

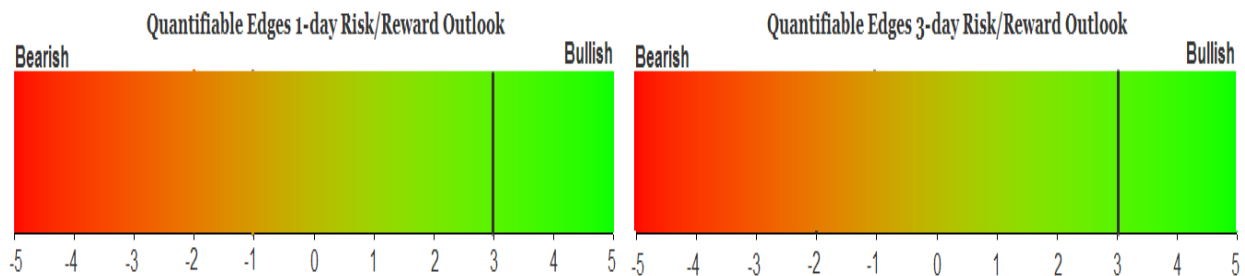
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 22, 2023

Volume 16 Issue 118

Market Overview



Signals Overview

| | |
|-------------------|--------------------|
| Aggregator | CBI Reading |
| Long | 0 |

Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce the next day.
- A gap below a short-term low and further selling in a long-term uptrend is often followed by a move up over the next few days.
- Tuesday was the 1st time SPY closed at a 5-day low in a while, while still closing above its 10ma. That has typically meant a bounce in the next several days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side.

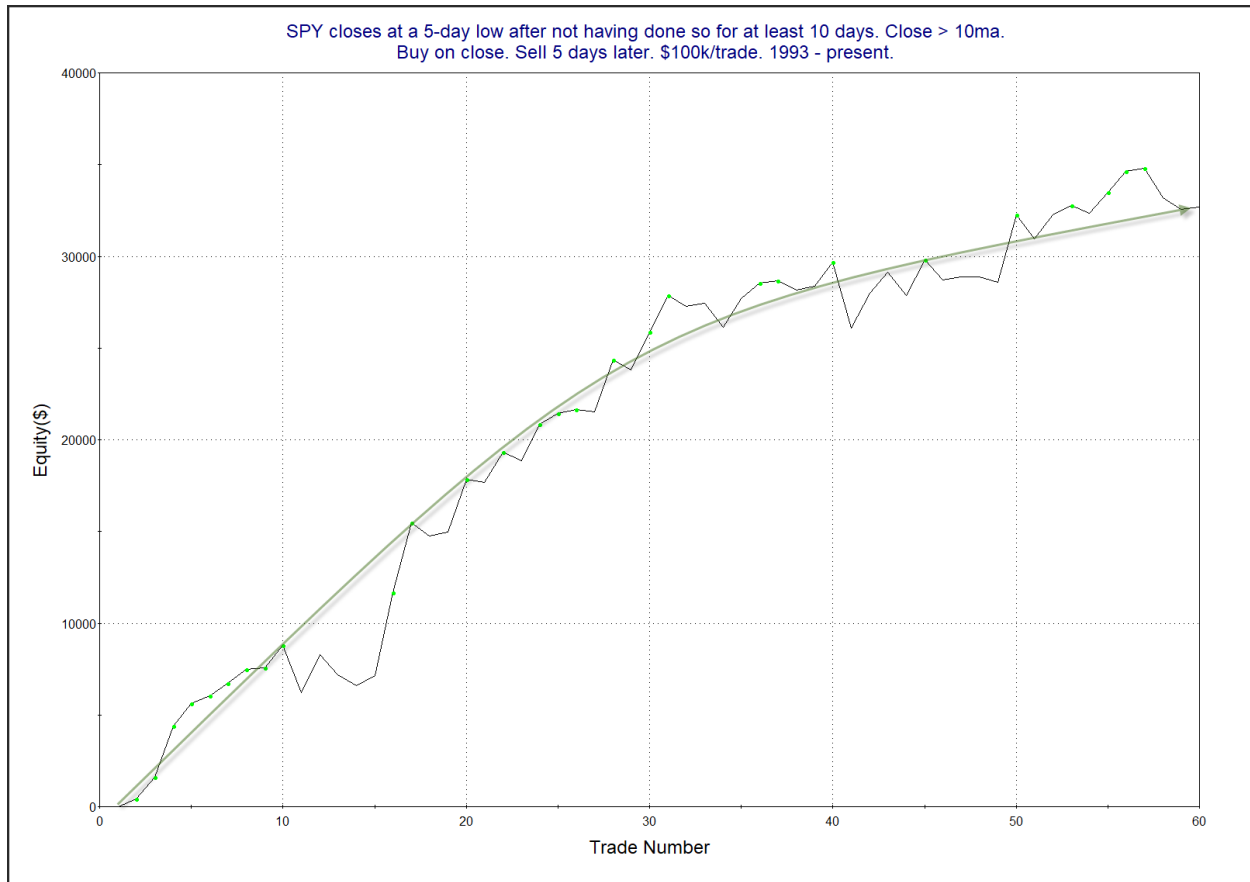
The Evidence

Wednesday was another day of selling. The SPX finished the day down 0.5%, the NASDAQ fell 1.2%, and the Russell 2000 dropped 0.2%. Breadth was mixed with the NYSE Up Issues % coming in at 52% and the Up Volume % at 43%. NYSE total volume declined some from Tuesday's level.

Wednesday's action caused SPY to close in an interesting position. Traders could look at the chart and say it is "short-term oversold" due to the fact that it closed at a 5-day low. They might also say it is "short-term overbought" since it closed above its 10-day moving average. I have found that edges often arise when something is short-term overdone in one timeframe, but overdone in another direction in another timeframe. The study below looks at the current discrepancy. It was last seen in the 9/8/21 letter and has been updated.

| SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma. Buy 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 | 32,685.94 | 60 | 39 | 21 | 65.00 | 4,496.34 | -3,570.00 | 1,321.11 | -897.01 | 1.47 | 2.74 | 544.77 |
| 4 | 25,318.68 | 60 | 37 | 23 | 61.67 | 3,240.45 | -2,475.20 | 1,240.29 | -894.44 | 1.39 | 2.23 | 421.98 |
| 3 | 20,961.32 | 60 | 39 | 21 | 65.00 | 3,452.40 | -3,393.78 | 1,094.74 | -1,034.92 | 1.06 | 1.96 | 349.36 |
| 2 | 13,964.68 | 60 | 37 | 23 | 61.67 | 3,809.72 | -3,737.28 | 958.23 | -934.35 | 1.03 | 1.65 | 232.74 |
| 1 | 6,333.50 | 60 | 34 | 26 | 56.67 | 2,225.48 | -3,909.03 | 677.79 | -642.75 | 1.05 | 1.38 | 105.56 |

Results here suggest a solid edge over the next 1-5 days. Below is the 5-day profit curve.



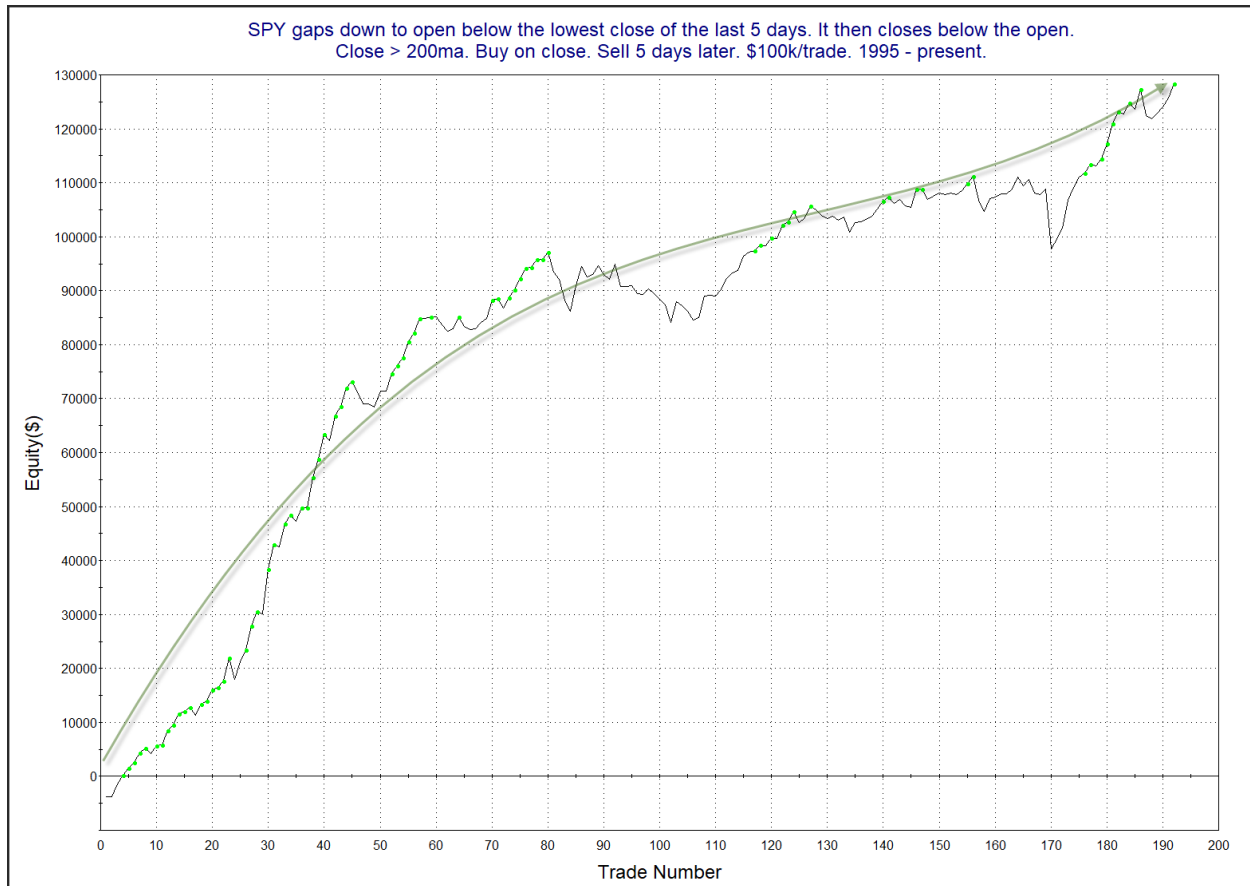
The persistent upslope is impressive, and serves as some confirmation of the bullish edge suggested by the numbers. I have added this study to the Active List tonight.

This next study was last seen in the 7/27/20 letter. It looked at times that SPY gapped down to a short-term low, and then sold off further during the day, while in a long-term uptrend. I have updated the results of the study below.

SPY gaps down to open below the lowest close of the last 5 days. It then closes below the open.
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

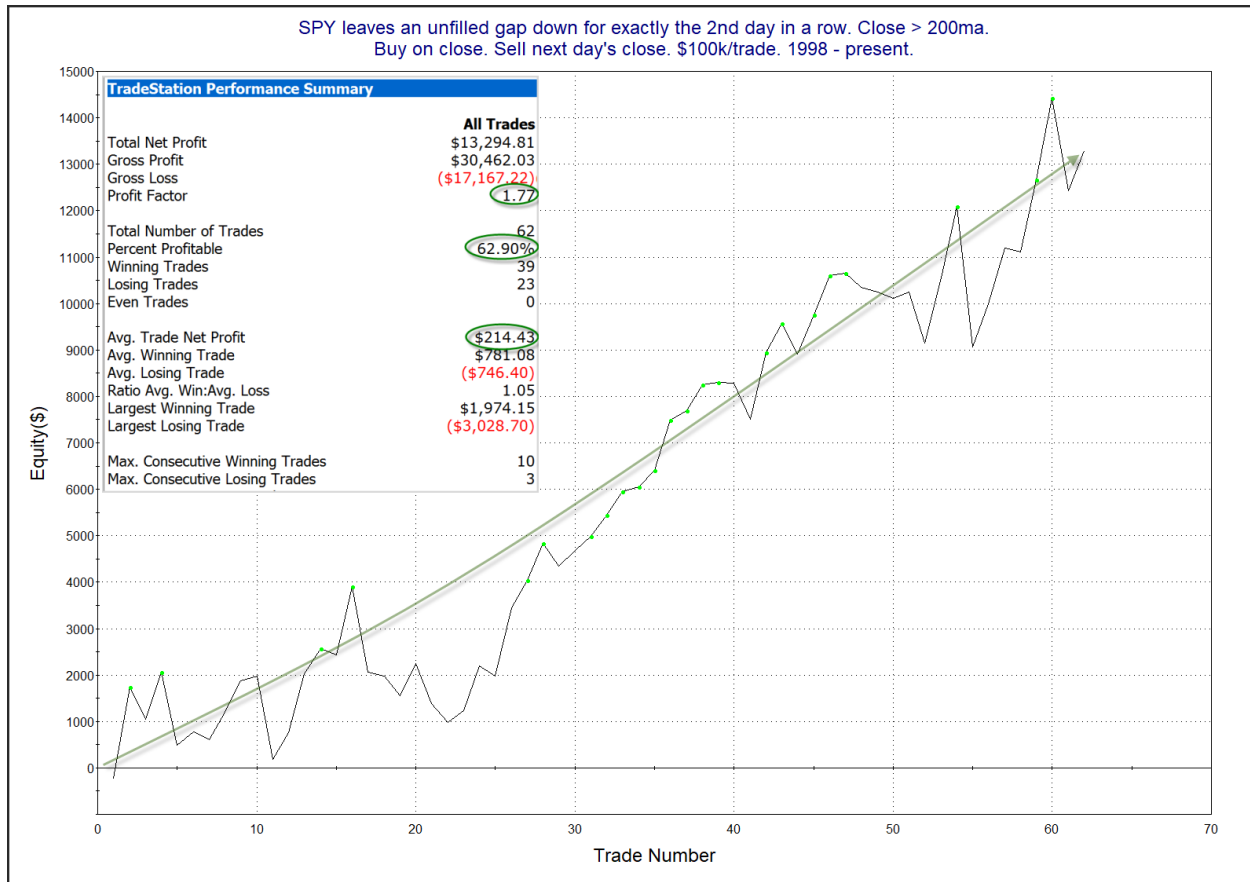
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Max Winning Trade | All: Max Losing Trade | All: Avg Winning Trade | All: Avg Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 5 | 128,376.80 | 192 | 129 | 62 | 67.19 | 8,239.74 | -11,128.78 | 1,756.28 | -1,583.60 | 1.11 | 2.31 | 668.63 |
| 4 | 114,762.51 | 201 | 135 | 66 | 67.16 | 5,581.02 | -10,755.03 | 1,627.02 | -1,589.18 | 1.02 | 2.09 | 570.96 |
| 3 | 100,061.66 | 210 | 129 | 80 | 61.43 | 5,117.85 | -6,572.02 | 1,535.53 | -1,225.27 | 1.25 | 2.02 | 476.48 |
| 2 | 94,360.80 | 223 | 142 | 78 | 63.68 | 5,477.88 | -6,228.17 | 1,180.38 | -939.14 | 1.26 | 2.29 | 423.14 |
| 1 | 59,663.20 | 242 | 156 | 86 | 64.46 | 5,764.38 | -4,181.76 | 827.68 | -807.62 | 1.02 | 1.86 | 246.54 |

The numbers here look fairly bullish. Here is the 5-day profit curve.



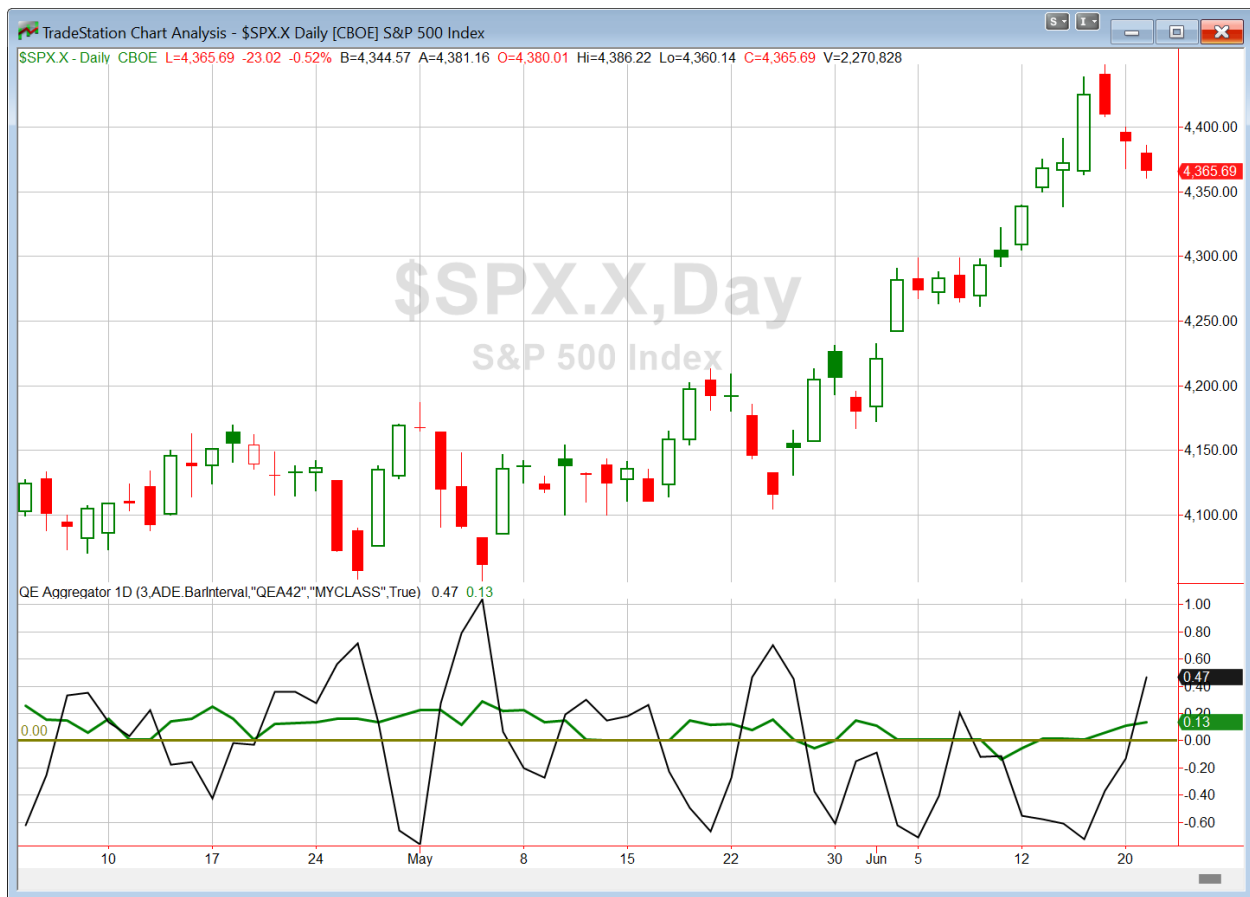
Not the straightest line, but it has made it way from lower left to upper right and is again at new highs.

Also notable about Wednesday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. In the 8/13/19 letter I showed a study that suggested bullish implications when this occurred during a long-term uptrend. I took a fresh look at that study tonight.



The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

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



With tonight'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 shot 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 turned long at the close.

Based on the current active studies, expectations are set to remain positive on Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4412.76 on Thursday. That is 1.1% above Wednesday's close. Therefore, SPX will need to close up at least 1.1% on Thursday to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. We have a good amount of evidence pointing at a bounce. And there is ample room to the upside before SPX would turn overbought. I like this setup and will be looking to take on some long exposure on Thursday if I can get a decent fill.

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.

SPY – Buy ¼ index position @ \$435.00 LIMIT. Based on the short-term section above, I will look to take on some long exposure on Thursday if I can get filled near Wednesday's closing price.

Current Open Trade Ideas

None

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