

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 1, 2021

Volume 14 Issue 125

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- When the last day of the month marks the highest close of the month, then the momentum often carries through into the 1st week of the new month.
- Strong closes on the last day of the month tend to kill the upside edge for the 1st trade of the next month.
- Historically, July has had the best first days of any month.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but the signal is quite weak. I'll remain patient and wait for a better setup.

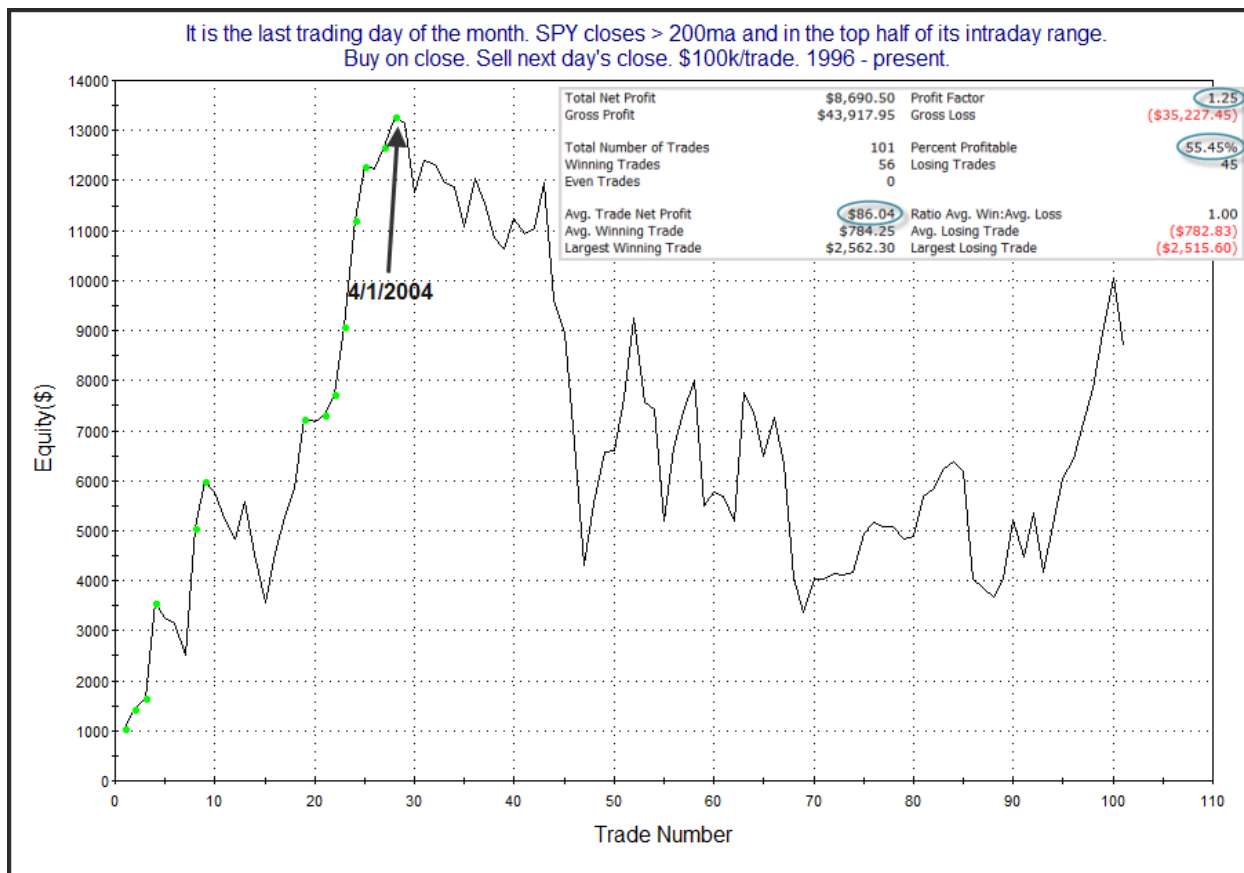
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 1, 2021	Close month at high of month.	1-5 days	Bullish			
June 29, 2021	Fed today. SPX down 2.	1-7 days	Bullish	1.80%	-1.10%	-2.20%
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

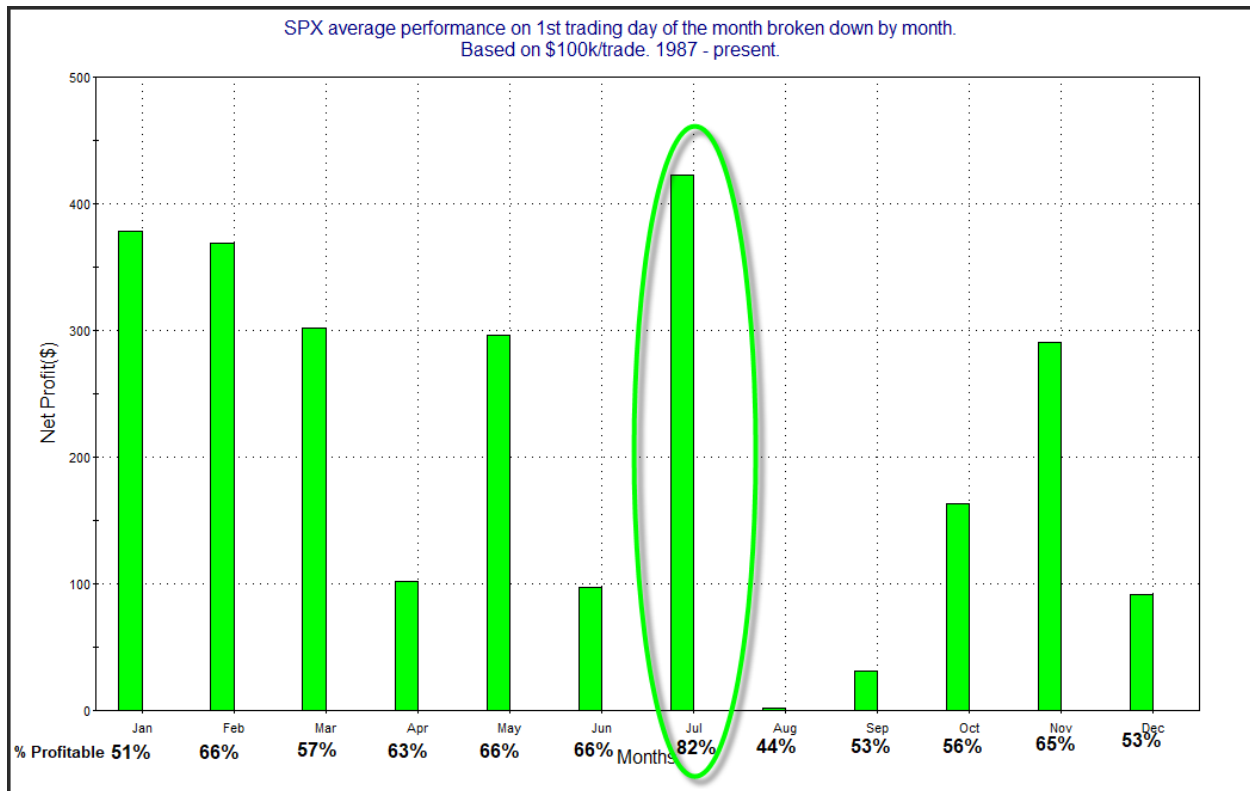
The market closed the quarter quietly on Wednesday. The SPX finished up 0.13%, the NASDAQ declined 0.17%, and the Russell 2000 rose 0.07%. Breadth was positive with the NYSE Up Issues % coming in at 57% and the Up Volume % at 64%. NYSE total volume rose some from Tuesday's level.

There were a fair number of "Turn of the Month" studies that triggered in the Quantifinder. I'll share the most important ones below. First, as I mentioned last night briefly, the 1st of the month has done a whole lot better when SPY has finished in the lower portion of the day's range on the last day of the month. Unfortunately, SPX closed fairly strongly on Wednesday. This leaves us with the study below.



This does not inspire confidence in a strong 1st day. Note since 2004 there have been (inconsistent) net losses, even with the recent hot streak. The 1st day of the month has performed much better with some afternoon selling leading up to the day.

But one positive about the 1st day of July is that since 1987, July has posted the highest average gains on the 1st day of any month, and it has been the most reliable month to start off with a gain. This can be seen in the chart below.



The only month that comes even close from a Win % and Avg Trade standpoint is February. I'll also note that August is the worst performer of any month. With regards to tomorrow, I am still not overly encouraged by Wednesday's strong close.

But while the outlook for Thursday may not be great, there is a compelling study suggesting that we could see further rallying in the next few days. Results are updated from the 5/1/19 letter. They suggest strong end of month momentum has typically carried through into the following month. This can be seen below.

SPY closes the month at the highest closing price of the month.
Buy on close. Sell X days later. \$100k/trade. 1995 - present.

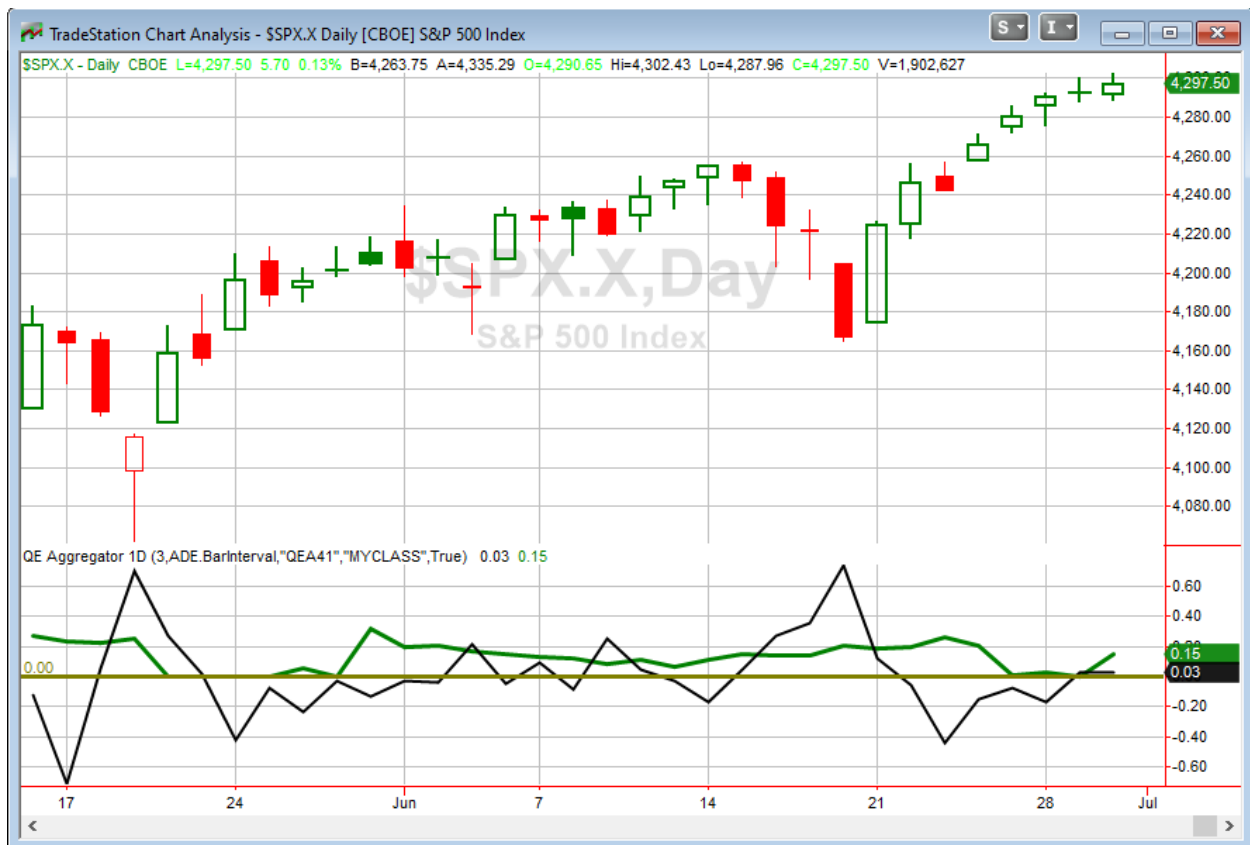
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	38,123.92	35	25	9	71.43	4,926.56	-2,070.60	1,881.77	-991.14	1.90	5.27	1,089.25
4	31,633.79	35	24	11	68.57	5,394.96	-4,338.40	1,794.39	-1,039.23	1.73	3.77	903.82
3	19,911.92	35	23	12	65.71	4,105.92	-4,678.40	1,433.70	-1,088.61	1.32	2.52	568.91
2	11,146.30	35	19	16	54.29	3,954.78	-4,848.40	1,276.17	-818.81	1.56	1.85	318.47
1	3,090.14	35	18	17	51.43	1,850.94	-1,359.03	727.74	-588.77	1.24	1.31	88.29

The numbers across the board are quite compelling. Below is an equity curve showing results assuming a 5-day holding period.



The steady upslope is comforting. I have added this study to the active list tonight.

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 also held slightly 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 list of active studies, expectations are slated to remain bullish on Thursday. This possibly could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4300.89 on Thursday. That is 0.1% above Wednesday's close. So SPX will need to close up at least 0.1% in order to flip to "overbought" vs recent expectations.

While SPX is not overbought as measured by the Differential Line, it has closed higher 5 days in a row and is at an all-time high. So I am not looking at it as some great bargain. Rather than take on a new index position based on a borderline Aggregator signal, I'll wait for a more compelling reward/risk setup to emerge. No new trades ideas for me tonight.

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)

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BIIB(1/3)	6/25/2021	\$348.67	\$346.27	-0.69%		Catapult
BIIB(1/3)	6/28/2021	\$343.00	\$346.27	0.95%		Catapult
BIIB(1/3)	6/29/2021	\$338.87	\$346.27	2.18%		Catapult

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