

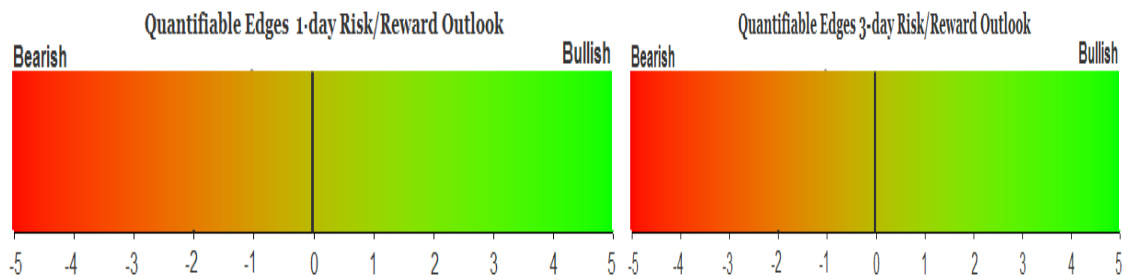
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 31, 2024

Volume 17 Issue 146

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	4

Tonight's Research Points

- Big drops like we saw a few days ago followed consolidations over the next 3 days is something that has typically been followed by a move higher.
- An outside day and close near the bottom of the short-term range during a long-term uptrend has consistently been followed by a bounce.
- The Fed Day edge on Wednesday looks solid.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. I am as well.

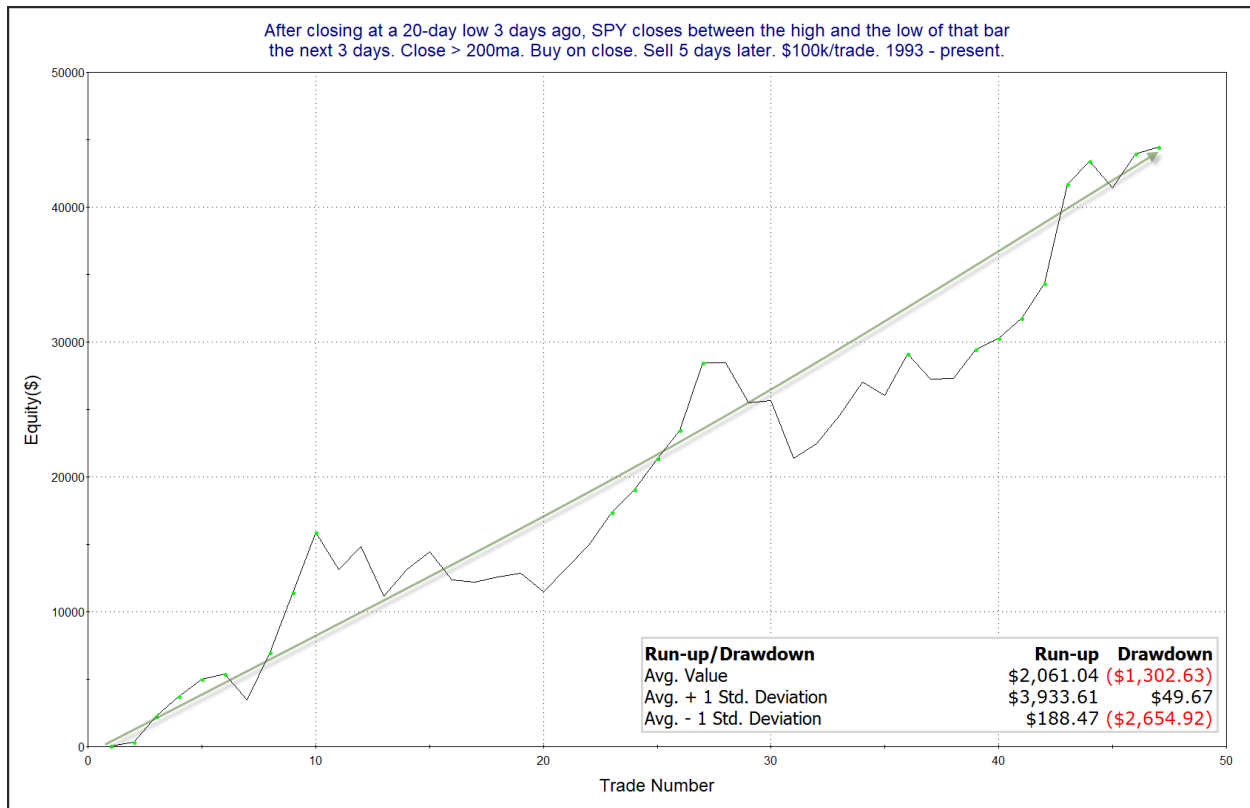
The Evidence

Tuesday was mostly lower. SPX finished down 0.5%, the NASDAQ fell 1.3%, and the Russell 2000 gained 0.35%. Breadth was positive with the NYSE Up Issues % coming in at 63% and the Up Volume % at 61%. NYSE volume rose some from Tuesday's level.

After a decent sized drop on Thursday, the market has bounced around, but it has remained within the range of that one day. This triggered a study we saw last in the 10/2/23 letter. It looked at other times a "big" drop like last Thursday was followed by sideways movement. I have updated the study below.

After closing at a 20-day low 3 days ago, SPY closes between the high and the low of that bar the next 3 days. Close > 200ma. 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	44,437.68	47	35	11	74.47	7,356.72	-4,326.19	1,961.14	-2,200.20	0.89	2.84	945.48
4	30,217.97	48	32	16	66.67	6,027.92	-4,345.88	1,853.99	-1,819.36	1.02	2.04	629.54
3	26,541.65	48	29	19	60.42	6,052.08	-4,248.64	1,802.22	-1,353.83	1.33	2.03	552.95
2	20,635.42	49	31	18	63.27	4,932.84	-2,818.42	1,381.62	-1,233.04	1.12	1.93	421.13
1	12,495.54	51	28	21	54.90	2,355.32	-2,101.88	986.99	-720.96	1.37	1.83	245.01

Closing 3 times between the high and low of the bar that put us at a 20-day low means 1) the selloff day was probably pretty large, and 2) the market has been moving moderately higher or sideways since. Results here seem to favor the bull case. I also examined the profit curves. The 5-day can be found below.



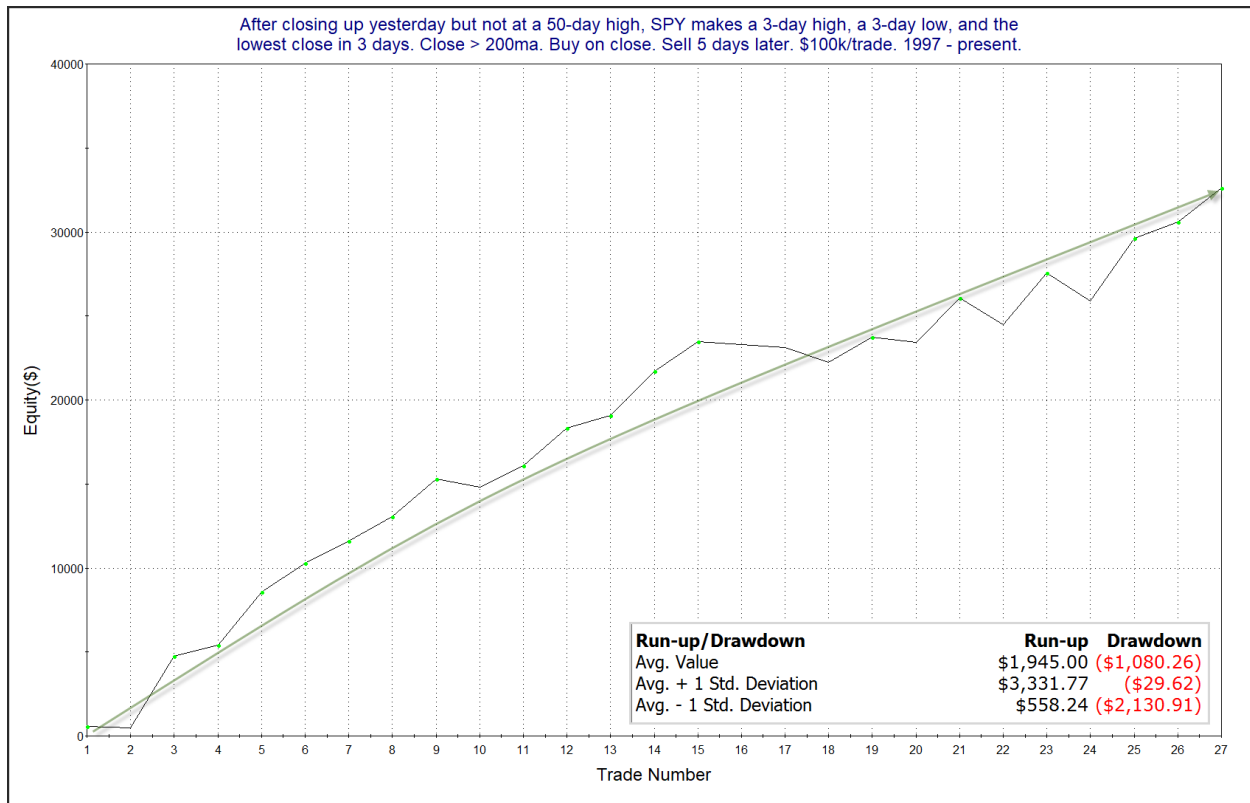
The curve has been choppy. But the continued move from lower left to upper right has been impressive. I decided to include this study on the Active List tonight.

Another study I looked at tonight was from the 7/1/24 letter. It looked at other times that SPY made a 3-day high, 3-day low, and then a 3-day low close. I found previously that filtering based on whether SPY had closed at a 50-day high the day before was also important. I have updated the study below.

After closing up yesterday but not at a 50-day high, SPY makes a 3-day high, a 3-day low, and the lowest close in 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - 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	32,626.61	27	19	8	70.37	4,273.50	-1,662.90	2,001.07	-674.22	2.97	7.05	1,208.39
4	26,314.45	27	19	8	70.37	4,533.98	-2,123.52	1,758.41	-886.93	1.98	4.71	974.61
3	18,634.45	27	20	7	74.07	3,903.34	-3,386.88	1,473.32	-1,547.43	0.95	2.72	690.16
2	11,387.63	28	19	9	67.86	3,244.78	-3,521.52	1,045.78	-942.46	1.11	2.34	406.70
1	5,386.88	28	18	10	64.29	2,359.84	-1,774.08	694.03	-710.57	0.98	1.76	192.39

Stats here certainly favor the bulls. Below is a look at the 5-day profit curve.



That is an impressive move from lower left to upper right. This serves as some confirmation of the upside edge suggested by the stats table. I have also added this study to the active list tonight.

Of course Wednesday is a Fed Day. With SPY closing in the 3rd quartile (just above the bottom), I have copied the related study from Sunday's letter below.

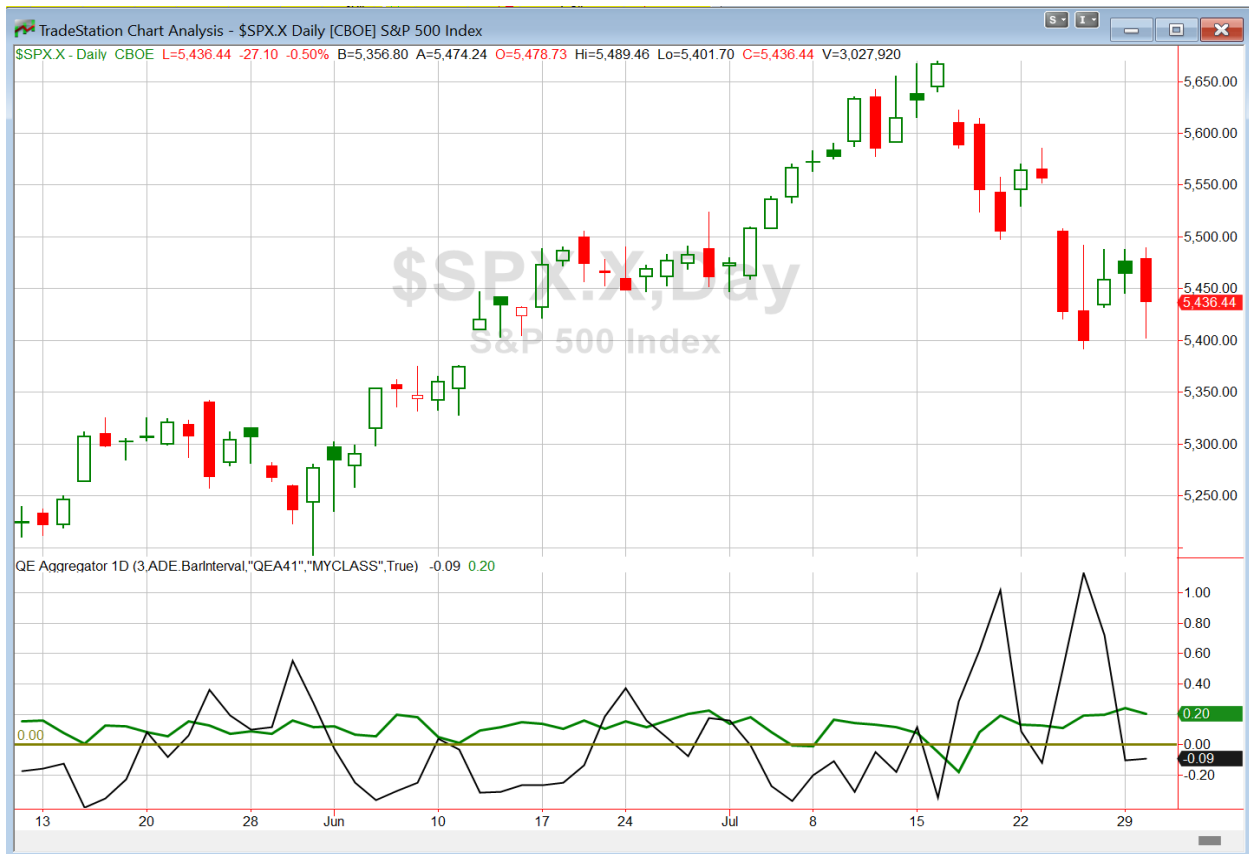
Tomorrow is a Fed Day.
SPY closes > 25% and <= 50% of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$13,122.59
Gross Profit	\$26,498.43
Gross Loss	(\$13,375.84)
Profit Factor	1.98
Total Number of Trades	49
Percent Profitable	63.27%
Winning Trades	31
Losing Trades	18
Even Trades	0
Avg. Trade Net Profit	\$267.81
Avg. Winning Trade	\$854.79
Avg. Losing Trade	(\$743.10)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

Solid odds for a move higher on Wednesday.

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 held 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 is unlikely to change. Meanwhile, the Differential Pivot will be *inverted* at 5486.22 on Wednesday. That is 0.9% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to rally over 0.9% in order to remain overbought. Anything less than that and it will be considered "oversold" vs recent expectations as of Wednesday's close.

So the Aggregator is neutral. I think there is a good chance we see a bounce on Wednesday and over the next few days. But the overbought condition reduces potential reward and increases risk. The market has been tricky lately. And while most often we see a rally, there really is no telling what the reaction to the Fed will be. I'm not inclined to jump into a new index position ahead of a potential volatility event with a neutral Aggregator condition.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/29 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

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

F @ \$11.16 (bought 1/3 @ limit)

New

WMT @ \$69.19 (buy 1/3 @ limit)

F @ \$10.84 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 4 (LLY, F-2, WMT)

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.

F – Buy 1/3 Catapult position @ \$10.84 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of F.

WMT – Buy 1/3 Catapult position @ \$69.19 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of WMT.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	7/25/2024	\$541.00	\$546.26	0.97%	<i>sold on open</i>
LLY(1/3)	7/26/2024	\$811.87	\$790.21	-2.67%	Catapult
F(1/3)	7/26/2024	\$11.16	\$10.84	-2.87%	Catapult

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