

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 19, 2024

Volume 17 Issue 138

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The 1st 10-day low in a while is often buyable.
- The low closing TICK readings lately combined with the 10-day low suggest a high probability of a bounce tomorrow.

Short-term Outlook

The Bottom Line

The Aggregator formation is bullish. Compelling bullish evidence emerged on Thursday and the market is squarely oversold. I like the long side.

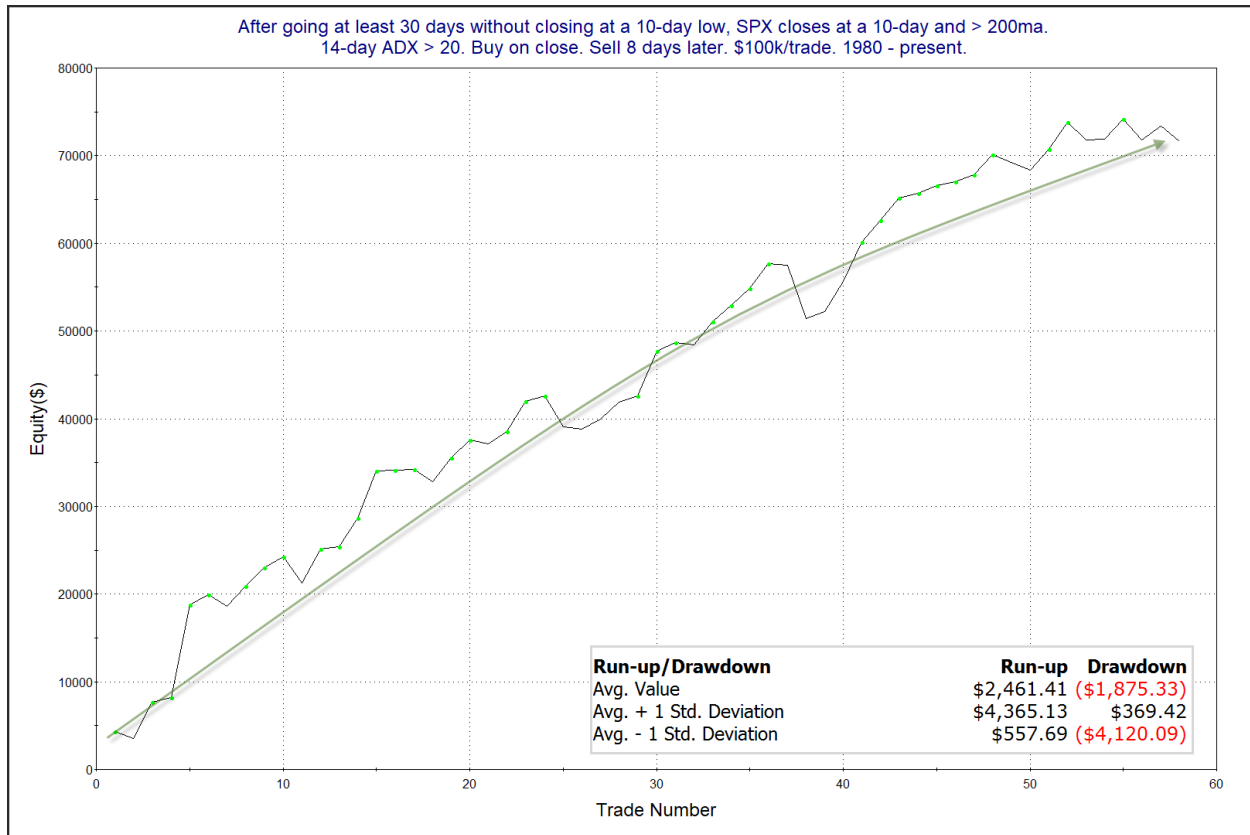
The Evidence

More selling Thursday. SPX finished down 0.8%, the NASDAQ fell 0.7%, and the Russell 2000 dropped 1.85%. Breadth was negative with the NYSE Up Issues % coming in at 23% and the Up Volume % at 23%. NYSE volume declined some from Wednesday’s level.

Thursday marked the 1st time SPX closed at a 10-day low since May 30th. Before Thursday, SPX had gone 32 trading days without closing at a 10-day low. That is a long time. Historically the 1st pullback to a 10-day low after a long time without one has provided a solid upside edge. In the past I also found that the edge is more prevalent when SPX has been trending than when it has been chopping sideways for an extended period. I used ADX to determine trend strength. I found that a reading of 20 or higher seemed to be a decent filter. I last shared the study below in the 4/5/24 letter. Results are updated.

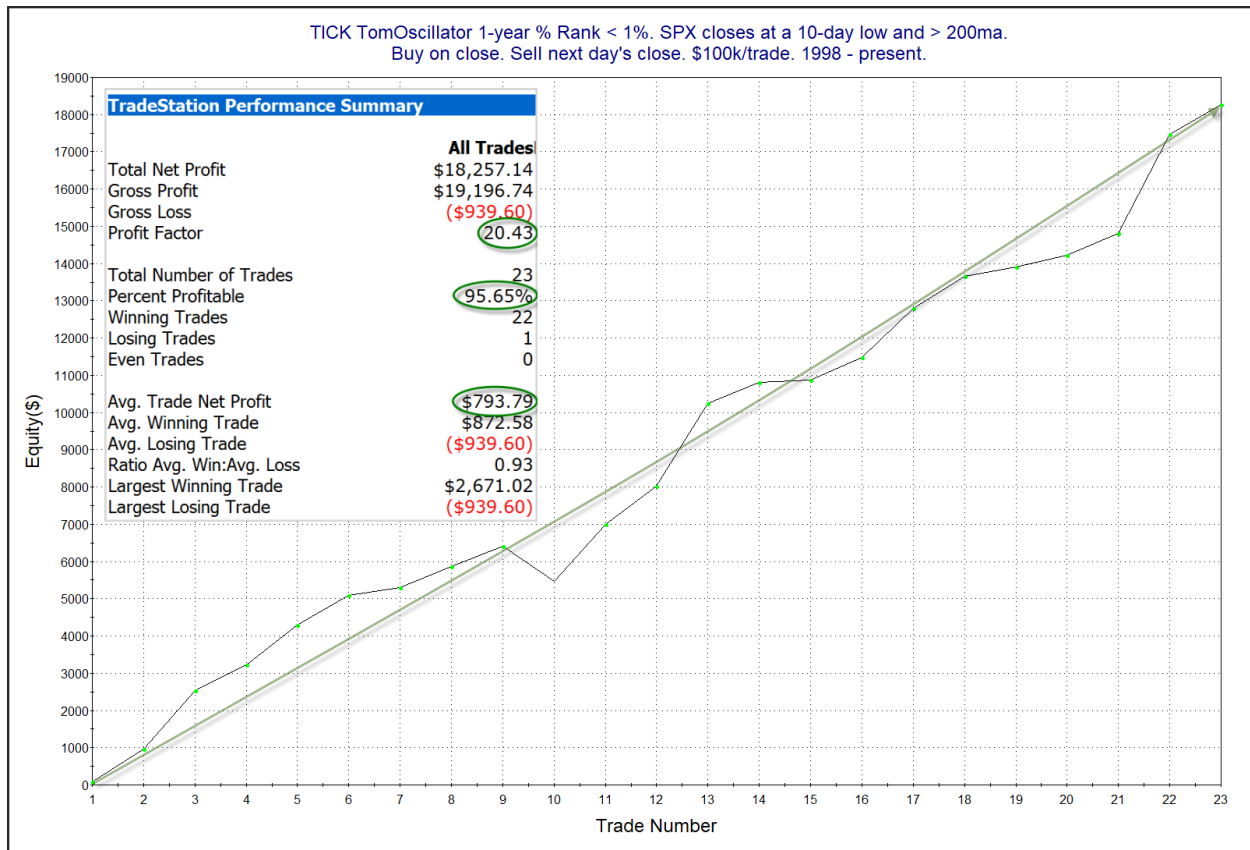
After going at least 30 days without closing at a 10-day low, SPX closes at a 10-day and > 200ma. 14-day ADX > 20. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	76,163.54	58	38	20	65.52	12,395.76	-5,362.24	2,788.44	-1,489.85	1.87	3.56	1,313.16
9	72,623.93	58	41	17	70.69	10,529.82	-3,753.36	2,446.11	-1,627.45	1.50	3.62	1,252.14
8	71,581.75	58	43	15	74.14	10,554.48	-6,117.72	2,253.06	-1,686.65	1.34	3.83	1,234.17
7	51,563.69	58	40	18	68.97	7,743.24	-8,141.12	2,188.77	-1,999.29	1.09	2.43	889.03
6	49,840.34	58	40	18	68.97	5,893.74	-4,111.40	1,876.95	-1,402.10	1.34	2.97	859.32
5	42,174.86	58	38	20	65.52	4,608.35	-3,502.11	1,754.56	-1,224.93	1.43	2.72	727.15
4	34,877.19	58	42	16	72.41	4,690.50	-2,617.20	1,462.80	-1,660.02	0.88	2.31	601.33
3	17,543.75	58	38	20	65.52	3,940.55	-4,464.88	1,172.73	-1,350.99	0.87	1.65	302.48
2	4,080.63	58	34	24	58.62	3,744.45	-7,559.56	980.11	-1,218.46	0.80	1.14	70.36
1	2,633.81	58	33	25	56.90	2,287.60	-2,758.48	731.43	-860.14	0.85	1.12	45.41

The numbers here are quite good, suggesting a short-term upside edge. Below is an 8-day profit curve.



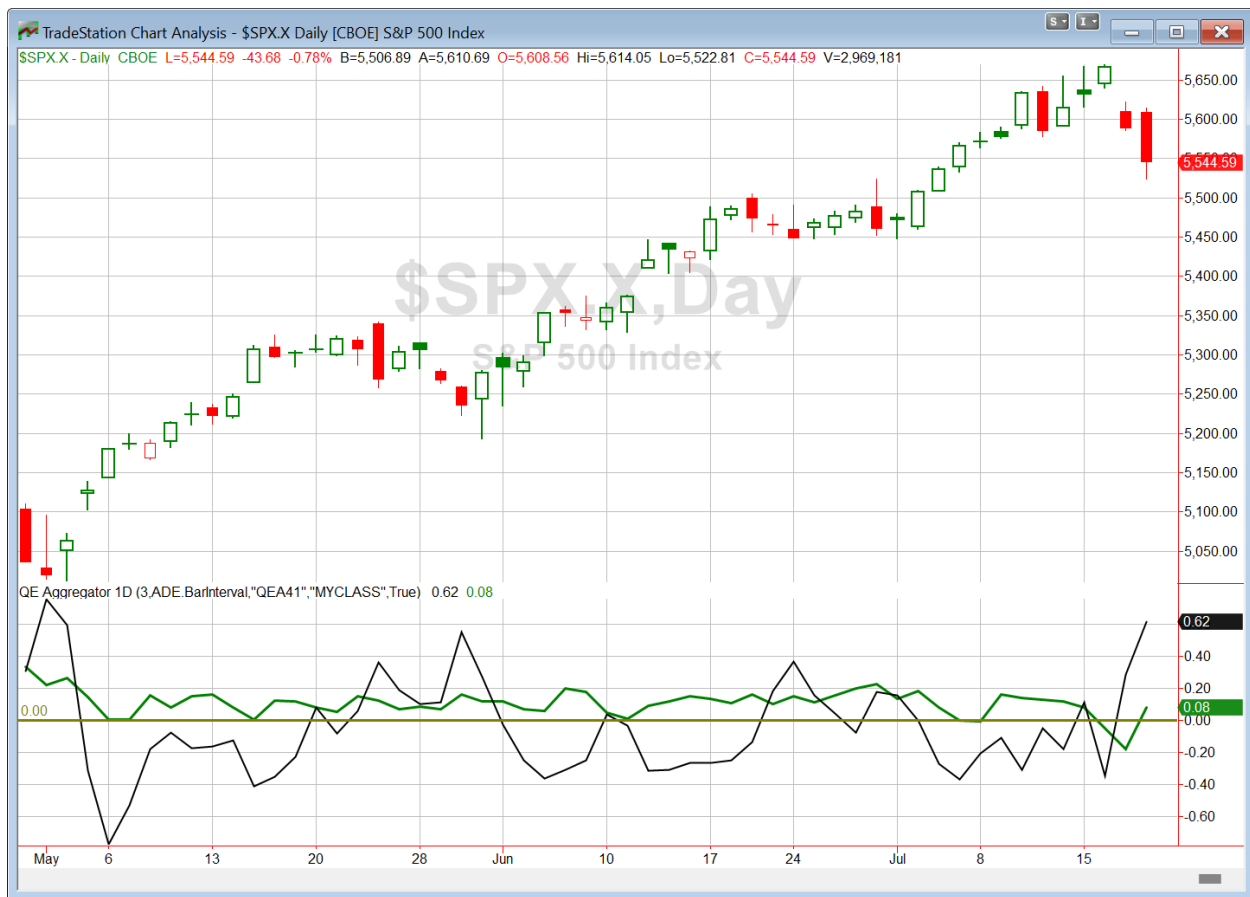
This curve appears steady and persistent. I have added this study to the active list.

There was also a study that used the TICK TomOscillator. The TICK Tomoscillator is the brain child of my friend and fellow market analyst, Tom McClellan of McClellan Financial Publications ([click for Tom's article on the indicator](#)). It uses the NYSE closing TICK readings to measure recent end-of-day sentiment. I first introduced the TICK Tomoscillator in the 4/19/11 subscriber letter. For those that are not familiar with the TICK Tomoscillator, you may find a detailed description in [the May 13, 2011 blog](#). The Tomoscillator % Rank Thursday came in below 1%, meaning Thursday's reading is among the lowest 1% in the last year. The study below uses the Tomoscillator % Rank reading rather than just the raw reading. It is updated from the 3/26/18 letter.



With 22 of 23 instances closing up the next day, there has been a strong bullish inclination. I have added this study to the active list.

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



With tonight's evidence considered, the green Aggregator Line moved above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line moved further 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 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 5673.44 on Friday. That is a sizable 2.3% above Thursday's close. So SPX will need to close up 2.3% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. Evidence tonight looks appealing and there is plenty of room to the upside before SPX would turn overbought. I like the setup. I will look to take on some long exposure if I can get a decent fill on Friday.

*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)

New

LLY @ \$848.90 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 2 (NFLX, LLY)

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.

SPY – Buy ¼ index position @ \$552.66 LIMIT. Based on the short-term outlook above, I will look to take some long exposure if I can get filled at Thursday’s close or better.

LLY – Buy 1/3 Catapult position @ \$848.90 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of LLY..

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
NFLX(1/3)	7/15/2024	\$647.50	\$647.46	-0.01%	Catapult

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