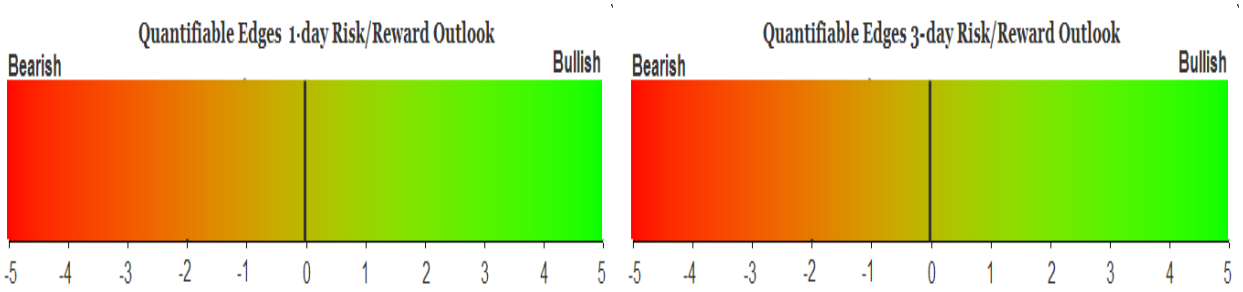
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 7, 2026 Volume 20 Issue 149

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The big move up on Tuesday, and then sideways the next 2 days, suggests a short-term downside edge.

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 7, 2026	SPX up 1.5% then 2 flat days	1-5 days	Bearish	-2.23%	1.15%	2.19%
August 6, 2026	SPX 20-day high, closes in bottom 10% of ra	1-2 days	Bullish	0.85%	-0.59%	-1.14%
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 6, 2026	SPX 20-day high, closes in bottom 10% of ra	1-10 days	Bullish	2.05%	-1.46%	-2.77%
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			

The Evidence

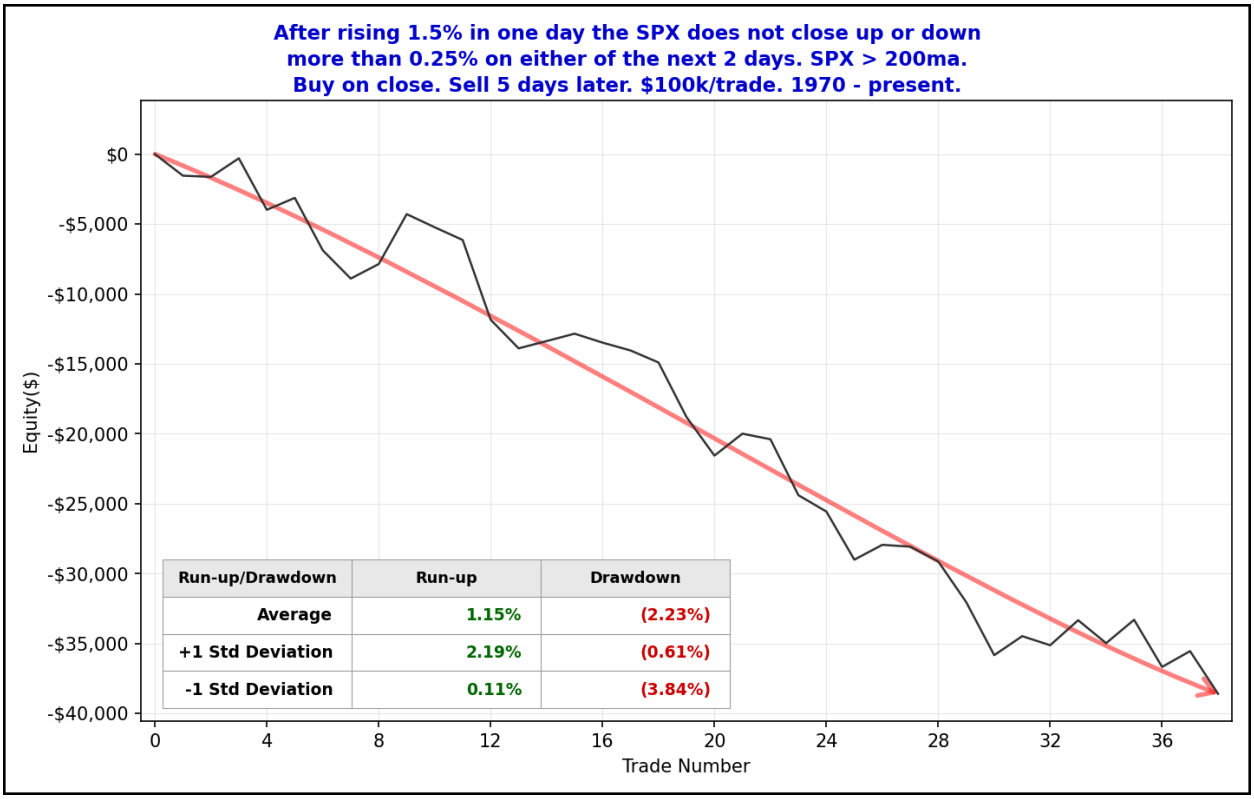
Thursday was a down day for the market. But not much of one. SPX finished lower by 0.2%, the NASDAQ lost 0.06%, and the Russell 2000 declined 0.6%. Breadth was negative as the NYSE Up Issues % closed at 39% and the NYSE Up Volume % posted a 36% reading. NYSE total volume declined some from Wednesday's level.

Price action the last few days triggered a fairly rare study that I last featured in the 11/30/20 letter. It looked at times where the market rose strongly on one day, and then barely budged the next 2 days. Updated results can be seen below.

After rising 1.5% in one day the SPX does not close up or down more than 0.25% on either of the next 2 days. SPX > 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	38	12	26	31.58%	3.57%	-5.70%	1.37%	2.12%	0.65	0.30	-1.015%
4	39	13	26	33.33%	2.51%	-5.18%	1.07%	1.61%	0.67	0.33	-0.714%
3	39	15	24	38.46%	2.81%	-4.24%	1.05%	1.58%	0.66	0.42	-0.569%
2	39	17	22	43.59%	2.13%	-3.20%	0.84%	1.23%	0.68	0.53	-0.327%
1	39	20	19	51.28%	1.33%	-3.97%	0.43%	1.01%	0.43	0.45	-0.269%

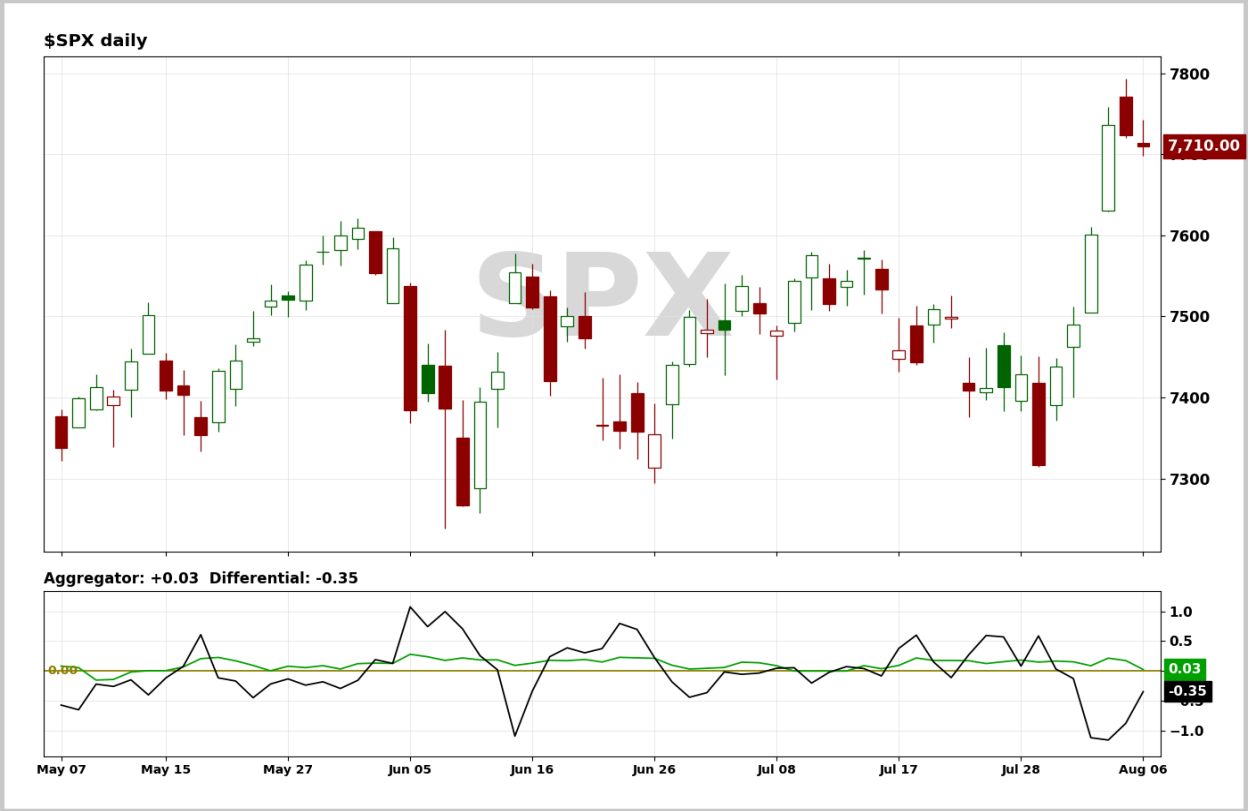
The results here all point to a downside edge. Below is a look at a 5-day profit curve.



The steady downslope is impressive, especially considering the 200ma filter that is used. This seems to serve as confirmation of the downside edge. I have added this study to the short-term active list.

Of course Friday morning is the employment report. Employment days can be real wild cards. If the numbers come in far from expected, it can cause high volatility in the market. The last twelve employment day releases have seen the market close up five times and down seven times. And 7 of the 12 have seen the market close either up or down by at least 0.8%. So performance has been all over the place and there has been sizable volatility.

I have updated the Aggregator chart below.



Even with tonight's bearish evidence considered, the green Aggregator Line remained a little 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 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 turn negative on Friday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at* 7771.82. That is 0.8% *above* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.8% on Friday in order to remain overbought. Anything other than that and it will flip to oversold versus recent expectations as of Friday's close.

So the Aggregator is again neutral. And we have an inverted pivot as well as expectation numbers that are primed to flip. Throw on top of that a potential volatility event Friday morning, and there is zero interest on my part to try and get involved in a short-term index trade here. I'll see how Friday plays out, look to enjoy my weekend a bit, and then determine whether there appears to be an enticing edge heading into next week.

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

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

None

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