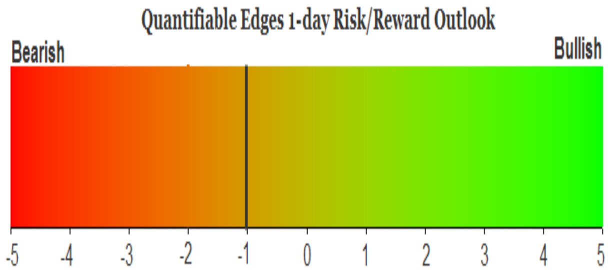
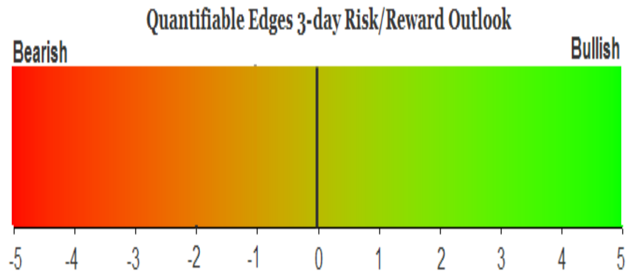
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 20, 2024 | Volume 17 Issue 160

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- RSI(2) crossing above 99 bodes well for the intermediate-term.

Short-term Outlook
The Bottom Line
The Aggregator formation is neutral. I am as well.

Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 15, 2024	5 up > 3% above 200ma < 50-high	1-10 days	Bullish	2.50%	-1.50%	-2.75%
Active - Long Term						
August 20, 2024	RSI(2) crosses over 99.	1-15 days	Bullish	2.25%	-1.55%	-3.00%
August 19, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.00%	-2.10%	-4.40%
August 15, 2024	5 up > 3% above 200ma < 50-high	1-15 days	Bullish	3.30%	-1.65%	-3.00%
August 12, 2024	SPX dn 4 weeks in a row > 40-week ma	1-10 weeks	Bullish	8.70%	-3.10%	-7.10%
July 22, 2024	NASDAQ Lagging	int term	Neutral			
July 15, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
July 8, 2024	NDX 18% above 200ma	1-90 days	Bullish	14.50%	-9.40%	-18.90%
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
April 29, 2024	May-October selloff potential when 5% dn	1-6 months	Bearish			
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

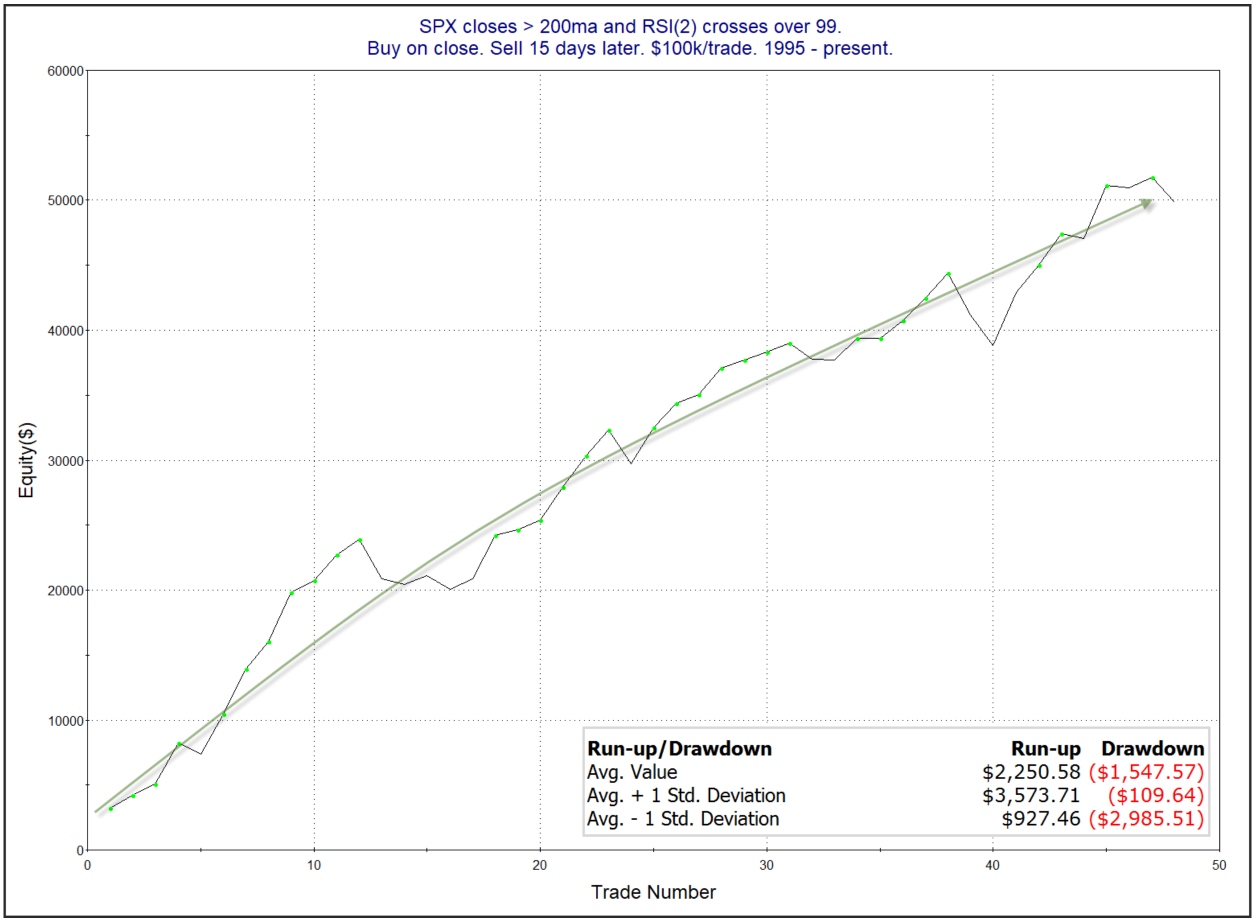
It has been nearly two weeks now of nothing but higher prices. Monday the SPX rose 1.0%, the NASDAQ gained 1.4%, and the Russell 2000 climbed 1.2%. Breadth was positive as the NYSE Up Issues % was 75% and the Up Volume % came in at 83%. NYSE total volume declined some from Friday's level. I expect the next two weeks will see plenty of light-volume days.

The recent rally has left the market short-term overbought by most measures. Short-term overbought often triggers some studies that suggest a downside edge, but when the overbought condition gets very strongly overbought, then those downside edges often disappear. And at some point, rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we have seen this scenario unfold. In Sunday's letter I shared one study that utilized this concept. It is also exemplified in the study below from the 7/11/24 Letter, which uses RSI(2).

SPX closes > 200ma and RSI(2) crosses over 99.
Buy on close. Sell X days later. $100k/trade. 1995 - present.

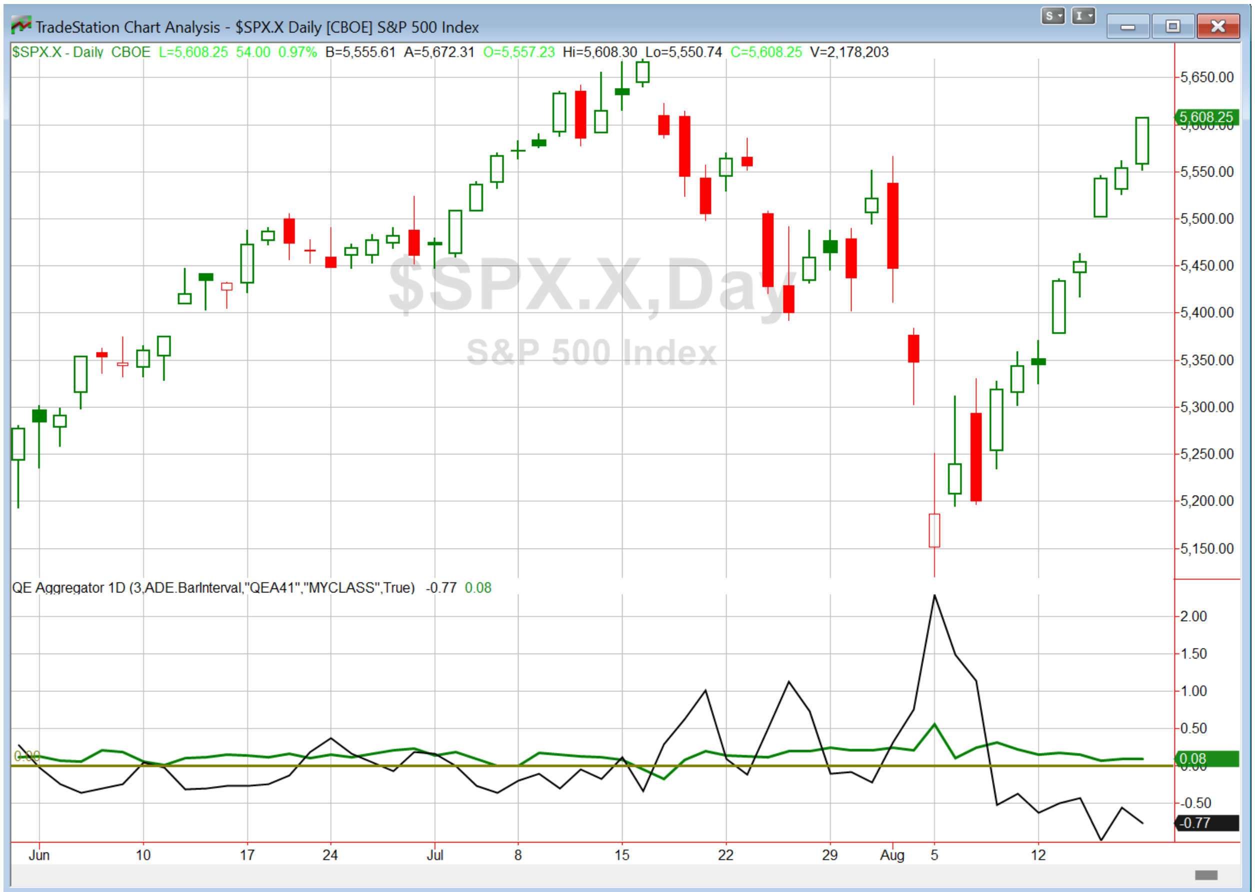
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
15	49,843.09	48	36	12	75.00	4,070.44	-3,265.02	1,866.27	-1,445.23	1.29	3.87	1,038.40
14	43,233.17	48	36	12	75.00	4,461.36	-4,024.68	1,747.15	-1,638.68	1.07	3.20	900.69
13	44,669.72	50	37	13	74.00	3,989.82	-3,320.01	1,673.59	-1,327.16	1.26	3.59	893.39
12	40,001.69	51	38	13	74.51	4,058.61	-3,175.53	1,523.92	-1,377.50	1.11	3.23	784.35
11	38,865.55	52	38	14	73.08	4,106.40	-3,989.73	1,597.50	-1,559.95	1.02	2.78	747.41
10	32,508.38	53	39	14	73.58	3,824.48	-3,907.12	1,407.78	-1,599.65	0.88	2.45	613.37
9	30,814.82	53	38	15	71.70	3,453.27	-3,440.07	1,277.58	-1,182.22	1.08	2.74	581.41
8	27,549.08	54	36	18	66.67	3,621.20	-4,112.92	1,330.07	-1,129.63	1.18	2.35	510.17
7	19,450.96	55	35	20	63.64	3,564.39	-4,153.62	1,131.97	-1,008.39	1.12	1.96	353.65
6	8,512.94	55	33	22	60.00	2,760.12	-5,296.92	1,042.42	-1,176.69	0.89	1.33	154.78
5	13,246.70	55	35	20	63.64	2,859.08	-3,596.40	932.95	-970.32	0.96	1.68	240.85
4	11,862.30	55	37	18	67.27	2,697.92	-3,039.18	847.82	-1,083.72	0.78	1.61	215.68
3	4,131.06	57	34	23	59.65	3,504.64	-2,880.45	721.42	-886.84	0.81	1.20	72.47
2	4,431.19	57	33	24	57.89	2,273.92	-2,348.76	642.28	-698.50	0.92	1.26	77.74
1	255.24	57	28	29	49.12	2,096.10	-3,515.37	490.70	-464.98	1.06	1.02	4.48

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.



The upside edge has been apparent for a while, and despite the last instance, it still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.

I have updated the Aggregator chart below.



With this weekend'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 strongly 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 Tuesday. Of course this could change if compelling new bearish evidence emergers. Meanwhile, the Differential Pivot will be 5563.84. That is 0.8% below Monday's close. Therefore, SPX will need to close down at least 0.8% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. So am I…again. There is nothing suggesting immediate action from a short-term perspective. If we can get a multi-day pullback then a compelling long-side scenario could emerge. Until then, I'll remain sidelined and patient.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/19 – bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
INTC(1/3)	*8/8/2024*	*$18.99*	*$20.89*	*10.01%*	*sold on open*