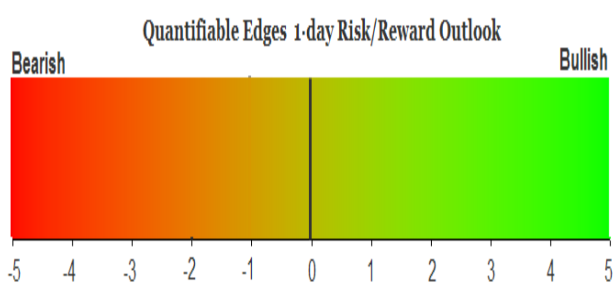
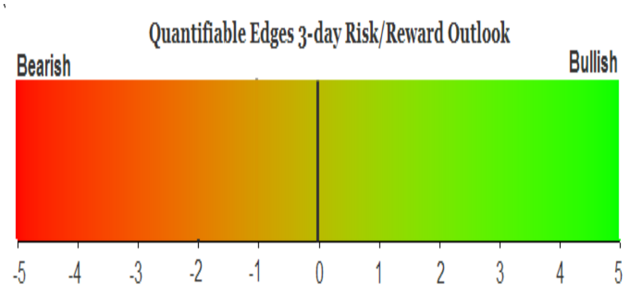
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 16, 2023 Volume 16 Issue 115

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- RSI(2) crossing above 99 bodes well for the intermediate-term.
- During uptrends, opex Friday has often seen selling after the open.

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.

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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 16, 2023	RSI(2) cross over 99.	1-15 days	Bullish	2.30%	-1.50%	-2.95%
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			

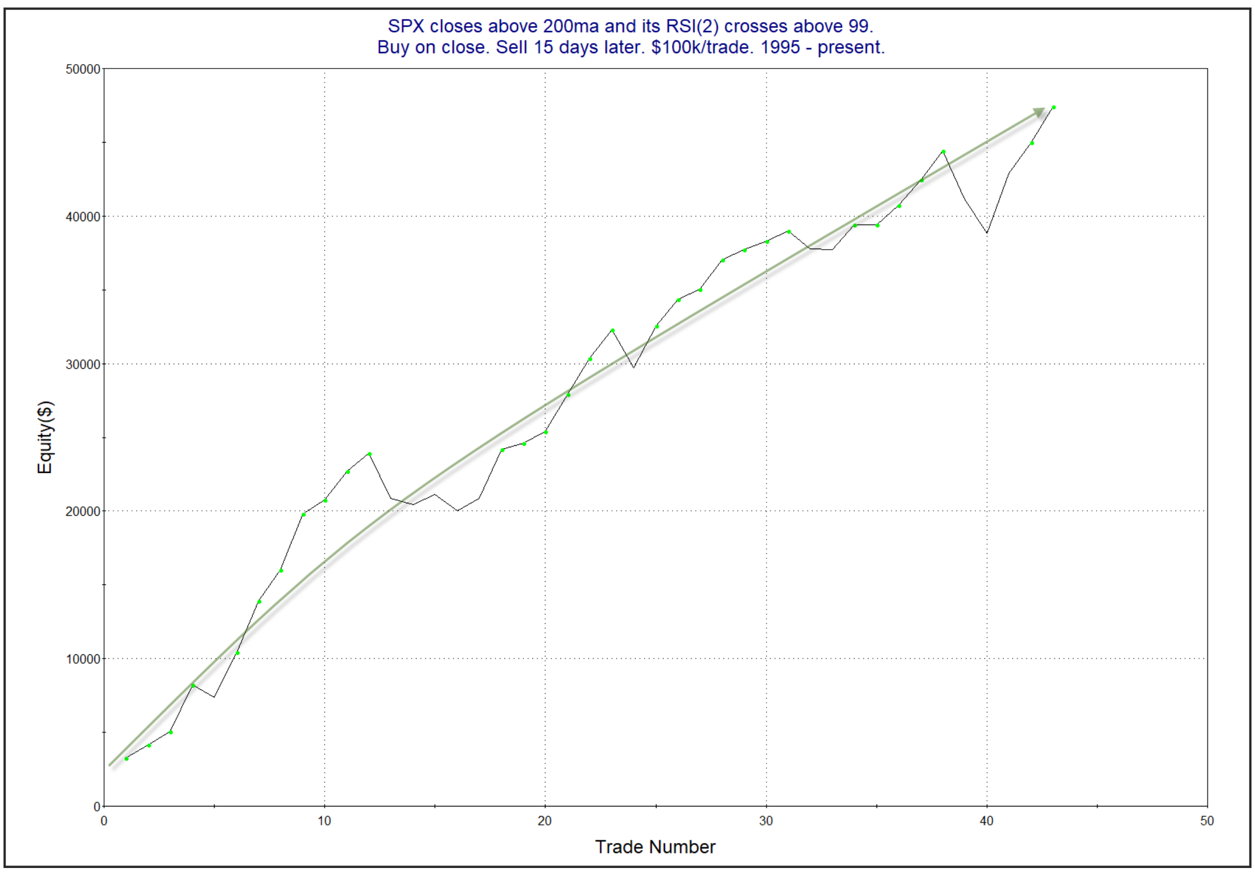
The Evidence

It seems as if nothing can ruin the mood of this market – especially large-cap tech's good mood. On Wednesday the SPX closed up 1.2%, the NASDAQ gained 1.15%, and the Russell 2000 rose 0.8%. Breadth was positive with the NYSE Up Issues % coming in at 74% and the Up Volume % at 83%. NYSE total volume rose for the 3rd day in a row.

The recent rally has left the market short-term overbought by basically every measure. Short-term overbought often triggers some studies that suggest a downside edge, but when the overbought condition gets very strongly overbought, then those downside edges often disappear. And at some point, rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we are seeing this scenario begin to unfold. It is exemplified in the study below from the 8/27/20 Letter, which uses RSI(2).

SPX closes above 200ma and its RSI(2) crosses above 99. Buy on close. Sell X days later. $100k/trade. 1995 - 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
15	47,429.12	43	34	9	79.07	4,055.36	-3,265.02	1,832.61	-1,653.30	1.11	4.19	1,103.00
14	43,050.91	43	34	9	79.07	4,461.36	-4,024.68	1,717.06	-1,703.22	1.01	3.81	1,001.18
13	44,443.55	45	36	9	80.00	3,989.82	-3,320.01	1,614.90	-1,521.42	1.06	4.25	987.63
12	38,518.56	46	35	11	76.09	4,058.61	-3,175.53	1,514.54	-1,317.29	1.15	3.66	837.36
11	37,550.44	47	35	12	74.47	4,106.40	-3,857.28	1,567.10	-1,441.51	1.09	3.17	798.95
10	31,365.88	48	36	12	75.00	3,770.55	-3,907.12	1,359.38	-1,464.31	0.93	2.79	653.46
9	28,548.80	48	36	12	75.00	3,453.27	-3,440.07	1,210.14	-1,251.34	0.97	2.90	594.77
8	23,811.81	48	33	15	68.75	3,547.80	-4,112.92	1,268.12	-1,202.42	1.05	2.32	496.08
7	18,433.19	49	32	17	65.31	3,564.39	-4,153.62	1,103.26	-992.42	1.11	2.09	376.19
6	9,231.22	49	30	19	61.22	2,634.36	-5,296.92	1,024.66	-1,132.03	0.91	1.43	188.39
5	13,131.95	49	33	16	67.35	2,859.08	-3,596.40	904.64	-1,045.08	0.87	1.79	268.00
4	8,189.42	49	32	17	65.31	2,697.92	-3,039.18	835.29	-1,090.59	0.77	1.44	167.13
3	3,783.49	50	30	20	60.00	3,504.64	-2,880.45	760.38	-951.39	0.80	1.20	75.67
2	5,375.56	50	30	20	60.00	2,273.92	-2,348.76	667.77	-732.87	0.91	1.37	107.51
1	1,777.71	50	26	24	52.00	2,096.10	-3,515.37	495.92	-463.18	1.07	1.16	35.55

The numbers here very moderate for the first week or so (though they have improved in recent years). But once you get out 2-3 weeks, it appears the strength has consistently re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.



The upside edge has been apparent for a while, and it still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.

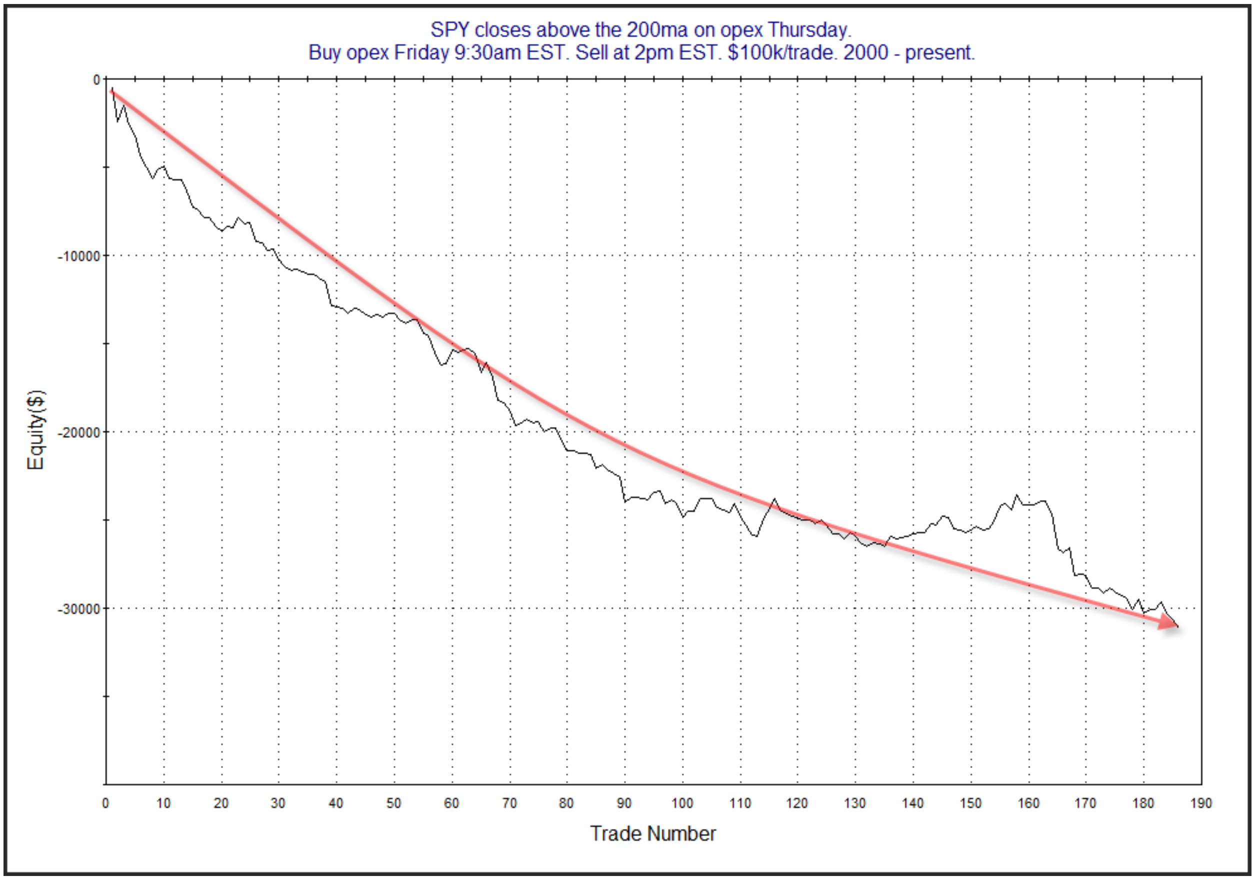
It is notable that Friday is monthly options expiration. Options expiration has long been a day that has seen weakness after the opening bell. I last discussed this in the 5/19/23 letter. Feeling a little worn-out, or perhaps just lazy, tonight I have not updated the results. But the 5/19 action saw the typical post-open selling. Everything below is copied from that letter, without updating…

This first study show results of purchasing SPY at the open and then exiting at different times during the day.

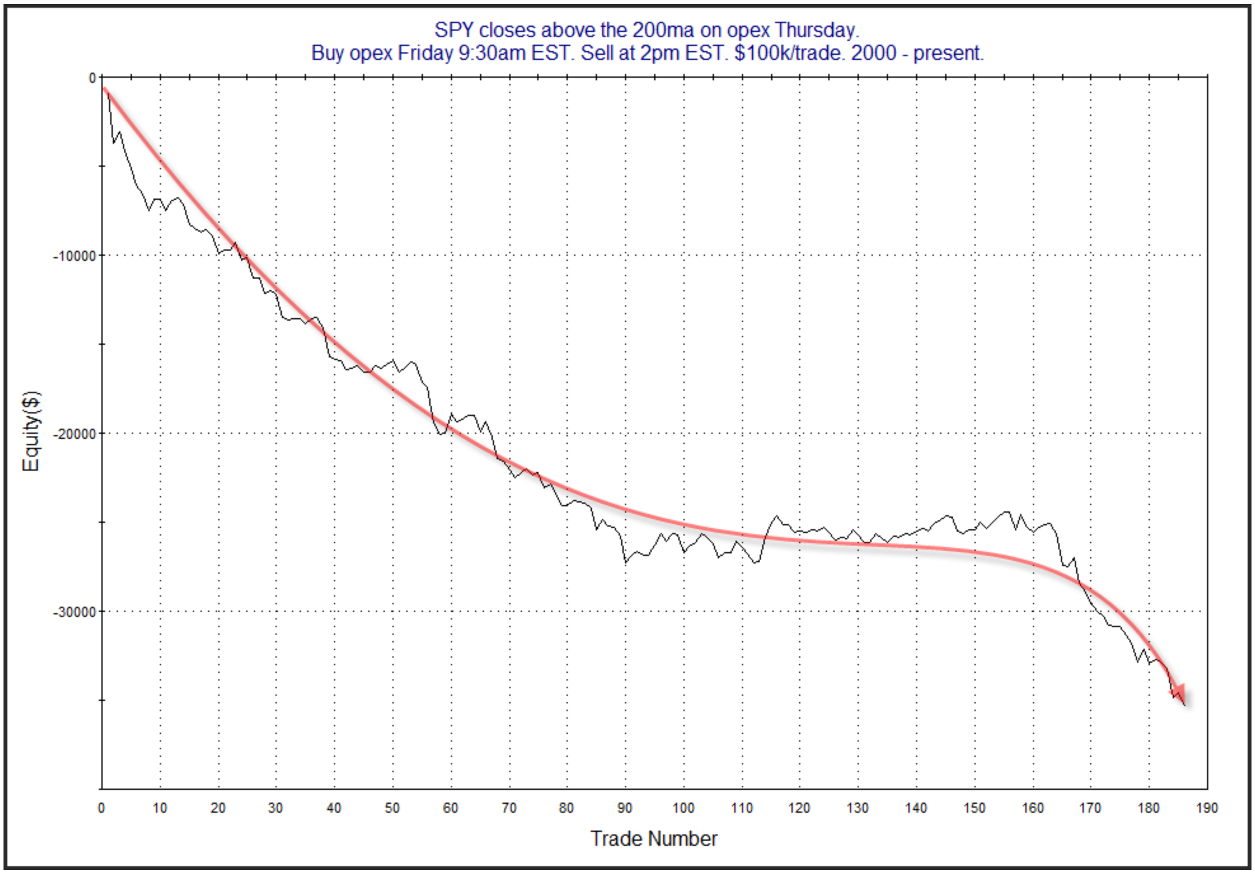
SPY closes above the 200ma on opex Thursday.
Buy opex Friday 9:30am EST. Sell at time shown on left. $100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-35,377.53	186	76	110	40.86	1,400.58	-2,746.58	315.39	-539.52	0.58	0.40	-190.20
1,500	-30,367.60	186	77	108	41.40	983.92	-2,315.18	291.19	-488.79	0.60	0.42	-163.27
1,400	-31,166.75	186	62	124	33.33	993.96	-2,000.00	294.72	-398.70	0.74	0.37	-167.56
1,300	-27,647.99	186	66	119	35.48	968.86	-1,324.62	276.86	-385.89	0.72	0.40	-148.65
1,200	-25,931.13	186	65	121	34.95	1,243.06	-1,318.40	262.22	-355.17	0.74	0.40	-139.41
1,100	-19,754.63	186	69	116	37.10	1,020.18	-968.50	223.09	-303.00	0.74	0.44	-106.21
1,000	-16,476.77	186	53	133	28.49	365.47	-629.00	137.04	-178.50	0.77	0.31	-88.58

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

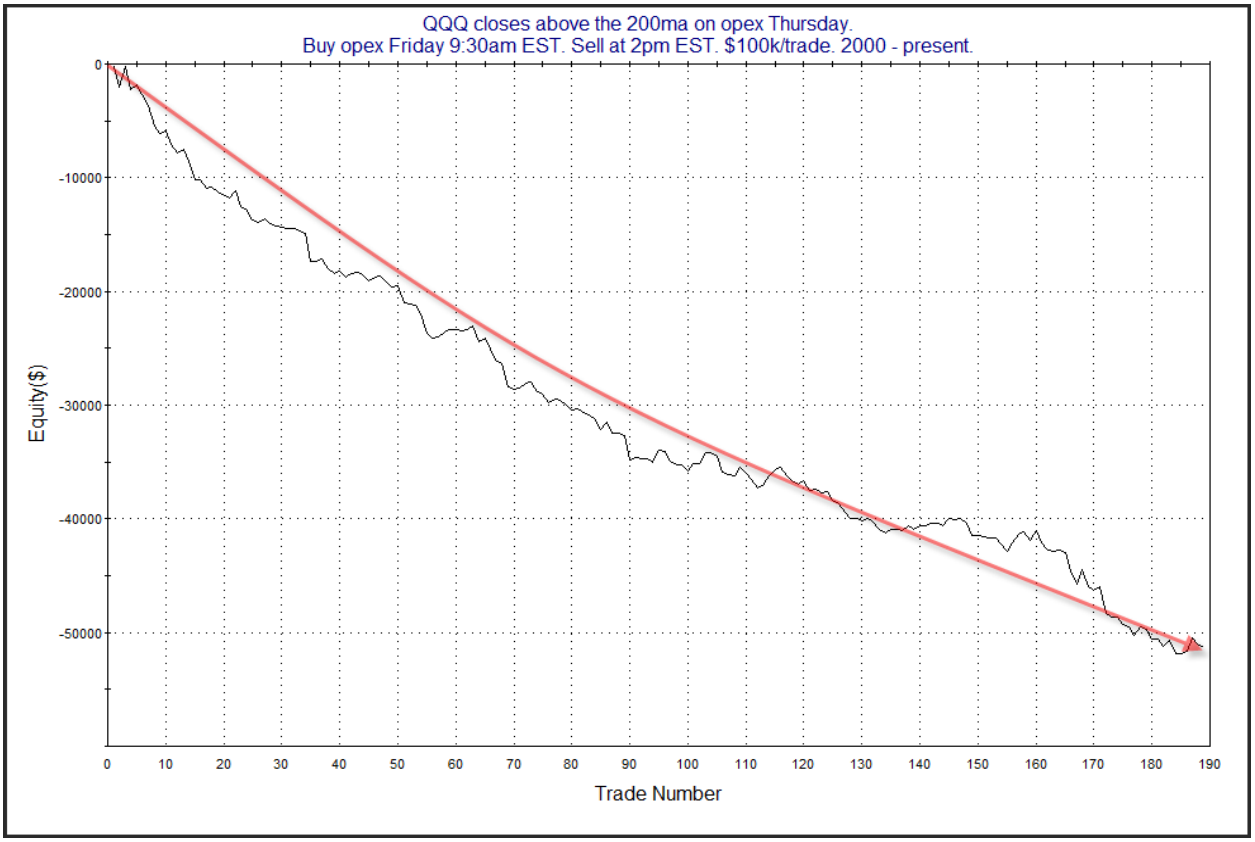


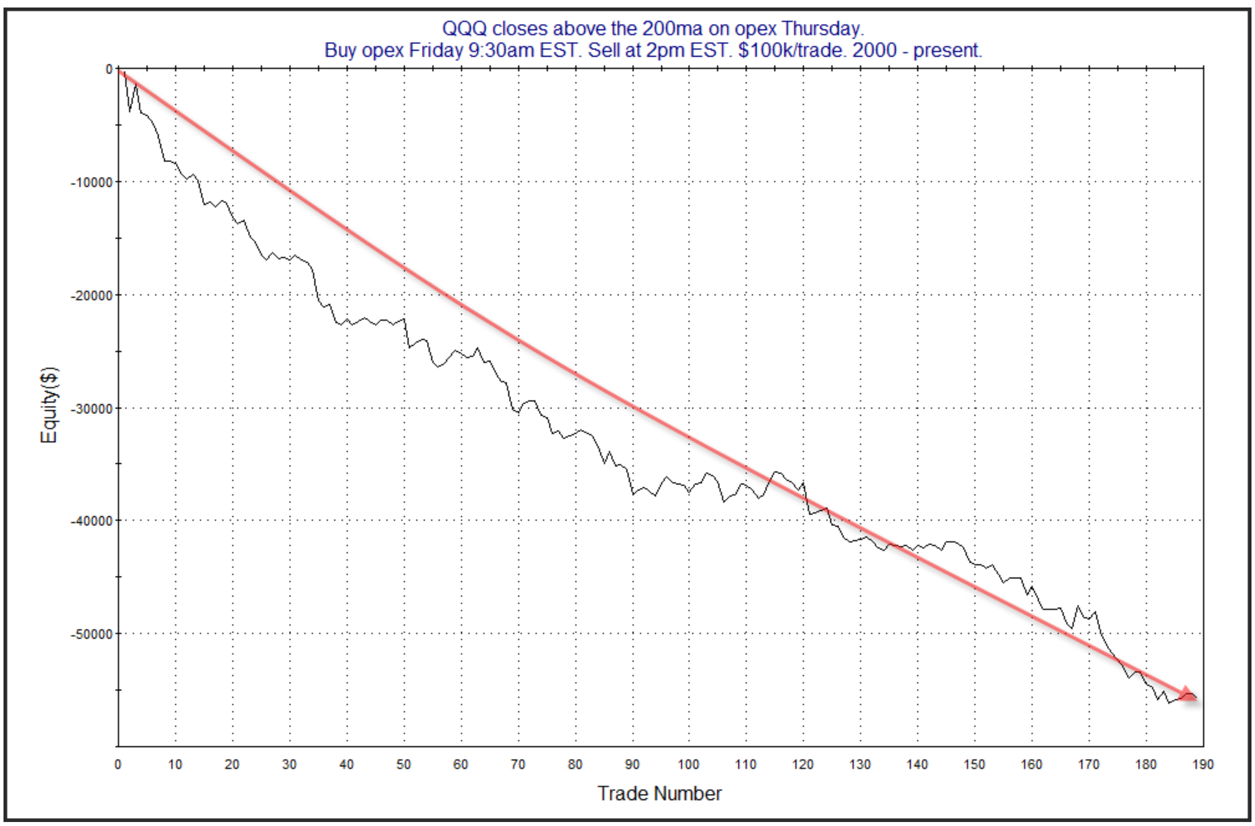
This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

QQQ closes above the 200ma on opex Thursday.
Buy opex Friday 9:30am EST. Sell at time shown on left. $100k/trade. 2000 - present.

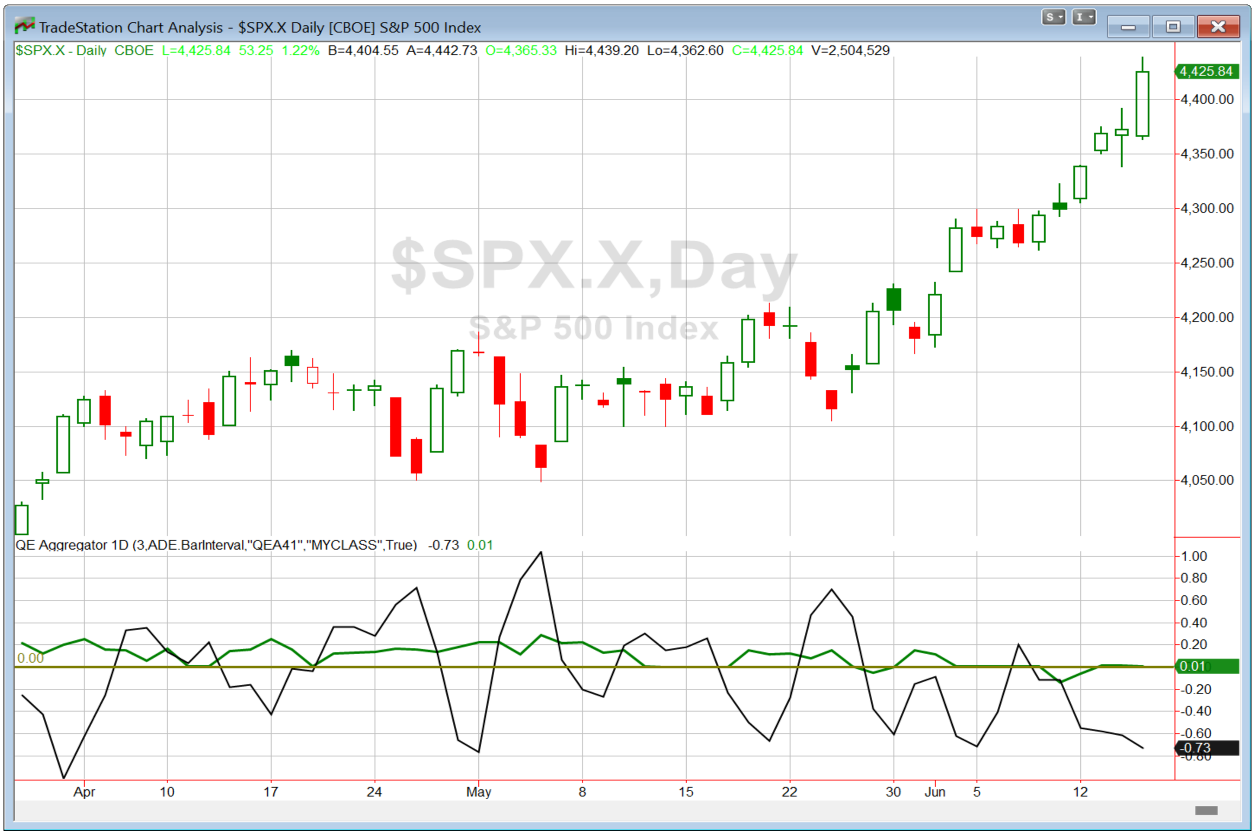
OE Op-Ex Fri Intra Short: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-55,749.36	189	73	116	38.62	2,510.56	-3,518.64	438.41	-756.49	0.58	0.36	-294.97
1,500	-50,479.84	189	68	119	35.98	1,726.01	-2,575.80	408.90	-657.86	0.62	0.36	-267.09
1,400	-51,326.25	189	61	126	32.28	1,818.31	-2,418.42	388.32	-595.35	0.65	0.32	-271.57
1,300	-44,154.80	189	65	123	34.39	1,652.17	-2,376.36	363.43	-551.04	0.66	0.35	-233.62
1,200	-43,301.31	189	64	121	33.86	2,473.64	-1,834.30	352.56	-544.34	0.65	0.34	-229.11
1,100	-33,899.75	189	65	124	34.39	1,984.45	-1,928.16	360.07	-462.13	0.78	0.41	-179.36
1,000	-26,384.88	189	59	129	31.22	1,319.89	-1,192.98	223.97	-306.97	0.73	0.33	-139.60


QQQ closes above the 200ma on opex Thursday.
Buy opex Friday 9:30am EST. Sell at 2pm EST. $100k/trade. 2000 - present.
Equity($)
Trade Number
0
-10000
-20000
-30000
-40000
-50000
0
10
20
30
40
50
60
70
80
90
100
110
120
130
140
150
160
170
180
190


QQQ closes above the 200ma on opex Thursday.
Buy opex Friday 9:30am EST. Sell at 2pm EST. $100k/trade. 2000 - present.
Equity($)
Trade Number
0
-10000
-20000
-30000
-40000
-50000
0
10
20
30
40
50
60
70
80
90
100
110
120
130
140
150
160
170
180
190

The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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



With Thursday'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 Friday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4360.66 on Friday. That is 1.5% below Thursday's close. So SPX will need to close down at least 1.5% on Friday in order to flip from overbought to oversold vs recent expectations. More likely it will take a multi-day selloff or consolidation to work off the overbought condition.

So the Aggregator is again neutral. Sometimes it sucks watching the market take off without being in it. But it is important to recognize that such an overbought condition is not a favorable entry point for a short-term trade. I will continue to exercise patience and wait for a better reward/risk opportunity to emerge.

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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