

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 22, 2025

Volume 18 Issue 160

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 1 |

Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce the next day.
- Five lower closes above the 200ma and also above a 20-day low close also suggests a quick bounce.

Short-term Outlook

The Bottom Line

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

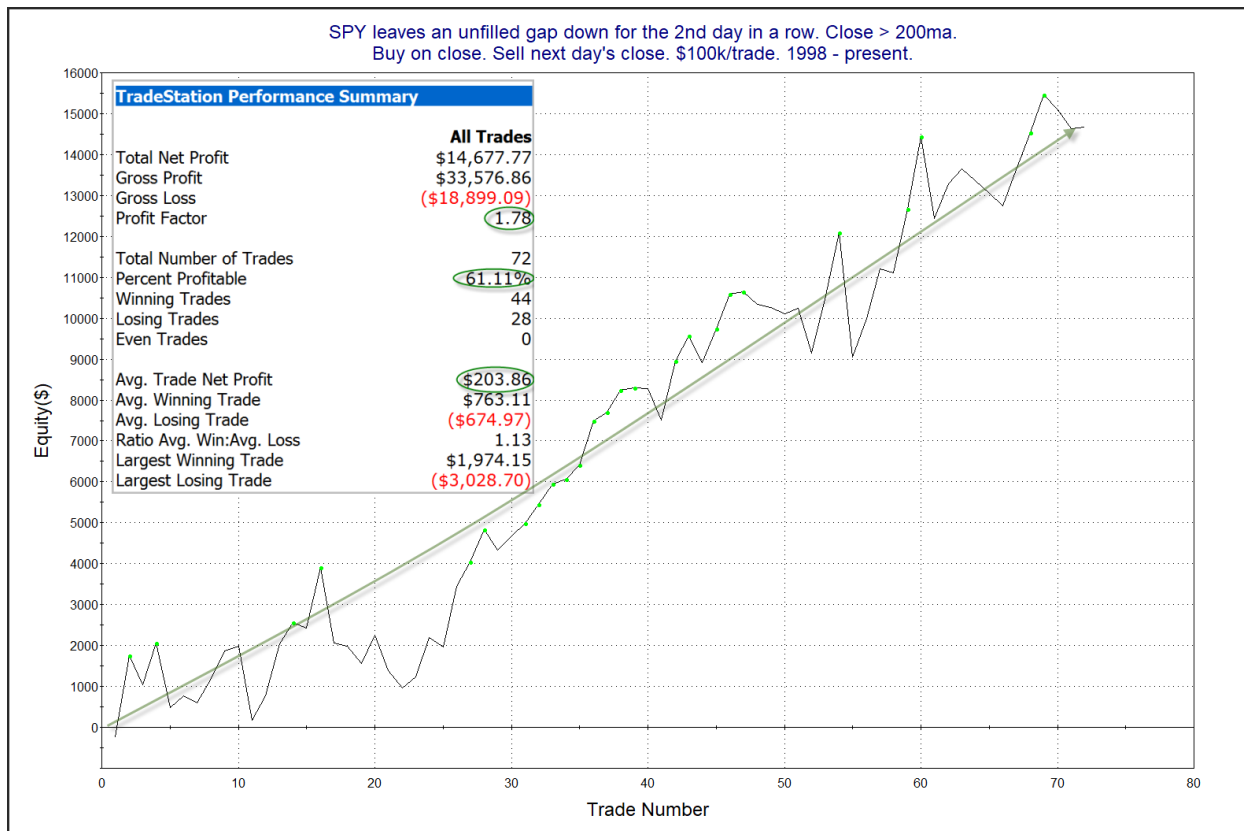
Summary of Recent Active Studies (see Letters from listed dates for details)

| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|----------------------------|---|-------------|---------|------------|------------|------------------------|
| Active - Short Term | | | | | | |
| August 22, 2025 | 5 lower closes > 200ma > 20-day low | 1-2 days | Bullish | | | |
| August 22, 2025 | Unfilled gap down 2 days > 200 | 1 day | Bullish | | | |
| August 21, 2025 | Gap < 5-low close. Close < open > 200ma | 1-2 days | Bullish | | | |
| 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

The market finished mixed but SPX declined for the 5th day in a row. SPX finished down 0.4%, the NASDAQ fell 0.3%, and the Russell 2000 rose 0.2%. Breadth was weak as the NYSE Up Issues % closed at 42% and the NYSE Up Volume % posted a 48% reading. NYSE total volume declined some from Wednesday's level.

Notable about Thursday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. This next study suggested bullish implications when this has occurred during a long-term uptrend. Last featured in the 5/22/25 letter, results are updated.



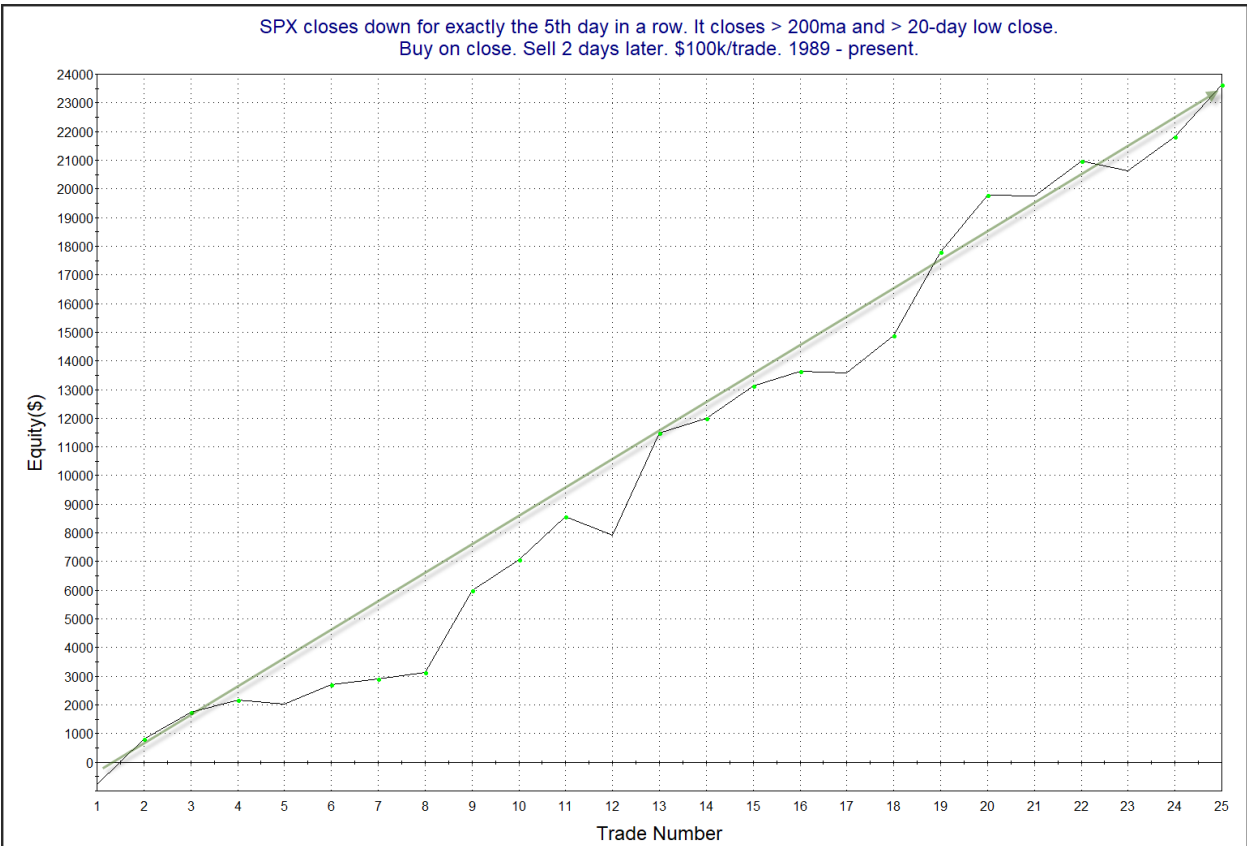
The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

Another compelling study required 5 lower closes above the 200ma and also above a 20-day low. I last showed it in the 1/3/25 Letter and have updated the results.

SPX closes down for exactly the 5th day in a row. It closes > 200ma and > 20-day low close.
Buy on close. Sell X days later. \$100k/trade. 1989 - present.

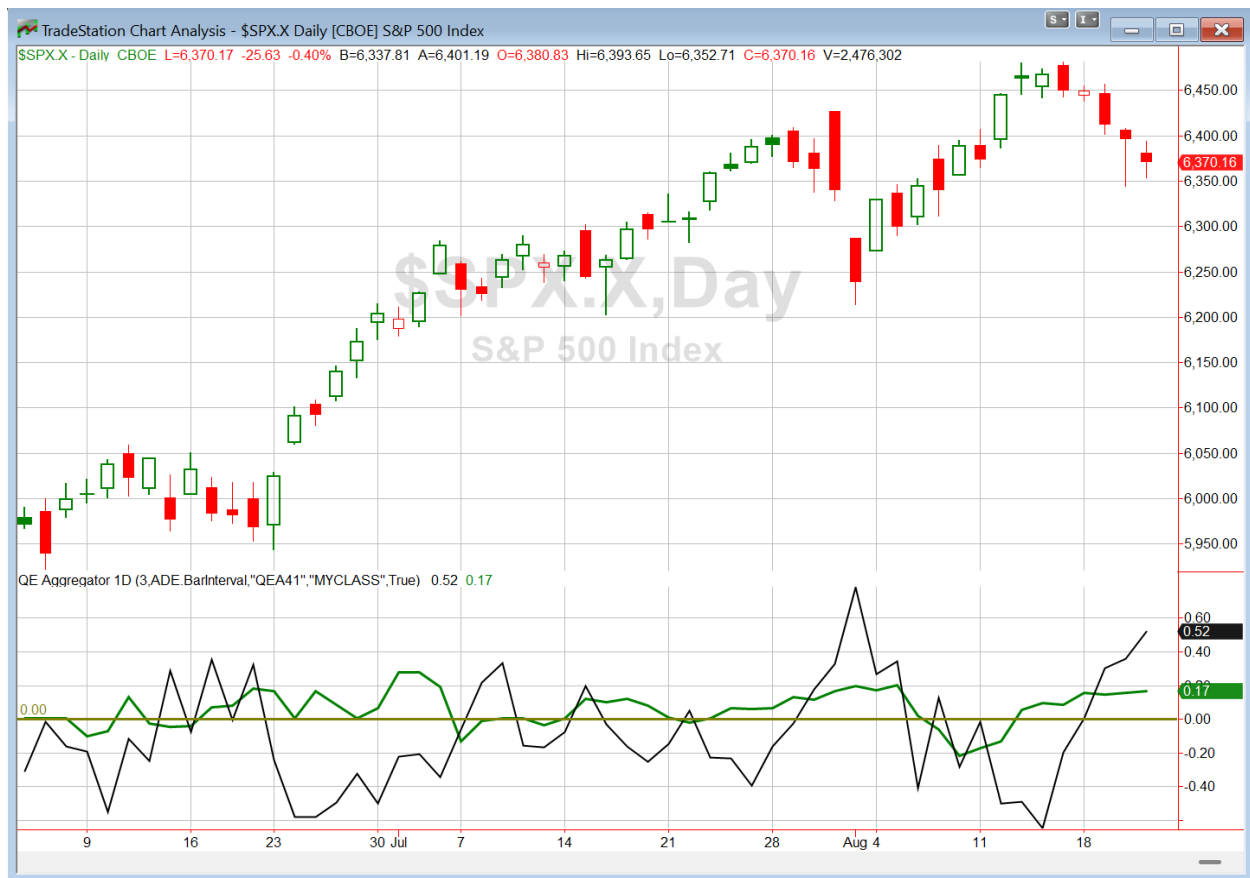
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Max Winning Trade | All: Max Losing Trade | All: Avg Winning Trade | All: Avg Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 5 | 13,792.27 | 25 | 15 | 10 | 60.00 | 5,460.84 | -1,956.78 | 1,491.57 | -858.13 | 1.74 | 2.61 | 551.69 |
| 4 | 18,113.35 | 25 | 18 | 7 | 72.00 | 5,187.49 | -1,633.75 | 1,319.56 | -805.54 | 1.64 | 4.21 | 724.53 |
| 3 | 20,209.27 | 25 | 19 | 6 | 76.00 | 5,339.18 | -1,179.00 | 1,304.65 | -763.18 | 1.71 | 5.41 | 808.37 |
| 2 | 23,634.54 | 25 | 19 | 6 | 76.00 | 3,591.28 | -763.84 | 1,349.15 | -333.21 | 4.05 | 12.82 | 945.38 |
| 1 | 11,347.53 | 25 | 19 | 6 | 76.00 | 1,367.55 | -1,155.00 | 753.90 | -496.11 | 1.52 | 4.81 | 453.90 |

Based on the stats table there appears to be a bullish inclination, especially over the first few days. Below is a profit curve to see how the edge has evolved.



The profit curve supports the idea of a bullish edge. So while it has evaded us so far, it appears an SPX bounce is getting close.

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 Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 6435.91. That is 1.0% above Thursday's close. Therefore, SPX will need to close up at least 1.0% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is again bullish. Evidence keeps building, and there is still ample room to the upside before SPX will turn overbought. Reward/risk appears to favor the bulls. There are currently 2 lots of SPY active in the Trade Ideas section. I will not look to add to that tonight. Friday could be volatile depending on how the market reacts to Powell's speech. I'll see how that reaction unfolds and what new evidence emerges before considering any changes to the current trade ideas. I'll also note with the CBI just at one, it has not even begun to spike. I generally like to have some cash on the sidelines for times that it does.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

MSFT – 1/3 @ \$504.24 (buy @ limit)

Broad Market Large Cap CBI – 1(MSFT)

Additional New Trade Ideas

MSFT – Buy 1/3 Catapult position @ \$504.24 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of MSFT.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes |
|----------|------------|-------------|---------------|-------------|------------|
| SPY(1/4) | 8/19/2025 | \$639.81 | \$635.55 | -0.67% | Aggregator |
| SPY(1/4) | 8/21/2025 | \$636.28 | \$635.55 | -0.11% | Aggregator |
| | | | | | |
| | | | | | |
| | | | | | |

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