

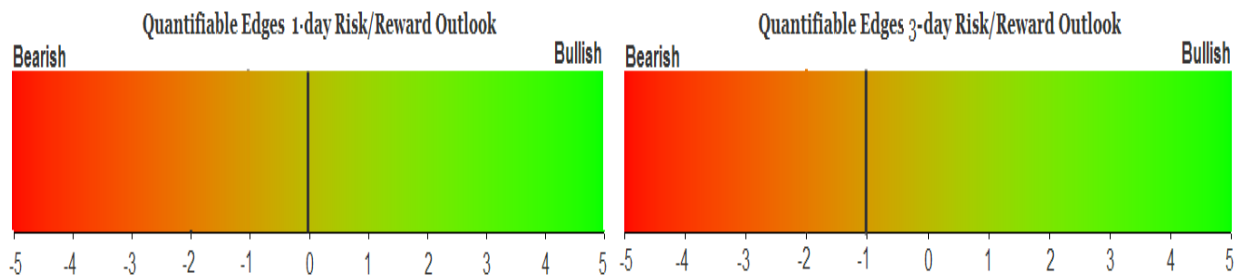
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 24, 2020

Volume 13 Issue 122

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- The Russell typically outperforms the SPX in late June.
- The NASDAQ has led the SPX for an extremely long period of time.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is short, but I am leaning more neutral.

**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>						
June 24, 2020	RUT outperforms SPX late Jun	thru 6/30				
June 23, 2020	NASDAQ up 15 of 17. Bullish for NAS	1-6 days	SPX neutr			
June 22, 2020	June post-opex week weak	1-5 days	Bearish	-1.80%	1.00%	1.70%
June 17, 2020	Up 2% + in 3 days. 3/10 HV < 0.25	1-6 days	Bullish			
<b>Active - Long Term</b>						
June 15, 2020	Anti-Zweig Breadth Collapse	1-21 days	Bearish			
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			
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***

Tuesday saw some solid gains for the market. The SPX rose 0.4%, the NASDAQ gained 0.7%, and the Russell 2000 climbed 0.4%. Breadth was positive as the NYSE Up Issues % was 58% and the Up Volume % came in at 52%. NYSE total volume declined some from Monday's level.

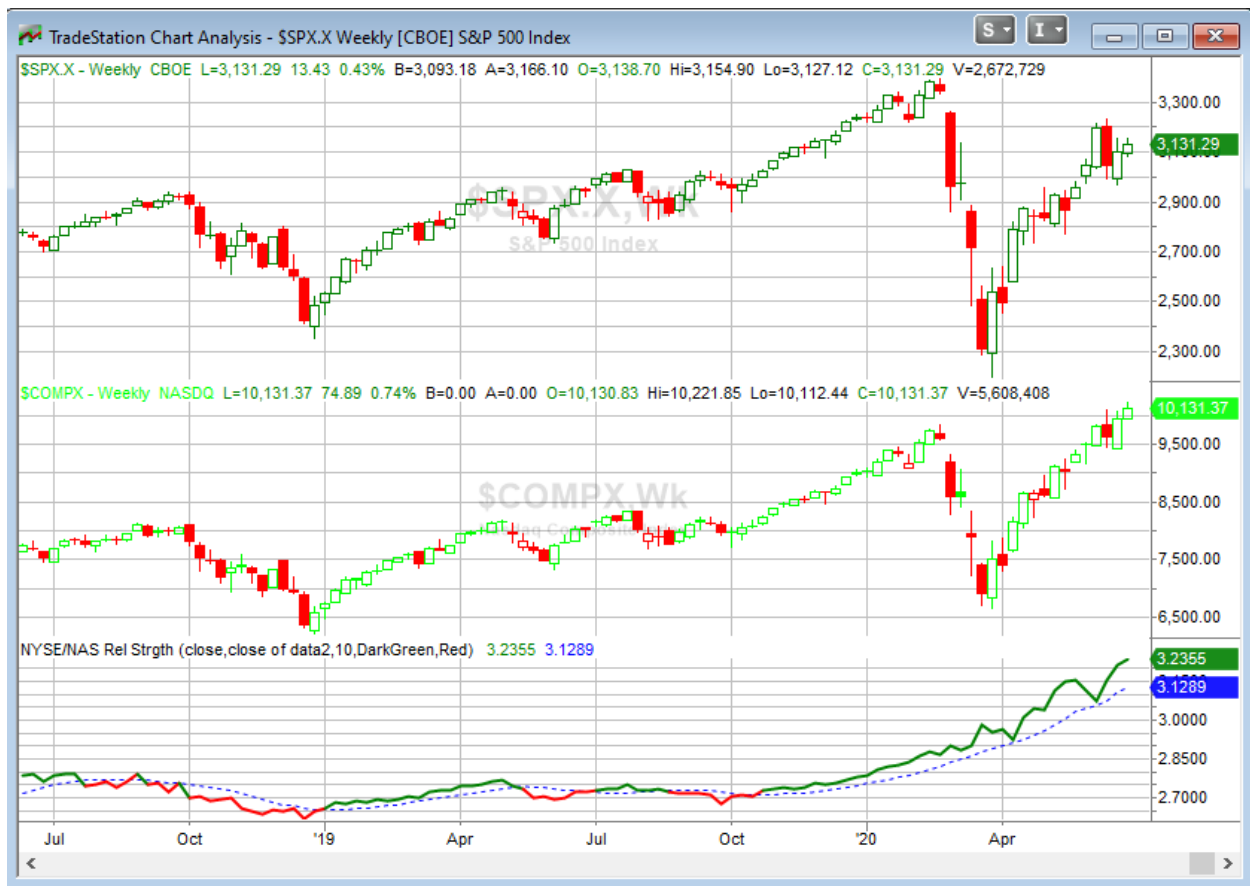
The close on Tuesday marked the beginning of the end-of-June period where the Russell and often outperformed the SPX. This was discussed in Sunday's letter and has been copied below.

*Interesting about late June is that we have Russell rebalancing at the end of the month. In the past, this period has also seen the Russell 2000 outperform the S&P 500 by a sizable margin. This is something I looked at last year in the 6/24/19 letter. The table below shows how the Russell 2000 has done versus the SPX from the close the Tuesday after June Opex until the close on the last trading day of June.*

<b>% Change from close on Tuesday after June</b>			
<b>Opex through last day of June. 2001 - 2019</b>			
<b>Year</b>	<b>RUT</b>	<b>SPX</b>	<b>Difference</b>
2001	4.89%	0.97%	<b>3.92%</b>
2002	2.25%	1.40%	<b>0.85%</b>
2003	1.70%	-0.91%	<b>2.61%</b>
2004	3.43%	0.56%	<b>2.87%</b>
2005	-0.22%	-1.84%	<b>1.62%</b>
2006	6.75%	2.45%	<b>4.30%</b>
2007	-1.76%	-1.98%	<b>0.22%</b>
2008	-2.56%	-2.61%	<b>0.05%</b>
2009	3.76%	2.71%	<b>1.06%</b>
2010	-5.64%	-5.90%	<b>0.26%</b>
2011	2.62%	1.94%	<b>0.68%</b>
2012	1.53%	0.31%	<b>1.23%</b>
2013	1.69%	1.15%	<b>0.54%</b>
2014	1.68%	0.53%	<b>1.16%</b>
2015	-3.23%	-2.88%	<b>-0.35%</b>
2016	-0.17%	0.48%	<b>-0.65%</b>
2017	0.88%	-0.56%	<b>1.44%</b>
2018	-2.97%	-1.59%	<b>-1.38%</b>
2019	2.99%	0.84%	<b>2.15%</b>

*For much of the last 19 years the Russell 2000 has outperformed the SPX during this late June period, though the last few years there have been a few stumbles. The average outperformance over the 19 year period has been 1.19%. This would seem worth keeping in mind as we close out June. A spread trade is one way to play it. I don't generally suggest spread trades here in the letter. But I might consider taking a long in the RUT rather than the SPX if we have a setup where I am considering an index trade.*

One indicator I have not discussed in a long time is the NASDAQ/SPX Relative Strength Indicator. This indicator is discussed on in the website, and also in the Market Timing Course. Basically, it measures the strength of the NASDAQ vs the strength of the SPX. Times when the NASDAQ has lead, the market has done substantially better than when the NASDAQ is lagging. Below is a current chart with the indicator shown.

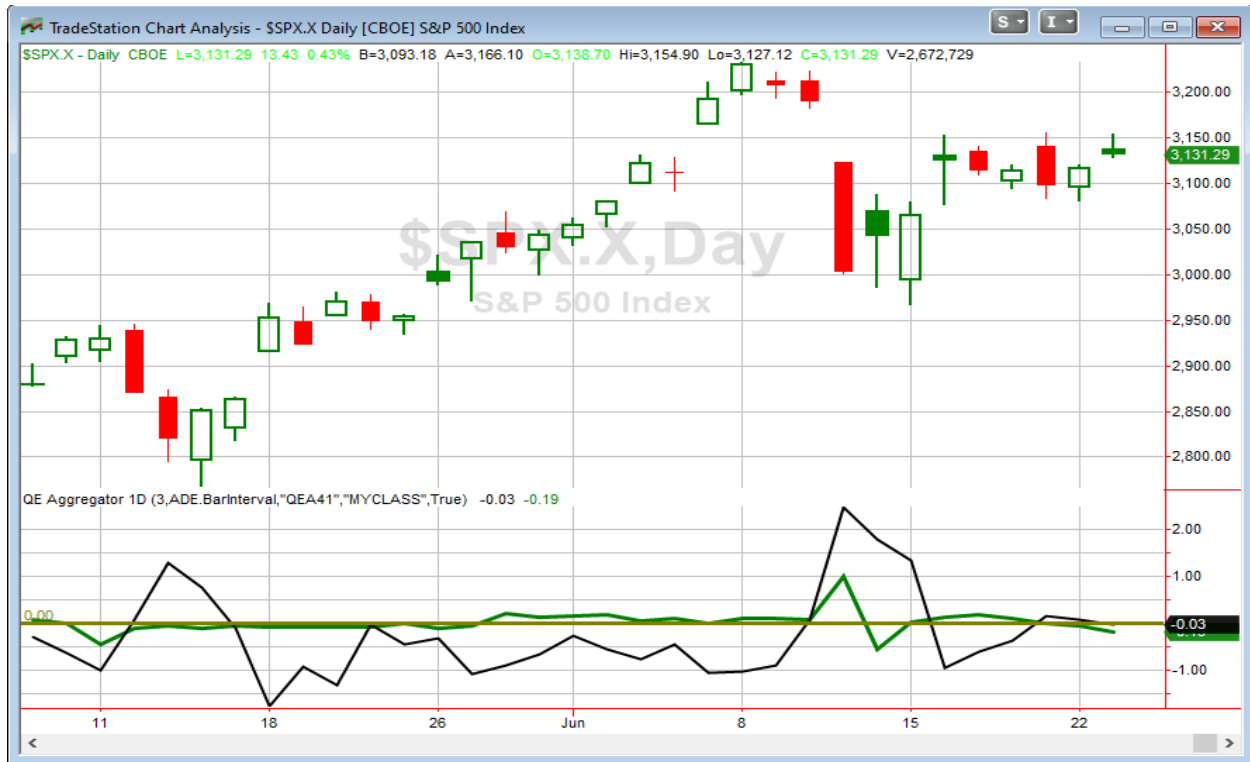


As you can see, the NASDAQ has been leading since October. Today marked trading day 166 that the NASDAQ has lead. This is an extremely long time for it to lead. In fact, there have only been two other instances of this length. I decided to show charts of them below. I marked when day 165 was reached, and then I also marked the day that the indicator flipped and the NASDAQ fell into a lagging position. Charts below both show the NASDAQ Composite.



Not that you necessarily want to draw a strong conclusion from just 2 instances. It is impressive that we have seen such a persistent streak of NASDAQ outperformance. I will note that in both cases when the NASDAQ finally stopped leading, it suffered a substantial decline. Something to keep in mind as we monitor this indicator in the coming weeks.

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



Without any new studies impacting the Aggregator calculation tonight, the green Aggregator remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line dipped slightly 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. Therefore, the Aggregator signal turned short at the close.

Based on the current list of active studies, expectations are set to remain negative on Wednesday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3106.85 on Wednesday. That is 0.8% below Monday's close. So SPX would need to close down at least 0.8% on Wednesday in order to flip from overbought to oversold vs recent expectations.

The Aggregator is bearish. But as I showed last night and again tonight, NASDAQ momentum has been strong and is hinting at more upside. Bearish SPX evidence is mostly just the 1 seasonal study, and the SPX barely qualified as "overbought". In other words, while the setup is bearish, it is not entirely convincing. I'll continue to wait for a more compelling setup before taking on new index exposure – long or short.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 6/22 – neutral***

The intermediate-term outlook was last updated in the 6/22 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**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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