

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 3, 2022

Volume 15 Issue 105

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- SPY closing at a 20-day high under the 200ma has often been followed by weakness over the next 1-2 days.
- QQQ making a 10-day high on low volume is also something that has been followed by market weakness.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish. Evidence today is suggesting the market is overbought and likely to pull back over the next couple of days. I believe there is mild downside edge.

**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 3, 2022	QQQ 10-high on 10-low volume < 200	1 day	Bullish			
June 3, 2022	SPY 20-day high < 200ma	1-2 days	Bullish			
June 2, 2022	Gap > 0.5. Dn close. Lower vol. < 200	1-2 days	Bullish			
May 31, 2022	SPY up 1% 2x. 10-high < 200.	1-4 days	Bearish	-3.20%	1.20%	2.20%
<b>Active - Long Term</b>						
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			

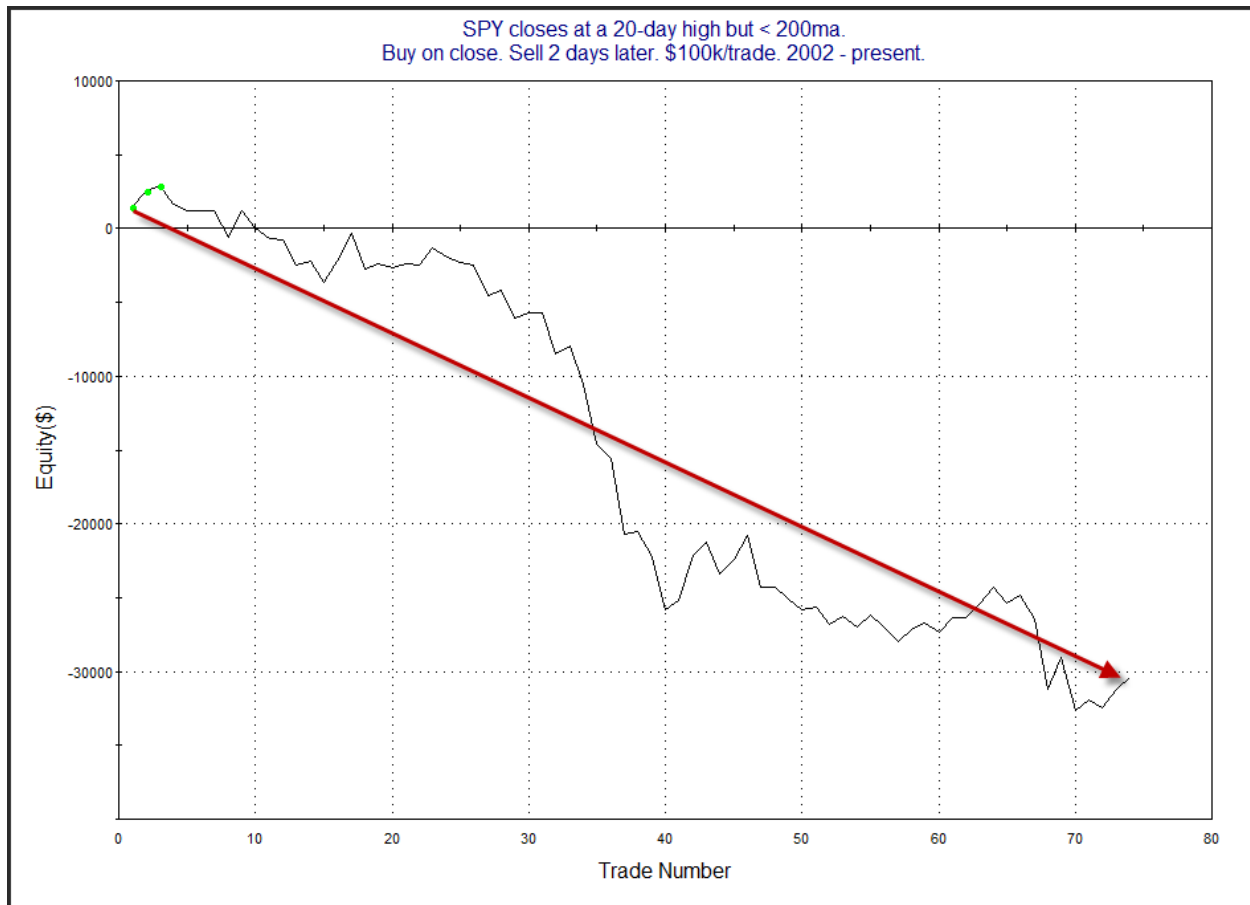
**The Evidence**

The market was weak early on but then reversed and put in strong results for the day. The SPX rose 1.8%, the NASDAQ rallied 2.7%, and the Russell 2000 gained 2.3%. Breadth was negative with the NYSE Up Issues % coming in at 40% and the Up Volume % at 34%. NYSE total volume declined quite a bit from Tuesday's level.

The fact that SPY closed below the 200ma and at a 20-day high was notable. It triggered an old study from the Quantifinder, which I last discussed in the 3/18/22 letter. Below is an updated look.

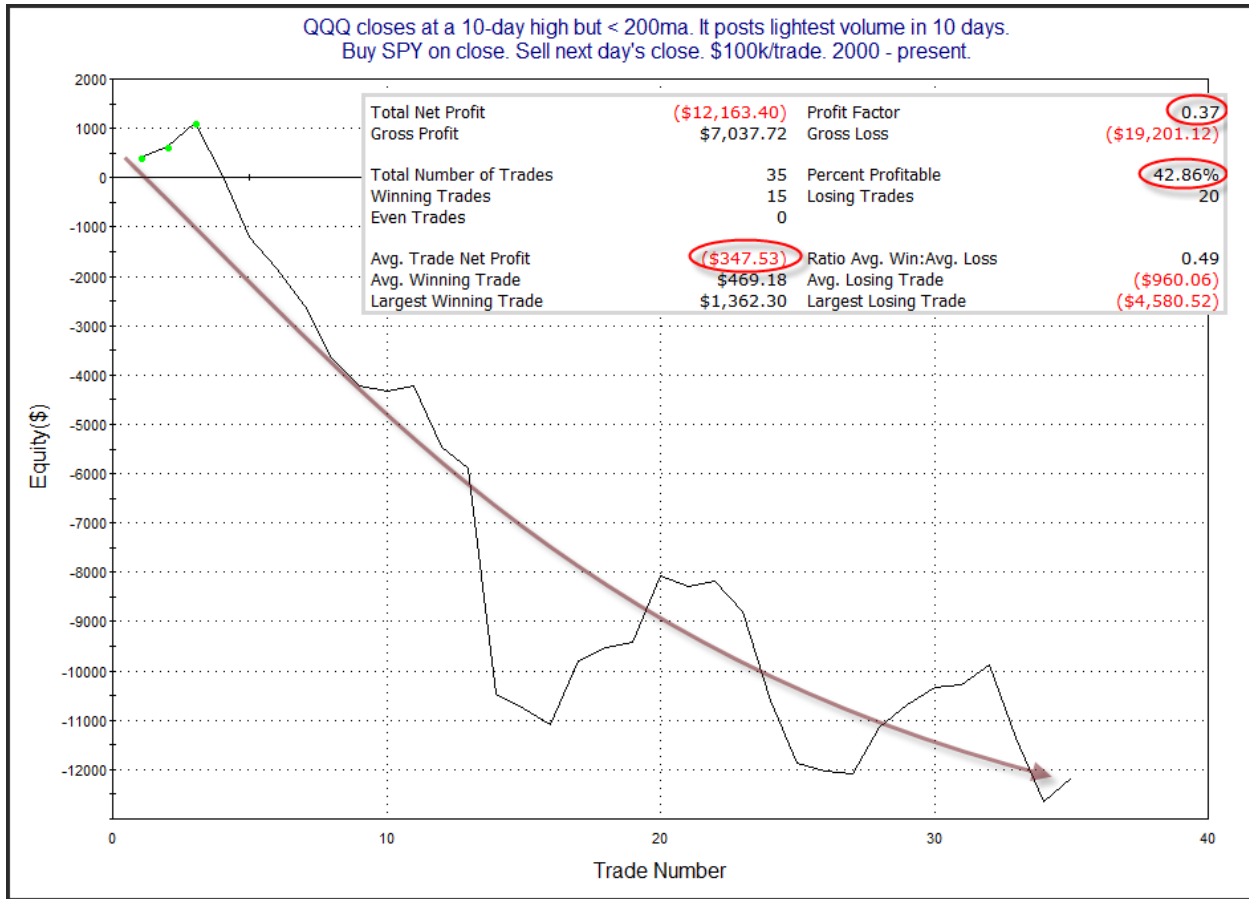
SPY closes at a 20-day high but < 200ma. Buy on close. Sell X days later. \$100k/trade. 2002 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	9,031.53	45	27	18	60.00	5,434.00	-6,223.36	1,660.33	-1,988.75	0.83	1.25	200.70
4	-509.11	50	28	22	56.00	3,675.36	-5,244.16	1,261.14	-1,628.23	0.77	0.99	-10.18
3	-12,422.35	59	27	32	45.76	3,992.56	-5,133.72	1,570.77	-1,713.54	0.92	0.77	-210.55
2	-30,409.99	74	34	39	45.95	3,047.16	-5,196.96	878.89	-1,545.95	0.57	0.50	-410.95
1	-28,957.61	105	50	55	47.62	3,399.63	-4,190.20	691.49	-1,155.13	0.60	0.54	-275.79

Numbers here suggest a downside edge. Below is a look at the 2-day profit curve.



The move from upper left to lower right is also impressive. I have added this study to the active list tonight.

In the 1/8/19 letter I looked at other times QQQ posted a 10-day high on light volume. 1-day results for SPY suggested a bearish tendency. I have updated those results below.



Here again we see a nice steady downslope serving as some confirmation of the bearish edge.

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



With tonight's evidence considered, the green Aggregator fell back below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line 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 turned short at the close.

Based on the current list of active studies, expectations are set to remain negative on Friday. This could change easily if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4118.71 on Thursday. That is 1.4% below Thursday's close. Therefore, SPX will need to close down at least 1.4% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is back to bearish. Evidence is pointing lower, and the market is just slightly overbought. I believe there is an edge to the downside, but I don't believe it so much that I am willing to bet big on it. After a mini-pullback the last two days that we just popped out of, and a strong breadth thrust last week, I'm even a bit more skittish. So I will not be looking to take on any new index exposure heading into the weekend. But if we see more confirming evidence tomorrow and the market gets even more stretched, then I may look to take some short exposure early next week.

***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.*

**None tonight.**

**Current Open Trade Ideas**

**None**

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