

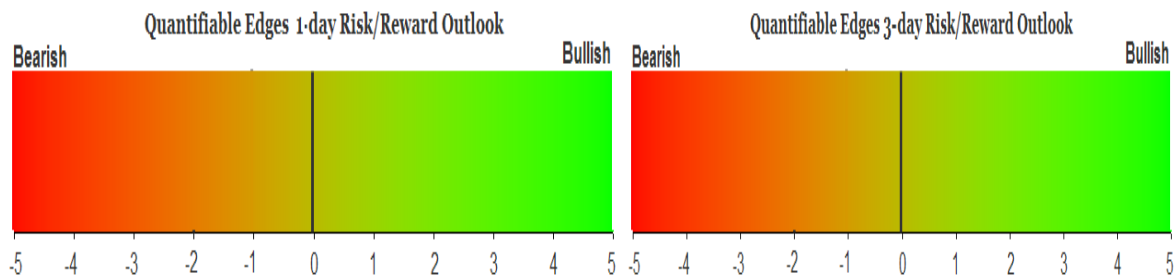
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 1, 2024

Volume 17 Issue 147

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	6

Tonight's Research Points

- The strong close and the fact that August is upon us both suggest the 1st of the month is not as bullish as it often is.

Short-term Outlook

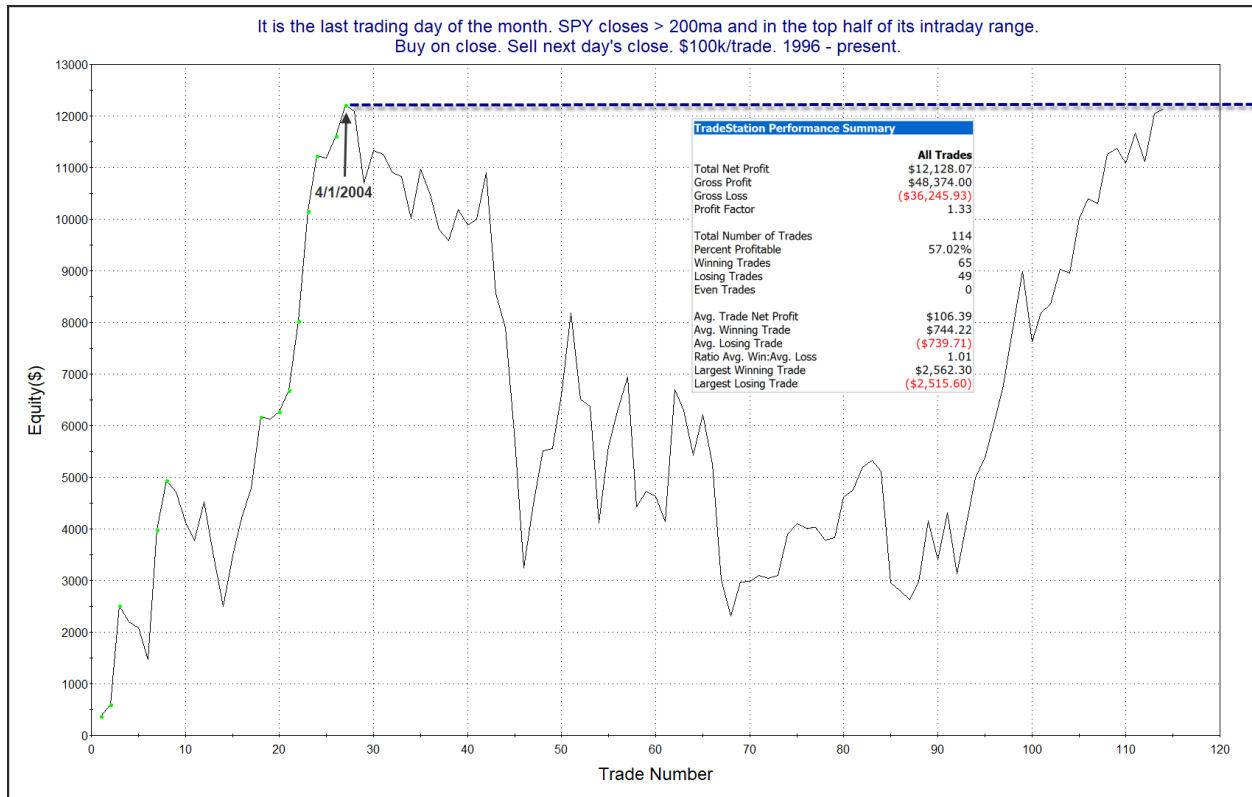
The Bottom Line

The Aggregator formation is neutral. I am as well.

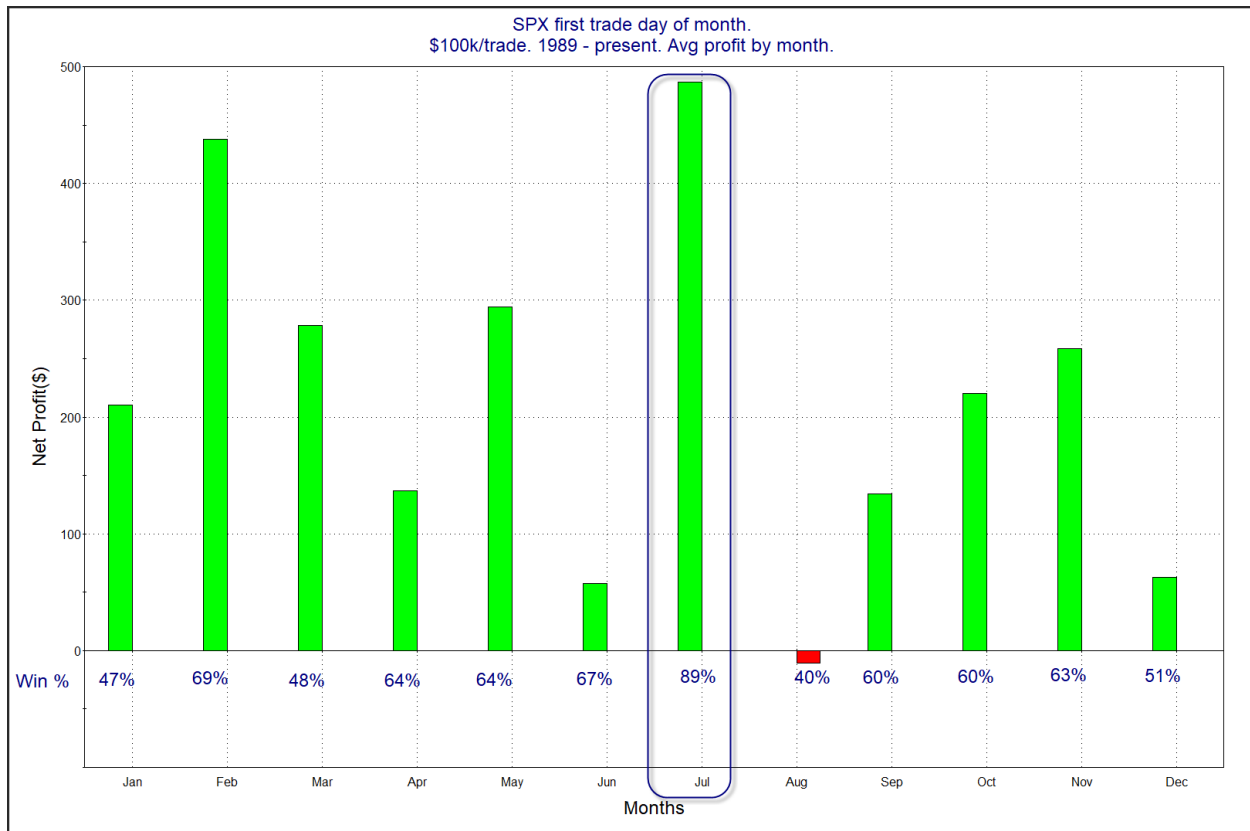
The Evidence

Rally day. SPX closed up 1.6%, the NASDAQ jumped 2.6%, and the Russell 2000 gained 0.5%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 56%. NYSE volume spiked a good bit higher than recent levels.

AMD got the party started on after the close on Tuesday, and the Fed kept it going with some seemingly dovish talk. Despite the strong move higher, I did not notice much in the way of compelling new evidence. There were some studies that looked at the 1st of the month. The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. Instances that closed in the bottom half of the day's range have shown a substantial upside tendency for the following day. But when the last day of the month finishes strongly (like Wednesday), then odds are muted. The study below is updated from the 2/28/23 letter.

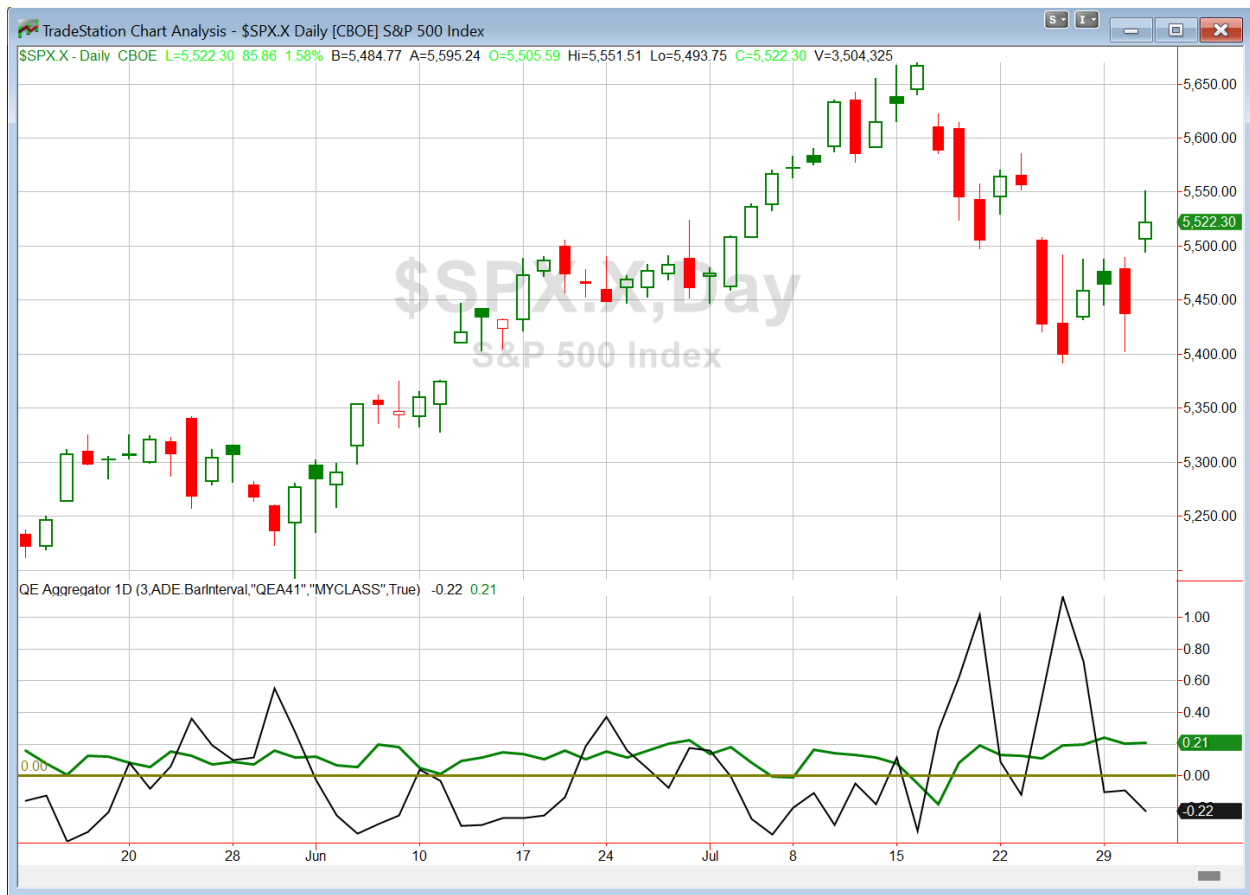


There has been a run lately, but the curve is still not quite back to 2004 levels. Times that SPY closed in the bottom half of its range on the last day of the month have seen much better performance the following day. Also working against the market on Thursday is the fact that August is the weakest “1st of month” of any month. This can be seen in the chart below, which is copied from the 6/28/24 letter where I was pointing out that July has the best “1st of month”.



August is the only month that has shown a negative Day 1 return over the last 25 years. It is not a strong enough edge to be considered outright bearish, but it is a bit discouraging for bulls nonetheless.

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 Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5497.42 on Thursday. That is 0.5% below Wednesday's close. Therefore, SPX will need to close down at least 0.5% in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. That is where I am at as well. While evidence is still pointing higher, being short-term overbought reduces reward/risk. I am flat the indices and awaiting the next favorable entry opportunity. Interestingly, the CBI is starting to perk up a bit. I'll be keeping an eye on that over the next few days – especially if we see another drop in the market.

*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)

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

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

New

WMT @ \$68.64 (buy 1/3 @ limit)

F @ \$10.82 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 6 (LLY, F-3, WMT-2)

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 @ \$10.82 LIMIT. From the Catapult section above, this is the 3rd and final lot of F.

WMT – Buy 1/3 Catapult position @ \$68.64 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of WMT.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LLY(1/3)	7/26/2024	\$811.87	\$804.27	-0.94%	Catapult
F(1/3)	7/26/2024	\$11.16	\$10.82	-3.05%	Catapult
F(1/3)	7/31/2024	\$10.84	\$10.82	-0.18%	Catapult
WMT(1/3)	7/31/2024	\$69.18	\$68.64	-0.78%	Catapult

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