

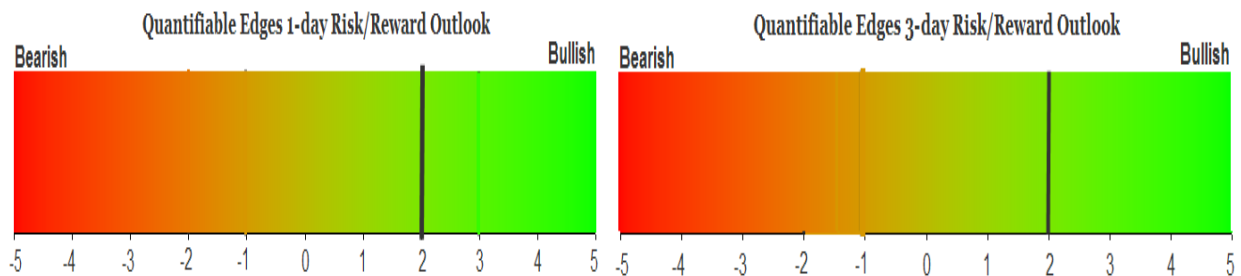
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 28, 2023

Volume 16 Issue 143

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Back to back outside days in SPY have almost always been followed by short-term gains.
- The SOX strength on a day NASDAQ declined suggests a bounce on Friday.

Short-term Outlook

The Bottom Line

The Aggregator bullish. It may be a little early, but I believe there is an upside edge over the next few days.

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 28, 2023	SPY 2x outside days	1-5 days	Bullish	1.70%	-0.80%	-1.40%
July 28, 2023	NASDAQ down. SOX up > 1%	1 day	Bullish			
July 27, 2023	SPX recent intraday high. Dn cls. ++Breadth	1-4 days	Bullish	1.90%	-1.10%	-2.40%
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 ADT ₅ > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

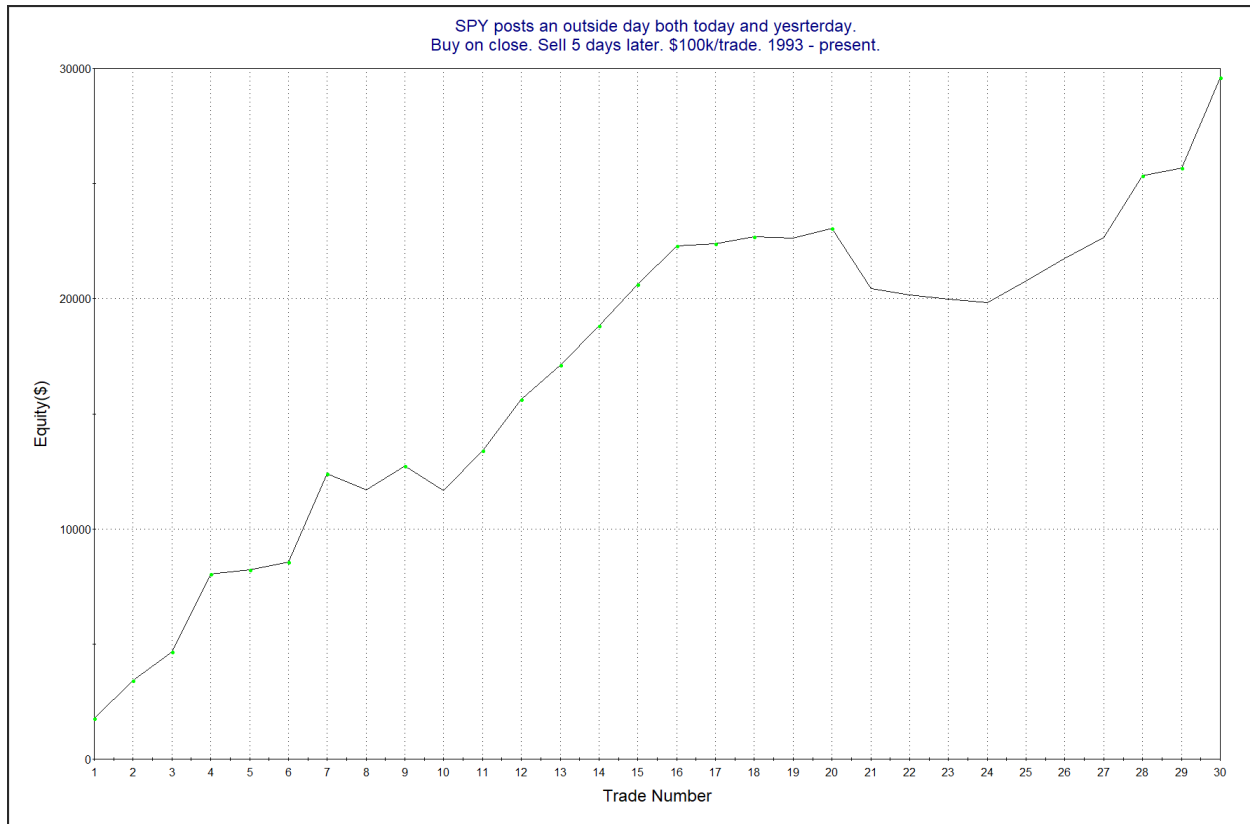
The Evidence

Thursday started strong and finished weak. The SPX closed down 0.6%, the NASDAQ lost 0.55%, and the Russell 2000 dropped 1.3%. Breadth was negative with the NYSE Up Issues % coming in at 24% and the Up Volume % at 26%. NYSE total volume rose some from Wednesday's level.

Also notable about Thursday's action is that it marked the 2nd day in a row that SPY posted an outside day. (An outside day is a day where the security or index makes a higher high and a lower low than the day before.) I discussed back-to-back outside days in the 7/28/16 letter exactly seven years ago...when I was seven years younger. I have updated those results below.

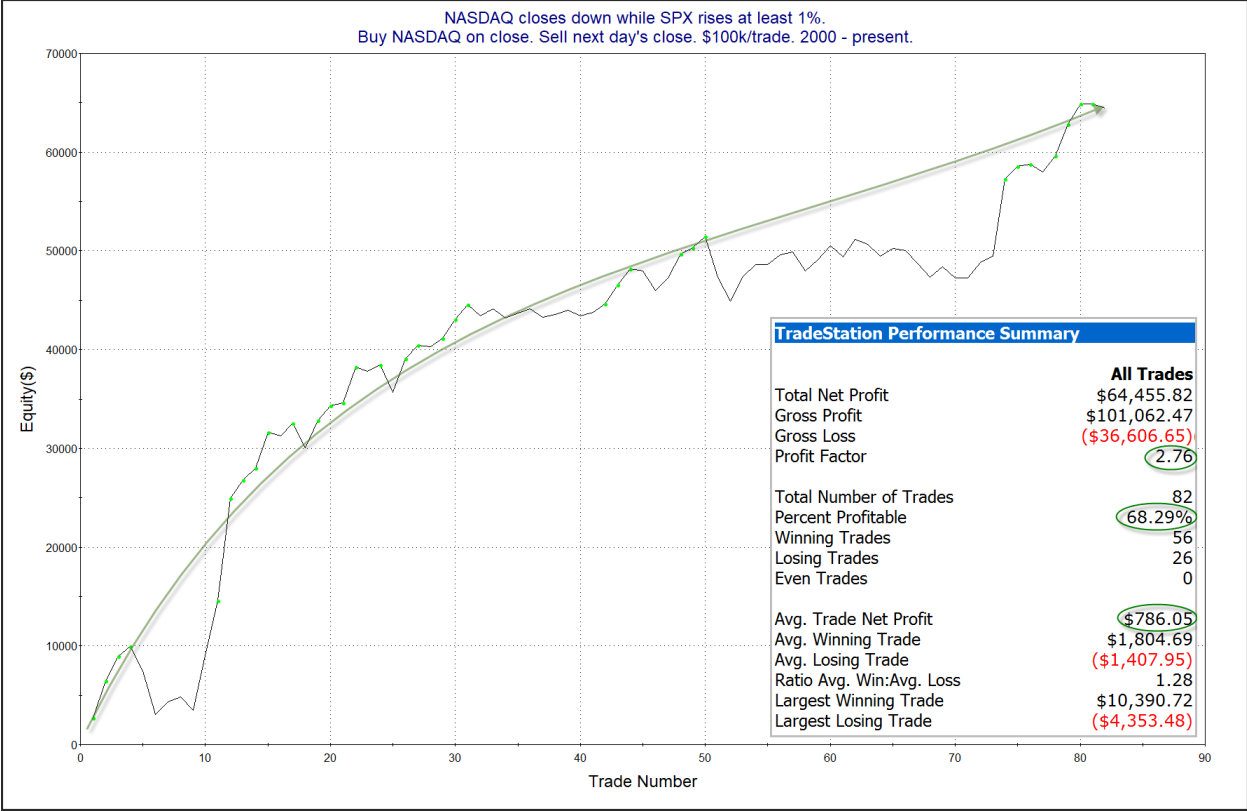
SPY posts an outside day both today and yesterday. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	29,613.73	30	23	7	76.67	3,932.91	-2,621.04	1,506.76	-720.26	2.09	6.87	987.12
4	24,987.67	30	25	5	83.33	3,379.37	-1,736.64	1,179.10	-897.98	1.31	6.57	832.92
3	23,564.94	30	23	7	76.67	3,447.12	-1,475.32	1,248.00	-734.15	1.70	5.59	785.50
2	11,817.97	30	18	12	60.00	2,838.21	-1,902.99	1,024.57	-552.02	1.86	2.78	393.93
1	6,740.18	30	17	13	56.67	1,585.08	-1,221.57	710.89	-411.15	1.73	2.26	224.67
The only instance NOT to close above the entry price at some point in the next week triggered on 1/3/05.												

The numbers look very impressive. Below is a profit curve using a 5-day holding period.

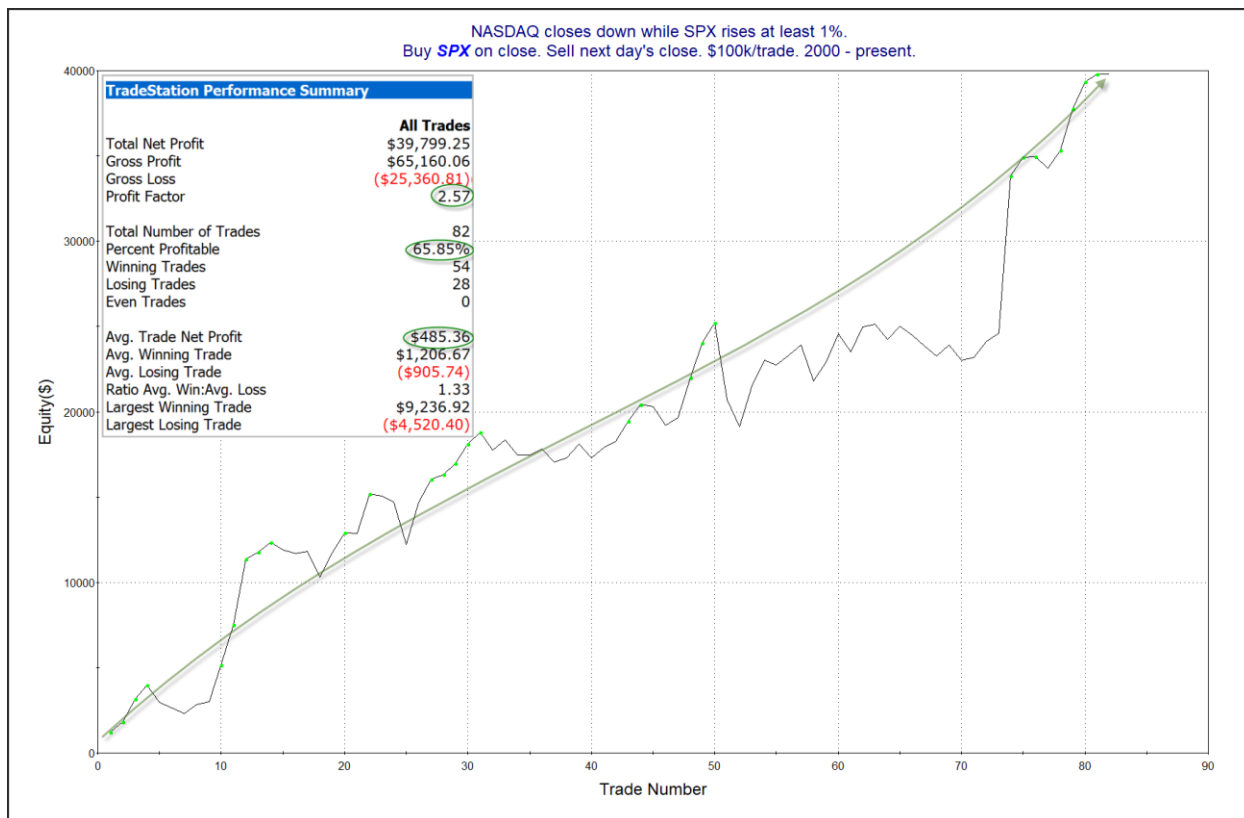


The move up is impressive and encouraging for the bullish case. I have added this study to the active list tonight.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up 1.86%. When the SOX does well on a day the NASDAQ declines, that has often been followed by a rise in the NASDAQ the next day. This can be seen in the study below, which was last featured in the 4/19/22 letter.

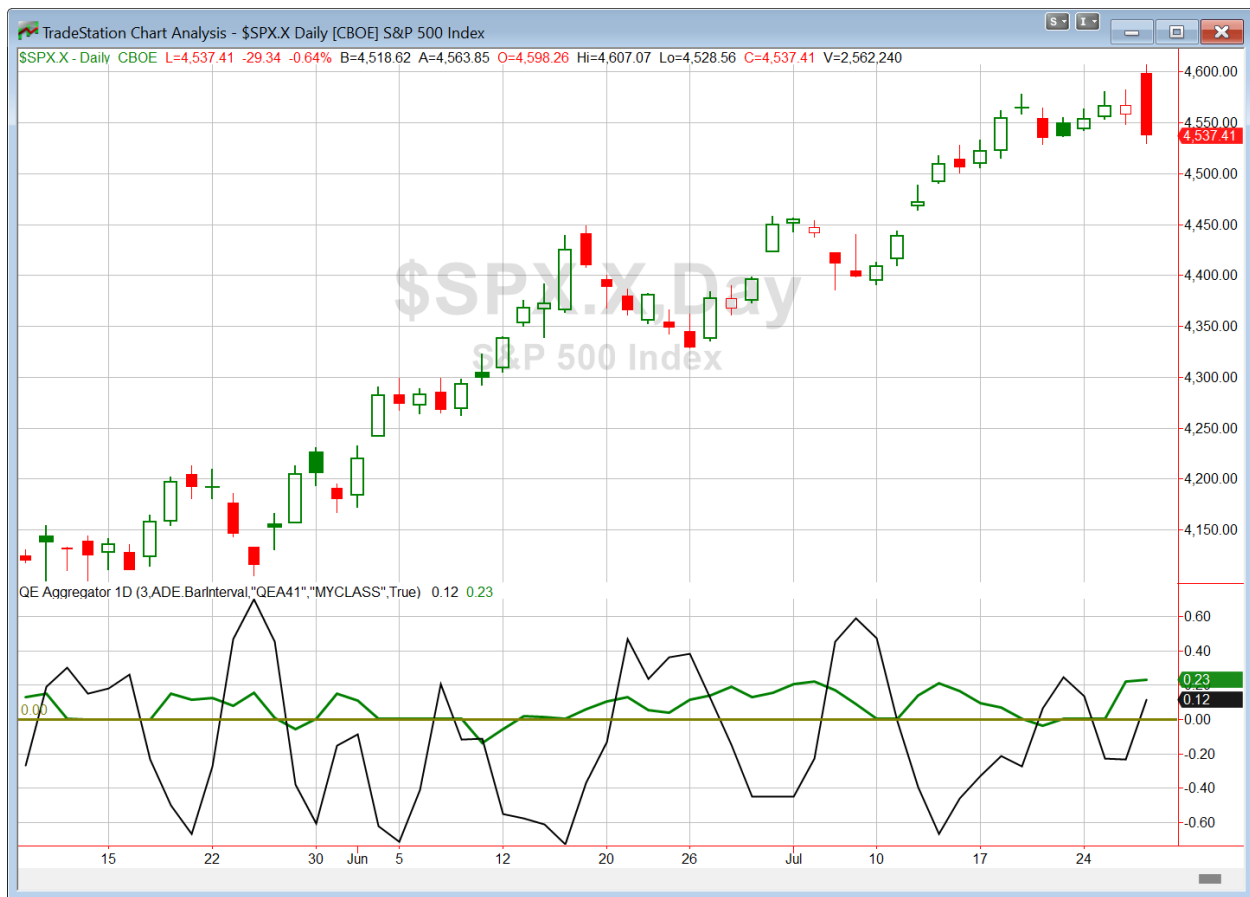


Not exactly a steady rise, but the move and numbers are impressive nonetheless. Below is a look at how the SPX has performed when the NASDAQ/SOX have acted this way.



Results here appear steadier but less explosive. Overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

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 rose 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 on above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current active studies, expectations are slated to remain positive on Friday. This could change if compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 4568.09 on Friday. That is 0.7% above Thursday's close. Therefore, SPX will need to close up at least 0.7% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is bullish. We are only down one day from a 50-day high. I don't normally get interested after just one down day, but we are seeing decent evidence, and there is ample room to the upside before SPX would turn overbought. So I may look to start scaling into a long position on Friday.

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 @ \$452.00 LIMIT ON OPEN. IF NOT FILLED ON OPEN, CANCEL ORDER AND THEN LOOK TO ENTER AT \$452.48 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to start scaling into a long position if we see a decent gap down or a close lower on Friday. I am not interested in buying into an intraday selloff if I don't get filled at the open. So I will wait until the close under those circumstances.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
F(1/3)	7/21/2023	\$14.01	\$13.73	-2.00%	Catapult

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