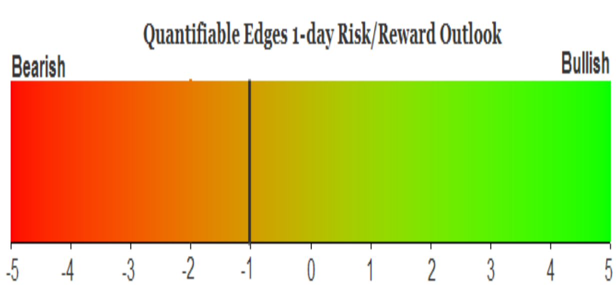
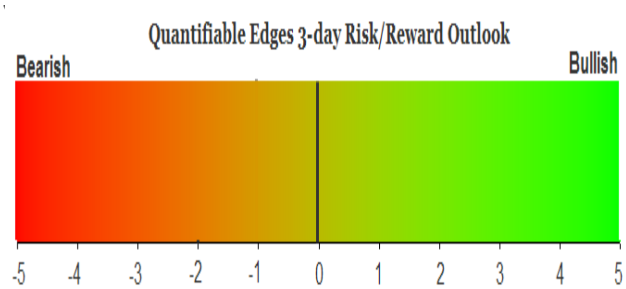
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 14, 2021 Volume 14 Issue 112

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The high SPX, low VIX and low volume seen on Friday are a combination that has often led to a dip the next day.
- When SPX posts an inside day after a 50-day high breakout yesterday, it suggests further buying over the next week.
- The NASDAQ took over a leading position from the SPX, which is a potentially positive intermediate-term development for the bulls.
- The Fed continues to pump liquidity. But with the Fed meeting this week, we will be on the lookout for any hints of change in their Wednesday announcement.

Short-term Outlook
The Bottom Line

The Aggregator is neutral. While evidence says there could be more rallying over the next few days, the market is already short-term overbought. So reward/risk is not great.

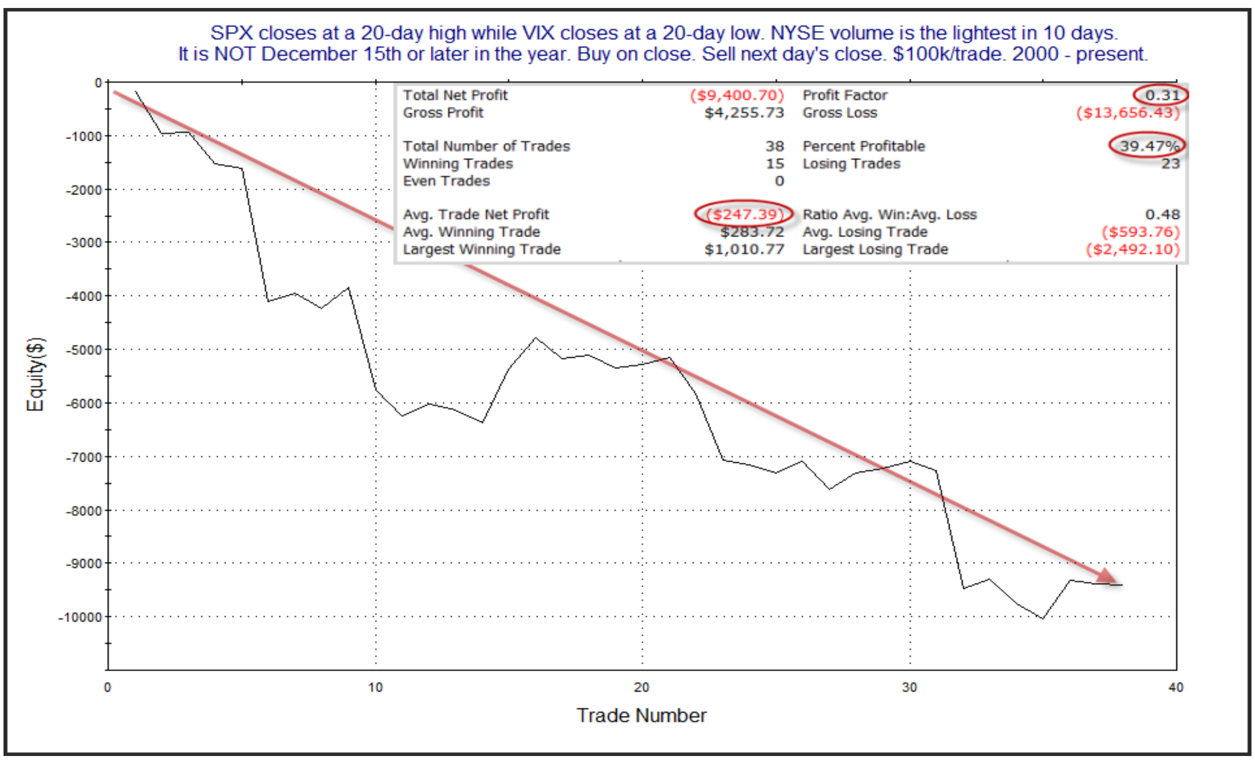
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
June 14, 2021	SPX 20 high. VIX 20-low. Volume 10-lo	1 day	Bearish			
June 14, 2021	50-high breakout then inside day	1-5 days	Bullish	1.40%	-0.90%	-1.80%
June 11, 2021	Low volume breakout to 50-high	1-5 days	Bullish	1.50%	-1.00%	-1.90%
June 10, 2021	20-high then close btm 10%	1-6 days	Bullish	1.60%	-1.10%	-2.15%
Active - Long Term						
June 14, 2021	NASDAQ leading	int term	Bullish			
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 7, 2021	SPY Breakaway Gap	1-5 days	Bullish	1.40%	-0.90%	-1.85%

The Evidence

Friday saw gains across the board. The SPX closed up 0.2%, the NASDAQ rose 0.35%, and the Russell 2000 rallied 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 65% and the Up Volume % at 64%. NYSE total volume declined some for the 3rd day in a row.

Some notables about Friday are that 1) SPX closed at a long-term high, 2) VIX closed at an intermediate-term low, and 3) NYSE volume was light. Low volume and a low VIX can both be potential signs of complacency and suggest a short-term pullback. This triggered the study below, which was last seen in the 4/12/21 letter.



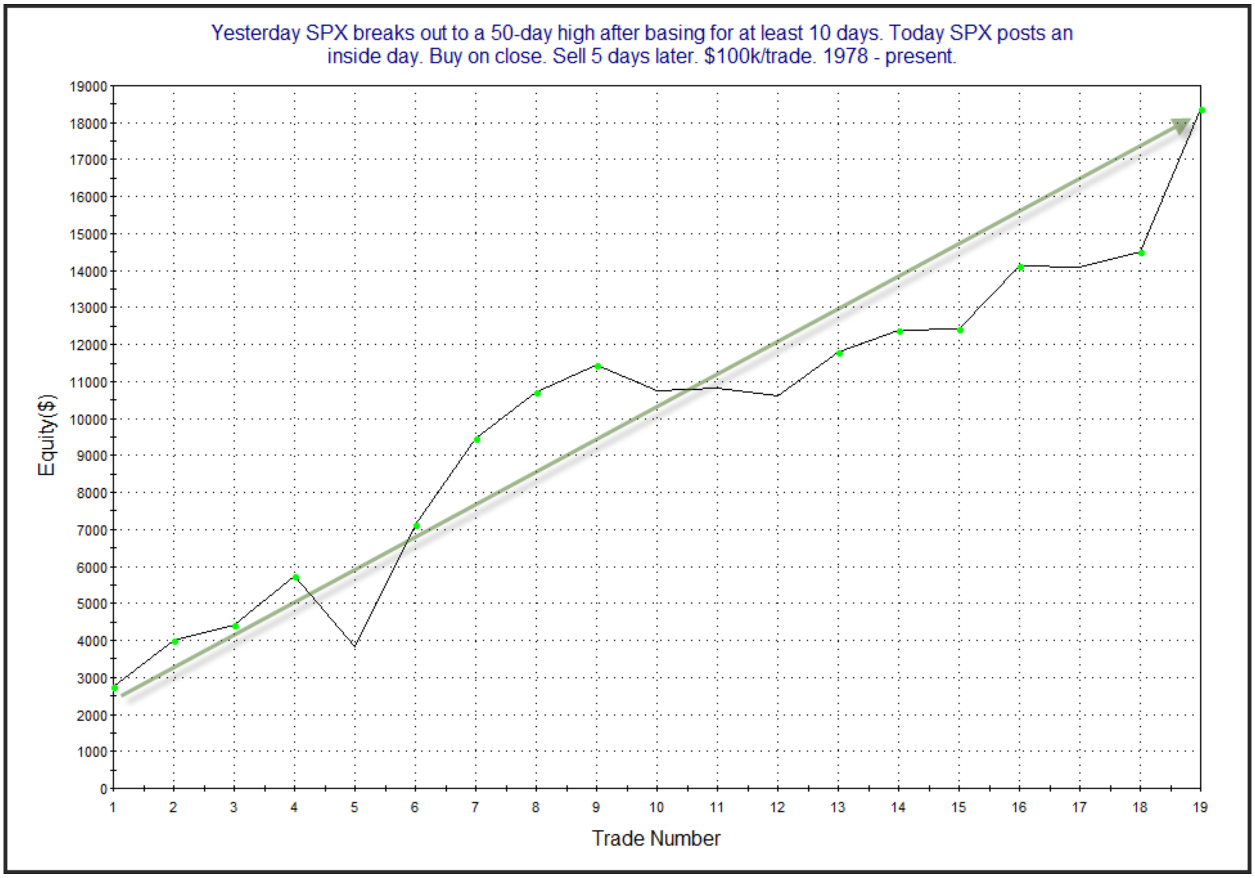
Beyond day 1 there did not appear to be a substantial edge. But the odds and curve for the 1-day hold suggest a downside edge. I have included this study on the Active List tonight.

But I am seeing a mix of bullish and bearish evidence. And like last night, the bullish evidence is related to the SPX breakout we saw on Thursday. Friday we did not get great follow through, but we also did not revert back. SPX ended up posting an inside day, which is a day where the price action is fully contained by the price action of the day before. The study below was last seen in the 1/10/17 letter, and it looks at inside days that follow breakout days.

Yesterday SPX breaks out to a 50-day high after basing for at least 10 days. Today SPX posts an inside day. Buy on close. Sell X days later. $100k/trade. 1978 - present.

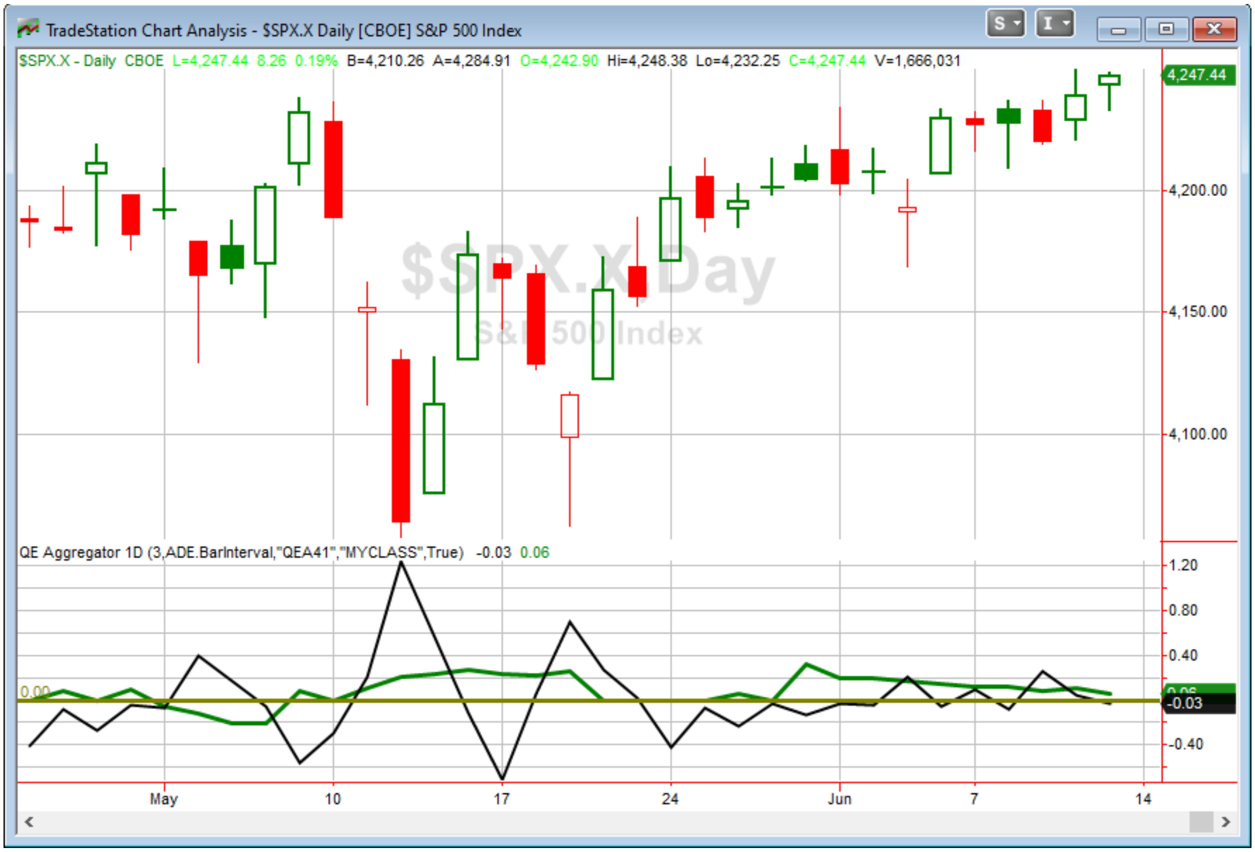
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	18,369.31	19	15	4	78.95	3,848.46	-1,916.98	1,415.91	-717.34	1.97	7.40	966.81
4	11,541.01	19	13	6	68.42	3,173.92	-2,926.98	1,349.24	-999.84	1.35	2.92	607.42
3	4,990.32	19	15	4	78.95	2,715.24	-2,770.43	711.62	-1,420.99	0.50	1.88	262.65
2	4,384.08	19	10	9	52.63	2,622.42	-1,372.28	970.34	-591.04	1.64	1.82	230.74
1	909.72	19	8	10	42.11	2,142.00	-1,699.88	961.38	-678.13	1.42	1.13	47.88

Like a few of last night's studies, there does not appear to be much of an edge right away, but when looking out a few days, there does seem to be a bullish tendency. Below is a look at a 5-day profit curve.



The move from lower left to upper right is impressive. I believe the study is worth consideration and have included it on the Active List again tonight.

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 dipped below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive and 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 turned flat at the close.

Based on the current active studies, expectations are slated to remain bullish on Monday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4233.63 on Monday. That is 0.3% below Friday's close. Therefore, SPX would need to close down 0.3% on Monday in order to move from overbought to oversold vs recent expectations.

So the Aggregator is now neutral. And with SPX posting its 2nd day at an all-time high, this seems like a good place to stand aside and wait for a reward/risk reset to jump back into an index trade. I exited my short-term index position at the close on Friday. I could easily look to go back into a long position if we see a pullback early in the week. I will note that Wednesday is a Fed Day. And Fed Days tend to be bullish market days. But the degree of bullishness has been inversely related to the strength of the close the day before the Fed Day. In other words, if Tuesday were to close strong, that could be some front-running, and there would not be as much of an upside edge on

Wednesday. But a weak close on Tuesday could indicate fear of what the Fed might say. In cases like that, the announcement has typically not been as bad as feared, and the Fed Day edge has been even stronger. So there is a good chance I'll look to buy as early as Tuesday afternoon if we see selling on Monday and Tuesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/14 – somewhat bullish

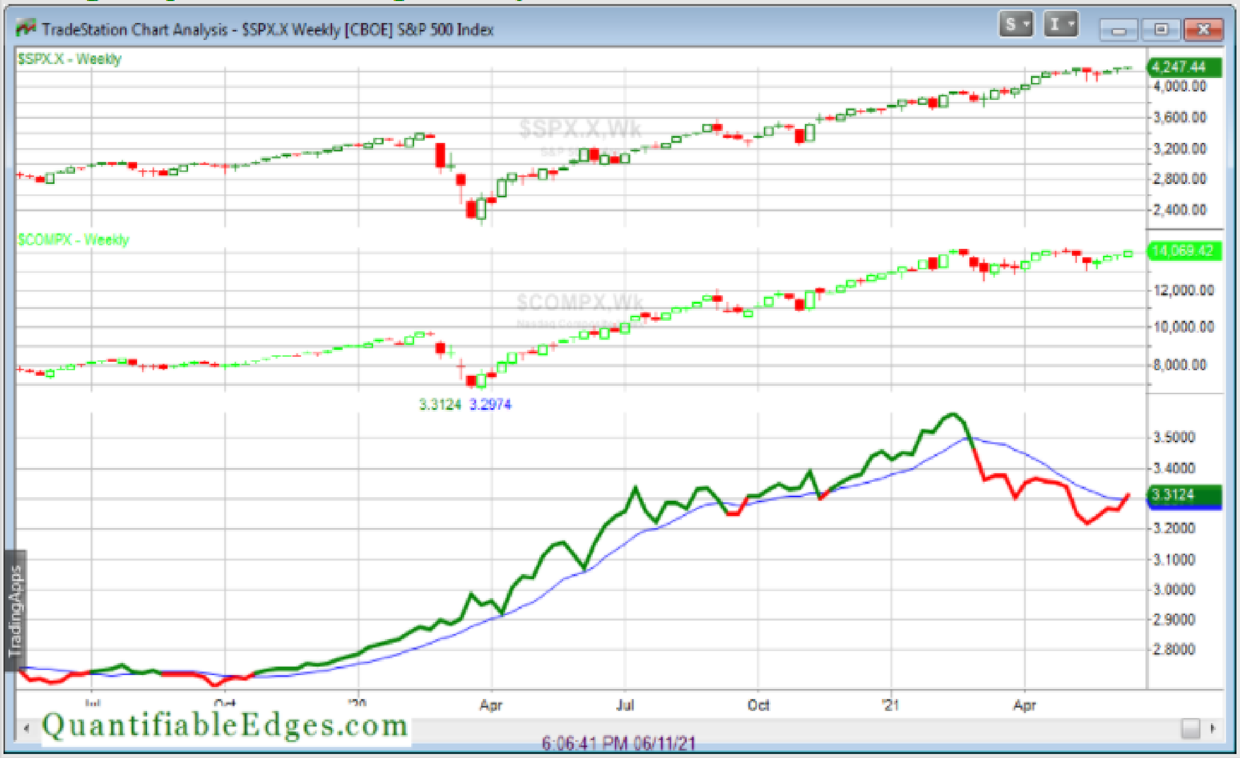
Combo #1	Combo #2	Combo #3
Flat	Long	Long

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 Combo Systems #2 and #3 flipped to long from flat the previous week.*

The major averages all posted gains for the week. The SPX rose 0.4%, the NASDAQ gained 1.85% and the Russell 2000 rallied 2.2%. The SPX closed at an all-time high on Friday, so we are clearly in a long-term uptrend. The NASDAQ is extremely close to a new high, while the Russell is just over 1% away from its own new high.

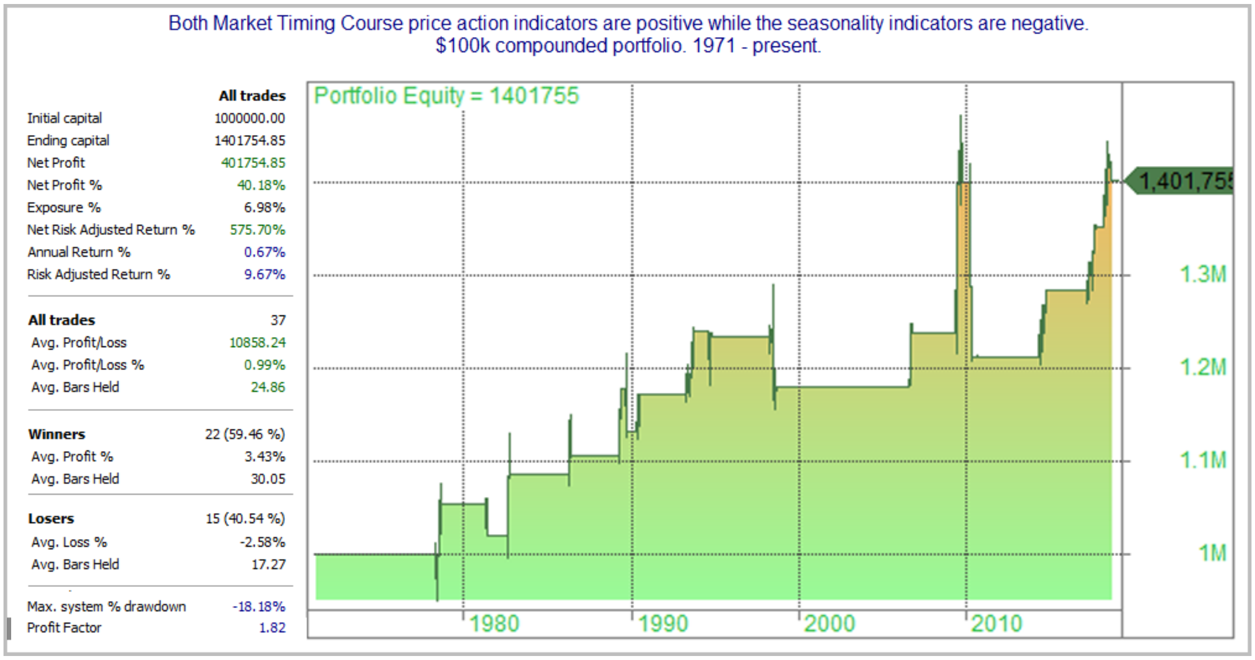
The relative outperformance of the NASDAQ vs SPX this week helped it to retake a leading position based on our NASDAQ/SPX Relative Strength Indicator. This is the 1st time the NASDAQ has been the "leader" since the end of February. Below is a chart of the indicator from the website.

Nasdaq/S&P 500 Relative Strength Weekly



The movement of the red line (which is about to turn green) above the blue line is our indication that the NASDAQ is in a leading position. Since 1971, the market has performed substantially better when the NASDAQ has been leading. Over that time, the SPX has gained 2995.38 points when the NASDAQ has been leading versus 1149.96 points when the NASDAQ has lagged. The difference for the NASDAQ has been even more dramatic, with the point gains being 11,509.03 vs. just 2452.01. More on this indicator can be found in the Market Timing Course, or on its page (which can be found by clicking on the chart on the charts page). http://quantifiableedges.com/nasdaq-weekly-strength-model/

I decided tonight to take a look at how the market has done when all 4 Market Timing Course indicators have been aligned as they are now. That means: 1) a leading NASDAQ, 2) SPX "Golden Cross" in effect, 3) unfavorable Presidential Cycle, and 4) "Worst" 6 months in effect. Below are updated stats showing SPX performance during this alignment.



We see here that similar formations have seen gains in the past. It is notable though that this chart has had some sizable drawdowns along the way, and it is not exactly a smooth ride higher. So perhaps the setup could be viewed as bullish, or perhaps your interpretation would be more neutral. In any case, it does not appear to be bearish. And as you can see near the top of this section, with both Market Timing Course price indicators now positive, two of the 3 “Combo” systems we track are now “Long”.

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

Domestic Security Holdings as of

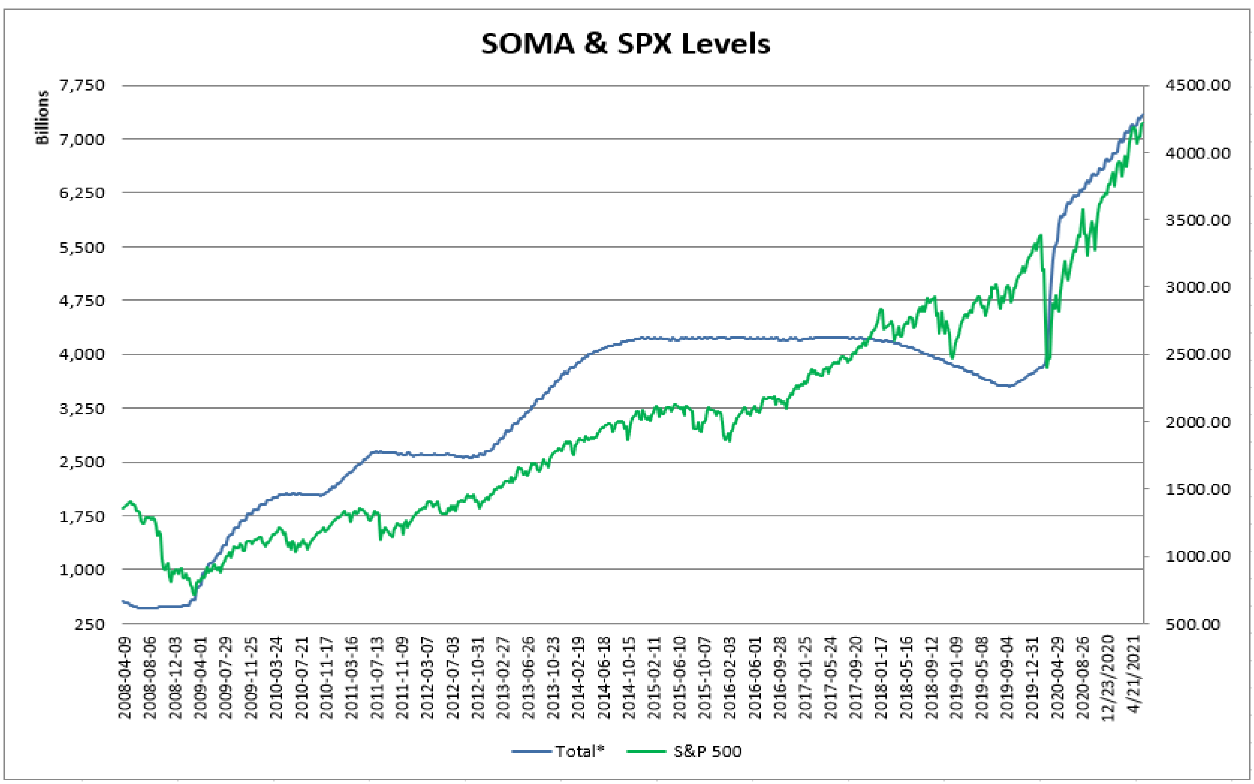
Previous **June 9, 2021**

Posted June 10, 2021 at 4:30 PM

SUMMARY | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,381,721,560.1
US Treasury Floating Rate Notes (FRNs)	23,846,691.1
US Treasury Inflation-Protected Securities (TIPS)*	346,057,894.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,234,447,008.6
Agency Commercial Mortgage-Backed Securities***	9,823,153.4
Total SOMA Holdings	7,324,287,307.8
Change From Prior Week	9,780,000.1

This past week saw the SOMA rise by about $10 billion. That is a little below average for the current QE environment, but typical for this time of the month. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is in the midst of the largest expansion in history, and the expansion is expected to continue for a while longer. That should continue to benefit the market for a while longer. But the Fed has begun hinting that they will be looking to develop a plan to taper the Quantitative Easing that has been so supportive of the market since QE4 began. The next Fed meeting is Tuesday and Wednesday of this week. No policy changes are expected. But we could see wording changes with regards to outlook and timing, and that is what the market reaction will be focused on. For now, the stimulus is in place, and the Fed is supportive, and that is a market positive.

The bullish case is looking more appealing than it did the last few weeks. The major indices are at or near new highs, and the NASDAQ has retaken the lead. Both are positive developments. The Fed's continued pumping is also still a massive plus for the bulls, and while they are thinking about slowing the liquidity, it is currently strong. Bears can point to the weak intermediate-term seasonality. But I am not seeing bearish indications otherwise at this point. Of course that could change quickly. So I am inclined to approach my trading with a somewhat bullish intermediate-term outlook. This means that I will be more cautious with short-side trades than long trades. I'll also note that while I like the long side, I think the NASDAQ and the Russell are looking likely to outperform the SPX over the intermediate-term. The NASDAQ leadership was one clue. And while I did not get into it above, the NASDAQ has done better than the SPX when it has been the "leader". The Russell study I will discuss next week, but it often outperforms from the close of opex Friday in June through the end of the month. So while I like the long side, I may be looking to take index trades in indices other than the SPX over the next several weeks.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

ALL – 1/3 @ $131.41 (buy @ limit) – not filled, cancel for now

Broad Market Large Cap CBI – 1(ALL)

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. (Neither of the trade ideas from Thursday night were filled on Friday, as they both gapped higher and did not fill their gaps intraday.)

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	*6/10/2021*	*$421.65*	*$424.31*	*0.63%*		*sold on close*

SPY barely reached its exit target and was therefore sold on the close on Friday.