

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 17, 2021

Volume 14 Issue 115

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- Down 2+ days on a Fed Day has often been followed by a rally.
- The first drop below the 10ma in quite a while will often be followed by another leg up.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, and reward/risk appears favorable. I like long-side odds for the next few days.

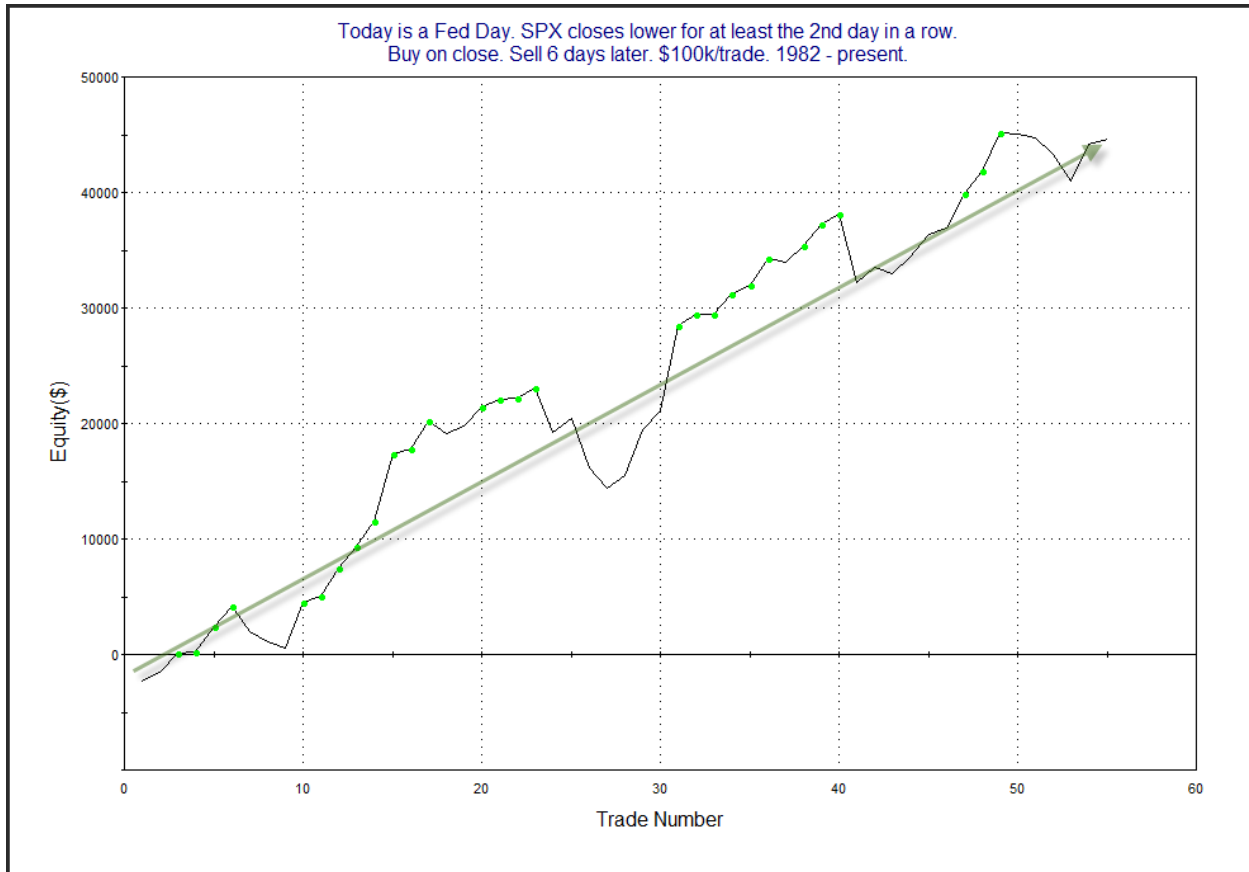
### The Evidence

The market did not love the message from the Fed, and it sold off after the announcement, although it did close well above the worst levels of the afternoon. The SPX finished down 0.5%, the NASDAQ lost 0.2%, and the Russell 2000 declined 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 39% and the Up Volume % at 36%. NYSE total volume rose some for the 3<sup>rd</sup> day in a row.

It is unusual that a Fed Day would continue a string of down days. I looked at this in the study below, which was last seen in the 9/27/18 letter. Results have been updated.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row. Buy on close. Sell X days later. \$100k/trade. 1982 - 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	
10	40,780.09	55	35	20	63.64	9,012.33	-5,334.70	2,590.81	-2,494.91	1.04	1.82	741.46	
9	42,077.90	55	37	18	67.27	8,967.96	-5,671.36	2,336.37	-2,464.87	0.95	1.95	765.05	
8	32,253.42	55	39	16	70.91	8,456.40	-6,514.96	2,034.05	-2,942.16	0.69	1.69	586.43	
7	39,821.92	55	41	14	74.55	8,869.37	-6,757.80	1,835.92	-2,532.20	0.73	2.12	724.03	
6	44,586.70	55	40	15	72.73	7,361.95	-5,884.97	1,811.73	-1,858.83	0.97	2.60	810.67	
5	32,913.17	55	38	17	69.09	6,013.86	-5,581.03	1,628.79	-1,704.76	0.96	2.14	598.42	
4	21,328.28	55	33	22	60.00	7,513.37	-4,622.80	1,553.02	-1,360.06	1.14	1.71	387.79	
3	8,062.99	55	33	22	60.00	5,035.28	-4,476.12	1,081.91	-1,256.36	0.86	1.29	146.60	
2	8,113.57	55	31	24	56.36	5,202.52	-4,613.73	1,099.01	-1,081.49	1.02	1.31	147.52	
1	6,390.23	55	35	20	63.64	4,001.33	-5,829.24	878.56	-1,217.97	0.72	1.26	116.19	

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.



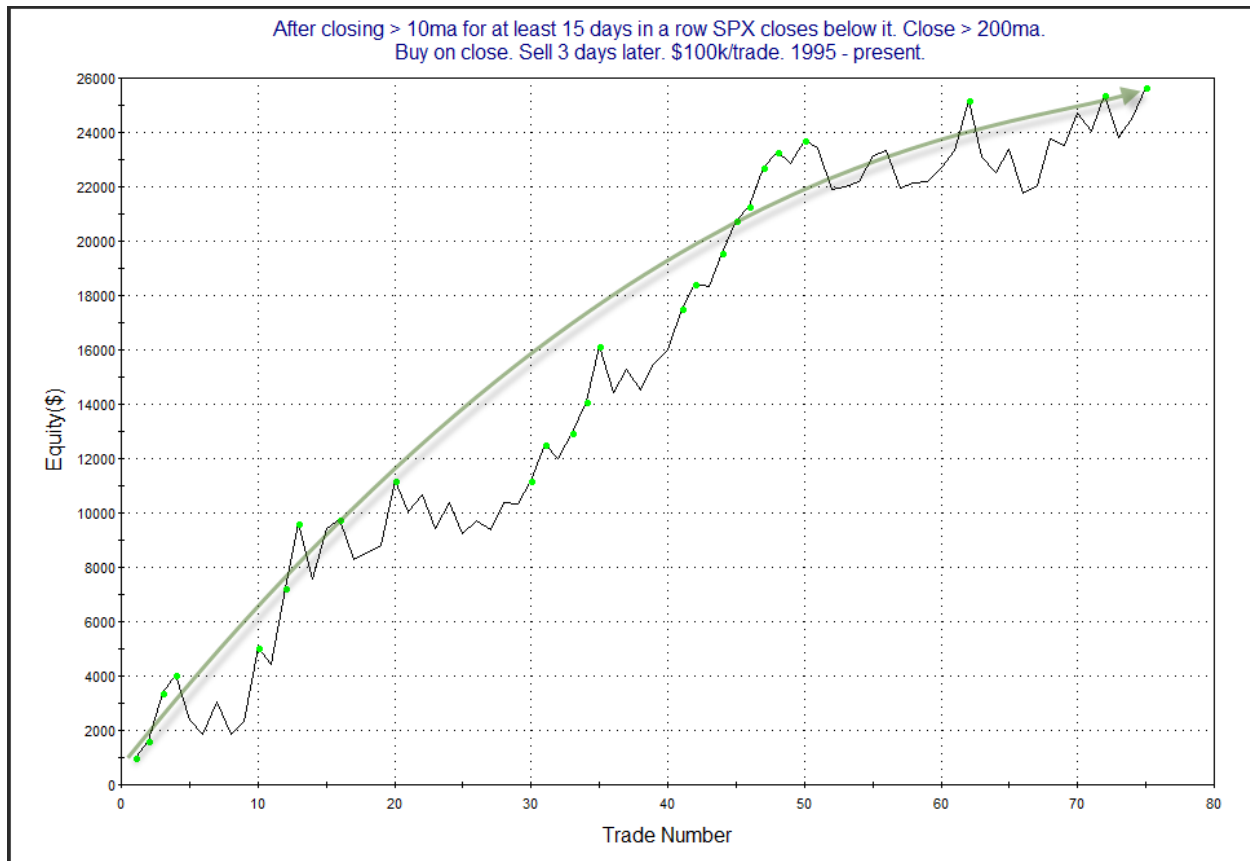
The strong upslope appears to confirm the bullish edge.

The lack of pullbacks lately had kept SPX above its short-term moving averages for an extended period. Wednesday, after 18 consecutive closes above the 10ma, SPX dipped down and closed below it. In the 9/23/19 letter I looked at performance following other instances where SPX closed below its 10ma for the first time over 15 days. Results are updated below.

After closing > 10ma for at least 15 days in a row SPX closes below it. Close > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1995 - present.

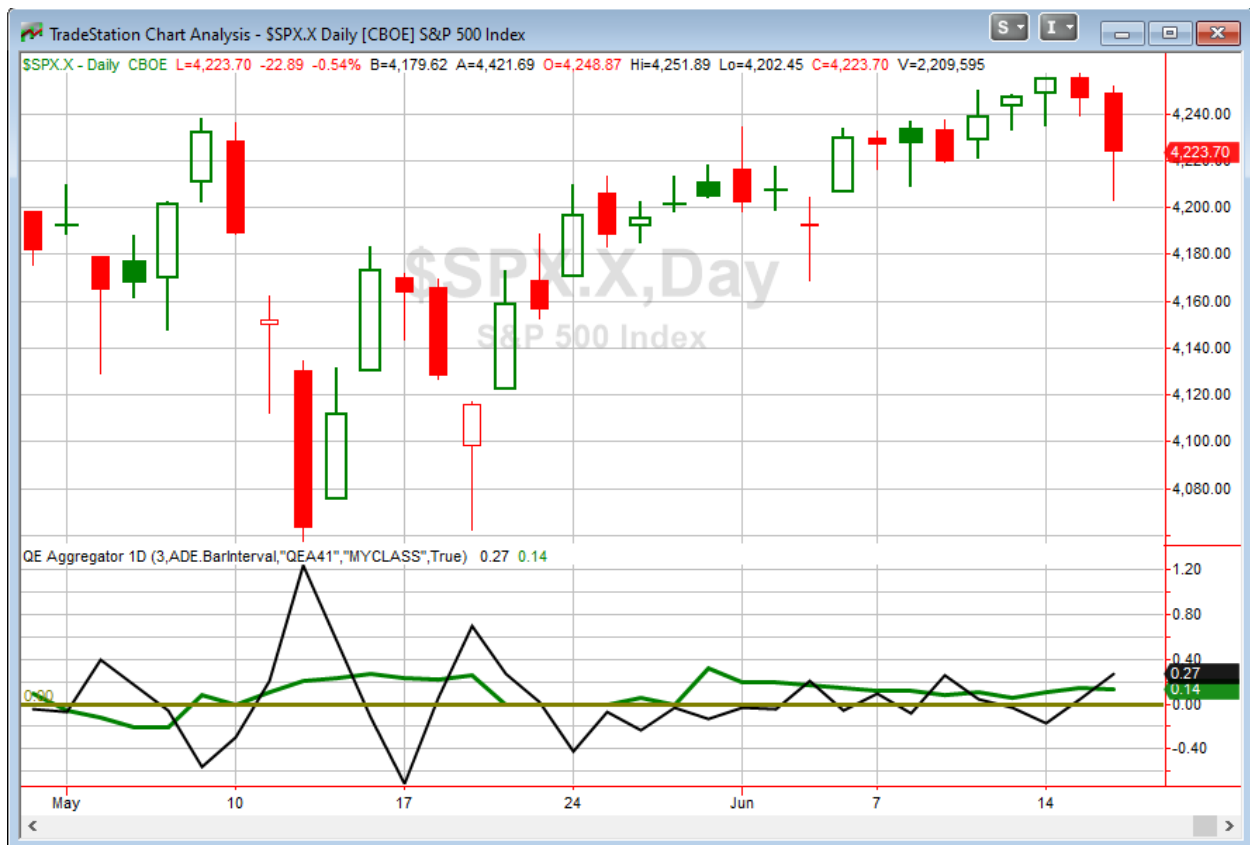
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	32,535.58	75	45	30	60.00	3,505.74	-4,455.15	1,461.65	-1,107.95	1.32	1.98	433.81
4	29,878.63	75	48	27	64.00	3,206.40	-6,072.15	1,322.90	-1,245.20	1.06	1.89	398.38
3	25,666.19	75	50	25	66.67	2,805.12	-2,110.50	1,014.96	-1,003.27	1.01	2.02	342.22
2	16,620.47	75	48	27	64.00	2,682.72	-3,450.16	877.30	-944.07	0.93	1.65	221.61
1	15,839.82	75	48	27	64.00	2,097.92	-1,555.20	617.10	-510.41	1.21	2.15	211.20

The numbers suggest a good chance of a bounce in the next few days. Below is a look at the 3-day profit curve.



The move up has been somewhat choppy, but it has persisted higher for a long time and is again at a new high. The curve seems to offer some confirmation of the upside tendency suggested by the stats table. I have included this study on the active list 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 held 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 stayed long at the close.

Based on the current active studies, expectations are slated to remain bullish on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4266.98 on Thursday. That is 1.0% above Wednesday's close. Therefore, SPX would need to close up about 1.0% on Thursday in order to turn from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is pointing higher, and there is ample room to the upside before SPX would be considered "overbought" vs recent expectations. That makes for a nice combination of reward and risk. I'll look to take advantage by beginning to scale into an index position on Thursday if I can get a decent fill.

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

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

ALL – 1/3 @ \$131.41 (bought @ limit)

### ***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.

**SPY – Buy ¼ index position @ \$422.42 LIMIT.** Based on the short-term outlook above, I will look to take on a partial SPY position on Thursday if I can get filled at Wednesday’s closing price or better.

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ALL(1/3)	6/15/2021	\$131.00	\$130.44	-0.43%		Catapult

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