

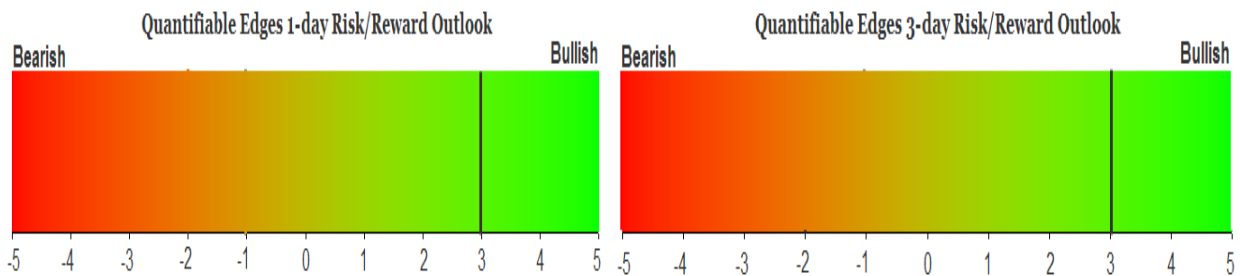
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 22, 2021

Volume 14 Issue 118

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- SPY's unfilled gap up and move higher happened in a way that suggests a solid probability of more upside follow-through, but perhaps not on day 1.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is again bullish. It appears there should be more upside to this bounce.

**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 22, 2021	SPY unfill up frm 10 low, c < 10 > 200	1-4 days	Bullish	1.60%	-1.20%	-2.35%
June 21, 2021	Fed 2 Ago. Down 3+	1-2 days	Bullish			
June 21, 2021	Down 4. Biggest drop today. > 200	1-5 days	Bullish			
June 21, 2021	Fri drop > 1.5x 20-day ATR	1-6 days	Bullish	2.50%	-1.80%	-3.95%
June 18, 2021	3 dn from 50-high < 10ma > 10-low	1-4 days	Bullish			
June 17, 2021	Fed today. SPX down 2.	1-6 days	Bullish			
June 15, 2021	SPX up. Up vol < 40%	1-7 days	Bullish			
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
June 21, 2021	Quad Opex closes < 5 days ago	1 day	Bearish			
June 17, 2021	1st close < 10ma in 15+ days	1-3 days	Bullish			

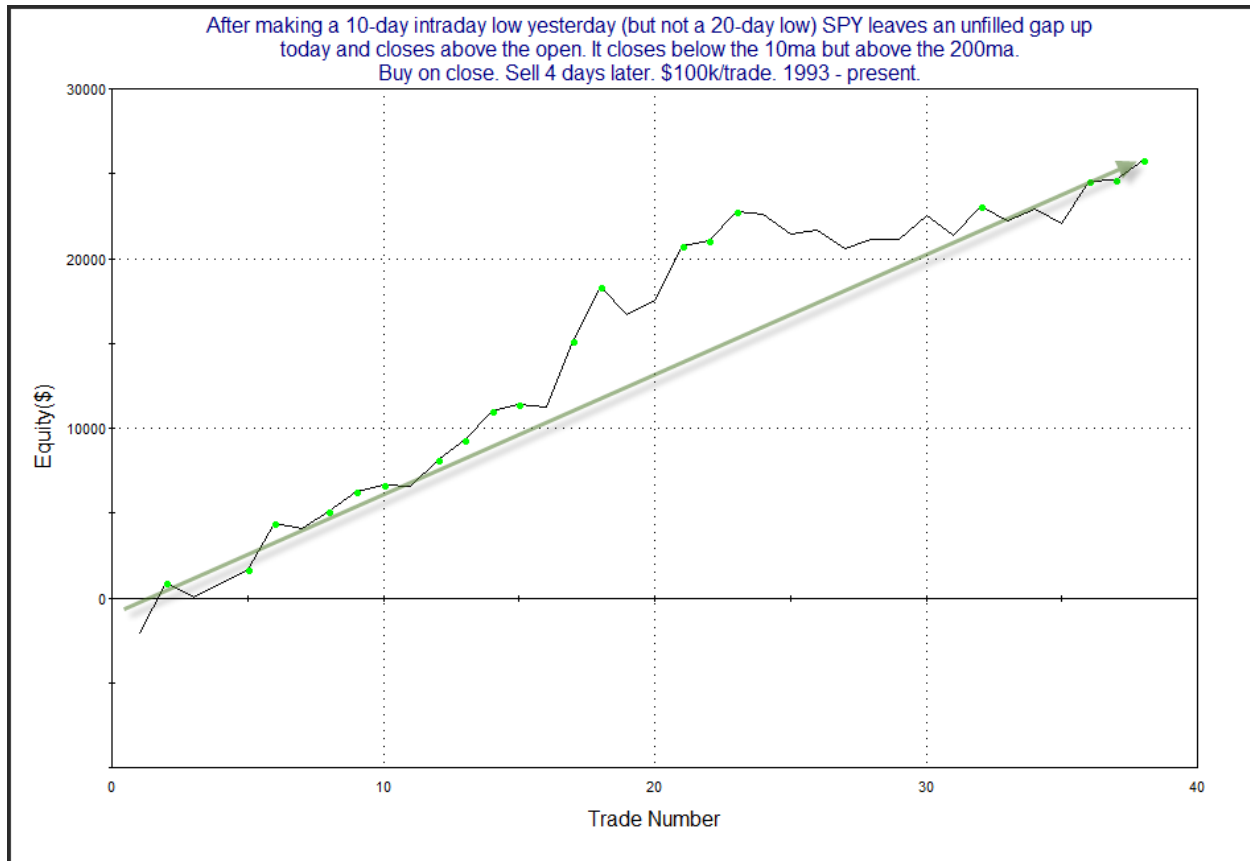
**The Evidence**

Monday saw a bit of a bounce back. The SPX rose 1.4%, the NASDAQ gained 0.8%, and the Russell 2000 rallied 2.2%. Breadth was positive with the NYSE Up Issues % coming in at 74% and the Up Volume % at 84%. NYSE total volume declined quite a bit from Friday's extra-large opex-inspired level.

Monday's rally was marked by the fact that it featured an unfilled gap up and a further rise after the open. I have looked at setups like this a number of times in the past. A couple of things that make this unfilled gap up appealing are that 1) it came from a short-term low, but not an intermediate-to-long-term low, and 2) it closed below the 10ma. The study below was last seen in the 1/29/21 letter. It looked at situations just like the current one. I have updated all the stats.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma. 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	26,229.98	37	27	10	72.97	4,106.63	-1,949.70	1,306.61	-904.85	1.44	3.90	708.92
4	25,783.16	38	26	12	68.42	3,904.83	-2,096.99	1,388.46	-859.73	1.61	3.50	678.50
3	16,473.68	39	24	15	61.54	3,914.92	-2,133.60	1,244.03	-892.21	1.39	2.23	422.40
2	9,645.50	40	23	17	57.50	2,828.00	-2,926.56	1,185.05	-1,035.91	1.14	1.55	241.14
1	-383.03	40	20	19	50.00	1,773.46	-2,895.33	822.04	-885.47	0.93	0.98	-9.58
<b>38 of 40 instances (95%) closed above the entry price at some point in the next week.</b>												

Indications here are bullish across the board. It is impressive that nearly every instance saw a continuation of the rally at some point in the next week. Below is an equity curve that assumes a 4-day holding period.



That is a nice move from lower left to upper right over a long period of time.

Also in the 1/29/21 subscriber letter I examined instances that hit not only 10-day lows, but also 20-day lows before the bounce occurred. Such bounces from 20-day lows tended to do a poor job of following through with more upside. This can be seen in the results table below.

After making a 20-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma.  
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	2,655.43	38	20	18	52.63	3,178.32	-3,739.32	1,740.78	-1,786.68	0.97	1.08	69.88
4	1,345.35	40	23	17	57.50	2,950.20	-2,880.28	1,297.44	-1,676.22	0.77	1.05	33.63
3	-177.11	42	22	20	52.38	3,306.24	-3,070.92	1,097.25	-1,215.83	0.90	0.99	-4.22
2	-1,283.29	44	24	20	54.55	3,089.76	-2,818.42	1,036.38	-1,307.82	0.79	0.95	-29.17
1	-236.68	44	19	25	43.18	2,470.05	-1,777.90	894.37	-689.19	1.30	0.99	-5.38

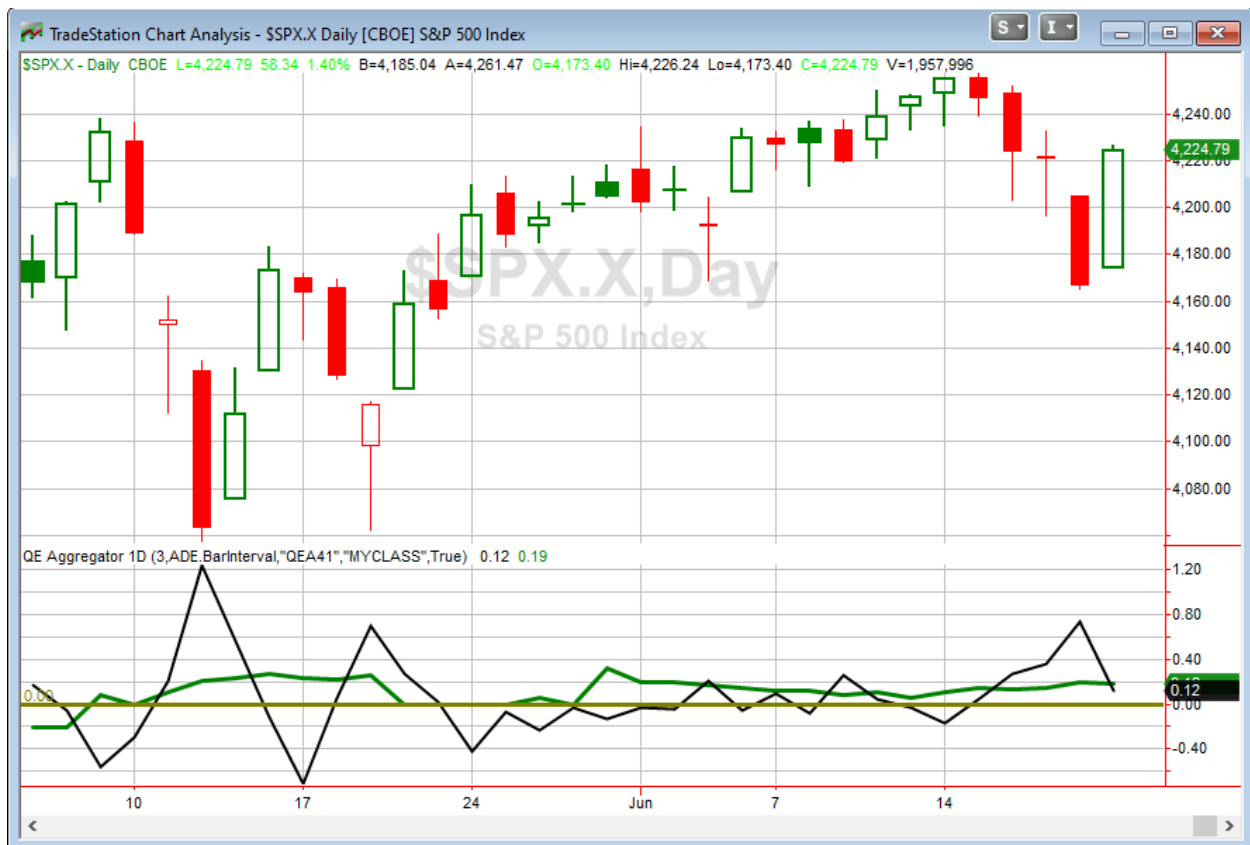
In the 1/29/21 subscriber letter I also showed the importance of closing below the 10-day moving average, as opposed to above it. To do that I took the first study I showed and simply flipped that filter. Those results can be seen below.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes **above** the 10ma and above the 200ma.  
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	-3,295.91	23	12	11	52.17	2,615.76	-3,691.98	1,015.35	-1,407.28	0.72	0.79	-143.30
4	-1,679.69	23	12	11	52.17	1,903.47	-1,788.75	692.39	-908.03	0.76	0.83	-73.03
3	-7,494.10	23	11	12	47.83	1,393.05	-3,297.28	592.20	-1,167.36	0.51	0.47	-325.83
2	-5,034.08	23	10	13	43.48	1,325.28	-2,293.20	604.06	-851.90	0.71	0.55	-218.87
1	-6,606.25	23	8	15	34.78	949.00	-2,591.68	465.78	-688.83	0.68	0.36	-287.23

As you can clearly see, instances like this did not provide a reliable upside edge either. Part of the reason for this is likely that such strong bounces alleviate the oversold condition that may have been partially responsible for creating the upside edge. Perhaps fortunately for bulls, SPY appears to have bounced "just right" on Monday.

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 is also 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 Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4239.21 on Monday. That is 0.3% above Monday's close. Therefore, SPX would need to close up at least 0.3% on Tuesday in order to turn from oversold to overbought versus recent expectations.

So the Aggregator is bullish. It appears there is a good chance this bounce will continue in the next few days. So I continue to like the long side. I already have some index exposure. I am not inclined to add to it tonight, but I will hold on at least through Tuesday since odds look good for more upside.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/21 – 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.*

**None tonight.**

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ALL(1/3)	6/15/2021	\$131.00	\$128.16	-2.17%		Catapult
SPY(1/4)	6/17/2021	\$420.29	\$420.74	0.11%		div adjusted
SPY(1/4)	6/18/2021	\$414.92	\$420.74	1.40%		Aggregator

*I will look to sell 1 lot of SPY on close if SPX closes  $\geq$  4239.21 (the Differential Pivot).*

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