

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 23, 2021

Volume 14 Issue 119

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- It is now time where the Russell is likely to outperform the SPX for the rest of June.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral. Me too. Time to flatten out.

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 22, 2021	SPY unfill up frm 10 low, c < 10 > 200	1-4 days	Bullish	1.60%	-1.20%	-2.35%
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			
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 21, 2021	Fed 2 Ago. Down 3+	1-2 days	Bullish			

The Evidence

As it appeared was likely last night, the bounce continued on Tuesday. The SPX rose 0.5%, the NASDAQ gained 0.8%, and the Russell 2000 climbed 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 53% and the Up Volume % at 52%. NYSE total volume declined some from Monday's level.

Friday the market finished quite oversold and we saw a lot of evidence in the weekend letter suggesting a bounce. Over the last couple of days that bounce has arrived. And as you'll see below when looking at the Differential Line on the Aggregator chart, SPX is now at a level that is very close to what the studies would have suggested a few days back. So SPX is now nearing the top of its recent range, and there are no new studies triggering in the Quantifinder tonight. It's somewhat unusual not to have any studies to discuss, but a bounce back to where the market is "supposed" to be is one way to have a day without any new compelling studies. And that seems to be where we are at today.

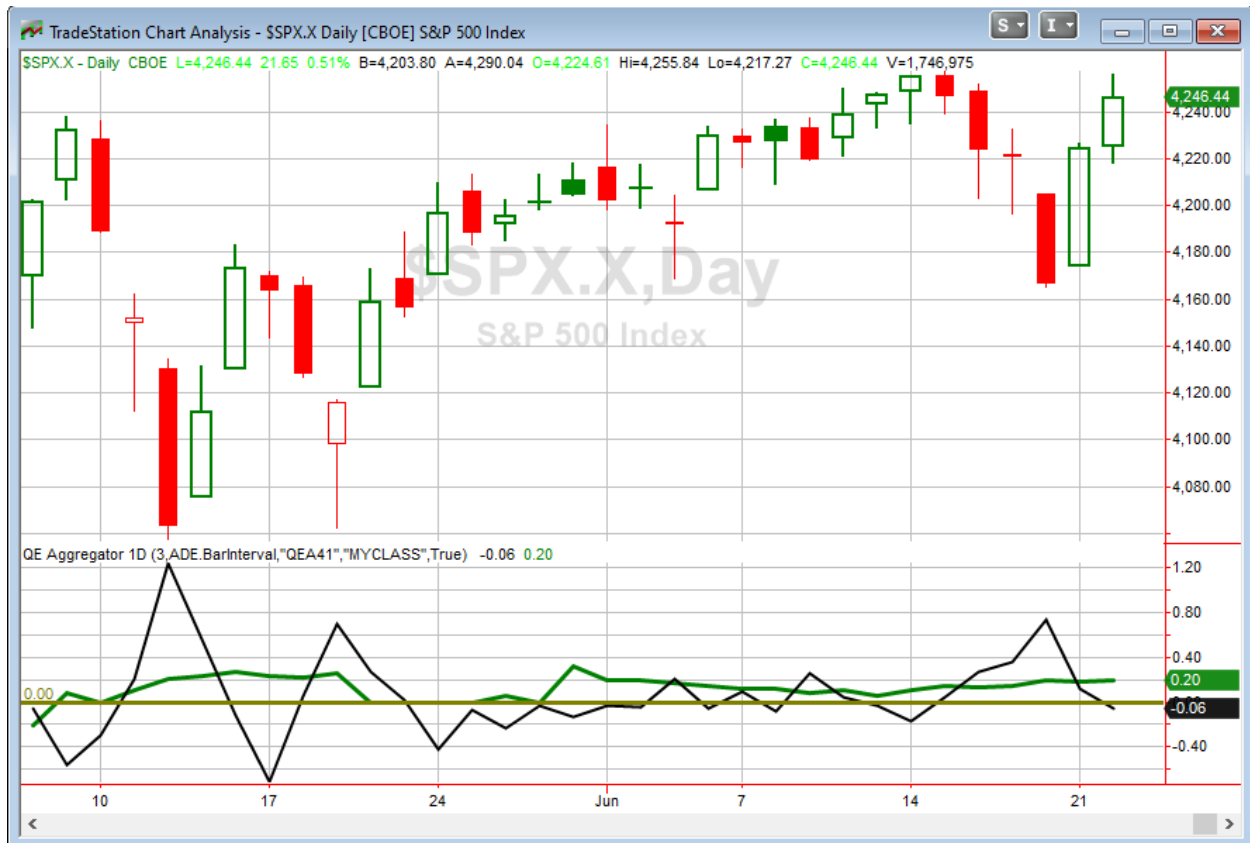
I did note in the weekend letter that RUT has had a tendency to outperform SPX from the close of the Tuesday after June opex week through the last trading day of the month. With nothing else to cover tonight, I have copied that research below as a reminder.

Also interesting about late June is that we have Russell rebalancing at the end of the month. In the past, this period has also seen the Russell 2000 outperform the S&P 500 by a sizable margin. This is something I looked at last year in the 6/22/20 letter. The table below shows how the Russell 2000 has done versus the SPX from the close the Tuesday after June Opex until the close on the last trading day of June.

% Change from close on Tuesday after June			
Opex through last day of June. 2001 - 2020			
Year	RUT	SPX	Difference
2001	4.89%	0.97%	3.92%
2002	2.25%	1.40%	0.85%
2003	1.70%	-0.91%	2.61%
2004	3.43%	0.56%	2.87%
2005	-0.22%	-1.84%	1.62%
2006	6.75%	2.45%	4.30%
2007	-1.76%	-1.98%	0.22%
2008	-2.56%	-2.61%	0.05%
2009	3.76%	2.71%	1.06%
2010	-5.64%	-5.90%	0.26%
2011	2.62%	1.94%	0.68%
2012	1.53%	0.31%	1.23%
2013	1.69%	1.15%	0.54%
2014	1.68%	0.53%	1.16%
2015	-3.23%	-2.88%	-0.35%
2016	-0.17%	0.48%	-0.65%
2017	0.88%	-0.56%	1.44%
2018	-2.97%	-1.59%	-1.38%
2019	2.99%	0.84%	2.15%
2020	0.14%	-0.99%	1.13%

For much of the last 20 years the Russell 2000 has outperformed the SPX during this late June period, though the last few years there have been a few stumbles. The average outperformance over the 20 year period has been 1.18%. This would seem worth keeping in mind as we close out June.

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



Without any new studies being added tonight, 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 dropped below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive 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 turned flat at the close.

Based on the current active studies, expectations are slated to remain bullish on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4185.72 on Wednesday. That is 1.4% below Tuesday's close. Therefore, SPX would need to close down at least 1.4% on Wednesday in order to turn from overbought to oversold versus recent expectations.

So the Aggregator is neutral. The bounce that we expected a few days ago has now arrived, and there is no longer a clear cut short-term edge. I have one lot of SPY remaining that was purchased Friday afternoon. This seems like a good time to exit that and wait for the next favorable reward/risk opportunity to emerge. And if it emerges in the form of a long setup in the next few days, there is a decent chance I may look to utilize IWM instead of SPY.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/21 – somewhat bullish

The intermediate-term outlook was last updated in the 6/21/21 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

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	\$128.50	-1.91%		Catapult
SPY(1/4)	6/17/2021	\$421.67	\$424.49	0.67%		Sold (div adjusted price)
SPY(1/4)	6/18/2021	\$414.92	\$423.11	1.97%		sell on open

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