

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 6, 2024

Volume 17 Issue 150

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	6

## Tonight's Research Points

- A 2%+ drop to a 10-day low followed by a 1%+ (but weaker) rally has often led to upside follow through over the next several days.
- The bounce on relatively weak volume compared to yesterday suggests we could see a pullback over the next few days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator formation is bullish. I still like the long side.

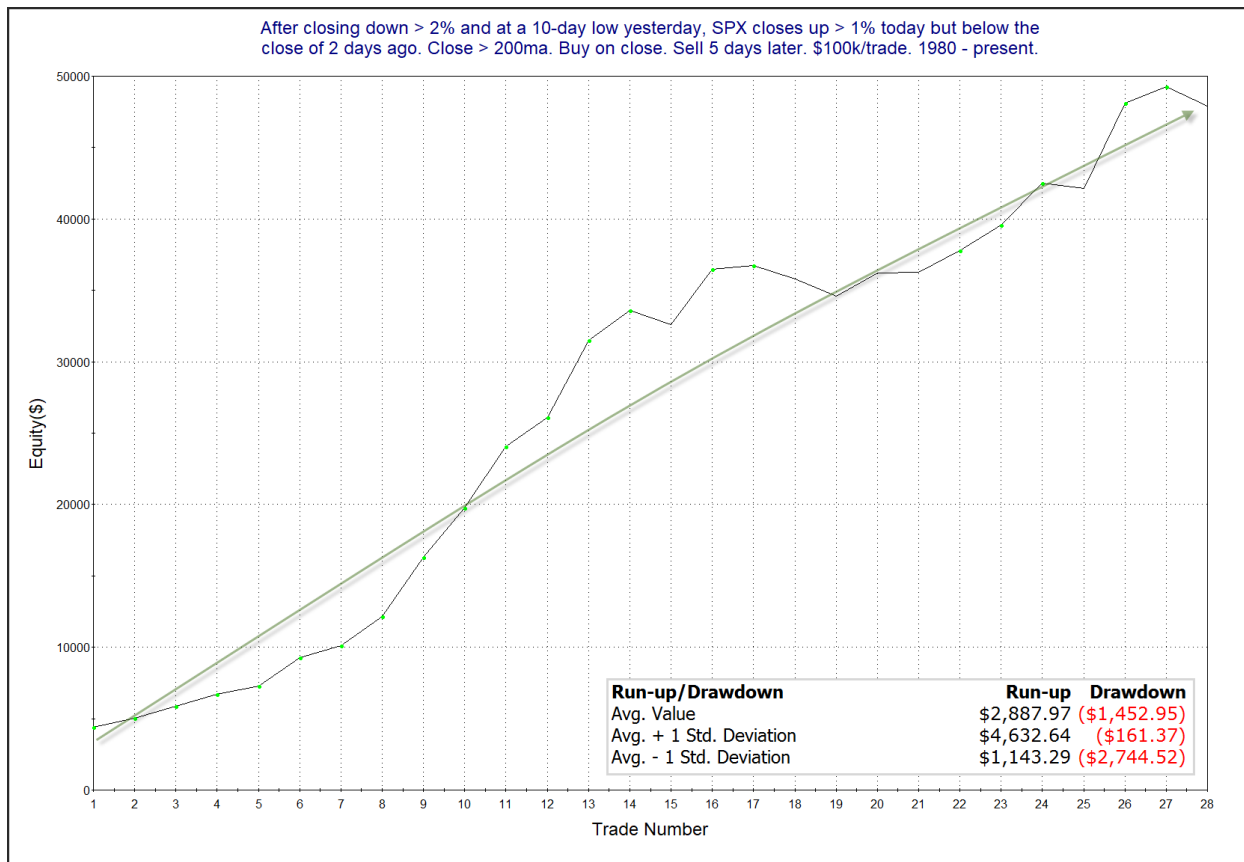
## The Evidence

Tuesday was a bit of a bounce-back as Tuesday's often are. SPX closed up 1.04%, the NASDAQ rose 1.03%, and the Russell 2000 gained 1.23%. Breadth was strong as the NYSE Up Issues % closed at 75.7% and the NYSE Up Volume % posted a 76.5% reading. Volume declined a bit from Monday's level.

Tuesday's rebound triggered a study from the 10/30/20 letter that suggested the bounce likely has further to go. It looked at other times a strong decline was followed by a sizable rebound that failed to completely make up for the previous day's loss. Updated results can be seen below.

After closing down > 2% and at a 10-day low yesterday, SPX closes up > 1% today but below the close of 2 days ago. Close > 200ma. 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
5	47,920.43	28	23	5	82.14	6,010.20	-1,335.60	2,293.80	-967.39	2.37	10.91	1,711.44
4	38,215.62	28	22	6	78.57	4,997.19	-2,453.64	2,036.15	-1,096.63	1.86	6.81	1,364.84
3	35,893.86	29	21	8	72.41	4,134.33	-2,796.83	2,128.15	-1,099.65	1.94	5.08	1,237.72
2	23,424.99	29	21	8	72.41	4,001.40	-4,223.18	1,830.34	-1,876.52	0.98	2.56	807.76
1	9,705.75	29	17	12	58.62	2,842.84	-1,853.67	1,173.12	-853.10	1.38	1.95	334.68

The numbers here are quite impressive. Below is a look at a 5-day profit curve.



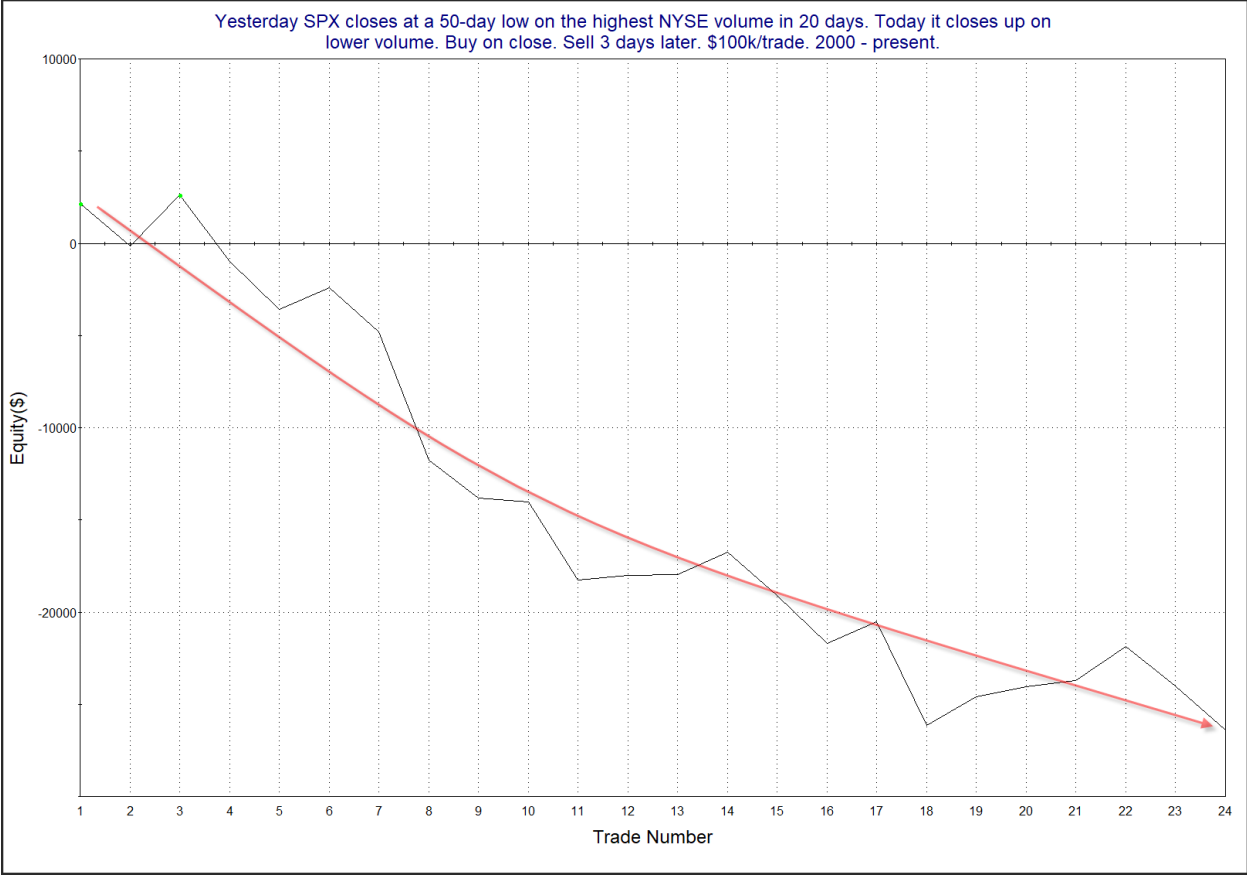
A strong move from lower left to upper right serves as some confirmation of the bullish numbers. I have included this study on the active list tonight.

There was another study that did not like the lower volume that occurred on the bounce. Last seen in the 3/30/20 letter, I have updated it below.

Yesterday SPX closes at a 50-day low on the highest NYSE volume in 20 days. Today it closes up on lower volume. Buy on close. Sell X days later. \$100k/trade. 2000 - present.

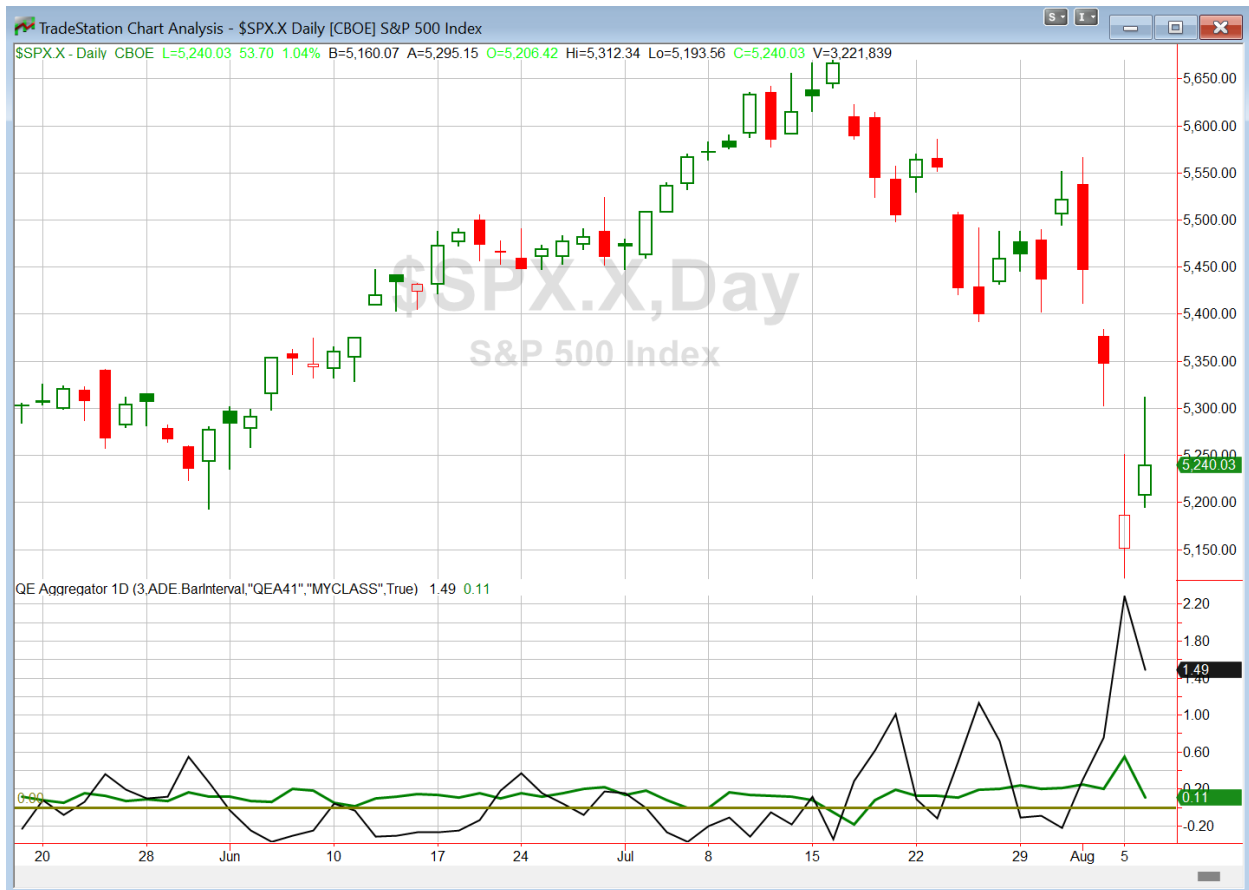
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-17,579.29	23	12	11	52.17	4,131.36	-11,533.34	1,946.20	-3,721.25	0.52	0.57	-764.32
4	-22,662.25	23	11	12	47.83	2,716.60	-9,828.00	1,339.21	-3,116.13	0.43	0.39	-985.32
3	-26,400.73	24	11	13	45.83	2,763.36	-6,956.04	1,189.69	-3,037.48	0.39	0.33	-1,100.03
2	-20,493.35	25	11	14	44.00	4,664.88	-9,455.49	1,352.00	-2,526.09	0.54	0.42	-819.73
1	-16,695.93	25	10	15	40.00	2,009.23	-4,893.07	740.95	-1,607.03	0.46	0.31	-667.84

Losers outsized winners by a substantial amount. Below is a look at the 3-day profit curve.



That is a fairly steady move lower. So it appears we are seeing mixed evidence tonight.

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



With tonight's mix of 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 is also 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 stayed long 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 5377.39 on Wednesday. That is 2.6% above Tuesday's close. Therefore, SPX will need to close up at least 2.6% on Wednesday in order to flip from oversold to overbought versus recent expectations. That would be a very sizable move.

So the Aggregator is bullish. And Tuesday did not really change much. Evidence is pointing higher and there is room to the upside before SPX would turn overbought. This suggests an upside edge and a favorable reward/risk scenario. But we are also in a highly volatile market. For now I am content maintaining my  $\frac{1}{2}$  position in SPY. I'll see how Wednesday plays out before I consider adding any more index exposure.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 8/5 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

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

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

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

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

USB @ \$42.35 (bought @ limit)

USB @ \$40.80 (bought @ limit)

BRK.B @ \$413.72 (buy @ limit) – not filled, cancel for now

### ***Broad Market Large Cap CBI – 6 (F-3, USB-2, BRK.B)***

### **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>
F(1/3)	7/26/2024	\$11.16	\$9.78	-12.37%	Catapult
F(1/3)	7/31/2024	\$10.84	\$9.78	-9.78%	Catapult
F(1/3)	8/1/2024	\$10.82	\$9.00	-16.82%	Catapult
SPY(1/4)	8/2/2024	\$535.75	\$522.15	-2.54%	Aggregator
SPY(1/4)	8/5/2024	\$511.64	\$522.15	2.05%	Aggregator
USB(1/3)	8/5/2024	\$41.13	\$41.70	1.39%	Catapult
USB(1/3)	8/6/2024	\$40.74	\$41.67	2.28%	Catapult

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