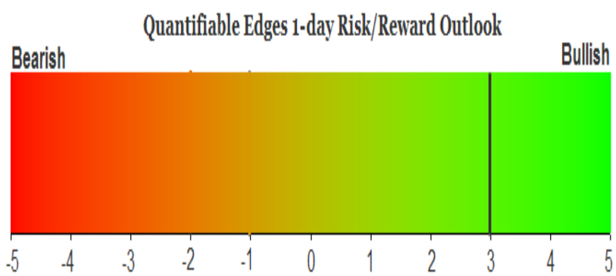
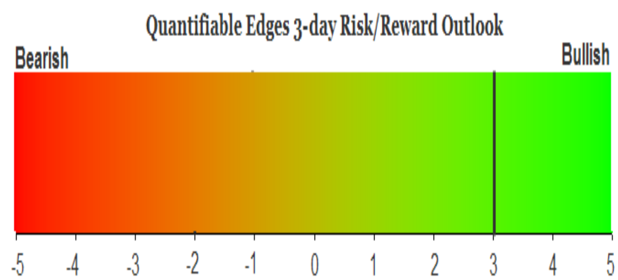
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 21, 2026 Volume 20 Issue 136

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce, especially heading into a "Turnaround Tuesday".
- A mild, low-volume 3-day pullback that did not start from a 20-day high has more often than not been followed by a short-term bounce over the next couple of days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. There appears to be a solid upside edge.

Quantifiable Edges, LLC 10 Boyden Rd., Medfield, Massachusetts 02052 781-956-6952

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 21, 2026	SPX 3+ lower closes, mildest drop, lowest vo	1-2 days	Bullish	1.28%	-0.77%	-1.52%
July 21, 2026	SPX weak close at a 5-day low on a Monday,	1-5 days	Bullish	1.97%	-1.09%	-2.22%
Active - Long Term						
July 6, 2026	No QE. Rate rise probable. Fed hawkish	int term	Bearish			
June 29, 2026	NASDAQ lagging	int term	weak			
May 27, 2026	NDX > 18% above 200ma	1-90 days	Bullish	13.80%	-9.37%	-18.64%
May 13, 2026	SPX historically strong 6-week rally	1-12 months	Bullish	18.96%	-8.29%	-10.88%
April 27, 2026	Sell in May 2nd yr Pres Cycle & 5% pullback	1-6 months	Bearish			
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			

The Evidence

The market struggled on Monday. SPX finished down 0.2%, the NASDAQ lost 0.05%, and the Russell 2000 declined 0.7%. Breadth was negative as the NYSE Up Issues % closed at 38% and the NYSE Up Volume % posted a 38% reading. NYSE total volume dropped sharply from Friday's level.

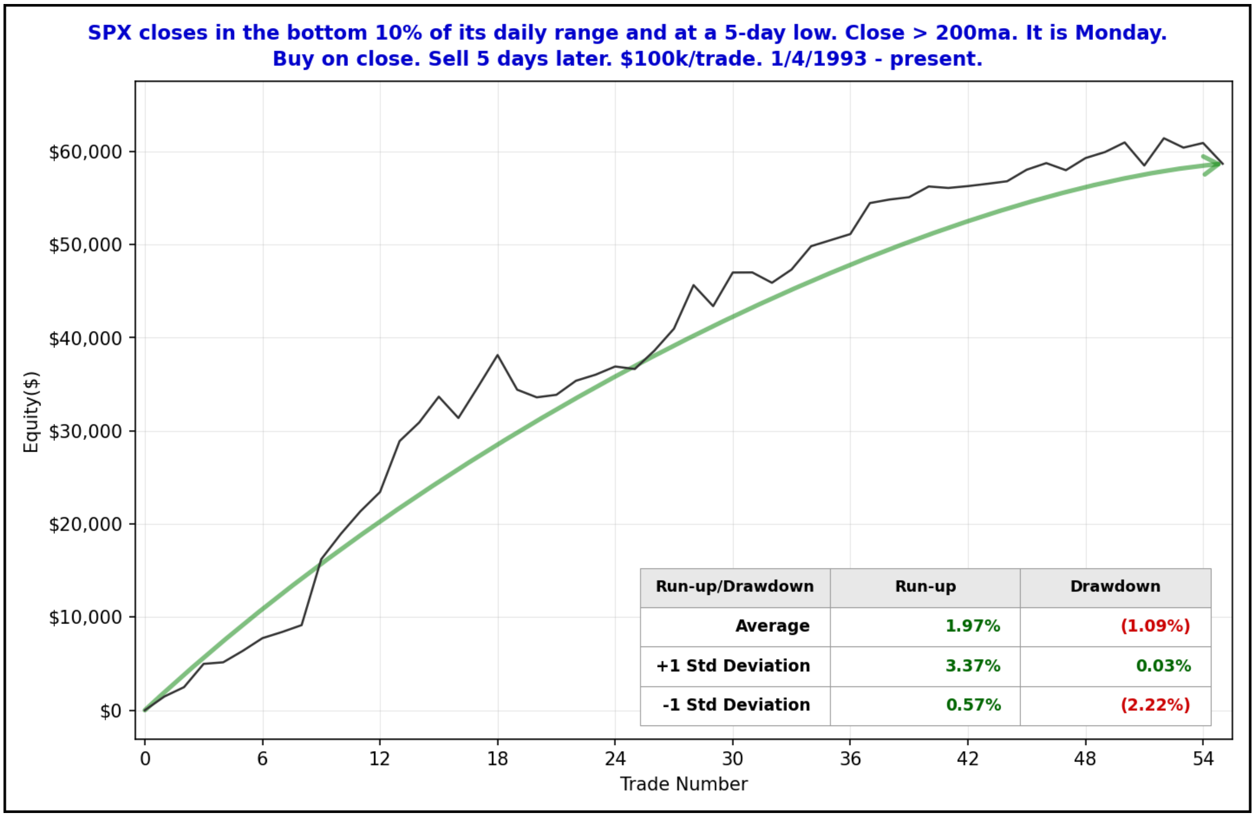
There were several studies that triggered in the Quantifinder on Monday evening. Many of them were related to multiple-day pullbacks or pullbacks to short-term lows, low volume, and the fact that we are heading into a potential Turnaround Tuesday. So below I decided to feature a couple of the ones that stood out to me.

This first one was last featured in the 11/23/21 subscriber letter. It looked at the weak close at a short-term low, heading into a potential turnaround Tuesday. All stats are updated.

SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. It is Monday.
Buy on close. Sell X days later. 1/4/1993 - present.

X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	55	44	11	80.00%	7.07%	-3.72%	1.72%	1.56%	1.11	4.43	1.067%
4	55	44	11	80.00%	5.22%	-3.03%	1.43%	1.59%	0.90	3.61	0.830%
3	55	37	18	67.27%	5.38%	-3.52%	1.41%	1.13%	1.25	2.56	0.579%
2	55	37	18	67.27%	4.81%	-2.28%	1.16%	0.75%	1.55	3.19	0.537%
1	55	41	14	74.55%	5.12%	-1.62%	0.87%	0.47%	1.85	5.41	0.527%

The table suggests a compelling upside edge over the next few days. Below is a look at the 5-day profit curve.



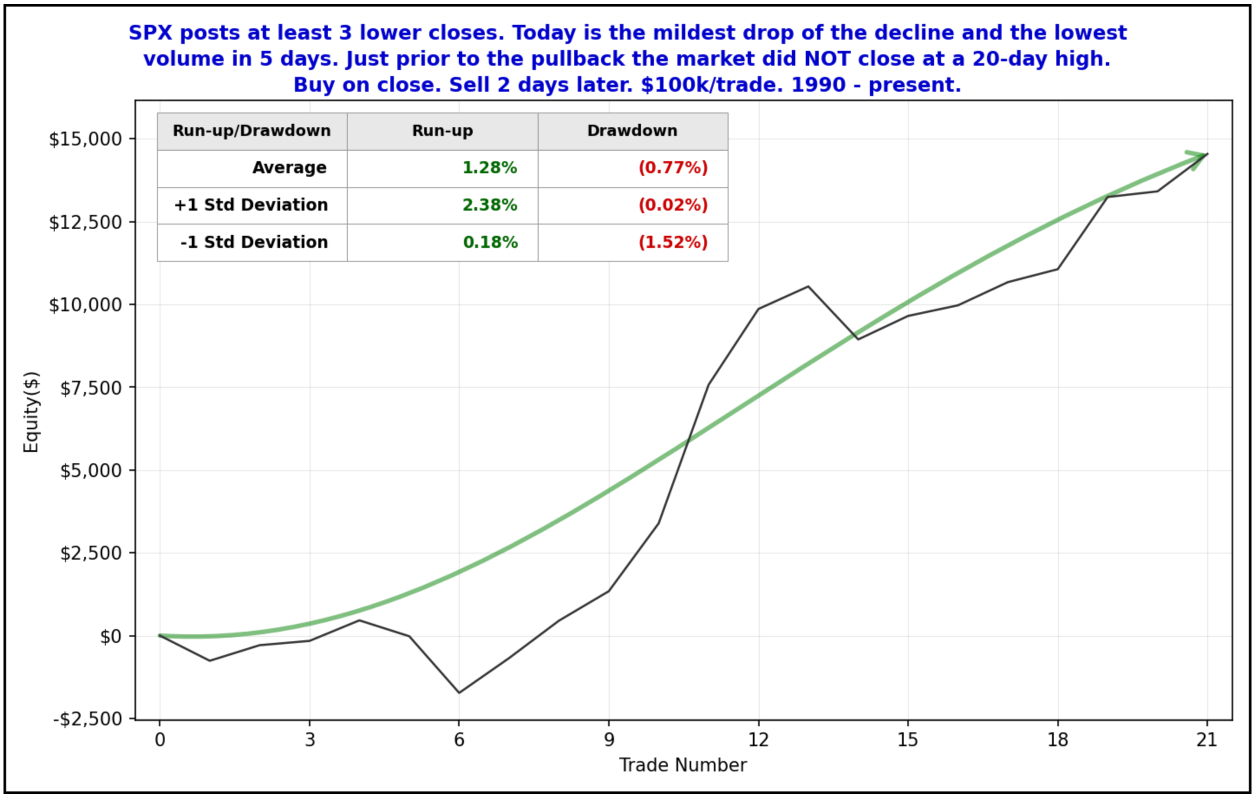
The curve has had a little bit of a fade in recent times, but overall it's been a solid move from lower left to upper right. I believe this study is worth consideration and have added it to the active list.

This second pullback study noted some other features. It required a three-day pullback, with today being the mildest drop of the decline on the lowest volume in a week. It also forbade the pullback from originating at a 20-day high. Originally shown in the 9/28/2009 subscriber letter. This one has been around a long time. I've updated all the stats below.

SPX posts at least 3 lower closes. Today is the mildest drop of the decline and the lowest volume in 5 days. Just prior to the pullback the market did NOT close at a 20-day high. Buy on close. Sell X days later. 1990 - present.

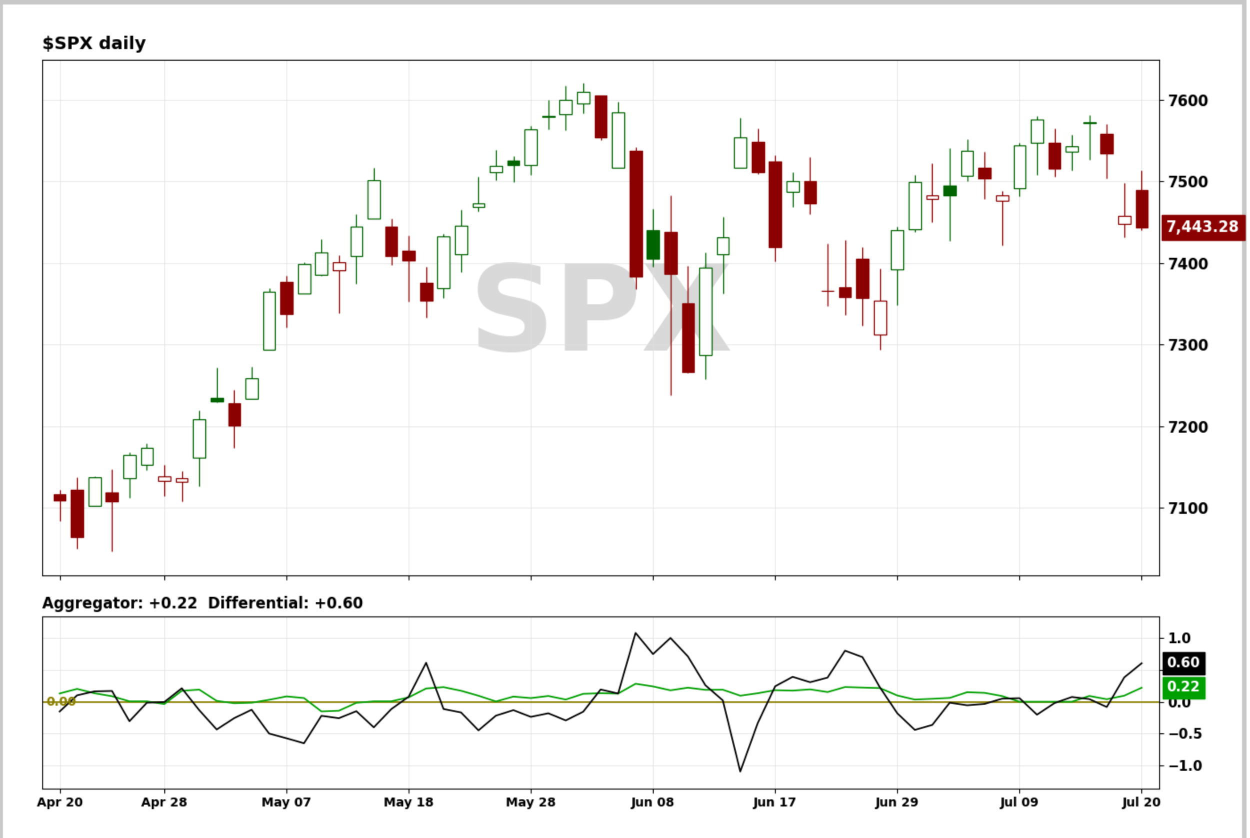
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	21	13	8	61.90%	6.30%	-2.28%	2.08%	0.95%	2.18	3.54	0.922%
4	21	14	7	66.67%	4.11%	-2.09%	1.63%	1.27%	1.28	2.57	0.664%
3	21	14	7	66.67%	3.98%	-6.70%	1.42%	1.58%	0.90	1.80	0.420%
2	21	17	4	80.95%	4.18%	-1.71%	1.12%	1.14%	0.99	4.20	0.692%
1	21	12	9	57.14%	2.63%	-1.62%	0.87%	0.63%	1.39	1.85	0.229%

The first two days suggest a strong tendency for a bounce. Below is a look at the two-day profit curve.



Three of the four losing instances took place within the first six occurrences. Since then, 14 of 15 instances have closed higher two days later. This study is also included on the active list.

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 held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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 list of active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7542.46. That is 1.3% above Monday's close. Therefore, SPX will need to close up at least 1.3% on Tuesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. We've got a few studies pointing higher and there is ample room to the upside before SPX would turn overbought. So there appears to be an upside edge and I like the current setup. The trade ideas section did have a long index trade trigger at the close on Monday. There is a chance I will look to add to that position on Tuesday if the selling intensifies.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/20 – neutral

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

SPY – Buy ¼ index position @ $735.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to add to the current position if selling intensifies on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	7/20/2026	$742.09	$742.09	0.00%	Aggregator

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