

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 1, 2022

Volume 15 Issue 103

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- SPY closed down a fair amount but Friday's gap up remains unfilled. Often this has been followed by another down day.
- Turn of the month is not bullish in long-term downtrends.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. Evidence is still suggesting a downside edge, and the market has further to decline to work off the oversold condition. I'm cautiously bearish.

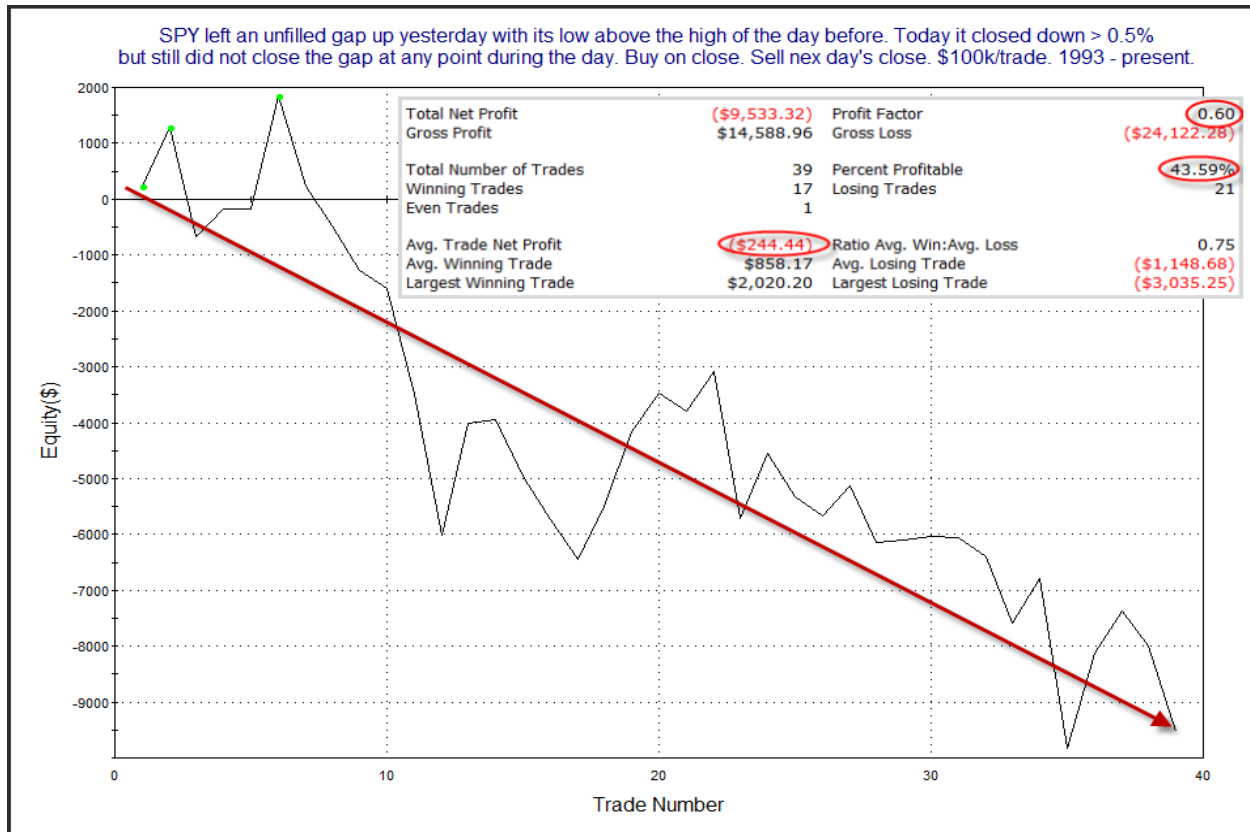
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
June 1, 2022	SPY unfilled up. Dn 0.5% no intraday fill	1 day	Bearish			
May 31, 2022	Up 3. Today big. No 50-low. < 200	1-3 days	Bearish	-2.30%	1.00%	1.90%
May 31, 2022	SPY up 1% 2x. 10-high < 200.	1-4 days	Bearish	-3.20%	1.20%	2.20%
Active - Long Term						
May 31, 2022	70% Up Issue % 3 days in a row	1-85 days	Bullish	11.10%	-4.50%	-10.90%
May 16, 2022	Up from 50-low on a Friday	1-25 days	Bullish	5.80%	-3.80%	-8.10%
May 12, 2022	NASDAQ breadth oversold at 100 Low	1-19 days	Bullish			
May 9, 2022	5 weeks lower and < 40-week avg	1-8 weeks	Bearish			
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

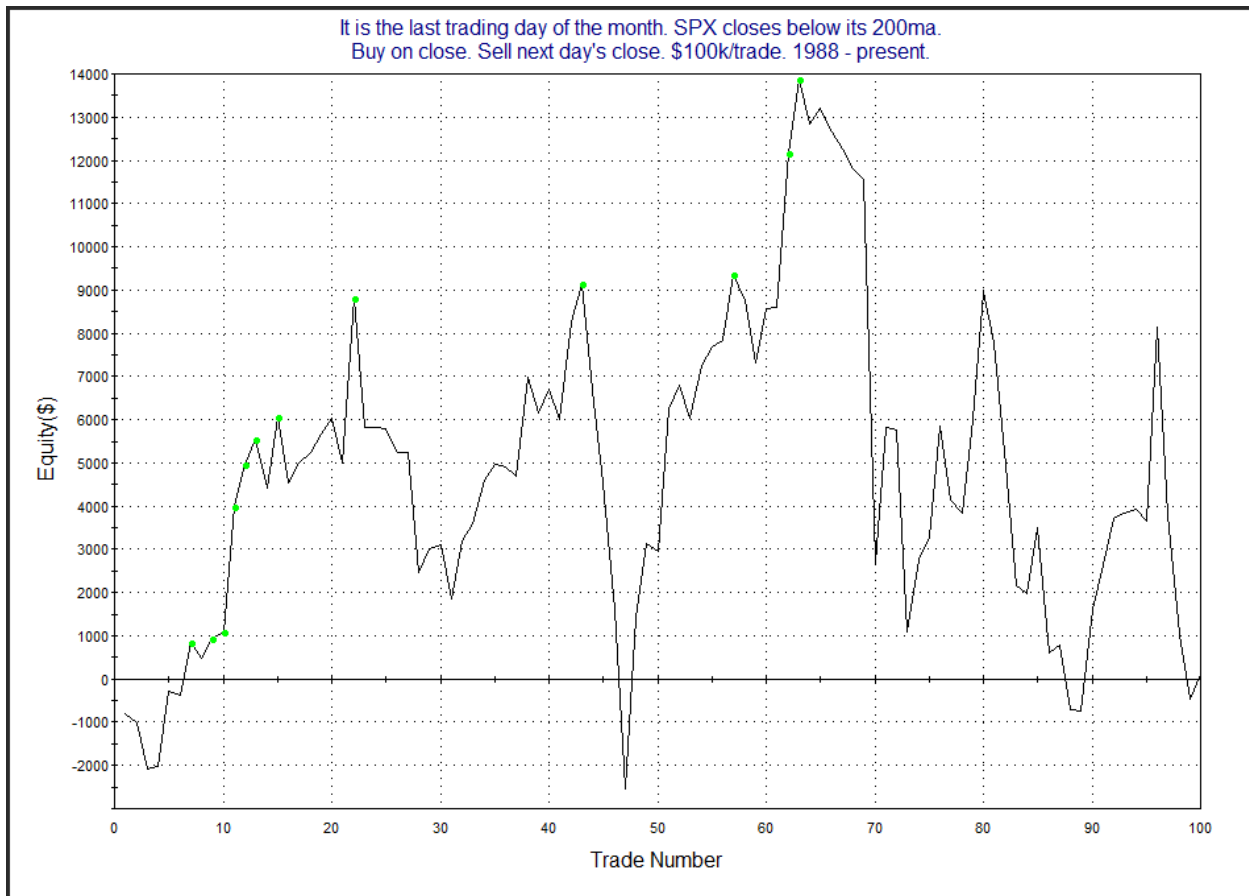
Tuesday saw some selling. The SPX closed down 0.6%, the NASDAQ lost 0.4%, and the Russell 2000 dropped 1.3%. Breadth was negative with the NYSE Up Issues % coming in at 34% and the Up Volume % at 27.5%. NYSE total volume was light heading into the long weekend.

There was an interesting study from the 4/21/20 letter that triggered, though. It noted that while SPY closed down a fair amount today, it still did not fill the large upside gap that was left on Friday. I updated that study below.



The stats are somewhat negative. The curve has made its way from upper left to lower right, though it has certainly been a choppy ride. As a 1-day study this may be worth some consideration. The market could take another stab at filling the gap on Wednesday.

The 1st trading of the month often carries an upside edge. But that has really only been the case when the SPX is above its 200ma. And SPX is well below that line right now. In the 5/2/22 letter I showed Day-1 results when SPX was in a long-term downtrend like now. I have updated that chart below.



Pretty remarkable that after 100 instances there is almost exactly zero progress. We can't look to 1st of the month to help us out this month.

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



With tonight's evidence considered, the green Aggregator line remained below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line also held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation stayed short at the close.

Based on the current list of active studies, expectations are set to remain negative on Wednesday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will 4091.22 on Wednesday. That is 1.0% below Tuesday's close. Therefore, SPX would need to close down at least 1.0% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is bearish. Evidence is pointing lower over the next few days, and despite the drop on Tuesday, SPX remains short-term overbought. So there appears to be a downside edge. Still, in this volatile environment, and coming directly off a breadth thrust, I am not inclined to take entries unless they are highly favorable. My short orders did not fill on Tuesday. I will only look to take a small amount short on Wednesday if SPY closes at an extended level.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/23 – somewhat bearish

The intermediate-term outlook was last updated in the 5/31/22 Letter. It can be found in the [most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

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 – Sell Short ¼ index position @ \$416.50 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take a small index position short, but only if I can get a favorable fill near the close. This limit price is above Tuesday's high.

Current Open Trade Ideas

None

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