

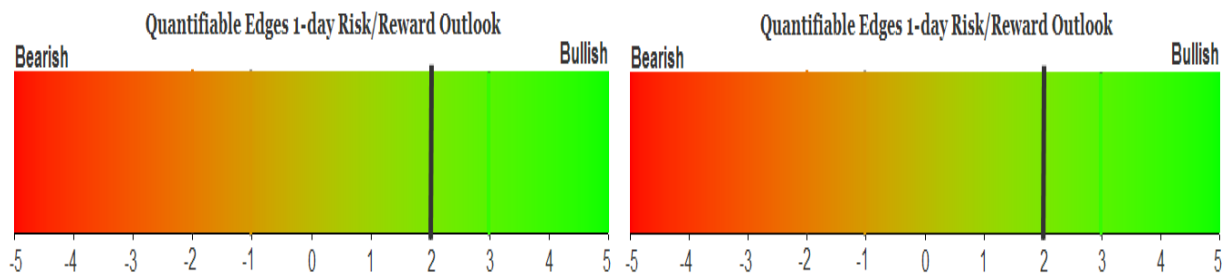
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 26, 2023

Volume 16 Issue 101

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	6

## Tonight's Research Points

- While SPX closed higher, breadth was weak. Studies triggering tonight don't seem to agree on whether this is bullish or bearish.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but the edge is not as strong as it appeared last night.

**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>						
May 26, 2023	Up Iss & Up Vol < 40%. SPX up.	1-4 days	Bearish	-2.10%	1.00%	1.80%
May 26, 2023	SPX up & > 200. Up Vol < 40%	1-7 days	Bullish	1.70%	-1.20%	-2.50%
May 25, 2023	Yest 5-low. Unfill gap dn. Cl < Opn > 200	1-2 days	Bullish			
May 25, 2023	Unfilled gap down 2x. Close > 200ma	1 day	Bullish			
<b>Active - Long Term</b>						
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
May 1, 2023	NASDAQ Leading	int term	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	Deemer Breakaway Momentum	1-6 months	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
December 1, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

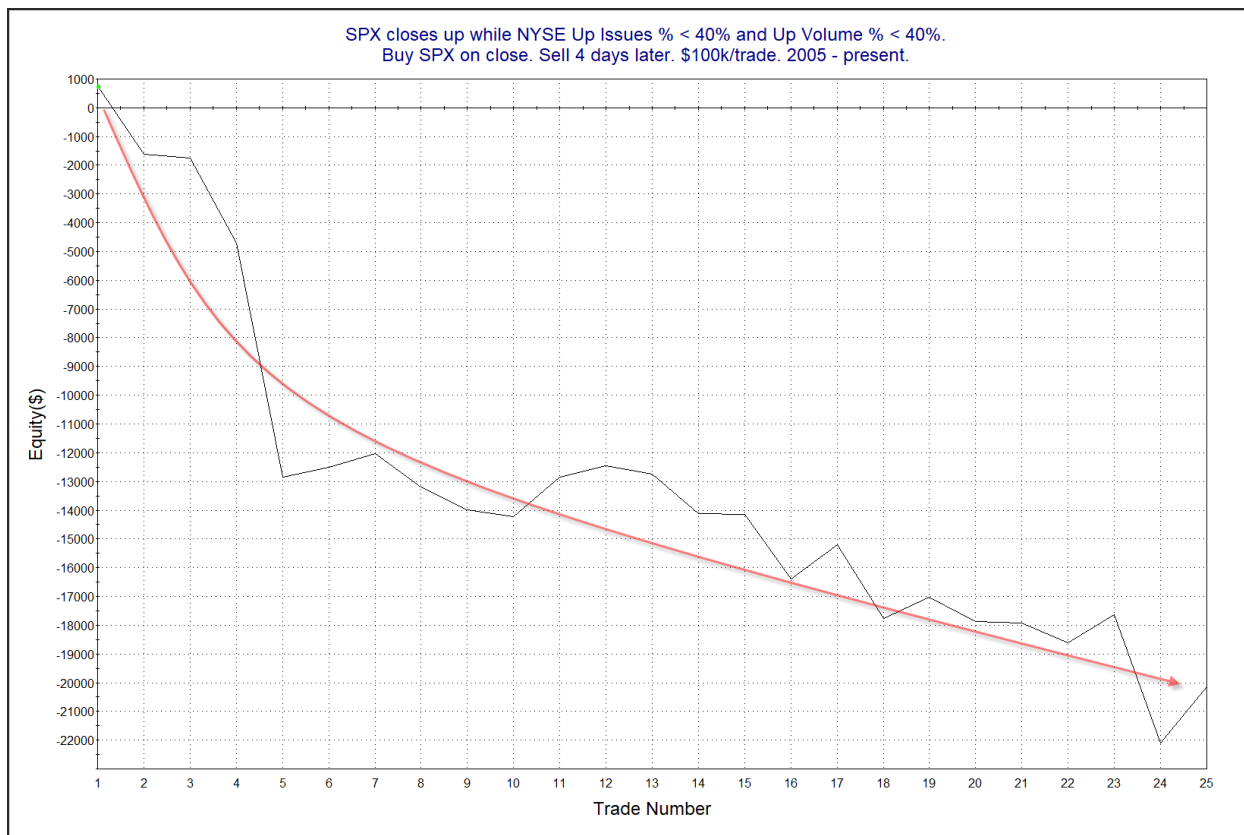
**The Evidence**

Thursday saw mixed results. The SPX gained 0.9%, the NASDAQ rallied 1.7%, but the Russell 2000 fell 0.7%. Breadth was negative with the NYSE Up Issues % coming in at 35% and the Up Volume % at 32%. NYSE total volume rose some from Wednesday’s level.

Most notable about the action was the substantially weak breadth on a day that the SPX moved higher. This triggered a few studies. Interestingly, they did not agree with each other. The 1<sup>st</sup>, from the 4/17/20 letter, looked at times both the Up Volume % and Up Issues % were both below 40% on an up day. Updated results are below.

SPX closes up while NYSE Up Issues % < 40% and Up Volume % < 40%. Buy SPX on close. Sell X days later. \$100k/trade. 2005 - 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	-15,268.59	25	12	13	48.00	2,552.75	-9,372.60	1,198.26	-2,280.59	0.53	0.48	-610.74
4	-20,132.36	25	9	16	36.00	1,977.25	-8,138.50	914.84	-1,772.87	0.52	0.29	-805.29
3	-11,991.37	27	14	13	51.85	2,365.53	-4,302.54	724.17	-1,702.29	0.43	0.46	-444.12
2	-8,363.81	27	14	13	51.85	2,505.37	-3,867.94	810.16	-1,515.85	0.53	0.58	-309.77
1	-9,794.43	29	12	17	41.38	2,625.35	-8,783.02	837.28	-1,167.16	0.72	0.51	-337.74

Numbers here look quite negative. Below is a look at the curve for the 4-day holding period.



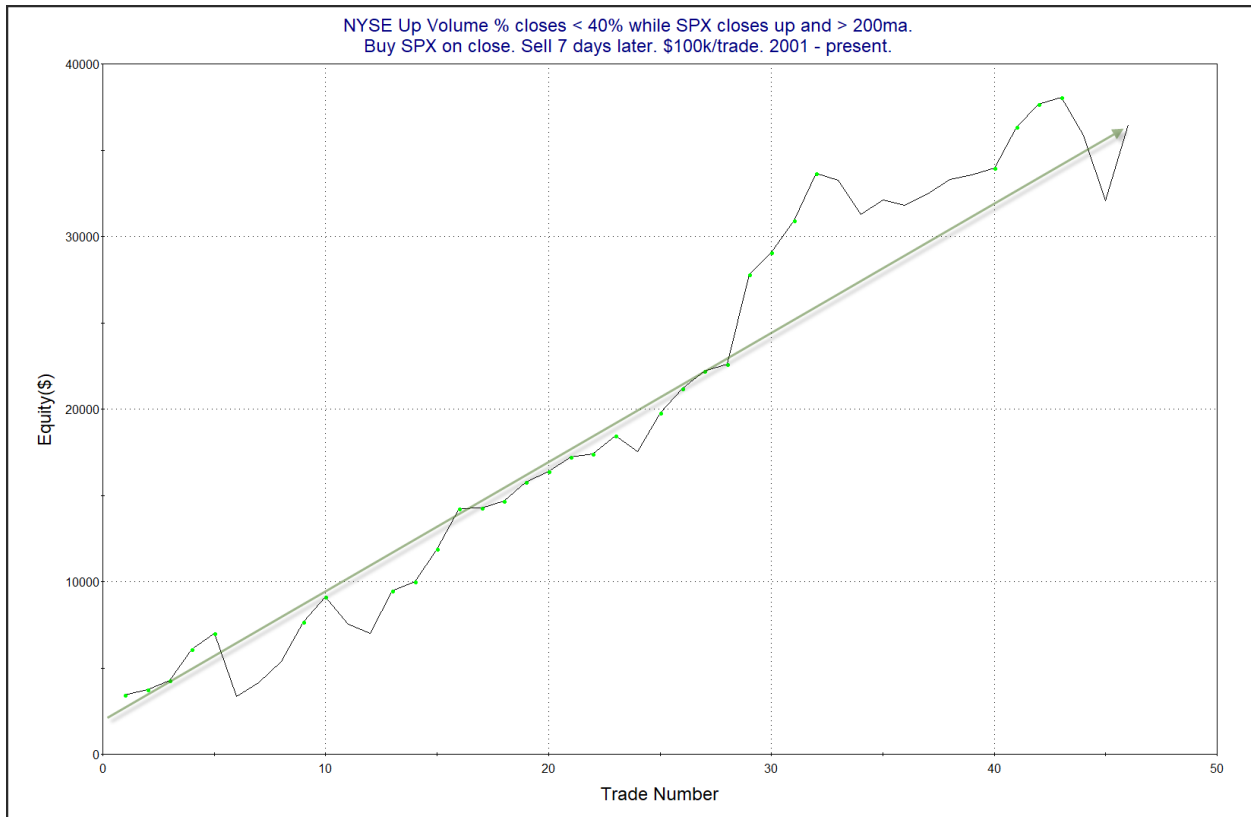
That is a persistent drop. This study appears to be worth some consideration.

But the next study viewed weak breadth as an “oversold” type condition suggesting a short-term upside edge. It simply focused on Up Volume % coming in under 40% while SPX closed higher during a long-term uptrend. It is updated from the 10/7/21 letter.

NYSE Up Volume % closes < 40% while SPX closes up and > 200ma.  
Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.

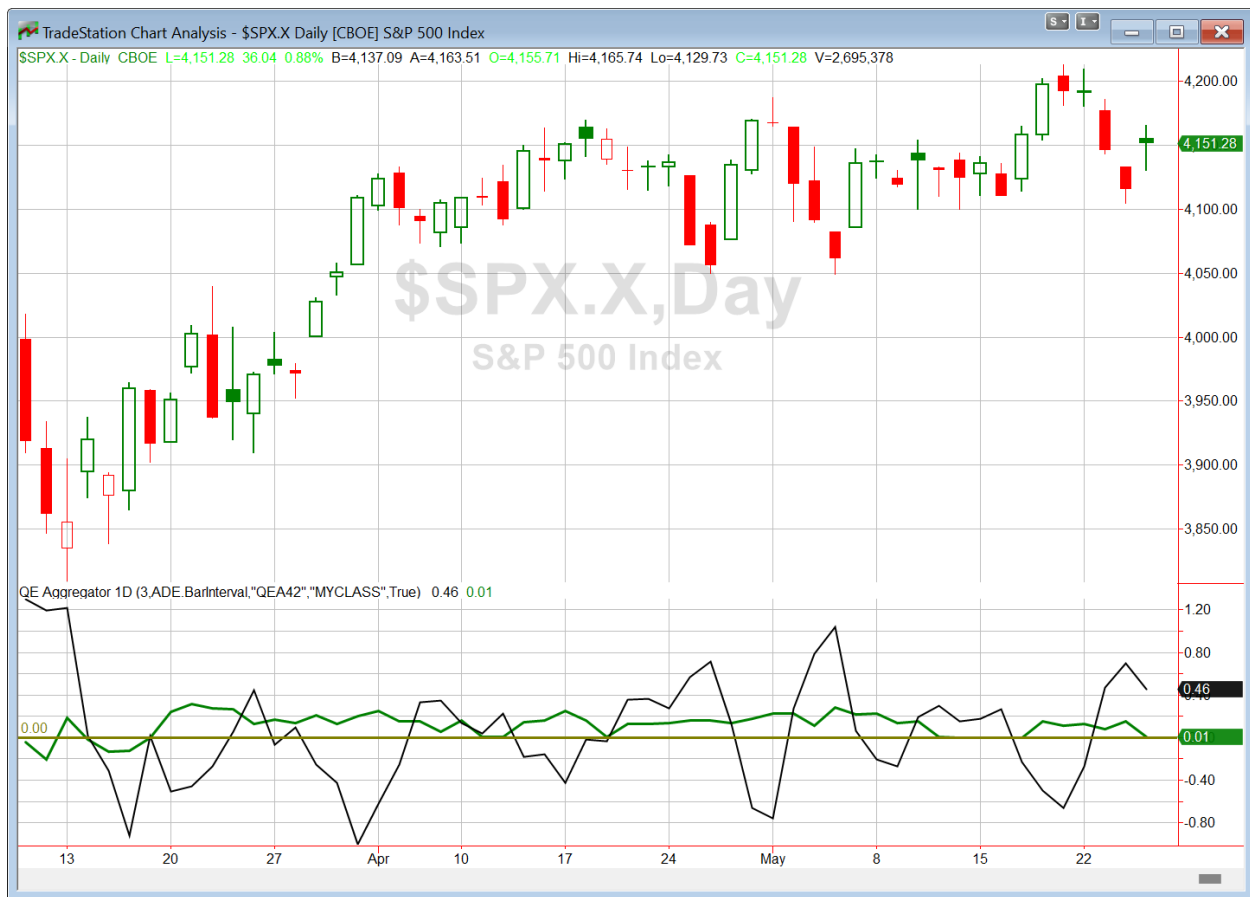
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	43,865.82	42	33	9	78.57	3,969.23	-7,891.63	1,915.10	-2,148.06	0.89	3.27	1,044.42
9	40,491.96	43	33	10	76.74	3,793.00	-7,594.37	1,784.07	-1,838.22	0.97	3.20	941.67
8	41,410.29	44	35	9	79.55	4,666.56	-6,657.20	1,586.79	-1,569.69	1.01	3.93	941.14
7	36,483.99	46	37	9	80.43	5,211.84	-3,755.76	1,402.27	-1,711.10	0.82	3.37	793.13
6	34,458.80	46	34	12	73.91	6,018.56	-3,495.92	1,464.23	-1,277.08	1.15	3.25	749.10
5	24,900.40	49	37	12	75.51	4,787.84	-4,623.84	1,186.34	-1,582.84	0.75	2.31	508.17
4	12,508.97	50	32	18	64.00	2,689.05	-4,483.92	1,069.17	-1,205.81	0.89	1.58	250.18
3	14,351.70	52	34	18	65.38	2,513.92	-3,122.40	904.81	-911.78	0.99	1.87	275.99
2	13,993.21	56	38	18	67.86	2,661.75	-2,848.17	732.30	-768.57	0.95	2.01	249.88
1	6,134.16	61	37	24	60.66	1,790.64	-1,489.20	504.30	-521.88	0.97	1.49	100.56

Results have been surprisingly strong over the last 22 years. Below is a look at a 7-day profit curve.



The curve has shown strong upside persistence. I find these results intriguing and have added this study to the short-term Active List. So we have a bit of a mix tonight.

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



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

Based on the current list of active studies, expectations are set to slip to negative on Friday. Of course this could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4158.60 Friday. That is 0.2% above Thursday's close. Therefore, SPX would only need to close up 0.2% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. But evidence is mixed and the SPX is now only mildly oversold. It seems as though the Aggregator could easily end up bullish, bearish, or neutral as of Friday's close. With the edge somewhat muted, I won't be looking to add to my position. But I will look to exit at the close if SPX finishes above the Differential Pivot.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/22 – slightly bullish*

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

#### ***Open Catapult Triggers***

MDLZ – 1/3 @ \$75.87 (bought @ limit)

MDLZ – 1/3 @ \$75.65 (bought @ limit)

MDLZ – 1/3 @ \$75.47 (buy @ limit)

PEP – 1/3 @ \$184.89 (buy @ limit)

#### ***New***

T – 1/3 @ \$15.15 (buy @ limit)

PEP – 1/3 @ \$183.80 (buy @ limit)

***Broad Market Large Cap CBI – 6(MDLZ-3, PEP-2, T)***

### **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.*

**T – Buy 1/3 Catapult position @ \$15.15 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of T.

**PEP – Buy 1/3 Catapult position @ \$183.80 LIMIT.** From the Catapult section above, this is the 2<sup>nd</sup> of up to 3 possible lots of PEP.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MDLZ(1/3)	5/23/2023	\$75.87	\$75.18	-0.91%	Catapult
MDLZ(1/3)	5/24/2023	\$75.63	\$75.18	-0.60%	Catapult
SPY(1/4)	5/24/2023	\$411.09	\$414.65	0.87%	sell on SPX close > 4158.59
MDLZ(1/3)	5/23/2023	\$74.95	\$75.18	0.31%	Catapult
PEP(1/3)	5/24/2023	\$182.70	\$183.80	0.60%	Catapult

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