QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 5, 2026 Volume 20 Issue 147

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Breakouts to 50-day highs that occur with an unfilled up gap have often led to more short-term buying.
- A 4th straight higher close after several 1%+ gains above the 200ma has typically carried its momentum forward over the next few days.
- SPX pushing above its 50-day Bollinger Band suggests momentum is likely to continue for a while longer rather than snap back.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That's where I am at as well.

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 5, 2026	SPX up 4+ days with 3 gains over 1%	1-4 days	Bullish	2.12%	-0.77%	-1.46%
August 5, 2026	SPY 50-day high breakout with unfilled gap	1-5 days	Bullish	1.38%	-0.97%	-1.98%
Active - Long Term						
August 5, 2026	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.91%	-4.26%	-8.73%
August 3, 2026	Down June & down July -> weak Aug & Sep	1-2 months	Bearish			
July 30, 2026	QQQ 5th lower low, worst drop of the declin	1-20 days	Bullish	9.09%	-4.85%	-9.70%
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			
Dropped Tonight (target hit, or avg drawdown + 1 std dev exceeded)						
August 3, 2026	VIX quickly moves from overbought to overs	1-6 days	Bullish	1.65%	-1.15%	-2.49%
July 31, 2026	SPX 20-day low, then 4-day high	1-8 days	Bullish	2.47%	-1.41%	-3.01%
July 31, 2026	SPX 20-day low, then 4-day high	1-20 days	Bullish	3.91%	-2.03%	-4.33%

The Evidence

Tuesday was another strong day. SPX finished up 1.8%, the NASDAQ gained 2.6%, and the Russell 2000 rallied 1.9%. Breadth was solid as the NYSE Up Issues % closed at 67% and the NYSE Up Volume % posted a 69% reading. NYSE total volume rose from Monday's level.

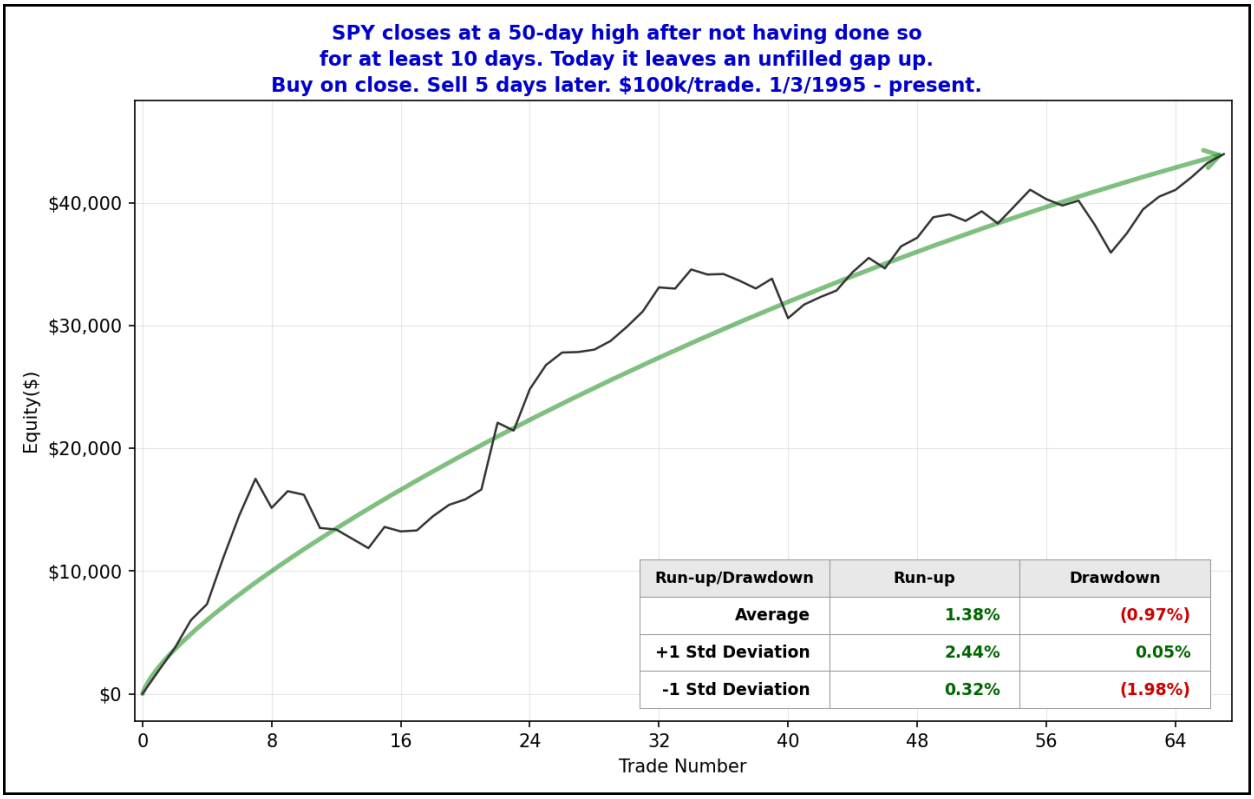
SPX and SPY made new all-time highs today for the first time since June 2nd. So there were several studies that triggered looking at breakouts. The volume wasn't great. Breakouts tend to have a better chance of success either if the volume closes lower or if it comes in extremely high. Tuesday it was higher than Monday but not to any kind of extreme.

But there was some good news with regards to how SPY broke out. This is because the breakout came with an unfilled gap up. I last showed the importance of an unfilled gap in the 11/27/24 subscriber letter. I have updated those studies below.

SPY closes at a 50-day high after not having done so for at least 10 days. Today it leaves an unfilled gap up.
Buy on close. Sell X days later. 1/3/1995 - 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	67	47	20	70.15%	5.44%	-3.22%	1.38%	1.04%	1.32	3.11	0.656%
4	67	45	22	67.16%	3.64%	-3.27%	1.10%	0.88%	1.26	2.57	0.451%
3	67	43	24	64.18%	3.99%	-2.54%	1.04%	0.85%	1.21	2.17	0.360%
2	67	44	23	65.67%	2.60%	-2.32%	0.77%	0.66%	1.16	2.22	0.278%
1	67	43	23	64.18%	1.92%	-2.64%	0.49%	0.60%	0.82	1.54	0.111%

Results here are strong across the board. Below is an equity curve using a 5-day holding period.



It has been a bit choppy, but the move up is still impressive and the curve is back at new highs.

Technicians will often use the term "breakaway gap". This suggests the gap occurs on the same day as a base breakout. The idea is that the new high causes excitement and the gap leaves a good amount of people sidelined or stuck short. When it doesn't immediately fill, it leads these people to chase and helps to propel the market even higher.

So let's look at instances where the 50-day high breakout was not accompanied by an unfilled gap. Interestingly, the number of instances was about the same here. This study also appeared in the 11/27/24 letter (stats updated below).

SPY closes at a 50-day high after not having done so for at least 10 days. Today it does not leave an unfilled gap up.
Buy on close. Sell X days later. 1/3/1995 - 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	63	39	23	61.90%	2.78%	-4.29%	1.15%	1.41%	0.82	1.38	0.197%
4	63	38	24	60.32%	1.96%	-4.52%	1.00%	1.58%	0.64	1.01	0.006%
3	63	39	24	61.90%	2.93%	-5.14%	0.97%	1.27%	0.76	1.24	0.117%
2	63	37	25	58.73%	2.22%	-3.64%	0.72%	0.88%	0.82	1.21	0.075%
1	63	36	26	57.14%	1.60%	-2.45%	0.52%	0.42%	1.23	1.71	0.123%

Moves to new highs that don't start with an unfilled gap are much less reliable. I have been showing this study for 16 years or so, and it never fails to amaze me how more breakouts occur

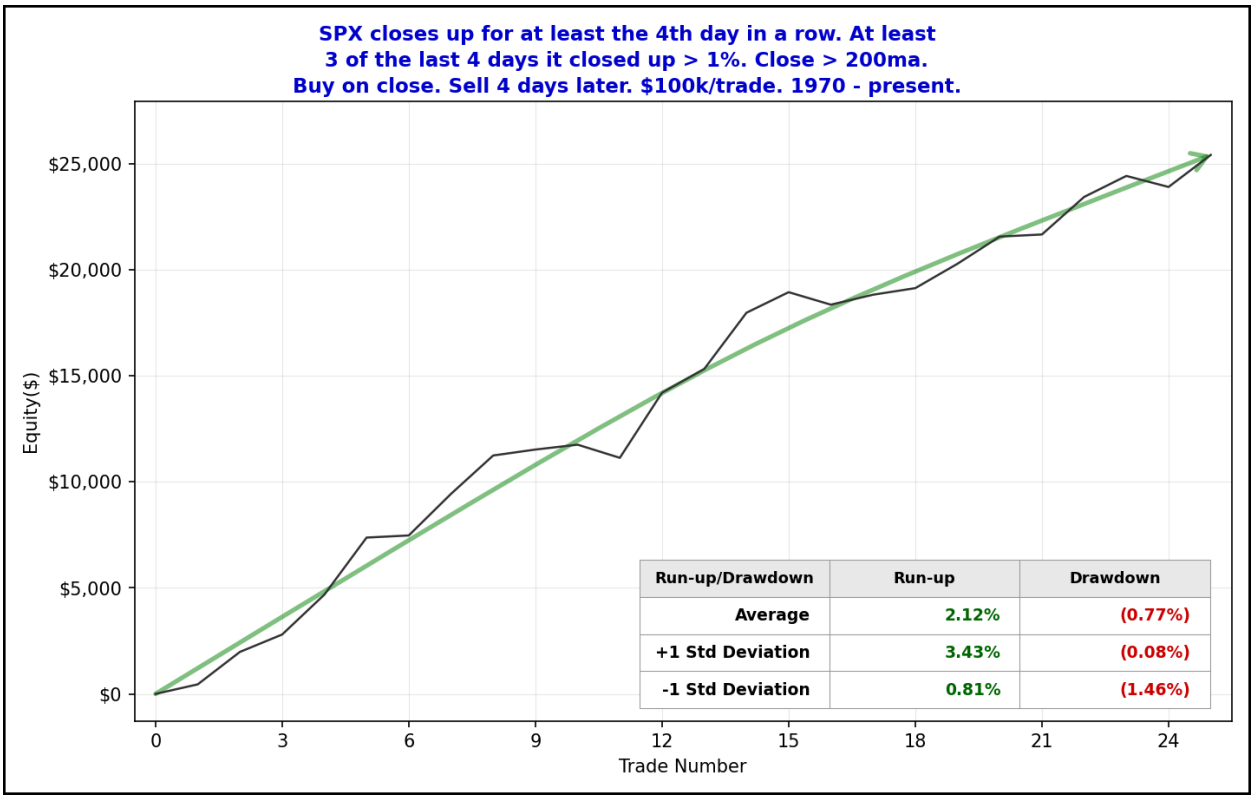
with an unfilled gap up than without one. The fact that we had an unfilled gap up on Tuesday appears beneficial, so I have added that study to the short-term active list.

Another study that provided interesting results was last seen in the 11/3/23 letter. It looked at strong price thrusts in SPX like we have seen over the last 4 days. Below are updated results.

SPX closes up for at least the 4th day in a row. At least 3 of the last 4 days it closed up > 1%. Close > 200ma.
Buy on close. Sell X days later. 1970 - 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	25	21	4	84.00%	3.58%	-1.51%	1.47%	1.04%	1.41	7.42	1.071%
4	25	22	3	88.00%	3.07%	-0.62%	1.23%	0.58%	2.13	15.61	1.017%
3	25	19	6	76.00%	4.32%	-1.70%	1.41%	0.57%	2.46	7.79	0.937%
2	25	18	7	72.00%	2.59%	-0.56%	0.97%	0.34%	2.88	7.41	0.601%
1	29	15	14	51.72%	2.61%	-1.37%	0.69%	0.40%	1.71	1.83	0.161%

The above stats are impressive. Below is a profit curve assuming a 4-day holding period.



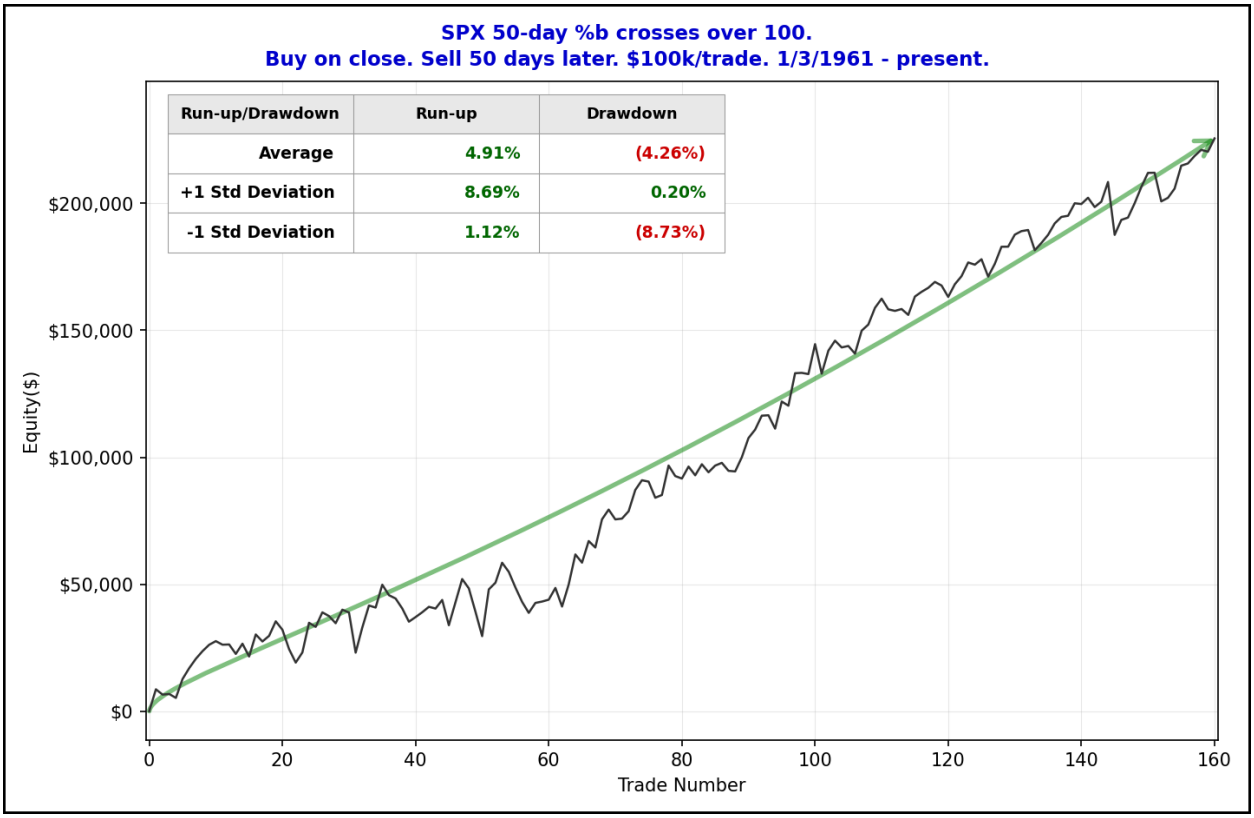
I like the curve. It appears this study is worth taking under some consideration. Price thrusts as we have seen over the last few days have led to further upside on a fairly consistent basis. I have also included this study on the Short-Term Active List.

This next study looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I discussed this study in the 4/20/26 letter. Updated results are below.

SPX 50-day %b crosses over 100.
Buy on close. Sell X days later. 1/3/1961 - 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
50	160	101	59	63.12%	18.41%	-20.81%	4.74%	4.29%	1.10	1.89	1.410%
45	166	99	67	59.64%	15.82%	-32.54%	4.79%	4.61%	1.04	1.54	0.998%
40	173	105	68	60.69%	17.63%	-28.06%	4.42%	4.25%	1.04	1.60	1.010%
35	182	110	72	60.44%	15.79%	-14.06%	4.02%	3.76%	1.07	1.63	0.939%
30	190	114	76	60.00%	11.93%	-14.60%	3.26%	3.46%	0.94	1.41	0.571%
25	197	114	83	57.87%	10.87%	-8.88%	2.96%	3.11%	0.95	1.31	0.402%
20	209	119	90	56.94%	9.52%	-10.21%	2.70%	2.74%	0.99	1.30	0.357%
15	231	134	97	58.01%	7.86%	-9.84%	2.32%	2.60%	0.89	1.23	0.253%
10	257	159	98	61.87%	8.25%	-9.14%	1.67%	2.17%	0.77	1.25	0.208%
5	309	177	131	57.28%	5.03%	-6.75%	1.10%	1.33%	0.83	1.12	0.066%

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside rather than a possible reversal. The "% Profitable" is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That's a pretty steady upslope for a study without a very high "% Profitable". Overall, I like this study enough to add it to the intermediate-term 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 below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is strongly overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 7520.06. That is 2.8% below Tuesday's close. Therefore, SPX will need to close down a sizable 2.8% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. I mentioned last night we were looking at a decent chance of SPX making a new high and if it did, then we would probably see some more interesting studies emerge. And we certainly got that. But what we don't have yet is a strongly favorable risk/reward setup. While evidence is still pointing higher, the market is highly overbought. So I'll continue to wait for a more favorable opportunity to arise before putting new short-term index trades on.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/3 – neutral

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

BNY @ $152.50 (buy 1/3 @ limit) – *not filled, cancel for now*

***Broad Market Large Cap CBI* – 1(BNY)**

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

None

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