

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 29, 2021

Volume 14 Issue 123

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.
- The exceptionally weak breadth combined with the SPX closing higher is suggesting higher SPX readings in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is still neutral. Me too.

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 29, 2021	Fed today. SPX down 2.	1-7 days	Bullish	1.80%	-1.10%	-2.20%
June 29, 2021	VIX up. SPX 50-high. Monday.	1-2 days	Bearish			
Active - Long Term						
June 28, 2021	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.80%
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			

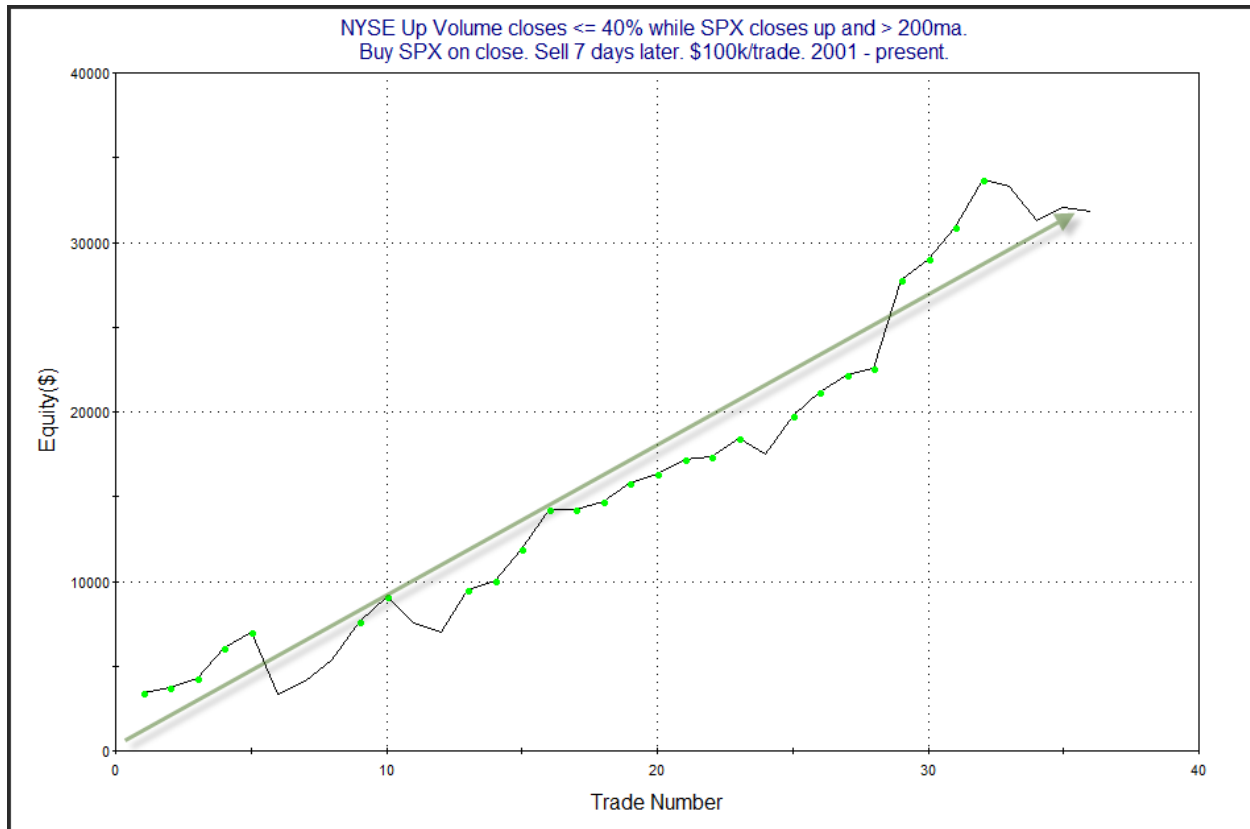
The Evidence

Monday saw mixed action for the major indices. The SPX closed up 0.2%, the NASDAQ gained 1.0%, and the Russell 2000 declined 0.5%. Breadth was negative with the NYSE Up Issues % coming in at 41% and the Up Volume % at 31%. NYSE total declined substantially from Friday's Russell rebalance inspired level.

The mixed action led to some mixed evidence to discuss tonight. The weak breadth was notable on a day that SPX rallied. With the Up Volume % coming in under 40% it triggered the study below, which is updated from the 6/15/21 letter.

NYSE Up Volume closes <= 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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	36,133.98	33	26	7	78.79	3,969.23	-7,891.63	1,909.76	-1,931.40	0.99	3.67	1,094.97
9	33,310.36	34	26	8	76.47	3,793.00	-7,594.37	1,763.60	-1,567.91	1.12	3.66	979.72
8	31,757.97	35	28	7	80.00	4,666.56	-6,657.20	1,528.99	-1,579.09	0.97	3.87	907.37
7	31,791.20	36	29	7	80.56	5,211.84	-3,690.83	1,420.81	-1,344.61	1.06	4.38	883.09
6	26,882.58	36	26	10	72.22	6,018.56	-3,495.92	1,489.13	-1,183.48	1.26	3.27	746.74
5	21,697.41	37	29	8	78.38	4,787.84	-3,769.15	1,182.74	-1,575.25	0.75	2.72	586.42
4	12,846.72	37	25	12	67.57	2,689.05	-2,557.50	1,049.86	-1,116.65	0.94	1.96	347.21
3	13,642.14	38	25	13	65.79	2,513.92	-2,241.15	959.59	-795.97	1.21	2.32	359.00
2	10,696.52	39	25	14	64.10	2,661.75	-2,848.17	797.54	-660.14	1.21	2.16	274.27
1	5,602.74	42	26	16	61.90	1,790.64	-1,371.49	531.74	-513.90	1.03	1.68	133.40

Results have been surprisingly strong over the last 20 years. Many people would interpret the weak breadth as a bearish sign. But in recent times it has not slowed the run higher, and the SPX has likely been boosted by a broader rebound in the following days. Below is a look at a 7-day profit curve.



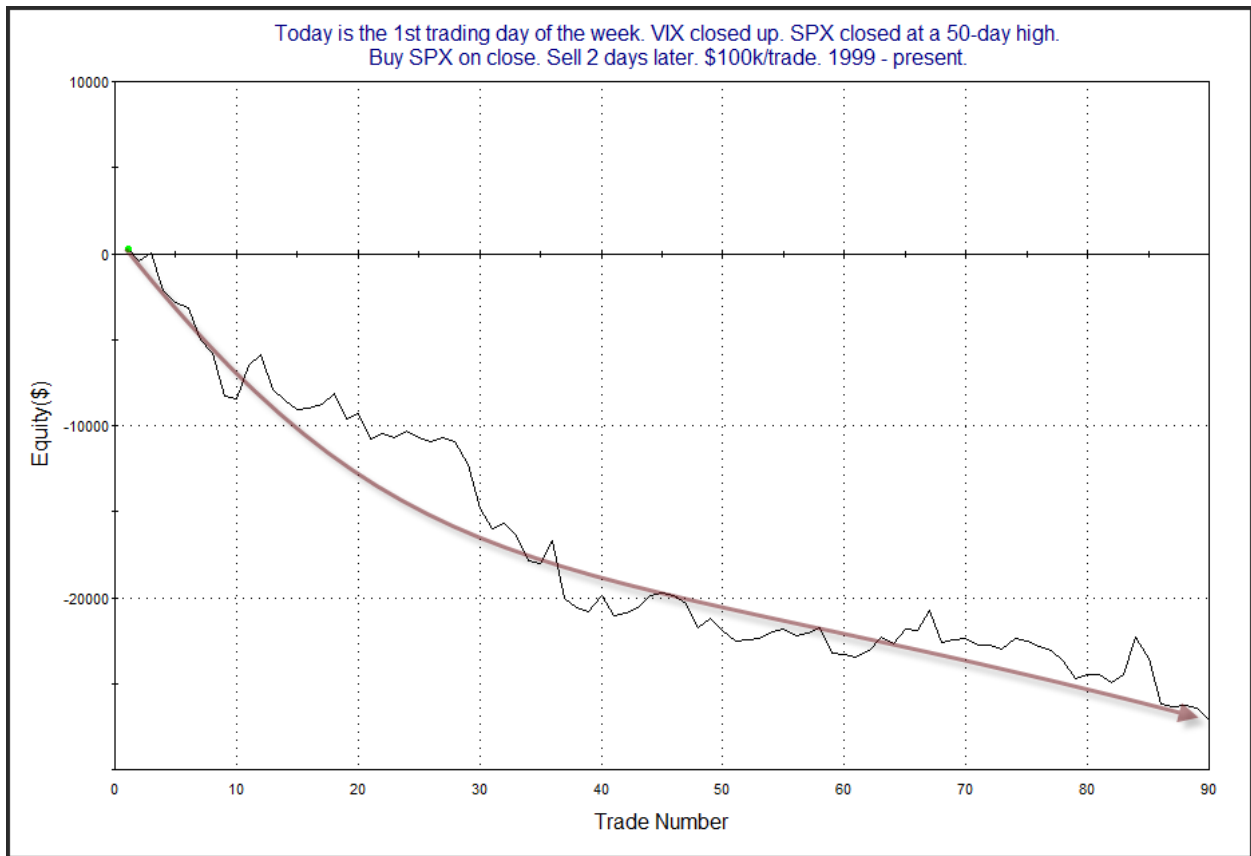
The curve had shown strong upside persistence. I'll also note that the setup has become more common in recent years. Monday was the 26th instance since the start of 2016. Prior to 2016, there were only 11 instances in 15 years. Overall, I find these results intriguing and have added this study to the short-term Active List.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which was last seen in the 6/15/21 letter. Results are all updated.

Today is the 1st trading day of the week. VIX closed up. SPX closed at a 50-day high.
Buy SPX on close. Sell X days later. \$100k/trade. 1999 - present.

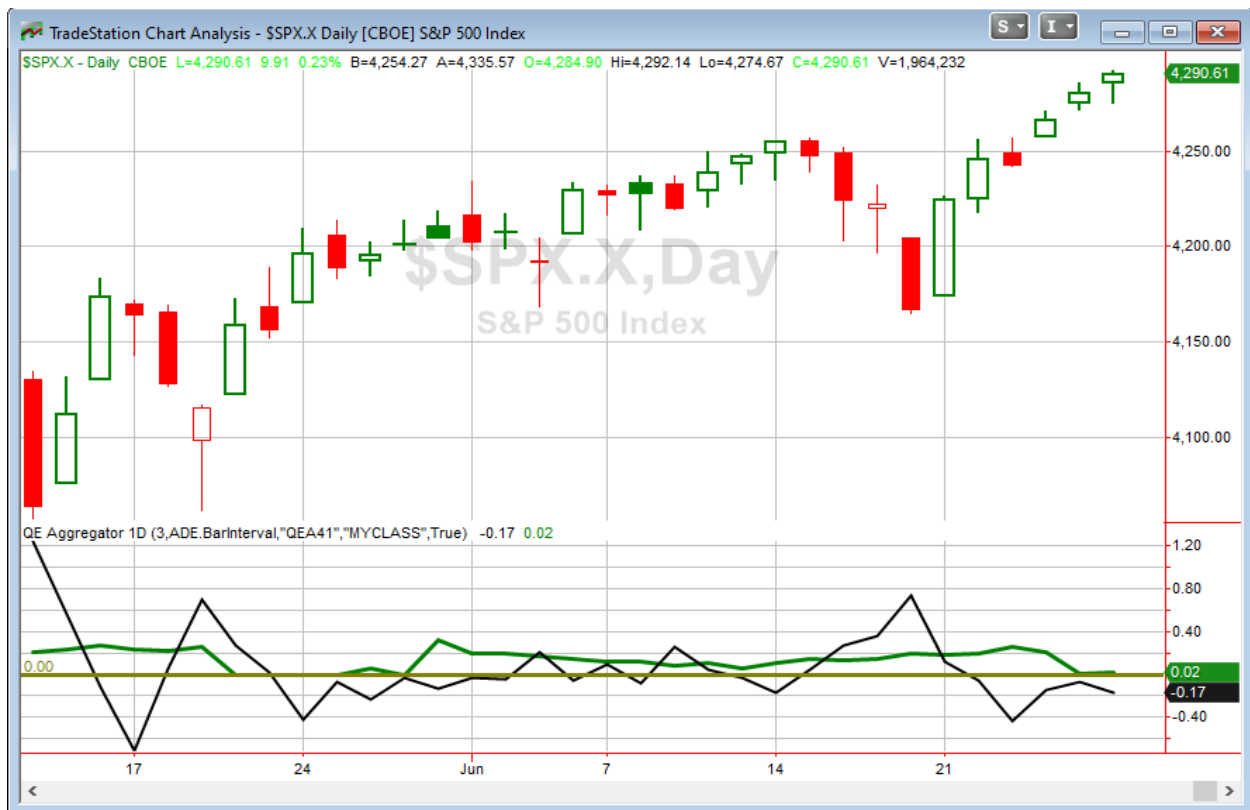
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-17,919.01	84	39	45	46.43	5,653.12	-5,048.68	1,072.65	-1,327.83	0.81	0.70	-213.32
4	-16,613.02	90	43	47	47.78	4,422.40	-5,732.40	926.44	-1,201.07	0.77	0.71	-184.59
3	-19,820.43	90	42	48	46.67	2,641.80	-6,908.70	664.05	-993.97	0.67	0.58	-220.23
2	-27,107.37	90	37	53	41.11	2,148.48	-3,372.16	486.90	-851.37	0.57	0.40	-301.19
1	-10,706.39	90	30	60	33.33	802.88	-1,580.04	313.14	-335.01	0.93	0.47	-118.96

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long decline. It is again back at new lows and seems worthy of consideration. I have also included this study on the Active List.

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



With tonight's evidence considered, the green Aggregator Line remained just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained slightly 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 stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Tuesday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 4294.95 on Tuesday. That is 0.1% *above* 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 up about 0.1% on Tuesday in order to remain "overbought" vs recent expectations. Anything less than that and it will be considered "oversold" vs expectations as of Tuesday's close.

So the Aggregator is again neutral. Evidence is mixed. Both lines are close to zero, and the Differential Pivot is slightly inverted. None of this suggests an edge worth trading. I'm not inclined to get involved in a new index trade until a better reward/risk scenario avails itself. That could be as early as tomorrow – but it is not now.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/28 – 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

BIIB – 1/3 @ \$349.16 (bought @ Limit)

BIIB – 1/3 @ \$347.93 (bought @ Limit)

New

BIIB – 1/3 @ \$340.27 (buy @ Limit)

Broad Market Large Cap CBI – 3(BIIB-3)

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.

BIIB - Buy 1/3 Catapult position @ \$340.27 LIMIT. From the Catapult section above, this is the 3rd an final lot of BIIB.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>ALL(1/3)</i>	<i>6/15/2021</i>	<i>\$131.00</i>	<i>\$130.73</i>	<i>-0.21%</i>		<i>sold on open</i>
BIIB(1/3)	6/25/2021	\$348.67	\$340.27	-2.41%		Catapult
BIIB(1/3)	6/28/2021	\$343.00	\$340.27	-0.80%		Catapult

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