# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 19, 2026 Volume 20 Issue 157

## Market Overview




## Signals Overview

| Aggregator | CBI Reading |
|---|---|
| Long | 0 |

## *Tonight's Research Points*

- A gap down, 3 down days, and a 10-day low have combined for a short-ter, upside edge in the past.
- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.

## Short-term Outlook

***The Bottom Line***

The Aggregator is bullish. There appears to be a decent chance of a bounce in the next few days. I favor the long side.

## *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 19, 2026 | SPX 3 days dn from a 50-high to a 10-low | 1-8 days | Bullish | 2.38% | -1.52% | -3.53% |
| August 19, 2026 | SPY unfilled gap down at a 10-day low, 3 day | 1-2 days | Bullish | 1.63% | -0.70% | -1.55% |
| August 14, 2026 | SPY 2 unfilled up gaps at a 50-day high | 1-4 days | Bullish | 0.94% | -0.86% | -1.87% |
| Active - Long Term | | | | | | |
| August 12, 2026 | Hindenburg Omen - 4th signal in 30 days | 1-35 days | Bearish | -6.54% | 2.95% | 4.86% |
| August 12, 2026 | SPY inside the 50-day-high day's range 5 day | 1-10 days | Bullish | 2.06% | -1.25% | -2.63% |
| 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*

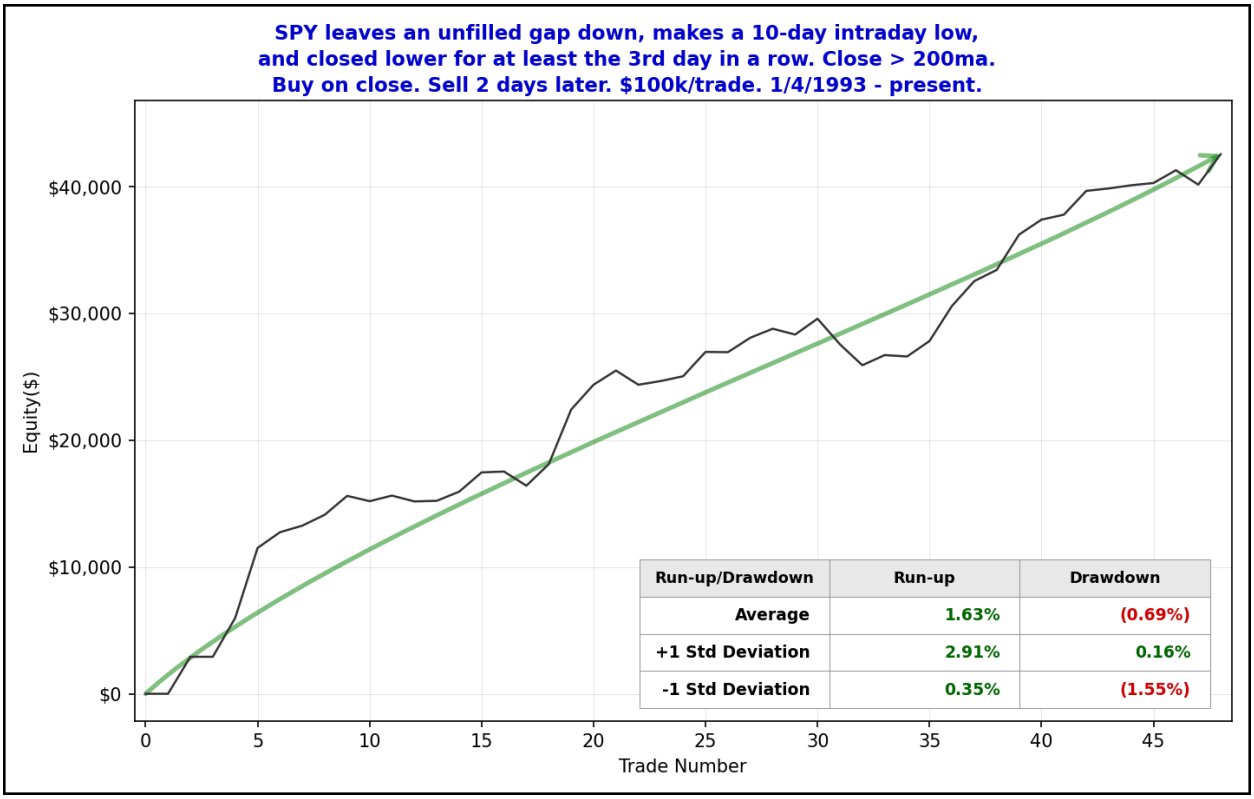
Tuesday was a down day for the market. SPX finished lower by 0.7%, the NASDAQ lost 1.3%, and the Russell 2000 tumbled 1.3%. Breadth was negative as the NYSE Up Issues % closed at 35% and the NYSE Up Volume % posted a 39% reading. NYSE total volume was slightly lower than Monday's level.

Some observations that suggest a possible upside edge are 1) SPY has now closed lower 3 days in a row during a long-term uptrend, and 2) SPY left an unfilled gap down and made a short-term low. These things triggered a few studies in the Quantifinder tonight. The study below combined them and served as a good description of the current market setup. It looked for multiple down days, short-term lows, and an unfilled gap down. It was last seen in the 2/22/23 letter. I have updated the results.

**SPY leaves an unfilled gap down, makes a 10-day intraday low, and closed lower for at least the 3rd day in a row. Close > 200ma. 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 | 48 | 34 | 14 | 70.83% | 7.81% | -4.78% | 1.95% | 1.22% | 1.60 | 3.88 | 1.025% |
| 4 | 48 | 32 | 16 | 66.67% | 5.59% | -4.43% | 2.00% | 1.41% | 1.42 | 2.83 | 0.862% |
| 3 | 48 | 33 | 15 | 68.75% | 4.26% | -2.42% | 1.78% | 1.00% | 1.79 | 3.94 | 0.914% |
| 2 | 48 | 36 | 10 | 75.00% | 5.52% | -2.02% | 1.42% | 0.85% | 1.67 | 6.00 | 0.888% |
| 1 | 51 | 38 | 13 | 74.51% | 5.52% | -3.01% | 0.98% | 0.65% | 1.49 | 4.36 | 0.560% |

The stats suggest a high probability of an almost immediate bounce. Below is a profit curve assuming a 2-day holding period.



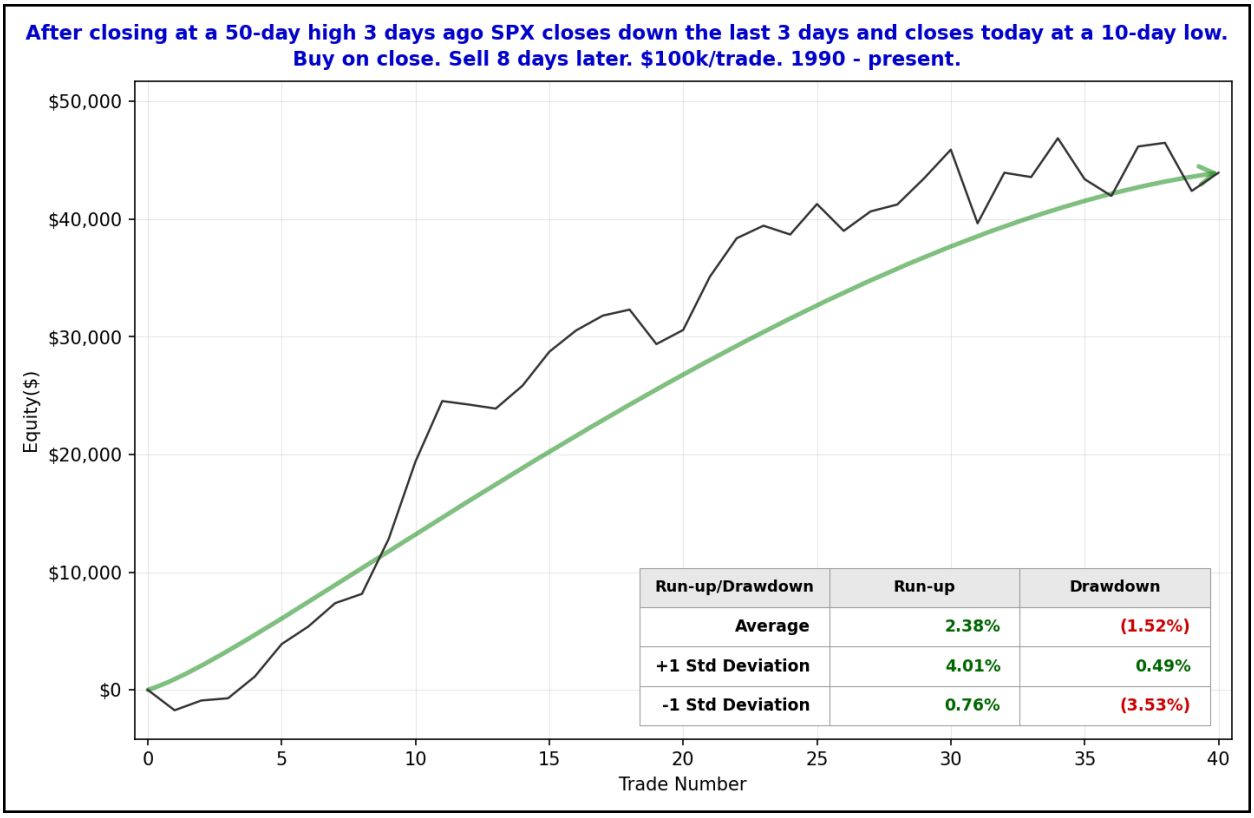

The curve is a little choppy, but it has made its way from lower left to upper right. And the last 7 instances have all turned out winners. The study certainly seems strong enough to include on the Active List tonight.

The fact that the pullback has come directly from a long-term high is also notable. In the 12/4/19 letter I showed a study that looked at 3-day pullbacks where 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. I have updated that study below.

**After closing at a 50-day high 3 days ago SPX closes down the last 3 days and closes today at a 10-day low.**
**Buy on close. Sell X days later. 1990 - present.**

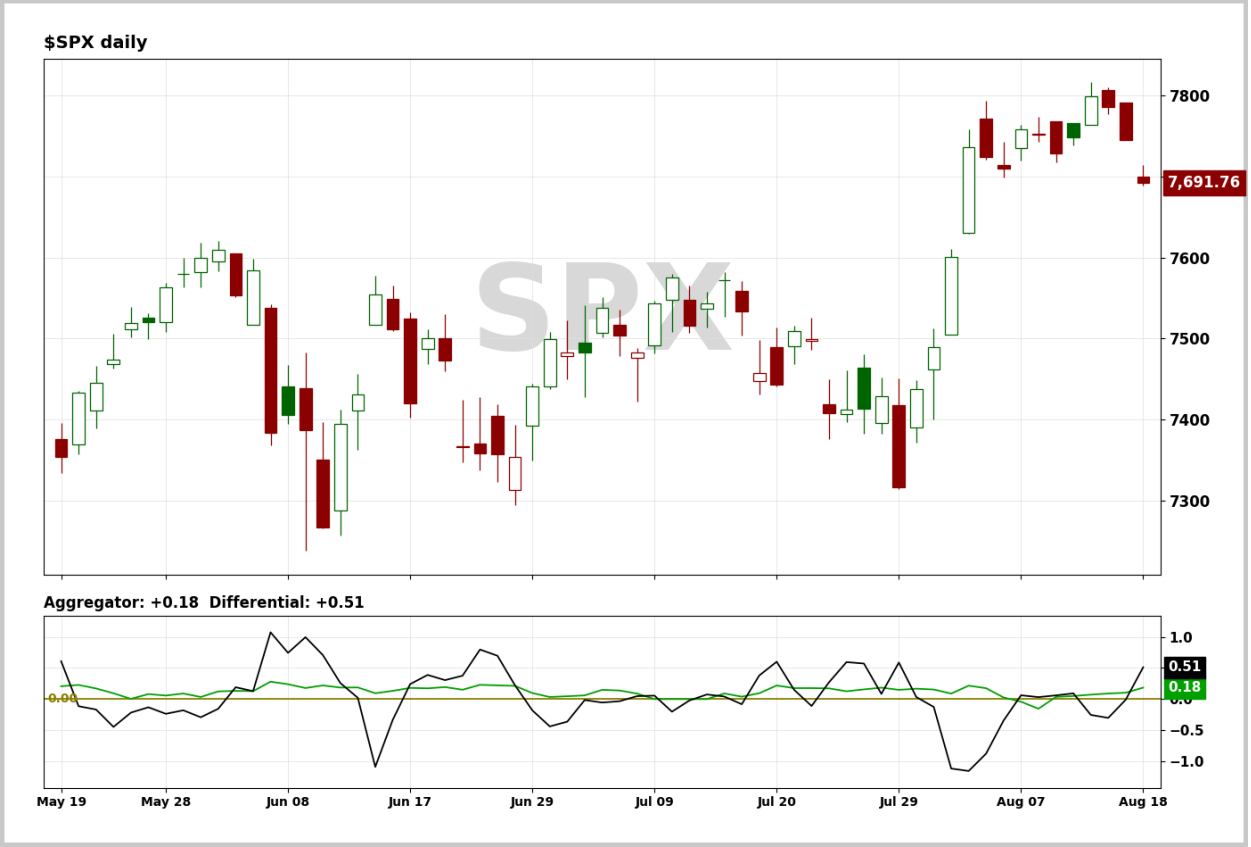
| X Days | Total Trades | Winning Trades | Losing Trades | Win % | Max Winning Trade | Max Losing Trade | Avg Winning Trade | Avg Losing Trade | Win/Loss Ratio | Profit Factor | Avg Trade |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 | 40 | 24 | 16 | 60.00% | 7.23% | -14.86% | 2.80% | 3.11% | 0.90 | 1.35 | 0.435% |
| 9 | 40 | 26 | 14 | 65.00% | 6.20% | -7.86% | 2.55% | 2.45% | 1.04 | 1.94 | 0.803% |
| 8 | 40 | 29 | 11 | 72.50% | 6.57% | -6.26% | 2.34% | 2.18% | 1.08 | 2.84 | 1.099% |
| 7 | 40 | 27 | 13 | 67.50% | 4.77% | -2.97% | 2.12% | 1.40% | 1.52 | 3.15 | 0.977% |
| 6 | 40 | 24 | 16 | 60.00% | 3.79% | -6.90% | 2.07% | 1.35% | 1.54 | 2.31 | 0.705% |
| 5 | 40 | 24 | 16 | 60.00% | 3.91% | -4.21% | 2.01% | 1.19% | 1.69 | 2.54 | 0.729% |
| 4 | 40 | 27 | 13 | 67.50% | 3.84% | -8.42% | 1.73% | 1.70% | 1.02 | 2.12 | 0.616% |
| 3 | 40 | 28 | 12 | 70.00% | 4.09% | -7.66% | 1.32% | 1.68% | 0.79 | 1.84 | 0.421% |
| 2 | 40 | 26 | 14 | 65.00% | 2.73% | -3.39% | 1.17% | 1.00% | 1.17 | 2.18 | 0.411% |
| 1 | 40 | 25 | 14 | 62.50% | 2.01% | -3.03% | 0.83% | 0.78% | 1.07 | 1.91 | 0.246% |

We see here that the odds favor a bounce, and that it has often persisted up to 8 days out. Below is a profit curve for the 8-day holding period.




Recent instances have flattened the curve out some but over the long run it's made a nice move higher. This study also seems worth consideration and has been added to the short-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 moved above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is 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 7801.19. That is 1.4% above Tuesday's close. Therefore, SPX will need to close up at least 1.4% on Wednesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. We have multiple factors now suggesting an upside edge. And there is ample room to the upside before SPX would flip from oversold to overbought. So reward/risk appears favorable. I like the long side. This appears to be a set up where short-term traders could consider beginning to build a long index position.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 8/17 – 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 @ $767.45 LIMIT**. Based on the short-term outlook above, if a fill is available at or below Tuesday's closing level then I like the idea of starting to scale in.

## Current Open Trade Ideas

**None**

**DISCLAIMER: PAST PERFORMANCE, WHETHER ACTUAL OR TESTED, DOES NOT GUARANTEE FUTURE RESULTS, PROFITABILITY, OR CORRELATION TO ANY LISTED SECURITY OR TRADE IDEA.**

This publication is produced by Quantifiable Edges, LLC (QE), and is intended solely for informational and educational purposes. It is a regularly issued impersonal financial research commentary, and should not be construed as personalized investment advice, a solicitation to buy or sell securities, or a recommendation tailored to any individual's financial circumstances. Data provided by Tradestation and Norgate Data. The information presented herein is believed to be accurate at the time of publication, but QE makes no representation or warranty as to its completeness or reliability. Opinions, data and analyses are subject to change without notice. Readers are encouraged to conduct their own due diligence and consult with a qualified financial professional before making investment decisions. There is a high degree of risk in trading and simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading or the results of a specific account or group of accounts. Because these trades may not have been executed, results could misrepresent the effects of market factors like liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve results like those shown. QE, its officers and employees do not accept responsibility for any direct or consequential loss resulting from the use of this information.

Mr. Robert Hanna, author of the publication, is separately affiliated with Eastsound Capital Advisors, LLC (ECA), doing business as Capital Advisors 360. ECA is registered as an investment adviser with the Securities and Exchange Commission (SEC). ECA provides individual client services only in states in which it is filed, or which an exemption or exclusion from such filing exists. Registration with the SEC does not imply a certain level of skill or training. Although ECA clients utilizing the approaches developed by Mr. Hanna incidentally receive the QE Gold Subscription at no charge, ECA does not sponsor, endorse or validate its content. Mr. Hanna and/or his clients may hold positions in securities (including derivatives) mentioned herein; however, such holdings are not intended as endorsements and may change without notice and/or differ from published study indications at the sole discretion of Mr. Hanna. No part of this publication may be reproduced, redistributed, or republished without prior written consent from QE.

Copyright © 2026 Quantifiable Edges, LLC.