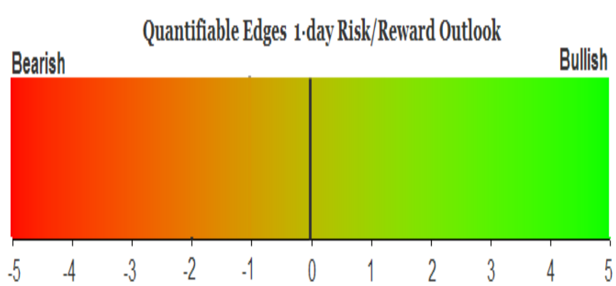
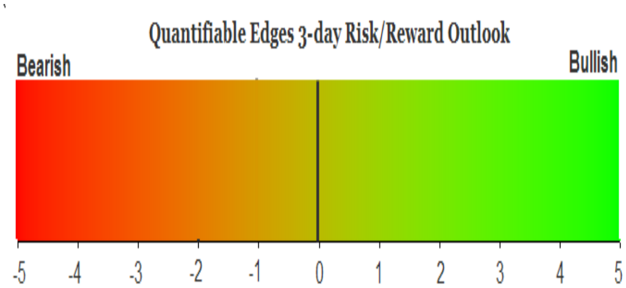
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 15, 2023 Volume 16 Issue 114

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 100-day highs on Fed Days have often led to follow-on buying.
- The weak breadth on Wednesday is sending a somewhat mixed message.

Short-term Outlook
The Bottom Line

The Aggregator is neutral. Evidence is mixed. The setup just isn't very appealing for a short-term index trade.

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 15, 2023	100-high on Fed Day	1-7 days	Bullish	1.50%	-1.00%	-1.65%
June 15, 2023	Up Vol < 40% SPX up and > 200ma	1-7 days	Bullish	1.70%	-1.20%	-2.50%
June 15, 2023	Up Vol & Up Iss < 40%	1-4 days	Bearish	-2.10%	1.00%	1.85%
Active - Long Term						
June 15, 2023	Up Vol < 40% SPX up and > 200ma	1-10 days	Bullish	2.15%	-1.50%	-3.30%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
June 13, 2023	SPX up 3 to 200-day high on a Monday	1-2 days	Bullish			
June 13, 2023	VIX up. SPX 50-high. Monday.	1-2 days	Bearish			

The Evidence

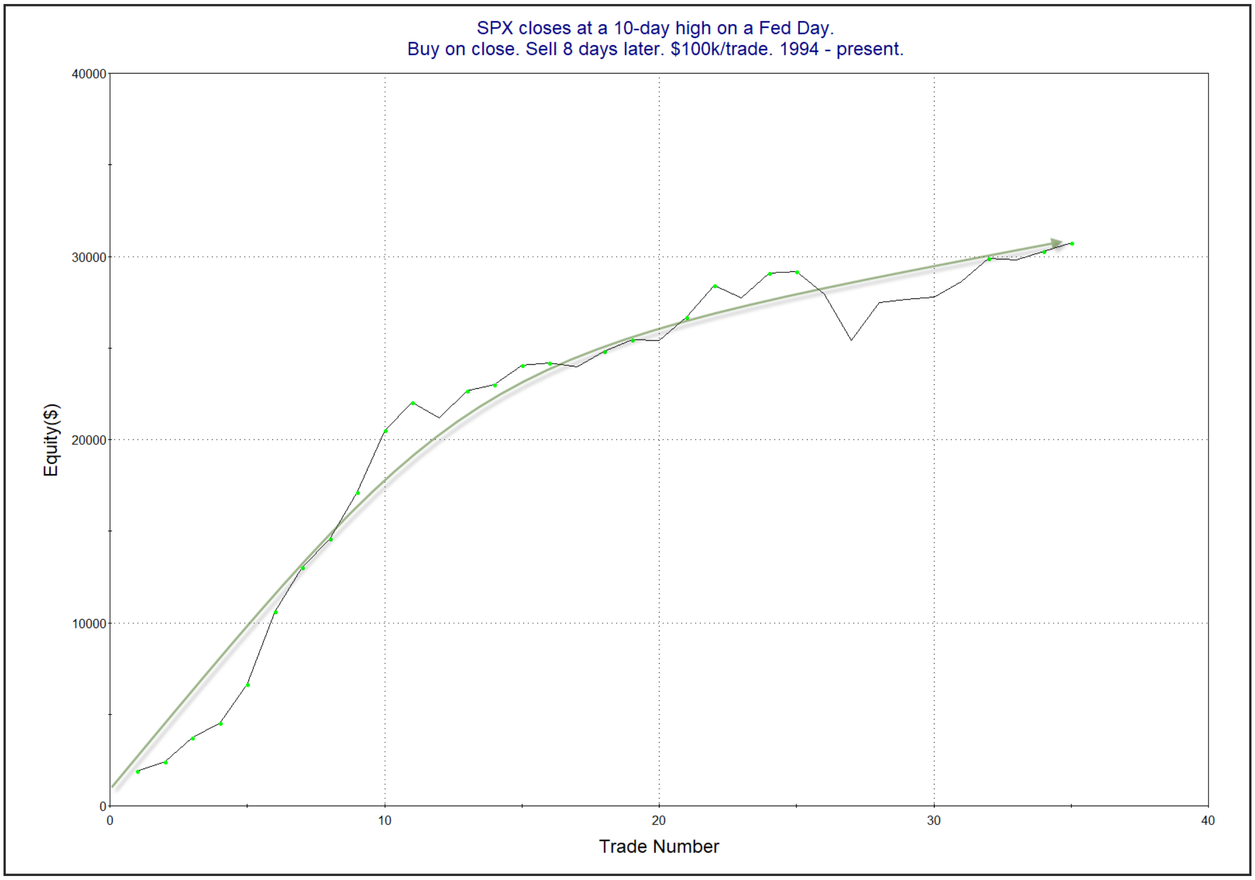
The Fed paused, although they talked tough. The market reacted with some little wiggles. The SPX closed up 0.1%, the NASDAQ gained 0.4%, and the Russell 2000 declined 1.2%. Breadth was negative with the NYSE Up Issues % coming in at 36.6% and the Up Volume % at 39.9%. NYSE total volume rose some from Tuesday's level.

In "The Quantifiable Edges Guide to Fed Days" I discussed Fed Days that close at new highs. The basic finding was that when the market closed at a short-term high on a Fed Day, then it was likely to pull back over the next few days. But when it closed at a long-term high, then the rally was likely to continue. Below is a study from the guide that last appeared in the 11/4/21 Subscriber Letter.

SPX closes at a 100-day high on a Fed Day.
Buy on close. Sell X days later. $100k/trade. 1994 - 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	28,054.95	33	23	10	69.70	5,492.11	-2,161.08	1,690.73	-1,083.18	1.56	3.59	850.15
9	28,581.49	33	24	9	72.73	5,708.74	-2,346.69	1,699.24	-1,355.59	1.25	3.34	866.11
8	29,819.03	33	26	7	78.79	3,995.65	-2,506.29	1,360.90	-794.91	1.71	6.36	903.61
7	23,829.33	33	25	8	75.76	3,198.09	-1,924.89	1,171.03	-680.80	1.72	5.38	722.10
6	21,793.52	33	26	7	78.79	3,147.85	-1,615.00	1,076.29	-884.28	1.22	4.52	660.41
5	17,716.07	33	24	9	72.73	2,353.88	-2,124.50	1,031.01	-780.90	1.32	3.52	536.85
4	14,322.63	33	21	12	63.64	3,173.92	-1,601.70	1,100.60	-732.49	1.50	2.63	434.02
3	8,062.40	33	19	14	57.58	2,227.50	-1,349.76	867.46	-601.39	1.44	1.96	244.32
2	8,508.59	33	20	13	60.61	2,314.87	-1,562.33	837.93	-634.61	1.32	2.03	257.84
1	3,574.65	33	18	15	54.55	2,073.34	-1,466.50	577.43	-454.61	1.27	1.52	108.32

This suggests further upside is likely over the next 1-2 weeks. Below is the profit curve assuming an 8-day holding strategy.



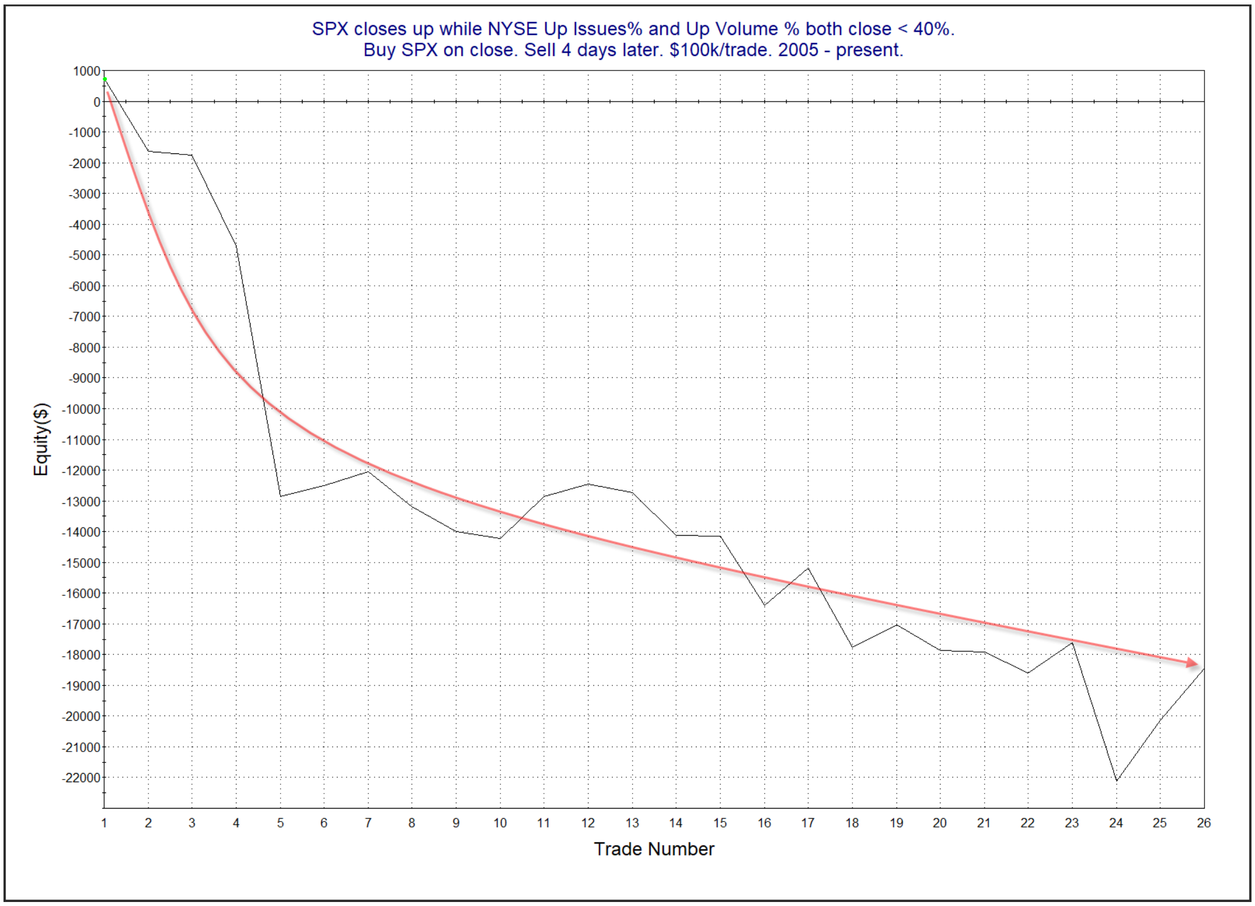
There were a couple of sizable losers in 2012-2013, but since then it has rebounded nicely to get the profit curve headed higher again. I believe this study is worth some consideration.

Also 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 1st, from the 5/26/23 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% and Up Volume % both close < 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	-12,122.43	26	13	13	50.00	3,146.16	-9,372.60	1,348.10	-2,280.59	0.59	0.59	-466.25
4	-18,458.60	26	10	16	38.46	1,977.25	-8,138.50	990.73	-1,772.87	0.56	0.35	-709.95
3	-11,306.17	28	15	13	53.57	2,365.53	-4,302.54	721.58	-1,702.29	0.42	0.49	-403.79
2	-7,062.05	28	15	13	53.57	2,505.37	-3,867.94	842.94	-1,515.85	0.56	0.64	-252.22
1	-8,494.35	30	13	17	43.33	2,625.35	-8,783.02	872.88	-1,167.16	0.75	0.57	-283.14

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



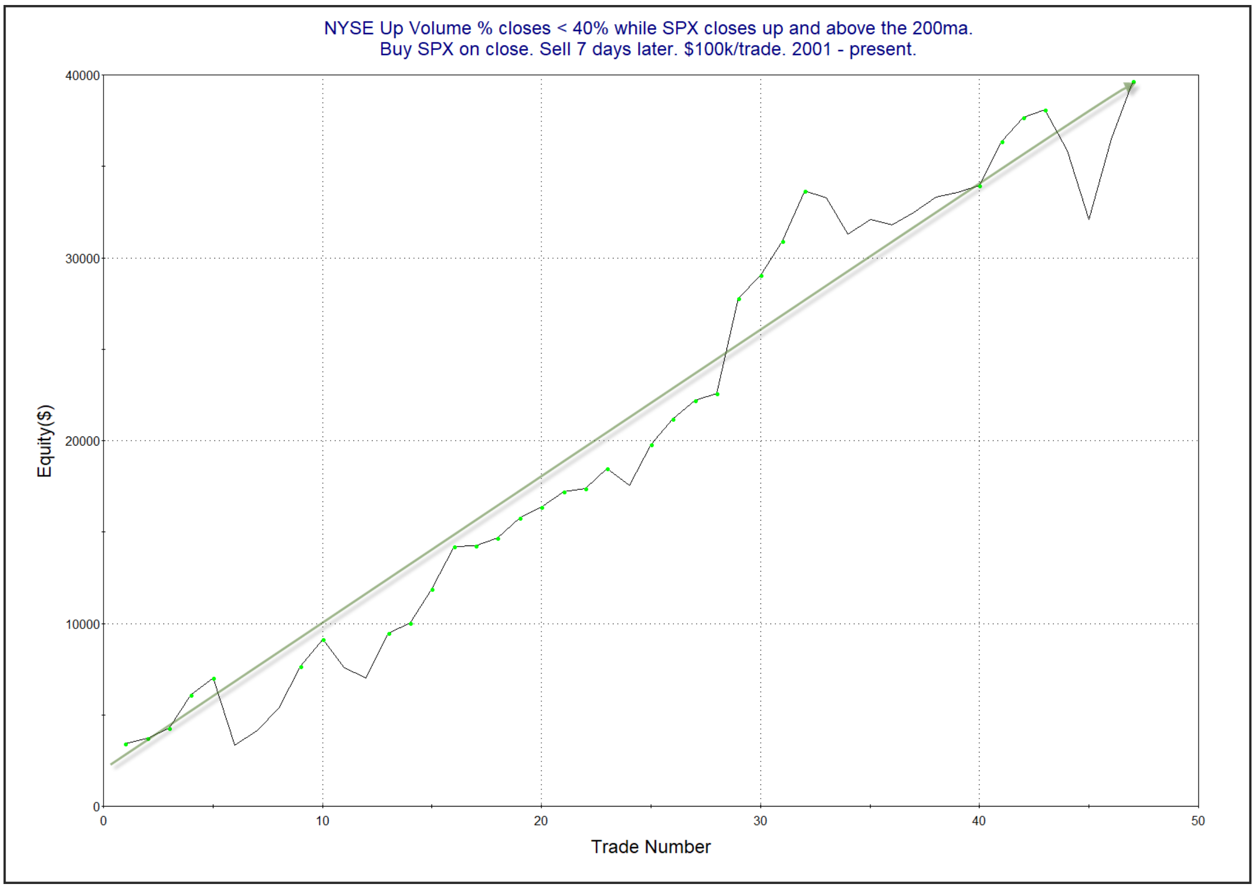
That is a persistent drop. This study appears to be worth some consideration.

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 also updated from the 5/26/23 letter.

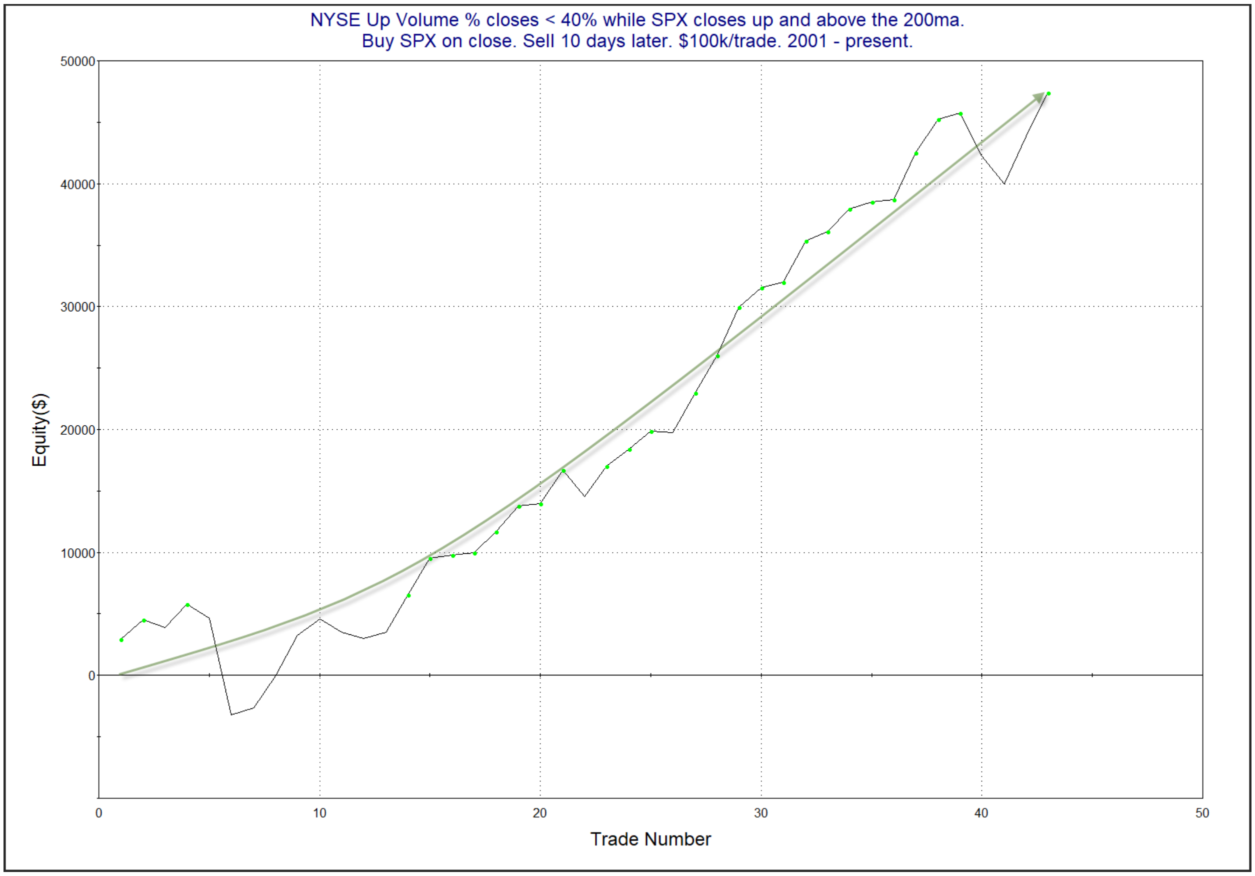
NYSE Up Volume % closes < 40% while SPX closes up and above the 200ma.
Buy SPX on close. Sell X days later. $100k/trade. 2001 - present.

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	47,407.74	43	34	9	79.07	3,969.23	-7,891.63	1,962.95	-2,148.06	0.91	3.45	1,102.51
9	43,915.57	44	34	10	77.27	3,793.00	-7,594.37	1,832.29	-1,838.22	1.00	3.39	998.08
8	44,200.05	45	36	9	80.00	4,666.56	-6,657.20	1,620.20	-1,569.69	1.03	4.13	982.22
7	39,665.67	47	38	9	80.85	5,211.84	-3,755.76	1,449.09	-1,711.10	0.85	3.58	843.95
6	37,399.04	47	35	12	74.47	6,018.56	-3,495.92	1,506.40	-1,277.08	1.18	3.44	795.72
5	28,046.56	50	38	12	76.00	4,787.84	-4,623.84	1,237.91	-1,582.84	0.78	2.48	560.93
4	14,182.73	51	33	18	64.71	2,689.05	-4,483.92	1,087.50	-1,205.81	0.90	1.65	278.09
3	15,036.90	53	35	18	66.04	2,513.92	-3,122.40	898.54	-911.78	0.99	1.92	283.72
2	15,294.97	57	39	18	68.42	2,661.75	-2,848.17	746.90	-768.57	0.97	2.11	268.33
1	7,434.24	62	38	24	61.29	1,790.64	-1,489.20	525.24	-521.88	1.01	1.59	119.91

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

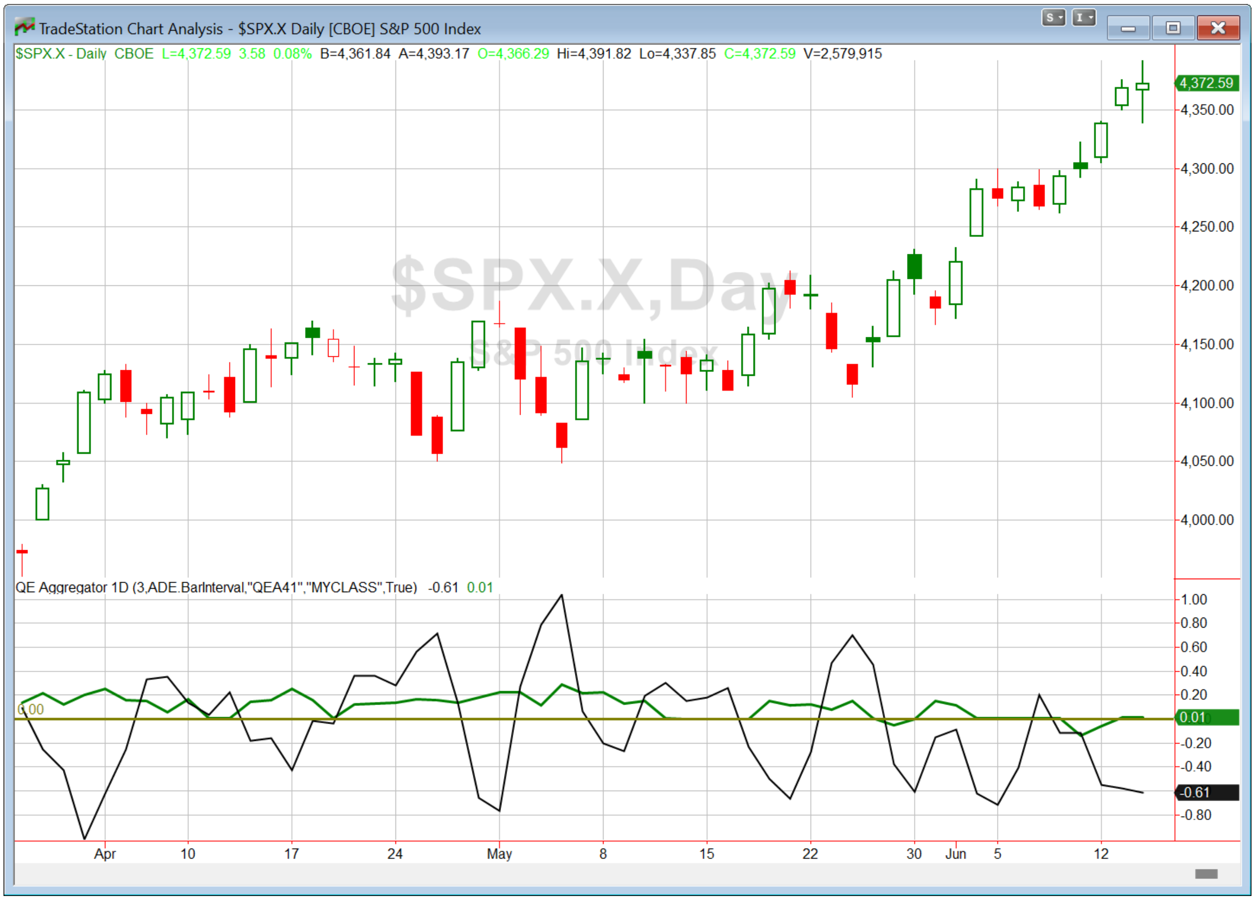


And here is the 10-day curve.



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

I have updated [the Aggregator chart] below.



With Wednesday's evidence considered, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside 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 positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Thursday. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4330.61 on Thursday. That is 1.0% below Wednesday's close. So SPX will need to close down at least 1.0% on Thursday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again neutral. We are not seeing a consistent message from the studies, since they are coming in mixed tonight. I still want a more compelling reward/risk setup before considering taking on any new index positions. I'll remain sidelined at least one more day.

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