

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 26, 2025

Volume 18 Issue 162

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	2

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 bearish. It appears to be a mild short-term downside edge to me.

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

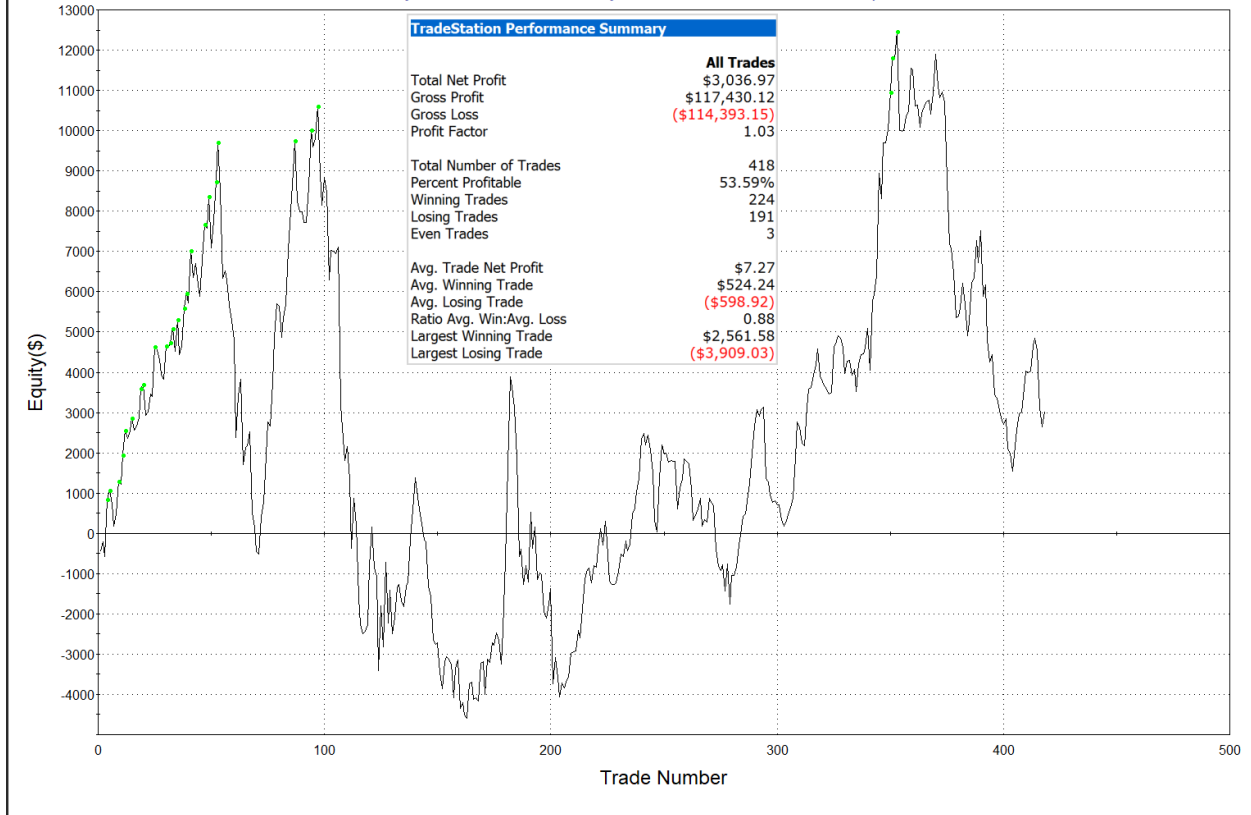
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 26, 2025	Unfill up to 20-high. Unfill down. C > 200	1-2 days	Bearish			
August 26, 2025	Unfilled gap down from 50-day high	1 day	Bearish			
August 20, 2025	1st 5 low in 10 days. Close > 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			
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

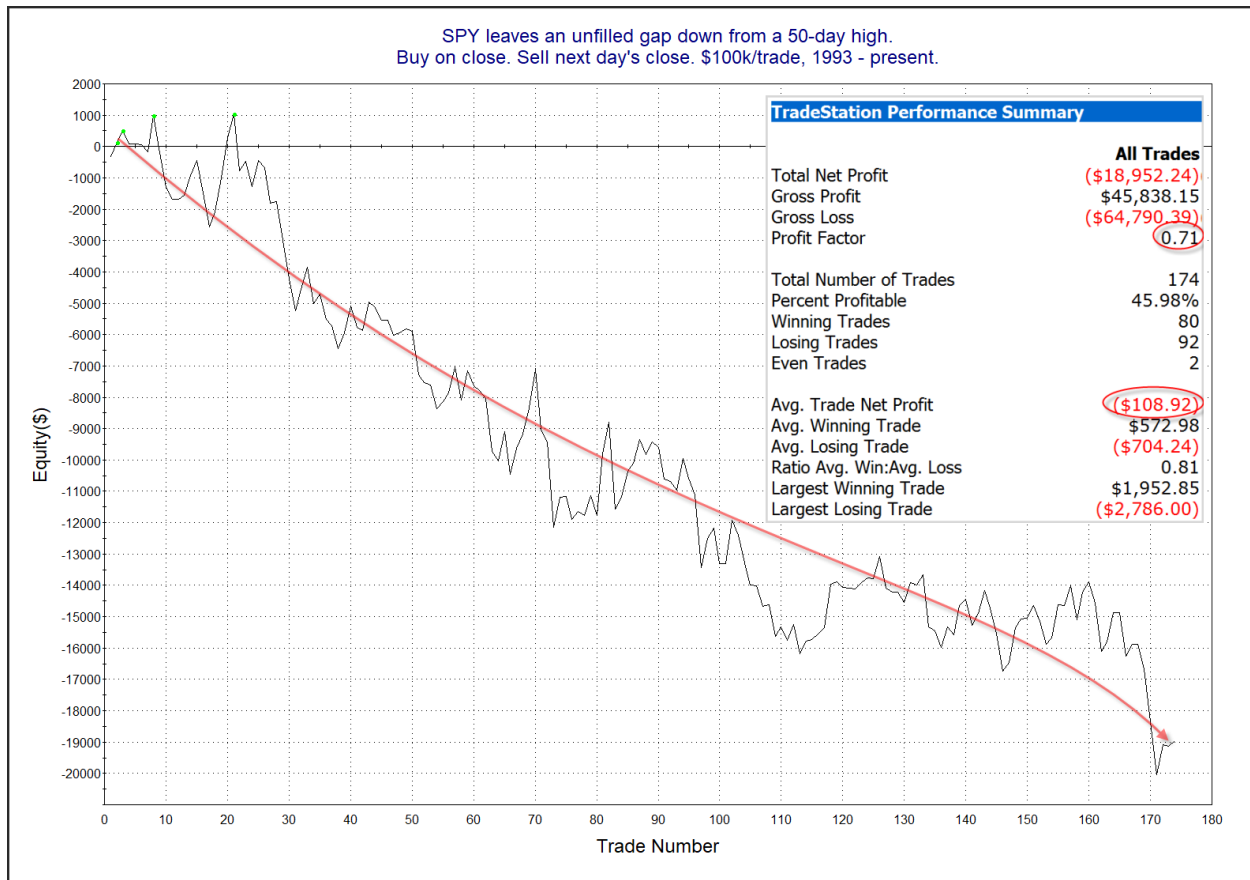
Monday opened weak and ended weaker. SPX finished down 0.4%, the NASDAQ lost 0.2%, and the Russell 2000 dropped 1.0%. Breadth was weak as the NYSE Up Issues % closed at 32% and the NYSE Up Volume % posted a 33% reading. NYSE total volume declined some from Friday's level.

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. Monday barely qualified as SPY's intraday high fell just below Friday's close. 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. 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.



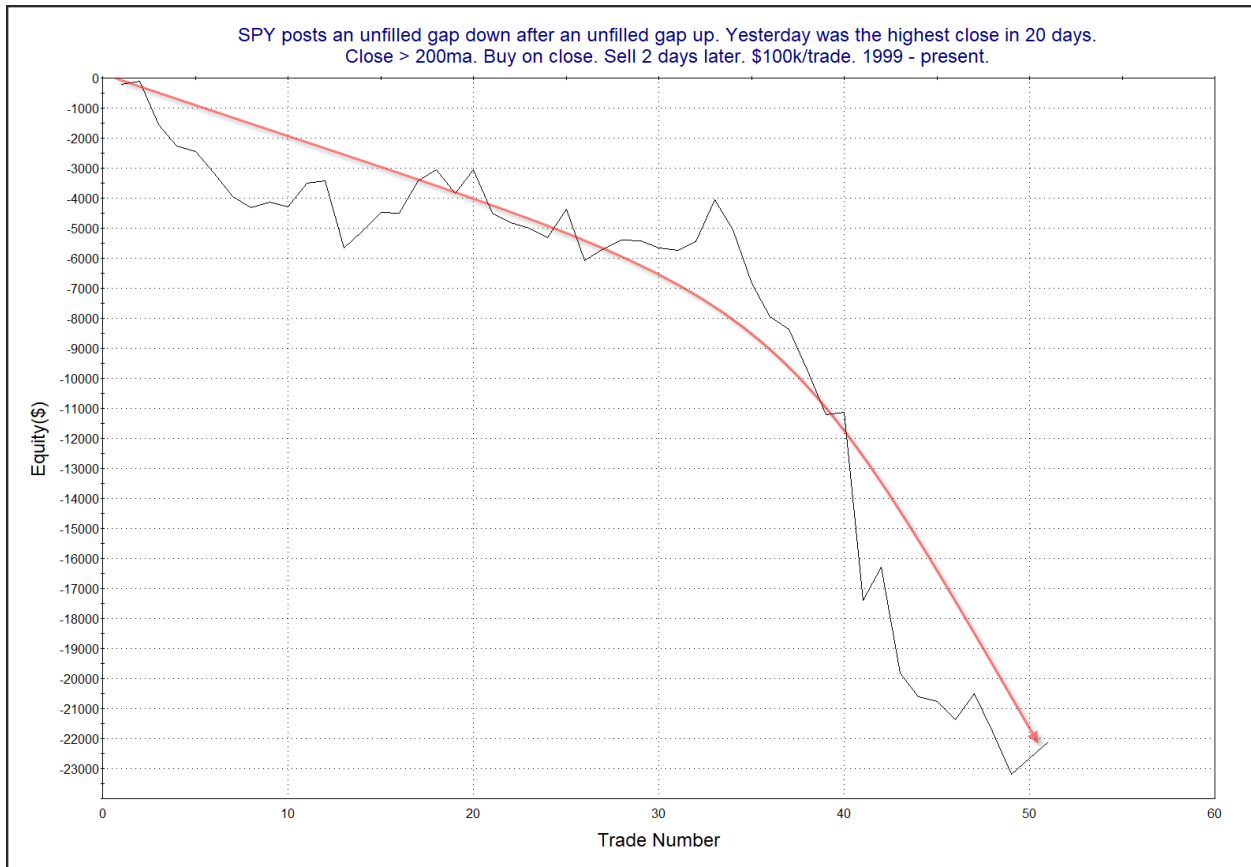
The move lower has persisted for a long time. The curve has seen an acceleration lately. The study overall is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. It suggests a moderate downside edge for Tuesday.

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 7/8/25 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.

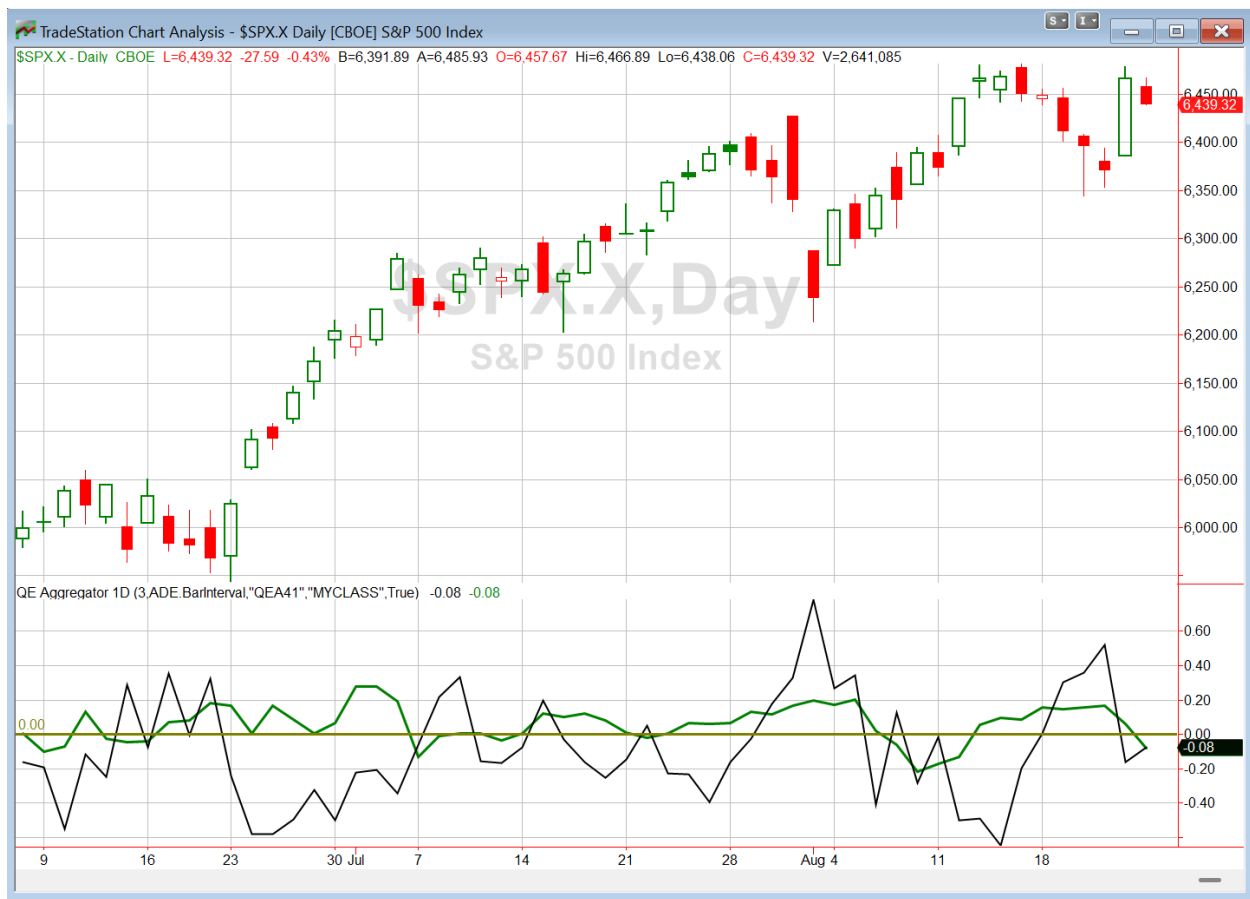
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-33,118.02	50	24	26	48.00	1,827.28	-7,283.25	784.08	-1,997.54	0.39	0.36	-662.36
4	-24,639.39	50	21	29	42.00	1,998.36	-4,273.14	837.35	-1,455.99	0.58	0.42	-492.79
3	-20,201.23	50	21	29	42.00	1,312.42	-5,156.38	638.13	-1,158.69	0.55	0.40	-404.02
2	-22,117.02	51	19	32	37.25	1,383.20	-6,275.98	579.72	-1,035.37	0.56	0.33	-433.67
1	-11,915.62	51	20	31	39.22	1,008.68	-1,807.92	403.07	-644.42	0.63	0.40	-233.64

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 dipped 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 studies, expectations are slated to remain negative on Tuesday. This could easily change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 6399.58. That is 0.6% below Monday's close. Therefore, SPX will need to close down at least 0.6% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now bearish. Tonight's studies suggest the next day or two could see additional selling. There is room to the downside before SPX will turn oversold. So reward/risk would likely be good enough for me to consider a short-side trade idea if this was not a counter-trend setup. I'll need additional bearish evidence before I'll likely be convinced enough to consider shorting. For now I will remain basically neutral and standing by.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/25 – *bullish*

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MSFT – 1/3 @ \$504.24 (bought @ limit)

New

INTU – 1/3 @ \$656.96 (buy @ limit)

Broad Market Large Cap CBI – 2(MSFT, INTU)

Additional New Trade Ideas

INTU – Buy 1/3 Catapult @ \$656.96 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of INTU.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>SPY(1/4)</i>	<i>8/19/2025</i>	<i>\$639.81</i>	<i>\$644.04</i>	<i>0.66%</i>	<i>sold on open</i>
<i>SPY(1/4)</i>	<i>8/21/2025</i>	<i>\$636.28</i>	<i>\$644.04</i>	<i>1.22%</i>	<i>sold on open</i>
MSFT(1/3)	8/22/2025	\$504.24	\$504.26	0.00%	Catapult

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