

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 19, 2023

Volume 16 Issue 136

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- DJI closing up 7 days in a row bodes well for the intermediate-term.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too. Again.

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 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%
Active - Long Term						
July 19, 2023	DJI close up 7 days in a row & > 200ma	1-19 days	Bullish			
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 14, 2023	Up Vol > 65% 5 days in a row. SPX > 200ma	1-3 days	Bullish			

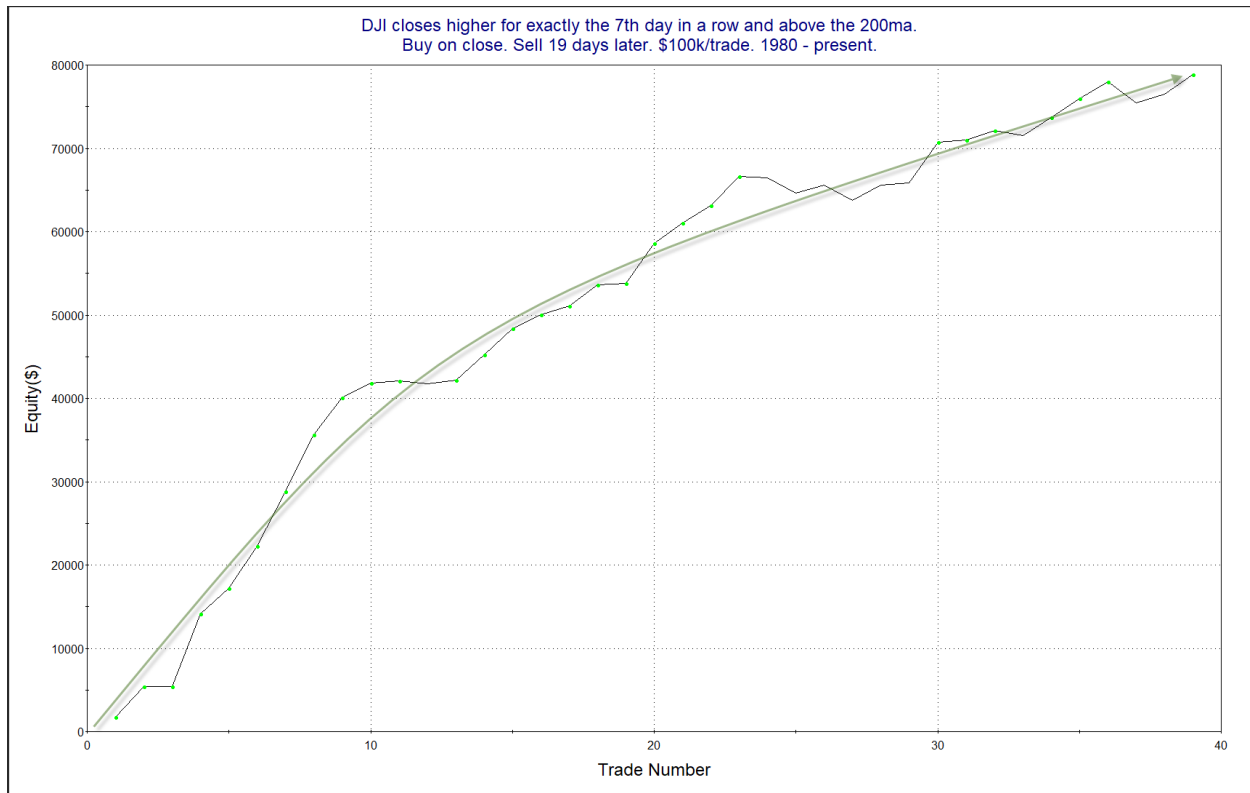
The Evidence

The market just keeps pressing higher. The SPX gained 0.7%, the NASDAQ rose 0.8%, and the Russell 2000 rallied 1.3%. Breadth was positive with the NYSE Up Issues % coming in at 71% and the Up Volume % at 69%. NYSE total volume rose some from Monday's level.

The continued push higher on Monday did not trigger much of interest. There was one study from the 3/16/21 letter that was notable. It looked at performance after 7-day win streaks in the Dow Industrials since 1980. I've updated the stats table below.

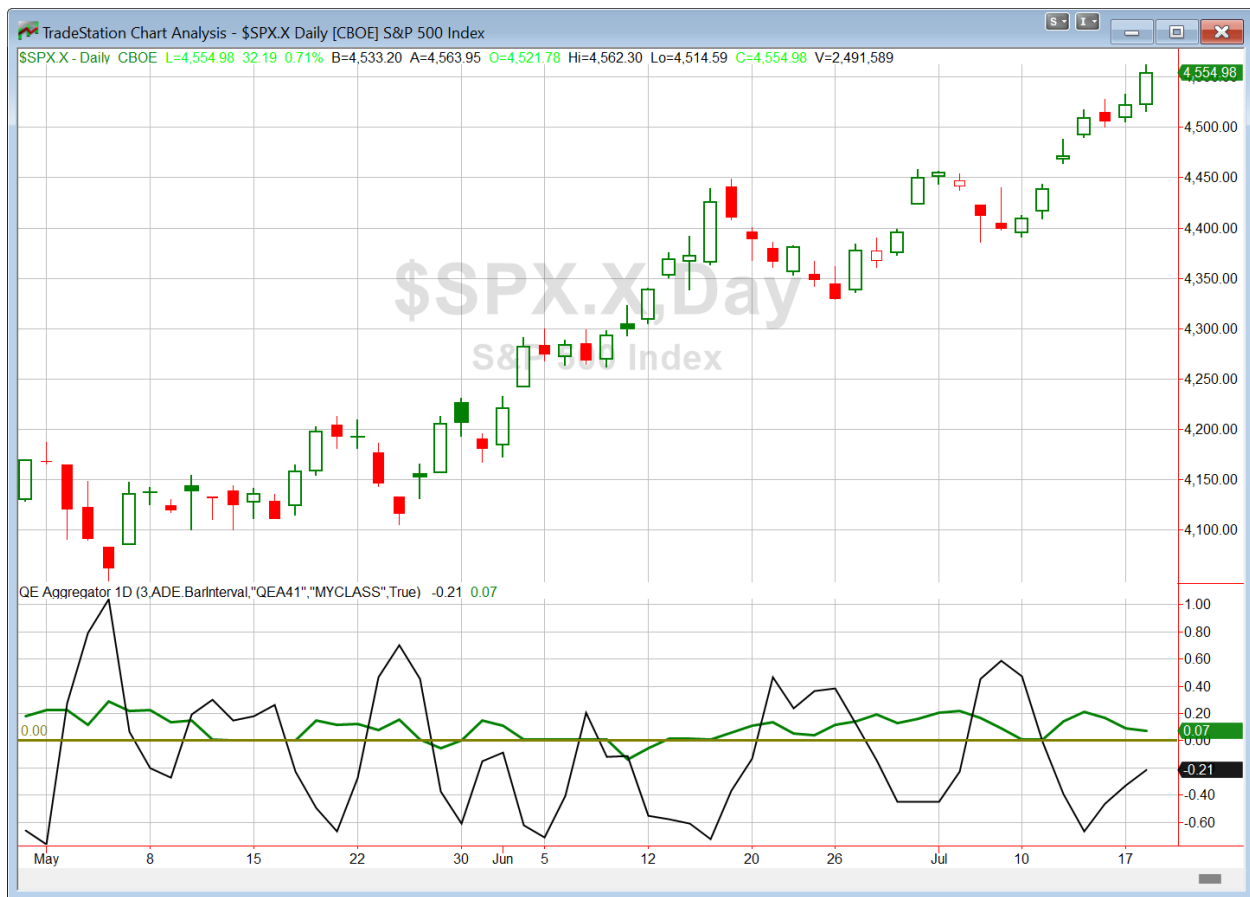
DJI closes higher for exactly the 7th day in a row and above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
20	70,847.10	38	28	10	73.68	8,198.68	-3,332.50	2,945.46	-1,162.57	2.53	7.09	1,864.40
19	78,858.09	39	33	6	84.62	8,695.05	-2,509.32	2,610.73	-1,216.01	2.15	11.81	2,022.00
18	78,467.44	39	31	8	79.49	9,411.43	-3,131.59	2,883.64	-1,365.66	2.11	8.18	2,011.99
17	72,802.83	39	29	10	74.36	8,908.69	-3,757.81	2,943.80	-1,256.75	2.34	6.79	1,866.74
16	70,818.63	39	31	7	79.49	7,792.47	-2,497.15	2,592.97	-1,366.20	1.90	8.41	1,815.86
15	64,562.50	39	29	10	74.36	8,330.00	-2,944.23	2,644.35	-1,212.37	2.18	6.33	1,655.45
14	57,244.30	39	30	9	76.92	7,282.38	-3,311.49	2,353.01	-1,482.90	1.59	5.29	1,467.80
13	49,322.62	40	27	13	67.50	7,378.91	-3,665.00	2,392.68	-1,175.36	2.04	4.23	1,233.07
12	43,872.71	40	26	14	65.00	7,544.53	-3,171.51	2,351.08	-1,232.53	1.91	3.54	1,096.82
11	38,297.00	40	25	15	62.50	6,910.47	-2,343.12	2,241.20	-1,182.21	1.90	3.16	957.42
10	39,983.85	40	27	13	67.50	4,795.14	-2,876.67	2,009.93	-1,098.78	1.83	3.80	999.60
9	41,841.62	41	30	11	73.17	4,512.90	-3,132.90	1,747.34	-961.69	1.82	4.96	1,020.53
8	37,725.21	41	26	15	63.41	6,676.25	-2,237.31	1,841.26	-676.50	2.72	4.72	920.13
7	31,449.16	41	28	13	68.29	4,147.36	-2,345.95	1,524.51	-864.39	1.76	3.80	767.05
6	17,298.98	41	26	15	63.41	4,657.45	-3,410.35	1,306.25	-1,110.91	1.18	2.04	421.93
5	16,169.33	41	25	16	60.98	4,560.92	-2,927.07	1,249.31	-941.46	1.33	2.07	394.37
4	11,992.31	41	24	17	58.54	3,293.29	-2,425.90	1,128.71	-888.04	1.27	1.79	292.50
3	8,635.40	41	20	21	48.78	3,004.19	-1,664.47	1,048.78	-587.63	1.78	1.70	210.62
2	4,628.58	41	21	20	51.22	2,153.92	-847.62	579.93	-377.49	1.54	1.61	112.89
1	933.83	41	20	21	48.78	1,996.48	-1,220.94	390.99	-327.90	1.19	1.14	22.78

There is not much of an edge over the 1st few days. But once you get out a little further, the stats appear solidly bullish. Below is a look at the profit curve assuming a 19-day holding period.



The strong move from lower left to upper right appears to offer some confirmation of the bullish tendency. I have added this study to the intermediate-term active list.

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



With tonight's evidence considered, 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 Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4528.68 on Wednesday. That is 0.6% below Tuesday's close. Therefore, SPX will need to close down at least 0.6% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. The market is overbought, but it keeps getting more overbought. And evidence has been indicating that a reversal lower is not a high probability play. So the trade ideas section remains blank, and I won't be looking to initiate anything new until a more favorable reward/risk setup 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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