

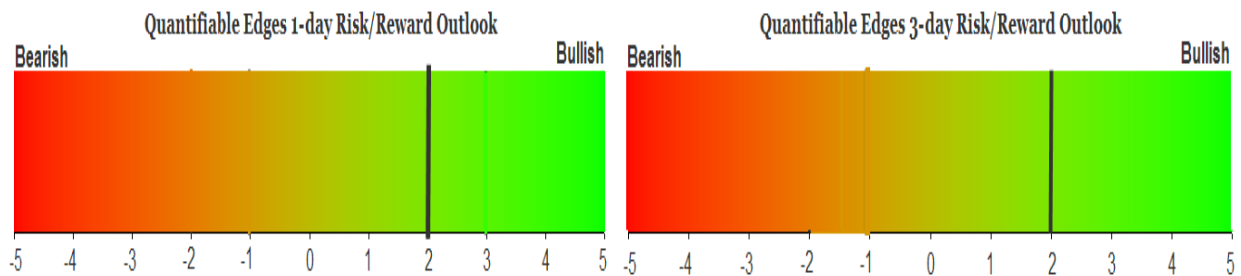
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 29, 2022

Volume 15 Issue 122

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Strong morning moves up that reverse like Tuesday often see a bounce in the following days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is still mixed, but we have quickly become oversold. There appears to be a moderate upside 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
Active - Short Term						
June 29, 2022	1% up to new 10-high then close down	1-2 days	Bullish			
June 27, 2022	SPX up > 3% high volume 20 days	1-5 days	Bullish	4.60%	-1.70%	-3.50%
June 24, 2022	NDX up > 1%. SOX dn	1-6 days	Bearish	-2.90%	1.70%	3.80%
Active - Long Term						
June 27, 2022	NASDAQ Leading	int term	Bullish			
June 21, 2022	Up from 50-low on a Friday	1-25 days	Bullish	5.80%	-3.80%	-8.10%
June 21, 2022	CBI >= 10. SPX < 200ma	1-17 days	Bullish	6.50%	-3.85%	-7.80%
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	Bearish			
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			

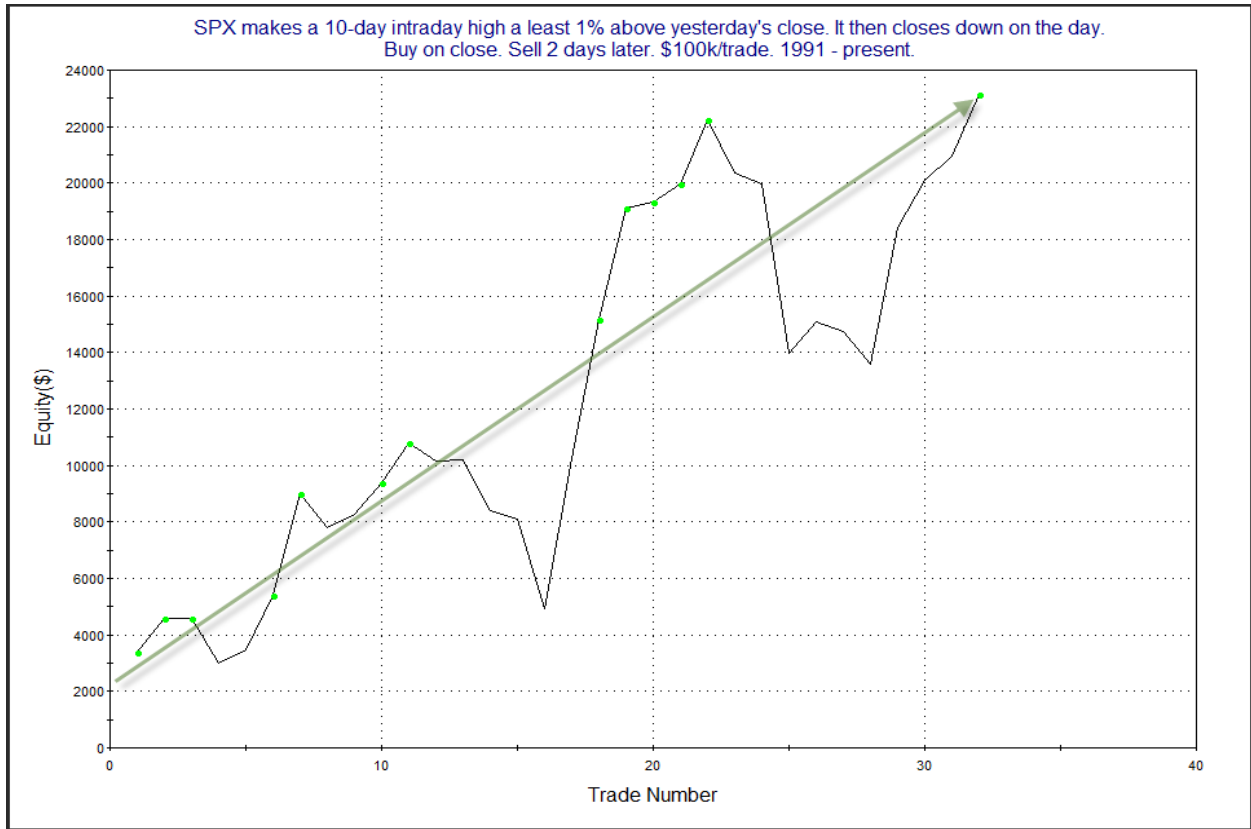
The Evidence

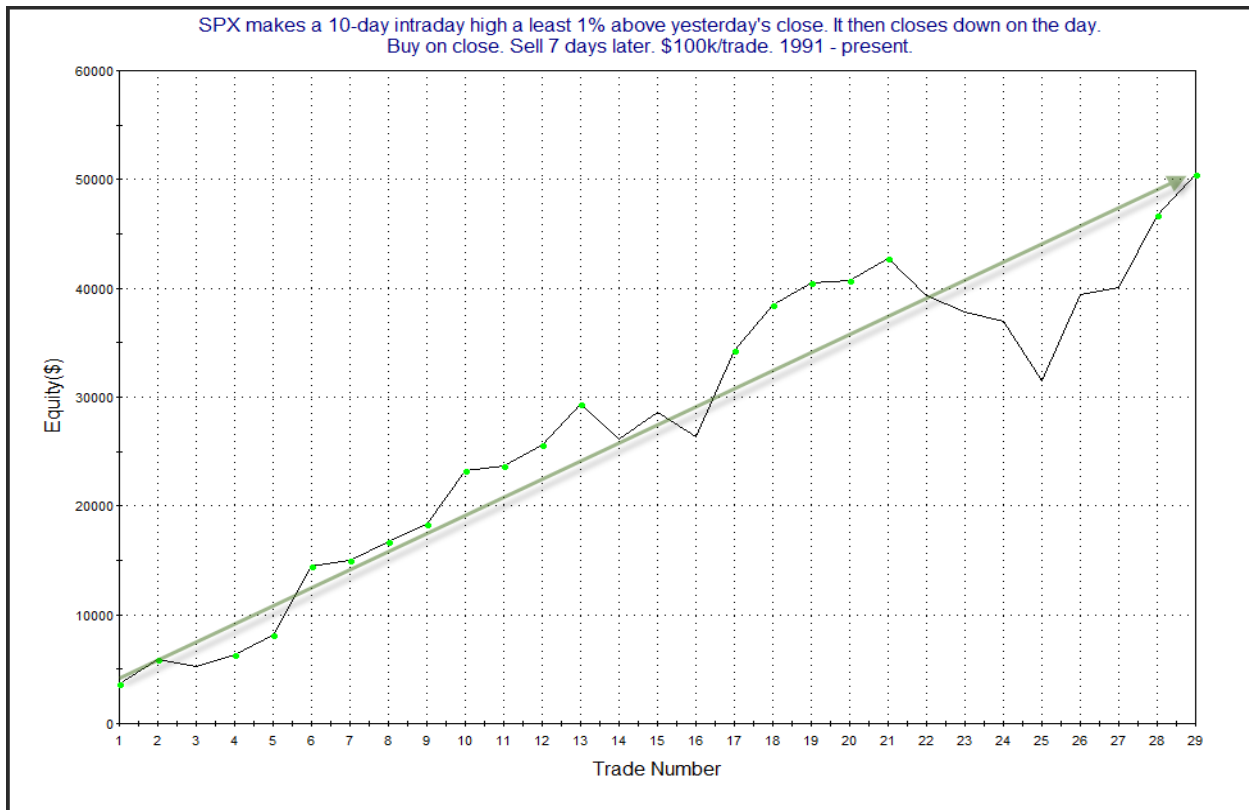
The market got beat up pretty good on Tuesday. SPX declined 2.0%, the NASDAQ dropped 3.0%, and the Russell 2000 fell 1.9%. Breadth was negative with the NYSE Up Issues % coming in at 31% and the Up Volume % at 26%. NYSE total volume came in at the lightest level in a while.

There were several studies that appeared in the Quantifinder that looked at strong morning rallies that led to afternoon fails. The one below is from way back in the 12/5/11 letter. I found it the most comparable and compelling when considering the current situation. It requires a 10-day intraday high today well above yesterday's close, and then a close below yesterday's close. Stats and charts are all updated.

SPX makes a 10-day intraday high a least 1% above yesterday's close. It then closes down on the day. Buy on close. Sell X days later. \$100k/trade. 1991 - 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	17,017.70	29	17	12	58.62	5,850.63	-6,485.62	2,536.48	-2,175.20	1.17	1.65	586.82
9	20,048.25	29	20	9	68.97	8,190.60	-8,537.38	2,501.98	-3,332.37	0.75	1.67	691.32
8	40,945.70	29	21	8	72.41	10,424.04	-5,865.61	3,068.22	-2,935.88	1.05	2.74	1,411.92
7	50,512.00	29	22	7	75.86	7,960.55	-5,421.50	3,082.64	-2,472.31	1.25	3.92	1,741.79
6	41,643.13	29	19	10	65.52	6,923.40	-4,235.49	3,156.27	-1,832.61	1.72	3.27	1,435.97
5	32,975.04	31	22	9	70.97	9,111.96	-4,550.71	2,473.95	-2,383.55	1.04	2.54	1,063.71
4	27,592.65	31	19	12	61.29	6,906.05	-3,248.62	2,574.48	-1,776.88	1.45	2.29	890.09
3	15,351.60	32	20	12	62.50	3,979.80	-5,449.78	1,967.68	-2,000.17	0.98	1.64	479.74
2	23,154.61	32	21	11	65.63	5,340.72	-6,019.99	1,984.66	-1,683.93	1.18	2.25	723.58
1	10,484.30	32	20	12	62.50	3,351.09	-2,932.39	1,210.98	-1,144.60	1.06	1.76	327.63

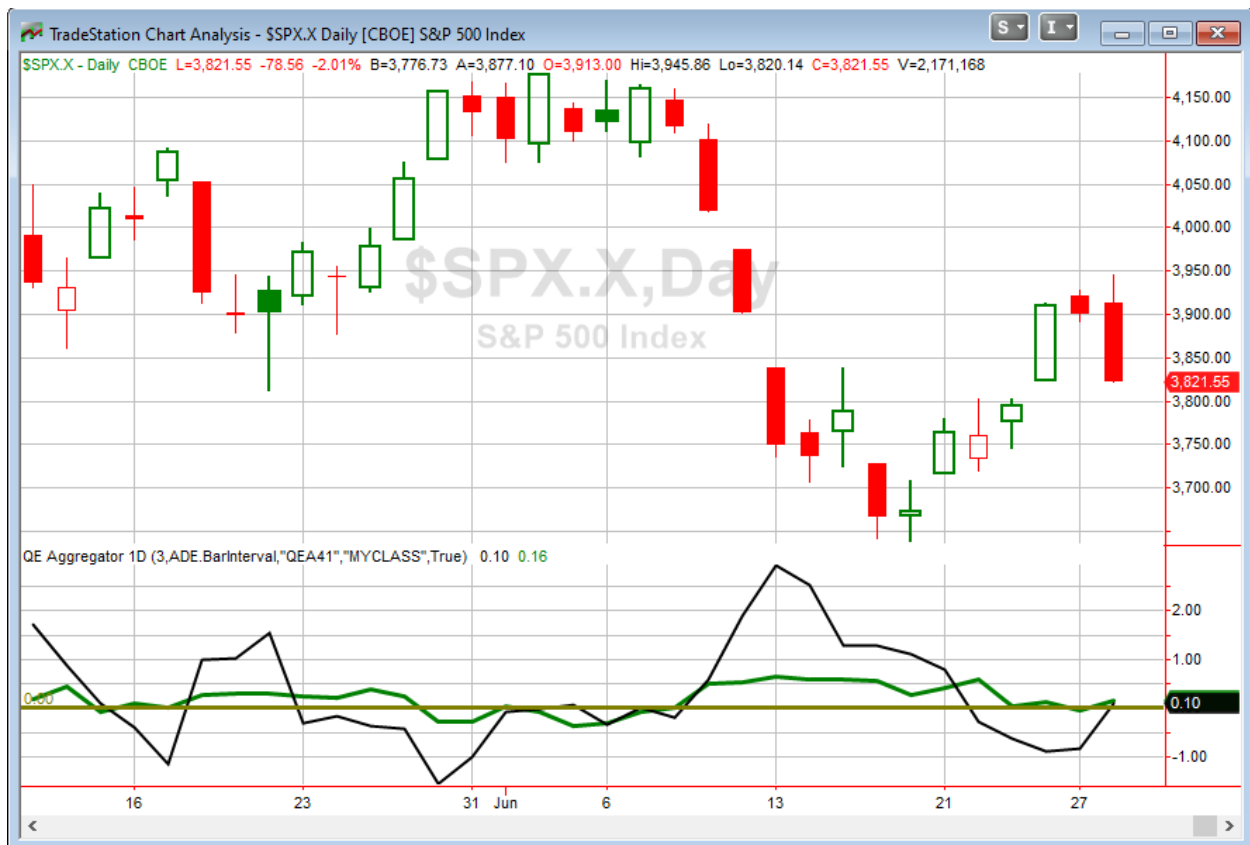
The table seems to suggest an upside tendency over the next several days. Below are the charts for both the 2-day and 7-day holding periods.





Both curves have moved from lower left to upper right, and seem to confirm the idea of an upside tendency. Despite the curve being a little choppy, I decided to include this as a 2-day edge in the Aggregator. Seven days seemed excessive for this setup.

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



With tonight's new evidence considered, the green Aggregator line rose back above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line also rose above zero. 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 formation turned long at the close.

Based on the current active list, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3938.73. That is 3.1% above Tuesday's close. Therefore, SPX will need to close up 3.1% on Wednesday to flip from oversold to overbought vs recent expectations. A more likely scenario is that it will take a multi-day rally or consolidation to work of the oversold condition.

So the Aggregator is now bullish. Evidence is mixed but leaning higher and the SPX is strongly oversold on a short-term basis. I like the long side. Of course I am not inclined to be very aggressive with the intermediate-term outlook just neutral and the market volatility high. But a 3rd down day would likely add more to the short-term bullish case. So rather than jump right in early on Wednesday, I will look for a more favorable entry. I will buy near the close if Wednesday is another down day.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/27 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MO – 1/3 @ \$45.31 (bought @ limit)

Broad Market Large Cap CBI – 1 (MO)

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 – Buy ¼ index position @ \$380.64 LIMIT ON CLOSE. Based on the short-term section above, I will look to take a small index position if SPY closes lower on Wednesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MO(1/3)	6/21/2022	\$45.31	\$43.19	-4.68%	Catapult

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