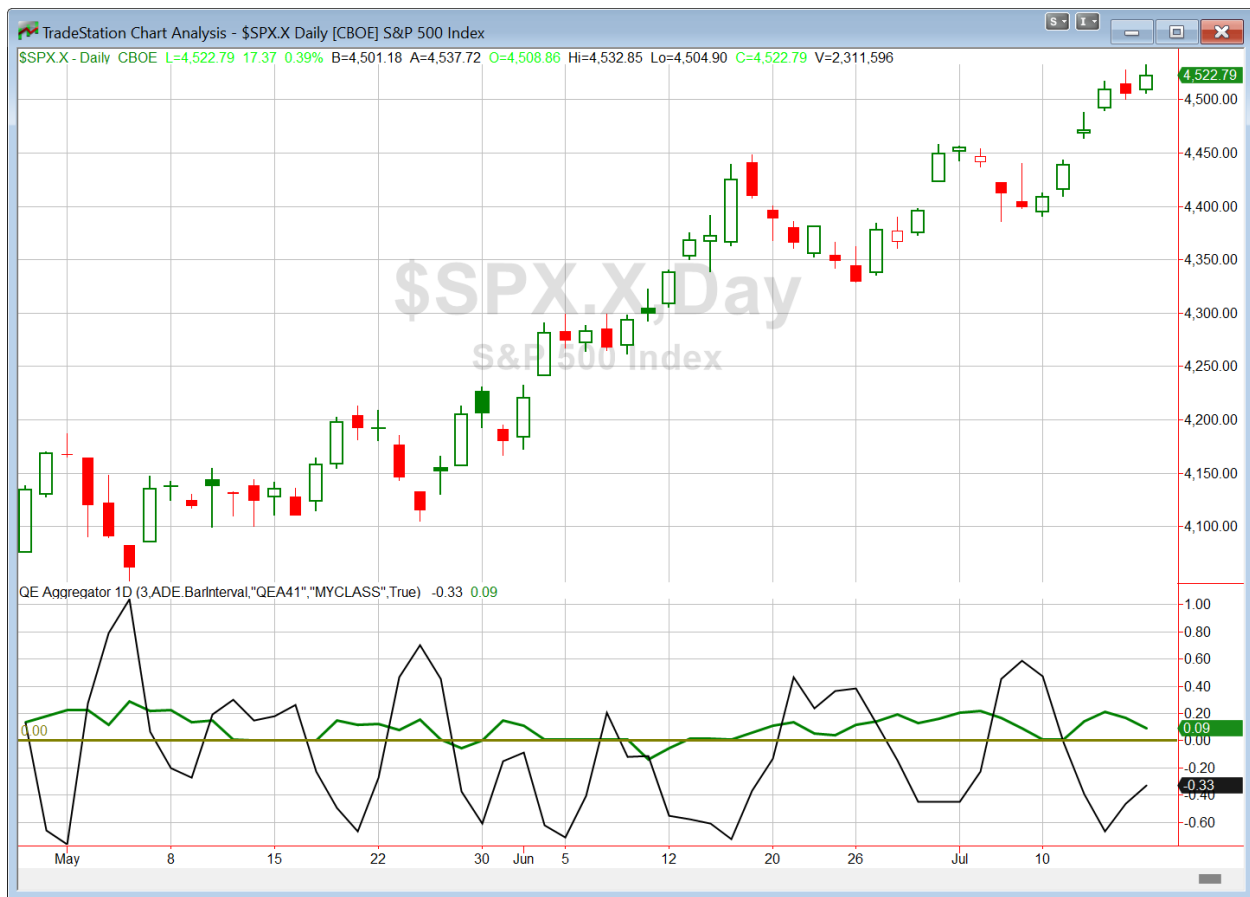
Today is the 1st trading day of the week. VIX closed up. SPX closed at a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-18,542.44	91	42	49	46.15	5,653.12	-5,048.68	1,096.29	-1,318.09	0.83	0.71	-203.76
4	-15,213.78	97	46	51	47.42	4,422.40	-5,732.40	970.50	-1,173.66	0.83	0.75	-156.84
3	-18,857.27	97	45	52	46.39	2,641.80	-6,908.70	710.17	-977.21	0.73	0.63	-194.40
2	-29,100.11	97	40	57	41.24	2,148.48	-3,372.16	498.32	-860.23	0.58	0.41	-300.00
1	-10,945.00	97	34	63	35.05	802.88	-1,580.04	313.39	-342.86	0.91	0.49	-112.84

The numbers here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long, persistent decline. It recently made new lows and the study seems worthy of consideration. So I have added it to the active list.

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



Despite the bearish evidence we saw tonight, the green Aggregator Line remained above zero. Positive readings mean net 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 Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 4526.22 on Tuesday. That is 0.1% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up about 0.1% in order to remain overbought. Anything other than that and it will flip from overbought to oversold vs recent expectations and of Tuesday's close.

So the Aggregator is again neutral. Evidence is mixed. The Differential Pivot is inverted. Overall, the setup looks pretty messy right now. I am not inclined to take on new index exposure until a more favorable reward/risk opportunity emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/17 – 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**

None.

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