

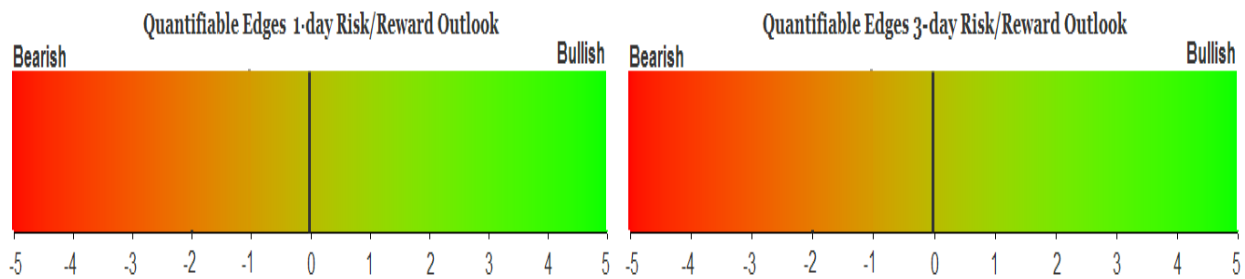
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 11, 2024

Volume 17 Issue 132

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- RSI(2) crossing above 99 bodes well for the intermediate-term.
- SPX closing above its 50-day Bollinger Band suggests momentum is strong enough that further intermediate-term gains appear likely.
- SPX is up for the 7th day in a row. That has often been followed by more gains over the next few weeks.
- 2 unfilled up gaps and a 50-day high are a short-term positive.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. This market is too overbought to buy and too strong to short.

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
Active - Short Term						
July 10, 2024	Unfil up. Cls < opn. 2nd day.	1-3 days	Bullish	1.20%	-0.55%	-1.00%
July 10, 2024	20-day high. Unfilled up with Cls < opn	1-3 days	Bullish	0.90%	-0.60%	-1.10%
July 8, 2024	SPX up and > 200. Up Vol % < 40%.	1-8 days	Bullish	1.85%	-1.30%	-2.80%
Active - Long Term						
July 8, 2024	NDX 18% above 200ma	1-90 days	Bullish	14.50%	-9.40%	-18.90%
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 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

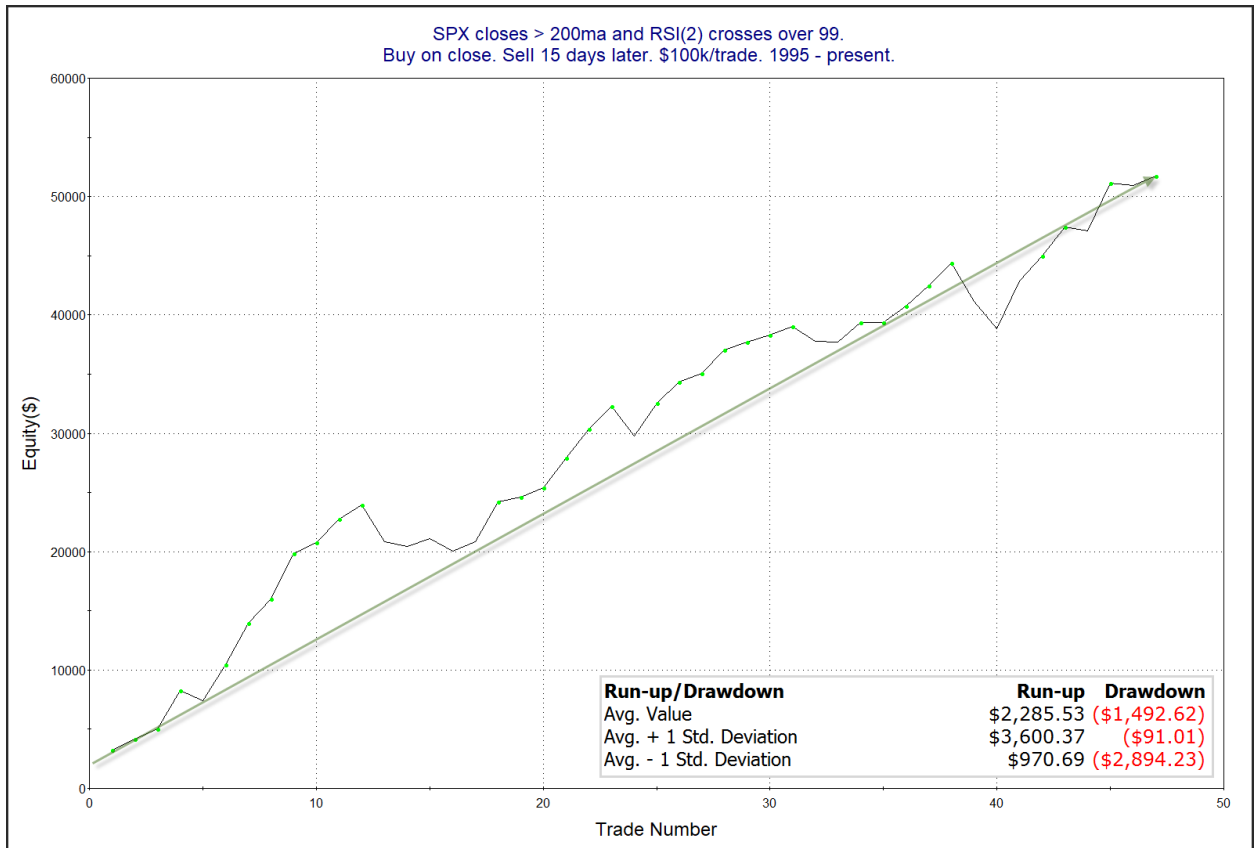
The market saw strong gains on Wednesday. SPX rose 1.0%, the NASDAQ gained 1.2%, and the Russell 2000 climbed 1.1%. Breadth was strong with the NYSE Up Issues % coming in at 74% and the Up Volume % at 76%. NYSE volume rose some from Tuesday's level.

The recent rally has left the market short-term overbought by most measures. Short-term overbought often triggers some studies that suggest a downside edge, but when the overbought condition gets very strongly overbought, then those downside edges often disappear. And at some point, rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we have seen this scenario unfold. It is exemplified in the study below from the 11/9/23 Letter, which uses RSI(2).

SPX closes > 200ma and RSI(2) crosses over 99.
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
15	51,740.46	47	36	11	76.60	4,070.44	-3,265.02	1,866.27	-1,404.13	1.33	4.35	1,100.86
14	46,590.16	47	36	11	76.60	4,461.36	-4,024.68	1,747.15	-1,482.47	1.18	3.86	991.28
13	47,566.01	49	37	12	75.51	3,989.82	-3,320.01	1,673.59	-1,196.40	1.40	4.31	970.73
12	42,973.46	50	38	12	76.00	4,058.61	-3,175.53	1,523.92	-1,244.64	1.22	3.88	859.47
11	42,855.28	51	38	13	74.51	4,106.40	-3,857.28	1,597.50	-1,373.05	1.16	3.40	840.30
10	36,023.64	52	39	13	75.00	3,824.48	-3,907.12	1,407.78	-1,452.29	0.97	2.91	692.76
9	32,143.71	52	38	14	73.08	3,453.27	-3,440.07	1,277.58	-1,171.75	1.09	2.96	618.15
8	28,730.58	53	36	17	67.92	3,621.20	-4,112.92	1,330.07	-1,126.58	1.18	2.50	542.09
7	21,642.43	54	35	19	64.81	3,564.39	-4,153.62	1,131.97	-946.13	1.20	2.20	400.79
6	10,031.38	54	33	21	61.11	2,760.12	-5,296.92	1,042.42	-1,160.41	0.90	1.41	185.77
5	14,022.58	54	35	19	64.81	2,859.08	-3,596.40	932.95	-980.56	0.95	1.75	259.68
4	11,296.37	54	36	18	66.67	2,697.92	-3,039.18	855.65	-1,083.72	0.79	1.58	209.19
3	4,176.79	56	34	22	60.71	3,504.64	-2,880.45	721.42	-925.07	0.78	1.21	74.59
2	4,746.71	56	33	23	58.93	2,273.92	-2,348.76	642.28	-715.15	0.90	1.29	84.76
1	1,094.53	56	28	28	50.00	2,096.10	-3,515.37	490.70	-451.61	1.09	1.09	19.55

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.

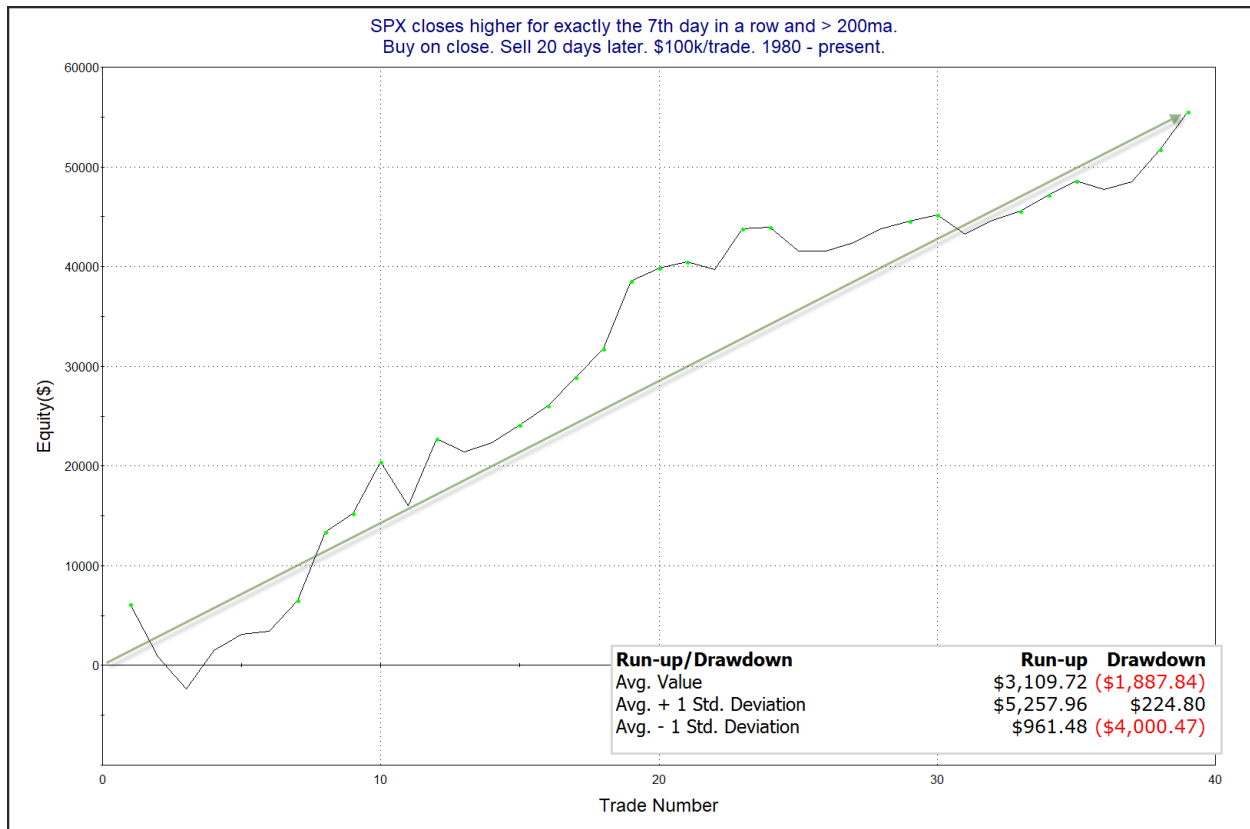


The upside edge has been apparent for a while, and it still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.

Wednesday also marked the 7th day in a row in which SPX closed higher. Looking back to 1980, there have been 41 previous streaks of 7-day rallies where SPX closed above the 200ma. The study below was last seen in the 11/8/23 letter. I have updated the stats table.

SPX closes higher for exactly the 7th day in a row and > 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
20	55,511.79	39	31	8	79.49	6,854.40	-5,183.75	2,440.90	-2,519.50	0.97	3.75	1,423.38
19	55,965.06	39	30	9	76.92	7,580.16	-6,017.50	2,683.32	-2,726.07	0.98	3.28	1,435.00
18	52,564.33	39	28	11	71.79	8,006.40	-6,177.00	2,599.81	-1,839.12	1.41	3.60	1,347.80
17	51,052.57	40	30	10	75.00	7,422.72	-7,532.75	2,504.28	-2,407.57	1.04	3.12	1,276.31
16	44,700.55	40	27	13	67.50	6,021.12	-6,880.25	2,538.61	-1,833.99	1.38	2.87	1,117.51
15	43,066.82	40	29	11	72.50	6,197.76	-5,270.75	2,291.90	-2,127.12	1.08	2.84	1,076.67
14	34,536.82	41	32	9	78.05	5,439.96	-5,279.12	1,981.28	-3,207.13	0.62	2.20	842.36
13	32,495.31	41	28	13	68.29	5,349.12	-4,228.00	1,938.29	-1,675.14	1.16	2.49	792.57
12	36,929.27	41	29	12	70.73	5,794.56	-4,104.27	1,907.46	-1,532.27	1.24	3.01	900.71
11	32,539.93	42	26	16	61.90	5,750.00	-3,463.18	2,082.25	-1,349.91	1.54	2.51	774.76
10	25,043.17	42	26	16	61.90	5,076.56	-4,247.60	1,884.59	-1,497.26	1.26	2.05	596.27
9	27,884.92	42	30	12	71.43	4,669.08	-4,677.12	1,587.01	-1,643.79	0.97	2.41	663.93
8	21,050.67	42	28	14	66.67	5,222.40	-4,726.96	1,478.59	-1,453.56	1.02	2.03	501.21
7	17,130.83	42	31	11	73.81	3,635.40	-6,521.20	1,253.67	-1,975.73	0.63	1.79	407.88
6	14,969.18	42	28	14	66.67	3,501.08	-4,932.76	1,166.73	-1,264.23	0.92	1.85	356.41
5	20,031.91	42	32	10	76.19	3,582.84	-2,665.71	987.31	-1,156.21	0.85	2.73	476.95
4	12,245.40	42	28	14	66.67	3,720.08	-3,022.92	847.08	-819.49	1.03	2.07	291.56
3	13,267.29	42	27	15	64.29	2,917.08	-2,626.02	905.28	-745.03	1.22	2.19	315.89
2	2,825.02	42	21	21	50.00	1,998.39	-1,508.17	575.52	-441.00	1.31	1.31	67.26
1	-1,872.86	42	20	22	47.62	1,606.89	-840.84	333.50	-388.32	0.86	0.78	-44.59

No apparent edge over the 1st few days, but like the 1st study, the market has typically pressed higher over the intermediate term. Momentum this strong often sees follow through. Below is a look at the 20-day profit curve.



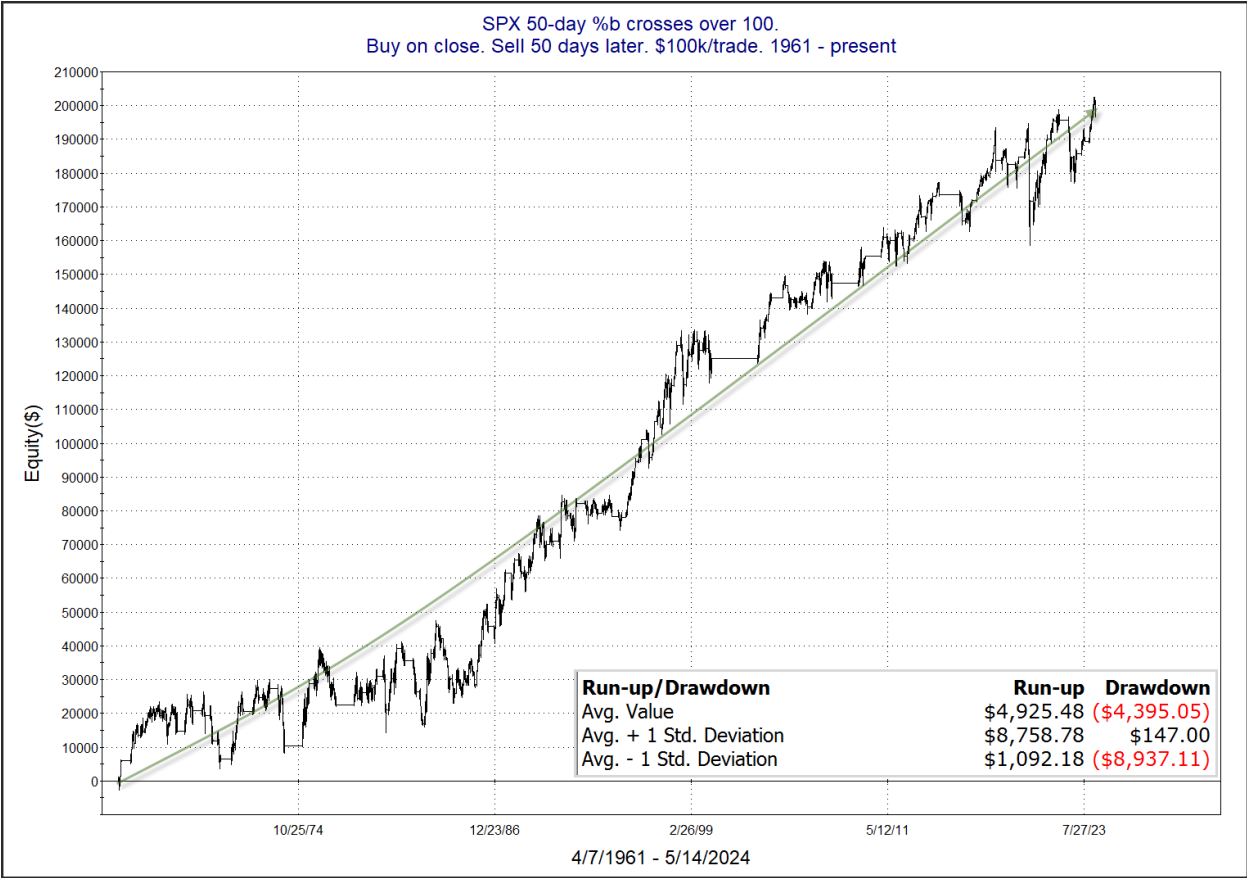
More confirmation that suggests the strong momentum is a positive sign for the intermediate-term.

Another interesting study that triggered in the Quantifinder looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 5/16/24 letter. Updated results are below.

SPX 50-day %b crosses over 100.
Buy on close. Sell X days later. \$100k/trade. 1961 - 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
50	198,887.38	150	94	56	62.67	18,408.18	-20,704.80	4,752.37	-4,425.63	1.07	1.80	1,325.92
45	152,404.06	156	92	64	58.97	15,816.57	-32,382.30	4,932.37	-4,708.96	1.05	1.51	976.95
40	158,877.22	163	99	64	60.74	17,624.67	-27,920.40	4,440.24	-4,386.04	1.01	1.57	974.71
35	155,060.81	173	105	68	60.69	15,782.13	-13,839.56	3,989.91	-3,880.58	1.03	1.59	896.31
30	94,726.88	180	108	72	60.00	11,920.74	-14,377.53	3,263.52	-3,579.63	0.91	1.37	526.26
25	61,566.23	188	108	80	57.45	10,859.94	-8,745.98	2,947.94	-3,210.15	0.92	1.24	327.48
20	60,233.59	201	115	86	57.21	9,501.30	-10,205.38	2,630.06	-2,816.55	0.93	1.25	299.67
15	40,556.95	221	128	93	57.92	7,843.46	-9,763.44	2,284.46	-2,708.11	0.84	1.16	183.52
10	35,616.55	245	148	97	60.41	8,239.16	-9,133.53	1,668.22	-2,178.14	0.77	1.17	145.37
5	6,606.00	299	165	134	55.18	5,030.81	-6,524.55	1,116.91	-1,326.00	0.84	1.04	22.09

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside rather than a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.

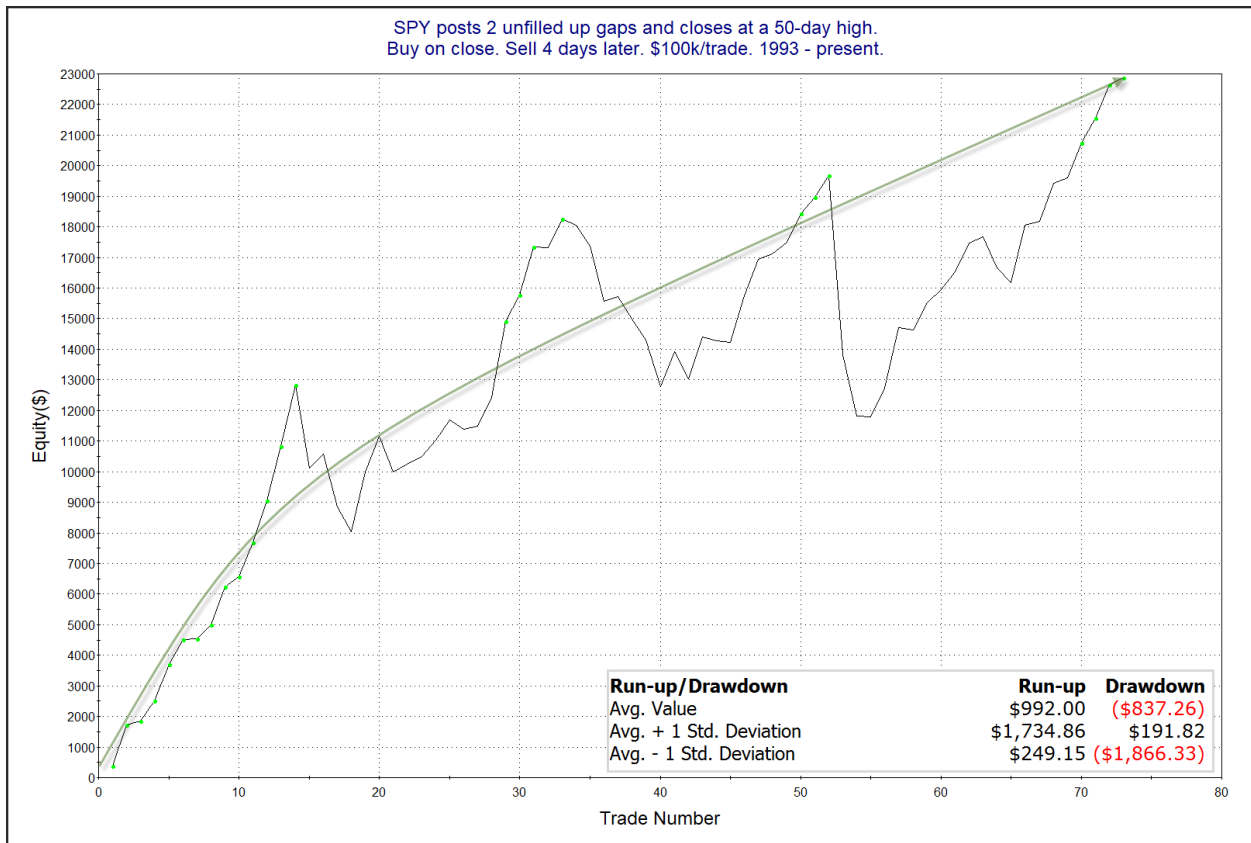


That’s a pretty steady upslope for a study without a very high “% Profitable”. Overall, I like this study enough to add it to the intermediate-term active list.

Wednesday not only saw SPY make a 50-day high, but it was also the 2nd day in a row with an unfilled gap up. The study below was last seen in the 3/8/24 letter. It examined other times SPY left at least 2 unfilled up gaps and closed at a 50-day high.

SPY posts 2 unfilled up gaps and closes at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	18,767.54	72	51	21	70.83	2,709.12	-4,990.35	898.99	-1,289.56	0.70	1.69	260.66
4	22,875.15	73	52	21	71.23	2,475.56	-5,867.91	880.20	-1,090.25	0.81	2.00	313.36
3	14,068.80	73	51	22	69.86	2,419.84	-6,980.31	641.62	-847.91	0.76	1.75	192.72
2	9,915.51	74	45	28	60.81	1,858.87	-1,729.75	523.79	-487.69	1.07	1.73	133.99
1	937.30	86	45	41	52.33	1,431.75	-1,942.24	322.66	-331.28	0.97	1.07	10.90

The size of the follow-through isn't terribly large, but the numbers appear consistent enough to warrant further examination. Below is the 4-day profit curve.



There were some sizable losers in 2020, including one in June of that year which lost nearly 6%. But the curve has certainly righted itself since then, rallying impressively since early 2021. I have decided to add this study to the active list tonight as well.

I will also note that the CPI report is coming out Thursday morning. It has the potential to cause a sizable opening market gap and set the tone for the day.

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



With tonight's evidence considered, the green Aggregator Line held 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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5576.46 on Thursday. That is 1.0% below Wednesday's close. So SPX will need to close down a fairly sizable 1.% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Markets like this are very tough to trade from a short-term perspective. I often say that this type of market is one that is "too overbought to buy, and too strong to short". Multiple studies tonight all suggest more intermediate-term strength, despite (and thanks to) how overbought the current market is. So patience becomes important. I will wait for a more compelling reward/risk setup to emerge before putting new money into index trades.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/8 – **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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