QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 12, 2026 Volume 20 Issue 152

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The tight consolidation near a 50-day high suggests an upside edge.
- A split market condition is emerging that could signal intermediate-term trouble.

Short-term Outlook

The Bottom Line

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

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 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

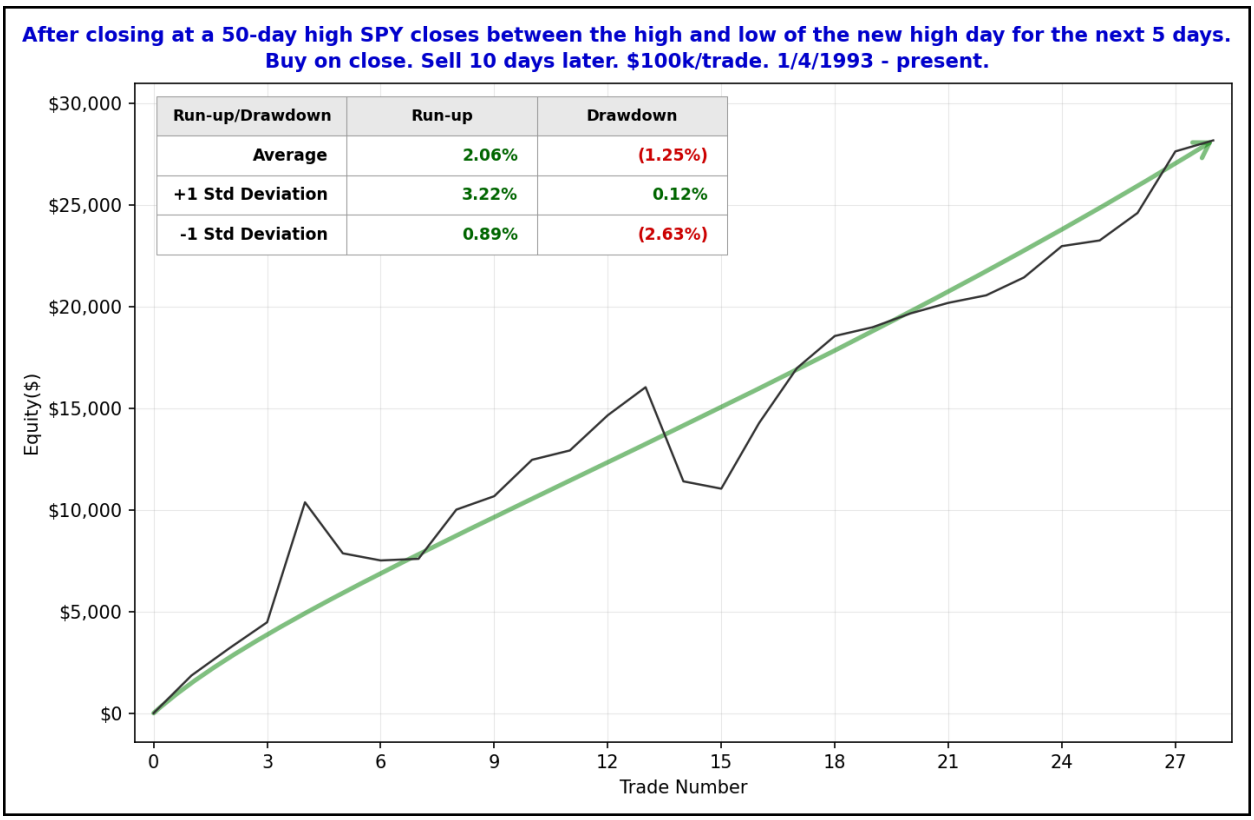
The market was mixed on Tuesday. SPX finished down 0.3%, the NASDAQ lost 0.6%, and the Russell 2000 climbed 0.3%. Breadth was mildly positive as the NYSE Up Issues % closed at 52% and the NYSE Up Volume % posted a 53% reading. NYSE total volume declined some from Monday's level.

The range over the last week has been extremely tight. Every SPY close in the 5 days since 8/4 has been within the intraday range of that 8/4/26 bar. It is said that consolidations are often resolved in the direction of the trend. This guideline suggests that we're more likely to see another leg up from here than a breakdown. The study below tests this concept. It was last seen in the 3/1/24 letter and has been updated.

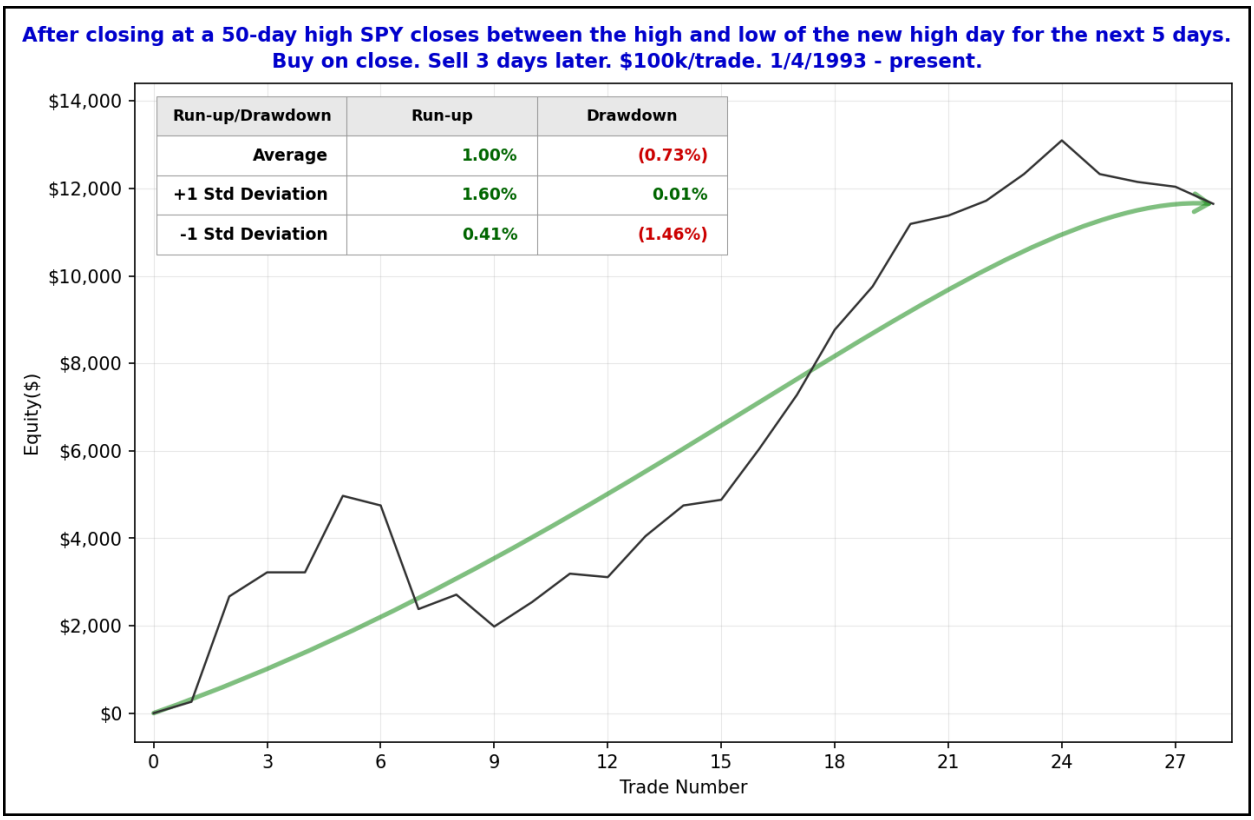
After closing at a 50-day high SPY closes between the high and low of the new high day for the next 5 days.
Buy on close. Sell X days later. 1/4/1993 - present.

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
10	28	24	4	85.71%	5.90%	-4.63%	1.50%	1.96%	0.76	4.59	1.006%
9	28	25	3	89.29%	5.90%	-3.32%	1.28%	1.88%	0.68	5.67	0.942%
8	28	23	5	82.14%	5.01%	-2.60%	1.41%	1.81%	0.78	3.59	0.838%
7	28	21	7	75.00%	2.95%	-3.48%	1.27%	1.84%	0.69	2.06	0.490%
6	28	19	8	67.86%	2.80%	-3.02%	1.25%	1.46%	0.86	2.03	0.430%
5	28	18	10	64.29%	2.41%	-3.78%	1.12%	1.06%	1.06	1.90	0.343%
4	28	19	8	67.86%	2.14%	-2.70%	0.98%	0.88%	1.12	2.66	0.415%
3	28	19	8	67.86%	2.41%	-2.37%	0.87%	0.61%	1.44	3.41	0.417%
2	29	19	8	65.52%	1.56%	-1.97%	0.71%	1.04%	0.68	1.62	0.179%
1	30	19	11	63.33%	1.07%	-2.04%	0.44%	0.61%	0.72	1.24	0.054%

It certainly appears to confirm the old technical adage. Results favor the long side over the immediate 3-day period and they are even more impressive when looking out 8 to 10 days. Below are some equity curves to see how the edge has played out over time. First, the 10-day.



The persistent move from lower left to upper right serves as some confirmation of the upside edge. Next is the 3-day curve.



While mostly up, the curve is a bit choppy and the last few instances have not seen gains. Over the 3-day period the average run-up was 1.0% and the average drawdown was 0.7%. That is a comparatively large drawdown. It isn't very surprising though. Risks tend to be higher when you are trading near the upper end of a range. And a tight consolidation near a 50-day high seems to qualify. All considered, I find this study appealing and believe it is worth considering over both very short and intermediate-term timeframes.

One intermediate-term notable is that we have seen multiple Hindenburg Omen signals trigger in the last few weeks. Monday and Tuesday both saw Hindenburg Omen signals. I last discussed the Hindenburg Omen in detail in April. I have updated the notes and research below.

The Hindenburg Omen was created by Jim Miekka in 1995. It looks to identify times when there is a split market developing, which could signal trouble ahead. Tuesday marked the 4th recent Hindenburg Omen signal. Note, there have been some discrepancy in the rules over the years. To get larger sample sizes, I have used the less-strict rules in my testing. The rules I use are below.

1) The daily number of NYSE new 52 week highs and the daily number of new 52 week lows are both greater than or equal to 2.8 percent (typically about 84) of the sum of NYSE issues that advance or decline that day (typically, around 3000). The original version of the indicator used 2.2%. When I originally researched the Hindenburg Omens a few years

ago, 2.2% was the number I used, and it is the number I again use in the studies below. (Two side notes: 1) If I use 2.8% rather than 2.2% there have been substantially less signals, making it difficult to utilize the stats. This is why I have stuck to the 2.2% to this point. 2) Over time I have also seen published different places levels of 2.4% and 2.5%, so there is often some confusion over this requirement.

2) The NYSE index is greater in value than it was 50 trading days ago. Originally, this was expressed as a rising 10 week moving average, but the new rule is more relevant to the daily data used to look at new highs and lows. I now use the SPX instead of the NYSE Composite, because Tradestation no longer tracks the NYSE Composite. When I ran tests, the results were nearly identical.
3) The McClellan Oscillator is negative on the same day.
4) New 52 week highs cannot be more than twice the new 52 week lows (though new 52 week lows may be more than double new highs).

It is generally viewed that a single Hindenburg Omen signal is not a reliable indication of a market top, but that numerous signals provide a more reliable indication of danger. This is something I explored in the past and updated today. So let's look at some numbers. This first table shows results of entering the market when the 1st signal triggers.

Hindenburg Omen
Buy on close. Sell X days later. 1980 - 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
100	45	28	17	62.22%	13.99%	-30.88%	6.96%	8.37%	0.83	1.37	1.168%
95	45	27	18	60.00%	14.25%	-29.81%	7.13%	8.56%	0.83	1.25	0.853%
90	47	28	19	59.57%	16.05%	-26.65%	7.06%	8.52%	0.83	1.22	0.761%
85	48	32	16	66.67%	16.71%	-26.78%	6.76%	9.46%	0.71	1.43	1.350%
80	49	31	18	63.27%	16.69%	-21.58%	6.43%	7.81%	0.82	1.42	1.202%
75	50	31	19	62.00%	14.67%	-22.95%	6.29%	6.83%	0.92	1.50	1.305%
70	52	32	20	61.54%	17.81%	-20.32%	6.34%	7.39%	0.86	1.37	1.057%
65	53	31	22	58.49%	16.71%	-21.54%	6.51%	7.55%	0.86	1.22	0.676%
60	56	34	22	60.71%	17.30%	-24.35%	5.70%	7.75%	0.74	1.14	0.416%
55	57	34	23	59.65%	14.39%	-27.28%	5.04%	8.09%	0.62	0.92	-0.259%
50	58	32	26	55.17%	14.59%	-29.88%	4.97%	6.56%	0.76	0.93	-0.200%
45	59	36	23	61.02%	13.31%	-24.00%	4.45%	7.05%	0.63	0.99	-0.035%
40	61	34	27	55.74%	12.67%	-24.55%	5.01%	6.16%	0.81	1.02	0.064%
35	64	37	27	57.81%	12.16%	-24.69%	4.33%	6.25%	0.69	0.95	-0.135%
30	70	39	31	55.71%	9.97%	-22.49%	4.09%	5.30%	0.77	0.97	-0.066%
25	74	43	31	58.11%	9.38%	-27.37%	3.61%	4.84%	0.75	1.03	0.070%
20	77	43	34	55.84%	9.27%	-19.56%	2.91%	4.05%	0.72	0.91	-0.163%
15	88	49	39	55.68%	9.11%	-26.03%	2.36%	3.46%	0.68	0.86	-0.216%
10	103	55	48	53.40%	9.02%	-14.86%	2.04%	2.56%	0.80	0.92	-0.101%
5	128	61	67	47.66%	4.98%	-7.17%	1.27%	1.58%	0.81	0.73	-0.220%

The numbers here certainly aren't encouraging for the bull case, but they don't appear to be terribly dire either.

Let's now look at results if instead of entering after the 1st trigger, you purchase only if the trigger is at least the 2nd one in a 30-day period, which is a common time-period that Hindenburg watchers look for.

Hindenburg Omen — at least the 2nd signal in 30 trading days.
Buy on close. Sell X days later. 1980 - 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
100	31	23	8	74.19%	18.02%	-18.93%	6.18%	8.42%	0.73	2.11	2.411%
95	31	23	8	74.19%	18.31%	-21.27%	5.89%	9.83%	0.60	1.72	1.834%
90	31	23	8	74.19%	20.63%	-20.06%	5.78%	10.18%	0.57	1.63	1.659%
85	33	22	11	66.67%	20.61%	-22.49%	5.94%	7.90%	0.75	1.50	1.327%
80	33	23	10	69.70%	19.10%	-22.02%	5.63%	7.16%	0.79	1.81	1.752%
75	34	24	10	70.59%	17.99%	-23.24%	5.83%	7.70%	0.76	1.82	1.848%
70	34	25	9	73.53%	21.81%	-19.11%	5.64%	8.77%	0.64	1.79	1.828%
65	36	24	12	66.67%	20.66%	-23.19%	5.90%	9.07%	0.65	1.30	0.907%
60	40	26	14	65.00%	19.60%	-22.07%	5.44%	7.61%	0.72	1.33	0.875%
55	41	26	15	63.41%	18.76%	-26.40%	4.84%	7.38%	0.66	1.14	0.372%
50	43	29	14	67.44%	19.18%	-29.96%	4.88%	7.80%	0.63	1.30	0.754%
45	44	27	17	61.36%	16.47%	-24.83%	4.95%	6.36%	0.78	1.24	0.582%
40	44	24	20	54.55%	14.72%	-24.92%	4.81%	5.68%	0.85	1.02	0.040%
35	46	25	21	54.35%	13.40%	-29.81%	4.64%	6.05%	0.77	0.91	-0.244%
30	47	28	19	59.57%	11.09%	-20.41%	3.71%	5.71%	0.65	0.96	-0.098%
25	54	33	21	61.11%	11.58%	-23.44%	3.37%	5.05%	0.67	1.05	0.095%
20	55	31	24	56.36%	8.95%	-22.35%	3.30%	3.72%	0.89	1.15	0.236%
15	63	38	25	60.32%	8.32%	-26.03%	2.25%	3.50%	0.64	0.98	-0.029%
10	75	35	40	46.67%	9.26%	-14.86%	2.22%	2.22%	1.00	0.88	-0.146%
5	96	45	51	46.88%	6.26%	-7.17%	1.54%	1.78%	0.86	0.76	-0.226%

Some of these numbers look a little worse, but they still mostly lean positive. I next checked instances that triggered a 3rd signal in a 30-day period.

Hindenburg Omen — at least the 3rd signal in 30 trading days.
Buy on close. Sell X days later. 1980 - 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
100	22	14	8	63.64%	18.60%	-16.10%	5.72%	5.51%	1.04	1.82	1.640%
95	23	12	11	52.17%	16.14%	-18.40%	5.17%	6.75%	0.77	0.84	-0.528%
90	23	13	10	56.52%	18.68%	-19.29%	5.67%	7.56%	0.75	0.98	-0.080%
85	23	13	10	56.52%	18.97%	-22.19%	5.70%	7.54%	0.76	0.98	-0.058%
80	25	14	11	56.00%	16.60%	-19.89%	5.18%	6.95%	0.75	0.95	-0.157%
75	25	13	12	52.00%	18.37%	-22.78%	7.03%	5.49%	1.28	1.39	1.023%
70	26	15	11	57.69%	19.20%	-21.04%	5.11%	6.75%	0.76	1.03	0.094%
65	27	13	14	48.15%	17.99%	-23.75%	5.44%	6.12%	0.89	0.83	-0.554%
60	28	16	11	57.14%	17.30%	-22.60%	4.98%	7.53%	0.66	0.96	-0.113%
55	31	16	15	51.61%	17.99%	-20.69%	5.25%	6.14%	0.86	0.91	-0.258%
50	32	18	14	56.25%	17.32%	-22.29%	4.60%	5.68%	0.81	1.04	0.101%
45	32	16	16	50.00%	15.58%	-25.16%	4.81%	5.68%	0.85	0.85	-0.434%
40	33	17	16	51.52%	13.76%	-26.87%	3.57%	6.06%	0.59	0.63	-1.097%
35	33	14	19	42.42%	11.51%	-30.63%	3.88%	5.78%	0.67	0.49	-1.685%
30	35	19	16	54.29%	11.04%	-26.02%	3.08%	6.47%	0.48	0.56	-1.286%
25	39	19	20	48.72%	9.89%	-25.13%	3.04%	4.56%	0.67	0.63	-0.859%
20	42	18	24	42.86%	8.50%	-21.43%	2.84%	3.85%	0.74	0.55	-0.984%
15	47	25	22	53.19%	7.11%	-26.95%	1.95%	4.75%	0.41	0.47	-1.187%
10	56	25	31	44.64%	4.79%	-25.81%	1.93%	3.23%	0.60	0.48	-0.930%
5	72	28	44	38.89%	4.19%	-5.03%	1.33%	1.55%	0.86	0.55	-0.429%

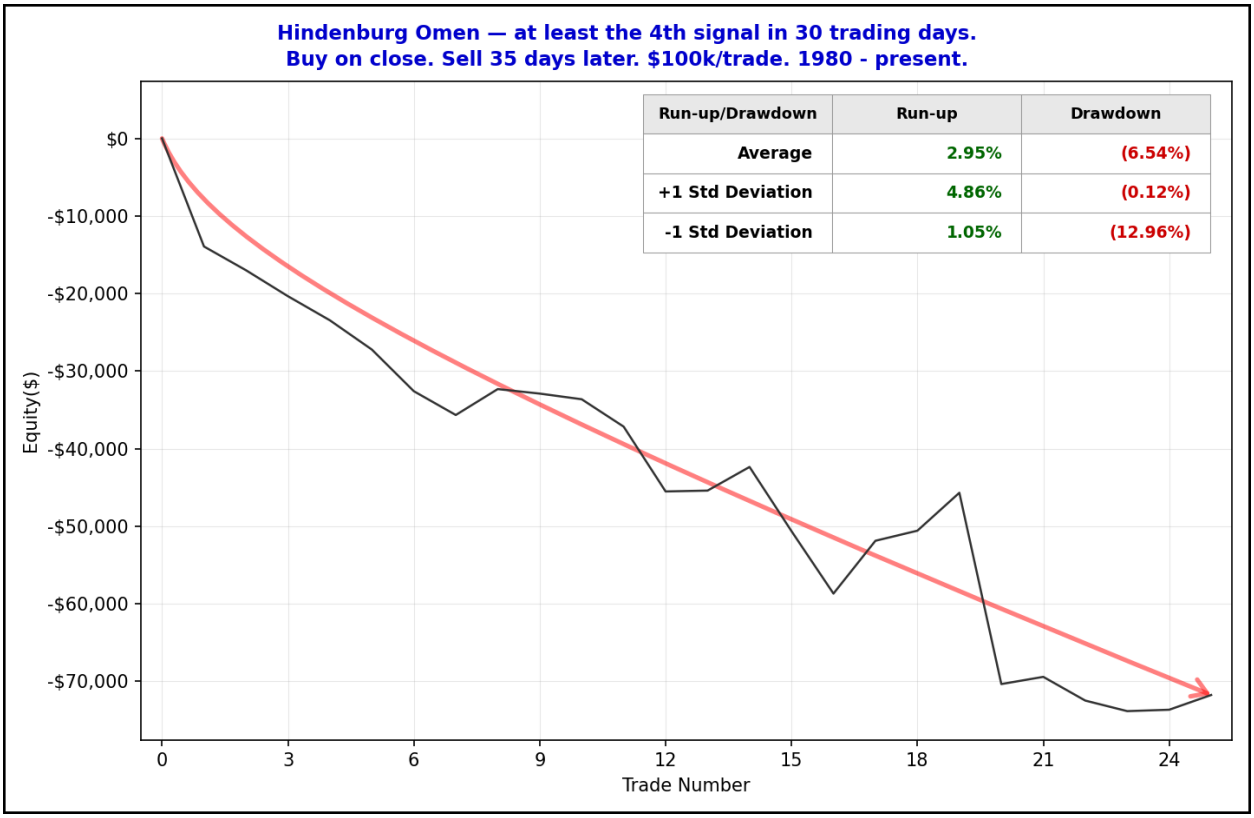
Between 10 and 40 days out there appears to be somewhat weak returns. The losing instances are fairly sizable as well.

I also updated the stats when 4 signals occur.

Hindenburg Omen — at least the 4th signal in 30 trading days.
Buy on close. Sell X days later. 1980 - present.

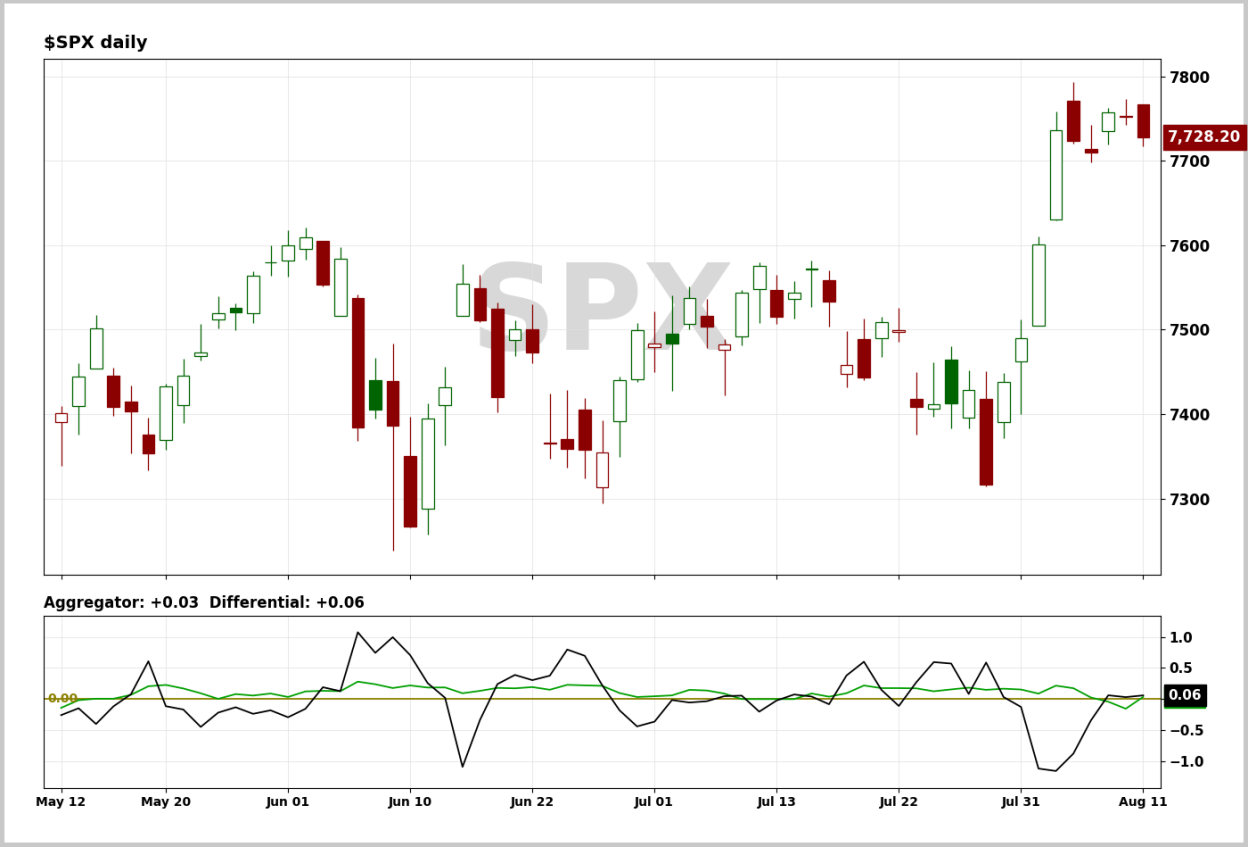
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
100	19	11	8	57.89%	9.27%	-10.84%	4.46%	5.87%	0.76	1.05	0.113%
95	19	9	10	47.37%	6.25%	-14.68%	4.24%	4.86%	0.87	0.78	-0.552%
90	19	10	9	52.63%	5.97%	-15.87%	3.53%	5.11%	0.69	0.77	-0.564%
85	19	10	9	52.63%	7.16%	-28.34%	4.33%	6.50%	0.67	0.74	-0.801%
80	19	9	10	47.37%	7.27%	-23.57%	4.38%	6.15%	0.71	0.64	-1.161%
75	20	9	11	45.00%	8.55%	-16.34%	4.67%	6.30%	0.74	0.61	-1.360%
70	20	11	9	55.00%	4.58%	-9.99%	2.86%	4.94%	0.58	0.71	-0.649%
65	21	10	11	47.62%	4.48%	-10.47%	2.22%	4.67%	0.48	0.43	-1.386%
60	21	12	9	57.14%	8.27%	-11.61%	2.74%	6.03%	0.45	0.61	-1.018%
55	24	12	12	50.00%	8.79%	-11.03%	3.35%	5.44%	0.61	0.61	-1.048%
50	25	14	11	56.00%	9.43%	-14.33%	2.86%	6.44%	0.44	0.57	-1.231%
45	25	11	14	44.00%	7.04%	-18.14%	3.02%	4.74%	0.64	0.50	-1.324%
40	25	11	14	44.00%	6.24%	-20.45%	2.88%	5.44%	0.53	0.42	-1.778%
35	25	9	16	36.00%	6.81%	-24.67%	2.50%	5.89%	0.42	0.24	-2.872%
30	26	14	12	53.85%	5.45%	-22.15%	2.18%	5.35%	0.41	0.48	-1.295%
25	28	15	13	53.57%	6.26%	-11.87%	2.37%	4.20%	0.56	0.65	-0.681%
20	30	13	17	43.33%	4.93%	-7.56%	2.19%	3.18%	0.69	0.53	-0.850%
15	32	15	17	46.88%	4.32%	-5.77%	1.73%	2.74%	0.63	0.56	-0.644%
10	45	23	22	51.11%	4.66%	-14.86%	1.83%	2.76%	0.66	0.69	-0.412%
5	51	21	30	41.18%	3.18%	-8.54%	1.28%	2.06%	0.62	0.43	-0.686%

There are only 25 instances when looking out 35 days, but with 16 of them being down 35 days later, these results warrant closer investigation. Below is the profit curve for the 35-day hold.



Overall, when clusters begin to reach a decent size (at least 3 or 4), the Hindenburg study results seem to favor the bears. The split market suggests elevated risk and a market that could be susceptible to a sizable dip at some point in the next 1-2 months. The setup does not appear as menacing as the name might suggest, but there has been enough market damage, and enough sizable drops following these signals, that it is probably worth remaining cognizant of it. So I have added it to the Intermediate-term Active List, and will keep it under consideration when formulating my intermediate-term market bias.

I have updated the Aggregator chart below.



With tonight's evidence considered, the green Aggregator Line moved 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 slightly oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7769.88. That is 0.5% above Tuesday's close. Therefore, SPX will need to close up at least 0.5% on Wednesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. Evidence is leaning bullish over the next few days, but it is pretty scant. And with both lines so close to zero, there does not appear to be a very sizable edge. I suspect a 3rd consecutive down day on Wednesday could generate some additional bullish evidence. So rather than jump in too early, I will consider taking on some long exposure on Wednesday only if SPX again closes lower.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/10 – slightly bullish

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 trade @ $768.50 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to start scaling into an index trade if SPY closes down a fair amount on Wednesday.

Current Open Trade Ideas

None

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