

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 4, 2023

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## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. I like the long side.

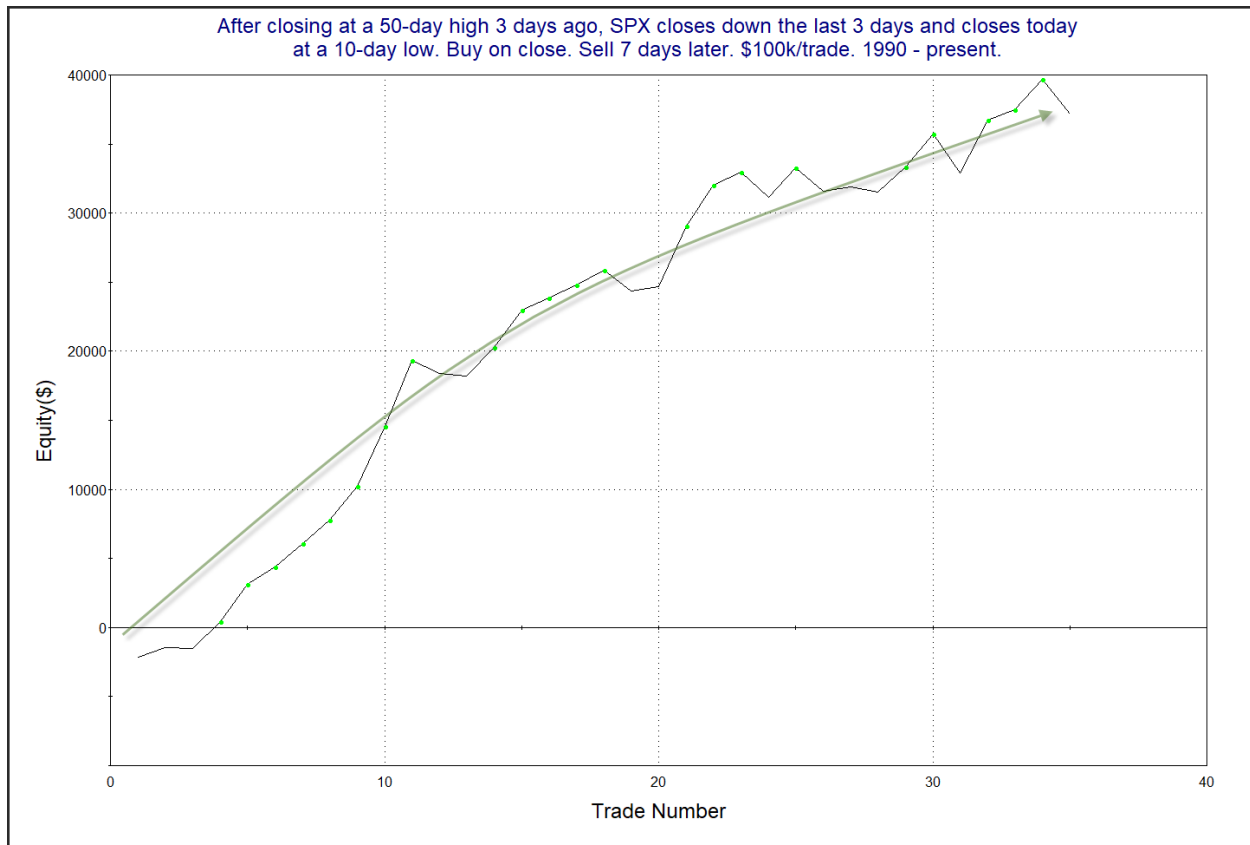
## The Evidence

Thursday opened lower but managed to make back some of its losses by the close. The SPX closed down 0.25%, the NASDAQ fell 0.1%, and the Russell 2000 dropped 0.3%. Breadth was weak with the NYSE Up Issues % coming in at 38% and the Up Volume % at 44%. NYSE total volume declined some from Wednesday's level.

The decline in SPX also meant it was the 3rd day in a row in which it closed lower. Often 3-day pullbacks will trigger some bullish studies. In the 1/7/22 letter I showed a study that noted 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. I have updated that study below.

After closing at a 50-day high 3 days ago, SPX closes down the last 3 days and closes today at a 10-day low. Buy on close. Sell X days later. \$100k/trade. 1990 - 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
10	25,717.91	35	22	13	62.86	7,183.08	-14,379.90	2,856.42	-2,855.63	1.00	1.69	734.80
9	32,745.79	35	24	11	68.57	6,197.04	-7,605.60	2,493.75	-2,464.02	1.01	2.21	935.59
8	43,350.10	35	26	9	74.29	6,562.98	-6,058.50	2,364.51	-2,014.13	1.17	3.39	1,238.57
7	37,189.63	35	25	10	71.43	4,736.88	-2,873.10	2,052.40	-1,412.05	1.45	3.63	1,062.56
6	27,565.92	35	22	13	62.86	3,768.08	-6,675.60	1,992.77	-1,251.92	1.59	2.69	787.60
5	27,865.83	35	22	13	62.86	3,892.40	-4,069.80	1,947.50	-1,152.24	1.69	2.86	796.17
4	24,693.13	35	25	10	71.43	3,834.96	-8,150.10	1,731.72	-1,859.98	0.93	2.33	705.52
3	18,323.19	35	26	9	74.29	4,047.12	-7,413.90	1,332.80	-1,814.40	0.73	2.12	523.52
2	14,755.26	35	23	12	65.71	2,659.44	-3,285.00	1,203.92	-1,077.91	1.12	2.14	421.58
1	10,127.69	35	23	12	65.71	2,013.60	-2,930.40	813.04	-714.35	1.14	2.18	289.36

We see here that the odds favor a bounce, and that it has often persisted up to 8 days out. The 7-day profit curve seemed the smoothest and I have shared that below.



Here we see a persistent upslope. This study seems worth consideration and has been added to the short-term active list.

It is also worth noting that Friday will see the release of the jobs report. That has volatility potential and could lead to a sharp move in the market in either direction. So risk is elevated a bit on Friday.

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 is now far above zero. The positive Differential Line reading means that SPX is strongly 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 Friday. This could change if compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 4593.77 on Friday. That is 2.0% above Thursday's close. Therefore, SPX will need to close up over 2.0% on Friday in order to flip from overbought to oversold versus recent expectations. A more likely scenario for working off the oversold condition is a multi-day rally or consolidation.

So the Aggregator formation is bullish. Evidence is leaning higher and there is ample room to the upside before SPX would become short-term overbought. I took some long exposure on Thursday, and I may add to it if we see additional selling on Friday.

*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)

*New*

ABT @ \$107.54 (buy @ limit)

### ***Broad Market Large Cap CBI – 2(F, ABT)***

### **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 @ \$447.75 LIMIT ON CLOSE.** Based on the short-term section above, I will look to add to my long position if SPY closes down much on Friday. With potential jobs report volatility, I will wait until the close to make the trade.

**ABT – Buy 1/3 Catapult position @ \$107.54 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of ABT.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
F(1/3)	7/21/2023	\$14.01	\$13.10	-6.50%	Catapult
SPY(1/4)	8/3/2023	\$448.04	\$448.84	0.18%	Catapult

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