

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 2, 2024

Volume 17 Issue 148

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- The outside day and big reversal lower suggest a bounce is likely over the next few days.
- Employment Days have been bullish since 2013 – but not as much when SPY closes poorly the day before the report.

Short-term Outlook

The Bottom Line

The Aggregator formation is bullish. I believe there is a long-side edge. But this is a tricky market, so I will only look to buy on further weakness.

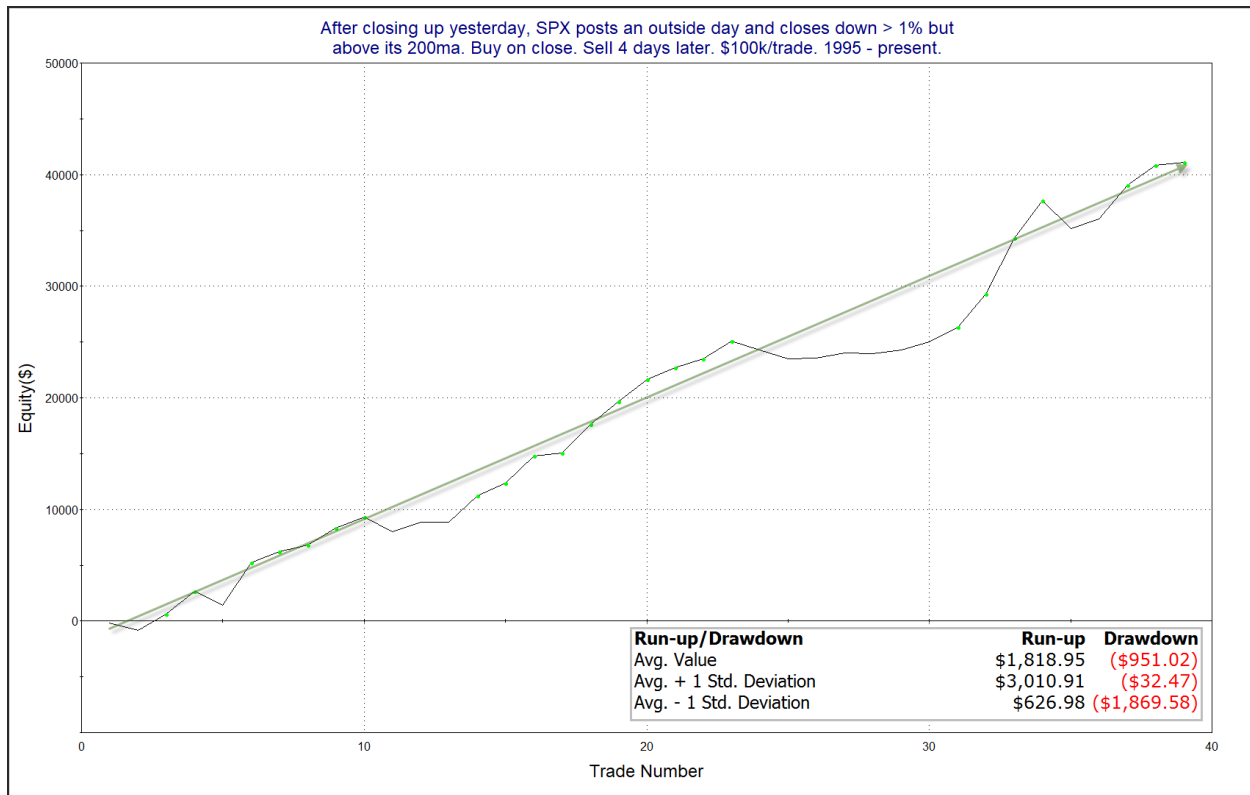
The Evidence

Tough day. SPX closed down 1.4%, the NASDAQ dropped 2.3%, and the Russell 2000 tumbled 3.0%. Breadth was weak with the NYSE Up Issues % coming in at 32% and the Up Volume % at 25%. NYSE volume came in lower than Wednesday's level.

The big outside day that SPX put in is notable. (An outside day is a day where the market makes a higher high and a lower low than the day before.) The study below was last seen in the 10/7/20 letter. It looks at similarly extreme action as we saw on Thursday. Results are updated.

After closing up yesterday, SPX posts an outside day and closes down > 1% but above its 200ma. 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
5	44,598.77	39	29	10	74.36	4,377.84	-2,808.74	1,989.31	-1,309.11	1.52	4.41	1,143.56
4	41,083.14	39	30	9	76.92	5,024.25	-2,476.98	1,619.81	-834.59	1.94	6.47	1,053.41
3	33,871.52	39	29	10	74.36	3,896.91	-1,909.08	1,553.56	-1,118.16	1.39	4.03	868.50
2	24,377.19	39	28	11	71.79	2,489.94	-2,397.96	1,221.84	-894.02	1.37	3.48	625.06
1	4,937.58	39	24	15	61.54	1,695.63	-1,799.08	723.30	-828.12	0.87	1.40	126.60

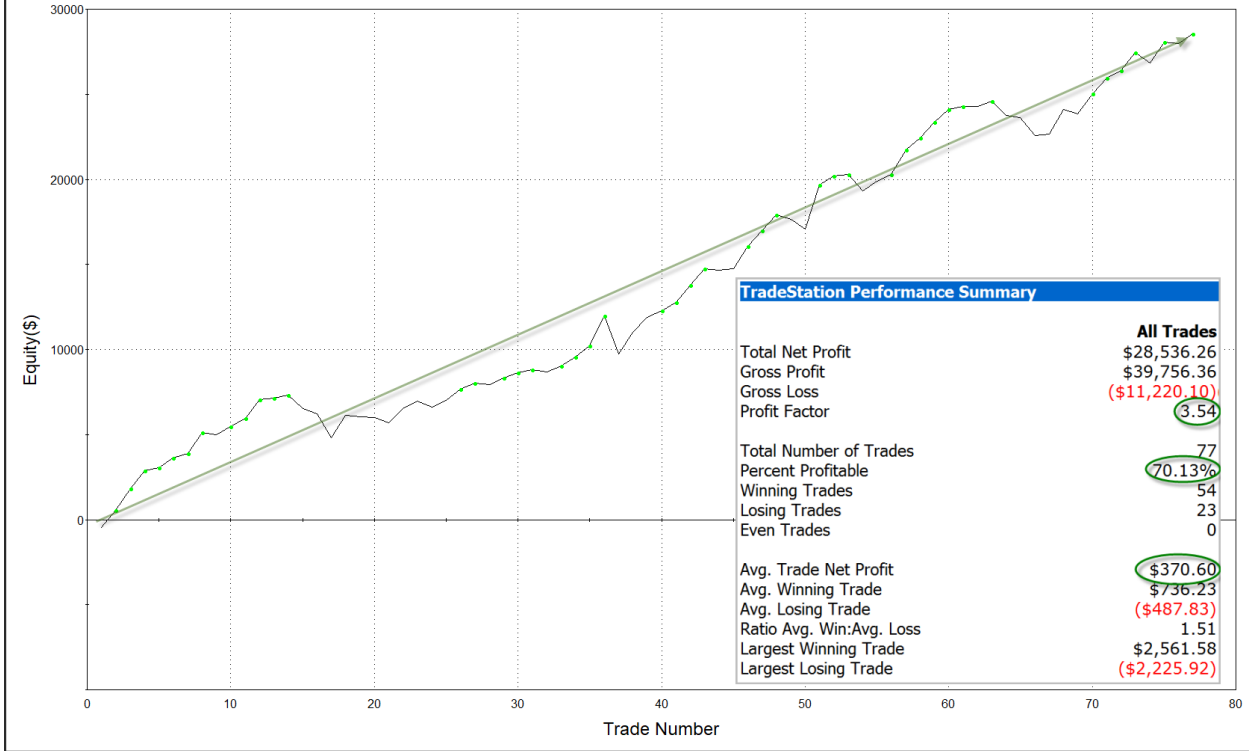
The numbers point to a possible upside edge. Below is a profit curve using a 4-day holding strategy.



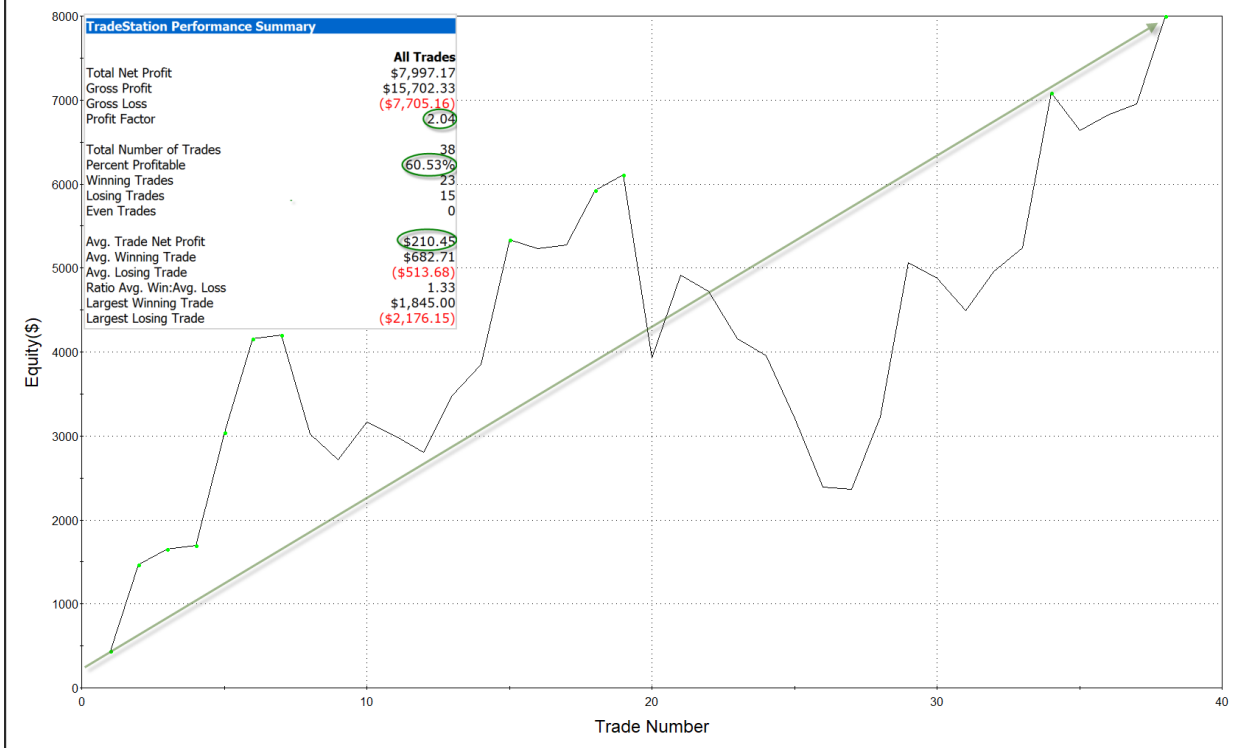
The move from lower left to upper right is impressive. I have added this study to the active list tonight. I'll note that I also adjusted the criteria a few different ways and saw similar results. For instance, I required the day before to be a 5-day closing high. That just reduced the instances some. The variables overall appeared robust.

Friday morning an hour before the open the BLS Employment Report will be released. Employment days have shown a bullish tilt since 2013. Interestingly, that bullish tilt has been even stronger when the market has rallied in the afternoon prior to the report. The study below was last seen in the 5/3/24 letter. Results are all updated.

SPY closes in the top half of its intraday range the day before an Employment Day. Close > 200ma.
Buy on close. Sell Employment Day close. \$100k/trade. 2013 - present.

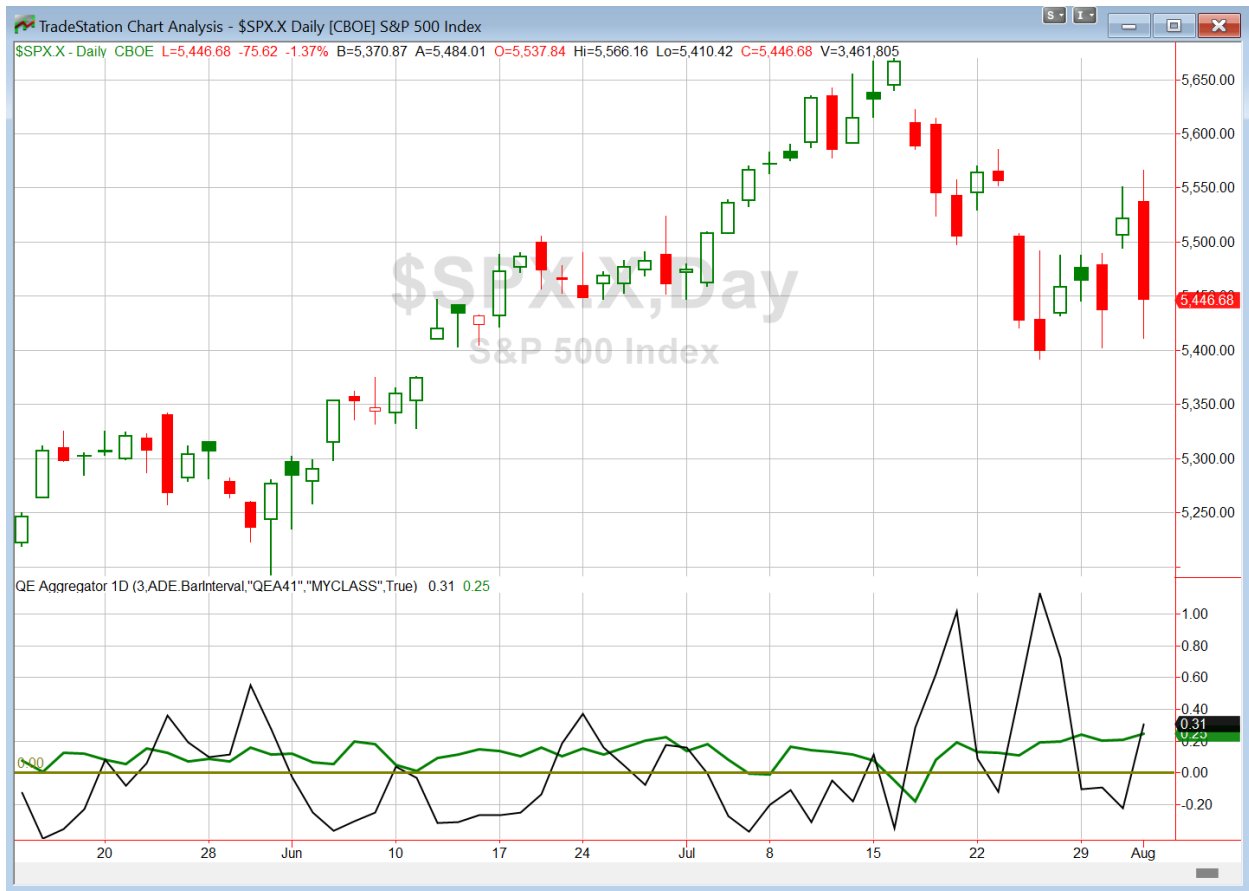


SPY closes in the bottom half of its intraday range the day before an Employment Day. Close > 200ma.
Buy on close. Sell Employment Day close. \$100k/trade. 2013 - present.



Even closing in the bottom half of the range, Employment Days have exhibited an upside tendency since 2013. The edge has not been as prevalent, though. Weaker numbers and choppy curve. Still, perhaps worth some consideration.

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 moved 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 5470.40 on Friday. That is 0.4% above Thursday's close. Therefore, SPX will need to close up at least 0.4% in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is pointing higher and SPX is back to oversold. I believe there is a bullish edge. This market has certainly become choppy and volatile, though. So I am not inclined to take big chances. I will look to take on a small amount of long index exposure if SPY sells off a bit more on Friday.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

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

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

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

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

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

Broad Market Large Cap CBI – 5 (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.

SPY – Buy ¼ index position @ \$540.00 LIMIT. Based on the short-term outlook above, I will look to start scaling into a long position on Friday if I can get filled a bit lower than Thursday's close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LLY(1/3)	7/26/2024	\$811.87	\$832.44	2.53%	<i>sell on open</i>
F(1/3)	7/26/2024	\$11.16	\$10.69	-4.21%	Catapult
F(1/3)	7/31/2024	\$10.84	\$10.69	-1.38%	Catapult
WMT(1/3)	7/31/2024	\$69.18	\$69.79	0.88%	Catapult
F(1/3)	8/1/2024	\$10.82	\$10.69	-1.20%	Catapult
WMT(1/3)	8/1/2024	\$68.64	\$69.79	1.68%	Catapult

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