

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 26, 2023

Volume 16 Issue 141

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- Wednesday's Fed Day setup does not look appealing.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and there is potential for a big move after the Fed announcement. I don't see a good reason to make big bets yet.

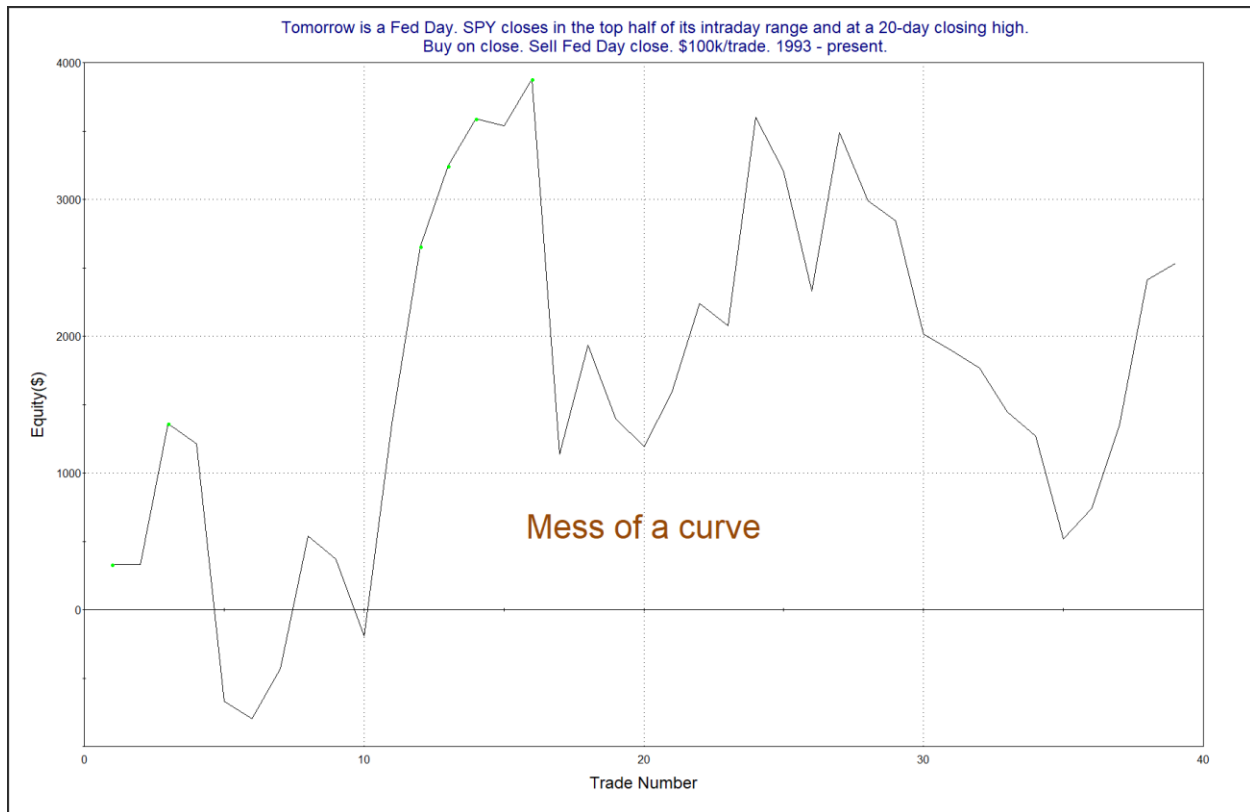
Summary of Recent Active Studies (see Letters from listed dates for details)

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			

The Evidence

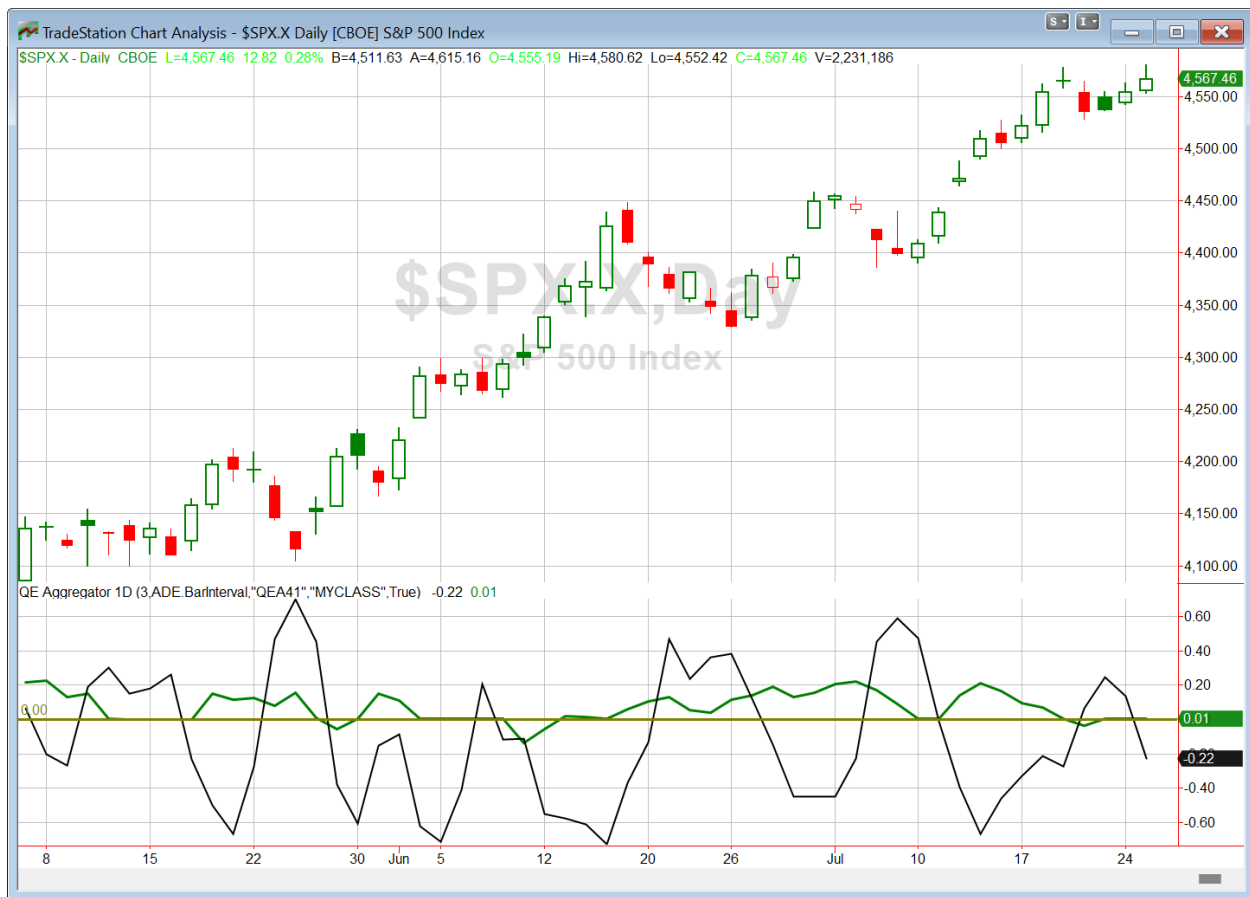
The grind higher continued Tuesday. The SPX rose 0.3%, the NASDAQ gained 0.6%, and the Russell 2000 closed up 0.02%. Breadth was mixed with the NYSE Up Issues % coming in at 51% and the Up Volume % at 46%. NYSE total volume declined from Monday's level.

Over the past couple of days I have noted that Fed Days typically carry a bullish edge. But when the market is overbought and/or overly optimistic going into a Fed Day, then that edge has basically been eliminated. Two ways I discussed this are 1) the 1-day % closing range and 2) whether or not the market closed at a new intermediate-term high. On Tuesday, SPY closed in the top half of its intraday range and at a 20-day high. That is not a great combination. Below is an updated chart of Fed Day performance following similar setups, which I last shared in the 6/14/23 letter.



That is a total sideways choppy mess. It does not seem to suggest any short-term directional edge. So the Fed Day on Wednesday does not seem to be offering anything worth trading. But Fed Days do tend to be volatile. So we could certainly see a big move that would generate interesting evidence to examine tomorrow night.

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



With short-term evidence again 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 dove 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 turned flat at the close.

Based on the current active studies, expectations are slated to remain positive on Wednesday. This could very easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4535.21 on Wednesday. That is 0.7% below Tuesday's close. Therefore, SPX will need to close down at least 0.7% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator formation is now neutral. Evidence is lacking and the potential for volatility is high. Not a great combination. I'll be waiting to see how Wednesday plays out before considering any new index positions.

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.

None.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
F(1/3)	7/21/2023	\$14.01	\$13.58	-3.07%	Catapult

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