

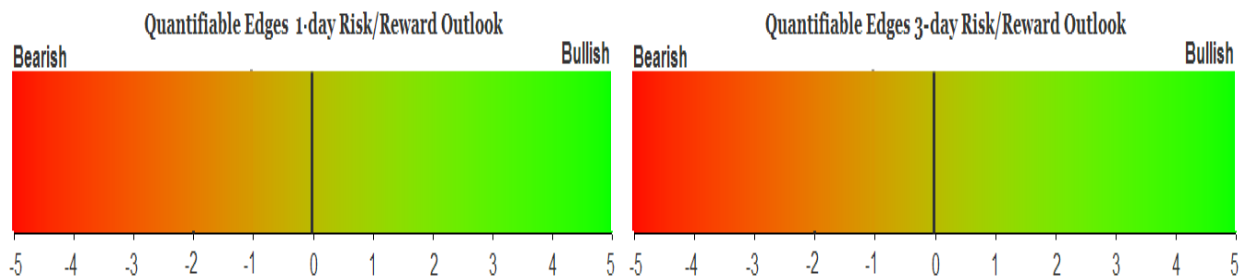
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 21, 2023

Volume 16 Issue 117

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The Russell typically outperforms the SPX between now and the end of June.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is mostly bullish, and SPX remains overbought. But we could easily see a bullish Aggregator signal emerge on Wednesday if the SPX does not rally strongly.

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 20, 2023	5up to 50-high. Down 1. > 200ma	1-4 days	Bullish	1.10%	-0.80%	-1.60%
June 20, 2023	20-high.Close btm 10%.	1-2 days	Bullish			
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 20, 2023	5up to 50-high. Down 1. > 200ma	1-10 days	Bullish	1.85%	-1.10%	-2.30%
June 20, 2023	20-high.Close btm 10%.	1-10 days	Bullish	2.00%	-1.50%	-2.90%
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	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 saw some moderate selling. The SPX closed finished the day down 0.5%, the NASDAQ fell 0.2%, and the Russell 2000 dropped 0.5%. Breadth was negative with the NYSE Up Issues % coming in at 32% and the Up Volume % at 23%. NYSE total volume declined from Friday's high level.

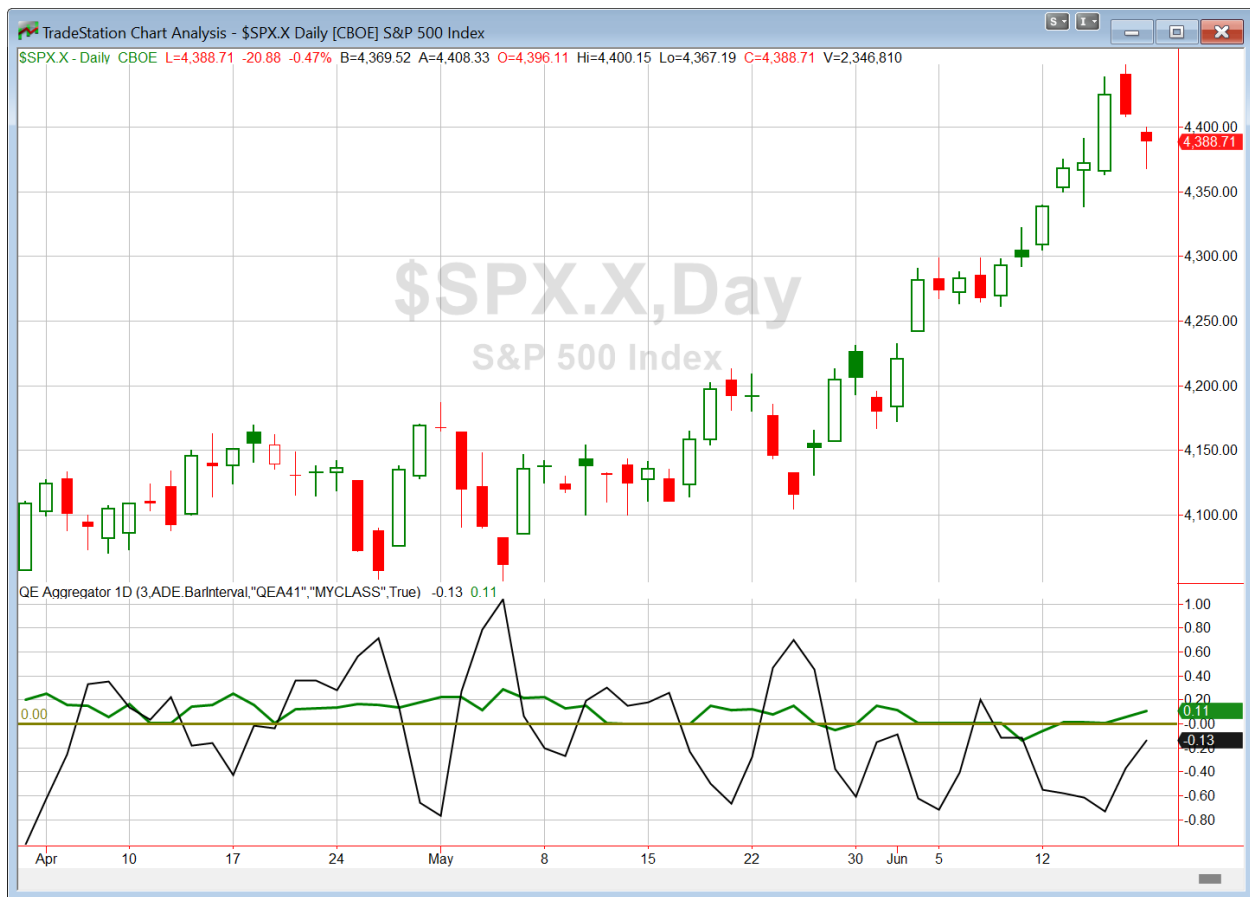
After having quite a bit to talk about over the weekend, the Quantifinder came up blank on Tuesday. I am not entirely surprised by that. We have had a 2-day pullback from an overextended condition. The pullback is bringing the market back a little, but it is still well above its previous range as well as its 10-period moving average (for SPX and NDX). So for many "oversold" studies to trigger we will need more than just a mild 2-day dip from a high level. One thing to note is that the Russell/SPX study from the weekend kicked in at the close today. So Russell may end up outperforming the SPX over the next week and a half or so. If long-side opportunities emerge, I may look to the Russell to trade rather than SPX. Below is the study, copied from the weekend letter.

Interesting about late June is that we have Russell rebalancing at the end of the month. In the past, this period has also seen the Russell 2000 outperform the S&P 500 by a sizable margin. This is something I looked at last year in the 6/21/22 letter. The table below shows how the Russell 2000 has done versus the SPX from the close the Tuesday after June Opex until the close on the last trading day of June.

% Change from close on Tuesday after June Opex through last day of June. 2001 - 2021.			
Year	RUT	SPX	Difference
2001	4.89%	0.97%	3.92%
2002	2.25%	1.40%	0.85%
2003	1.70%	-0.91%	2.61%
2004	3.43%	0.56%	2.87%
2005	-0.22%	-1.84%	1.62%
2006	6.75%	2.45%	4.30%
2007	-1.76%	-1.98%	0.22%
2008	-2.56%	-2.61%	0.05%
2009	3.76%	2.71%	1.06%
2010	-5.64%	-5.90%	0.26%
2011	2.62%	1.94%	0.68%
2012	1.53%	0.31%	1.23%
2013	1.69%	1.15%	0.54%
2014	1.68%	0.53%	1.16%
2015	-3.23%	-2.88%	-0.35%
2016	-0.17%	0.48%	-0.65%
2017	0.88%	-0.56%	1.44%
2018	-2.97%	-1.59%	-1.38%
2019	2.99%	0.84%	2.15%
2020	0.14%	-0.99%	1.13%
2021	0.64%	1.20%	-0.56%
2022	0.82%	0.55%	0.27%

For much of the last 22 years the Russell 2000 has outperformed the SPX during this late June period, though the last few years there have been a few stumbles. The average outperformance over the 20 year period has been 1.1%. This would seem worth keeping in mind as we close out June.

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



Without any new studies making the cut tonight, 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 Wednesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4427.28 on Wednesday. That is 0.9% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.9% in order to remain overbought. Anything less than that and it will be considered short-term oversold vs recent expectations.

So the Aggregator is again neutral. Evidence is mostly pointing higher, but the market is still short-term overbought. But the overbought condition will not persist without a sizable move up on Wednesday. Therefore, there seems to be a good chance that the Aggregator is setting up for a bullish formation on Wednesday – especially if SPX closes down (for the 3rd day in a row). I am

not inclined to jump ahead. A more aggressive trader might think about taking on long exposure near the close on Wednesday. I'll see how it plays out, and what new evidence emerges. But the stage is setting up for a possible long entry on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/20 – 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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