

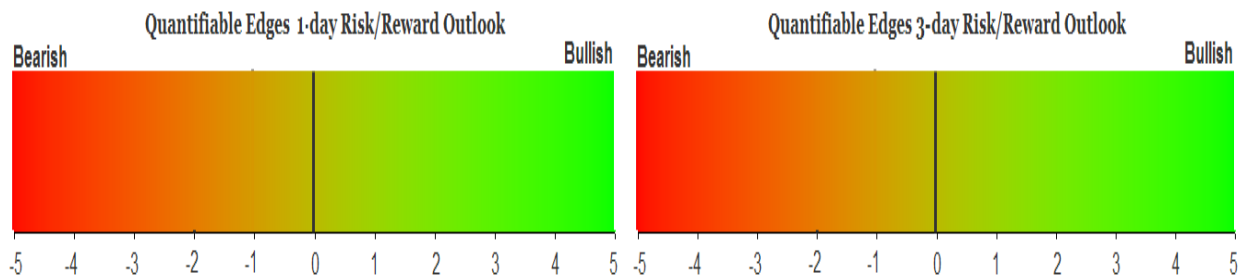
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 21, 2024

Volume 17 Issue 161

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The series of higher highs, lows, and closes, suggests more upside is to come after Monday's down close.
- After 8 days higher the market pulled back Tuesday. When the market has been in a similar position in the past, the next week has been strong.

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 21, 2024	3 Higher hi, lo, close. Dn 1 but higher hi&lo	1-4 days	Bullish	1.20%	-0.80%	-1.70%
August 21, 2024	5 up, no 50-high. Down 1 > 200ma	1-5 days	Bullish	1.80%	-0.90%	-1.90%
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			

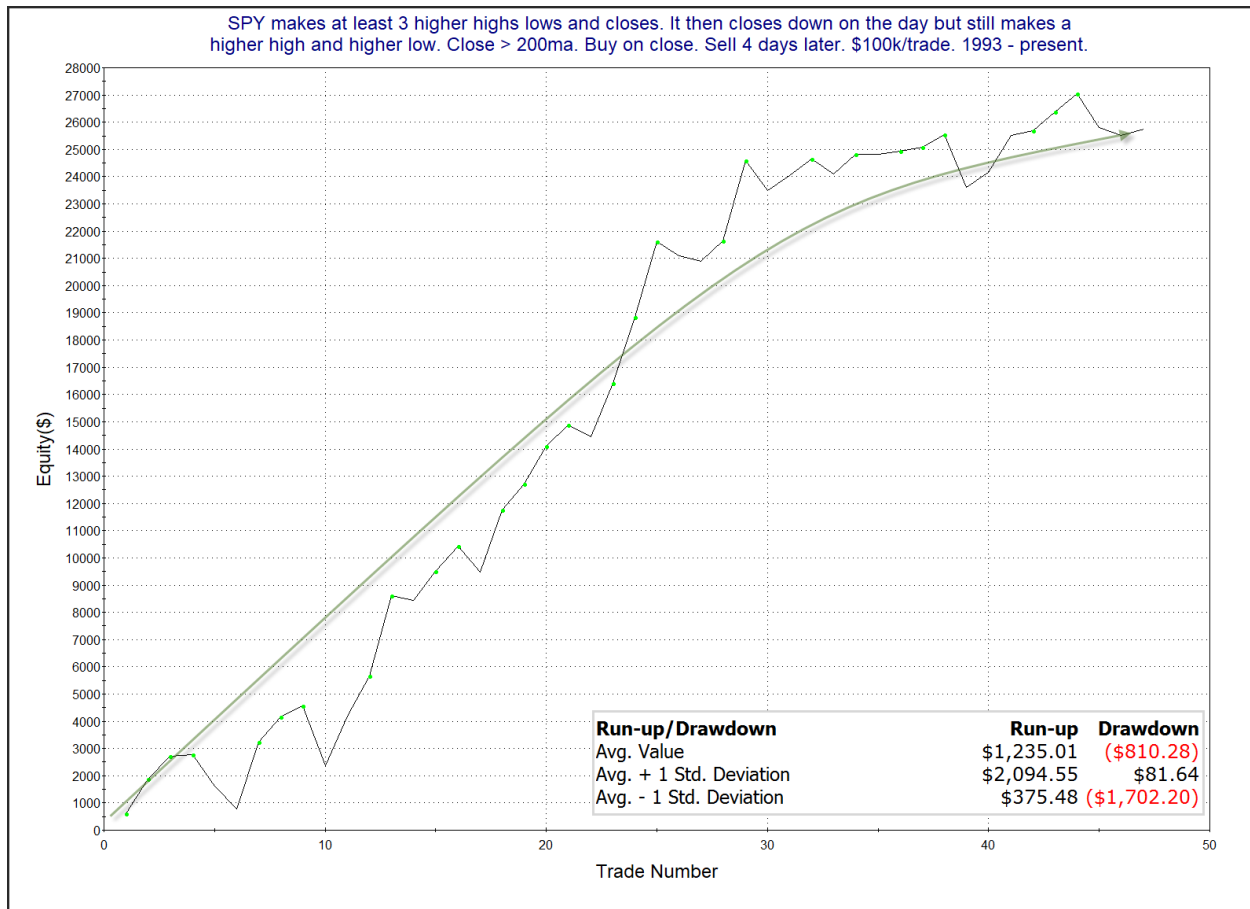
The Evidence

We actually saw a little bit of a pullback on Tuesday. SPX closed down 0.2%, the NASDAQ declined 0.3%, and the Russell 2000 lost 1.2%. Breadth was negative as the NYSE Up Issues % was 34% and the Up Volume % came in at 29%. NYSE total volume declined some from Monday's level. I expect more light-volume days are on the way.

SPY finished lower, but it did manage to register a higher high and a higher low. The study below was last seen in the 2/13/24 letter and it examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs lows and closes. It then closes down on the day but still makes a higher high and higher low. Close > 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	18,600.68	47	29	18	61.70	3,602.64	-4,604.60	1,257.48	-992.56	1.27	2.04	395.76
4	25,740.97	47	33	14	70.21	2,962.96	-2,191.22	1,130.52	-826.15	1.37	3.23	547.68
3	18,446.58	47	31	16	65.96	2,762.41	-2,640.33	928.20	-645.47	1.44	2.79	392.48
2	14,126.47	47	33	13	70.21	2,399.54	-2,291.63	720.43	-742.13	0.97	2.46	300.56
1	7,379.48	47	30	17	63.83	1,395.93	-1,576.28	483.15	-418.53	1.15	2.04	157.01

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



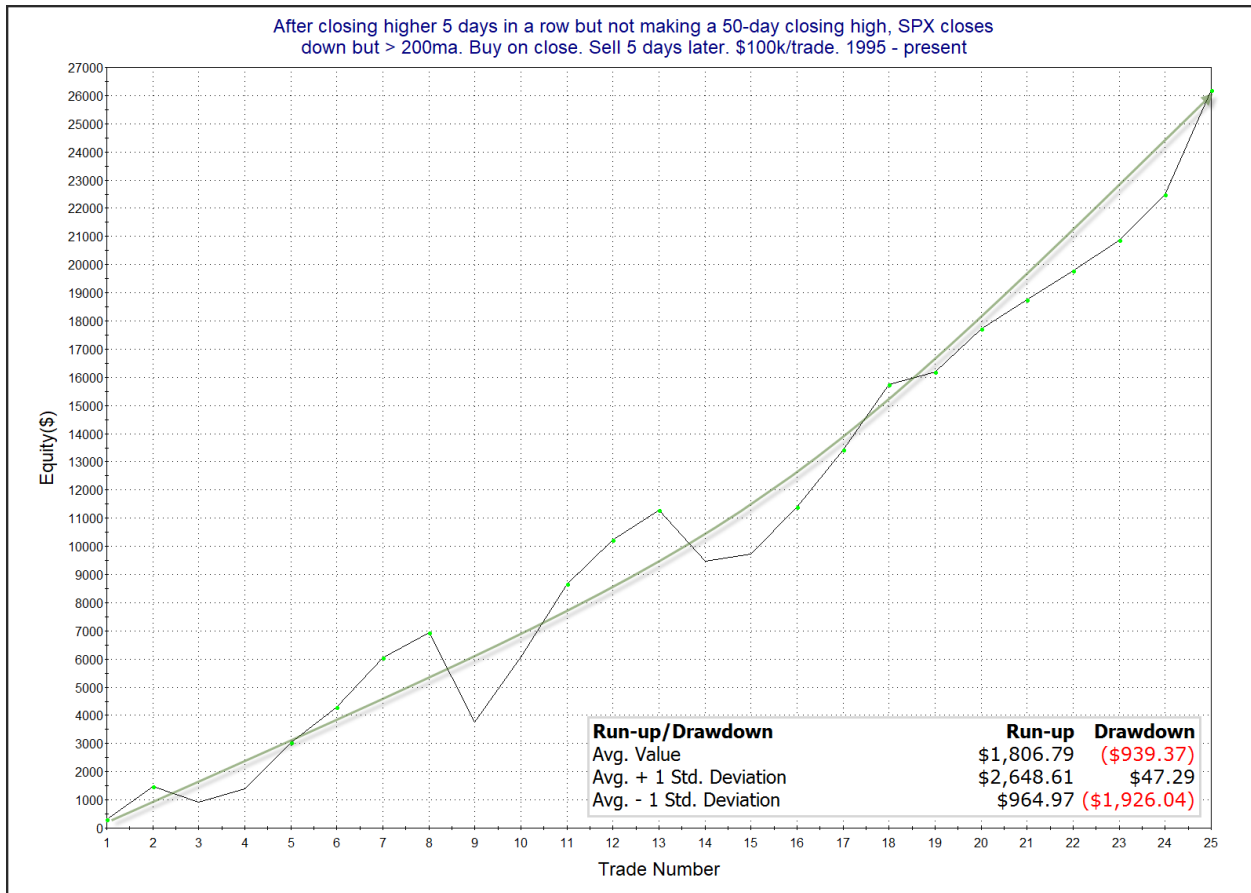
The persistent move higher is impressive. This study seems worth consideration. I have added it to the Active List tonight.

Tuesday's decline triggered some bullish studies that looked at pullbacks after at least 5 consecutive up days. The study below was last seen in the 2/21/18 Subscriber Letter. I have updated the results.

After closing higher 5 days in a row but not making a 50-day closing high, SPX closes down but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present

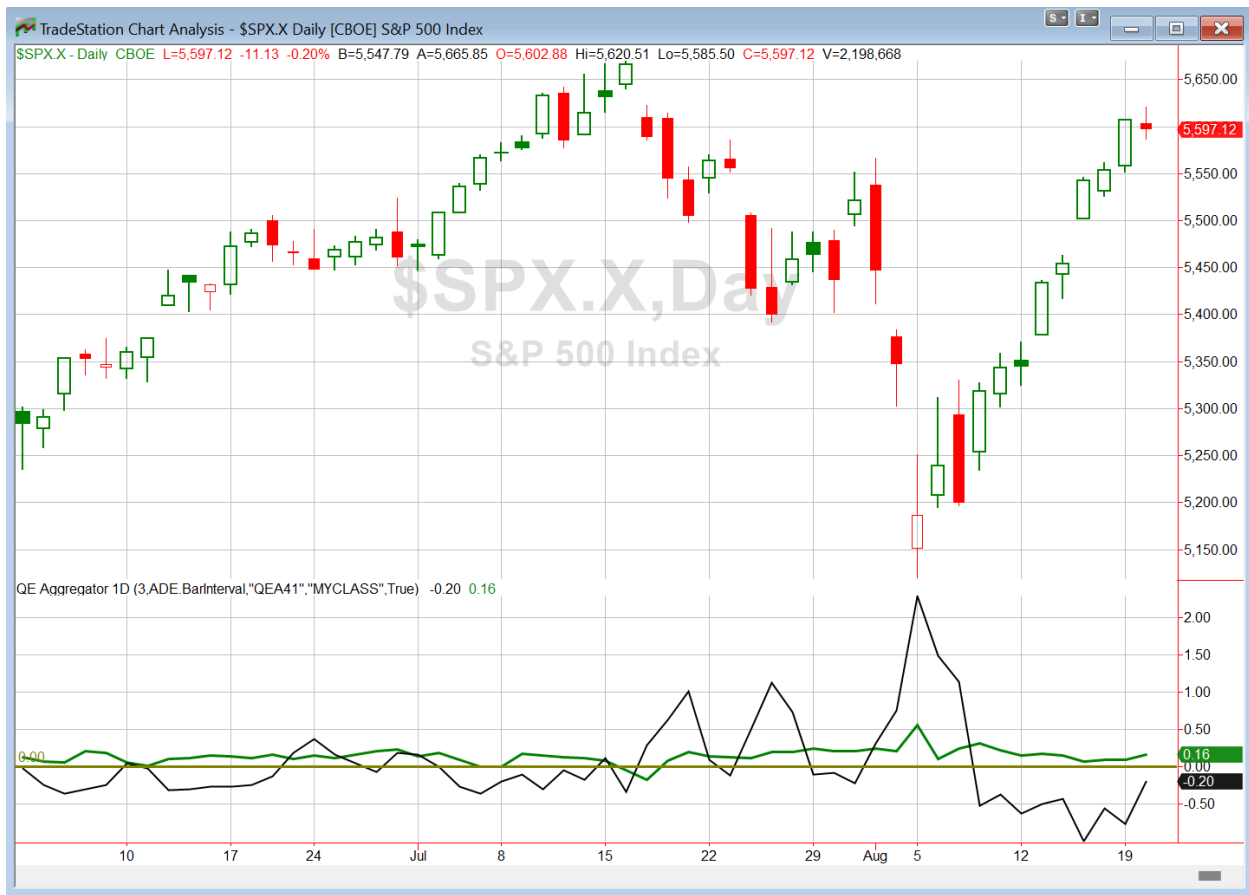
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	39,063.11	25	21	4	84.00	4,875.77	-2,964.60	2,112.98	-1,327.35	1.59	8.36	1,562.52
9	36,896.89	25	21	4	84.00	5,196.49	-3,251.34	2,050.02	-1,538.40	1.33	7.00	1,475.88
8	35,138.42	25	21	4	84.00	4,770.49	-4,038.66	1,992.12	-1,674.03	1.19	6.25	1,405.54
7	27,785.32	25	22	3	88.00	4,600.69	-3,970.62	1,604.18	-2,502.20	0.64	4.70	1,111.41
6	27,279.14	25	21	4	84.00	3,833.41	-3,388.23	1,644.15	-1,812.02	0.91	4.76	1,091.17
5	26,186.48	25	22	3	88.00	3,700.47	-3,188.16	1,441.47	-1,841.93	0.78	5.74	1,047.46
4	22,237.55	25	21	4	84.00	3,577.19	-2,494.80	1,260.67	-1,059.13	1.19	6.25	889.50
3	15,627.89	25	19	6	76.00	3,412.05	-2,852.01	1,173.42	-1,111.18	1.06	3.34	625.12
2	3,187.24	25	16	9	64.00	2,480.28	-2,455.11	770.02	-1,014.79	0.76	1.35	127.49
1	1,010.05	25	16	9	64.00	1,561.47	-2,531.86	470.30	-723.86	0.65	1.16	40.40

The stats here are impressive. I also generated a profit curve for the 5-day holding period.



That is a strong, persistent move from lower left to upper right. This serves as some nice confirmation of the upside edge suggested by the numbers. I have added this study to the Active List tonight.

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 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 Wednesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 5571.03. That is 0.5% below Tuesday's close. Therefore, SPX will need to close down at least 0.5% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. We have a mini-pullback and some evidence that it will likely be followed by a bounce. But the overbought condition is still in place. And I am going to want to see that worked off before considering a new index trade. I'll remain sidelined and patient for at least one more day.

*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

None

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