

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 2, 2021

Volume 14 Issue 104

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Strong breadth near a short-term high and a down close suggest short-term bullish implications.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is still neutral. Evidence is pointing higher, but the market is again moderately overbought. Reward/risk is not quite strong enough to get me excited.

*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 2, 2021	SPY 5-intra high. Down close. Up Iss>60	1-3 days	Bullish	1.60%	-0.80%	-1.80%
June 1, 2021	Gap up, higher high, cl < open. 2 times	1-5 days	Bullish	1.70%	-0.70%	-1.30%
<b>Active - Long Term</b>						
May 3, 2021	Worst 6 Months	1-6 months	Bearish			
April 22, 2021	% of SPX stocks > 100ma exceeds 94%	int term	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
June 1, 2021	Poor close on last day of month	1 day	Bullish			

**The Evidence**

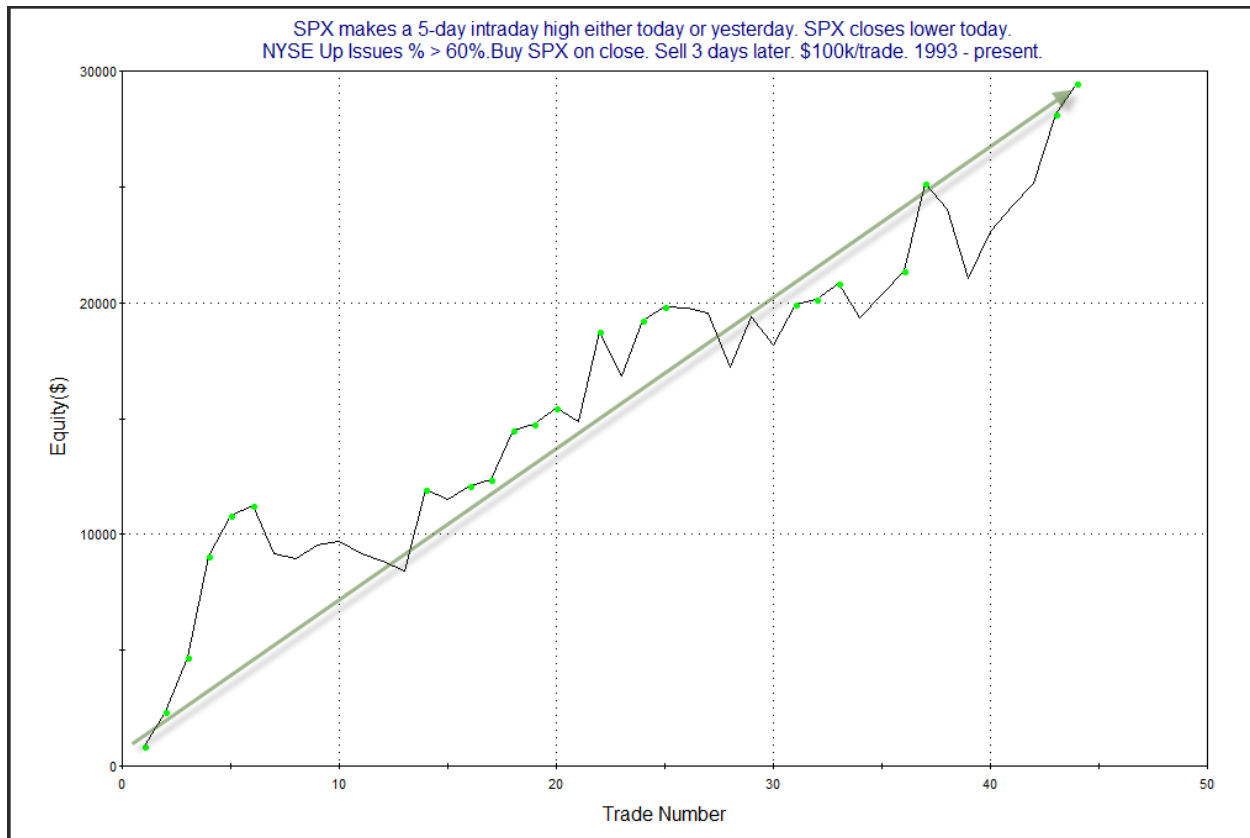
Monday saw mixed results for the indices. SPX finished down 0.05%, the NASDAQ lost 0.1%, and the Russell 2000 rallied 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 72% and the Up Volume % at 82%. NYSE total volume declined some from Friday's level.

SPY has seen selling the last 3 afternoons. Interestingly, it has not caused any real damage so far. In fact, I noted that SPY has now closed in the bottom 25% of its intraday range for 3 days in a row, but Tuesday's closing price was higher than 3 days ago. That is the 1<sup>st</sup> time that has ever happened. It also closed in the top 25% of its 10-day range 3 days in a row. And this was the 1<sup>st</sup> time SPY has closed in the bottom 25% of its 1-day range and the top 25% of its 10-day range for 3 straight days. Not much to take from that, other than the fact that the action has been unusual. We may be due for some afternoon buying since the selling has failed to take the market down, but there's really no telling what it means based on the looks I took.

The action also triggered an interesting study that we last saw in the 4/7/21 letter. It noted the positive breadth that accompanied the move lower from the short-term high. I have updated the results below.

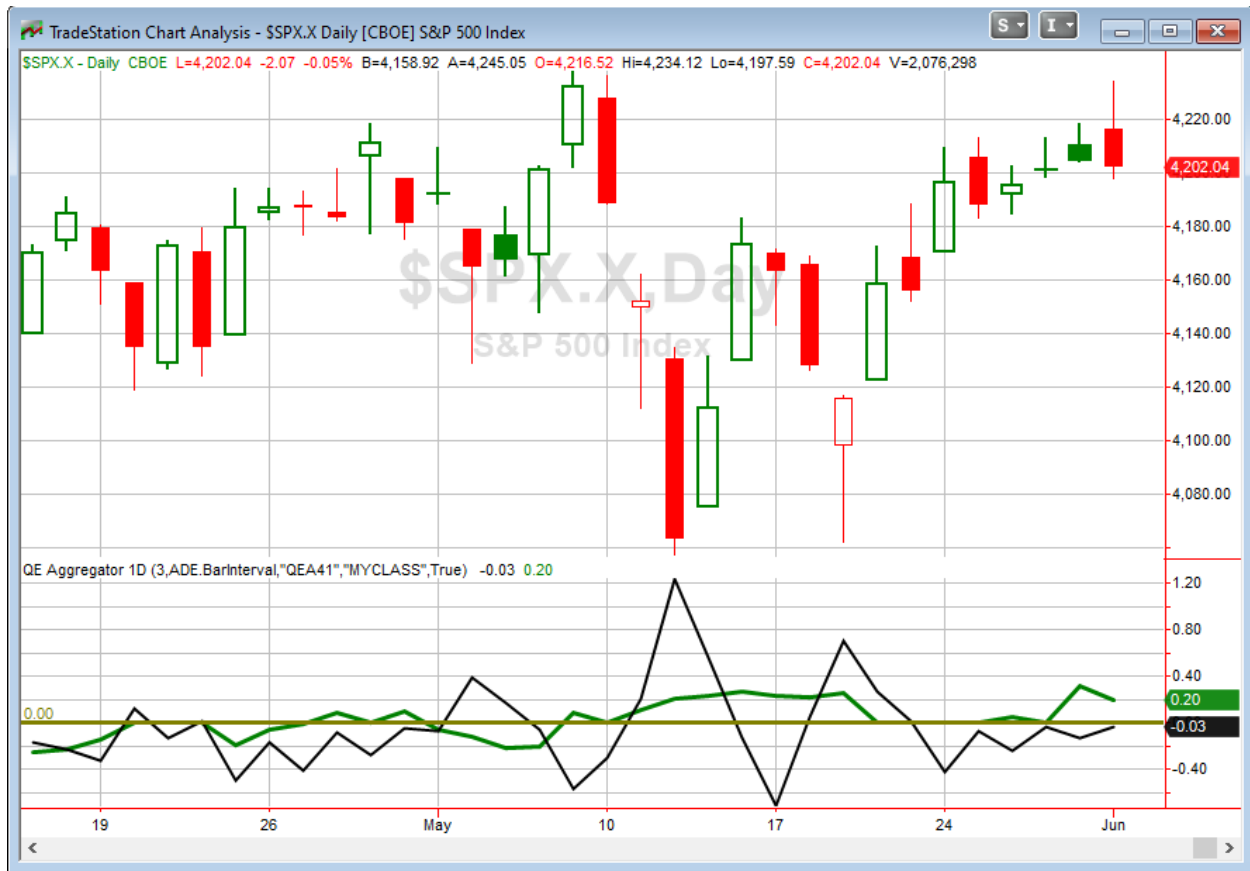
SPX makes a 5-day intraday high either today or yesterday. SPX closes lower today. NYSE Up Issues % > 60%. Buy SPX on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	16,294.09	42	27	15	64.29	4,586.15	-6,119.33	1,650.36	-1,884.37	0.88	1.58	387.95
4	35,666.34	44	27	17	61.36	8,095.62	-3,969.70	2,102.01	-1,240.47	1.69	2.69	810.60
3	29,455.53	44	29	15	65.91	4,370.82	-3,028.47	1,565.85	-1,063.60	1.47	2.85	669.44
2	26,026.91	44	31	13	70.45	4,825.17	-2,625.30	1,257.85	-997.42	1.26	3.01	591.52
1	22,184.01	44	27	17	61.36	3,351.09	-1,606.00	1,059.95	-378.50	2.80	4.45	504.18

This suggests a possible upside edge over the next few days. Below is a look at the 3-day profit curve.



The curve has made its way from lower left to upper right for a long time. It supports the idea of an upside edge suggested by the stats. I have added this study to the Active List tonight.

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



With this 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 closed below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are long 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 active studies, expectations are slated to remain bullish on Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 4203.14 on Wednesday. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to rise just over a point in order to remain overbought. Anything less than that and it will change to oversold vs recent expectations as of Wednesday's close.

So the Aggregator is still neutral. Expectations are positive and evidence is slowly building. We are getting close to a spot where the market could be considered oversold and reward/risk would be more favorable. But are not quite there yet. So I'll give it one more day. There is a pretty good chance I'll view Thursday as a buying opportunity if Wednesday closes down.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/1 – neutral*

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult 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.**

## **Current Open Trade Ideas**

**None.**

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