

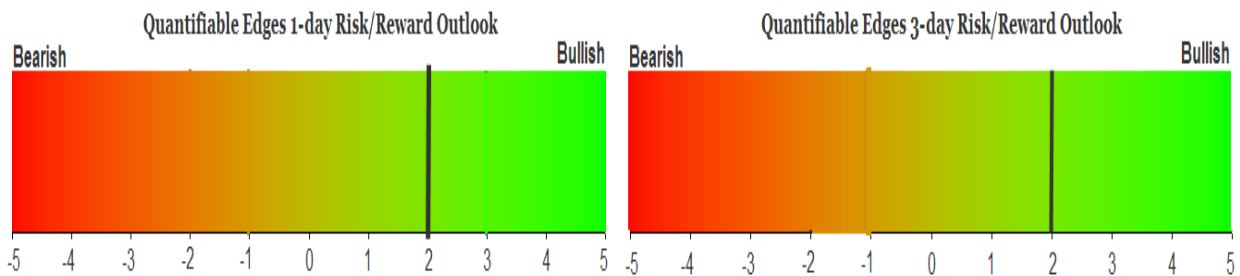
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 15, 2023

Volume 16 Issue 155

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 4 |

Tonight's Research Points

- Moves from a 20-day low to a 4-day high in 1 day often see more rallying in the days in the days and weeks that follow.
- The weak breadth on Monday is sending a somewhat mixed message.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I still like the long side.

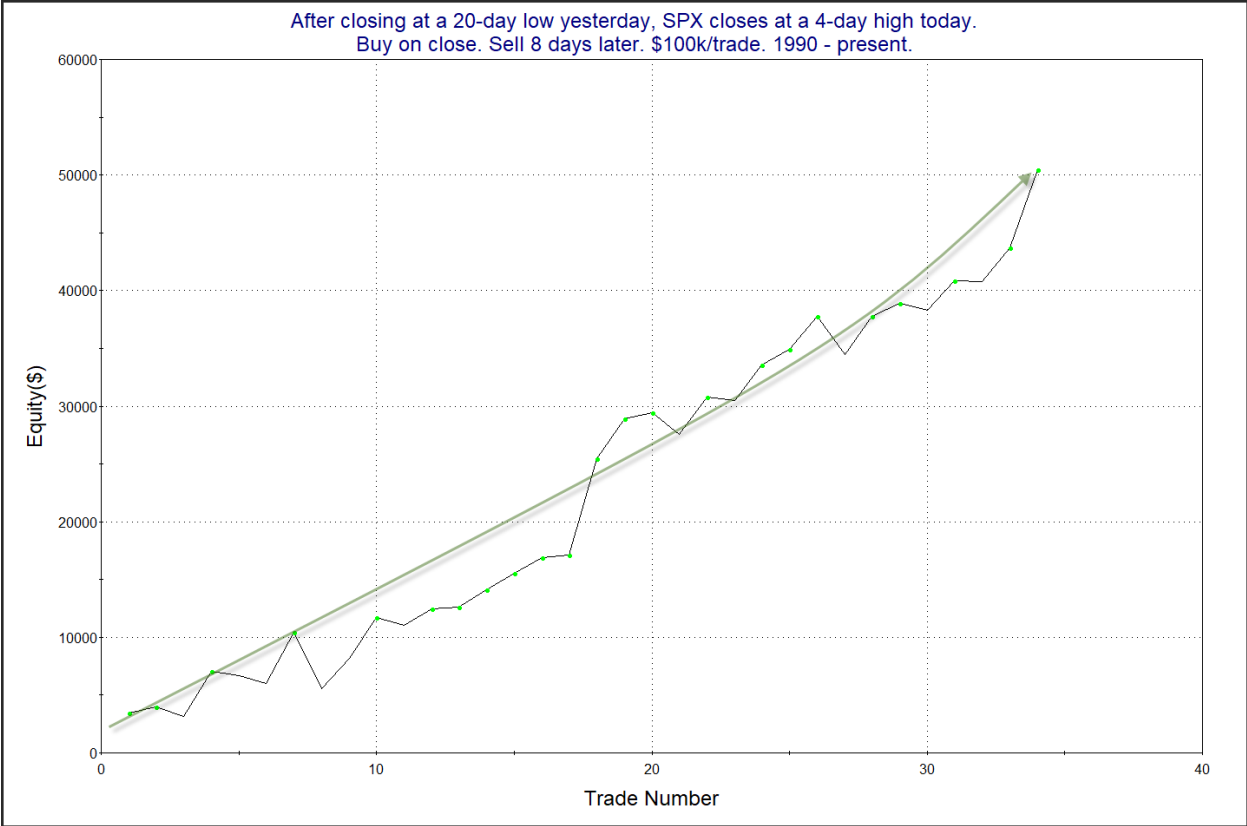
The Evidence

Monday was a mixed market. The SPX closed up 0.6%, the NASDAQ rose 1.05%, and the Russell 2000 declined 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 39.9% and the Up Volume % at 39.5%. NYSE total volume rose some from Friday's level..

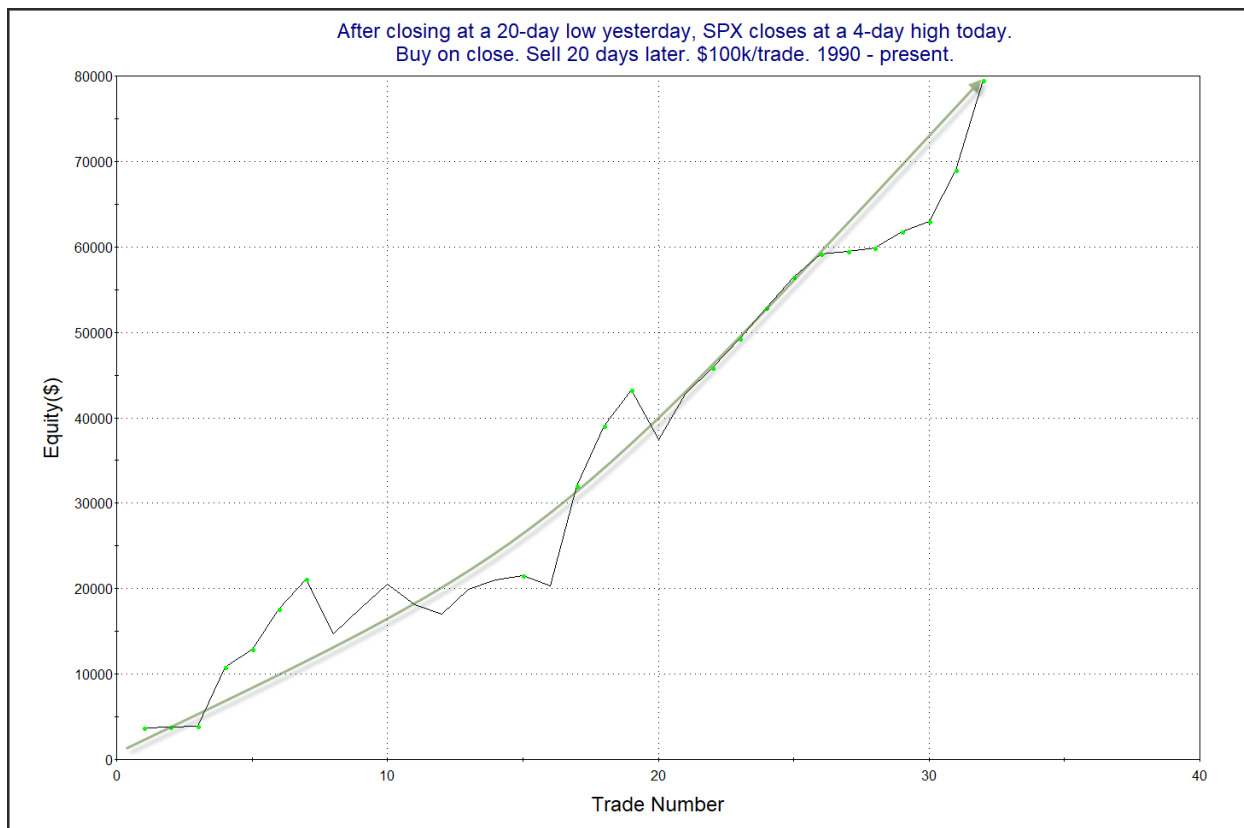
Monday's move was big enough to flip SPX from a 20-day low close to a 4-day high close. In the 6/5/19 letter I looked at other times in which the market put in a strong thrust off at least a 20-day low like this. I have updated the results below.

| After closing at a 20-day low yesterday, SPX closes at a 4-day high today. 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 |
| 20 | 79,504.94 | 32 | 27 | 5 | 84.38 | 11,665.50 | -6,379.08 | 3,569.23 | -3,372.85 | 1.06 | 5.71 | 2,484.53 |
| 19 | 76,327.95 | 32 | 25 | 7 | 78.13 | 12,037.30 | -6,347.80 | 3,767.48 | -2,551.29 | 1.48 | 5.27 | 2,385.25 |
| 18 | 70,405.43 | 33 | 27 | 6 | 81.82 | 10,563.30 | -4,148.97 | 3,153.16 | -2,455.00 | 1.28 | 5.78 | 2,133.50 |
| 17 | 68,733.87 | 33 | 26 | 7 | 78.79 | 11,183.70 | -4,247.96 | 3,267.86 | -2,318.62 | 1.41 | 5.23 | 2,082.84 |
| 16 | 66,224.53 | 33 | 25 | 8 | 75.76 | 11,506.00 | -4,320.78 | 3,233.27 | -1,825.89 | 1.77 | 5.53 | 2,006.80 |
| 15 | 60,367.16 | 33 | 23 | 10 | 69.70 | 11,173.80 | -4,723.96 | 3,286.95 | -1,523.27 | 2.16 | 4.96 | 1,829.31 |
| 14 | 62,203.94 | 34 | 26 | 8 | 76.47 | 9,507.30 | -7,897.52 | 3,065.96 | -2,188.88 | 1.40 | 4.55 | 1,829.53 |
| 13 | 54,318.89 | 34 | 25 | 9 | 73.53 | 9,427.00 | -7,363.04 | 2,921.60 | -2,080.12 | 1.40 | 3.90 | 1,597.61 |
| 12 | 52,049.39 | 34 | 23 | 11 | 67.65 | 8,151.00 | -5,686.84 | 3,031.08 | -1,605.95 | 1.89 | 3.95 | 1,530.86 |
| 11 | 59,269.95 | 34 | 26 | 8 | 76.47 | 8,978.70 | -5,722.20 | 2,808.41 | -1,718.58 | 1.63 | 5.31 | 1,743.23 |
| 10 | 56,323.00 | 34 | 25 | 9 | 73.53 | 9,500.10 | -8,745.48 | 2,905.84 | -1,813.66 | 1.60 | 4.45 | 1,656.56 |
| 9 | 53,381.46 | 34 | 24 | 10 | 70.59 | 8,603.10 | -6,371.60 | 2,717.44 | -1,183.72 | 2.30 | 5.51 | 1,570.04 |
| 8 | 50,489.70 | 34 | 24 | 10 | 70.59 | 8,276.40 | -4,917.08 | 2,667.24 | -1,352.40 | 1.97 | 4.73 | 1,484.99 |
| 7 | 40,883.17 | 34 | 23 | 11 | 67.65 | 7,872.60 | -4,106.50 | 2,534.74 | -1,583.27 | 1.60 | 3.35 | 1,202.45 |
| 6 | 34,951.87 | 34 | 21 | 13 | 61.76 | 7,058.70 | -5,306.50 | 2,453.68 | -1,275.04 | 1.92 | 3.11 | 1,028.00 |
| 5 | 30,482.49 | 34 | 22 | 12 | 64.71 | 7,207.80 | -5,320.00 | 2,102.31 | -1,314.02 | 1.60 | 2.93 | 896.54 |
| 4 | 30,709.80 | 35 | 25 | 10 | 71.43 | 5,976.00 | -4,559.50 | 1,847.05 | -1,546.65 | 1.19 | 2.99 | 877.42 |
| 3 | 26,202.74 | 35 | 25 | 10 | 71.43 | 6,006.30 | -4,707.50 | 1,669.15 | -1,552.60 | 1.08 | 2.69 | 748.65 |
| 2 | 20,237.11 | 36 | 27 | 9 | 75.00 | 3,996.00 | -3,138.00 | 1,208.25 | -1,376.19 | 0.88 | 2.63 | 562.14 |
| 1 | 3,624.39 | 36 | 19 | 17 | 52.78 | 2,536.10 | -2,034.00 | 766.01 | -642.93 | 1.19 | 1.33 | 100.68 |

Pretty much from the start there appears to be a strong and consistent edge over the next 4 weeks. This suggests a decent chance that Monday's rally was the beginning of a continued move higher. I produced profit curves for the 8-day and 20-day holding periods highlighted above. First, the 8 day...



The strong and improving upslope for the 8-day period is impressive and serves as confirmation of the upside edge. Now the 20-day curve.



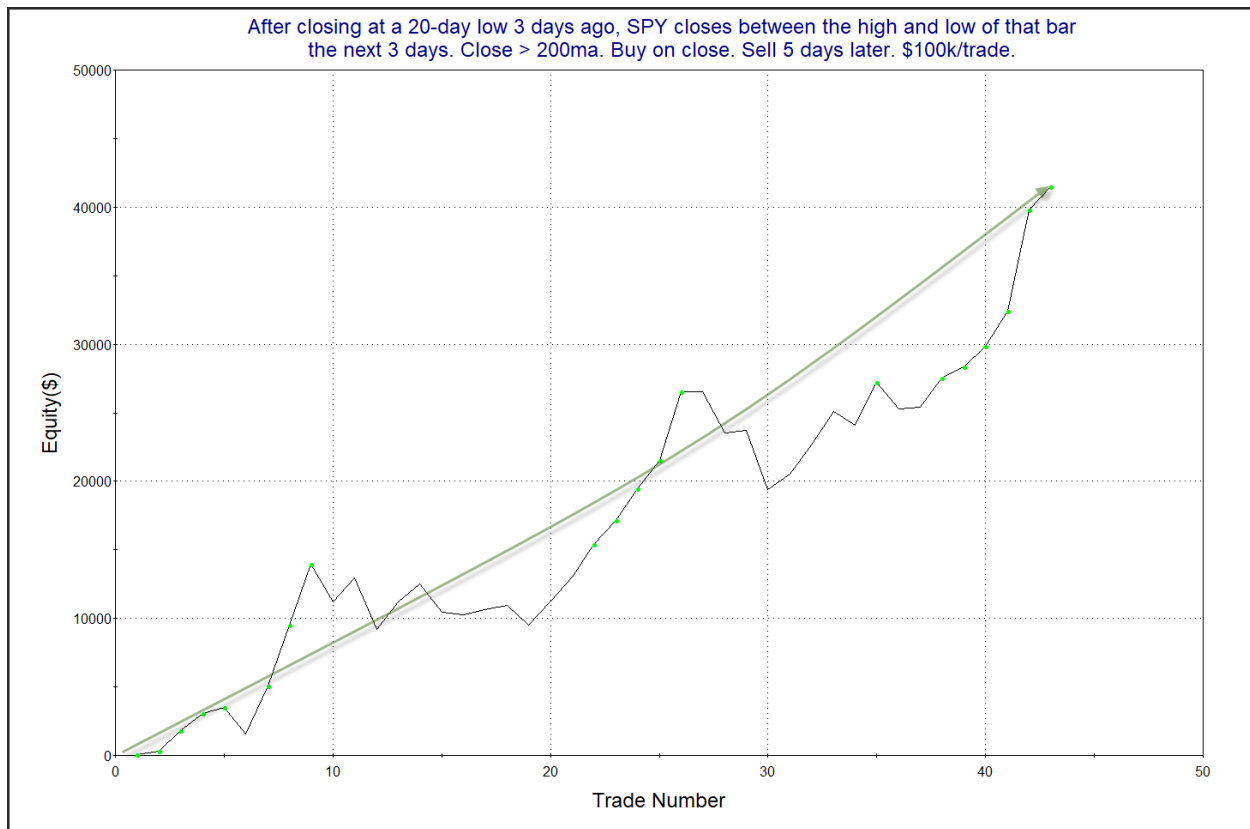
This one is a little choppy, but it sure has been strong lately, with 15 of the last 16 instances all closing higher, including the last 12.

After a decent sized drop last Wednesday, the market has bounced, but it has remained within the range of that one day. This triggered an interesting study from the 12/7/21 letter. It looked at other times a “big” drop like 8/9 was followed by smaller movements. I have updated the study below.

After closing at a 20-day low 3 days ago, SPY closes between the high and low of that bar the next 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade.

| 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 | 41,474.06 | 43 | 32 | 10 | 74.42 | 7,356.72 | -4,326.19 | 1,991.27 | -2,224.65 | 0.90 | 2.86 | 964.51 |
| 4 | 30,521.19 | 44 | 30 | 14 | 68.18 | 6,027.92 | -4,345.88 | 1,878.25 | -1,844.74 | 1.02 | 2.18 | 693.66 |
| 3 | 28,172.36 | 44 | 27 | 17 | 61.36 | 6,052.08 | -4,248.64 | 1,874.16 | -1,319.41 | 1.42 | 2.26 | 640.28 |
| 2 | 23,269.23 | 45 | 30 | 15 | 66.67 | 4,932.84 | -2,818.42 | 1,397.19 | -1,243.09 | 1.12 | 2.25 | 517.09 |
| 1 | 11,389.21 | 47 | 26 | 19 | 55.32 | 2,355.32 | -2,101.88 | 974.07 | -733.50 | 1.33 | 1.82 | 242.32 |

Closing 3 times between the high and low of the bar that put us at a 20-day low means 1) the selloff day was probably pretty large, and 2) the market has been moving moderately higher or sideways since. Results here seem to favor the bull case. I also examined the profit curves. The 5-day can be found below.



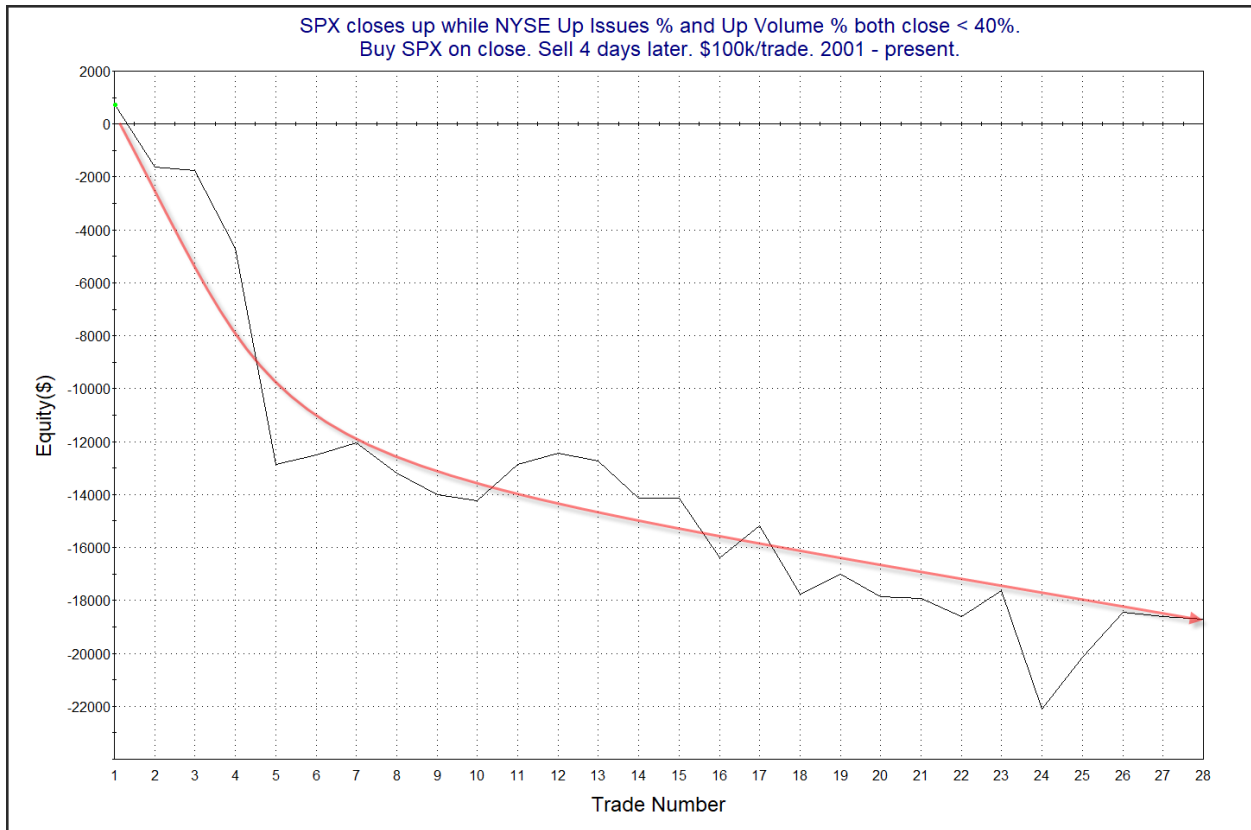
The curve has been choppy. But the continued move from lower left to upper right has been impressive. And the last several instances have steepened the upward slope. I decided to include this study on the Active List tonight.

Also notable about the action was the substantially weak breadth on a day that the SPX moved higher. This triggered a few studies. They both triggered recently in the 6/23/23 letter. Interestingly, they did not agree with each other. The 1st looked at times both the Up Volume % and Up Issues % were both below 40% on an up day. Updated results are below.

SPX closes up while NYSE Up Issues % and Up Volume % both close < 40%.
Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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 | -11,597.73 | 28 | 15 | 13 | 53.57 | 3,146.16 | -9,372.60 | 1,203.33 | -2,280.59 | 0.53 | 0.61 | -414.20 |
| 4 | -18,721.06 | 28 | 10 | 18 | 35.71 | 1,977.25 | -8,138.50 | 990.73 | -1,590.46 | 0.62 | 0.35 | -668.61 |
| 3 | -11,028.09 | 30 | 16 | 14 | 53.33 | 2,365.53 | -4,302.54 | 698.64 | -1,586.17 | 0.44 | 0.50 | -367.60 |
| 2 | -7,415.59 | 30 | 16 | 14 | 53.33 | 2,505.37 | -3,867.94 | 841.13 | -1,490.97 | 0.56 | 0.64 | -247.19 |
| 1 | -8,061.17 | 32 | 14 | 18 | 43.75 | 2,625.35 | -8,783.02 | 894.21 | -1,143.34 | 0.78 | 0.61 | -251.91 |

Numbers here look quite negative. Below is a look at the curve for the 4-day holding period.



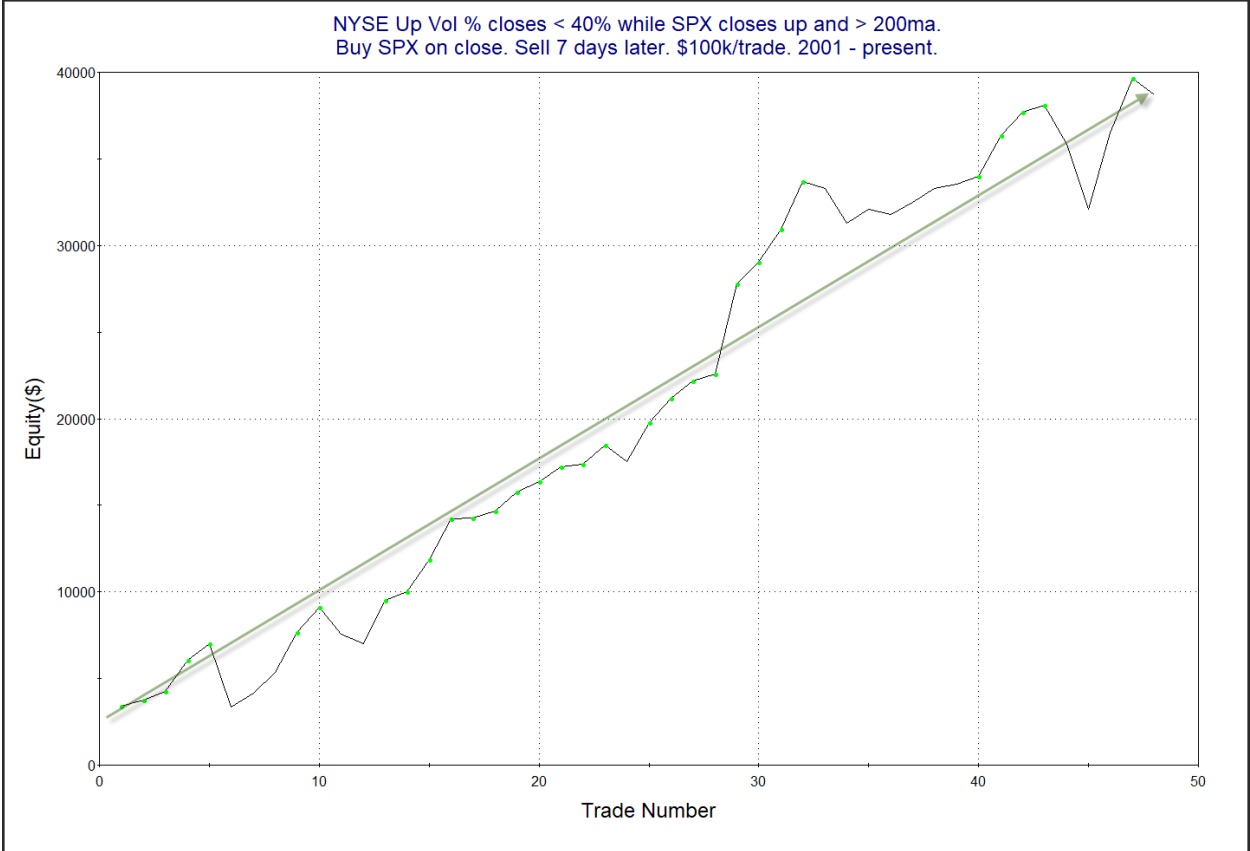
That is a persistent drop. This study appears to be worth some consideration.

But the next study viewed weak breadth as an “oversold” type condition suggesting a short-term upside edge. It simply focused on Up Volume % coming in under 40% while SPX closed higher during a long-term uptrend. It is also updated from the 6/23/23 letter.

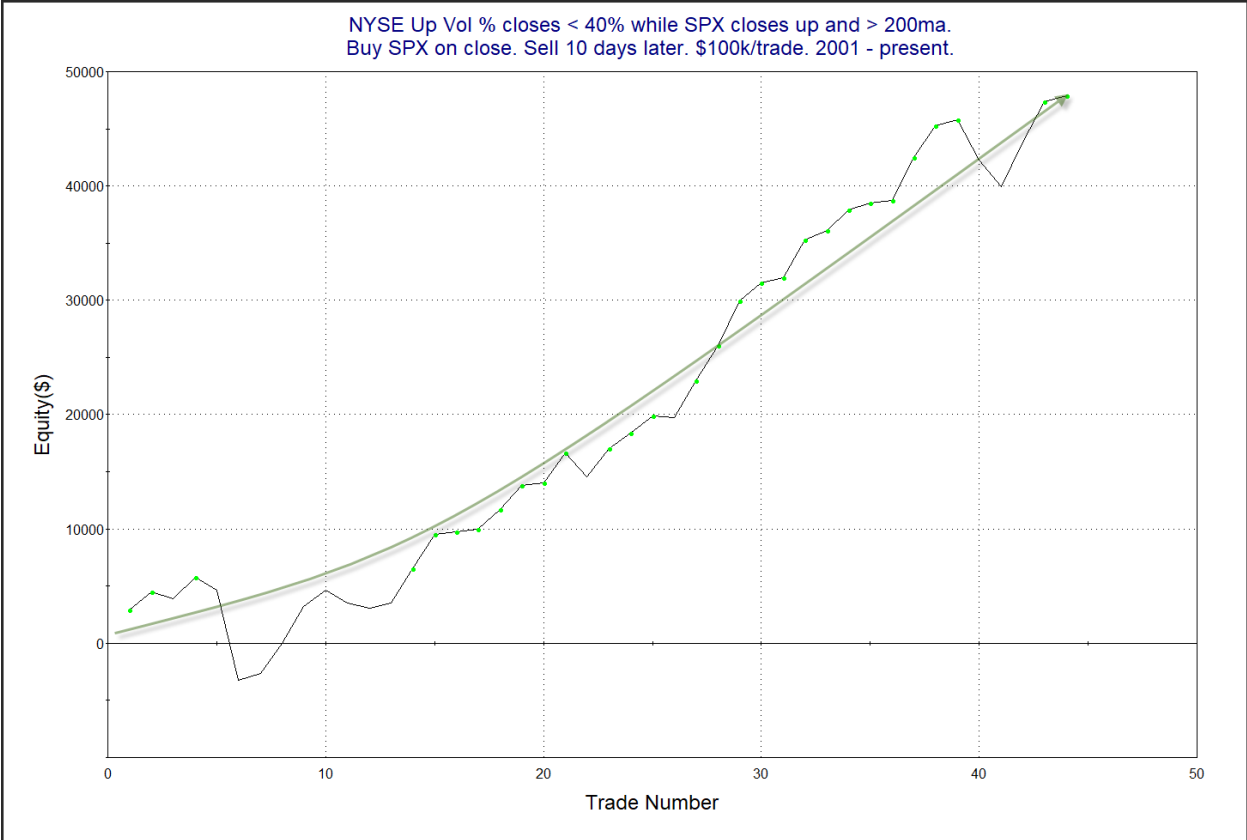
NYSE Up Vol % closes < 40% while SPX closes up and > 200ma.
Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.

| 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 | 47,407.74 | 43 | 34 | 9 | 79.07 | 3,969.23 | -7,891.63 | 1,962.95 | -2,148.06 | 0.91 | 3.45 | 1,102.51 |
| 9 | 43,915.57 | 44 | 34 | 10 | 77.27 | 3,793.00 | -7,594.37 | 1,832.29 | -1,838.22 | 1.00 | 3.39 | 998.08 |
| 8 | 44,200.05 | 45 | 36 | 9 | 80.00 | 4,666.56 | -6,657.20 | 1,620.20 | -1,569.69 | 1.03 | 4.13 | 982.22 |
| 7 | 39,665.67 | 47 | 38 | 9 | 80.85 | 5,211.84 | -3,755.76 | 1,449.09 | -1,711.10 | 0.85 | 3.58 | 843.95 |
| 6 | 37,399.04 | 47 | 35 | 12 | 74.47 | 6,018.56 | -3,495.92 | 1,506.40 | -1,277.08 | 1.18 | 3.44 | 795.72 |
| 5 | 28,251.16 | 51 | 39 | 12 | 76.47 | 4,787.84 | -4,623.84 | 1,211.42 | -1,582.84 | 0.77 | 2.49 | 553.94 |
| 4 | 14,030.93 | 52 | 33 | 19 | 63.46 | 2,689.05 | -4,483.92 | 1,087.50 | -1,150.34 | 0.95 | 1.64 | 269.83 |
| 3 | 15,391.54 | 54 | 36 | 18 | 66.67 | 2,513.92 | -3,122.40 | 883.43 | -911.78 | 0.97 | 1.94 | 285.03 |
| 2 | 16,108.97 | 58 | 40 | 18 | 68.97 | 2,661.75 | -2,848.17 | 748.58 | -768.57 | 0.97 | 2.16 | 277.74 |
| 1 | 8,605.74 | 63 | 39 | 24 | 61.90 | 1,790.64 | -1,489.20 | 541.81 | -521.88 | 1.04 | 1.69 | 136.60 |

Results have been surprisingly strong over the last 22 years. Below is a look at a 7-day profit curve.

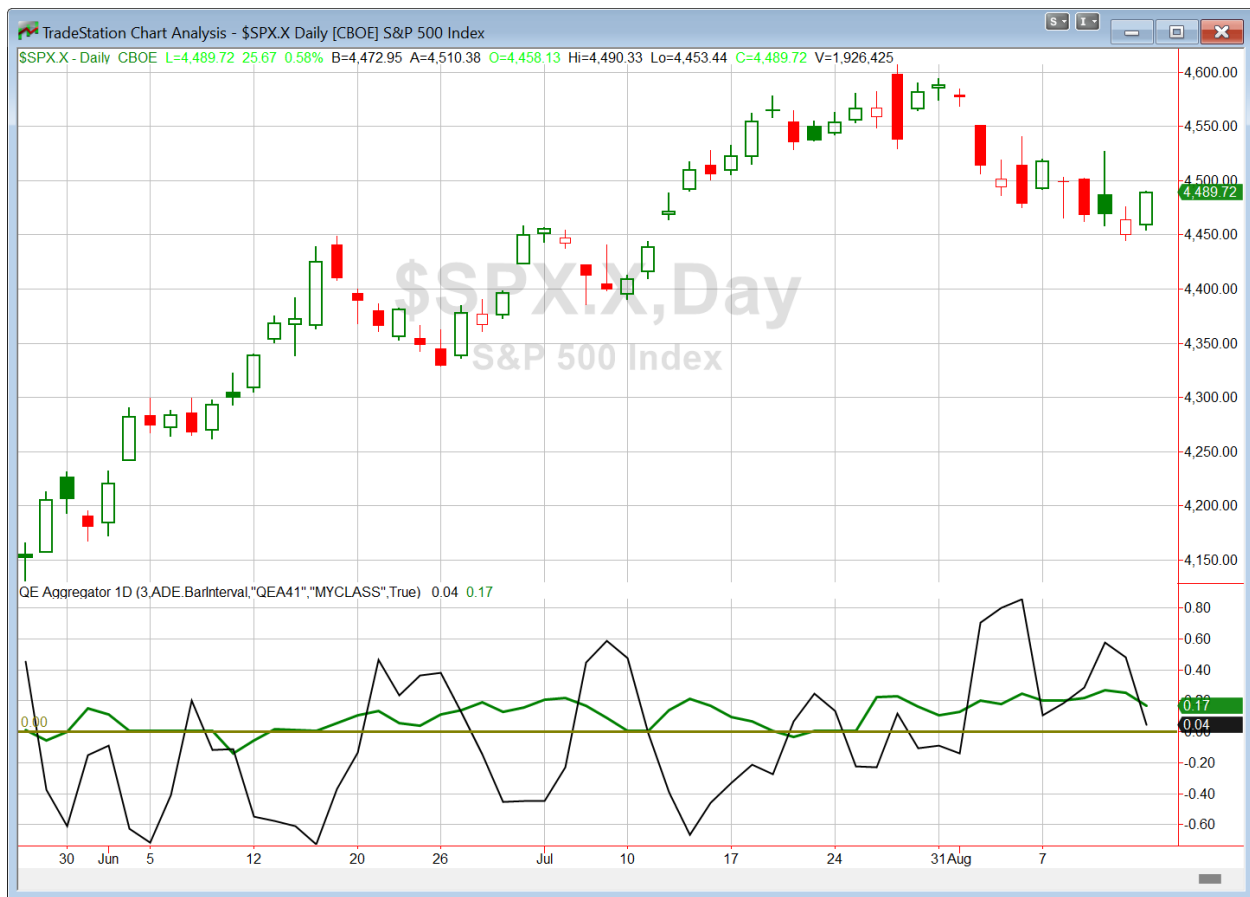


And here is the 10-day curve.



The curves have shown strong upside persistence. I find these results intriguing and have included this study on the short-term and the intermediate-term Active Lists. So we have a bit of a mix tonight.

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



With tonight' 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 also still 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 is unlikely to change. Meanwhile, the Differential Pivot will be 4499.35 on Tuesday. That is 0.2% above Monday's close. Therefore, SPX will need to close up over 0.2% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator formation is again bullish. Evidence was a bit mixed tonight, but mostly positive. It appears as though the bounce on Monday is likely to continue over the next several days. I have some long index exposure. I will look to take off a portion of it if SPX closes above the Differential Pivot on Tuesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/14– neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

F @ \$14.03 (bought @ limit)

AAPL @ \$181.99 (bought @ limit)

AAPL @ \$178.85 (bought @ limit)

SCHW @ \$61.78 (buy @ limit)

Broad Market Large Cap CBI – 4(F, AAPL-2, SCHW)

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.

SCHW – Buy 1/3 Catapult position @ \$61.68 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of SCHW.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes |
|-----------|------------|-------------|---------------|-------------|---|
| F(1/3) | 7/21/2023 | \$14.01 | \$12.20 | -12.92% | Catapult |
| SPY(1/4) | 8/3/2023 | \$448.04 | \$448.11 | 0.02% | <i>sell if SPX closes >= 4499.35</i> |
| SPY(1/4) | 8/4/2023 | \$446.81 | \$448.11 | 0.29% | Aggregator |
| ABT(1/3) | 8/4/2023 | \$107.32 | \$106.10 | -1.14% | <i>sell on open</i> |
| AAPL(1/3) | 8/7/2023 | \$181.99 | \$179.46 | -1.39% | Catapult |
| AAPL(1/3) | 8/8/2023 | \$178.85 | \$179.46 | 0.34% | Catapult |

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