

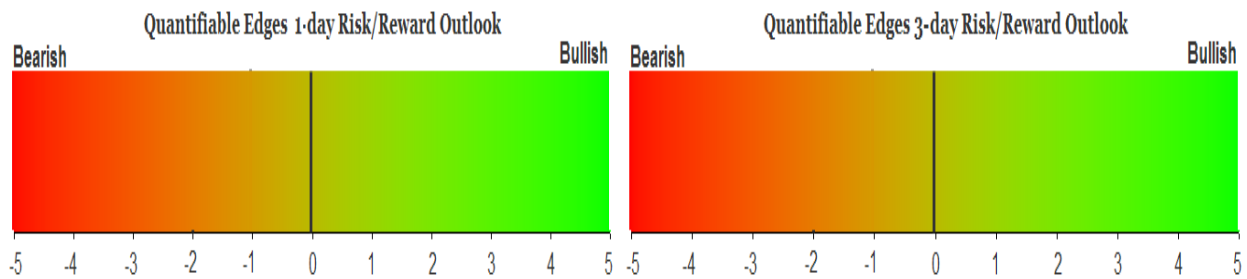
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 8, 2020

Volume 13 Issue 110

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Strong moves to new highs on an employment day have generally be good for the NASDAQ – but not the SPX.
- The recent breadth has been huge, and that can be seen multiple ways. This is an intermediate-term positive.
- The Fed is still pumping, but the liquidity stream has slowed recently.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I. Short-term evidence is light and the market is very overbought.

**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
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
June 8, 2020	3 Breadth Sigs (BAM/90%Day/A-D Hi)	1-63 days	Bullish			
June 4, 2020	SPX RSI2 crosses 99	1-18 days	Bullish			
May 19, 2020	Breakout on 90% Up Volume	1-40 days	Bullish	7.90%	-1.90%	-4.50%
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			
<b>Dropped Tonight (expired or Avg move + 1 std dev exceeded)</b>						
June 5, 2020	NDX down 0.75%. SOX up 0.75%	1 day	Bullish			
June 1, 2020	Finish month at high of month	1-5 days	Bullish			

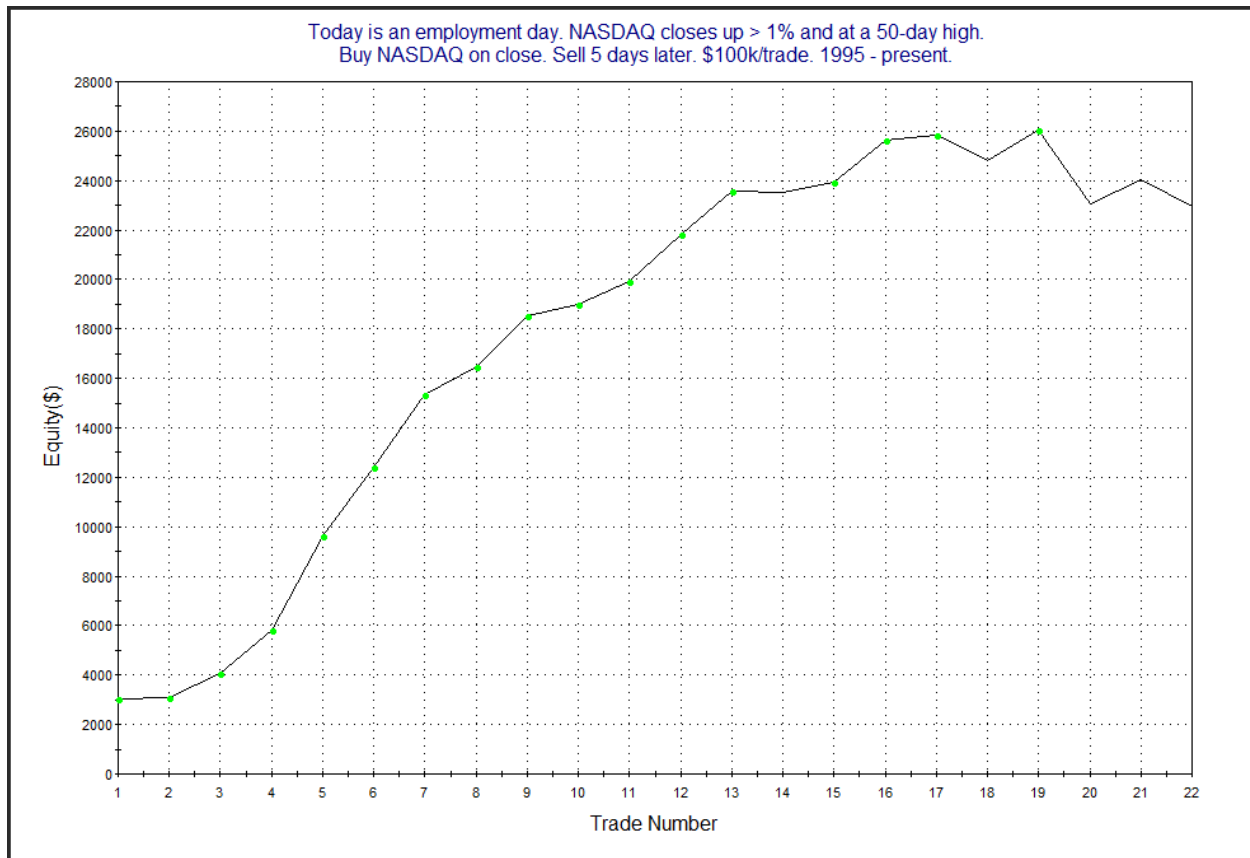
**The Evidence**

Friday the market boomed higher on an employment report that was viewed as good news. The SPX rallied 2.6%, the NASDAQ gained 2.1%, and the Russell 2000 jumped 3.8%. Breadth was positive as the NYSE Up Issues % was 84% and the Up Volume % came in at 92%. NYSE volume rose for the 4<sup>th</sup> day in a row.

With unemployment “only” around 13%, the market rallied hard, and the NASDAQ and SPX both closed new 50-day highs. This triggered the study below, last seen just a month ago in the 5/11/20 letter.

Today is an employment day. NASDAQ closes up > 1% and at a 50-day high. Buy NASDAQ on close. Sell X days later. \$100k/trade. 1995 - 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
5	22,965.30	22	18	4	81.82	3,803.52	-2,964.72	1,560.16	-1,279.38	1.22	5.49	1,043.88
4	14,501.17	22	15	7	68.18	3,040.00	-3,040.92	1,518.73	-1,182.83	1.28	2.75	659.14
3	6,535.13	22	14	8	63.64	1,943.61	-2,648.16	1,146.08	-1,188.74	0.96	1.69	297.05
2	736.91	22	14	8	63.64	1,856.12	-3,675.86	760.96	-1,239.56	0.61	1.07	33.50
1	4,254.22	22	15	7	68.18	1,333.76	-1,485.83	526.79	-521.09	1.01	2.17	193.37

The results above appear fairly compelling for the bulls. But below is a look at the profit curve.



We have seen a bit of a fade lately. But this still appears to suggest NASDAQ momentum could continue into next week. I also checked to see how SPX performed after the NASDAQ action. Results here were interesting.

Today is an employment day. NASDAQ closes up > 1% and at a 50-day high.  
Buy SPX on close. Sell X days later. \$100k/trade. 1995 - 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
5	4,777.55	22	15	7	68.18	1,915.14	-2,247.40	852.08	-1,143.37	0.75	1.60	217.16
4	-397.21	22	13	9	59.09	1,659.08	-2,628.20	832.44	-1,246.55	0.67	0.96	-18.05
3	-7,685.81	22	12	10	54.55	1,358.28	-3,733.20	641.72	-1,538.65	0.42	0.50	-349.36
2	-9,466.64	22	11	11	50.00	848.70	-3,748.50	442.27	-1,302.88	0.34	0.34	-430.30
1	-2,822.81	22	9	13	40.91	621.56	-1,252.30	321.22	-439.53	0.73	0.51	-128.31

What is immediately evident is that SPX does not seem to provide confirmation. While the indices often move together, the NASDAQ momentum did not seem to carry over very well for the SPX. Of course SPX also made a 50-day high on a strong up move. So rather than rely on the NASDAQ to signal the buy, I looked at times SPX triggered the entry.

Today is an employment day.SPX closes up > 1% and at a 50-day high.  
Buy SPX on close. Sell X days later. \$100k/trade. 1995 - 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
5	2,156.60	18	10	8	55.56	4,090.16	-4,959.45	1,486.97	-1,589.14	0.94	1.17	119.81
4	828.56	18	10	8	55.56	2,951.04	-3,869.12	1,346.56	-1,579.63	0.85	1.07	46.03
3	-1,418.02	18	9	9	50.00	1,664.46	-4,848.17	1,040.29	-1,197.85	0.87	0.87	-78.78
2	-454.06	18	10	8	55.56	1,023.04	-2,234.16	612.44	-822.30	0.74	0.93	-25.23
1	-4,171.36	18	7	11	38.89	570.72	-2,138.93	304.36	-572.90	0.53	0.34	-231.74

Numbers here still are not compelling. With the NASDAQ edge faltering recently and the SPX never really showing one, I decided to leave this off the active list tonight.

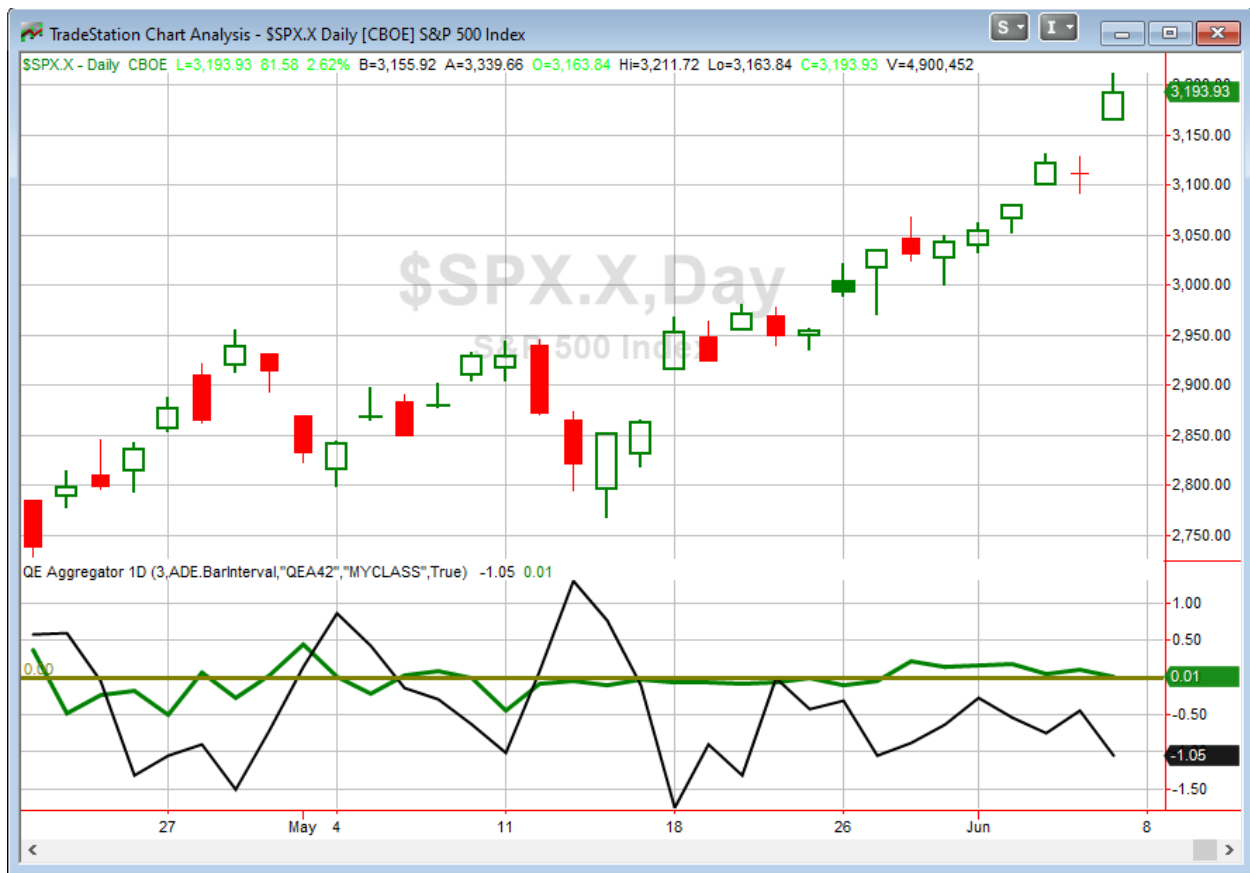
Another study with interesting results was from the 8/6/12 letter. It looked at times SPY gapped up big and made a move up to a new intermediate-term high. I have updated the results below.

SPY gaps > 1% above yesterday's close and never fills. It makes a 50-day intraday high and closes > open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1994 - 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
5	-4,464.83	14	6	8	42.86	1,087.82	-3,183.04	683.10	-1,070.43	0.64	0.48	-318.92
4	-5,563.14	15	7	8	46.67	1,497.00	-3,532.12	635.47	-1,251.43	0.51	0.44	-370.88
3	-9,926.18	15	5	10	33.33	817.38	-5,080.34	439.93	-1,212.59	0.36	0.18	-661.75
2	-4,138.94	15	8	7	53.33	695.49	-2,357.34	322.02	-959.30	0.34	0.38	-275.93
1	-245.31	15	9	6	60.00	558.88	-1,009.98	311.87	-508.69	0.61	0.92	-16.35

The 3-day numbers appear somewhat bearish. I thought about including it on the active list. But with days 1 and 2 showing a better chance at a move higher, and days 4 and 5 each showing net gains, I decided any edge was questionable – especially with the low number of instances. So from a short-term perspective, the market is certainly overbought, but there is nothing new suggesting a strong directional edge for the next few days.

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



With all evidence considered, the green Aggregator line held slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is again below 0. The negative Differential Line reading means 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 signal stayed flat at the close.

Based on the current list of active studies, expectations are set to remain slightly positive on Monday. This is thanks to the intermediate-term evidence, since the short-term active list is currently blank. Of course this could easily change based on new evidence that emerges. Meanwhile, the Differential Pivot will be 3133.51 on Monday. That is 1.9% below Friday's close. Therefore, it will take a drop of at least 1.9% on Monday to see SPX flip from overbought to oversold vs expectations.

The Aggregator is neutral. Evidence is light, and the market is strongly overbought. I do not view this as a compelling short-term setup. I'll wait for a better reward/risk opportunity to emerge before looking to take on new index exposure.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 6/8 - slightly bullish***

<b>Combo #1</b>	<b>Combo #2</b>	<b>Combo #3</b>
<b>Long</b>	<b>Long</b>	<b>Flat</b>

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 last week was a very strong one for the indices. The SPX gained 4.9%, the NASDAQ rose 3.4%, and the Russell 2000 rallied 8.1%. With all the indices now at 50-day highs, and up strongly over the last couple of months, the intermediate-term trend certainly appears up.

The rally over the last couple of weeks has been much broader than we saw prior to that. This triggered a few interesting breadth studies that generally suggest a positive intermediate-term edge. The study below is copied from the Wednesday night letter.

*I thought I would note that the NYSE Up Issues % closed above 70% for exactly the 3<sup>rd</sup> day in a row on Wednesday. That triggered a study from the 4/30/20 letter, which I have copied below. (Not updated.)*

NYSE Up Issues % > 70% for exactly 3rd day in a row.  
Buy SPX on close. Sell X days later. \$100k/trade. 1967 - 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
100	142,186.57	18	15	3	83.33	35,219.04	-9,681.98	10,304.03	-4,124.64	2.50	12.49	7,899.25
95	135,501.46	18	16	2	88.89	27,445.80	-7,569.87	9,131.42	-5,300.59	1.72	13.78	7,527.86
90	152,866.89	19	17	2	89.47	30,973.23	-5,123.16	9,352.23	-3,060.54	3.06	25.97	8,045.63
85	155,981.34	19	18	1	94.74	26,662.95	-1,312.89	8,738.57	-1,312.89	6.66	119.81	8,209.54
80	146,217.65	19	18	1	94.74	28,578.63	-6,223.12	8,468.93	-6,223.12	1.36	24.50	7,695.67
75	138,720.11	20	19	1	95.00	27,768.15	-9,442.75	7,798.05	-9,442.75	0.83	15.69	6,936.01
70	113,910.43	20	18	2	90.00	24,259.14	-8,532.18	6,944.25	-5,543.08	1.25	11.28	5,695.52
65	109,650.75	20	17	3	85.00	27,445.80	-12,438.75	7,241.65	-4,485.79	1.61	9.15	5,482.54
60	115,489.07	21	18	3	85.71	30,586.41	-14,330.51	7,439.06	-6,137.98	1.21	7.27	5,499.48
55	115,387.50	22	18	4	81.82	30,678.51	-13,424.22	7,528.96	-5,033.43	1.50	6.73	5,244.89
50	114,529.93	22	17	5	77.27	23,071.05	-16,443.76	8,414.40	-5,702.98	1.48	5.02	5,205.91
45	108,321.17	22	19	3	86.36	28,108.92	-22,705.40	7,249.33	-9,805.37	0.74	4.68	4,923.69
40	88,602.07	22	19	3	86.36	23,973.63	-25,195.29	6,455.77	-11,352.52	0.57	3.60	4,027.37
35	85,777.49	23	19	4	82.61	18,659.46	-16,976.62	5,774.32	-5,983.64	0.97	4.58	3,729.46
30	88,093.98	23	18	5	78.26	15,257.06	-15,261.41	6,119.68	-4,412.04	1.39	4.99	3,830.17
25	85,186.69	23	19	4	82.61	14,063.67	-6,624.37	5,248.47	-3,633.55	1.44	6.86	3,703.77
20	85,809.52	24	20	4	83.33	14,026.83	-11,381.59	5,099.95	-4,047.37	1.26	6.30	3,575.40
15	69,730.41	24	21	3	87.50	12,369.03	-10,189.61	3,981.48	-4,626.90	0.86	6.02	2,905.43
10	44,854.72	25	20	5	80.00	8,942.91	-8,739.76	3,252.06	-4,037.30	0.81	3.22	1,794.19
5	23,824.07	26	19	7	73.08	8,325.84	-6,523.10	2,248.64	-2,700.00	0.83	2.26	916.31

*This is already on the intermediate-term active list, so I am not adding it again. But what is so remarkable about the current instance is that it is the 4<sup>th</sup> time it has triggered in the last 50 days. Since 1967, it has happened 27 times, and 4 of those 27 were in the last 50 days. That is some pretty remarkable breadth. And as we can see, that has typically been a good thing for the intermediate-term.*

On Friday the NYSE Advance/Decline Line actually hit a new all-time high. Of course the SPX is still a good distance away from a new high. But I decided to look back at other times the A/D Line made a new high ahead of the SPX, and how the SPX performed following such a breadth breakout. Results can be seen below.

NYSE Advance/Decline Line makes a new 252-day for the 1st time in at least 50-days. SPX has gone at least 50 days since it last made a 252-day high. Forward SPX returns shown. 1930 - present.

Ticker	Date/Time	Close	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	10-Day %Chg	21-Day %Chg	63-Day %Chg	126-Day %Chg	252-Day %Chg
\$\$PX	4/11/1934	11.02	-0.27	-0.64	-2.18	-1.18	0.09	-0.73	-12.43	-9.35	-19.87	-17.15
\$\$PX	6/17/1935	10.22	0.59	0.1	-0.68	1.57	2.45	0.59	4.4	14.68	26.22	45.99
\$\$PX	10/30/1940	10.92	1.47	1.47	2.2	-1.19	4.3	2.29	-3.11	-8.79	-14.47	-12.18
\$\$PX	7/24/1941	10.36	-0.19	1.06	0.87	0.39	0.29	-0.19	-2.03	-5.69	-13.22	-16.7
\$\$PX	10/9/1942	9.34	1.18	0.96	-0.32	0.11	0.11	1.5	3.1	7.17	21.63	26.66
\$\$PX	1/11/1944	11.92	-0.67	-0.92	-0.5	-0.17	-0.42	-0.34	-2.1	1.17	11.16	14.77
\$\$PX	10/2/1944	12.8	0	0.55	1.17	1.33	0.7	1.56	0.23	5.39	7.58	28.91
\$\$PX	8/17/1949	15.46	0.26	-0.32	-0.58	-1.88	-1.81	-1.55	1.29	4.4	11.06	20.83
\$\$PX	11/26/1952	25.52	0.55	0.63	0.86	0.74	0.35	1.72	3.45	1.61	-3.84	-2.98
\$\$PX	2/8/1954	26.23	-0.23	-0.34	-0.65	-0.42	-0.72	-1.52	1.3	9.11	14.83	40.91
\$\$PX	3/5/1956	46.06	-0.04	-0.11	0.13	1.39	2.32	5.49	5.95	-0.46	3.15	-3.97
\$\$PX	7/21/1958	46.33	0.17	0.15	0.69	1.38	1.77	3.48	2.09	11.07	20.96	28.23
\$\$PX	7/28/1967	94.49	0.28	0.93	1.37	1.24	1.42	0.7	-1.96	0.48	-1.21	4.28
\$\$PX	6/21/1977	100.74	-0.28	-0.12	0.45	0.24	-0.6	-1.15	0.92	-5.6	-8.18	-4.7
\$\$PX	6/6/1978	100.32	-0.2	-0.11	-0.39	-0.77	-0.75	-3.8	-5.98	4.16	-4.16	0.3
\$\$PX	7/1/1993	449.02	-0.71	-1.69	-1.38	-0.08	-0.2	-0.73	0.25	2.21	4.37	-1.06
\$\$PX	2/6/2001	1352.26	-0.84	-1.46	-2.77	-1.62	-2.47	-7.17	-6.47	-6.73	-10.93	-18.1
\$\$PX	11/23/2001	1150.34	0.62	-0.07	-1.9	-0.88	-0.95	0.69	-0.49	-3.56	-6.59	-19.11
\$\$PX	5/6/2003	934.39	-0.51	-1.51	-0.1	1.15	0.85	-1.57	5.97	3.33	13.34	20.03
\$\$PX	8/20/2004	1098.35	-0.24	-0.2	0.6	0.61	0.86	1.39	2.82	7.76	9.4	11.05
\$\$PX	6/14/2005	1203.91	0.22	0.59	1.08	1.01	0.81	-0.19	1.88	2.27	4.69	2.17
\$\$PX	8/15/2006	1285.58	0.77	0.93	1.3	0.93	1.03	1.45	2.39	7.69	13.32	9.78
\$\$PX	7/1/2009	923.33	-2.91	-2.67	-4.58	-4.74	-4.4	1.89	6.95	14.49	22	11.27
\$\$PX	8/2/2010	1125.86	-0.48	0.12	0	-0.37	0.17	-4.13	-6.8	5.1	14.23	14.31
\$\$PX	1/10/2012	1292.08	0.03	0.26	-0.23	0.12	1.24	2.63	4.63	5.93	3.82	13.93
\$\$PX	4/12/2016	2061.72	1	1.02	0.92	1.58	1.9	1.45	0.13	4.39	4.94	14.17
\$\$PX	4/18/2018	2708.64	-0.57	-1.42	-1.42	-2.73	-2.56	-2.69	0.42	3.95	3.74	7.25
\$\$PX	2/15/2019	2775.6	0.15	0.33	-0.03	0.61	0.74	0.62	2.05	3.02	4.07	21.43
		<b>Avg</b>	-0.03	-0.09	-0.22	-0.06	0.23	0.06	0.32	2.83	4.72	8.58
		<b>Median</b>	-0.02	0.02	-0.07	0.18	0.32	0.61	1.11	3.64	4.53	10.42
		<b>Win %</b>	46.4%	50.0%	42.9%	57.1%	64.3%	53.6%	67.9%	75.0%	67.9%	67.9%

Results here are not overwhelming, but they are fairly solid when looking out 1-month (21 days) to 1-year (252 days). I would generally view this kind of breakout as a mild positive.

Friday's NYSE Up Volume % was especially strong, exceeding 90%. The study below is from the 9/14/12 letter. It looks at other times SPX made a 50-day high with 90% Up Volume, and there had also been other recent 50-day highs.

SPX closes at a 50-day high for at least the 2nd time in the last 10 days. NYSE Up Vol > 90%  
Buy SPX on close. Sell X days later. \$100k/trade.

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	37,537.93	12	11	1	91.67	6,985.44	-5,474.10	3,910.18	-5,474.10	0.71	7.86	3,128.16
45	24,388.36	12	9	3	75.00	5,924.06	-5,052.36	3,624.54	-2,744.15	1.32	3.96	2,032.36
40	24,606.62	12	8	4	66.67	7,133.88	-2,937.98	3,891.74	-1,631.82	2.38	4.77	2,050.55
35	29,337.92	12	9	3	75.00	7,564.28	-2,201.85	3,762.84	-1,509.22	2.49	7.48	2,444.83
30	27,585.80	12	10	2	83.33	6,714.66	-5,291.43	3,325.14	-2,832.80	1.17	5.87	2,298.82
25	16,033.28	12	8	4	66.67	5,595.20	-3,024.54	2,796.43	-1,584.55	1.76	3.53	1,336.11
20	21,672.83	12	10	2	83.33	5,541.40	-2,830.95	2,643.85	-2,382.85	1.11	5.55	1,806.07
15	20,162.16	12	11	1	91.67	4,093.74	-6,284.01	2,404.20	-6,284.01	0.38	4.21	1,680.18
10	4,963.62	13	8	5	61.54	4,207.16	-3,453.06	1,720.80	-1,760.55	0.98	1.56	381.82
5	8,409.19	16	13	3	81.25	2,350.02	-1,804.88	893.91	-1,070.53	0.84	3.62	525.57

Numbers here are solid, but the average move is generally fairly mild. The average moves have been substantially better when the 50-day high was a fresh breakout. This can be seen in the next study.

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

The moves here were larger. Of course this is not the current setup. Still, the 90% Up Volume does appear to be encouraging.

Of further note, the strong breadth over the last couple of weeks caused a Deemer Breakaway Momentum signal to trigger on Wednesday (and again on Friday). Walter Deemer (@WalterDeemer on Twitter) designed the signal many years ago. It looks for times the 10-day total advancers on the NYSE are greater than 1.97 times 10-day total NYSE decliners. Walter has noted that the signal did not work great in the 1930s, but since 1945 or so, it has been a strong indication of further upside over the next several months. Below are results, using Norgate Data, for 1930-present. I also note the averages from 1945 to present.

Deemer Breakaway Momentum Signal Triggers for the 1st time in 20 days.  
Forward SPX returns shown, 1930 - present.

Ticker	Date/Time	Close	Next Day %Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	10-Day %Chg	21-Day %Chg	63-Day %Chg	126-Day %Chg	252-Day %Chg
SPX	1/13/1932	8.8	1.14	1.36	-3.3	-3.64	-1.93	-7.39	-7.73	-28.98	-45.57	-19.77
SPX	7/22/1932	5.2	5.38	3.85	9.04	12.5	15.96	30.77	53.85	31.15	34.23	94.81
SPX	4/19/1933	7.14	9.52	4.2	10.78	8.12	8.82	17.79	24.51	62.46	27.03	55.32
SPX	1/18/1934	10.63	2.82	2.63	3.95	4.61	4.61	7.81	6.87	4.99	-10.91	-13.45
SPX	7/12/1937	16.54	-0.85	-0.97	-0.48	-0.73	1.21	3.14	3.02	-22.91	-27.75	-27.21
SPX	1/11/1938	11.95	-0.92	-2.34	-2.09	-2.34	-3.35	-6.11	-8.79	-16.74	0.75	3.18
SPX	6/22/1938	10.73	2.8	3.91	4.94	4.85	9.23	12.67	16.96	11.46	19.38	5.22
SPX	10/7/1938	12.85	0.47	-0.08	3.04	2.33	1.71	4.28	7.32	-2.96	-17.28	-0.86
SPX	7/17/1939	12.07	0.75	-0.58	-1.82	0.17	0.5	-0.25	-1.49	5.55	0.66	-16.57
SPX	8/30/1940	10.5	0.57	2.67	4.1	3.33	0.19	-0.38	2.95	0.76	-7.05	-2.19
SPX	6/12/1941	9.87	-0.2	-0.61	0.2	3.03	0.1	0.71	4.36	3.65	-11.55	-14.99
SPX	7/9/1942	8.81	-0.11	-0.91	0.11	0.23	0.11	-2.16	-3.63	4.09	12.71	43.47
SPX	3/31/1943	11.58	0.09	-0.17	0.09	1.55	1.04	-2.59	0.09	6.65	3.71	3.89
SPX	4/19/1945	14.51	-0.14	0.83	1.31	1.1	0.9	2.48	2.48	1.03	15.16	29.01
SPX	8/31/1945	15.15	2.38	2.51	3.89	3.83	4.16	2.38	7.79	14.92	14.72	-0.92
SPX	7/11/1947	15.87	0.57	0.38	0.32	-0.76	-0.13	1.32	-3.4	-3.84	-5.8	3.84
SPX	3/31/1948	15.08	0.27	0.46	0.66	1.33	0.99	1.33	2.92	10.68	1.86	0.86
SPX	7/13/1949	14.78	0.07	-0.14	0.14	1.08	1.29	1.89	4.13	8.05	13.13	15.43
SPX	1/25/1954	25.93	0.62	0.31	0.35	0.58	0.23	1.16	-0.39	7.52	17.01	36.98
SPX	1/24/1958	41.71	-0.29	-0.19	0.41	-0.07	-0.02	0.05	-2.54	3.43	11.84	33.71
SPX	7/11/1962	57.73	0.52	0.17	0.17	-1.65	-2.65	-2.2	-0.28	-0.92	12.09	20.84
SPX	11/9/1962	58.78	1.38	1.16	2.35	2.02	2.35	4.39	6.02	11.87	19.9	22.2
SPX	1/16/1967	84.31	1.1	1.76	1.79	2.09	2.47	2.79	4.58	8.02	10.01	13.65
SPX	12/4/1970	89.46	0.54	0.01	0.09	0.09	0.89	0.85	3.23	11.09	13	8.5
SPX	12/8/1971	96.92	0.04	0.79	1.08	0.77	1.67	4.4	6.76	12.42	11.07	21.76
SPX	1/8/1975	70.04	1.61	3.67	3.24	2.34	3	2.43	12.16	18.28	35.35	34.14
SPX	1/6/1976	93.53	0.45	1.12	1.52	2.99	2.18	5.7	8.96	10.67	10.7	13.01
SPX	3/23/2009	822.92	-2.04	-1.1	1.21	-0.85	-4.3	1.53	2.51	8.52	29.38	42.68
SPX	7/23/2009	976.29	0.3	0.6	0.34	-0.12	1.07	2.13	5.11	10.77	11.83	12.94
SPX	9/16/2009	1068.76	-0.31	-0.04	-0.38	0.27	-0.74	-1.09	2.6	3.66	9.08	5.23
SPX	7/12/2016	2152.14	0.01	0.54	0.45	0.69	0.54	0.79	1.08	0.54	5.43	13.53
SPX	1/9/2019	2584.96	0.45	0.44	-0.09	0.98	1.2	2.22	4.76	11.73	16.05	26.68
		<b>Avg</b>	0.77	0.74	1.43	1.50	1.65	2.80	4.98	6.46	8.13	14.78
		<b>Median</b>	0.45	0.45	0.43	0.92	1.13	1.83	3.46	6.98	11.52	13.27
		<b>Win %</b>	68.4%	68.4%	81.6%	73.7%	78.9%	73.7%	76.3%	81.6%	78.9%	76.3%
		<b>Since 1945 Avg</b>	0.32	0.61	1.03	1.03	0.98	1.93	3.64	7.45	13.22	18.03
		<b>Median</b>	0.30	0.46	0.45	0.86	1.18	1.89	3.69	8.02	12.09	15.43
		<b>Win %</b>	68.0%	80.0%	88.0%	72.0%	76.0%	84.0%	80.0%	88.0%	92.0%	92.0%

Looking out anywhere from 10 days to 252 days (1 year), results look bullish, especially as Walter noted, since 1945. But breadth thrusts most often occurring following a bottom. People typically look for these kind of signals to confirm new uptrends. So I wondered whether the Deemer Breakaway Momentum signal was perhaps less effective if the market was already making new intermediate-term highs. To test this, I required SPX make a 50-day closing high on the same day the signal occurred. Results are below.

Deemer Breakaway Monemntum Signal Triggers for the 1st time in 20 days <b>while SPX closes at a 50-day high</b> ..													
Forward SPX returns shown. 1930 - present													
Ticker	Date/Time	Close	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	10-Day %Chg	21-Day %Chg	63-Day %Chg	126-Day %Chg	252-Day %Chg	
\$\$PX	4/19/1933	7.14	9.52	4.2	10.78	8.12	8.82	17.79	24.51	62.46	27.03	55.32	
\$\$PX	6/22/1938	10.73	2.8	3.91	4.94	4.85	9.23	12.67	16.96	11.46	19.38	5.22	
\$\$PX	7/17/1939	12.07	0.75	-0.58	-1.82	0.17	0.5	-0.25	-1.49	5.55	0.66	-16.57	
\$\$PX	8/30/1940	10.5	0.57	2.67	4.1	3.33	0.19	-0.38	2.95	0.76	-7.05	-2.19	
\$\$PX	7/9/1942	8.81	-0.11	-0.91	0.11	0.23	0.11	-2.16	-3.63	4.09	12.71	43.47	
\$\$PX	7/11/1947	15.87	0.57	0.38	0.32	-0.76	-0.13	1.32	-3.4	-3.84	-5.8	3.84	
\$\$PX	3/31/1948	15.08	0.27	0.46	0.66	1.33	0.99	1.33	2.92	10.68	1.86	0.86	
\$\$PX	1/25/1954	25.93	0.62	0.31	0.35	0.58	0.23	1.16	-0.39	7.52	17.01	36.98	
\$\$PX	12/4/1970	89.46	0.54	0.01	0.09	0.51	0.89	0.85	3.23	11.09	13	8.5	
\$\$PX	1/6/1976	93.53	0.45	1.12	1.52	2.99	2.18	5.7	8.96	10.67	10.7	13.01	
\$\$PX	8/23/1982	116.11	-0.65	1.27	2.1	0.86	1.33	4.53	6.79	18.01	27.47	41.23	
\$\$PX	10/13/1982	136.71	-1.57	-2.3	0.01	-0.1	1.84	-1.04	3.69	7.3	14.67	24.6	
\$\$PX	1/23/1985	177.3	-0.33	0.03	0.06	1.06	1.18	1.77	1.16	2.8	8.05	15.2	
\$\$PX	1/14/1987	262.64	1.09	1.39	2.55	2.44	1.98	4.86	4.94	6.29	18.19	-6.41	
\$\$PX	2/5/1991	351.26	1.94	1.5	2.3	4.93	4.05	3.95	7.02	7.42	11.21	17.82	
\$\$PX	7/23/2009	976.29	0.3	0.6	0.34	-0.12	1.07	2.13	5.11	10.77	11.83	12.94	
\$\$PX	9/16/2009	1068.76	-0.31	-0.04	-0.38	0.27	-0.74	-1.09	2.6	3.66	9.08	5.23	
\$\$PX	7/12/2016	2152.14	0.01	0.54	0.45	0.69	0.54	0.79	1.08	0.54	5.43	13.53	
		<i>Avg</i>	0.91	0.81	1.58	1.74	1.90	3.00	4.61	9.85	10.86	15.14	
		<i>Median</i>	0.50	0.50	0.40	0.78	1.03	1.33	3.09	7.36	11.52	12.98	
		<i>Win %</i>	68.4%	73.7%	84.2%	78.9%	84.2%	68.4%	73.7%	89.5%	84.2%	78.9%	
		<b>Since 1945</b>											
		<i>Avg</i>	0.23	0.41	0.80	1.13	1.19	2.02	3.36	7.15	10.98	14.41	
		<i>Median</i>	0.30	0.46	0.35	0.69	1.07	1.33	3.23	7.42	11.21	13.01	
		<i>Win %</i>	69.2%	84.6%	92.3%	76.9%	84.6%	84.6%	84.6%	92.3%	92.3%	92.3%	

While some of the gains are a little more muted, the 10-day to 1-year numbers continue to look impressive, although the sample size is a bit low. If you would like to learn more about these signals, you can [check out Walter's site](#).

Overall, we are seeing many signals suggesting breadth is strong. And that it bullish.

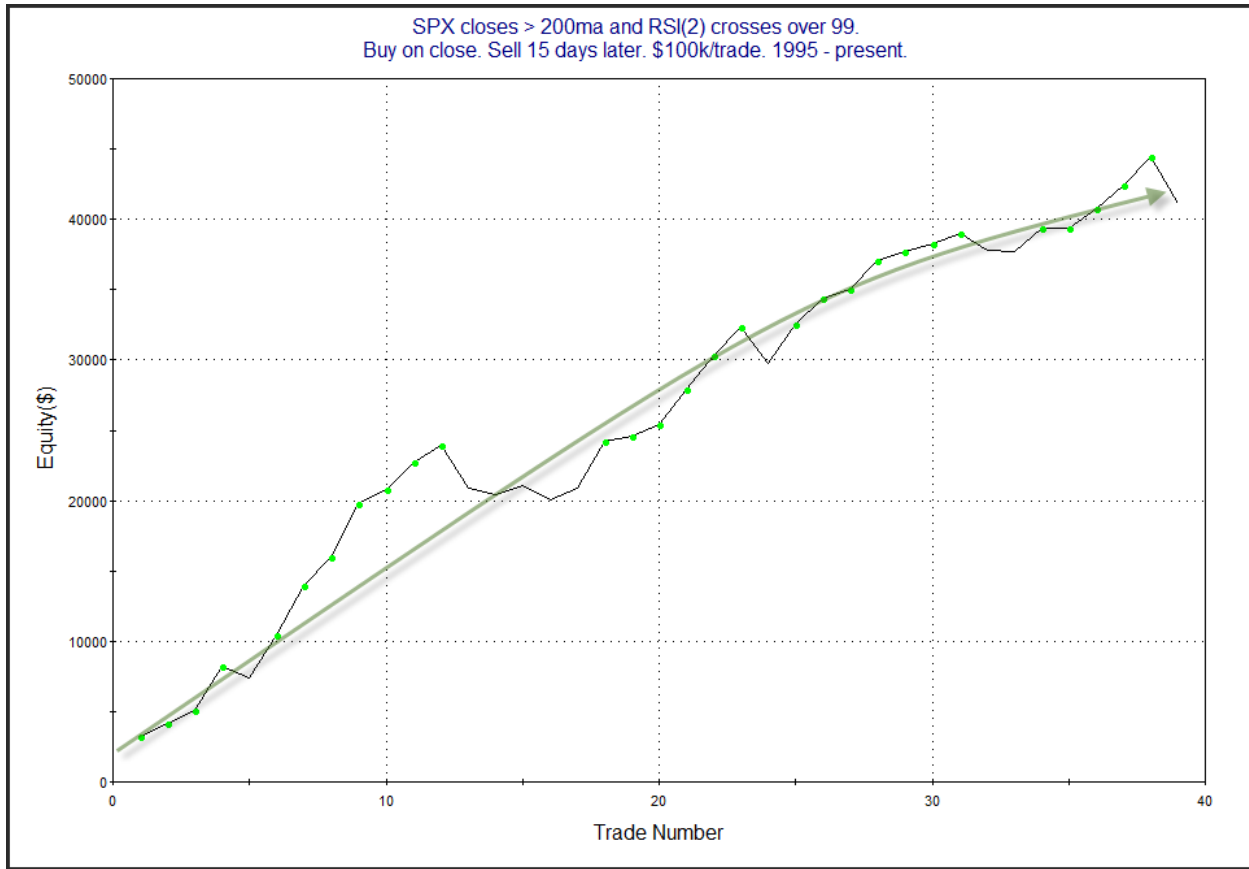
In Wednesday night's letter we also saw a price momentum study with possible intermediate-term bullish implications. I have copied that study below.

*The recent rally has left the market short-term overbought by most measures. And short-term overbought often triggers some studies that suggest a downside edge. But when the overbought condition gets very strongly overbought, then those downside edges often disappear. And rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we are seeing this scenario begin to unfold. It is exemplified in the study below from the 9/13/19 Letter, which uses RSI(2).*

SPX closes > 200ma and RSI(2) crosses over 99.  
Buy on close. Sell X days later. \$100k/trade. 1995 - 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
15	41,151.05	39	31	8	79.49	3,782.11	-3,265.02	1,732.56	-1,569.80	1.10	4.28	1,055.16
14	34,130.06	39	30	9	76.92	4,461.36	-4,024.68	1,648.64	-1,703.22	0.97	3.23	875.13
13	36,473.08	41	33	8	80.49	3,989.82	-3,320.01	1,515.32	-1,691.56	0.90	3.70	889.59
12	34,937.26	41	32	9	78.05	4,058.61	-3,175.53	1,436.19	-1,224.52	1.17	4.17	852.13
11	37,109.64	41	32	9	78.05	4,106.40	-2,523.21	1,528.00	-1,309.61	1.17	4.15	905.11
10	30,103.18	42	32	10	76.19	3,770.55	-2,793.28	1,358.36	-1,336.45	1.02	3.25	716.74
9	26,477.51	42	31	11	73.81	3,453.27	-3,440.07	1,266.45	-1,162.05	1.09	3.07	630.42
8	25,607.05	42	29	13	69.05	3,547.80	-3,460.32	1,301.02	-932.49	1.40	3.11	609.69
7	19,362.72	43	28	15	65.12	3,564.39	-4,153.62	1,149.09	-854.11	1.35	2.51	450.30
6	10,037.11	43	26	17	60.47	2,634.36	-5,296.92	1,039.17	-998.89	1.04	1.59	233.42
5	6,660.93	43	28	15	65.12	1,782.39	-3,596.40	811.99	-1,071.65	0.76	1.41	154.91
4	3,621.63	43	27	16	62.79	2,442.90	-3,039.18	794.86	-1,114.98	0.71	1.20	84.22
3	-2,354.97	44	24	20	54.55	1,982.20	-2,880.45	694.71	-951.39	0.73	0.88	-53.52
2	516.42	44	24	20	54.55	1,998.39	-2,348.76	632.24	-732.87	0.86	1.04	11.74
1	1,316.96	44	22	22	50.00	2,096.10	-3,515.37	514.54	-454.68	1.13	1.13	29.93

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.



*The upside edge has been apparent for a while and still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.*

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

« As of 05/27/2020

DOMESTIC SECURITIES HOLDINGS AS OF

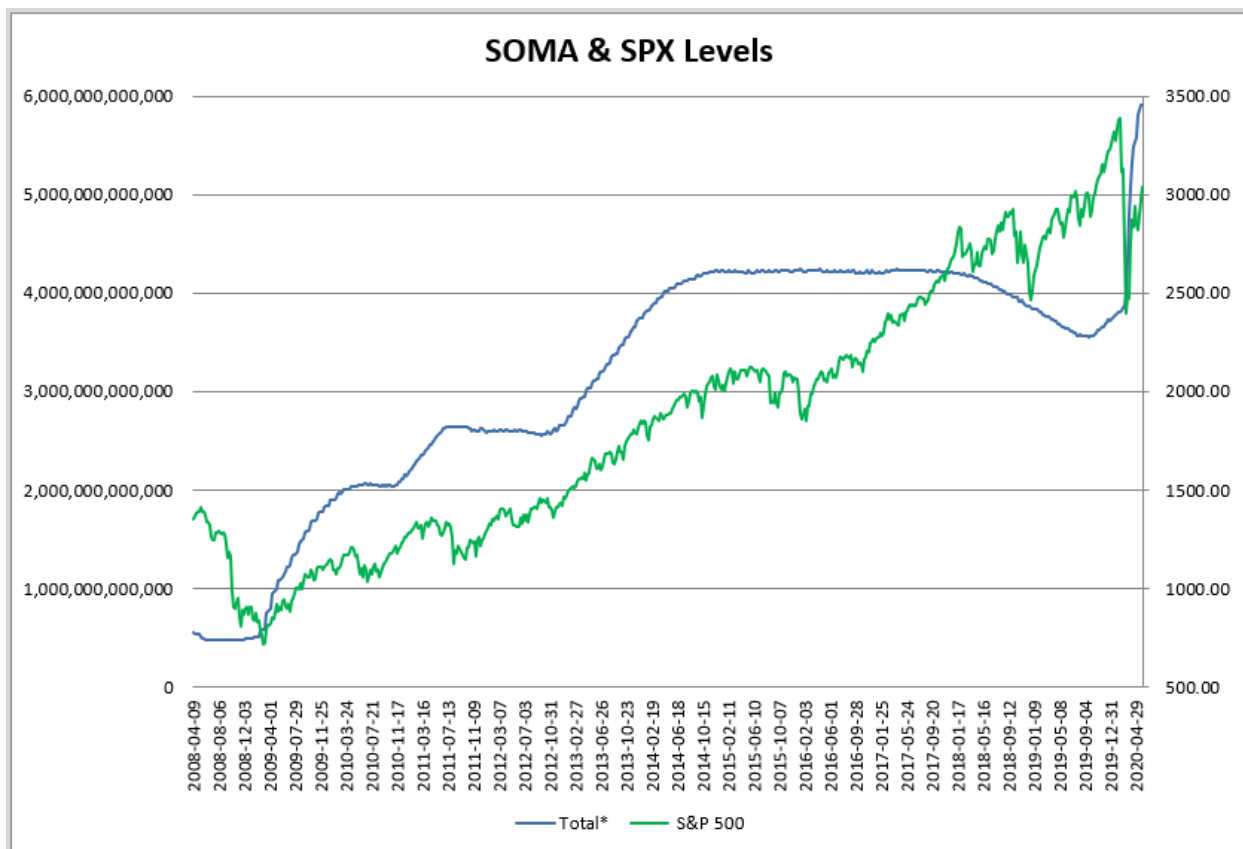
**June 3, 2020** 📅

Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	3,496,878,049.6
US Treasury Floating Rate Notes (FRN)	15,545,746.1
US Treasury Inflation-Protected Securities (TIPS)*	259,150,919.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,826,488,559.1
Agency Commercial Mortgage-Backed Securities***	9,105,679.4
Total SOMA Holdings	5,935,559,953.3
Change From Prior Week	25,434,238.1

\*Does not reflect inflation compensation of 36,736,946.7  
\*\*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 06/04/2020 4:30pm.

The \$25 billion increase this week is up from the negative number we saw last week, but is still dramatically lower than the \$100 billion+ numbers we were seeing in April and a little bit in May. The Fed is continuing to pump, but the pressure has been dialed back a good amount. It will be interesting to see whether the market can still rally with the support reduced. Our SOMA/SPX chart is updated below.



The SOMA is again new highs, having risen over \$2 trillion in just the last 12 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. It will be important to monitor whether their strongly dovish actions continue or whether we see a big reduction in QE as we have seen the last 2 weeks.

Intermediate-term I have changed to slightly bullish. Breadth has been exceptionally strong. We have seen some compelling long-term evidence based on breadth thrusts in March, April, May, and now June. Price momentum as shown in the RSI2 study above is also suggesting a good chance at further upside over the next few weeks. And Fed pumping has certainly been a massive plus. But are a lot of wildcards out there that could quickly turn the market back to selloff mode. Possible reductions in Fed pumping is perhaps the largest. The economic recovery is a huge question mark as well. And COVID news could certainly swing things in either direction. There is concern about new COVID spikes accompanying the mass protests all across the nation and the world. China relations and possible trade wars could also lead to a quick drop. Lastly, summer seasonality is generally not good. So outright bullish seems aggressive at this point. I think it is unlikely that it is going to be continued smooth sailing without some storms arriving. I still anticipate

opportunities in both directions should continue to emerge. But for the time being I will be more conservative with taking on new short positions than I will longs.

### **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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