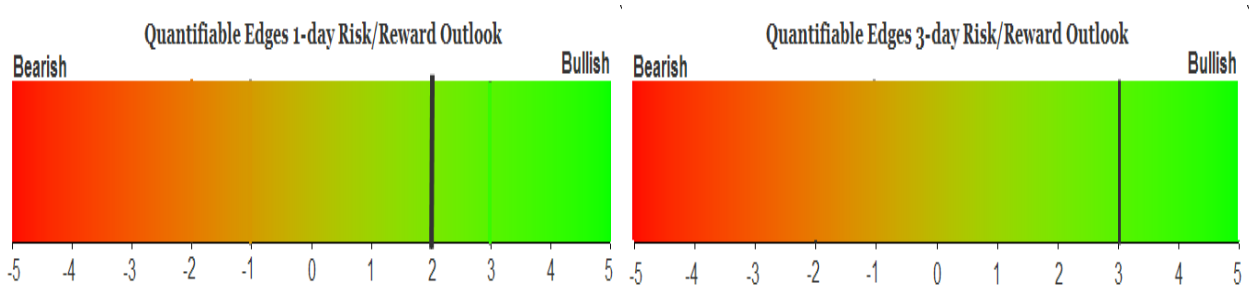
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 25, 2023 Volume 16 Issue 163

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- The big outside day down is suggesting a move up over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is back to bullish. A decent bounce has been hard to come by, but odds still favor one. Friday's action could be heavily influenced by Powell's comments.

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 25, 2023	Up yest. Outside day down 1% today	1-4 days	Bullish	2.00%	-1.20%	-2.60%
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%
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			

The Evidence

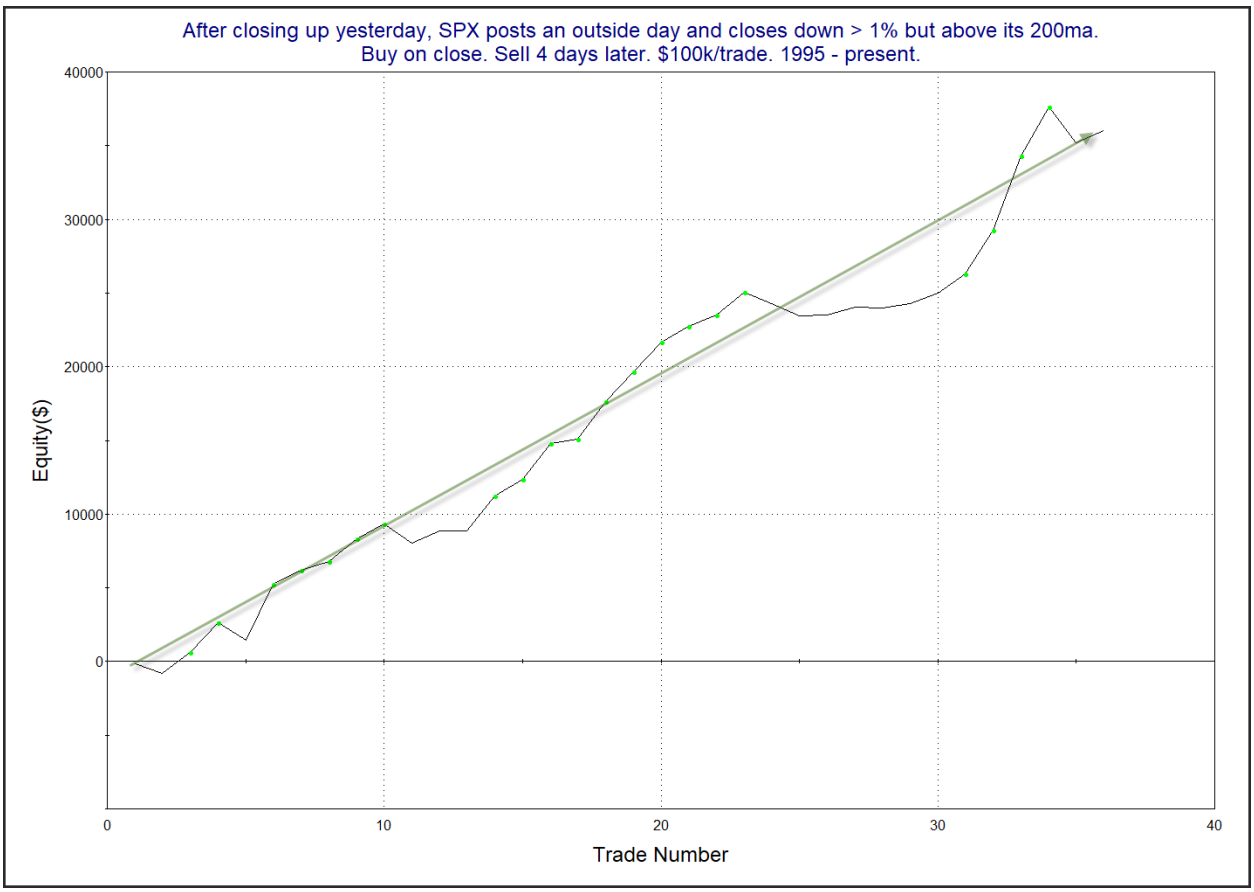
Thursday started strong but the sellers came in soon after the open and did not relent all day. It rose 1.1%, the NASDAQ gained 1.6%, and the Russell 2000 climbed 1.0%. Breadth was strong with the NYSE Up Issues % coming in at 77% and the Up Volume % at 63%. NYSE total volume rose some from Tuesday's level.

The big reversal triggered a few interesting studies. I found the one below to be the most compelling. It simply looked at outside day reversals like Thursday that close down substantially and follow an up day. Last seen in the 3/23/23 letter, I have updated the results.

After closing up yesterday, SPX posts an outside day and closes down > 1% but above its 200ma.
Buy on close. Sell X days later. $100k/trade. 1995 - 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	38,938.93	36	26	10	72.22	4,377.84	-2,808.74	2,001.16	-1,309.11	1.53	3.97	1,081.64
4	36,031.82	36	27	9	75.00	5,024.25	-2,476.98	1,612.71	-834.59	1.93	5.80	1,000.88
3	28,406.78	36	26	10	72.22	3,896.91	-1,909.08	1,522.63	-1,118.16	1.36	3.54	789.08
2	20,892.89	36	25	11	69.44	2,489.94	-2,397.96	1,229.08	-894.02	1.37	3.12	580.36
1	2,188.91	36	21	15	58.33	1,695.63	-1,799.08	695.75	-828.12	0.84	1.18	60.80

The numbers point to a possible upside edge. Below is a profit curve using a 4-day holding strategy.



The move from lower left to upper right is impressive. I have added this study to the active list tonight.

Perhaps bigger than anything else on Friday will be Jay Powell's speech from Jackson Hole. It is a big wildcard that could ignite a strong reaction in either direction. Or it could be shrugged off as "nothing new". Therefore, I am more eager to evaluate market action after Friday plays out than I am right now.

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 back 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 turned long 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 4414.53 on Friday. That is 0.9% above Thursday's close. So SPX will need to close up at least 0.9% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is now bullish. Bullish evidence and an oversold market point to an upside edge. I still have a small amount of SPY. I won't look to add to that position unless we see a strong move lower on Friday. A strong move lower would likely be an overreaction to Powell's speech, and could set the market up nicely for a quick bounce.

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)
ABBV @ $147.08 (bought @ limit)
New
ABBV @ $146.63 (buy @ limit)

Broad Market Large Cap CBI – 6 (SCHW-3, CHTR, ABBV-2)

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 @ $146.63 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of ABBV.

SPY – Buy ¼ index position @ $433.00 LIMIT ON CLOSE. Based on the short-term outlook, I will look to take on more SPY exposure if it closes down strongly following Powell's speech.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	***8/4/2023***	***$446.81***	***$444.69***	***-0.47%***	***sold on open***
SCHW(1/3)	8/15/2023	$61.00	$57.84	-5.18%	Catapult
SCHW(1/3)	8/16/2023	$60.51	$57.84	-4.41%	Catapult
SPY(1/4)	8/17/2023	$439.64	$436.89	-0.63%	Aggregator
SCHW(1/3)	8/17/2023	$60.30	$57.84	-4.08%	Catapult
CHTR(1/3)	8/23/2023	$415.38	$411.99	-0.82%	Catapult
ABBV(1/3)	8/24/2023	$146.92	$146.63	-0.20%	Catapult

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