

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 23, 2024

Volume 17 Issue 163

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- An outside day and close near the bottom of the short-term range during a long-term uptrend has consistently been followed by a bounce.

Short-term Outlook

The Bottom Line

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

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 23, 2024	Up yest. Today 3-hi, 3-lo, 3-lo close	1-5 days	Bullish	2.00%	-1.25%	-2.60%
August 22, 2024	SPX and VXX 5-day closing highs	1-4 days	Bearish			
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			

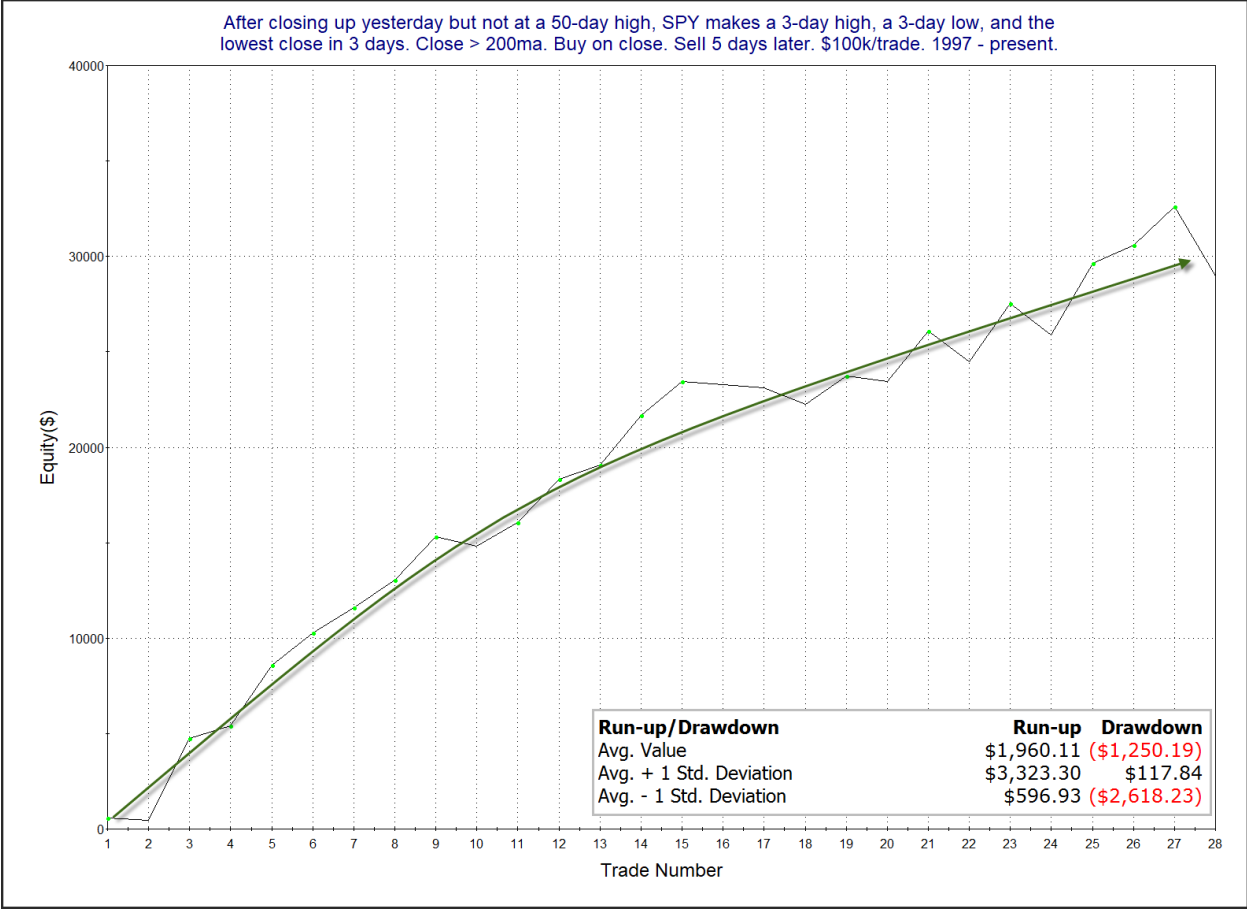
The Evidence

Thursday saw some sizable selling. SPX sank 0.9%, the NASDAQ fell 1.7%, and the Russell 2000 lost 0.95%. Breadth was weak as the NYSE Up Issues % was 34% and the Up Volume % came in at 31%. NYSE total volume declined some from Wednesday’s level.

There was one study tonight that I found appealing. It was from the 7/31/24 letter. The study looked at other times that SPY made a 3-day high, 3-day low, and then a 3-day low close. I found previously that filtering based on whether SPY had closed at a 50-day high the day before was also important. I have updated the study below.

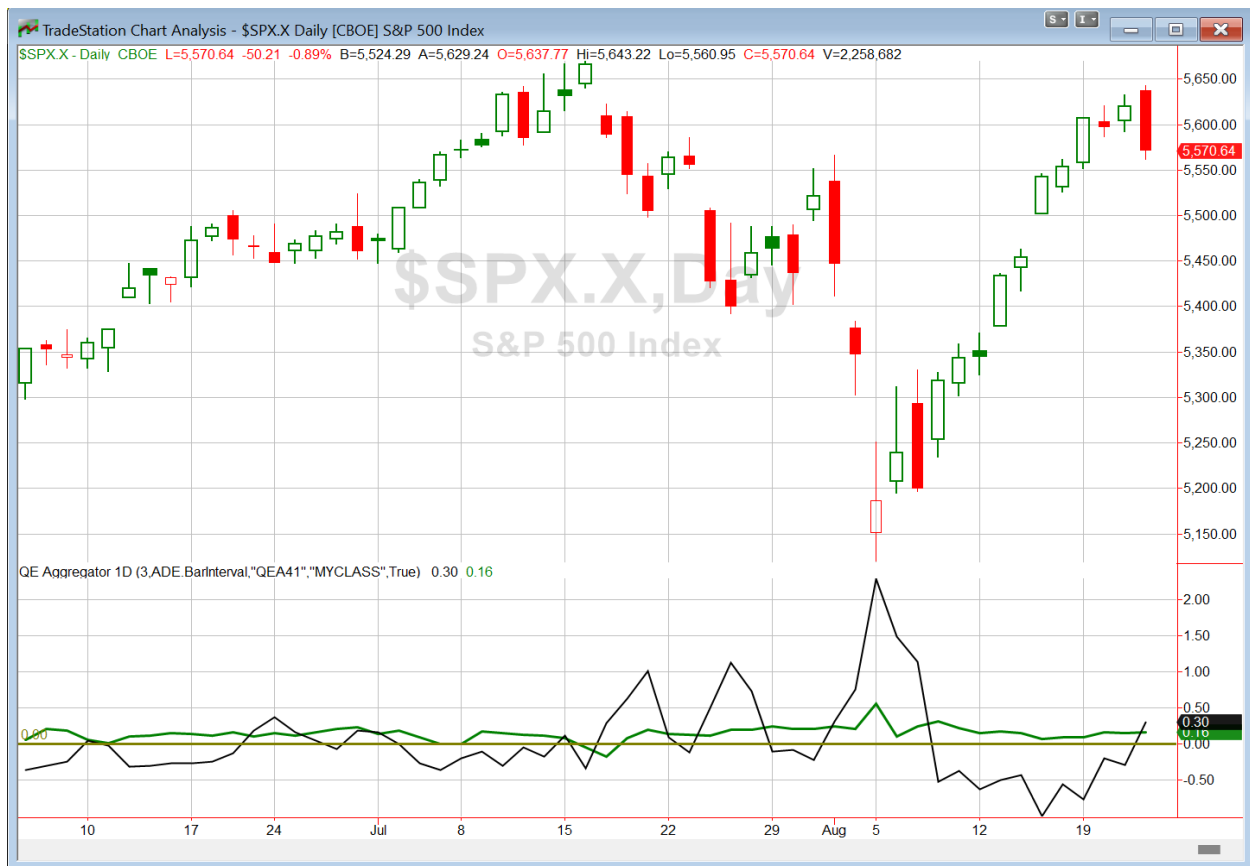
After closing up yesterday but not at a 50-day high, SPY makes a 3-day high, a 3-day low, and the lowest close in 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	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	28,974.21	28	19	9	67.86	4,273.50	-3,652.40	2,001.07	-1,005.13	1.99	4.20	1,034.79
4	21,784.37	28	19	9	67.86	4,533.98	-4,530.08	1,758.41	-1,291.72	1.36	2.87	778.01
3	16,960.05	28	20	8	71.43	3,903.34	-3,386.88	1,473.32	-1,563.30	0.94	2.36	605.72
2	11,573.47	29	20	9	68.97	3,244.78	-3,521.52	1,002.78	-942.46	1.06	2.36	399.09
1	7,007.92	29	19	10	65.52	2,359.84	-1,774.08	742.82	-710.57	1.05	1.99	241.65

Stats here certainly favor the bulls. Below is a look at the 5-day profit curve.



Despite the last instance, that is an impressive move from lower left to near upper right. This serves as some confirmation of the upside edge suggested by the stats table. 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 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 is unlikely to change. Meanwhile, the Differential Pivot will be 5615.75. That is 0.8% above Thursday's close. Therefore, SPX will need to close up over 0.58% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. We have a fair amount of evidence pointing higher, and there is finally a short-term oversold condition. I believe there is an upside edge. But I am not inclined to get aggressive yet. Last night's bearish study was compelling, and it sure started to play out on Thursday. Friday's action could be heavily dependent on what Powell says in his speech. And the reaction, in either direction, could be strong. So I will dip my toe in on the long side if I can get a favorable entry. But I do not want to take on too much exposure with mixed evidence ahead of potential volatility event.

*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.

SPY – Buy ¼ index position @ \$556.22 limit. Based on the short-term outlook above, I will look to take on some long exposure if I can get filled at Thursday’s closing price or better.

Current Open Trade Ideas

None

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