

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 1, 2020

Volume 13 Issue 127

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- When the day before the end of the month closes strong, the 1st day of the next month has not shown an upside tendency.
- July has been the month that has gained on Day 1 the most consistently.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too.

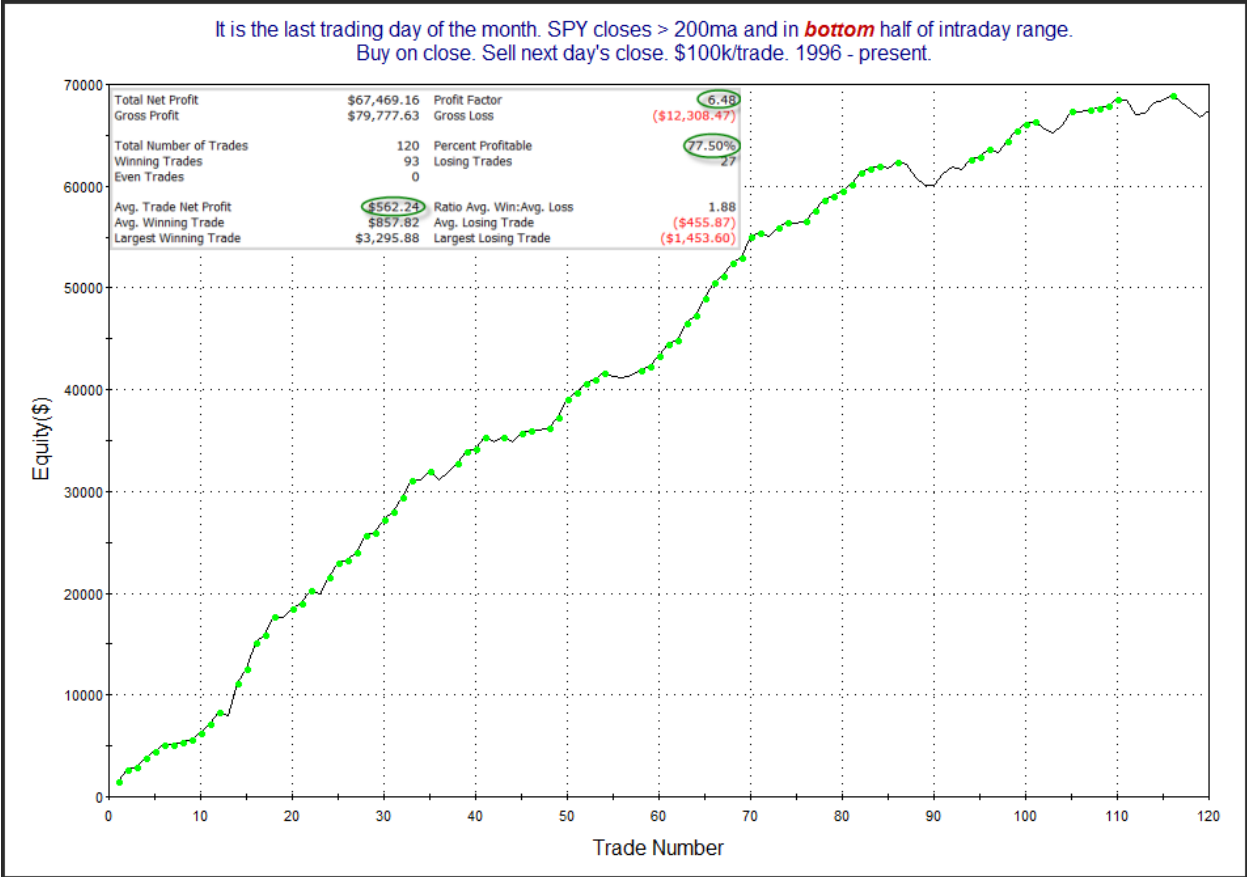
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
June 30, 2020	2% dn to 10-low. 1% up < 2 ago. > 200	1-3 days	Bullish	2.40%	-1.20%	-2.50%
Active - Long Term						
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			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
June 30, 2020	1% rally through 200ma	1 day	Bearish			
June 29, 2020	2x 1.75% drop in 3 days. No 10-low	1-2 days	Bullish	3.10%	-2.10%	-4.60%
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 4, 2020	SPX RSI2 crosses 99	1-18 days	Bullish			

The Evidence

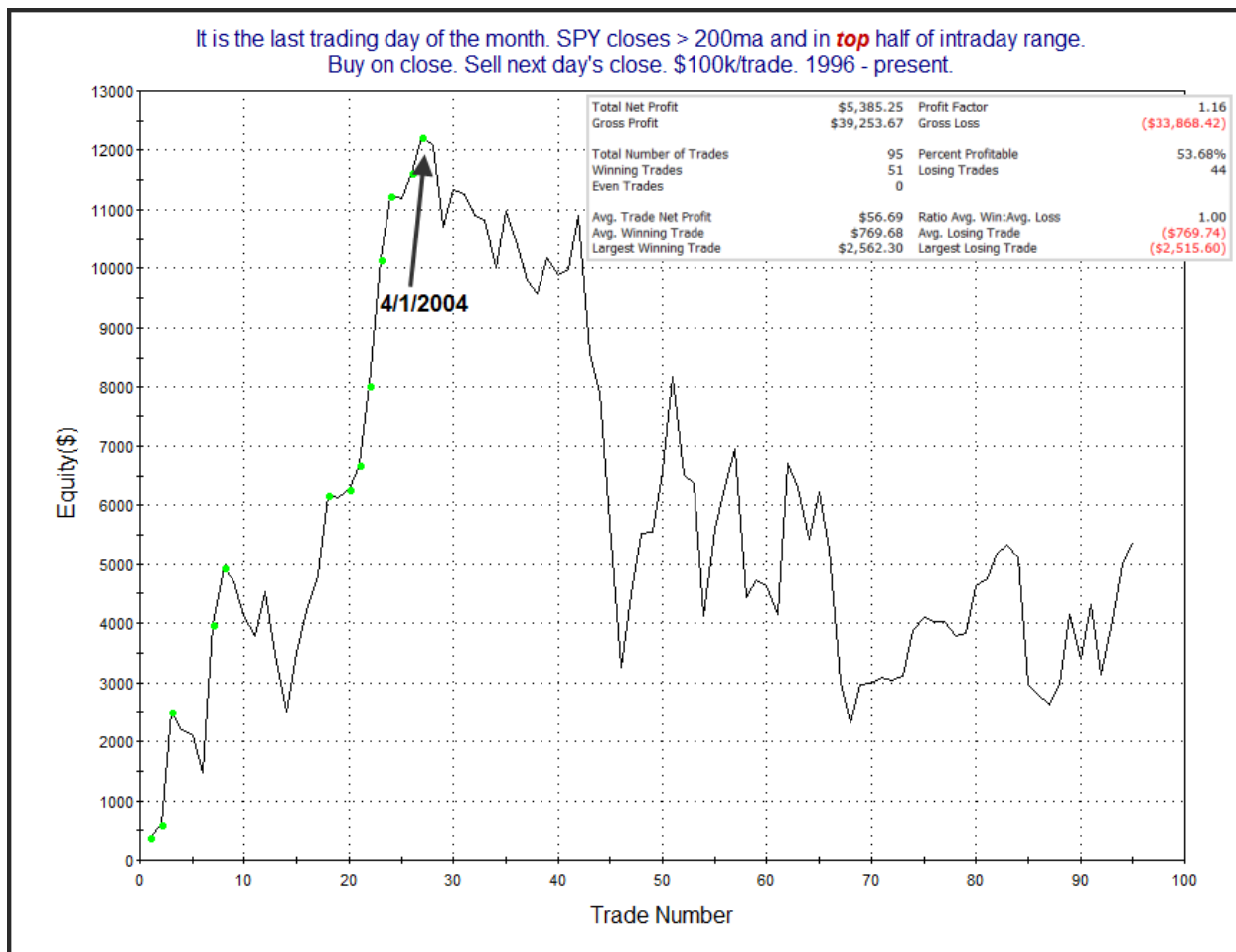
Tuesday was a strong finish for June. The SPX rose 1.5%, the NASDAQ gained 1.9%, and the Russell 2000 rallied 1.4%. Breadth was positive as the NYSE Up Issues % was 66% and the Up Volume % came in at 69%. NYSE total volume rose some from Monday's level.

The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. This can be seen in the studies below, which also use a 200ma filter. I have shown them many times over the years. First let's look at times the market closed in the bottom half of its range on the last day of the month (*unlike* Tuesday).



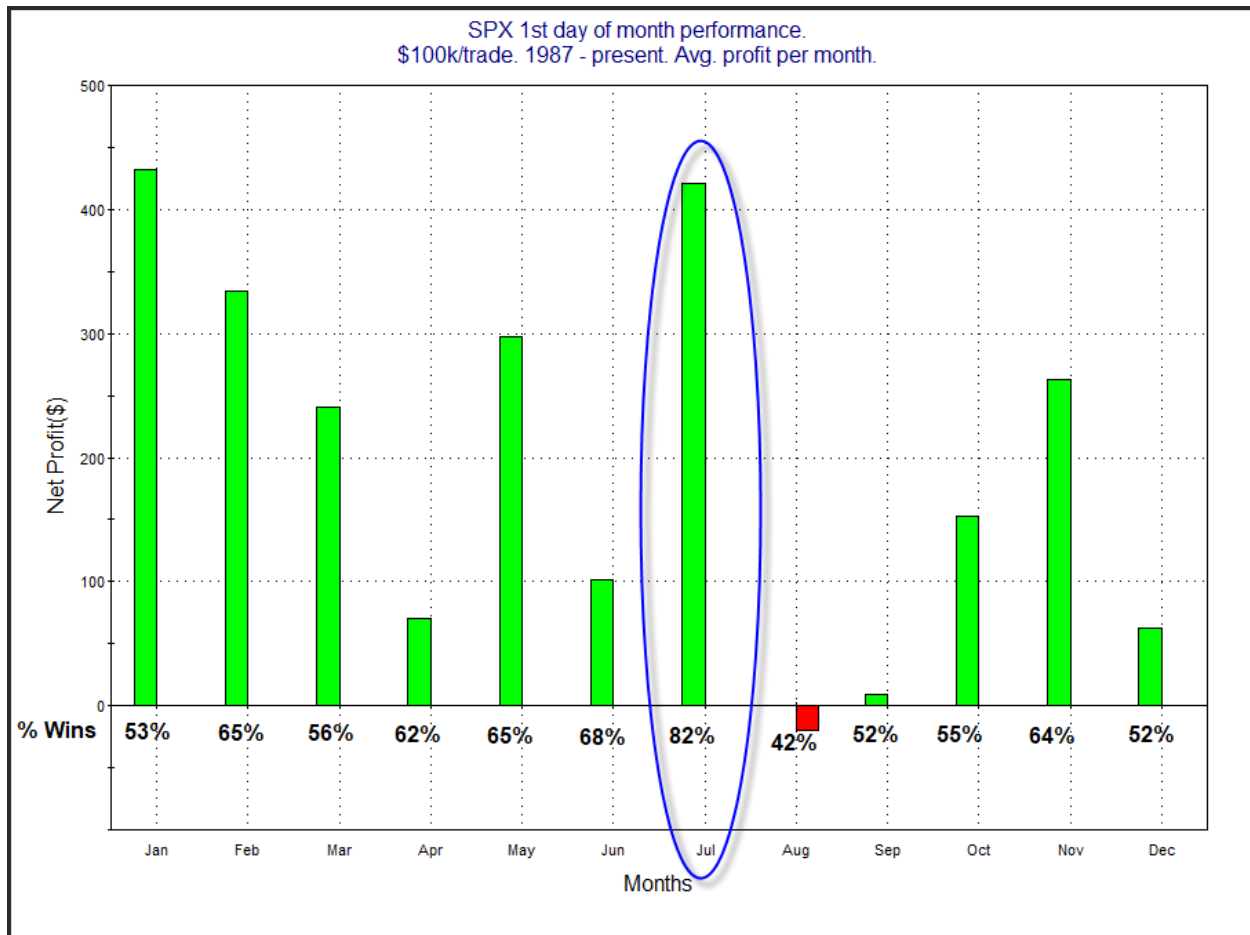
The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 6.5x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 120 instances. And despite a few recent failures, the curve has shown progress over a long period of time. This setup certainly appears to provide a 1-day bullish edge.

But what about times like Tuesday, where SPY closed in the top half of its intraday range?



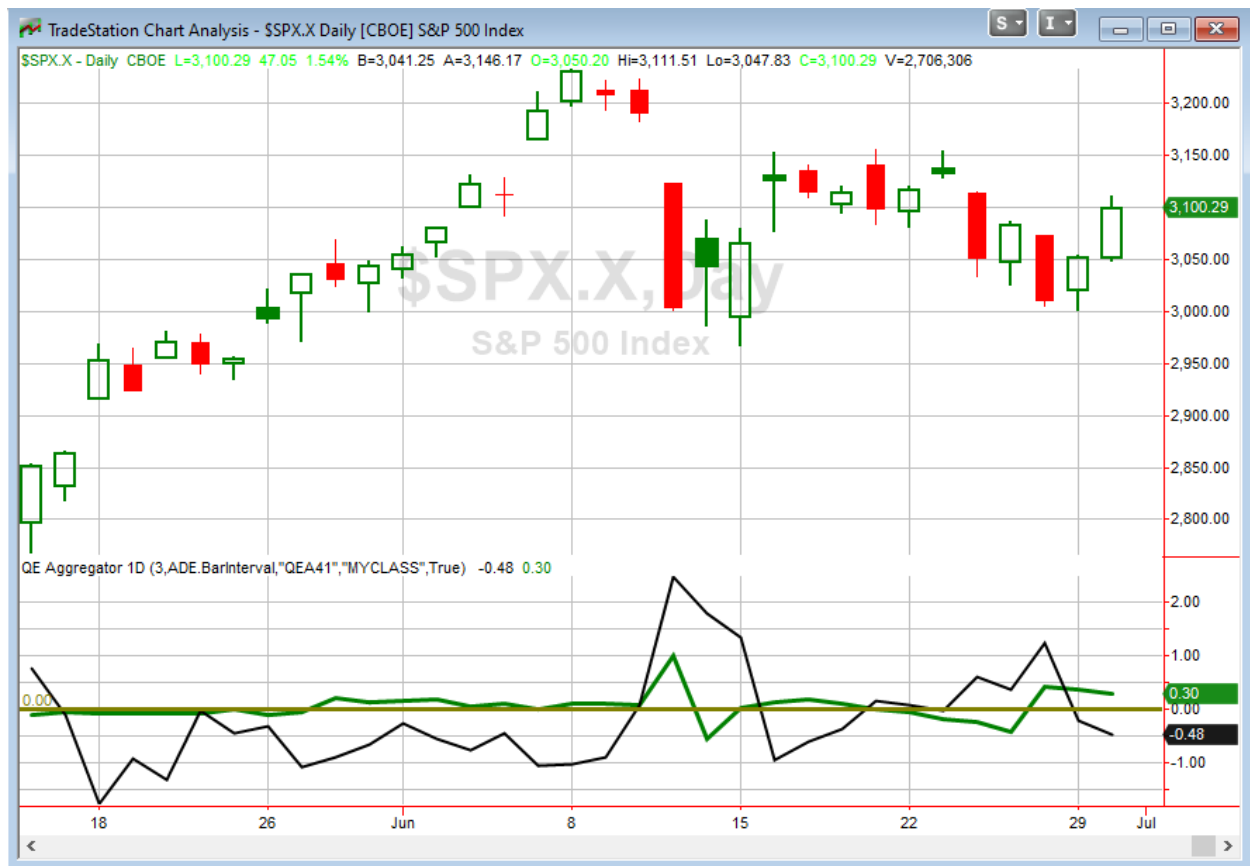
We see here the upside edge nearly completely wiped away. And since 2004 there have been (inconsistent) net losses. The 1st day of the month has performed much better with some afternoon selling leading up to the day. We don't have that this month, so the bulls may not have this seasonal edge for Wednesday.

But the study below looks at all 1st days of months, and breaks down returns (since 1987) by month.



As you can see, July has been the most reliable month for the market to rally on Day 1, and it has shown the 2nd highest average gain of any month. I am still not thrilled about the strong close, though.

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



Tonight the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is 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 positive on Wednesday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 2999.83 on Wednesday. That is 3.2% below Tuesday's close. Therefore, it would take a very large 3.2%+ drop on Wednesday in order for SPX to flip from overbought to oversold on. A more likely scenario for working off the overbought condition would be a multi-day consolidation or selloff.

The Aggregator is again neutral and I am too. The market is now clearly short-term overbought, but bearish evidence is lacking. And there is some evidence pointing at an upside edge. I am inclined to wait for a more compelling setup before taking on my next index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/29 – neutral

The intermediate-term outlook was last updated in the 6/29 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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