

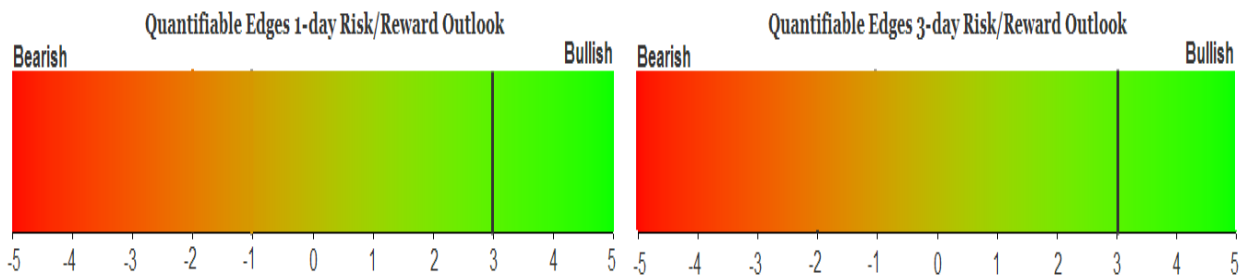
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 8, 2024

Volume 17 Issue 152

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 7 |

Tonight's Research Points

- Wednesday's reversal lower has characteristics suggesting a rally in the coming days.
- When the market has gone a long time without a strong close in the afternoon, there has often been a strong move higher soon after.

Short-term Outlook

The Bottom Line

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

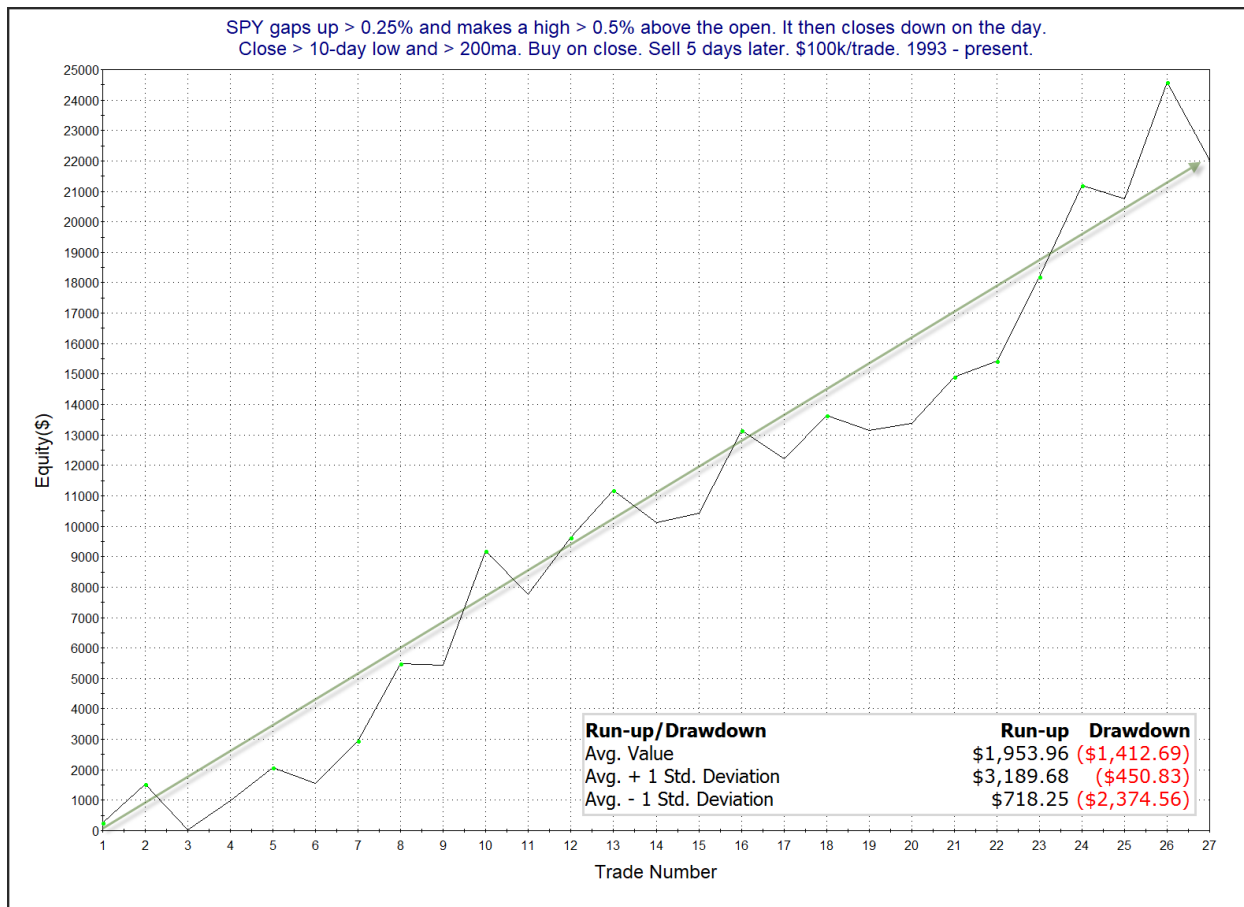
The Evidence

Wednesday started strong, but could not hold its gains. SPX closed down 0.8%, the NASDAQ fell 1.05%, and the Russell 2000 dropped 1.4%. Breadth was weak as the NYSE Up Issues % closed at 42% and the NYSE Up Volume % posted a 39% reading. NYSE total volume rose some from Tuesday's level.

The gap up, move higher intraday, and then reversal to a down close for SPY triggered the study below from the 7/14/20 letter.

| SPY gaps up > 0.25% and makes a high > 0.5% above the open. It then closes down on the day. Close > 10-day low and > 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 | 22,030.13 | 27 | 18 | 9 | 66.67 | 3,834.09 | -2,558.13 | 1,721.43 | -995.06 | 1.73 | 3.46 | 815.93 |
| 4 | 22,796.07 | 28 | 17 | 11 | 60.71 | 4,533.98 | -2,259.92 | 1,950.09 | -941.40 | 2.07 | 3.20 | 814.15 |
| 3 | 14,329.35 | 28 | 17 | 11 | 60.71 | 3,858.36 | -2,990.26 | 1,648.87 | -1,245.58 | 1.32 | 2.05 | 511.76 |
| 2 | 11,239.92 | 28 | 19 | 9 | 67.86 | 2,772.48 | -1,568.92 | 957.50 | -772.50 | 1.24 | 2.62 | 401.43 |
| 1 | 3,662.78 | 29 | 18 | 11 | 62.07 | 2,319.36 | -2,206.61 | 733.66 | -867.56 | 0.85 | 1.38 | 126.30 |

Results here appear bullish. Here is the 5-day profit curve.



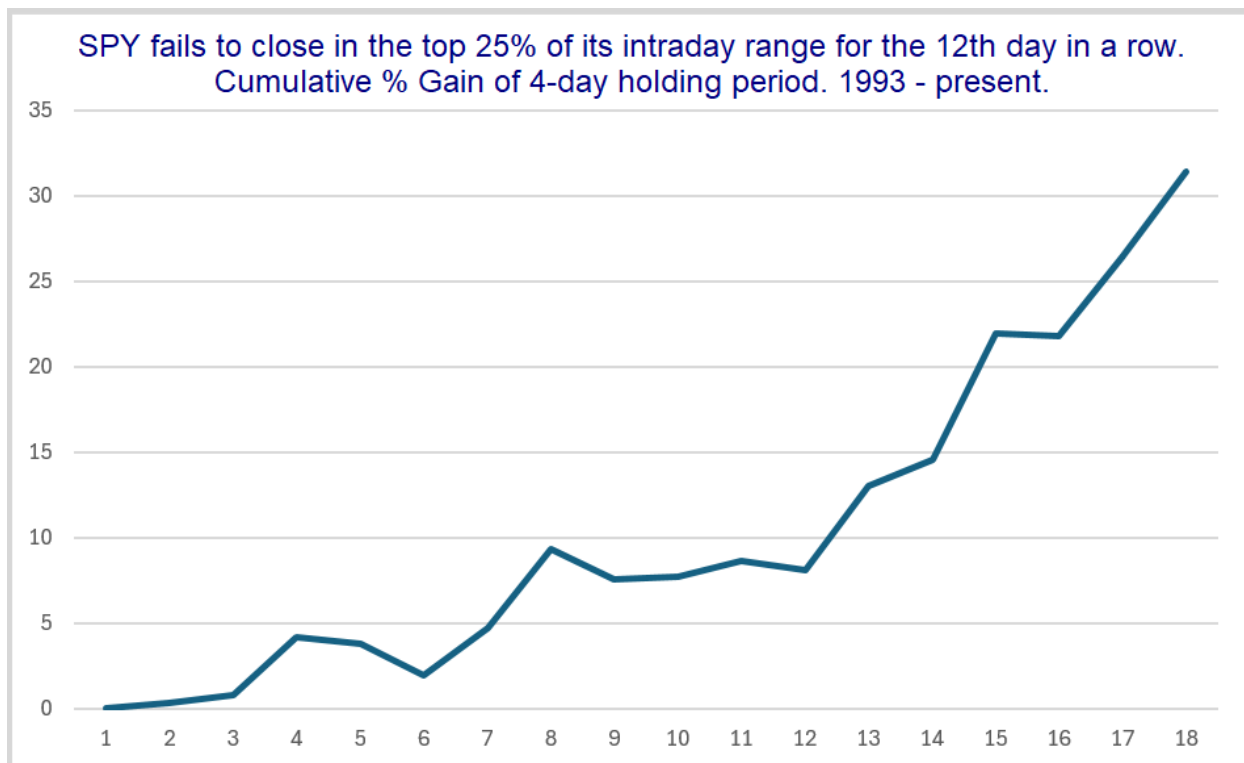
The edge has been persistent and has accelerated in recent instances. This serves as some confirmation of the numbers. I have added this study to the short-term active list.

What has stood out to me about the recent selloff has been the inability of the market to hold onto any intraday rally through the afternoon. SPY has not closed in the top 25% of its intraday range since 7/22. That is 12 trading days in a row. And the last time it closed in the top 25% prior to 7/22 was the 7/16 market top. Tonight I looked back at other times that SPY failed to close in the top 25% of its intraday range for the 12th day in a row. I found the results to be interesting.

SPY fails to close in the top 25% of its intraday range for the 12th day in a row.
 Forward returns shown. 1993 - present.

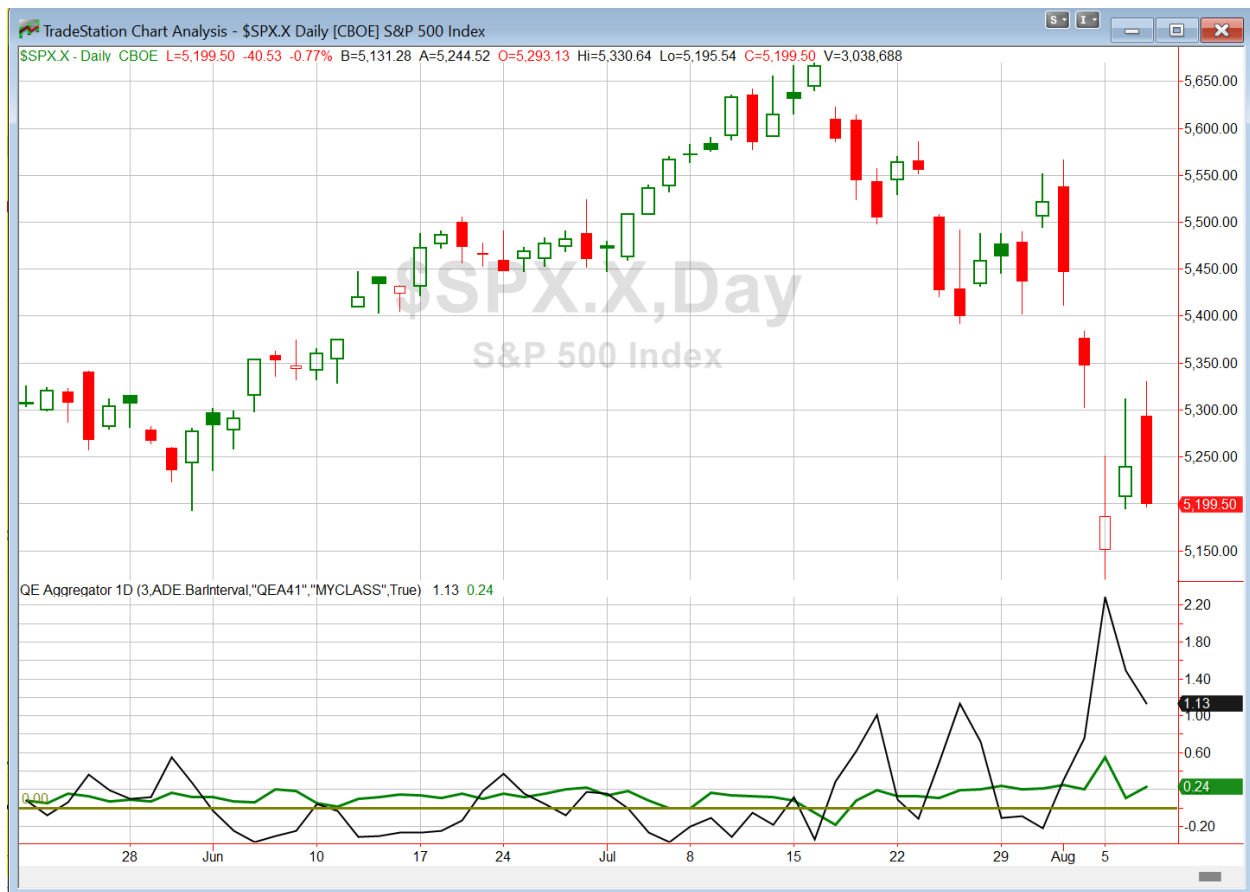
| Ticker | Date/Time | Next Day % Chg | 2-Day %Chg | 3-Day %Chg | 4-Day %Chg | 5-Day %Chg |
|--------|---------------|----------------|-------------|-------------|-------------|-------------|
| SPY | 12/30/1994 | -0.03 | 0.31 | 0.23 | 0.31 | 0.34 |
| SPY | 8/10/1995 | -0.42 | 0.41 | 0.2 | 0.45 | 0.29 |
| SPY | 12/23/1997 | -0.68 | -0.28 | 1.52 | 3.38 | 3.33 |
| SPY | 6/22/1999 | -0.21 | -1.5 | -1.54 | -0.34 | 1.17 |
| SPY | 8/3/1999 | -1.27 | -0.64 | -1.66 | -1.84 | -3.08 |
| SPY | 12/20/1999 | 1.08 | 1.26 | 2.84 | 2.75 | 2.79 |
| SPY | 12/21/2000 | 2.44 | 3.16 | 4.24 | 4.66 | 3.56 |
| SPY | 3/28/2002 | -0.07 | -0.93 | -1.92 | -1.83 | -2.15 |
| SPY | 1/28/2003 | 0.68 | -1.62 | -0.33 | 0.21 | -1.2 |
| SPY | 9/27/2005 | 0.1 | 0.99 | 1.08 | 0.91 | -0.1 |
| SPY | 12/13/2005 | 0.42 | 0.28 | -0.01 | -0.59 | -0.62 |
| SPY | 7/6/2010 | 3.13 | 4.1 | 4.85 | 4.93 | 6.54 |
| SPY | 6/16/2011 | 0.3 | 0.85 | 2.2 | 1.54 | 1.25 |
| SPY | 11/25/2011 | 2.92 | 3.15 | 7.62 | 7.41 | 7.39 |
| SPY | 4/20/2018 | 0.01 | -1.33 | -1.15 | -0.12 | -0.01 |
| SPY | 6/3/2019 | 2.14 | 2.98 | 3.61 | 4.7 | 5.18 |
| SPY | 10/27/2023 | 1.2 | 1.86 | 2.93 | 4.87 | 5.85 |
| SPY | 8/7/2024 | n/a | n/a | n/a | n/a | n/a |
| | Avg | 0.69 | 0.77 | 1.45 | 1.85 | 1.80 |
| | % Wins | 65% | 65% | 65% | 71% | 65% |

The numbers look compelling. Here is a look at the 4-day profit curve.



The curve is also appealing. Thinking that the next time the market actually put in a day with a strong close might see some powerful short-covering, I looked at what the returns were when the streak finally ended. As it turned out, the streak-ending days averaged a 1.5% gain. So when they finally cannot sell the market down in the afternoon, there is a good chance of a powerful swing in the other direction.

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 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 Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 5237.88 on Thursday. That is 0.7% above Wednesday's close. Therefore, SPX will need to close up at least 0.7% on Thursday in order to flip from oversold to overbought versus recent expectations. \

So the Aggregator is bullish. I still believe there is a short-term upside edge. I have some long exposure. I intend to hold onto that for now. I will likely look to increase that exposure if we see further selling along with the CBI going much higher. (It reached 7 on Wednesday.) I won't look to adjust my exposure just yet, though.

*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

New

INTC @ \$18.99 (buy @ limit)

Broad Market Large Cap CBI – 7 (F-3, USB-2, BRK.B, INTC)

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.

INTC – Buy 1/3 Catapult position @ \$18.99 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of INTC.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes |
|---------------|-------------------|--------------------|----------------------|--------------------|--------------|
| F(1/3) | 7/26/2024 | \$11.16 | \$9.77 | -12.46% | Catapult |
| F(1/3) | 7/31/2024 | \$10.84 | \$9.77 | -9.87% | Catapult |
| F(1/3) | 8/1/2024 | \$10.82 | \$9.77 | -9.70% | Catapult |
| SPY(1/4) | 8/2/2024 | \$535.75 | \$518.66 | -3.19% | Aggregator |
| SPY(1/4) | 8/5/2024 | \$511.64 | \$518.66 | 1.37% | Aggregator |
| USB(1/3) | 8/5/2024 | \$41.13 | \$41.39 | 0.63% | Catapult |
| USB(1/3) | 8/6/2024 | \$40.74 | \$41.39 | 1.60% | Catapult |
| | | | | | |

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