

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 8, 2025

Volume 18 Issue 127

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Unfilled gaps down from 50-day highs have exhibited a downside edge the following day.
- Coming from an intermediate-term high, an unfilled gap down after an unfilled gap up appears bearish.

Short-term Outlook

The Bottom Line

The Aggregator is short, but the edge appears very short-term, because SPX is likely to flip from overbought to oversold vs expectations on Tuesday,

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

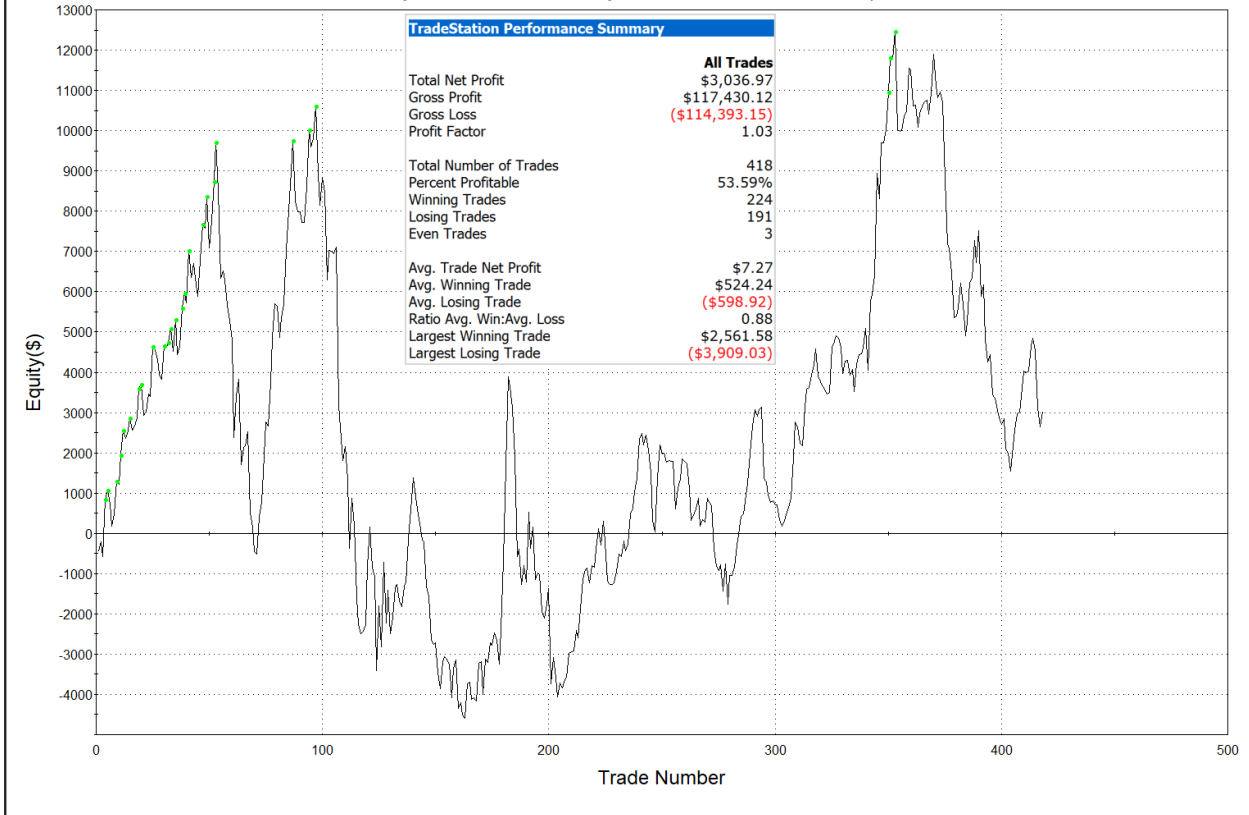
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 8, 2025	Unfill up to 20-high. Unfilled dn > 200	1-2 days	Bearish			
July 8, 2025	Unfilled gap down from 50-day high	1 day	Bearish			
Active - Long Term						
July 1, 2025	RSI(2) crosses over 99	1-15 days	Bullish	2.20%	-1.60%	-3.10%
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			
May 19, 2025	DeGraaf Thrust (55% SPX 20-day high)	1-12 months	Bullish			
May 5, 2025	Sell in May when 5% drop prior	1-6 months	Bearish			
April 28, 2025	NASDAQ Leading	int term	Bullish			
April 25, 2025	Zweig Breadth Thrust	1-12 months	Bullish	29.50%	-2.90%	-6.55%
April 23, 2025	Up Issue % & Up Vol % > 86% 2x in 9 days	1-12 months	Bullish			
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			

The Evidence

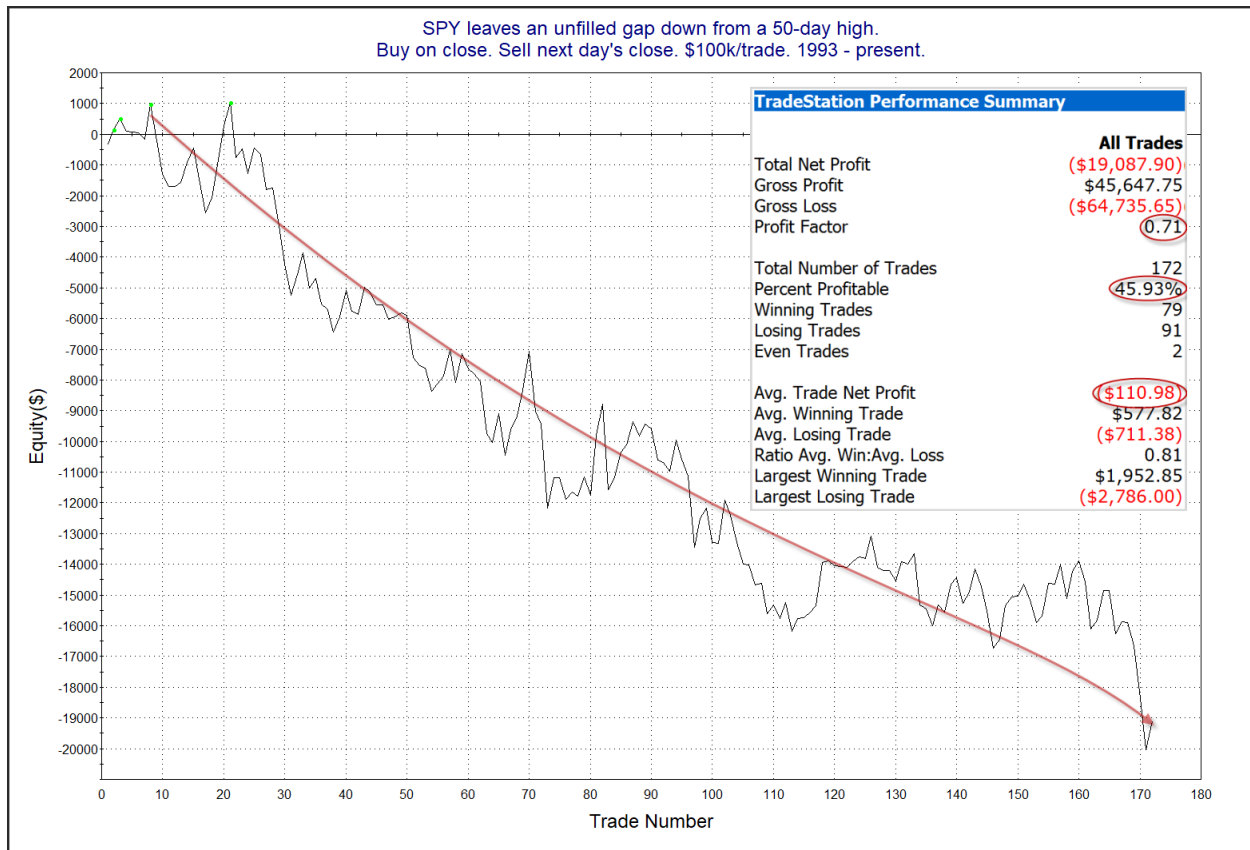
The market gapped lower on Monday and never recovered. SPX finished down 0.8%, the NASDAQ fell 0.9%, and the Russell 2000 dropped 1.55%. Breadth was positive as the NYSE Up Issues % closed at 21% and the NYSE Up Volume % posted a 26% reading. NYSE total volume came in a good bit higher than Thursday's shortened session.

The 1st day down from a high does not often suggest a strong edge. But when the 1st day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They were last seen in the 6/16/25 letter. The 1st one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.

Yesterday SPY closed at a 50-day high. Today SPY closes lower but does not leave an unfilled gap down.
 Buy on close. Sell next day's close. \$100k/trade. 1993 - present.



There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



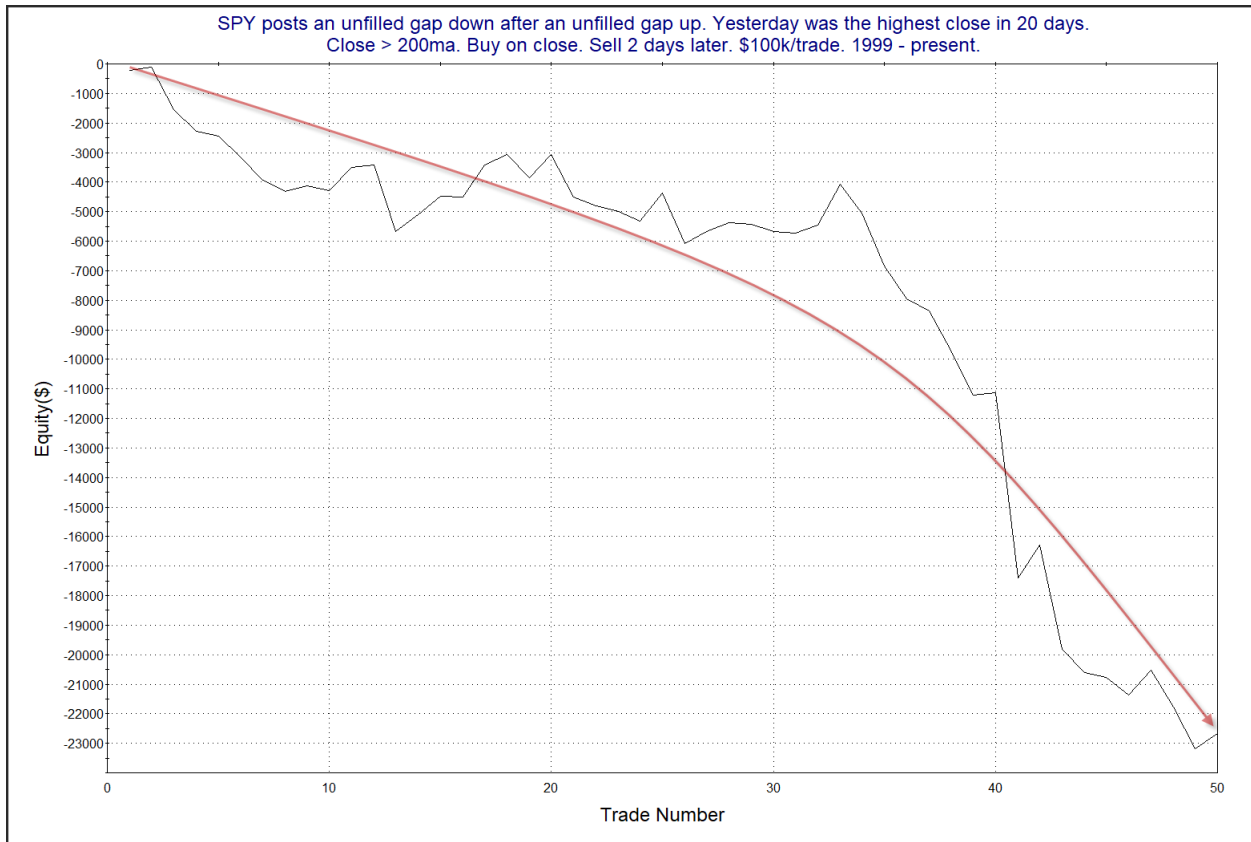
The move lower has persisted for a long time. The curve has seen an acceleration lately, with big moves lower after the some recent instances – occurring 7/17/24, 2/20/25, and 5/20/25. The study overall is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. It suggests a moderate downside edge for Tuesday.

The next study considers SPY performance after posting an unfilled gap down from a high level *immediately after an unfilled gap up*. It was last shown in the 7/18/24 Subscriber Letter. Below are updated results.

SPY posts an unfilled gap down after an unfilled gap up. Yesterday was the highest close in 20 days.
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - present.

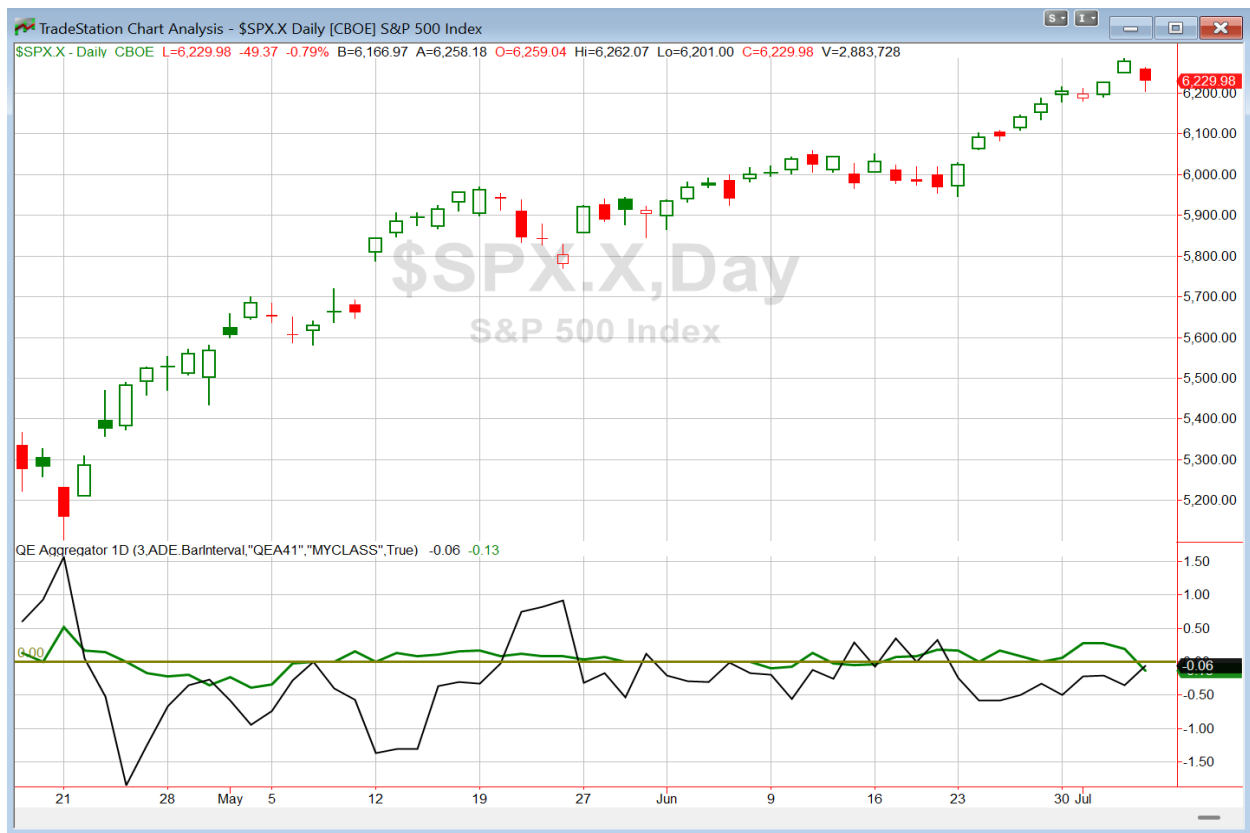
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-33,782.95	49	23	26	46.94	1,827.28	-7,283.25	789.27	-1,997.54	0.40	0.35	-689.45
4	-25,112.73	49	20	29	40.82	1,998.36	-4,273.14	855.55	-1,455.99	0.59	0.41	-512.50
3	-21,028.77	49	20	29	40.82	1,312.42	-5,156.38	628.66	-1,158.69	0.54	0.37	-429.16
2	-22,661.20	50	18	32	36.00	1,383.20	-6,275.98	581.70	-1,035.37	0.56	0.32	-453.22
1	-11,860.88	50	20	30	40.00	1,008.68	-1,807.92	403.07	-664.08	0.61	0.40	-237.22

The numbers here appear to suggest a downside edge. Let's also take a look at a 2-day profit curve.



While the curve is a little choppy, it has persisted downwards. We have tracked this study for a while, and the edge has seen an acceleration to the downside over the years. This all suggests we could see further selling over the next few days. I added this to the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line dropped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

Based on the current active studies, expectations are set to remain negative on Tuesday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 6265.82. That is 0.6% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.6% in order to remain overbought. Anything less than that and it will flip to "oversold" versus expectations as of Tuesday's close.

So the Aggregator is bearish. But with the Differential Pivot inverted it is unlikely to stay that way. I generally do not favor taking new entries with an inverted pivot. This is because reward potential is quite limited. Any move in the expected direction, and even some moves against the position, would generate an exit. Since a short would be a counter-trend trade right now, I'm especially disenchanted with the idea of taking on new exposure. So I'll stay sidelined and await a better opportunity for a potential index trade.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/7 – **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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