

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 2, 2023

Volume 16 Issue 146

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day, but that has not been the case as much in recent years.

Short-term Outlook

The Bottom Line

The Aggregator neutral. I am as well.

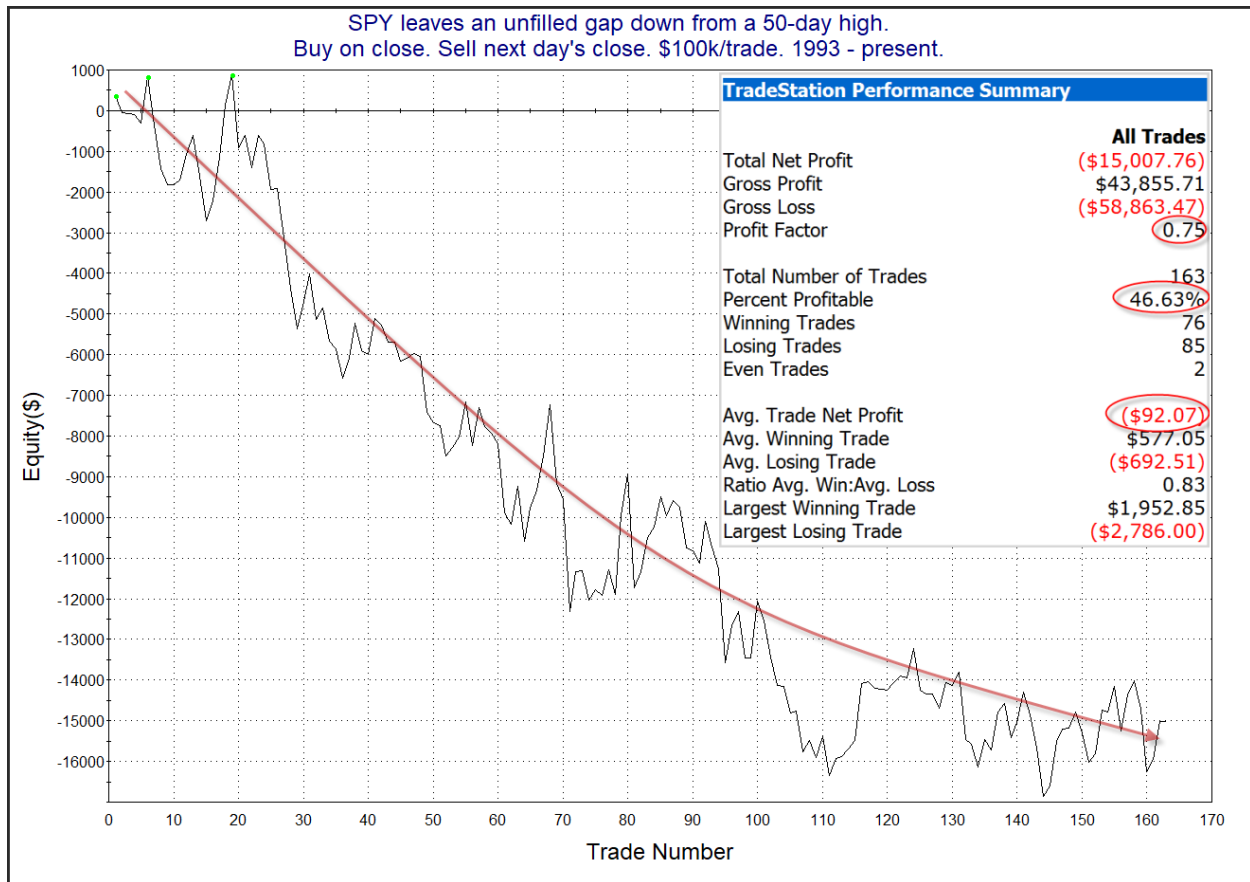
The Evidence

The market gapped down to start the day and never fully recovered. The SPX closed down 0.3%, the NASDAQ fell 0.4%, and the Russell 2000 dropped 0.45%. Breadth was weak with the NYSE Up Issues % coming in at 34% and the Up Volume % at 32%. NYSE total volume declined quite a bit from Monday's level.

The 1st day down from a high does not often suggest a strong edge. But when the 1st day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They were last seen in the 7/21/23 letter. The 1st one shows performance following down closes from a 50-day high that do not include an unfilled gap lower. (Not updated)

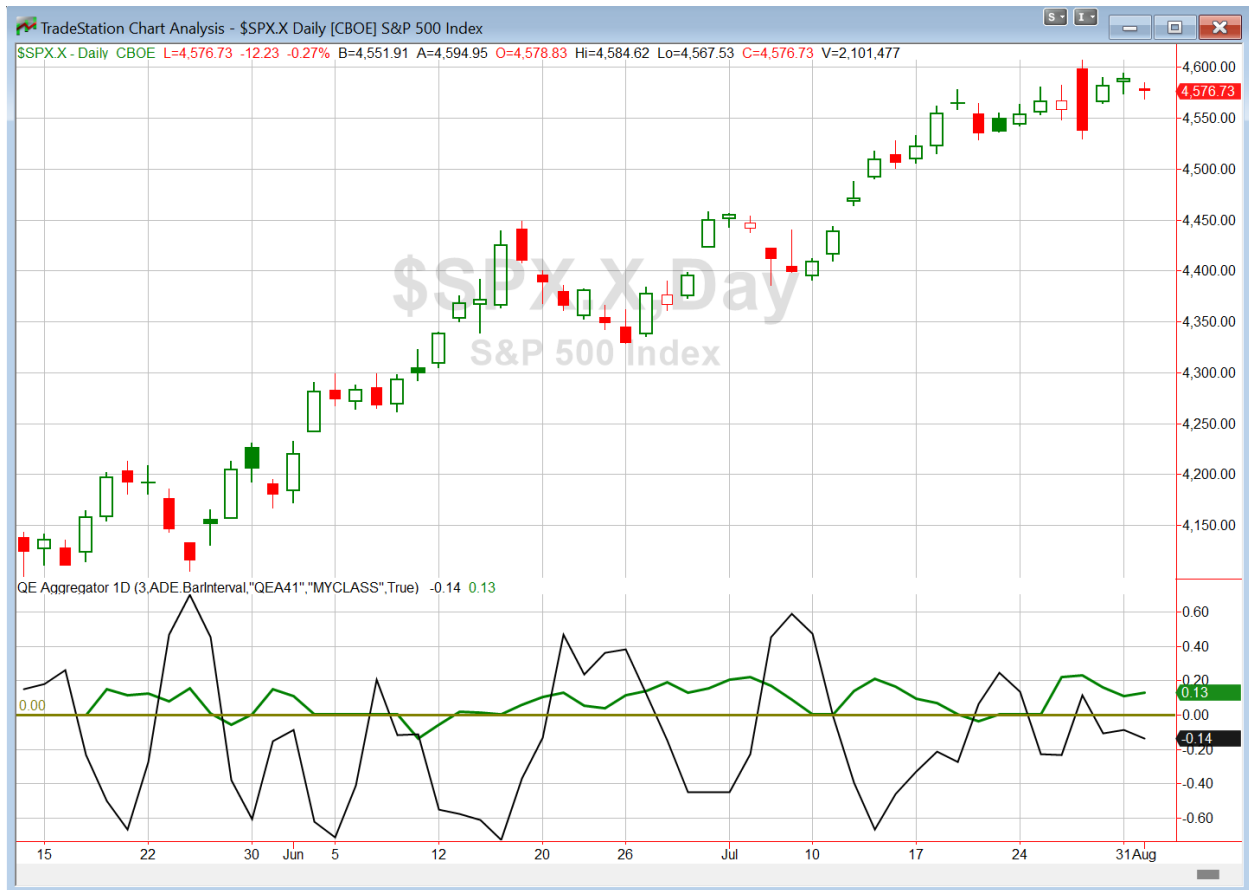


There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high. (Updated)



While the curve has flattened some in recent years, it is back near new lows. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Tuesday did *not* include an unfilled gap lower.

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



Even 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 studies, expectations are slated to remain positive on Wednesday. This could change if compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 4610.38* on Wednesday. That is 0.7% *above* Tuesday'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 over 0.7% higher in order to remain overbought. Anything other than that and it will be considered oversold vs recent expectations as of Wednesday's close.

So the Aggregator formation is again neutral. Tuesday did not really change anything. I remain unenthusiastic, and will wait for a more compelling opportunity to arrive. That could happen on Wednesday, but I'd prefer to see some additional bullish evidence trigger on Wednesday before considering a possible trade for Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/31 – 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 tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
F(1/3)	7/21/2023	\$14.01	\$13.42	-4.21%	Catapult

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