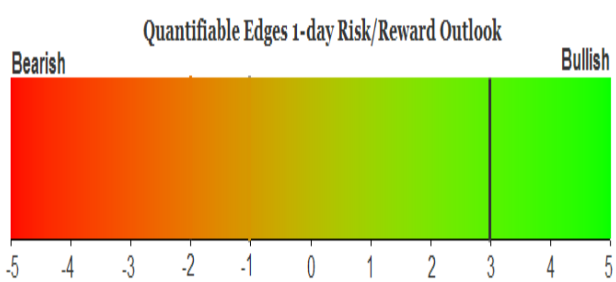
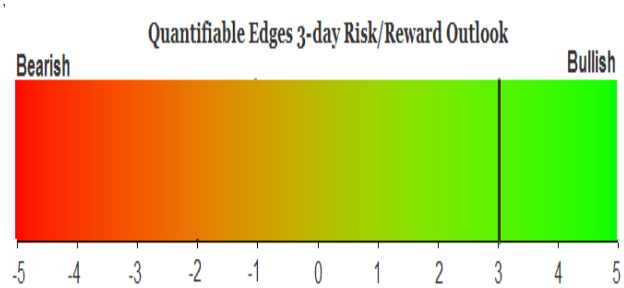
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 26, 2023 Volume 16 Issue 120

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- The 1st dip below the 10ma in a while is often buyable.
- July is looking quite bullish from a seasonal perspective.
- The SOMA saw a sizable dip this past week. Fed liquidity remains a headwind for the market.

Short-term Outlook
The Bottom Line
The Aggregator is bullish. I like the long side.

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 26, 2023	1st close < 10ma in > 15 days. > 200	1-3 days	Bullish	1.05%	0.80%	-1.70%
June 23, 2023	Up Vol < 40% SPX up and > 200ma	1-7 days	Bullish	1.70%	-1.20%	-2.50%
June 23, 2023	Up Vol & Up Iss < 40%	1-4 days	Bearish	-2.10%	1.00%	1.85%
June 22, 2023	1st 5-low in 10-day. Close > 10ma	1-5 days	Bullish			
June 22, 2023	Gap < Low Close 5. Close < open	1-5 days	Bullish			
June 15, 2023	100-high on Fed Day	1-7 days	Bullish	1.50%	-1.00%	-1.65%
Active - Long Term						
June 23, 2023	Up Vol < 40% SPX up and > 200ma	1-10 days	Bullish	2.15%	-1.50%	-3.30%
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 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			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

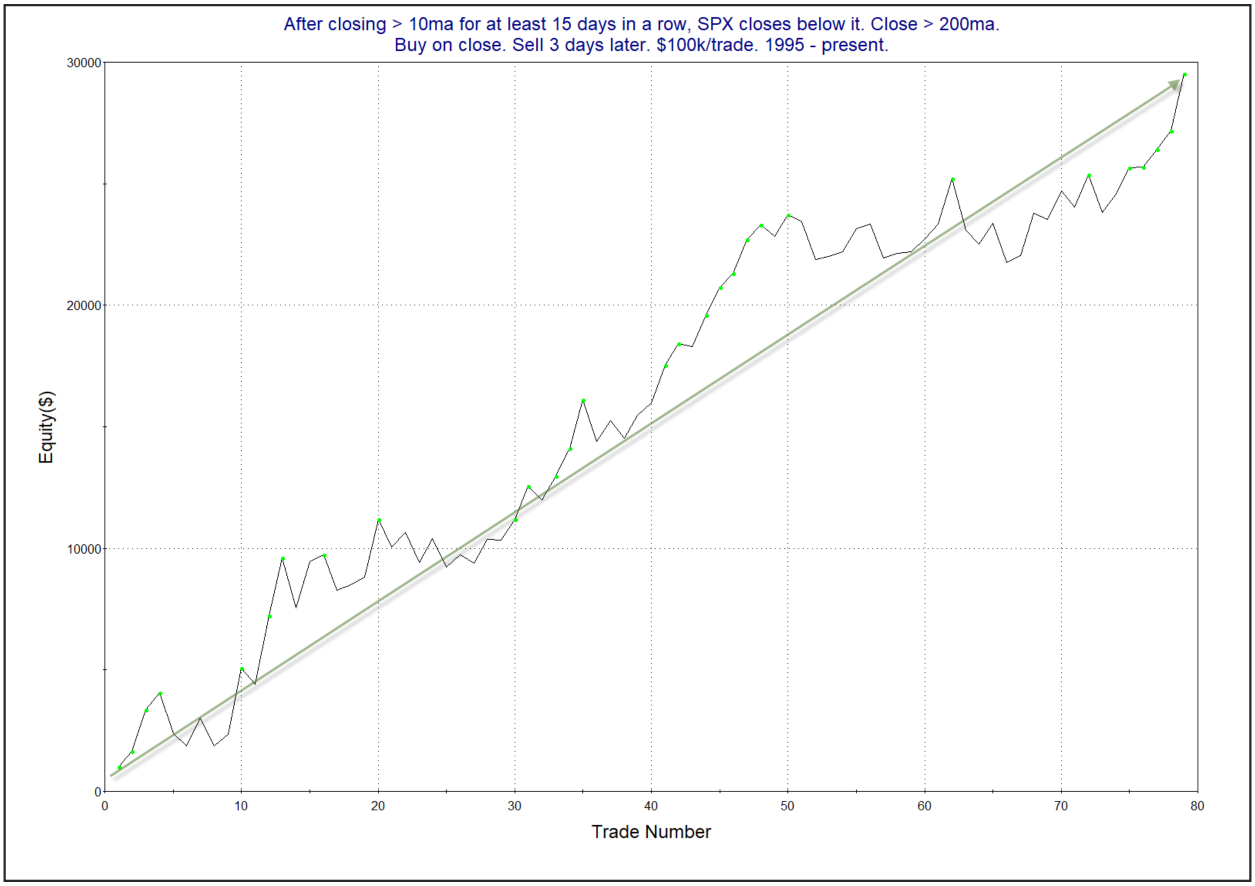
Friday was a tough day for the market. The SPX lost 0.8%, the NASDAQ declined 1.0%, and the Russell 2000 dropped 1.4%. Breadth was weak with the NYSE Up Issues % coming in at 31% and the Up Volume % at 20%. NYSE total volume shot higher as the Russell indices reconstituted at the end of the day.

The lack of pullbacks lately had kept SPX above its short-term moving averages for an extended period. Friday, after 18 consecutive closes above the 10ma, SPX dipped down and closed below it. In the 11/11/21 letter I looked at performance following other instances where SPX closed below its 10ma for the first time over 15 days. Results are updated below.

After closing > 10ma for at least 15 days in a row, SPX closes below it. 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	36,931.25	79	49	30	62.03	3,505.74	-4,455.15	1,432.04	-1,107.95	1.29	2.11	467.48
4	34,776.75	79	52	27	65.82	3,206.40	-6,072.15	1,315.33	-1,245.20	1.06	2.03	440.21
3	29,522.74	79	54	25	68.35	2,805.12	-2,110.50	1,011.19	-1,003.27	1.01	2.18	373.71
2	17,497.64	79	50	29	63.29	2,682.72	-3,450.16	887.97	-927.62	0.96	1.65	221.49
1	13,896.49	79	49	30	62.03	2,097.92	-1,579.41	605.61	-525.94	1.15	1.88	175.90

The numbers suggest a good chance of a bounce in the next few days. Below is a look at the 3-day profit curve.



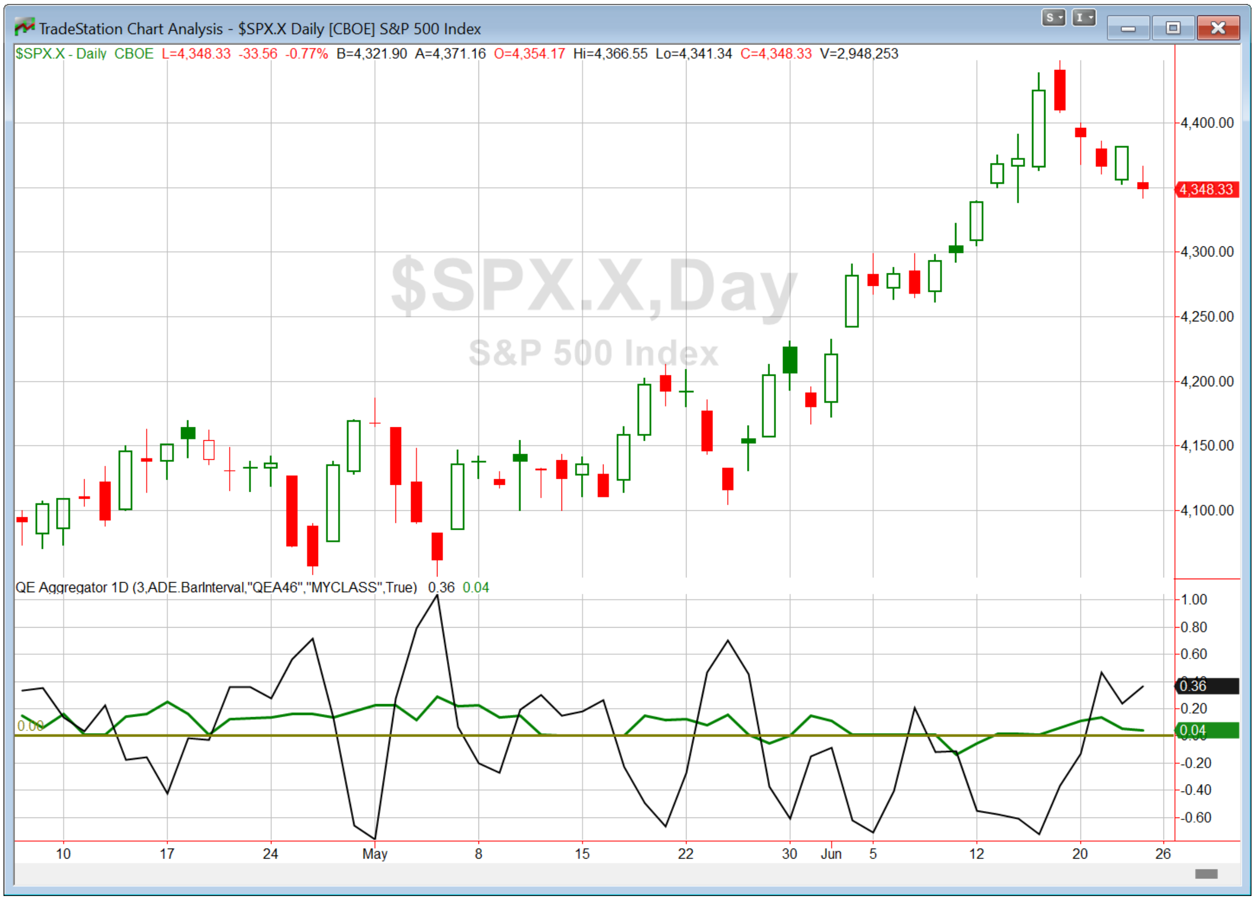
The move up has been somewhat choppy, but it has persisted higher for a long time and is again at a new high. The curve seems to offer some confirmation of the upside tendency suggested by the stats table. I have included this study on the active list tonight.

I ran the preliminary QE Seasonality Calendars for July over the weekend. I have pasted the SPX version below.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
7/3/2023	63.06	1.783	0.195
7/5/2023	59.79	1.524	0.132
7/6/2023	57.05	1.265	0.064
7/7/2023	59.04	1.434	0.119
7/10/2023	57.92	1.372	0.049
7/11/2023	56.60	1.522	0.103
7/12/2023	57.87	1.420	0.069
7/13/2023	59.97	1.433	0.072
7/14/2023	60.67	1.653	0.139
7/17/2023	56.75	1.177	0.040
7/18/2023	54.13	1.472	0.108
7/19/2023	54.28	1.205	0.048
7/20/2023	53.74	1.109	0.016
7/21/2023	51.17	1.069	0.004
7/24/2023	53.45	1.141	0.028
7/25/2023	53.14	1.159	0.036
7/26/2023	52.11	1.298	0.077
7/27/2023	57.48	1.387	0.099
7/28/2023	55.02	1.103	0.016
7/31/2023	51.45	1.116	0.021
Baseline	***53.77***	***1.134***	***0.045***

It is pretty rare for a month to show all Win %'s above 50% and all Profit Factors above zero. But we are seeing that for July as of now. According to the Calendar algorithms, the market will have a nice tailwind until at least the end of July.

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 also held 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 stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4378.57 on Monday. That is 0.7% above Friday's close. Therefore, SPX will need to close up 0.7% on Monday to flip from oversold to overbought vs recent expectations.

So the Aggregator is again bullish. To this point the pullback appears contained, and there is a solid amount of bullish evidence suggesting a bounce. Reward/risk appears favorable as well. I already have a small amount of long exposure. I'll look to add to it if I can get a decent fill on Monday.

Intermediate-term Outlook (2 weeks – 2 months)* – *updated 6/26 – bullish

Combo #1	Combo #2	Combo #3
Long	Long	Long

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in Lesson 8. Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in Lesson 11, Course Downloads. (You must go through the course first in order to access the Downloads.) *This week all 3 combo systems remained "long".*

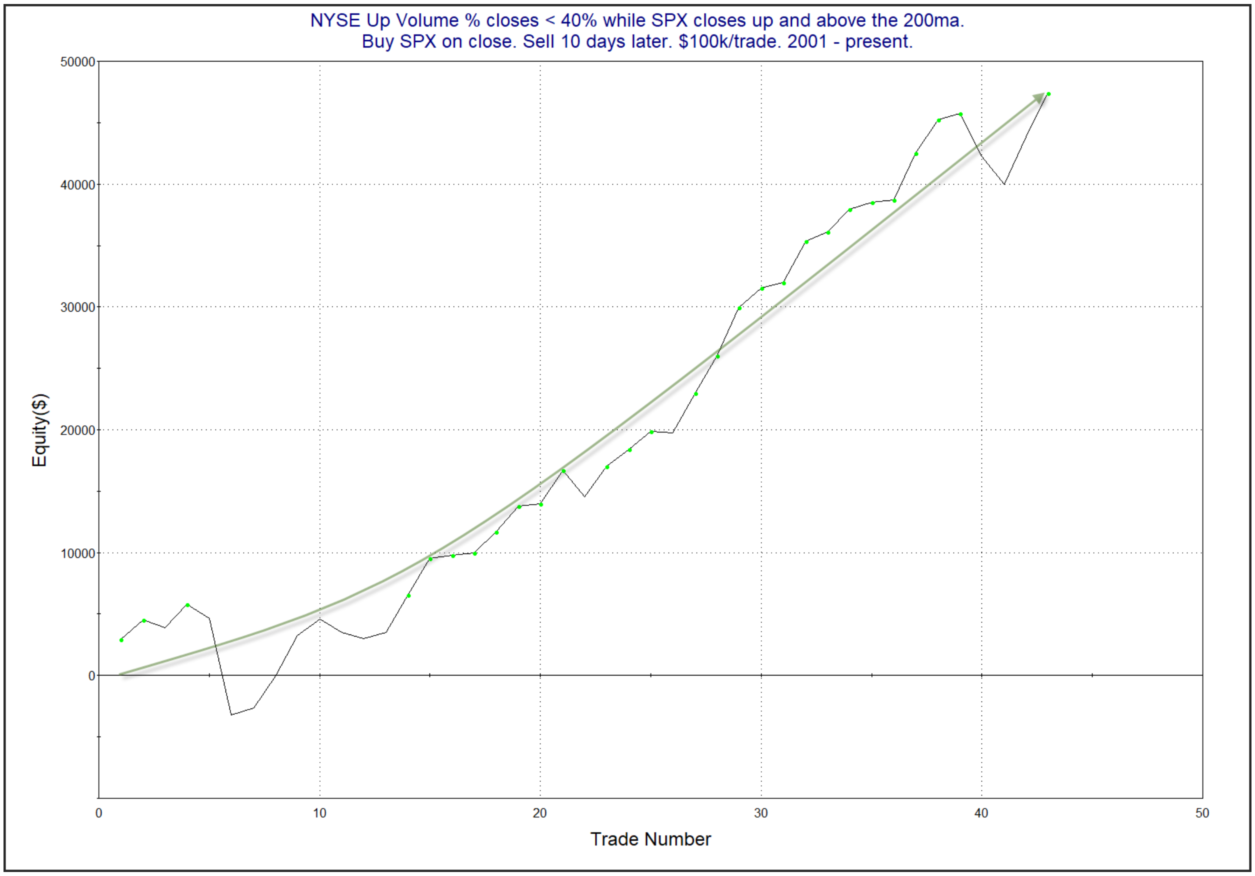
This past week was a tough one for the market. The SPX lost 1.39%, the NASDAQ fell 1.44%, and the Russell 2000 declined 2.87%. Bonds rose a little. The US Aggregate Bond ETF (AGG) posted a gain of 0.1%. TLT, the 20-year Treasury Bond ETF, climbed 0.7%. Long-term uptrends for the SPX and NASDAQ remain in place. There was one study that repeated with intermediate-term implications. I have copied it below from Thursday night's letter.

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 6/15/23 letter.

NYSE Up Vol % closes < 40% while SPX closes up and > 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	28,251.16	51	39	12	76.47	4,787.84	-4,623.84	1,211.42	-1,582.84	0.77	2.49	553.94
4	14,030.93	52	33	19	63.46	2,689.05	-4,483.92	1,087.50	-1,150.34	0.95	1.64	269.83
3	15,391.54	54	36	18	66.67	2,513.92	-3,122.40	883.43	-911.78	0.97	1.94	285.03
2	16,108.97	58	40	18	68.97	2,661.75	-2,848.17	748.58	-768.57	0.97	2.16	277.74
1	8,605.74	63	39	24	61.90	1,790.64	-1,489.20	541.81	-521.88	1.04	1.69	136.60

Results have been surprisingly strong over the last 22 years… And here is the 10-day curve.



The curves have shown strong upside persistence. I find these results intriguing and have re-set this study on the short-term and the intermediate-term Active Lists.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of

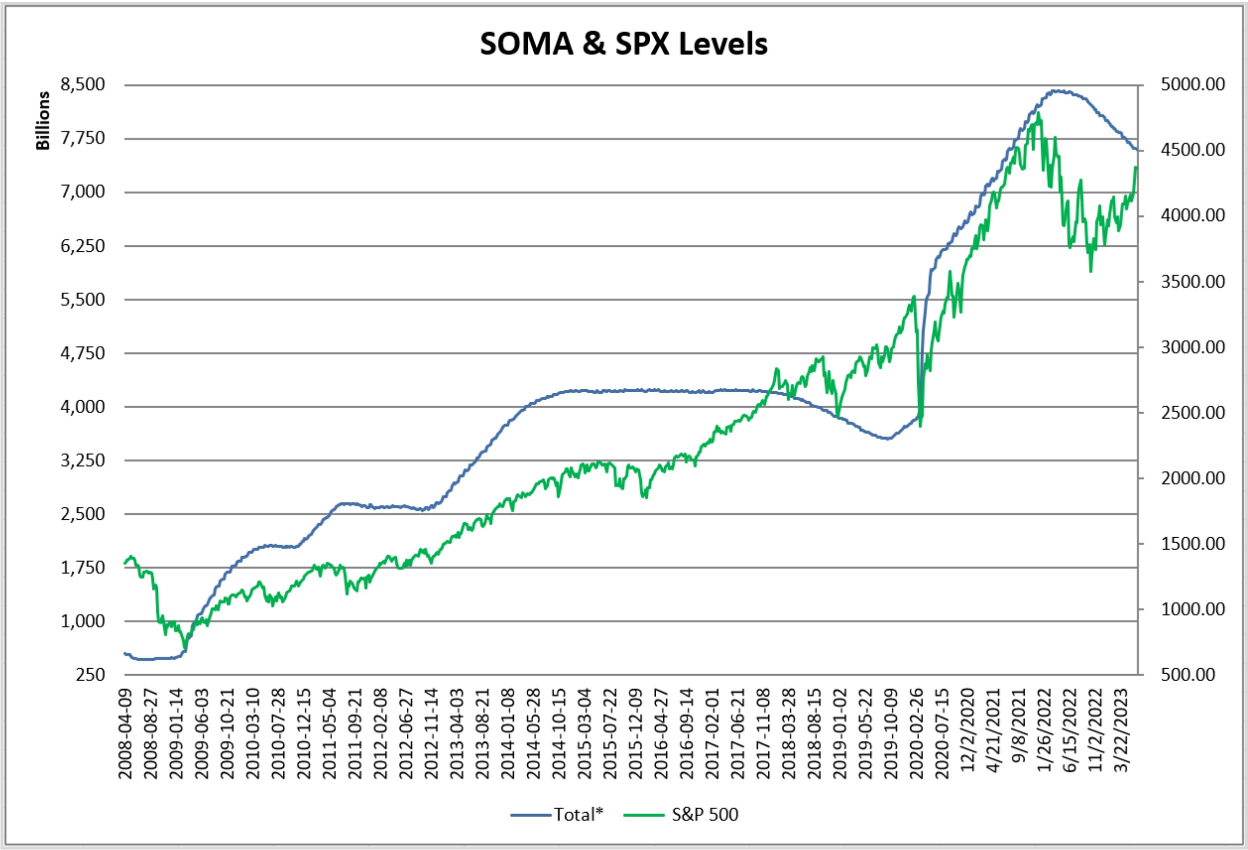
Previous June 21, 2023

Posted June 22, 2023 at 4:30 PM

SUMMARY | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

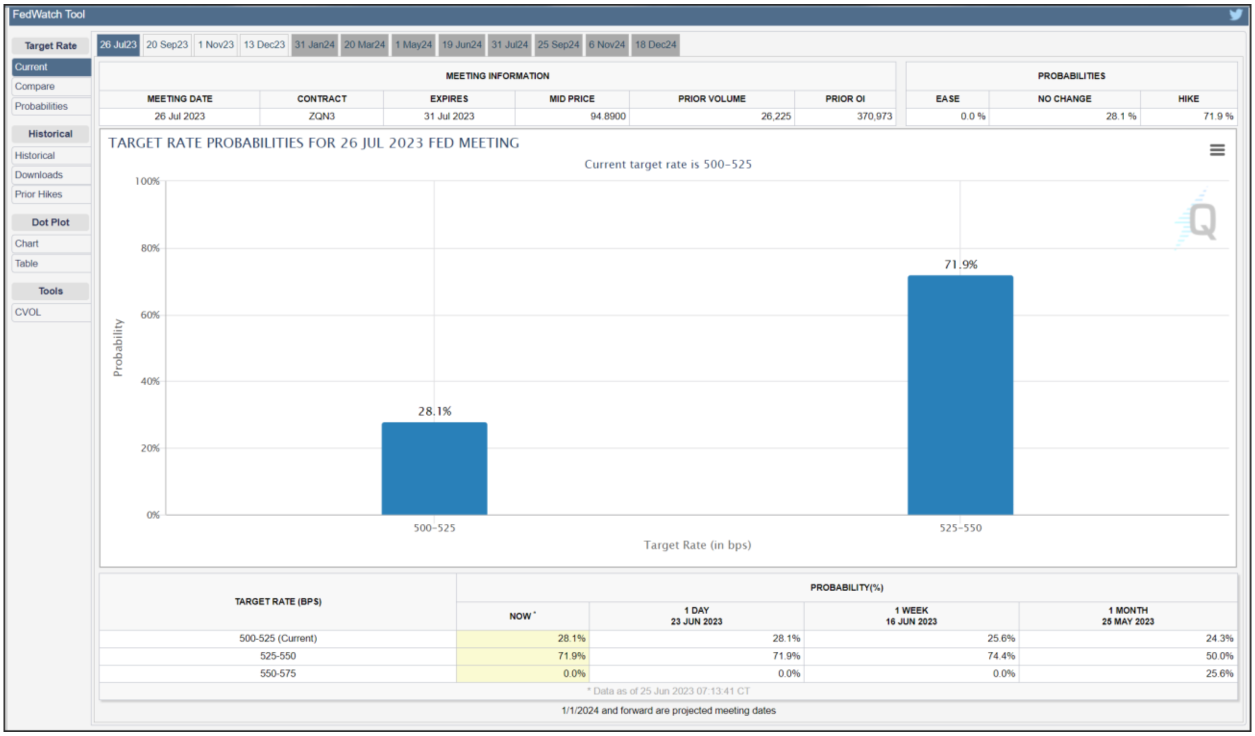
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	272,966,726.5
US Treasury Notes and Bonds (Notes/Bonds)	4,376,496,599.8
US Treasury Floating Rate Notes (FRNs)	20,426,754.0
US Treasury Inflation-Protected Securities (TIPS)*	368,253,286.5
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,544,961,266.5
Agency Commercial Mortgage-Backed Securities***	8,388,969.6
Total SOMA Holdings	7,593,840,602.9
Change From Prior Week	-19,920,889.7

This past week saw a decline of $20 billion. That is a sizable decline, but in line with what would be expected at this time of the month during the current QT period. This week I expect to see a more moderate decline in the SOMA. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is in the midst of what is now the largest ever reduction in the size of the SOMA. The pace of the decline is high and the Fed has given no indication that it is planning to dial back the Quantitative Tightening anytime soon.

With regards to rates, there was some tough talk this past week from the Fed. Powell indicated more hikes are likely. The CME Fedwatch tool is currently showing about a 72% chance of a ¼ point hike in July. That is very similar to the odds we saw last week. Below is a screenshot.



Odds will change as new data emerges and as we get closer to the date. Bottom line, between hiking rates and QT, the Fed remains a bearish market force.

Overall, it again appears that we have more evidence favoring the bull case for the intermediate-term. The overall long-term trend signals remain mostly positive. Golden crosses are in effect for the NASDAQ and SPX, and both are firmly above their 200ma. The NASDAQ also continues to lead the SPX with our NASDAQ/SPX relative leadership indicator, and that has historically been bullish. The QE Seasonality Calendar for SPX is showing all green from now until the end of July. We have a momentum study from a few weeks ago, and there are actually 4 bullish intermediate-term studies that have emerged since June 16th. So there is a lot favoring the bull case. Still, plenty of issues remain. Fed policy is still hawkish, with or without another rate hike. We are also in the May-October period that is susceptible to selling when we have already seen weakness sometime in Jan – April. Additionally, recession fears, a shrinking money supply, and high stock valuations are all potential rally killers. And this weekend we saw news of battles between the Russian government and the Wagner group. When a nuclear superpower is on the brink of a civil war, that could mean some risk repricing will be done by the market. None of the potential negatives have mattered much to this point, but they likely will someday. With the bulk of quantifiable evidence pointing higher, I am leaning bullish. But I will be quick to switch to neutral if trouble arrives. For now, I will remain a bit more aggressive with long trades than short trades.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

COF @ $106.91 (bought at limit)

New

COF @ $106.60 (buy at limit)

AMD @ $110.01 (buy at limit)

IBM @ $129.43 (buy at limit)

Broad Market Large Cap CBI – 4(COF-2, AMD, IBM)

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.*

COF – Buy 1/3 Catapult position @ $106.60 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of COF.

AMD – Buy 1/3 Catapult position @ $110.01 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of AMD.

IBM – Buy 1/3 Catapult position @ $129.43 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of IBM.

SPY – Buy ¼ index position @ $433.21 LIMIT. Based on the short-term outlook above, I will look to scale into another lot of SPY on Monday if I can get filled at Friday's closing price or better.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	6/22/2023	$433.95	$433.21	-0.17%	Aggregator
COF(1/3)	6/23/2023	$105.50	$106.60	1.04%	Catapult