

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 20, 2023

Volume 16 Issue 137

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- No new compelling evidence emerged on Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too. Again. (Yawn.)

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						
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 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 &	1-4 days	Bullish	1.30%	-0.80%	-1.70%

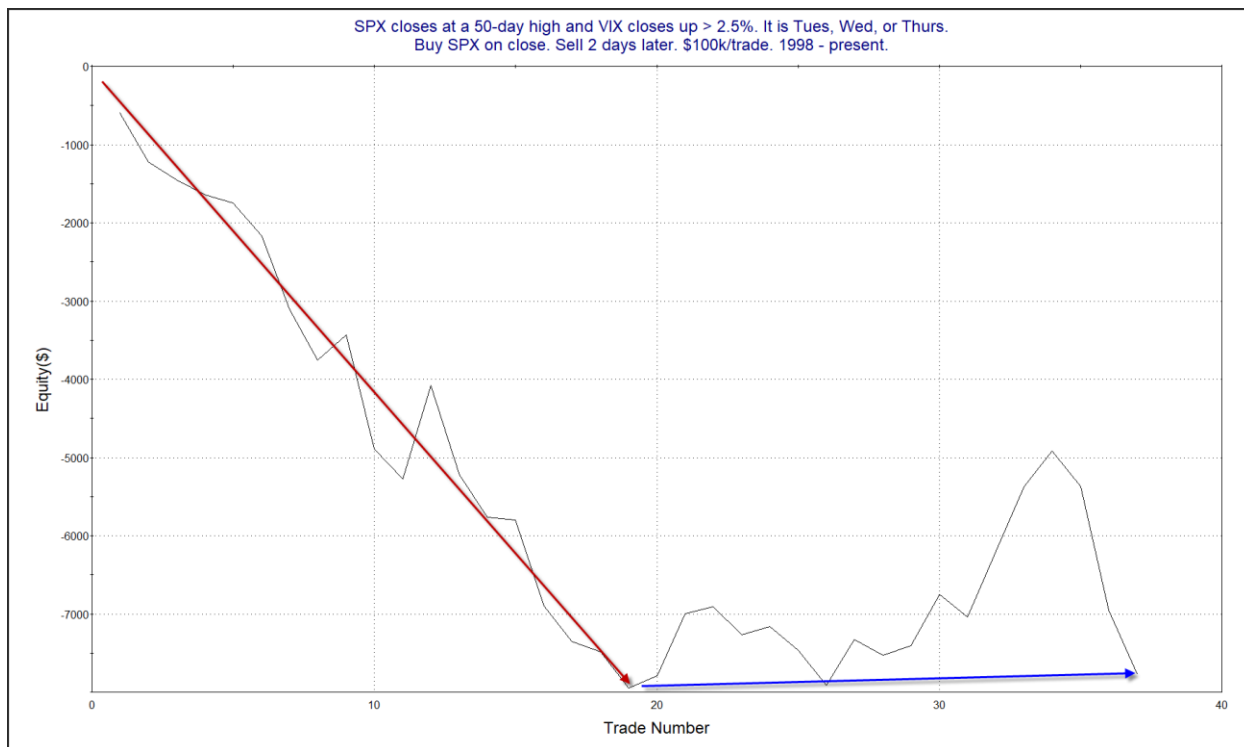
The Evidence

Another day of small wins and new 2023 highs for several indices. The SPX gained 0.2%, the NASDAQ rose 0.03%, and the Russell 2000 rallied 0.45%. Breadth was positive with the NYSE Up Issues % coming in at 65% and the Up Volume % at 69%. NYSE total volume declined some from Tuesday's level.

The mild gains did not inspire a lot of compelling evidence. There were a few VIX-related studies that emerged, but like the one below, they have all faltered in recent years. Still, I thought I would provide a small study update. New readers may wonder why I use a day-of-week filter. The VIX has a natural tendency to fall on Fridays and rise on Mondays. Because of this I typically separate out those days from the rest of the week when conducting VIX-based studies. This particular study looks at large mid-week rises in the VIX during times the SPX is closing at a 50-day high. All results are updated from the 11/14/2019 letter.

SPX closes at a 50-day high and VIX closes up > 2.5%. It is Tues, Wed, or Thurs. Buy SPX on close. Sell X days later. \$100k/trade. 1998 - 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	-11,838.20	37	17	20	45.95	2,859.08	-4,149.36	947.72	-1,397.47	0.68	0.58	-319.95
4	-9,925.29	37	16	21	43.24	1,629.60	-4,240.48	733.22	-1,031.28	0.71	0.54	-268.25
3	-7,770.41	37	19	18	51.35	1,271.55	-4,423.40	583.88	-1,048.01	0.56	0.59	-210.01
2	-7,770.80	37	12	25	32.43	1,192.71	-1,579.64	512.01	-556.60	0.92	0.44	-210.02
1	-3,028.57	42	19	23	45.24	1,108.05	-1,008.70	286.87	-368.66	0.78	0.64	-72.11

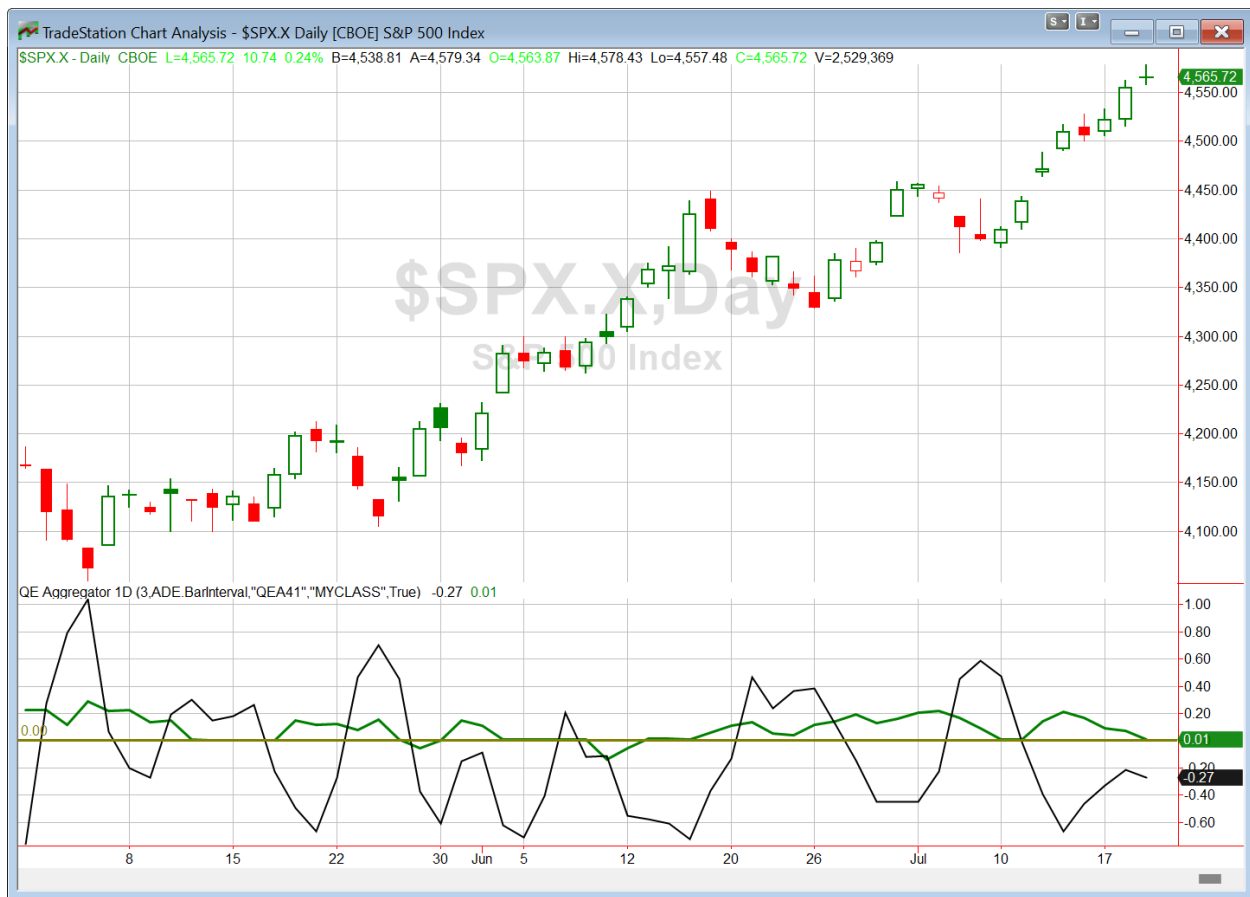
The numbers still appear fairly bearish over the 1st couple of days. But the equity curve is less appealing.



Perhaps the old bearish forces are starting to reassert themselves. The last few instances saw strong moves lower. But with no real progress in the last 20ish instances, I'm keeping this study sidelined where it has been the last few years. Nothing new is being added to the Active List tonight.

Further, I am removing the last short-term study from the active list a day early, because it has already reached its profit target. So the short-term section of the list is now blank.

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



Without any new studies making the cut, the green Aggregator Line remained slightly 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.

With the short-term active list now bare, expectations are solely generated through the intermediate-term studies, which are leaning bullish. Any new short-term evidence that emerges in the next few days will have a strong impact on expectations. Meanwhile, the Differential Pivot will be 4544.11 on Thursday. That is 0.5% below Wednesday's close. Therefore, SPX will need to close down at least 0.5% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. With much of my trading focused on short-term swing trading, the market has turned quite dull. I feel like a broken record each night. "Overbought with positive expectations" is where the market has been for the last several days. But boredom is among the worst reasons to trade. I'll remain sidelined but alert.

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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