

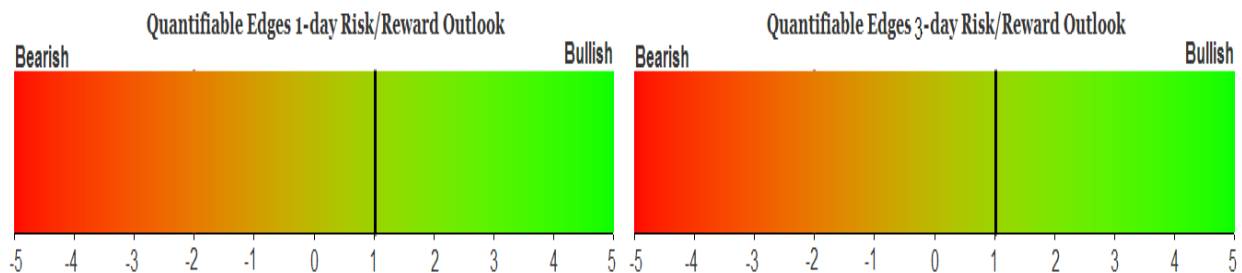
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 25, 2023

Volume 16 Issue 140

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- Closing at a new high Tuesday would put a damper on Wednesday's Fed Day edge.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is long, but for me to get enthusiastic, I am going to need to see further selling on Tuesday as we head into Wednesday's Fed Day.

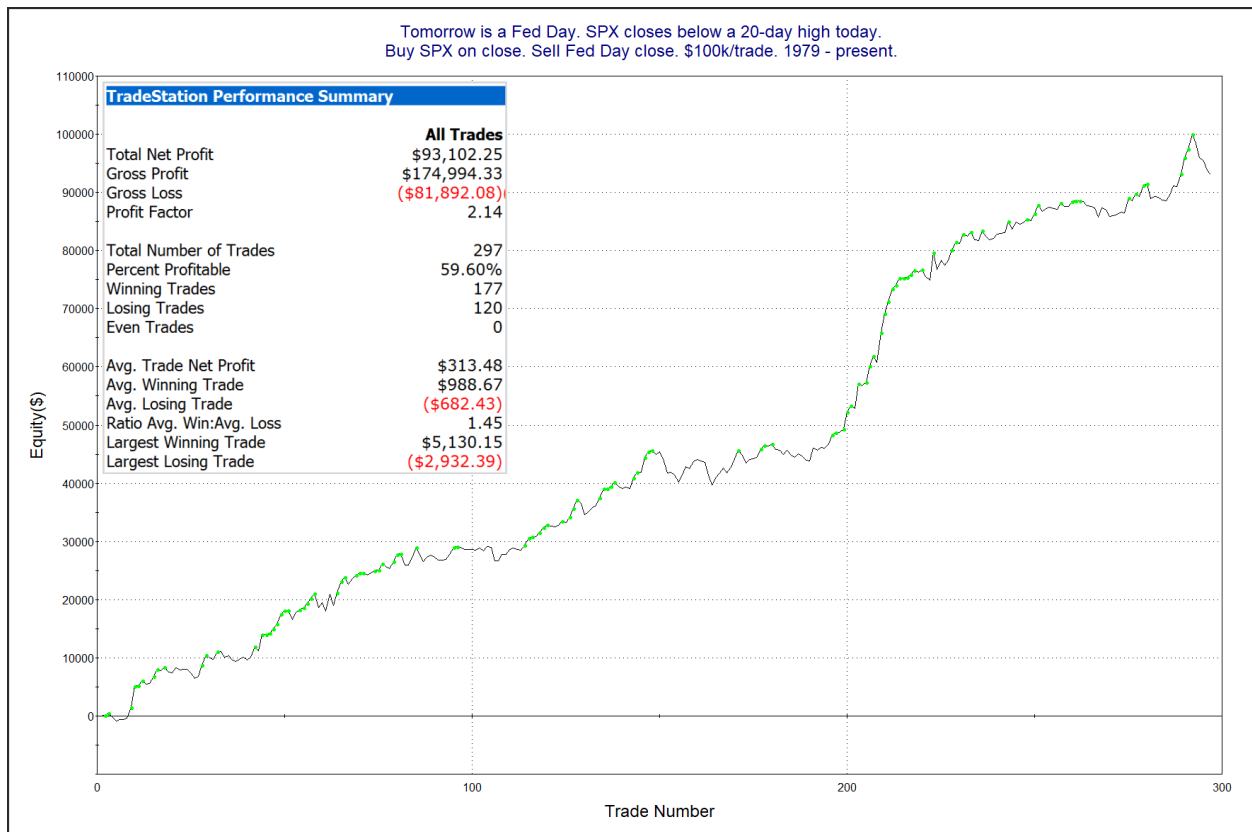
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
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			

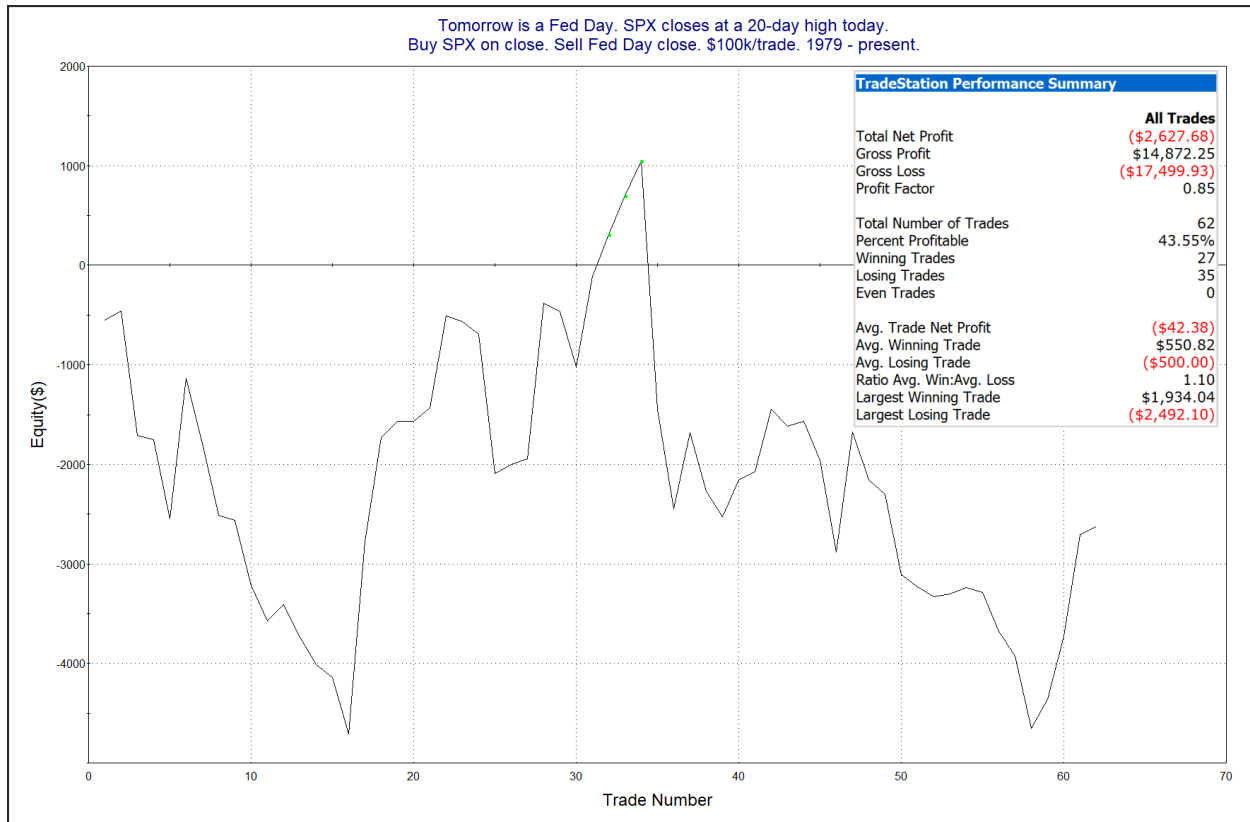
**The Evidence**

Monday was a rally day. The SPX rose 0.4%, the NASDAQ gained 0.2%, and the Russell 2000 closed up 0.3%. Breadth was also positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 69%. NYSE total volume declined from Friday’s opex level.

In Sunday’s letter I showed how Fed Day odds are weakened when SPY closes in the upper part of its intraday range. But the longer-term positioning is also worth consideration. In the past I have shown that when the SPX has closed at a 20-day high on the day before a Fed Day, that the upside tendency has not played out. I’ve updated that work below. First, lets look at times that SPX closed anywhere *below* a 20-day high on the day before a Fed Day.

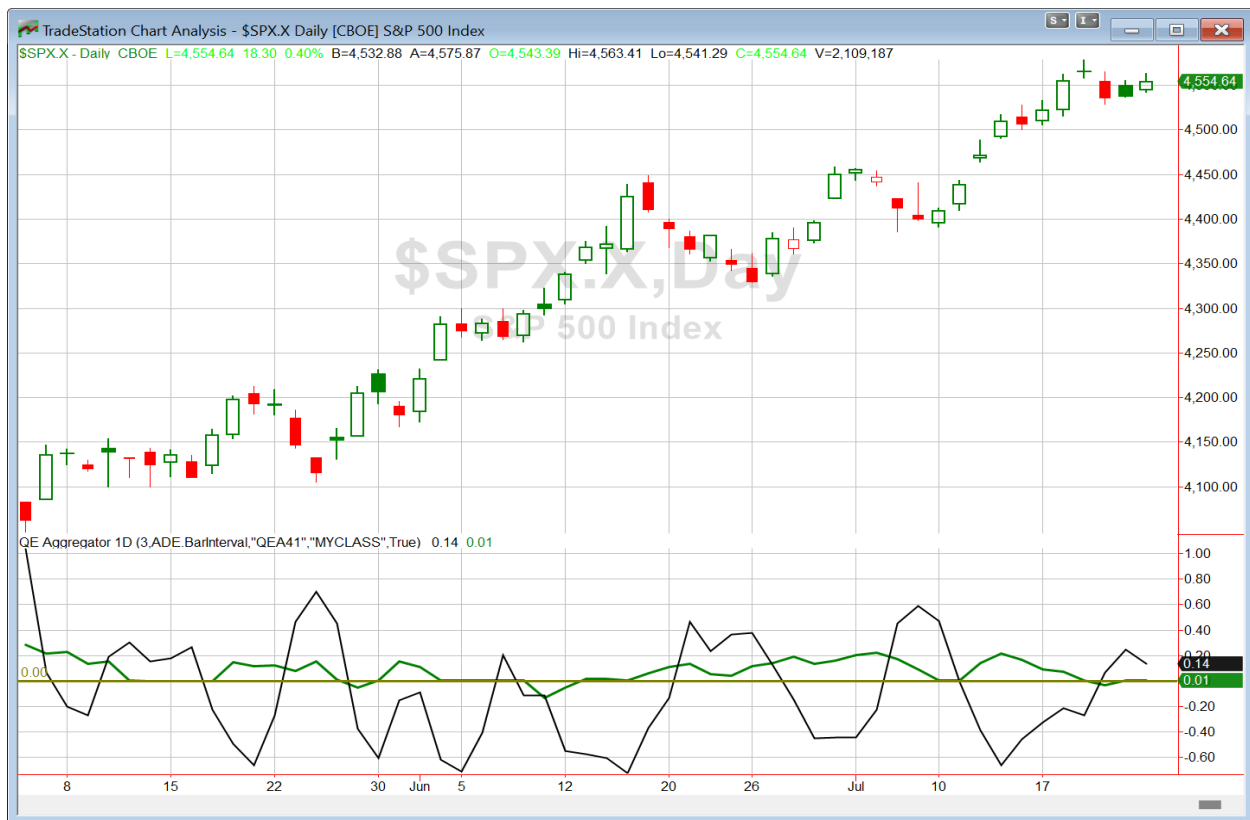


There is a pullback going on over the last few instances, but the clear direction of the profit curve over the long haul has been up. Next let's look at times SPX closed at a 20-day high.



The curve and numbers here are much different. There is no upside edge apparent. Over the long haul, there have actually been net losses. There are probably a few things in play here. 1) When the market is closing at intermediate-term lows, sometimes the Fed feels it may need to calm the market and restore some order. When the market is at a 20-day high, there is certainly no need for the Fed to calm any fears. In fact, they may be looking to do the opposite, and dampen enthusiasm. 2) Have the market at a new high could signal front-running on the part of investors. When the announcement is made, the good news has already been baked in. Whatever the reason is does not really matter. What matters is that a 20-day closing high right before a Fed Day is generally not a good sign for the Fed Day. If SPX closes up a little over 11 points on Tuesday, it will finish at a new high. If it also closes near the top of its intraday range, then that would be even more discouraging for a bullish Fed Day. So those are a few things to keep in mind on Tuesday.

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



With short-term evidence lacking, the green Aggregator Line is again just slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current active studies, expectations are slated to remain positive on Tuesday. This could very easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 4536.76* on Tuesday. That is 0.4% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down at least 0.4% on Tuesday in order to remain oversold. Anything other than that and it will be considered "overbought" vs recent expectations as of Tuesday's close.

So the Aggregator formation is again bullish. Expectations could go either way fairly easily. Without a confirmed active short-term study saying a move up is likely, I am not very excited about taking a new short-term position. But a weak close that finished down a bit would almost certainly give us a bullish Fed Day setup. So I will look to take on some long exposure if SPX finishes down below the Differential Pivot and in the lower portion of the intraday range. I'll also note that I could look to exit this trade idea as quickly as mid-day on Wednesday in order to get out ahead of the announcement.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/24 – bullish*

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

F @ \$14.03 (bought @ limit)

### ***Broad Market Large Cap CBI – 1(F)***

## **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.*

**SPY – Buy ¼ index position on close if SPX closes  $\leq$  4536.75 and SPY closes in the bottom half of its intraday range.** Based on the short-term outlook above, I will look to take on some long exposure near the close if things set up properly on Tuesday.

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
F(1/3)	7/21/2023	\$14.01	\$13.96	-0.36%	Catapult

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