

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 5, 2024

Volume 17 Issue 128

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Back-to-back days where SPY opens at the bottom of its range and closes at the top of its range have been rare but have suggested a bearish edge for the next day.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator formation is neutral. I am as well.

**Summary of Recent Active Studies (see Letters from listed dates for details)**

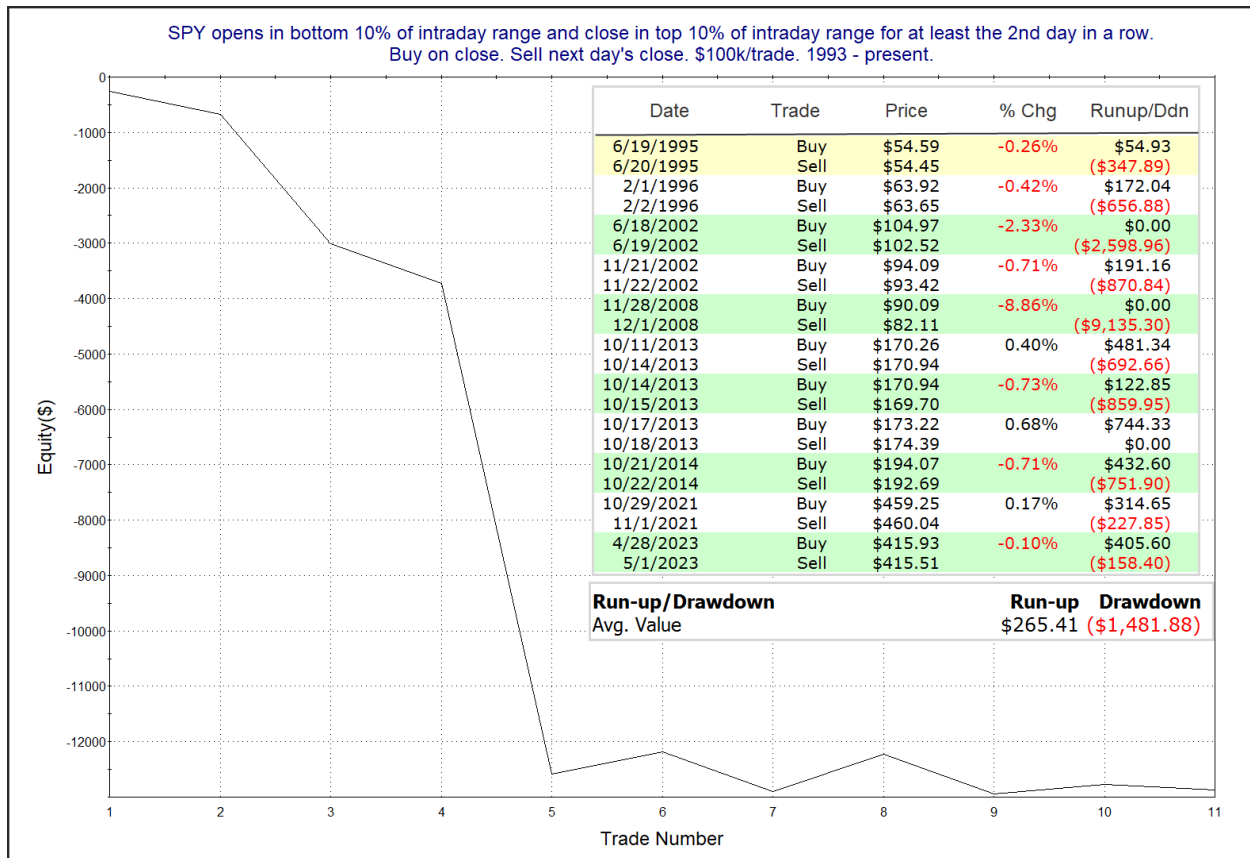
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
July 5, 2024	SPY opens btm 10% rng closes top 10% 2x	1 day	Bearish			
July 1, 2024	3-day high, 3-day low, 3-day low close	1-5 days	Bullish	1.90%	-1.10%	-2.20%
June 26, 2024	SPX up and > 200. Up Vol % < 40%.	1-8 days	Bullish	1.85%	-1.30%	-2.80%
<b>Active - Long Term</b>						
June 26, 2024	SPY 50-high then 5 sideways	1-10 days	Bullish	2.10%	-1.15%	-2.50%
June 24, 2024	Seasonality Calendar strong end June-July	int term	Bullish			
June 20, 2024	Hindenburg Omen with SPX trend mod	1-35 days	Bearish	-7.40%	2.80%	4.90%
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
June 7, 2024	RUT btm 25% 20-day rng. SPX top 25%.	1-40 days	Bullish	5.30%	-3.30%	-6.60%
May 16, 2024	SPX 50-day %b crosses 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
May 7, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
May 6, 2024	NASDAQ Leading	int term	Bullish			
April 29, 2024	May-October selloff potential when 5% dn	1-6 months	Bearish			
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
February 2, 2024	SPX up > 15% last 3 months	1-6 months	Bullish			
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

**The Evidence**

Wednesday was a rally (half) day. SPX rose 0.5%, the NASDAQ gained 0.9%, and the Russell 2000 climbed 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 68.5% and the Up Volume % at 65.5%. NYSE volume was very light on shortened trading ahead of the holiday.

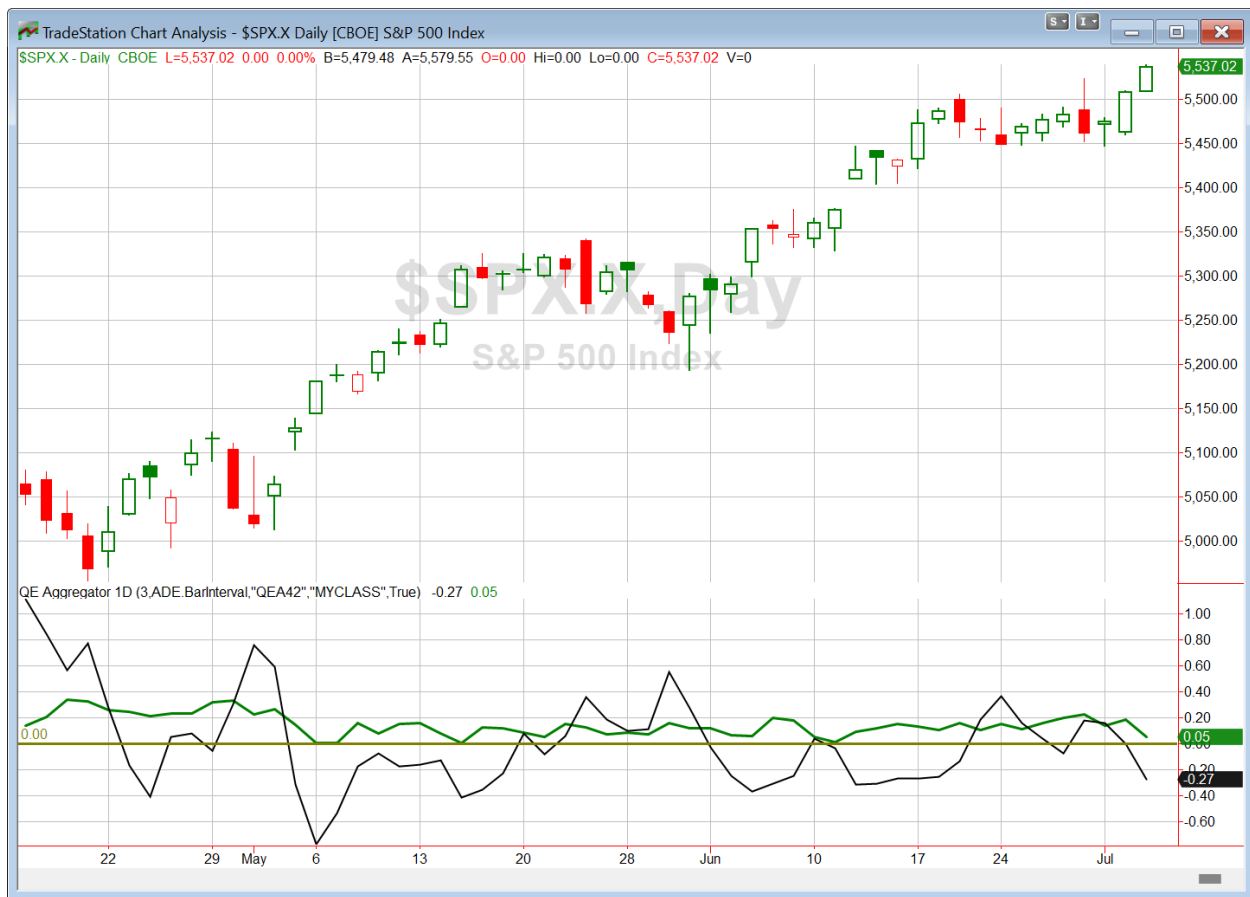
There were a few studies that noted the light volume. But I always dismiss light volume studies when a holiday is involved like on Wednesday. The light volume is expected. It is not unusual or predictive in any way.

When a market opens near its low and closes near its high it is considered a sign of strength. On a classic candle chart it is seen as a white candle with very small or no wicks. Not only did we see this formation occur in the SPY on Wednesday, but we also saw it Tuesday. So what happens after you get back to back days that are so strong that they manage to open in the bottom 10% of the day's range and close in the top 10%? I last looked at this in detail on 10/14/13. Below are updated results.



Not a ton of instances, but the stats are quite bearish. Of course they are also heavily skewed by the 2008 instance that saw a 1-day loss of nearly 9%. But even excluding that instance the next day average return would have generated a loss of 0.4% and average drawdown would have been 2.5x the average run-up. So I decided to include the study on today's active list, but I have excluded the 2008 outlier for estimation purposes.

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



Even with today's study considered, the green Aggregator Line held slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained 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 list of active studies, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5505.82 on Wednesday. That is 0.6% below Wednesday's close. Therefore SPX will need to close down at least 0.6% on Friday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. The market is overbought and evidence is mixed. While evidence over the next few days is pointing higher, Friday odds point a little lower. Overall, there does not appear to be a clear and compelling reward/risk opportunity for taking on new index positions. I'll stay sidelined and await the favorable setup before putting money back at risk.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/1 – **slightly bullish***

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

#### *Open Catapult Triggers*

None

*Broad Market Large Cap CBI – 0*

### **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.

### **Current Open Trade Ideas**

None

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