

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 17, 2024

Volume 17 Issue 136

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	1

## Tonight's Research Points

- VXX hitting a 5-day high at the same time as SPX has been followed by SPX pullbacks in the following days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator formation is now bearish. There seems to be a downside edge, but it would be aggressive to fight this strong uptrend.

**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 17, 2024	SPX and VXX both close at 5-day high	1-4 days	Bearish			
July 12, 2024	5+ up to 50-day, then down 1 day	1-4 days	Bullish			
July 8, 2024	SPX up and > 200. Up Vol % < 40%.	1-8 days	Bullish	1.85%	-1.30%	-2.80%
<b>Active - Long Term</b>						
July 15, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
July 12, 2024	SPX 50-day intraday hi. NDX biggest dn 50	1-50 days	Bullish	6.35%	-2.60%	-5.20%
July 12, 2024	5+ up to 50-day, then down 1 day	1-10 days	Bullish	1.85%	-1.10%	-2.25%
July 11, 2024	50-day %b crosses > 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
July 11, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.10%	-1.90%	-4.00%
July 11, 2024	RSI(2) crosses over 99	1-15 days	Bullish	2.30%	-1.50%	-2.90%
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 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			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

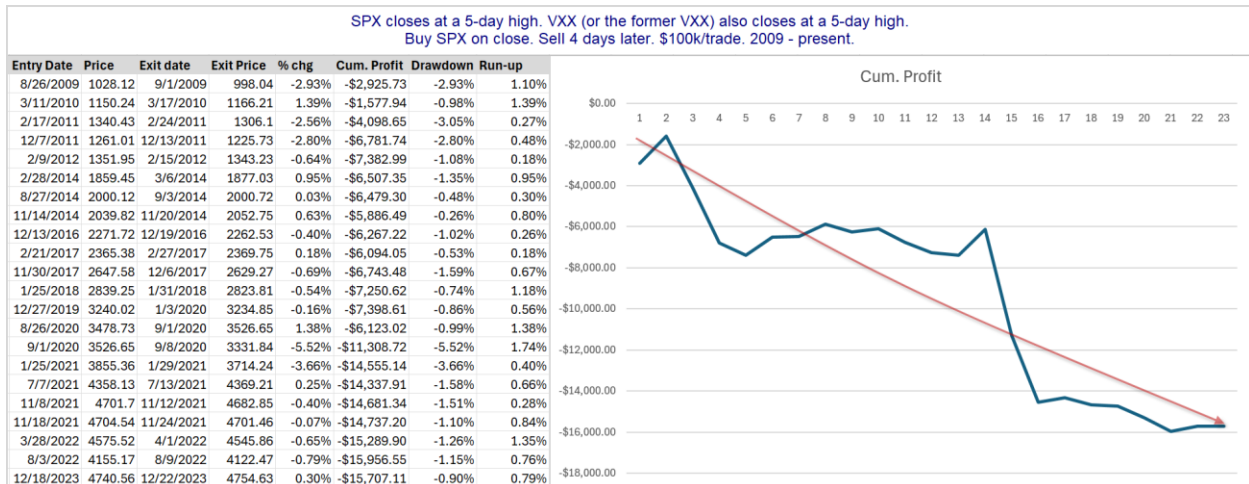
**The Evidence**

Tuesday was another day of gains. SPX finished up 0.6%, the NASDAQ gained 0.2%, and the Russell 2000 shot up 3.5%. Breadth was positive with the NYSE Up Issues % coming in at 80% and the Up Volume % at 86%. NYSE volume rose some from Monday’s level.

What stood out to me was that the VIX and VIX futures rose alongside the SPX. It is unusual that they are not only rising but both making short-term highs at the same time. I noticed this action could be a warning sign years ago when looking at the old XIV and SPX moving in opposite directions. Tonight I looked at VXX (and the old VXX which expired in 2019) vs SPX. The study I concocted can be found below.

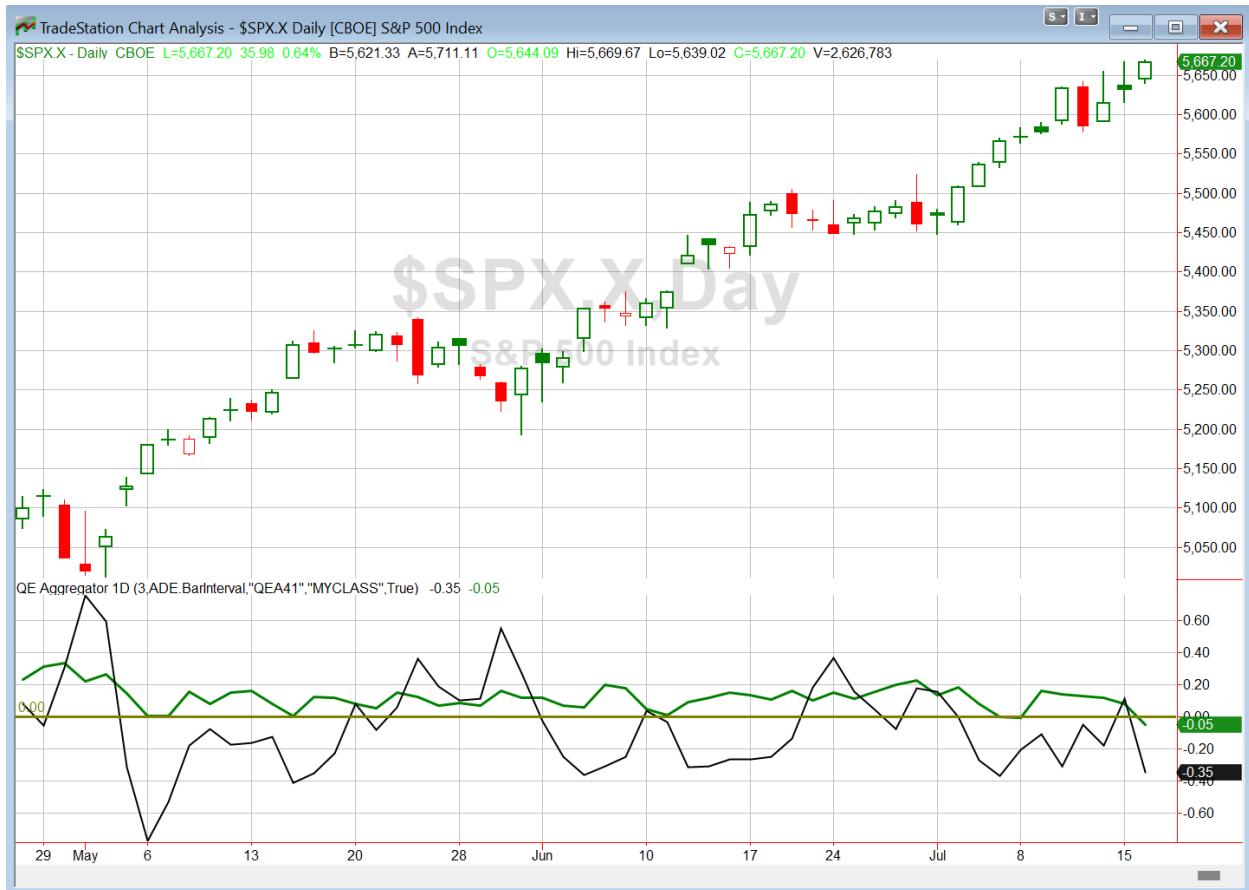
SPX closes at a 5-day high. VXX (or the former VXX) also closes at a 5-day high. Buy SPX on close. Sell "Days In" days later. \$100k/trade. 2009 - present.									
DaysIn	# Trades	# of winners	# of losers	% of Winners	W. Avg % Profit	L. Avg % Loss	Profit Factor	Avg Profit/Loss	
5	23	10	13	43.48	0.97	-1.66	0.43	-\$506.00	
4	23	8	15	34.78	0.64	-1.45	0.23	-\$682.92	
3	23	9	14	39.13	0.46	-1.03	0.28	-\$433.27	
2	23	9	14	39.13	0.42	-0.78	0.35	-\$302.15	
1	28	9	19	32.14	0.66	-0.74	0.41	-\$283.65	

The numbers seem to point lower. Below is the list of instances along with a profit curve for assuming a 4-day exit strategy.



Choppy, but it has generally headed lower for a long time. I have included this study on the active list tonight.

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



With tonight's evidence considered, the green Aggregator Line dropped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also fell below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

Based on the current list of active studies, expectations are set to remain negative on Wednesday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 5637.02 on Wednesday. That is 0.5% below Tuesday's close. So SPX will need to close down a little over 0.5% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is bearish. The recent rally has the SPX short-term overbought, and tonight's VIX-based evidence is suggesting a pullback is likely in the cards. Of course this would be a counter-trend trade if it was to be taken. With all the bullish intermediate-term evidence we have seen lately, I am not inclined to attempt a short trade just yet. More aggressive traders could consider it, or if you are looking to hedge current long positions, it might also be a consideration. But it just doesn't seem compelling enough to me to look for an index trade right here.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/15 – **bullish***

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

[Catapult & CBI Presentation Link](#)

#### ***Open Catapult Triggers***

NFLX @ \$647.60 (bought 1/3 @ limit)

#### ***Broad Market Large Cap CBI – 1 (NFLX)***

### **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 tonight.**

### **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
NFLX(1/3)	7/15/2024	\$647.50	\$656.32	1.36%	Catapult

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