

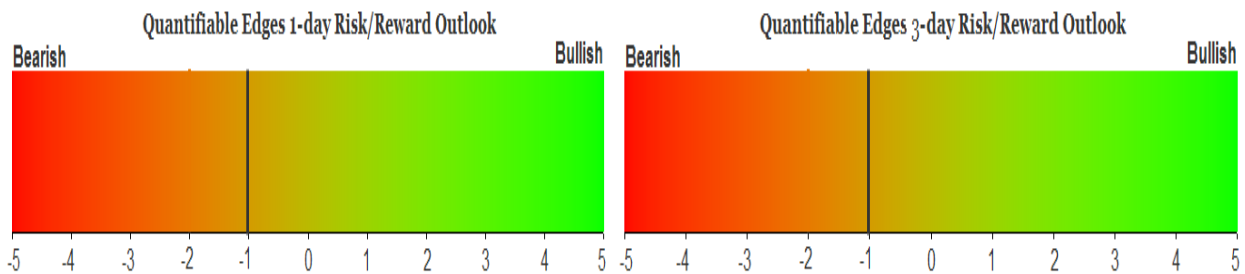
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 26, 2020

Volume 13 Issue 101

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Memorial day week has often been strong, but not as much in recent years. Thursday appears to have the most bullish tendency.
- SPY's mild up close near the top of its range suggests a bearish 1-day edge.
- The strong breadth and new 50-day high this past Monday are a positive sign for the intermediate-term.
- SPY volume has been on the decline, and that could lead to intermediate-term trouble.
- The SOMA saw another massive rise this past week.
- Chop is persisting, but the magnitude of the moves is lessening.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but evidence is mixed and about to turn neutral. I still do not love the setup from a risk/reward standpoint.

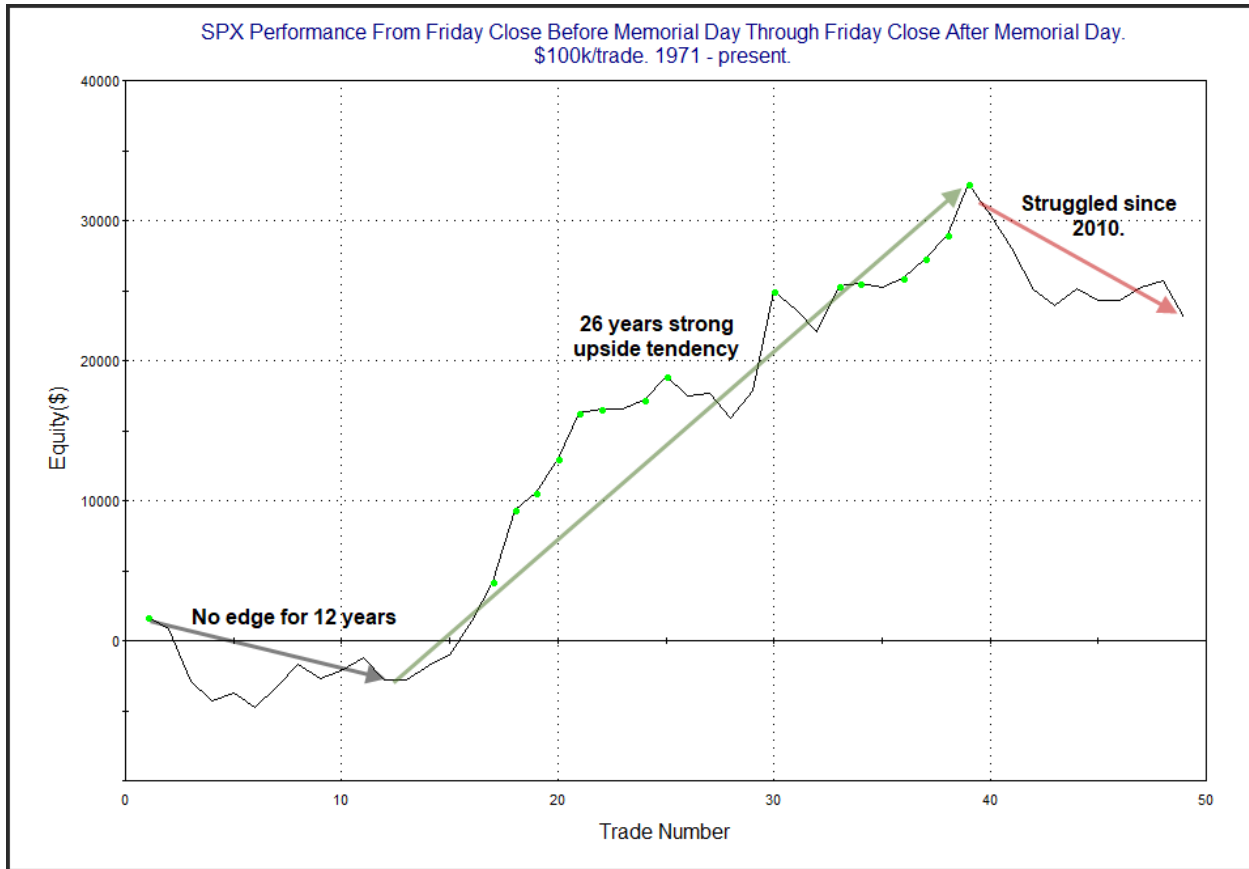
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 26, 2020	Gain < 0.25% top 10% intraday range	1 day	Bearish			
May 21, 2020	Unfill gap up > 10ma < 200ma. Low vol	1-3 days	Bearish			
May 19, 2020	Breakaway Gap	1-5 days	Bullish	1.40%	-0.90%	-1.90%
May 19, 2020	Up 3, lower volume breakout	1-5 days	Bullish	1.60%	-0.90%	-1.90%
Active - Long Term						
May 19, 2020	Breakout on 90% Up Volume	1-40 days	Bullish	7.90%	-1.90%	-4.50%
May 19, 2020	Up 3, lower volume breakout	1-20 days	Bearish	-7.60%	2.30%	3.65%
April 30, 2020	370% Up Issues Days	1-85 days	Bullish	10.40%	-4.30%	-11.00%
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			

The Evidence

The market wiggled around on Friday, but some late buying left it higher. The SPX rose 0.2%, the NASDAQ gained 0.4%, and the Russell 2000 climbed 0.6%. Breadth was mixed as the NYSE Up Issues % was 56% and the Up Volume % came in at 44%. NYSE volume came in light ahead of the holiday weekend.

The week of Memorial Day has shown some interesting tendencies over the years. But it has been less consistent recently. The chart below is from the 5/28/19 subscriber letter and has been updated. It examines SPX performance from the Friday before Memorial Day to the Friday after it.

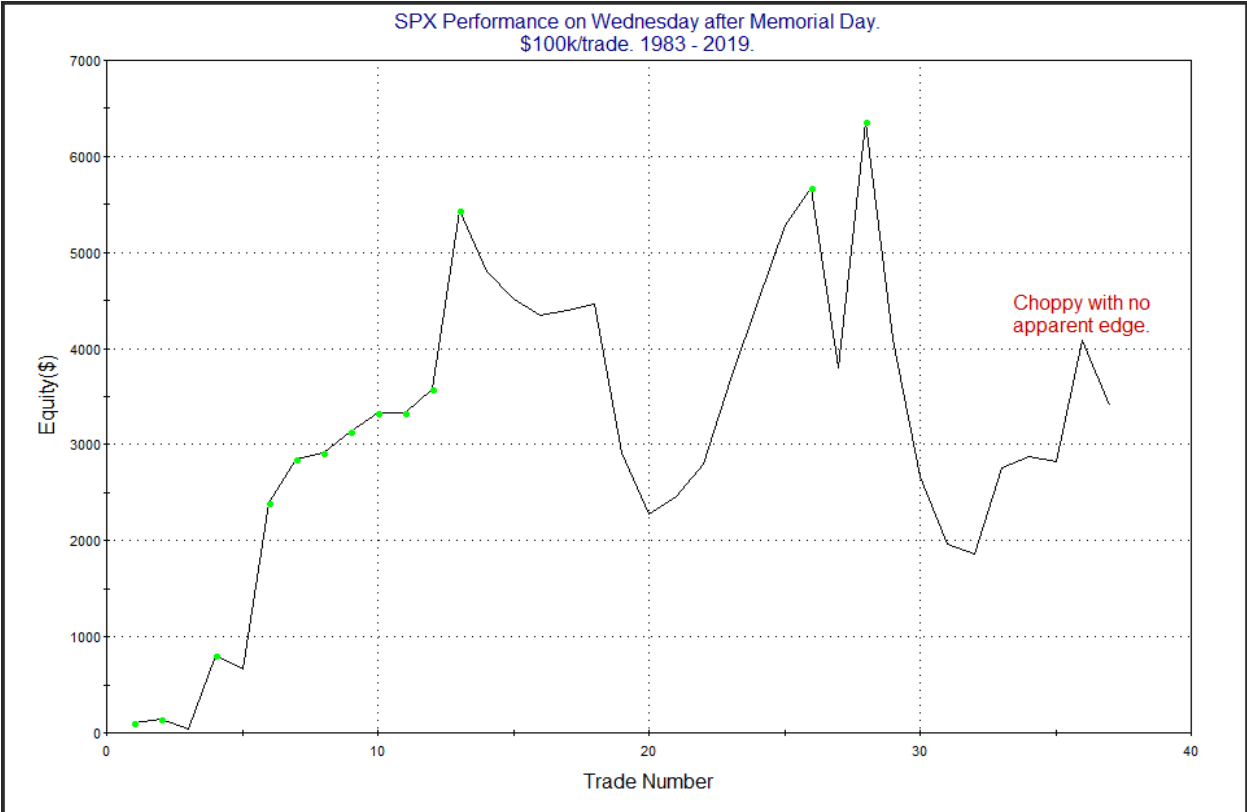
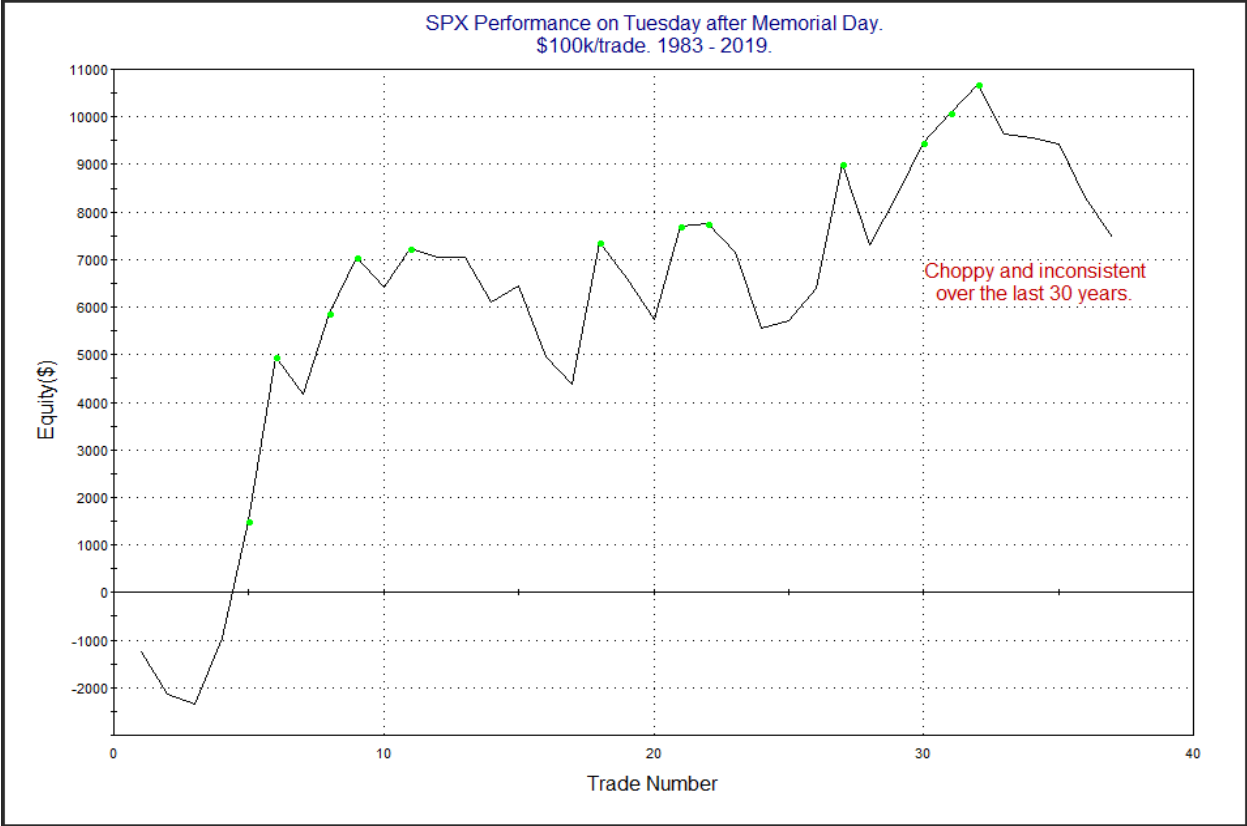


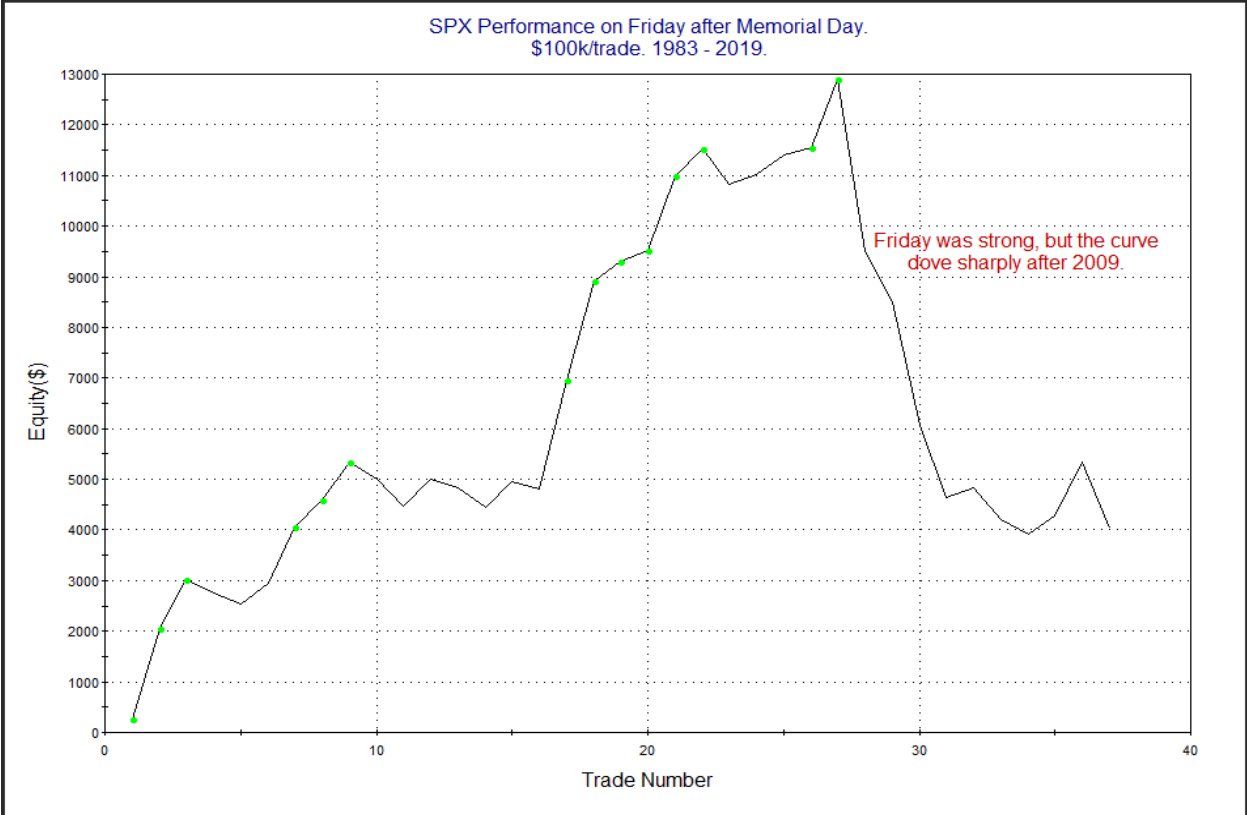
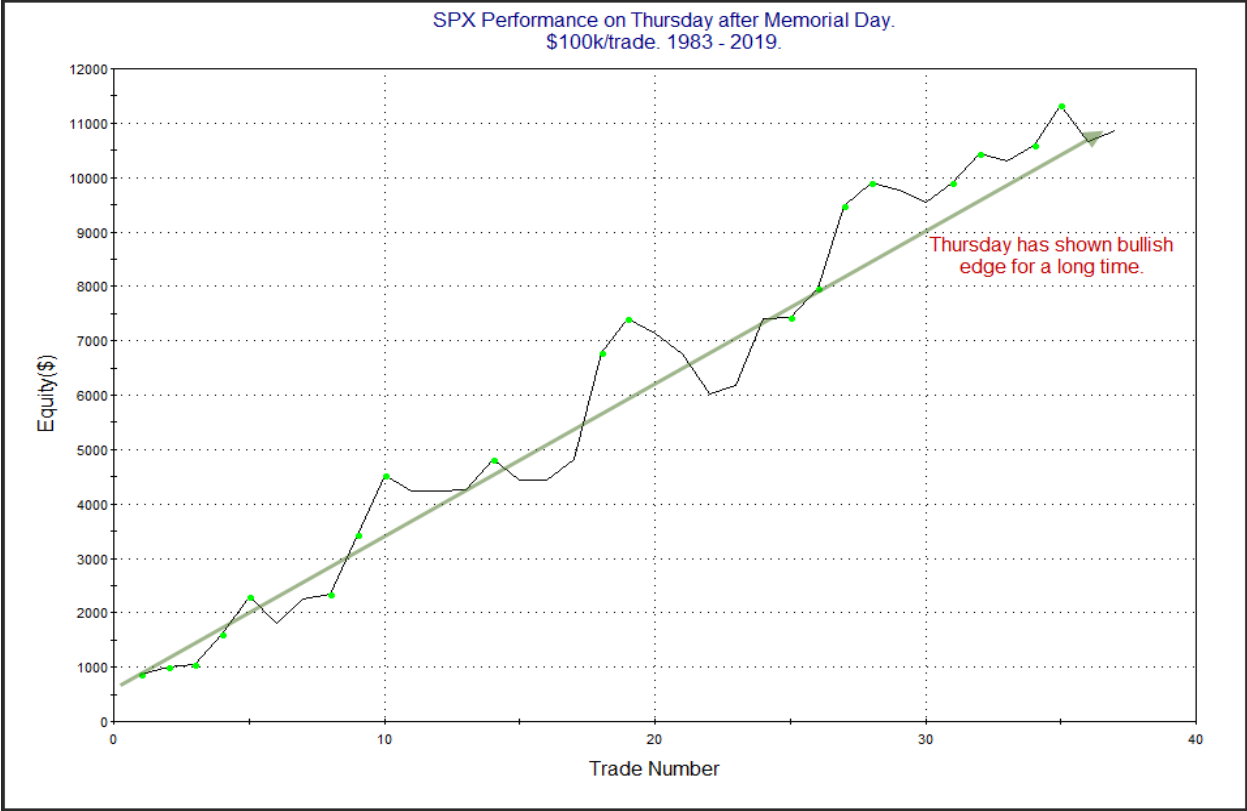
There was no substantial edge apparent throughout the 70s, but starting in 1983 through 2009 there was a bullish tendency. The last 10 years this week has mostly struggled. Last year I took a day by day look. I decided to do that again to see where the market has struggled recently. Returns are broken down by the day of the week.

SPX Performance on X Day of Memorial Week
\$100k/trade. 1983 - present.

X	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
Fri	4,045.16	37	22	15	59.46	2,140.16	-3,415.50	783.02	-878.75	0.89	1.31	109.33
Thurs	10,870.00	37	26	10	70.27	1,970.50	-735.68	560.81	-371.11	1.51	3.93	293.78
Wed	3,413.53	37	23	14	62.16	2,573.31	-2,268.10	610.94	-759.86	0.80	1.32	92.26
Tues	7,471.69	37	17	20	45.95	3,443.56	-1,701.70	1,361.16	-783.40	1.74	1.48	201.94

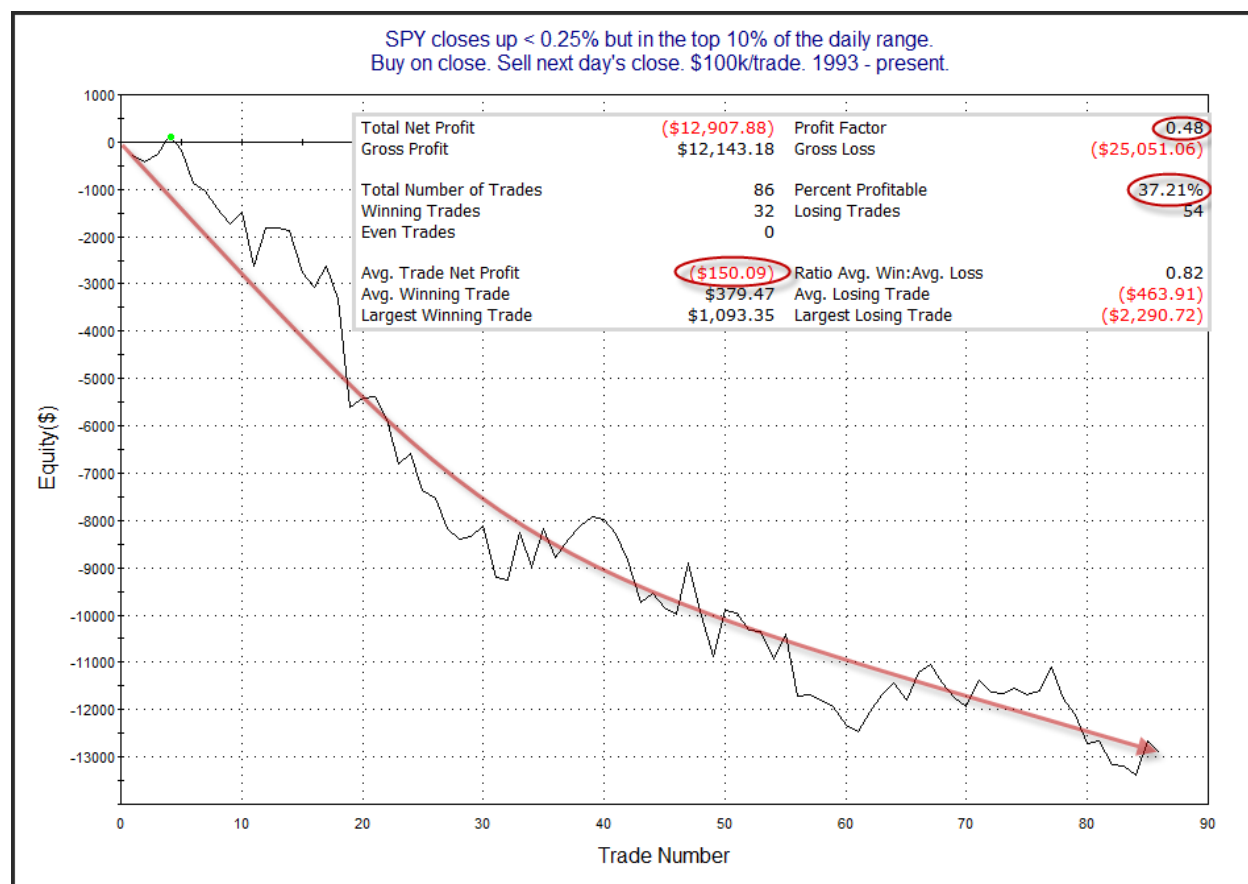
The results table suggests Thursday is the most consistently bullish day. Wednesday has the weakest net numbers. Here are the curves for each day:





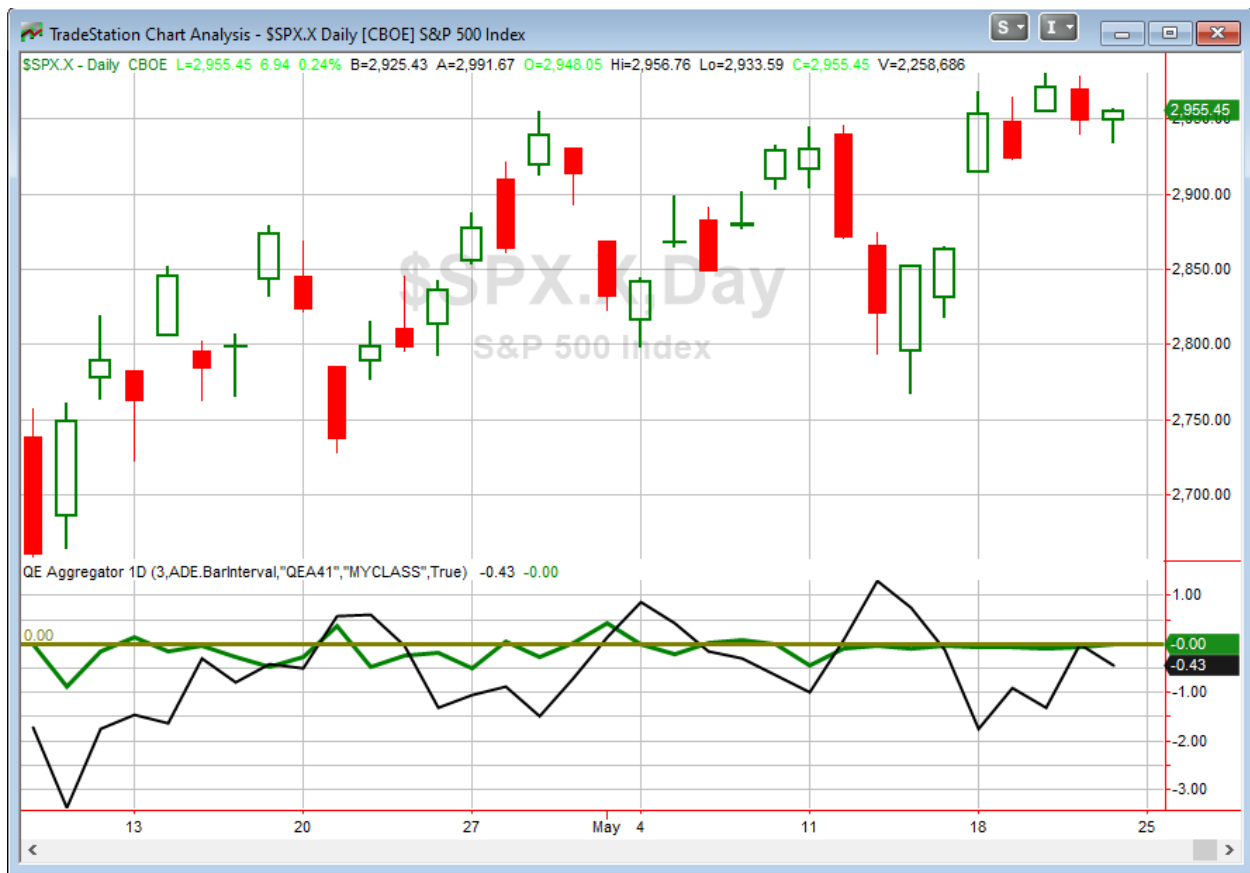
The charts seem to confirm what the results table was suggesting. Thursday appears to be the only day that I'm inclined to credit a consistent seasonal edge to at this point.

The mild up close on Friday may have seemed like a win for the bulls, but the study below suggests that when SPY closes strong (in the top 10% of its intraday range) but still only manages a small gain on the day, the next day has shown a downside tendency. It last appeared in the 9/19/19 letter. I have updated the stats and the profit curve.



This bearish edge has persisted since the inception of SPY in 1993. It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day. I have added this study to the Active List tonight.

I have updated [the Aggregator chart](#) below.



With tonight's evidence included, the green Aggregator line again remained slightly below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line is also a little below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Though with the Aggregator line almost exactly at zero, it barely qualifies. Still, the Aggregator signal stayed short at the close.

Based on the current list of active studies, expectations are set to turn neutral on Tuesday. Of course this could easily change based on any new evidence that emerges. Meanwhile, the Differential Pivot will be *inverted* at 2964.90 on Tuesday. That is 0.3% *above* Friday'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 rise over 0.3% on Tuesday in order to remain "overbought" vs recent expectations. Anything less than that and it will flip to oversold.

So the Aggregator is leaning bearish, but not very convincingly. All 4 short-term studies are set to expire on Tuesday. And the Differential Pivot is inverted. This is not the makings of a compelling setup. With the intermediate-term evidence also mixed, I am inclined to stand aside from taking on new index positions until a more favorable reward/risk setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/26 – neutral

Combo #1	Combo #2	Combo #3
Long	Long	Flat

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week there were no changes to the Combo system statuses.*

This past Monday saw a huge rally for the market and that helped greatly in generating strong numbers for the week. The SPX gained 3.2%, the NASDAQ rose 3.4%, and the Russell 2000 shot up 7.8%. The intermediate-term trend is still a matter of interpretation. Several indices are at/near 50-day highs, but also below their 200-day moving averages. A few studies emerged this week, and they demonstrate how the interpretation would matter looking out over the next several weeks.

The 1st study to note appeared in Monday night's letter. It looked at the fresh breakout to a 50-day high on very strong breadth. I have copied it below.

The strong breadth was also a plus with regards to Monday's breakout. The study below is updated from the 7/11/16 subscriber letter.

SPX closes at a 50-day high after not having done so for at least 10 days.
 NYSE Up Volume % > 90%. Buy on close. Sell X days later. \$100k/trade. 1970 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
55	87,437.88	12	11	1	91.67	24,239.28	-2,289.42	8,157.03	-2,289.42	3.56	39.19	7,286.49
50	70,430.40	12	11	1	91.67	19,845.80	-3,120.87	6,686.48	-3,120.87	2.14	23.57	5,869.20
45	70,340.01	12	11	1	91.67	17,945.20	-3,596.28	6,721.48	-3,596.28	1.87	20.56	5,861.67
40	70,848.96	12	11	1	91.67	20,959.64	-1,025.34	6,534.03	-1,025.34	6.37	70.10	5,904.08
35	68,582.20	12	11	1	91.67	18,961.80	-1,321.35	6,354.87	-1,321.35	4.81	52.90	5,715.18
30	63,396.21	14	13	1	92.86	11,920.74	-418.88	4,908.85	-418.88	11.72	152.35	4,528.30
25	56,632.14	15	13	2	86.67	12,045.67	-2,993.76	4,791.81	-2,830.68	1.69	11.00	3,775.48
20	49,673.46	15	11	4	73.33	13,401.70	-6,770.72	5,505.83	-2,722.68	2.02	5.56	3,311.56
15	40,782.33	15	11	4	73.33	8,150.48	-5,148.00	4,643.58	-2,574.27	1.80	4.96	2,718.82
10	35,246.62	15	11	4	73.33	10,515.18	-4,090.24	3,817.96	-1,687.73	2.26	6.22	2,349.77
9	30,294.83	15	11	3	73.33	8,413.73	-4,101.68	3,354.66	-2,202.16	1.52	5.59	2,019.66
8	27,035.85	15	11	4	73.33	8,532.68	-3,923.40	3,289.91	-2,288.29	1.44	3.95	1,802.39
7	27,284.91	15	12	3	80.00	6,026.80	-3,954.60	3,002.04	-2,913.21	1.03	4.12	1,818.99
6	26,308.99	15	12	3	80.00	6,819.80	-4,106.70	2,682.39	-1,959.92	1.37	5.47	1,753.93
5	28,245.43	15	11	4	73.33	8,516.82	-3,295.50	2,905.78	-929.55	3.13	8.60	1,883.03
4	19,104.33	15	11	4	73.33	6,716.71	-4,894.50	2,302.14	-1,554.80	1.48	4.07	1,273.62
3	21,269.71	15	11	4	73.33	6,740.50	-1,555.56	2,094.39	-442.14	4.74	13.03	1,417.98
2	18,317.36	15	13	2	86.67	4,028.44	-733.41	1,481.58	-471.58	3.14	20.42	1,221.16
1	12,002.58	15	11	4	73.33	2,755.52	-475.20	1,182.00	-249.86	4.73	13.01	800.17

While such breakout action has been unusual, both short and long-term performance has been impressive...

Here are the 40-day results.

SPX closes at a 50-day high after not having done so for at least 10 days.
 NYSE Up Volume % > 90%. Buy on close. Sell 40 days later. \$100k/trade. 1970 - present

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/30/1970	Buy	\$87.20	8.82%	\$10,497.36
1/27/1971	Sell	\$94.89		(\$1,249.14)
1/27/1975	Buy	\$75.37	8.88%	\$15,527.46
3/25/1975	Sell	\$82.06		(\$185.64)
1/5/1976	Buy	\$92.58	8.64%	\$11,329.20
3/2/1976	Sell	\$100.58		(\$226.80)
8/20/1982	Buy	\$113.02	20.98%	\$22,055.80
10/18/1982	Sell	\$136.73		(\$327.08)
1/6/1983	Buy	\$145.27	5.78%	\$6,116.32
3/4/1983	Sell	\$153.67		(\$4,244.96)
8/2/1984	Buy	\$157.99	5.13%	\$7,369.12
9/28/1984	Sell	\$166.10		\$0.00
1/4/1988	Buy	\$255.94	4.40%	\$4,680.00
3/1/1988	Sell	\$267.21		(\$6,154.20)
5/11/1990	Buy	\$352.00	1.27%	\$4,765.52
7/10/1990	Sell	\$356.48		(\$221.52)
8/2/2010	Buy	\$1,125.86	1.94%	\$2,124.32
9/28/2010	Sell	\$1,147.70		(\$7,582.08)
9/6/2012	Buy	\$1,432.12	-1.04%	\$2,924.91
11/5/2012	Sell	\$1,417.26		(\$1,989.96)
1/2/2013	Buy	\$1,462.42	3.81%	\$4,659.36
3/1/2013	Sell	\$1,518.20		(\$733.04)
7/8/2016	Buy	\$2,129.90	2.35%	\$2,939.86
9/2/2016	Sell	\$2,179.98		\$0.00

...here it was the September 2012 instance that struggled. But even that instance saw greater run-up during those 40 days than it saw drawdown. The 1st four instances saw outsized gains versus everything else. Most years posted solid gains. The average run-up was 7.9% and the average drawdown was just 1.9%. Overall, there seems to be a strong inclination for the market to rally after similar setups in the past.

And even if we ignore the fresh breakouts, and simply look at instances of SPX hitting a 50-day high on 90% up volume, the stats are still strong. The study below was also seen in the 7/11/16 subscriber letter and has been updated.

SPX closes at a 50-day high. NYSE Up Volume % > 90%.
Buy on close. Sell X days later. \$100k/trade. 1970 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	99,323.31	20	19	1	95.00	19,845.80	-5,474.10	5,515.65	-5,474.10	1.01	19.14	4,966.17
45	96,759.34	21	19	2	90.48	17,945.20	-5,052.36	5,518.76	-4,048.58	1.36	12.95	4,607.59
40	94,540.18	22	18	4	81.82	20,959.64	-2,937.98	5,614.86	-1,631.82	3.44	15.48	4,297.28
35	97,439.54	22	19	3	86.36	18,961.80	-2,201.85	5,366.70	-1,509.22	3.56	22.52	4,429.07
30	83,808.80	22	20	2	90.91	11,920.74	-418.88	4,230.09	-396.52	10.67	106.68	3,809.49
25	70,487.57	24	19	5	79.17	12,045.67	-3,024.54	4,235.84	-1,998.68	2.12	8.05	2,936.98
20	65,689.66	25	19	6	76.00	13,401.70	-6,770.72	4,281.37	-2,609.40	1.64	5.20	2,627.59
15	55,376.86	25	20	5	80.00	8,150.48	-6,284.01	3,597.90	-3,316.22	1.08	4.34	2,215.07
10	38,118.53	27	18	9	66.67	10,515.18	-4,090.24	2,981.79	-1,728.18	1.73	3.45	1,411.80
9	32,725.30	27	19	7	70.37	8,413.73	-5,207.55	2,620.89	-2,438.81	1.07	2.92	1,212.05
8	32,867.64	27	19	8	70.37	8,532.68	-4,082.16	2,710.65	-2,329.33	1.16	2.76	1,217.32
7	30,424.88	28	19	9	67.86	6,026.80	-3,954.60	2,621.21	-2,153.13	1.22	2.57	1,086.60
6	31,239.90	28	20	8	71.43	6,819.80	-4,106.70	2,130.32	-1,420.81	1.50	3.75	1,115.71
5	33,908.91	30	23	7	76.67	8,516.82	-3,295.50	1,812.89	-1,112.49	1.63	5.35	1,130.30
4	24,250.98	31	23	8	74.19	6,716.71	-4,894.50	1,646.96	-1,703.63	0.97	2.78	782.29
3	16,733.64	31	20	11	64.52	6,740.50	-5,105.87	1,441.32	-1,099.34	1.31	2.38	539.79
2	18,587.70	31	22	9	70.97	4,028.44	-2,409.33	1,095.76	-613.22	1.79	4.37	599.60
1	11,567.50	32	18	14	56.25	2,755.52	-1,255.50	926.46	-364.91	2.54	3.26	361.48

No matter how you look at it, the extremely strong breadth in conjunction with the 50-day high appears to suggest an upside edge.

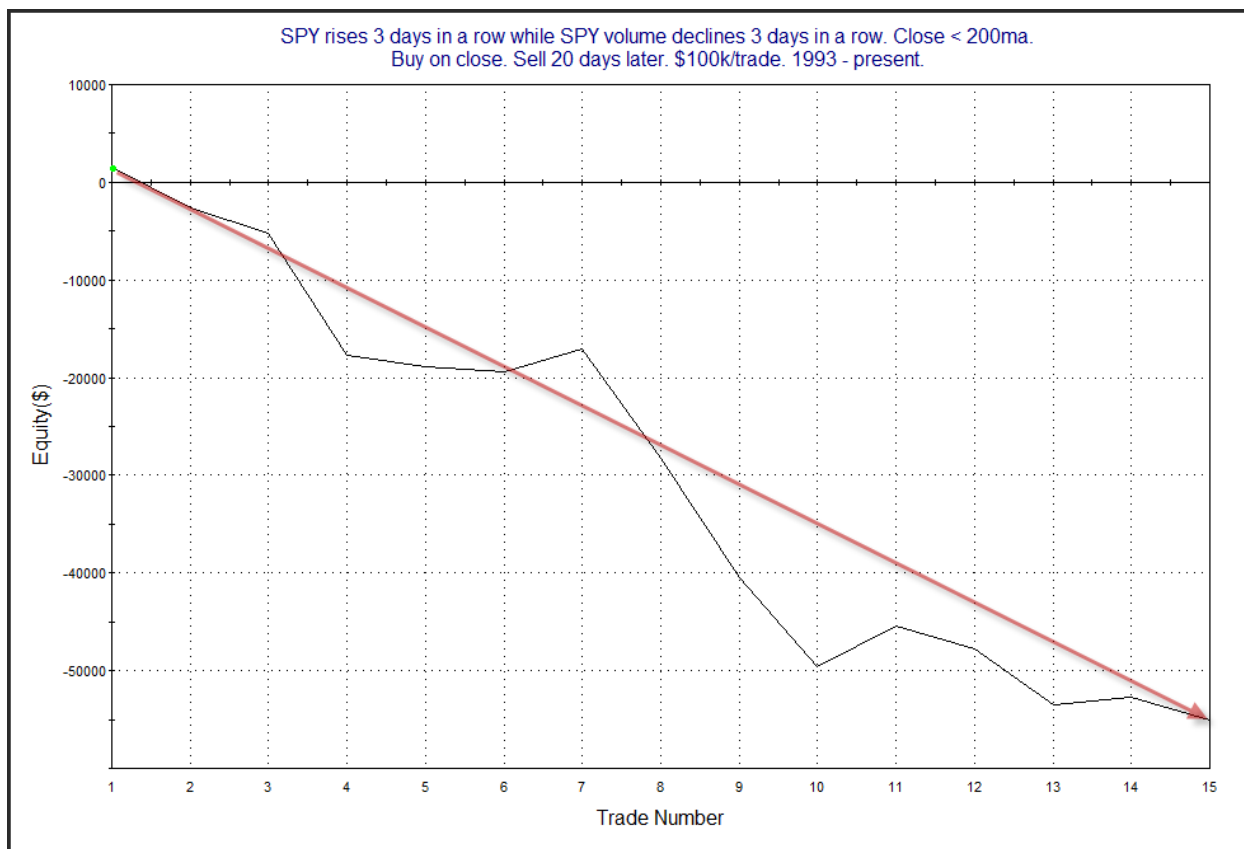
But a lot of the evidence I am seeing now depends on your perspective of the long-term trend. The study above viewed the trend as up, based on the fact that SPX was making a 50-day high. But other studies still view it as down, based on the fact that SPX/SPY remain below their 200-day moving averages. The study below is an example of this. It is also copied from the Monday night letter.

A few studies also appeared in the Quantifinder related to SPY volume. The one below I found to be especially appealing, and worth showing again because it seems to suggest not just a short-term edge, but perhaps an intermediate-term one as well. It is updated from the 12/13/18 letter.

SPY rises 3 days in a row while SPY volume declines 3 days in a row. Close < 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

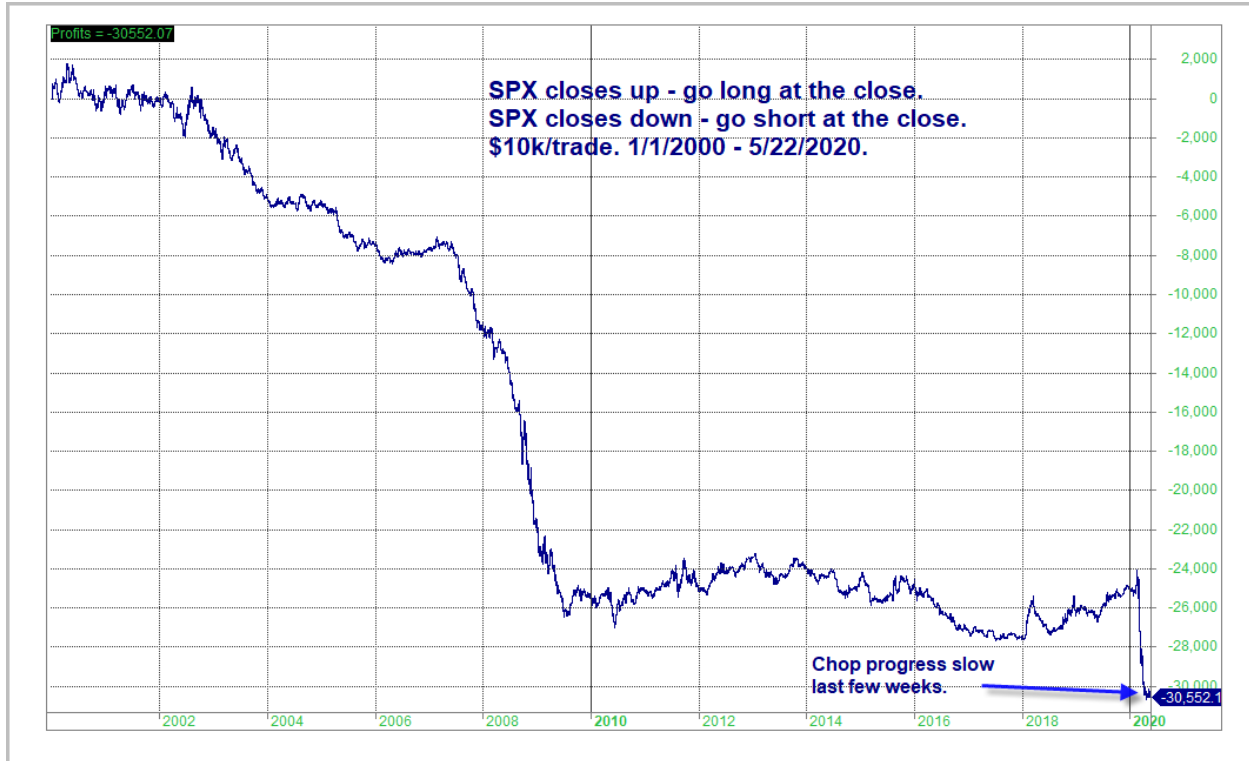
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
20	-55,118.56	15	4	11	26.67	4,102.18	-12,586.76	2,166.56	-5,798.62	0.37	0.14	-3,674.57
19	-49,589.85	15	5	10	33.33	4,528.14	-15,435.00	1,842.16	-5,880.06	0.31	0.16	-3,305.99
18	-41,778.20	17	7	10	41.18	5,855.31	-11,688.04	2,161.88	-5,691.14	0.38	0.27	-2,457.54
17	-37,422.29	17	5	12	29.41	5,169.81	-8,411.13	2,387.13	-4,113.16	0.58	0.24	-2,201.31
16	-31,479.51	17	5	12	29.41	5,119.24	-11,782.05	3,293.62	-3,995.63	0.82	0.34	-1,851.74
15	-38,908.13	17	5	12	29.41	6,220.11	-12,430.32	2,914.85	-4,456.86	0.65	0.27	-2,288.71
14	-46,931.65	17	5	12	29.41	7,258.74	-18,100.11	2,713.21	-5,041.48	0.54	0.22	-2,760.69
13	-41,058.26	17	7	10	41.18	2,719.11	-22,288.14	1,462.52	-5,129.59	0.29	0.20	-2,415.19
12	-24,837.61	17	9	8	52.94	3,886.11	-16,062.69	1,671.30	-4,984.91	0.34	0.38	-1,461.04
11	-16,653.39	17	9	8	52.94	3,333.60	-10,320.87	1,799.58	-4,106.20	0.44	0.49	-979.61
10	-18,905.97	17	8	9	47.06	5,193.15	-11,977.56	2,159.36	-4,020.10	0.54	0.48	-1,112.12
9	-20,482.27	17	8	9	47.06	4,481.28	-10,794.21	2,084.70	-4,128.88	0.50	0.45	-1,204.84
8	-23,900.84	17	6	11	35.29	6,231.78	-11,701.12	2,866.23	-3,736.20	0.77	0.42	-1,405.93
7	-24,815.69	17	8	9	47.06	2,649.09	-11,617.41	1,324.29	-3,934.44	0.34	0.30	-1,459.75
6	-22,835.24	17	6	11	35.29	1,720.62	-7,552.86	1,441.06	-2,861.96	0.50	0.27	-1,343.25
5	-23,506.60	17	6	10	35.29	2,551.35	-6,540.81	1,311.16	-3,137.35	0.42	0.25	-1,382.74
4	-26,130.91	17	4	13	23.53	2,737.50	-6,615.42	1,308.52	-2,412.69	0.54	0.17	-1,537.11
3	-28,726.50	17	5	12	29.41	1,564.94	-6,431.25	836.92	-2,742.59	0.31	0.13	-1,689.79
2	-12,000.31	18	6	12	33.33	5,169.81	-5,350.20	1,454.85	-1,727.45	0.84	0.42	-666.68
1	2,311.47	21	11	10	52.38	3,862.77	-8,857.80	1,513.29	-1,433.47	1.06	1.16	110.07

Here we see what appears to be a strong downside inclination...I also ran the 20-day curve.



That is a steady move from upper left to lower right. I have included this study on the short and intermediate-term Active Lists tonight.

Below is an updated copy of the “Trend vs Chop” chart I have been showing lately. If you want to read more about the background of this chart, you can check out the [“Daily Chop vs Trend in Bear Markets” special report I did in March.](#)



The profit line this week closed at the lowest week-end reading we have seen. But the pace of decline is not near what it was in March and April. This can be seen more clearly in the chart below, which just looks at 2020 performance.



We certainly saw chop exhibited this past week, as the market reversed direction Tuesday, Wednesday, Thursday, and Friday. But the magnitude of the moves is greatly reduced from where we were a couple of months ago. So progress on this curve looks more muted. Still, the tendency to chop is still worth keeping in mind when considering short-term trading approaches. And if the market starts to roll back over, we could again see a downside acceleration in this chart as emotions run high and daily overreactions become stronger.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. I have copied it below.

« As of 05/13/2020

DOMESTIC SECURITIES HOLDINGS AS OF

May 20, 2020 📅

Summary

T-Bills

T-Notes and T-Bonds

FRN

TIPS

Agencies

Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	3,455,678,049.6
US Treasury Floating Rate Notes (FRN)	15,545,746.1
US Treasury Inflation-Protected Securities (TIPS)*	255,265,919.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,853,984,547.2
Commerical Agency Mortgage-Backed Securities***	8,856,012.0
Total SOMA Holdings	5,917,721,273.9
Change From Prior Week	110,937,761.9

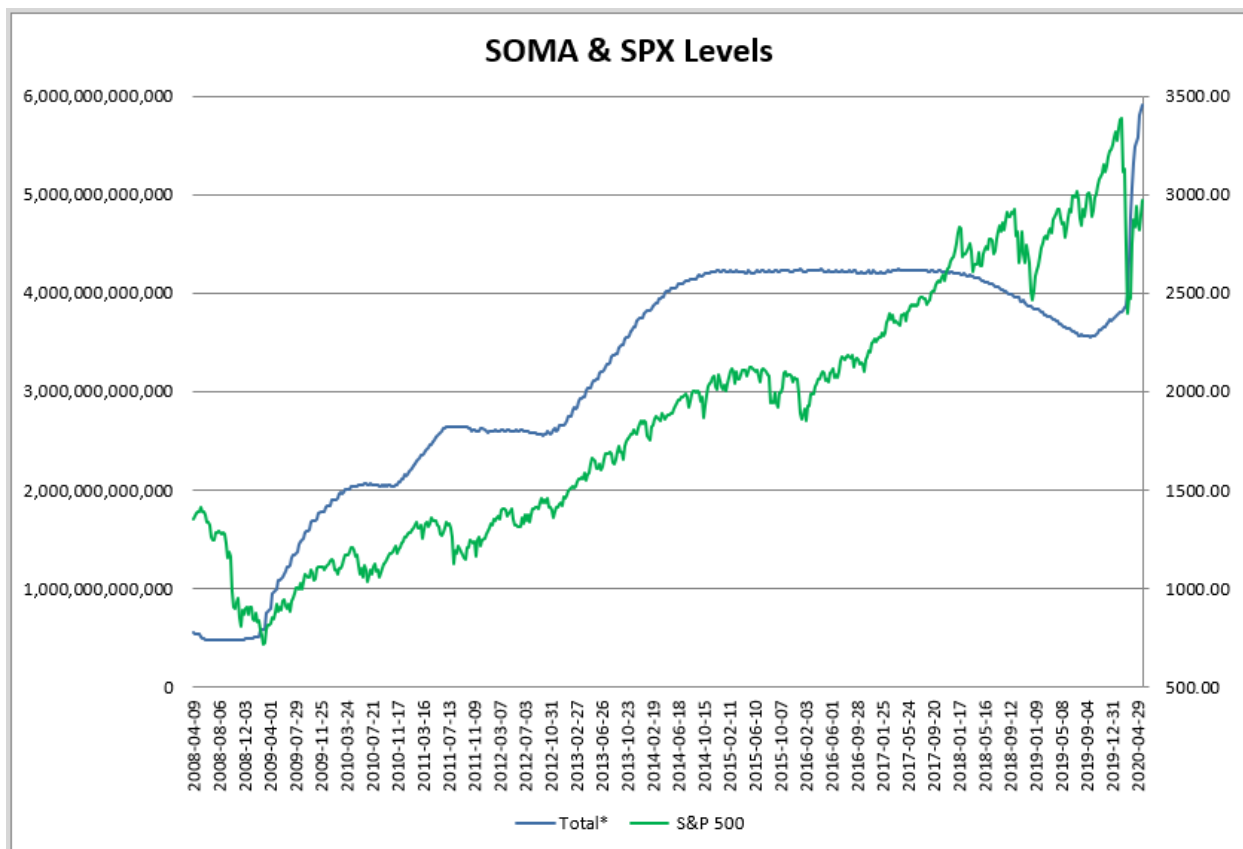
*Does not reflect inflation compensation of 36,797,187.1

**Fannie Mae, Freddie Mac and Federal Home Loan Bank

***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

Data posted on 05/21/2020 4:30pm.

The \$111 billion increase this week is about half of what we saw last week, but more than twice what we saw the two weeks before that. Bottom line is that it's again a very big number. Liquidity is plenty. The Fed is still doing all it can to support the economy, and the market is benefitting. Our SOMA/SPX chart is updated below.



The SOMA is clearly at new highs, having risen over \$2 trillion in just the last 10 weeks. Massive QE stimulus in the past has always provided a huge boost for the market. And this is bigger than anything else ever seen. Of course, the battle the Fed is fighting now is different than any we have seen since Fed SOMA data has been available (2003). Having the Fed so dovish is a big positive for the market.

I did have a few people write to me this past week inquiring about the potential of massive treasury issuances offsetting the liquidity injection being done by the Fed. Part of the questioning was due to [an interview that Stan Druckenmiller did recently](#). In the interview he said that while the Fed spiked up its balance sheet over the last few months, the treasury did not greatly increase bond issuances until May. And over the next few months treasury issuances could be as large as Fed increases, diluting the impact of QE.

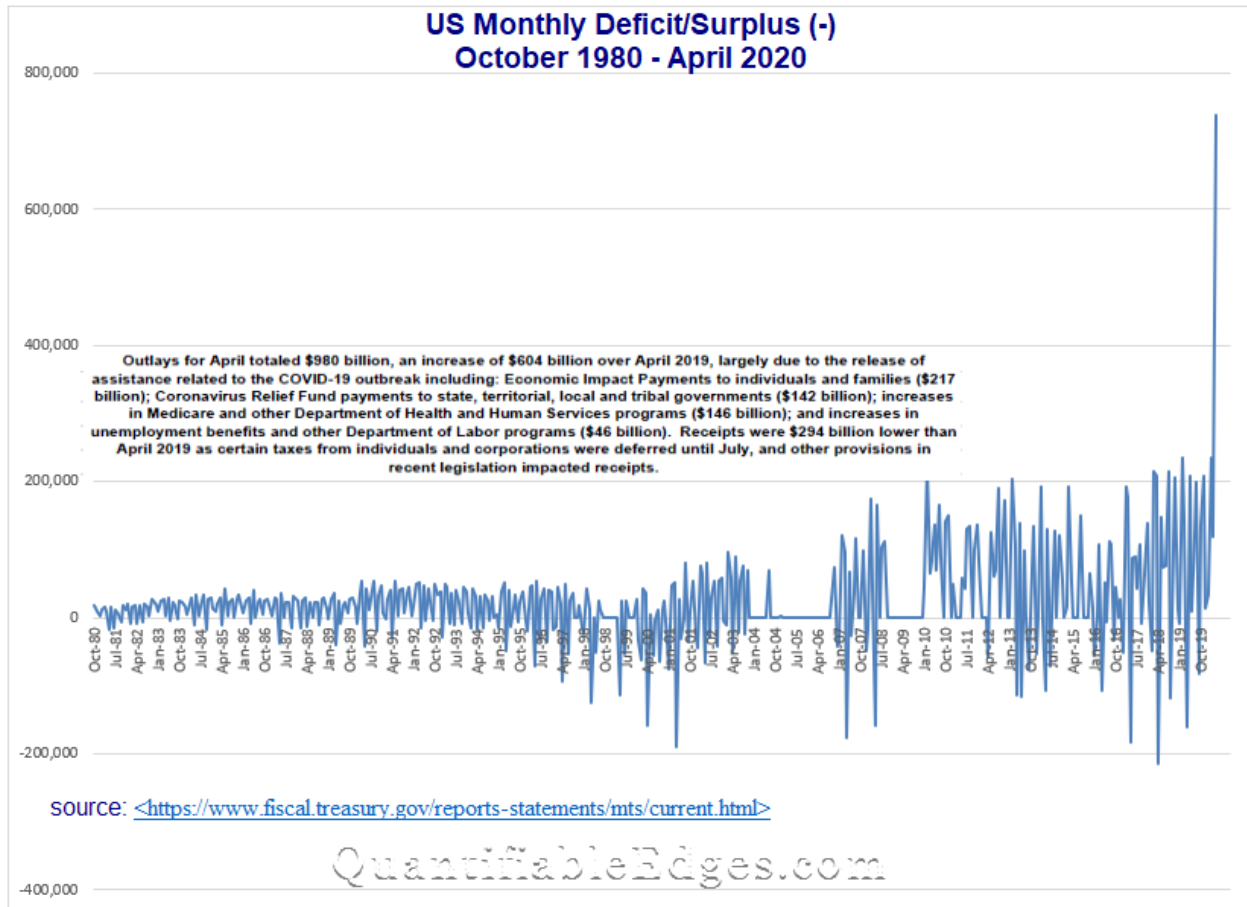
The basic idea is that when the Fed purchases treasuries in the open market then the buying is done from institutions/people. Those who sell them are likely to put those investment dollars back into higher-risking assets (otherwise they may not be willing to sell). But if the treasury is issuing \$X worth of bonds and the Fed is buying a similar amount, then the net effect of investment \$\$ being

put into more risky assets by the public is greatly diluted. Theoretically, this seems to make sense. But I do not think it is quite that simple. (And I doubt Druckenmiller does either, but you can only get so complex in an interview.)

We should consider how the money moves when treasuries are issued. It is true that unlike public investors, the treasury does not sell the bonds to buy stocks or other assets. But it does sell the bonds to raise money for government expenditures. A big chunk of new expenditures right now are CARES Act spending. So for instance, the treasury sends out \$1200 payments to much of America. To fund this, it sells bonds that the Fed buys. The Fed effectively uses up all of the demand for the bonds. Americans get their \$1200 checks, and some of it goes right into circulation through the buying of goods and services, and some gets saved, and some gets invested.

So as you can see, even if the treasury is completely offsetting Fed QE, the net effect is not zero. \$1 billion in Fed QE “offset” by \$1 billion in treasury issuances is more stimulative than \$0 QE and \$0 bond issuances. Bottom line as far as I see it is that QE’s impact on the market is likely reduced by large treasury issuances, but not eliminated.

I was not able to find a schedule showing treasury issuance amounts. (Feel free to let me know if you have a source.) But I did pull the following data from the treasury website, which shows the massive government deficit in April, which was more than 3x any other month in history.



So yes, there are a lot of bonds that are being issued and will need to be issued in the next several months.

The market certainly has a lot to consider right now. Major stories that could impact the markets in the coming weeks and months include

- the continued re-opening and recovery of the economy
- government stimulus (monetary and fiscal)
- China relations and potential trade issues
- COVID treatment/vaccine/spread news (that was mostly positive this past week thanks to vaccine optimism)
- Market valuations (Growth vs. value, tech vs. financial, and S&P forward EPS all appear to be at extreme levels. Also, Jay Kaepfel noted some interesting extremes [in his article this week.](#))

Intermediate-term I remain neutral. Huge Fed liquidity pumping favors the bulls. We have also seen some compelling long-term evidence based on breadth thrusts in March, April, and now May. Of course chop remains high. Also, some studies are showing signs that a sizable pullback could be coming, such as the SPY volume study shown above. And while the Fed can solve the liquidity problem, and congress is willing to provide loans to businesses, there are still many problems with regards to solvency, loan defaults, and unemployment the economy must contend with. With so much uncertainty, I still anticipate opportunities in both directions should continue to emerge. So I will stand ready to take advantage of compelling setups both long and short.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

None

Broad Market Large Cap CBI – 0

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

Current Open Trade Ideas

None

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