

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 9, 2024

Volume 17 Issue 90

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- When an overbought SPX has pulled back as little as it did Wednesday, it may not want to pullback at all, and has often continued higher over the next 1 to 2 days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

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						
May 9, 2024	SPX closes down but RSI2 > 90	1-2 days	Bullish			
Active - Long Term						
May 7, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
May 6, 2024	NASDAQ Leading	int term	Bullish			
April 22, 2024	QQQ down 5+ and acceleration lower	1-18 days	Bullish	9.00%	-4.30%	-7.70%
April 19, 2024	CBI 11+	1-20 days	Bullish	5.90%	-4.20%	-9.50%
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
February 2, 2024	SPX up > 15% last 3 months	1-6 months	Bullish			
December 27, 2023	%SPX > 50 moves frm 15% > 90% in 50 dys	1-6 months	Bullish			
November 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

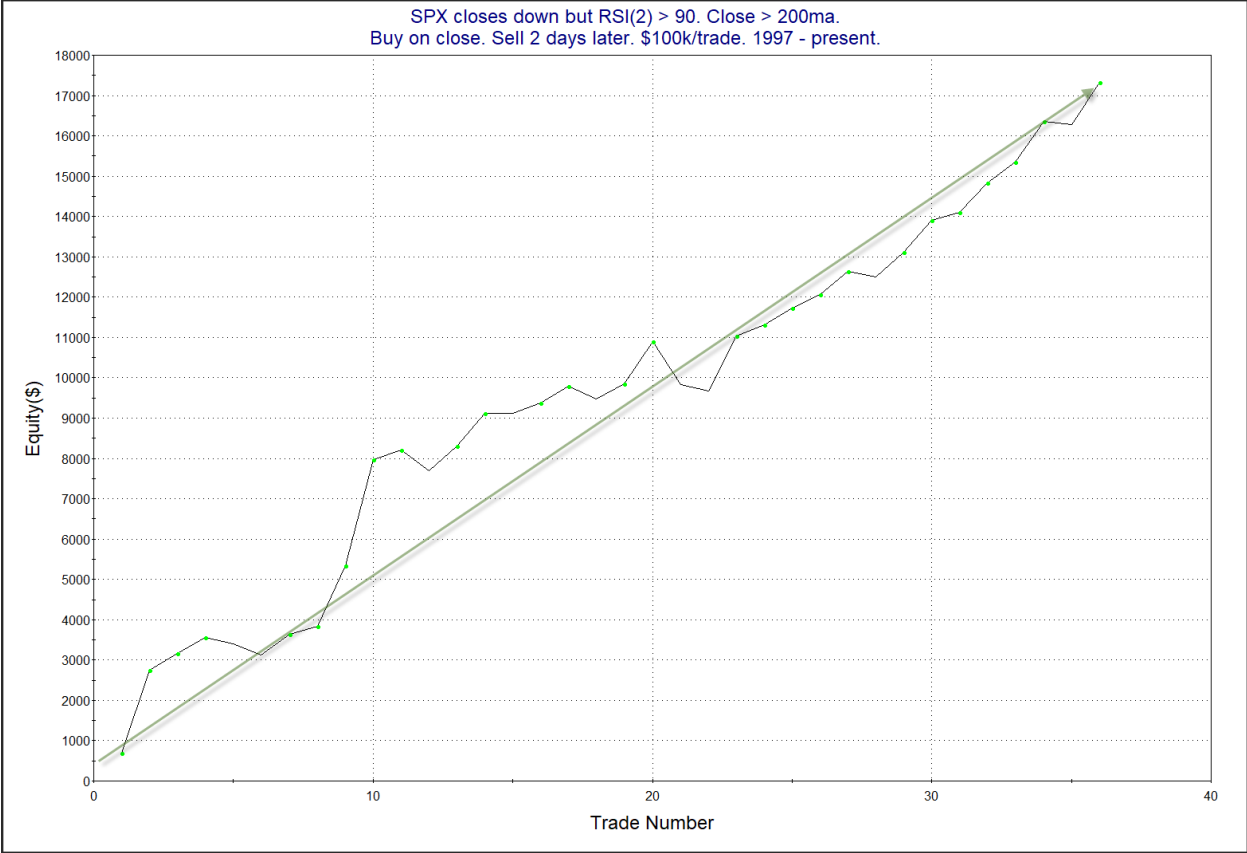
The Evidence

Wednesday saw mostly mild selling. SPX lost a mere 0.03 *points*, the NASDAQ fell 0.2%, and the Russell 2000 dropped 0.5%. Breadth was mildly negative, with the NYSE Up Issues % coming in at 45% and the Up Volume % at 49%. NYSE total volume rose some from Monday's level.

The move higher has many oscillators strongly overbought short-term. With such a small SPX decline on Wednesday, it is still strongly overbought as measured by the 2-day RSI. The 2-day RSI is a sensitive indicator so it would take a very small decline from a very overbought position in order for it to remain above 90 on a down day. This is what happened on Wednesday. It triggered the study below which was last seen in the 12/18/23 letter. Results are updated.

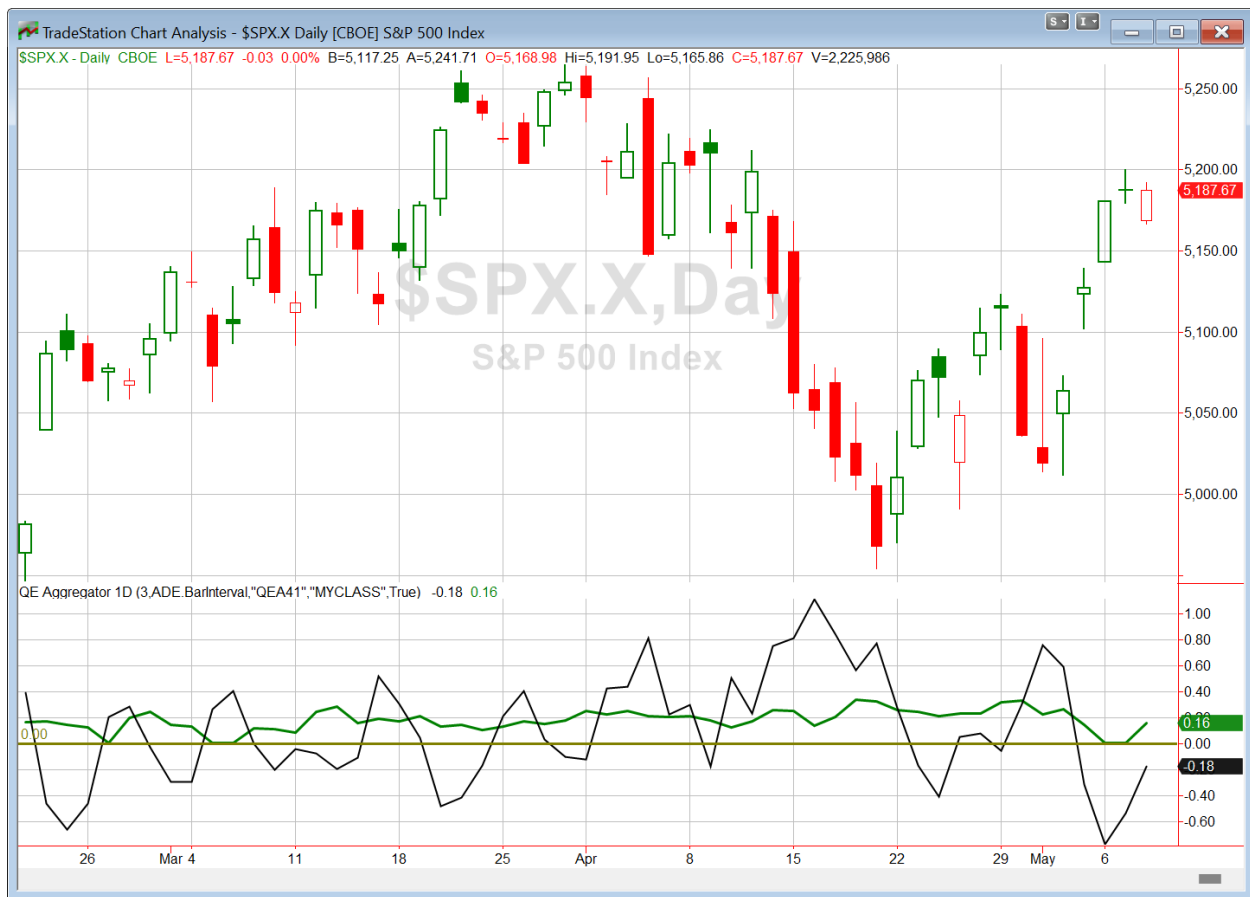
SPX closes down but RSI(2) > 90. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	11,230.63	33	18	15	54.55	4,121.28	-2,008.73	1,218.33	-713.28	1.71	2.05	340.32
4	9,675.73	34	21	13	61.76	3,806.46	-1,717.70	924.32	-748.85	1.23	1.99	284.58
3	15,660.15	36	22	14	61.11	2,923.44	-1,123.50	975.86	-414.92	2.35	3.70	435.00
2	17,319.89	36	27	9	75.00	2,619.76	-1,054.68	742.19	-302.13	2.46	7.37	481.11
1	8,568.33	36	25	11	69.44	2,310.88	-704.76	478.71	-309.04	1.55	3.52	238.01

The stats here are all appealing over the 1-2 day period. Winning %, win/loss ratio, and profit factor all strongly favor the bulls. Below is a profit curve assuming a 2-day holding period.



The profit curve shows a strong upslope. I have added this study to the Active List.

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



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive and 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 list of active studies, expectations are set to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 5202.50 on Thursday. That is 0.3% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up 0.3% or more in order to remain overbought. Anything other than that and it will flip to oversold vs recent expectations as of Thursday's close.

So the Aggregator is neutral. It is tough to anticipate what evidence might emerge Thursday, but a bullish Aggregator tomorrow is a distinct possibility, especially if SPX sells off more. I don't see a need to jump the gun on any trade entry though. I wait until an actual setup arrives before considering taking on new index exposure.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/6 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

CVS – 1/3 @ \$56.31 – bought @ limit

CVS – 1/3 @ \$55.15 – bought @ limit

Broad Market Large Cap CBI – 2(CVS-2)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CVS(1/3)	5/2/2024	\$56.31	\$54.91	-2.49%	Catapult
CVS(1/3)	5/3/2024	\$55.15	\$54.91	-0.44%	Catapult
COP(1/3)	5/3/2024	\$122.25	\$122.83	0.47%	<i>sold on open</i>

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