

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 20, 2025

Volume 18 Issue 158

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Numbered Method 11111 triggered for SPY.
- Wednesday was the 1st time SPY closed at a 5-day low in a while, while still closing above its 10ma. That has typically meant a bounce in the next several days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is building, and I like the long side.

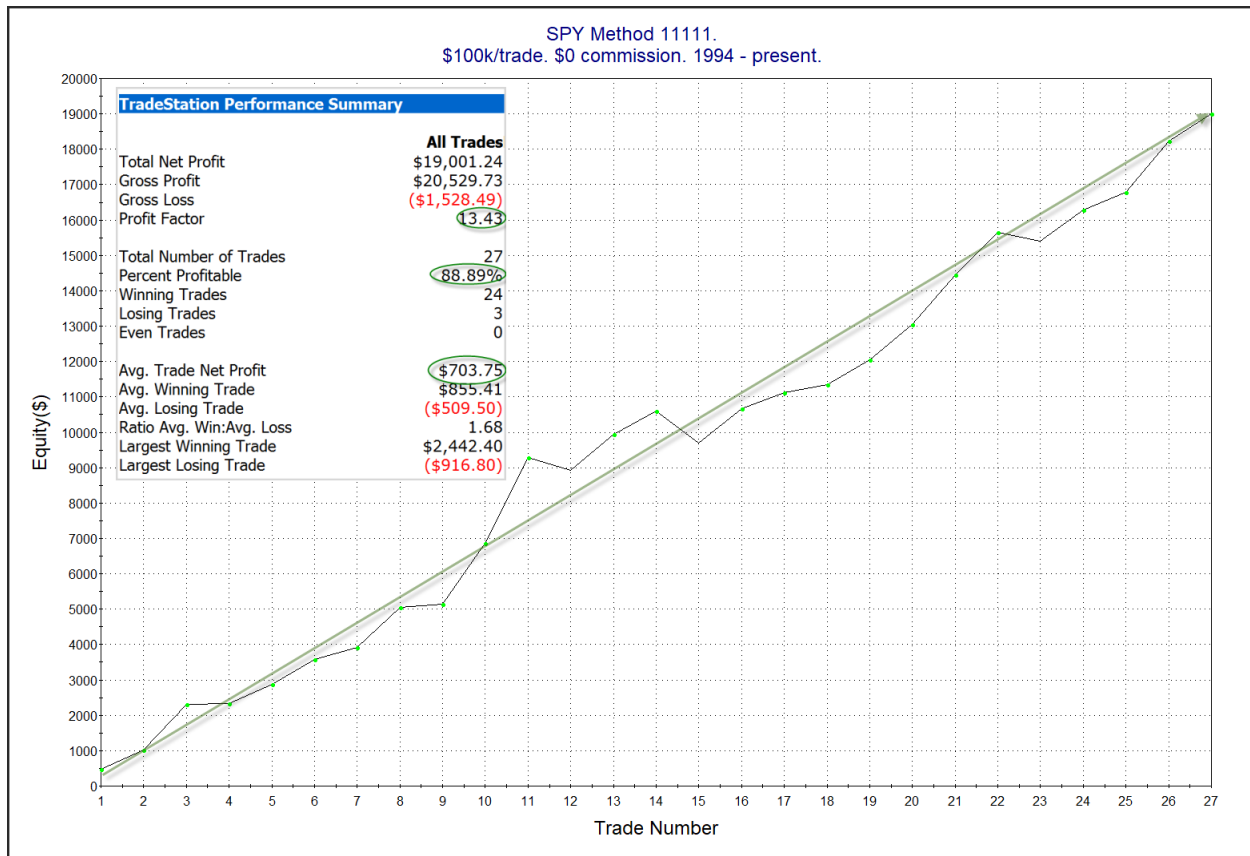
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 20, 2025	Method 11111	1-4 days	Bullish			
August 20, 2025	1st 5 low in 10 days. Close > 10ma	1-5 days	Bullish	1.40%	-1.15%	-2.30%
August 15, 2025	Up vol < 40%. SPX up and > 200	1-8 days	Bullish			
August 14, 2025	Up Iss % 1-yr rank > 90% 2x. 50-day high.	1-7 days	Bullish			
Active - Long Term						
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

Tuesday saw selling. SPX declined 0.6%, the NASDAQ fell 1.5%, and the Russell 2000 lost 0.8%. Breadth was mixed as the NYSE Up Issues % closed at 56% and the NYSE Up Volume % posted a 49% reading. NYSE total volume declined some from Monday's level.

I'll note that with the pullback, SPY is now set up to trigger QE numbered method 11111 on Wednesday. A trade at or below SPY's closing price would mean an entry on Wednesday. Method 11111 has done fairly well over the years. With SPY, it has done particularly well. Below are the updated stats.



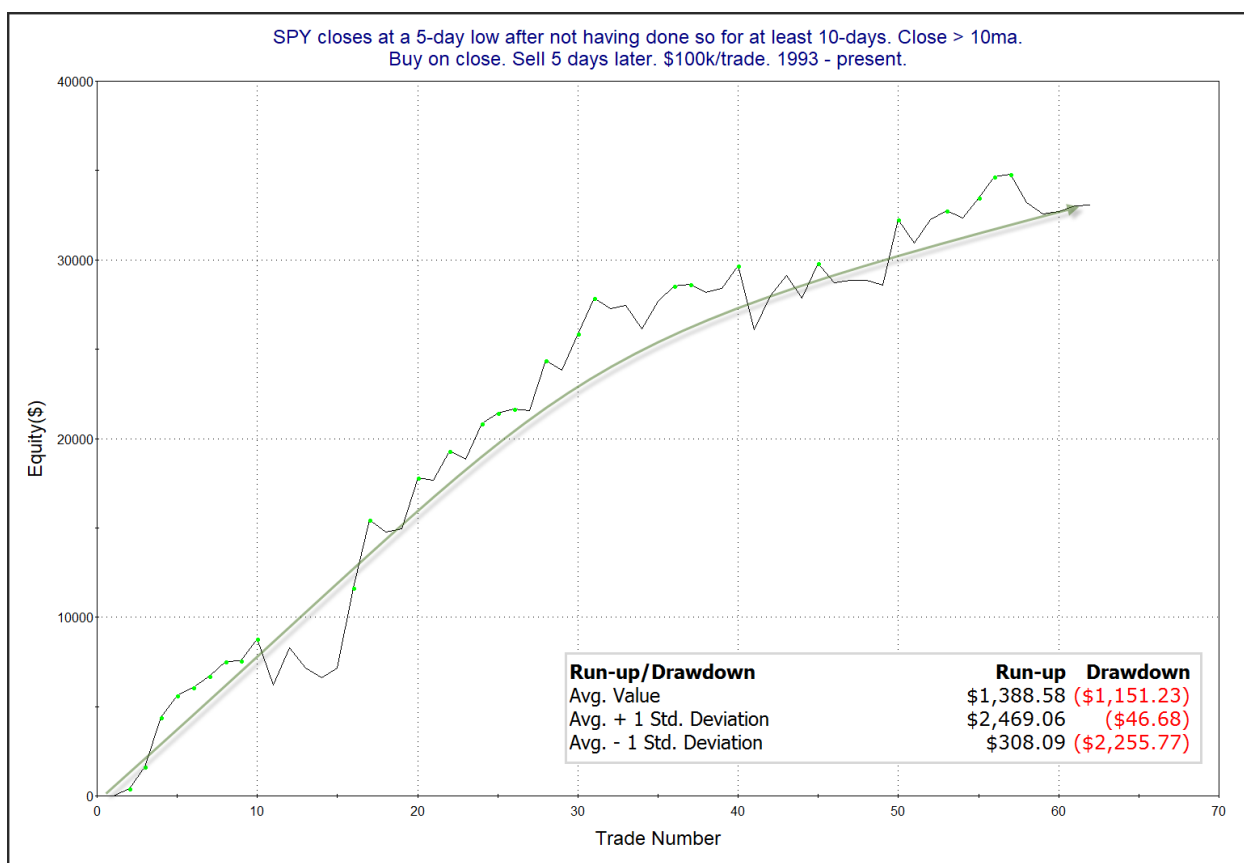
The stats are extremely lopsided in favor of the bulls. And the profit curve is impressive as well. Also notable (but not shown) is that the average trade only lasted about 3.5 days. The short time in these trades and the high percent that end up profitable speaks to the probability of a quick bounce here. I have incorporated this setup into the Aggregator today.

Tuesday's price movement caused SPY to close in an interesting position. Traders could look at the chart and say it is "short-term oversold" due to the fact that it closed at a 5-day low. They might also say it is "short-term overbought" since it closed above its 10-day moving average. I have found that edges often arise when something is short-term overdone in one timeframe, but overdone in another direction in another timeframe. The study below, updated from the 9/7/23 letter, looks at the current discrepancy.

SPY closes at a 5-day low after not having done so for at least 10-days. Close > 10ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

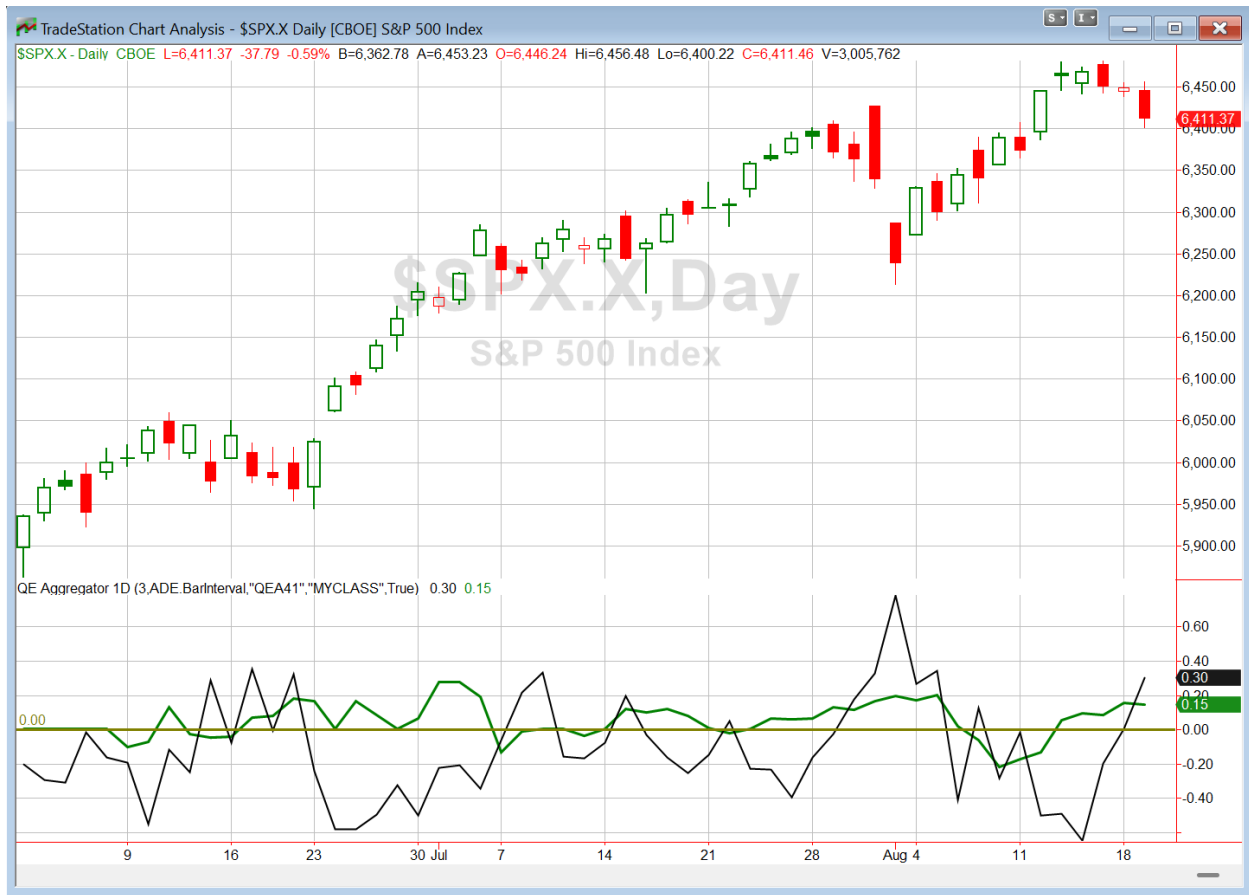
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	33,082.95	62	41	21	66.13	4,496.34	-3,570.00	1,266.35	-897.01	1.41	2.76	533.60
4	25,548.83	62	38	24	61.29	3,240.45	-2,475.20	1,215.06	-859.31	1.41	2.24	412.08
3	20,659.34	62	40	22	64.52	3,452.40	-3,393.78	1,079.86	-1,024.31	1.05	1.92	333.22
2	13,411.71	62	37	25	59.68	3,809.72	-3,737.28	958.23	-881.72	1.09	1.61	216.32
1	6,386.15	62	35	27	56.45	2,225.48	-3,909.03	668.70	-630.31	1.06	1.38	103.00

Results here suggest a solid edge over the next 1-5 days. Below is the 5-day profit curve.



The persistent upslope is impressive, and serves as some confirmation of the bullish 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 also held 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 studies, expectations are slated to remain positive on Wednesday. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 6464.90. That is 0.8% above Tuesday's close. So SPX will need to close up over 0.8% on Wednesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. There is an ample amount of evidence suggesting an upside edge, and SPX is fairly oversold. The creates a favorable reward/risk setup. I like the long side. The trade idea from last night took on long SPY exposure at the close. If we see SPY close down much more on Wednesday, I'll add another lot to that trade idea.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 8/18 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 1 (IBM)

Additional New Trade Ideas

SPY – Buy ¼ index position @ \$638.00 LIMIT ON CLOSE. From the short-term section above, if SPY closes down much again on Wednesday, I will look to build the long trade idea a bit larger.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	8/19/2025	\$639.81	\$639.81	0.00%	Aggregator

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