

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 24, 2023

Volume 16 Issue 162

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	5

Tonight's Research Points

- After going an extended period of time without closing above the 10ma, SPX managed to close above it today. When in a long-term uptrend, that has often led to further gains.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral. I still think there could be a bit more upside.

Summary of Current 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						
August 23, 2023	20 low close. 3 closes in intraday range	1-5 days	Bullish	2.00%	-1.20%	-2.60%
August 21, 2023	4 Lower lows & lowest low 20	1-7 days	Bullish	2.20%	-1.65%	-3.40%
August 18, 2023	SPY closes btm 10% rng 2x in 3 days > 200	1-8 days	Bullish	2.90%	-1.30%	-2.80%
August 15, 2023	20-low to 4-high.	1-8 days	Bullish	2.50%	-1.30%	-2.90%
Active - Long Term						
August 15, 2023	20-low to 4-high.	1-20 days	Bullish	4.00%	-2.00%	-4.30%
August 14, 2023	NASDAQ Lagging	int term	Neutral			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
August 18, 2023	20-day low close 3x > 200ma	1-4 days	Bullish	2.20%	-1.20%	-2.70%
August 17, 2023	Gap dn from 20-low. Close < open	1-5 days	Bullish	2.60%	-1.10%	-2.20%
August 17, 2023	CBI rises to 7 or higher	1-5 days	Bullish			

The Evidence

Wednesday was a good day for the bulls. SPX had its biggest gain since June 30th. It rose 1.1%, the NASDAQ gained 1.6%, and the Russell 2000 climbed 1.0%. Breadth was strong with the NYSE Up Issues % coming in at 77% and the Up Volume % at 63%. NYSE total volume rose some from Tuesday's level.

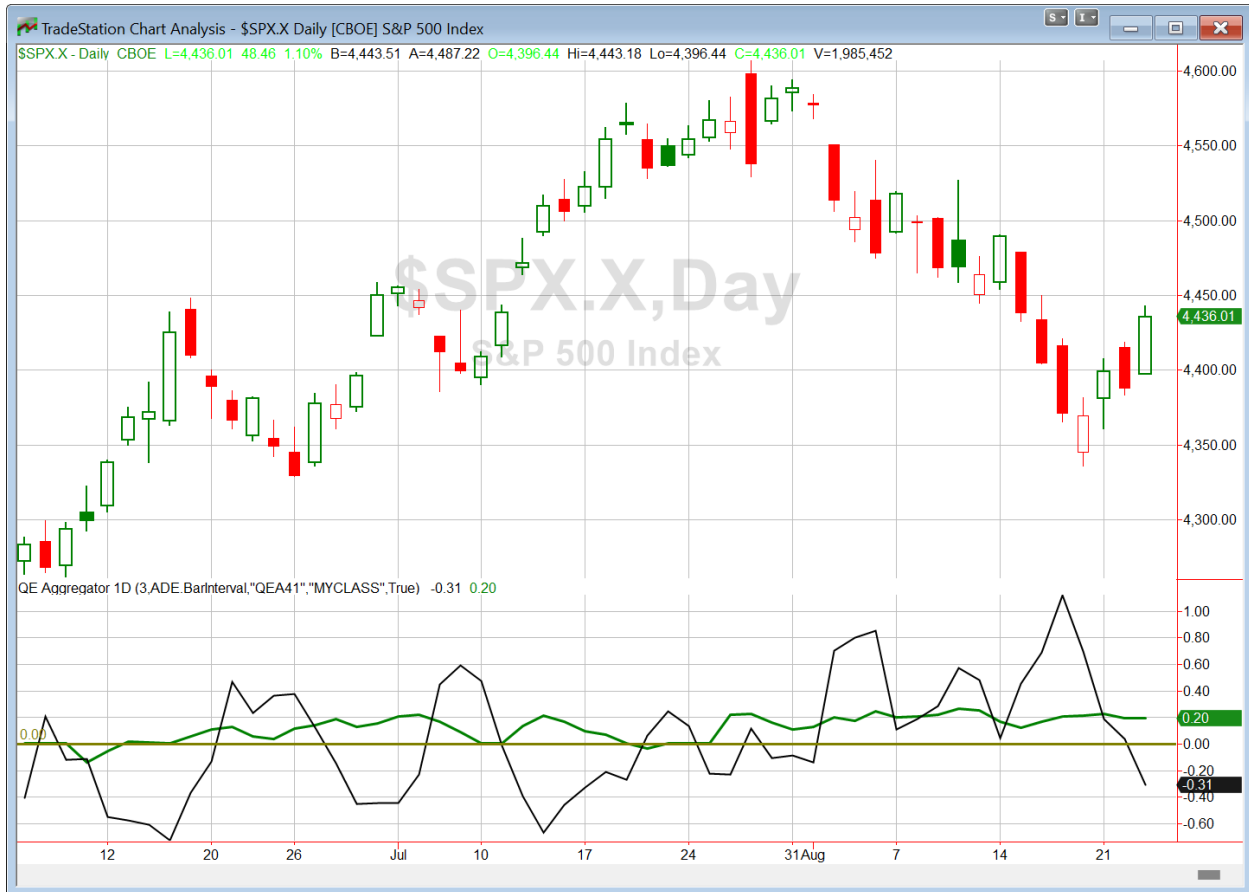
Monday was the 1st day that SPX closed above its 10ma since August 1st. So prior to today that was a run of 15 days in a row below the 10ma. When the market is above its 200ma, that is quite unusual. The study below looked back at other times during uptrends that SPX moved above its 10ma after closing below it for at least 3 weeks. It was last seen in the 9/29/20 letter. Results are updated.

SPX closes above the 10ma after closing below it for at least 15 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	3,057.40	14	9	5	64.29	5,295.98	-11,602.12	3,049.36	-4,877.38	0.63	1.13	218.39
9	6,629.62	14	9	5	64.29	4,191.90	-6,371.60	2,572.03	-3,303.73	0.78	1.40	473.54
8	12,572.98	14	9	5	64.29	4,436.82	-4,917.08	2,469.28	-1,930.10	1.28	2.30	898.07
7	15,667.94	14	12	2	85.71	4,151.08	-3,822.96	1,733.18	-2,565.10	0.68	4.05	1,119.14
6	11,567.78	14	12	2	85.71	3,821.38	-3,349.68	1,351.18	-2,323.21	0.58	3.49	826.27
5	9,555.86	14	11	3	78.57	4,176.20	-3,519.00	1,388.23	-1,904.89	0.73	2.67	682.56
4	4,243.18	14	7	7	50.00	2,517.97	-4,068.00	1,563.31	-957.14	1.63	1.63	303.08
3	2,675.08	14	11	3	78.57	1,943.76	-4,078.50	888.43	-2,365.89	0.38	1.38	191.08
2	6,106.98	14	10	4	71.43	1,773.59	-1,656.75	949.80	-847.74	1.12	2.80	436.21
1	-2,478.99	14	6	8	42.86	1,613.68	-1,480.36	512.40	-694.18	0.74	0.55	-177.07

We see here some suggestion of an upside edge. But the instances over the last 43 years have been very light, with today's instance just the 3rd one since 2013. Additionally, results are choppy and

inconsistent over the 1st few days. Therefore, while it suggests we could see some follow-through over the next week or so, I have not added this study 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 dipped below zero for the 1st time in a while. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive and 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 Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4428.05 on Thursday. That is 0.2% below Wednesday's close. So SPX will only need to close down 0.2% on Thursday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator formation is now flat. Evidence continues to point higher but SPX has turned short-term overbought. I will be looking to scale further out of my SPY positions on Thursday unless we get a gap lower that does not even get to the area around the Differential Pivot.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 8/21**– neutral*

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

SCHW @ \$61.78 (bought @ limit)

SCHW @ \$60.97 (bought @ limit)

SCHW @ \$60.45 (bought @ limit)

CHTR @ \$413.38 (bought @ limit)

New

ABBV @ \$147.08 (buy @ limit)

Broad Market Large Cap CBI – 5 (SCHW-3, CHTR, ABBV)

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.

ABBV – Buy 1/3 Catapult position @ \$147.08 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of ABBV.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	8/3/2023	\$448.04	\$443.03	-1.12%	<i>sold on close</i>
SPY(1/4)	8/4/2023	\$446.81	\$443.03	-0.85%	<i>sell @ \$442.75 limit</i>
AAPL(1/3)	8/7/2023	\$181.99	\$178.52	-1.91%	<i>sold on open</i>
AAPL(1/3)	8/8/2023	\$178.85	\$178.52	-0.18%	<i>sold on open</i>
SCHW(1/3)	8/15/2023	\$61.00	\$58.02	-4.89%	Catapult
SCHW(1/3)	8/16/2023	\$60.51	\$58.02	-4.12%	Catapult
SPY(1/4)	8/17/2023	\$439.64	\$443.03	0.77%	<i>sell @ \$443.00 limit ON CLOSE</i>
SCHW(1/3)	8/17/2023	\$60.30	\$58.02	-3.78%	Catapult
ABT(1/3)	8/17/2023	\$104.53	\$105.70	1.12%	<i>sold on open</i>
CHTR(1/3)	8/23/2023	\$415.38	\$415.28	-0.02%	Catapult

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