

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 8, 2021

Volume 14 Issue 108

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPY's inside day after a breakout the day before is something that has often been followed by gains in the next couple of days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but the Differential Pivot is inverted. This reduces reward/risk and makes the current setup less than compelling.

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 8, 2021	SPY breakout 50-high then inside day	1-2 days	Bullish			
June 7, 2021	SPY Breakaway Gap	1-5 days	Bullish	1.40%	-0.90%	-1.85%
June 4, 2021	1st 5-low in 10 days. Close > 10ma	1-5 days	Bullish	1.50%	-1.10%	-2.20%
Active - Long Term						
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
June 1, 2021	Gap up, higher high, cl < open. 2 times	1-5 days	Bullish	1.70%	-0.70%	-1.30%

The Evidence

Monday saw mixed results for the major indices. SPX declined 0.1%, the NASDAQ rose 0.5%, and the Russell 2000 rallied 1.4%. Breadth was positive with the NYSE Up Issues % coming in at 56% and the Up Volume % at 57%. NYSE total volume rose some from Friday's level.

It is also notable that SPY posted an inside day just 1 day after breaking out to a 50-day day high. This is something I examined way back in the 8/4/10 Letter. I have updated the results of that study below.

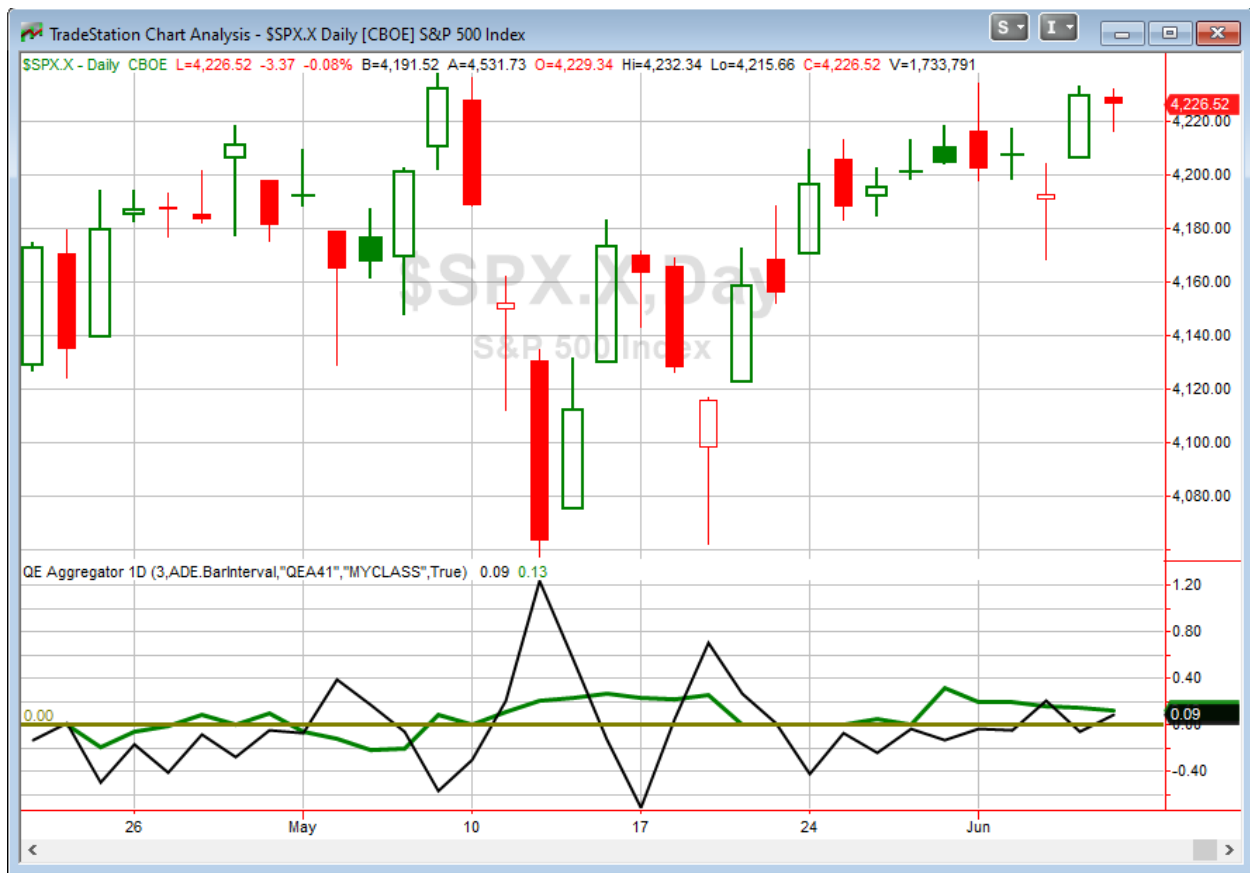
Yesterday SPY breaks out to a 50-day high after basing for at least 10 days. Today SPY posts an inside day. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	6,190.98	11	8	3	72.73	2,169.36	-665.28	960.31	-497.16	1.93	5.15	562.82
4	3,932.41	11	7	4	63.64	2,997.36	-850.00	851.26	-506.60	1.68	2.94	357.49
3	2,511.36	11	7	4	63.64	1,399.32	-1,200.20	706.50	-608.53	1.16	2.03	228.31
2	4,082.87	11	8	3	72.73	1,656.00	-1,101.60	728.02	-580.44	1.25	3.34	371.17
1	1,270.95	11	5	6	45.45	2,094.84	-495.04	633.03	-315.70	2.01	1.67	115.54

Yesterday SPY breaks out to a 50-day high after basing for at least 10 days. Today SPY posts an inside day. Buy on close. Sell 2 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/22/1998	Buy	\$120.69	1.66%	\$2,641.32
12/24/1998	Sell	\$122.69		\$0.00
8/25/2000	Buy	\$151.25	0.22%	\$1,097.26
8/29/2000	Sell	\$151.59		(\$224.74)
11/15/2001	Buy	\$114.87	0.78%	\$852.60
11/19/2001	Sell	\$115.77		(\$1,278.90)
2/12/2004	Buy	\$115.65	0.45%	\$673.92
2/17/2004	Sell	\$116.17		(\$768.96)
4/21/2006	Buy	\$131.15	-0.59%	\$0.00
4/25/2006	Sell	\$130.37		(\$937.26)
10/2/2007	Buy	\$154.09	-0.05%	\$207.36
10/4/2007	Sell	\$154.02		(\$388.80)
8/3/2010	Buy	\$112.22	0.56%	\$792.99
8/5/2010	Sell	\$112.85		(\$124.74)
9/16/2010	Buy	\$113.05	1.03%	\$1,246.44
9/20/2010	Sell	\$114.21		(\$769.08)
2/25/2014	Buy	\$184.84	0.53%	\$557.23
2/27/2014	Sell	\$185.82		(\$275.91)
7/17/2017	Buy	\$245.53	0.59%	\$598.29
7/19/2017	Sell	\$246.99		(\$350.02)
6/21/2019	Buy	\$294.00	-1.10%	\$197.20
6/25/2019	Sell	\$290.76		(\$1,142.40)

While the odds look solid, the low number of instances is somewhat concerning. Still, I think it is worth some consideration and have included it on the short-term active list.

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



With 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 moved back above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator turned long at the close.

Based on the current active studies, expectations are slated to remain bullish on Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4216.38 on Tuesday. That is 0.2% *below* Monday'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 close down at least 0.2% in order to remain oversold vs recent expectations. Anything less than that and it will be considered "overbought" vs expectations as of Tuesday's close.

So the Aggregator is bullish. But the inverted Differential Pivot is potentially an issue. I typically will avoid taking on new index positions when the Differential Pivot is inverted. That is because potential reward is limited to just one day. A move in my direct, or even slightly against me, would mean the end of the signal. So the only way I'd be in a position for more than a day is if it went substantially against me. This all makes for subpar reward/risk. Hence the reason I'm not enthused

about setups like the one we are now seeing. I'll hold off another day here. If we see the market decline further on Tuesday, then a Wednesday entry is always a possibility. But the setup right now does not appear very enticing.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/7 – 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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