

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 13, 2023

Volume 16 Issue 112

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.
- VIX rising over 6% while SPX also rises on a Monday suggests a downside edge.
- A 3-day rally and a new 200-day high heading into Tuesday suggest we could see some continuation upwards over the next few days.

Short-term Outlook

The Bottom Line

Very similar to last night. The Aggregator is bearish. But evidence is somewhat light, the intermediate-term outlook is leaning bullish, and possible volatility events the next few days increase risk. So I am feeling more neutral.

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 5, 2023	SPX up 3 to 200-day high on a Monday	1-2 days	Bullish			
June 12, 2023	VIX up. SPX 50-high. Monday.	1-2 days	Bearish			
June 12, 2023	VIX up. SPX 50-high. Friday.	1-4 days	Bearish	-1.20%	0.60%	1.10%
Active - Long Term						
June 5, 2023	SPX 50-day %b crosses 100	1-50 days	Bullish	4.90%	-4.50%	-9.00%
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			

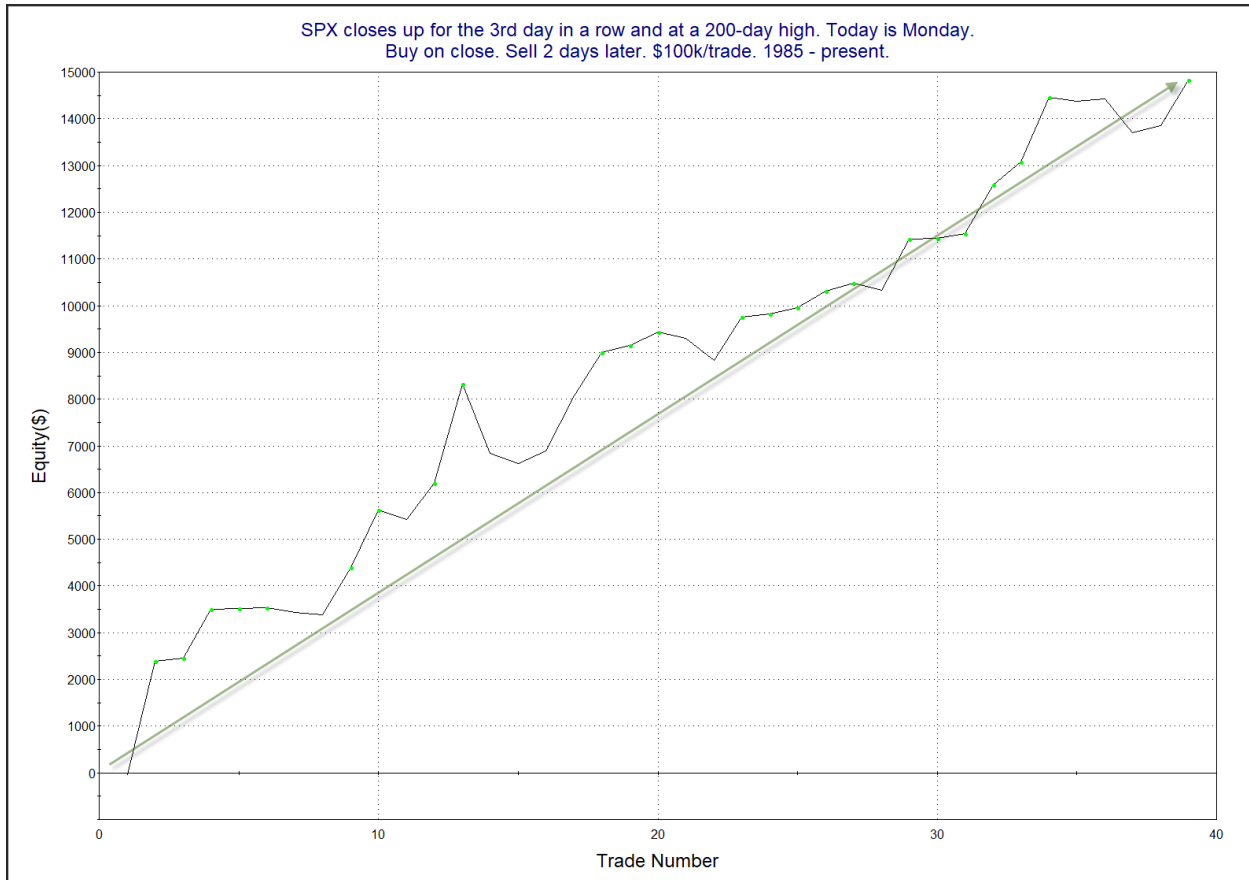
The Evidence

Monday was a rally day as SPX broke above the highs from last August and made the highest level since April of 2022. It finished the day up 0.9%, the NASDAQ gained 1.5%, and the Russell 2000 gained 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 52% and the Up Volume % at 60%. NYSE total volume declined some from Friday's level.

Tuesday is sometimes seen as a turnaround day in the market. But my studies over the years have shown that is only really true when looking at pullbacks. Runs lower will often rebound on Tuesdays. But runs higher don't see a downside edge. And often they may even show a tendency to continue with more upside. The study below looks at times the SPX has closed up 3 days in a row and made a new high on a Monday. It is updated from the 8/25/20 letter.

SPX closes up for the 3rd day in a row and at a 200-day high. Today is Monday. Buy on close. Sell X days later. \$100k/trade. 1985 - 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	19,463.53	38	26	12	68.42	3,565.00	-1,497.69	1,092.27	-744.62	1.47	3.18	512.20
4	15,651.35	38	23	15	60.53	3,489.10	-2,042.82	1,141.26	-706.51	1.62	2.48	411.88
3	16,711.21	38	26	12	68.42	2,359.80	-1,300.86	838.89	-425.00	1.97	4.28	439.77
2	14,883.11	38	28	10	73.68	2,426.12	-1,482.30	660.92	-362.27	1.82	5.11	391.66
1	5,336.49	38	21	17	55.26	1,687.28	-539.07	421.95	-207.32	2.04	2.51	140.43

The numbers here appear bullish. Below is a look at the 2-day profit curve.



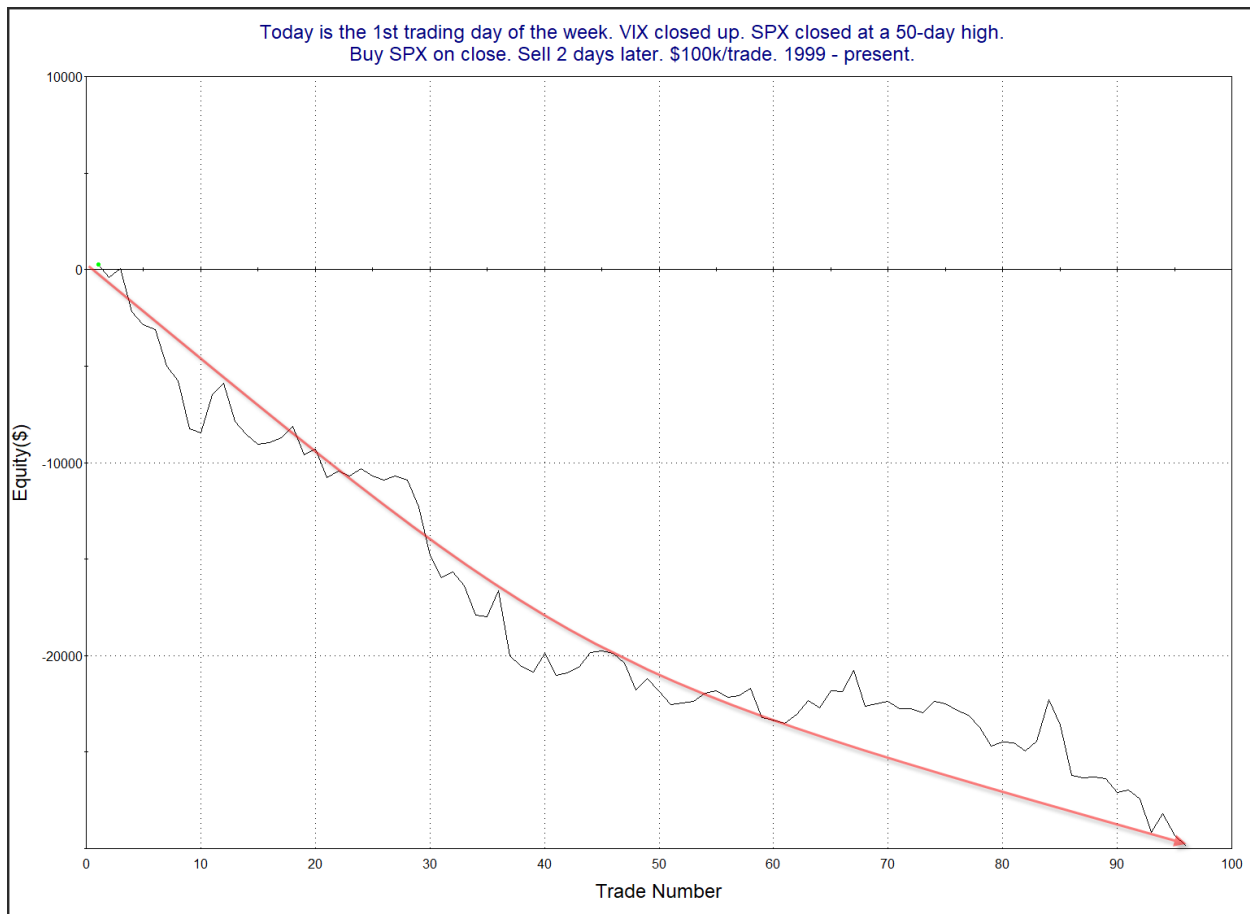
That is a nice steady climb from lower left to upper right. I have included this study on the Active List tonight.

But there were some bearish studies that triggered as well. They looked at the rise in the VIX that accompanied the SPX new high. I decided there were two of them that were worth discussion. This first one looked at times SPX closed at a 50-day high while VIX rose on a Monday. It was last seen in the 8/16/22 letter. Results are all updated.

Today is the 1st trading day of the week. VIX closed up. SPX closed at a 50-day high.
Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-19,687.38	90	41	49	45.56	5,653.12	-5,048.68	1,095.10	-1,318.09	0.83	0.70	-218.75
4	-16,838.96	96	45	51	46.88	4,422.40	-5,732.40	955.95	-1,173.66	0.81	0.72	-175.41
3	-20,856.20	96	44	52	45.83	2,641.80	-6,908.70	680.88	-977.21	0.70	0.59	-217.25
2	-29,874.29	96	39	57	40.63	2,148.48	-3,372.16	491.25	-860.23	0.57	0.39	-311.19
1	-11,636.84	96	33	63	34.38	802.88	-1,580.04	301.92	-342.86	0.88	0.46	-121.22

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



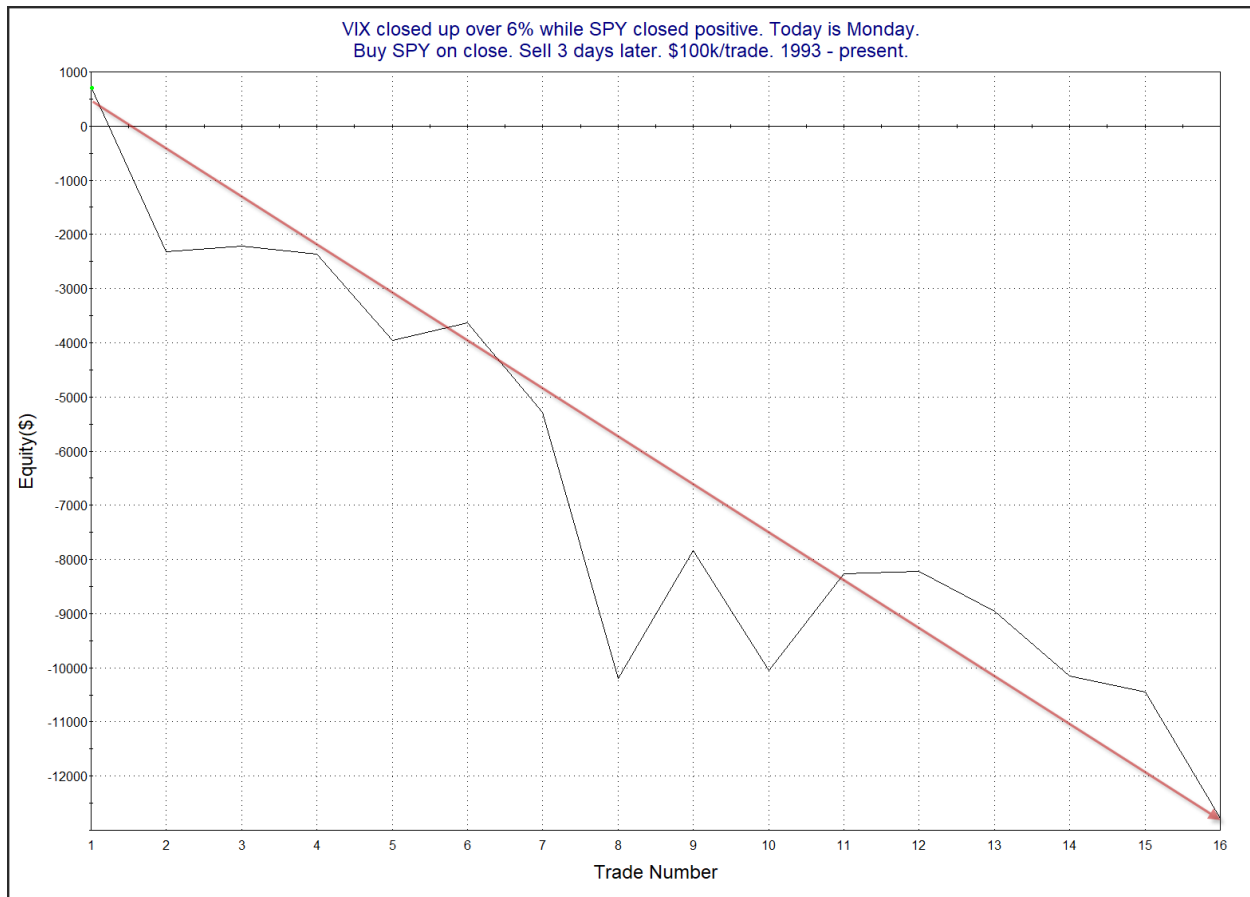
The profit curve has had a long decline. It is again back at new lows and seems worthy of consideration.

The next study did not require a 50-day high. But it did require a large move up from the VIX – at least 6%. Last seen in the 4/11/17 letter, I have updated the results.

VIX closed up over 6% while SPY closed positive. Today is Monday.
Buy SPY on close. Sell X days later. \$100k/trade. 1993 - present.

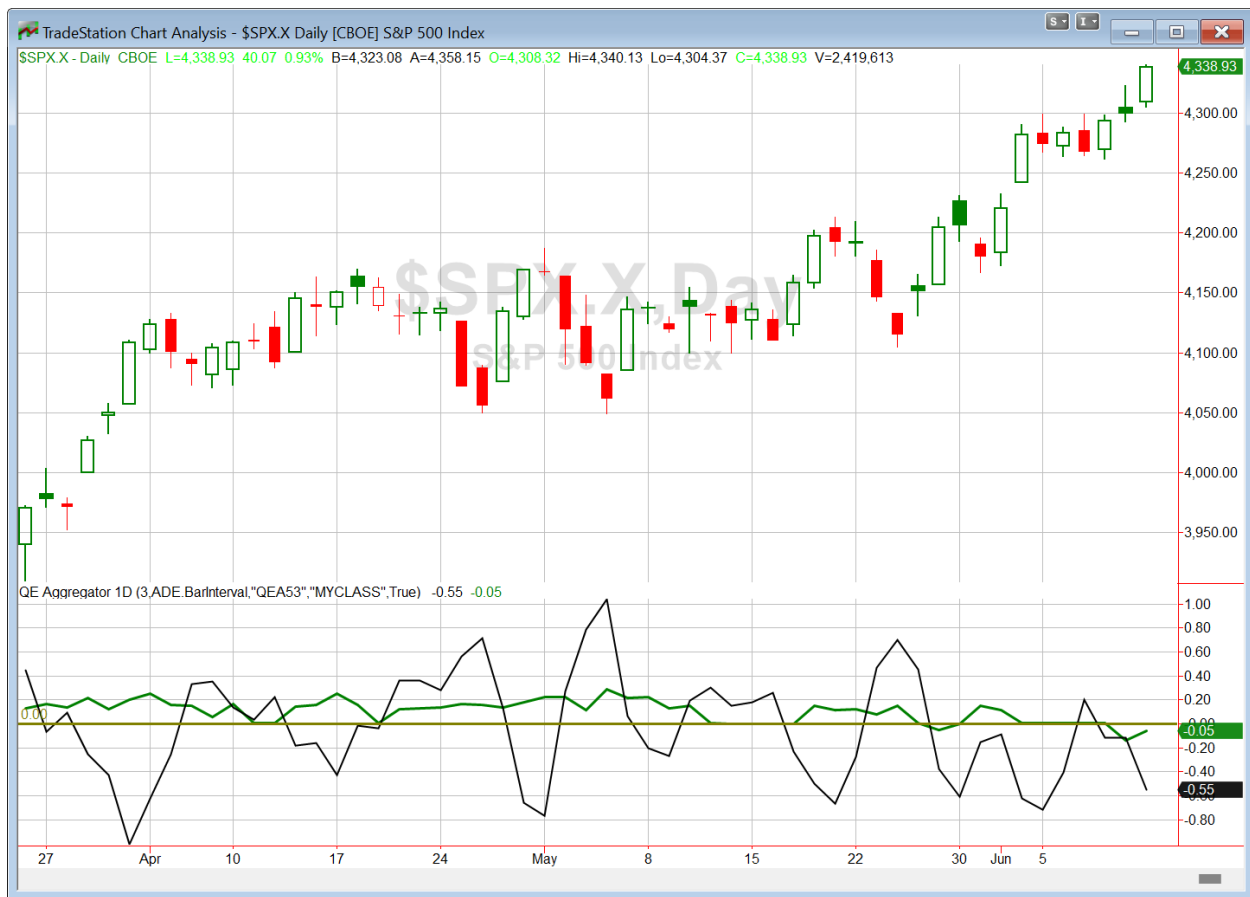
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-18,396.42	16	5	11	31.25	2,143.20	-10,971.48	1,334.22	-2,278.86	0.59	0.27	-1,149.78
4	-14,702.82	16	7	9	43.75	2,252.64	-8,255.66	925.17	-2,353.22	0.39	0.31	-918.93
3	-12,785.06	16	6	10	37.50	2,362.10	-4,912.28	891.62	-1,813.48	0.49	0.29	-799.07
2	-7,248.34	16	6	10	37.50	1,858.87	-3,302.96	788.75	-1,198.08	0.66	0.40	-453.02
1	-3,189.09	16	6	10	37.50	755.00	-1,955.70	373.06	-542.75	0.69	0.41	-199.32

The stats suggest a downside edge. Below is a look at the 3-day profit curve.



This too is impressive. But instances are low, and the other VIX study showed a steadier profit curve on a substantially larger number of instances. With a VIX study from last night already on the list, I decided to just include the 1st one tonight. I don't think I need to completely overload the Aggregator with studies all based on VIX action. I also am not certain that the VIX action is really indicative of a strong edge right now. We have the CPI report coming out Tuesday morning and the Fed announcement Wednesday afternoon. Two potential volatility events. So it makes sense that options traders are paying up for options going into this 2-day period.

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



With tonight's mix of 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 active studies, expectations are set to remain negative on Tuesday. Of course this could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4294.28 on Tuesday. That is 1.0% below Monday's close. So SPX will need to close down at least 1.0% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again bearish. There appears to be a bit of a downside edge. But it is still not nearly enough to get me excited about taking on a counter-trend trade here. As we saw, evidence tonight was mixed. Additionally, Fed Days are often bullish, so we could easily see a bullish Fed Day study emerge on Tuesday (especially if SPX closes low in its intraday trading range). So I will remain sidelined and awaiting the next favorable risk/reward setup.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/12 – slightly bullish

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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