

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 14, 2024

Volume 17 Issue 93

## 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 Monday, it may not want to pullback at all, and has often continued higher over the next 1 to 2 days.
- A couple of studies triggered that have struggled lately. I review them.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am as well. This market is too strong to short and too overbought to buy.

**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
<b>Active - Short Term</b>						
May 14, 2024	SPX closes down but RSI2 > 90	1-2 days	Bullish			
<b>Active - Long Term</b>						
May 10, 2024	DJI Up 7 days in a row	1-19 days	Bullish	3.25%	-1.50%	-2.70%
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			

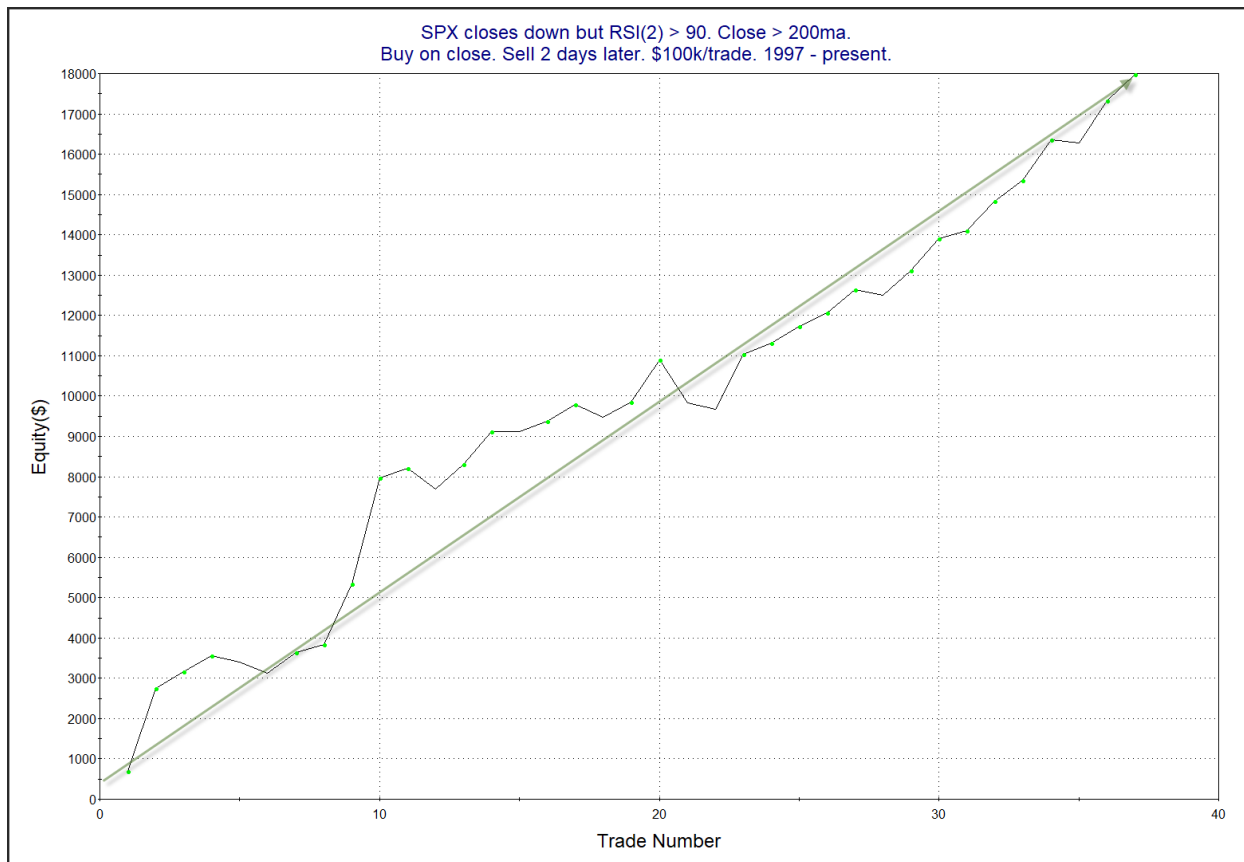
**The Evidence**

Stocks came in mixed and mild on Monday. SPX declined 0.02% (while SPY closed up a few cents), the NASDAQ gained 0.3%, and the Russell 2000 rose 0.1%. Breadth was positive, with the NYSE Up Issues % coming in at 52% and the Up Volume % at 64%. NYSE total volume rose some from Friday’s level.

The move higher has many oscillators strongly overbought short-term. With such a small SPX decline on Monday, 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 Monday. If this all sounds familiar, it is because the same study triggered last week. 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	16,301.40	37	23	14	62.16	2,923.44	-1,123.50	961.31	-414.92	2.32	3.81	440.58
2	17,985.08	37	28	9	75.68	2,619.76	-1,054.68	739.44	-302.13	2.45	7.61	486.08
1	9,070.12	37	26	11	70.27	2,310.88	-704.76	479.60	-309.04	1.55	3.67	245.14

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.



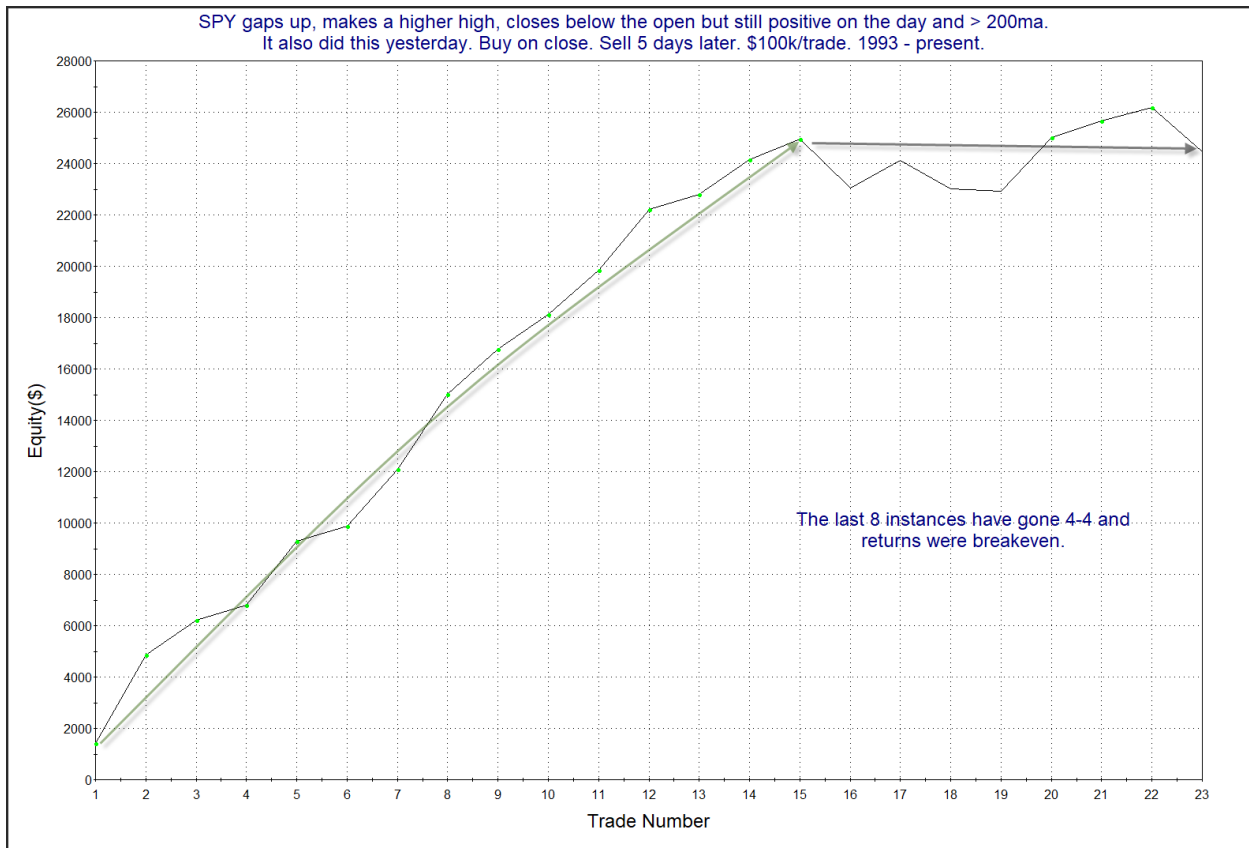
The profit curve shows a strong upslope. I have added this study to the Active List.

Another study that stood out tonight looked at the gap and partial reverse SPY pattern of the last 2 days. Both days had a gap higher, a move up above the previous day's high, and then a reversal that led the SPY to close below its open but still in positive territory. I looked at this 2-day setup last in the 9/3/21 subscriber letter using a long-term trend filter. I have updated that study below.

SPY gaps up, makes a higher high, closes below the open but still positive on the day and > 200ma.  
It also did this yesterday. 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	24,465.20	23	19	4	82.61	3,458.95	-1,911.60	1,541.27	-1,204.72	1.28	6.08	1,063.70
4	17,544.81	23	17	6	73.91	3,132.80	-1,635.48	1,301.28	-762.82	1.71	4.83	762.82
3	16,695.45	23	15	8	65.22	3,282.40	-520.38	1,252.56	-261.62	4.79	8.98	725.89
2	13,046.13	23	17	6	73.91	2,640.00	-855.50	927.75	-454.28	2.04	5.79	567.22
1	7,934.42	25	15	10	60.00	2,570.70	-721.00	711.73	-274.15	2.60	3.89	317.38

The results have been very positive. Below is the 5-day the profit curve.



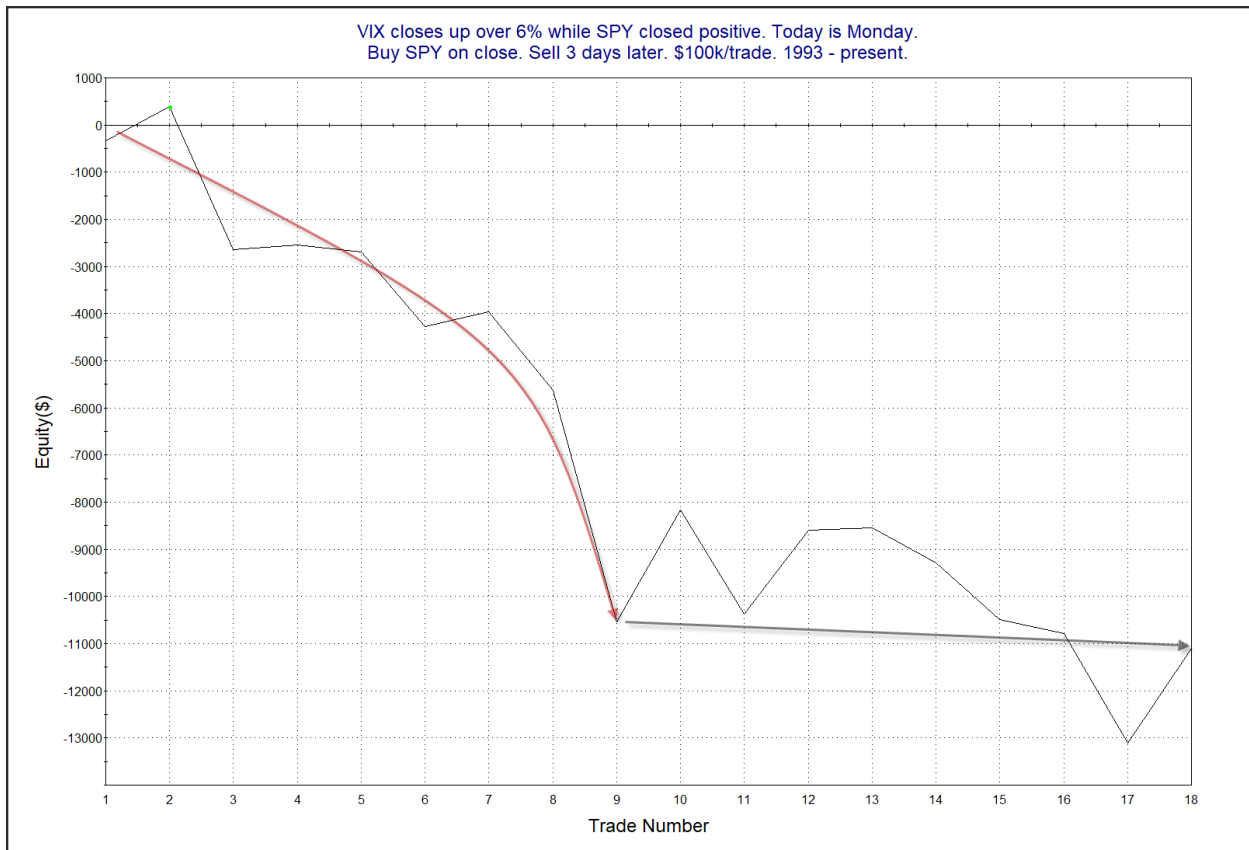
The curve is not nearly as impressive as the numbers. I typically look for some progress over the last 1/3 of the chart to show the edge still appears to be intact. While instances are light, there has been no progress in recent times. I am not throwing this study out entirely, and will want to look at it next time it triggers. But I am not currently enthused to include it on the active list for consideration in setting my market bias. The next few instances could make or break this study.

The next study looked at times the VIX spiked higher on a day that SPY also closed up. It is important to note that the VIX has a natural tendency to rise on Monday. So Monday is the most likely day of the week for this action to occur. This is why the Monday filter is included. Last seen in the 6/13/23 letter, I have updated the results.

VIX closes up over 6% while SPY closed positive. Today is Monday.  
Buy SPY on close. Sell X days later. \$100k/trade. 1993 - present.

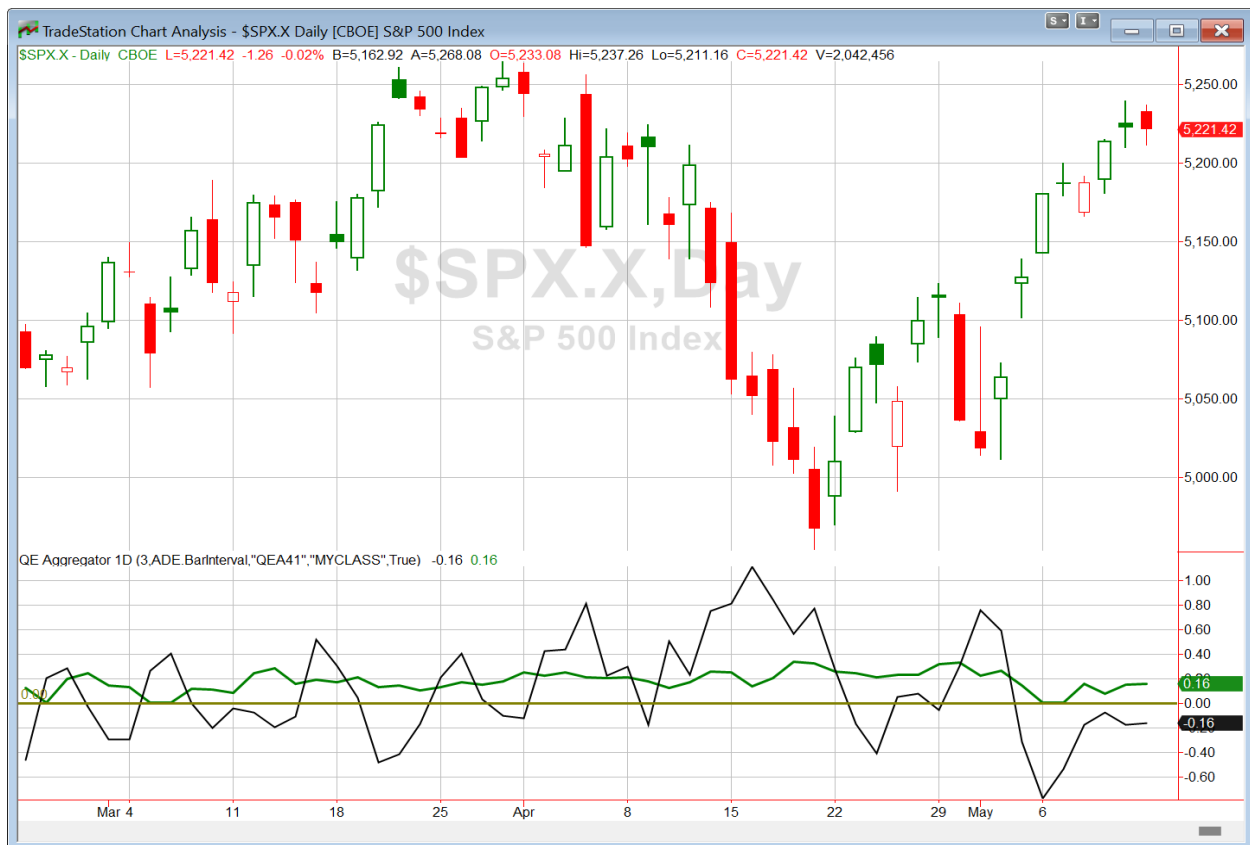
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-19,733.48	18	6	12	33.33	2,143.20	-10,971.48	1,241.41	-2,265.16	0.55	0.27	-1,096.30
4	-15,971.54	18	8	10	44.44	2,252.64	-8,255.66	972.25	-2,374.95	0.41	0.33	-887.31
3	-11,092.74	18	7	11	38.89	2,362.10	-4,912.28	1,053.39	-1,678.77	0.63	0.40	-616.26
2	-6,533.13	18	7	11	38.89	1,858.87	-3,302.96	787.13	-1,094.82	0.72	0.46	-362.95
1	-3,049.54	18	7	11	38.89	755.00	-1,955.70	413.74	-540.52	0.77	0.49	-169.42

The stats suggest a downside edge. Below is a look at the 3-day profit curve.



Similar to the previous study, this one has not made much progress as of late. I have a couple of other issues with this study tonight. For one, while SPY closed higher, SPX was down 1.26 points. So it was not really an up day for the S&P 500. I also am not certain that the VIX action is really indicative of a strong edge right now. We have the CPI report coming out Wednesday morning, which is a potential volatility event. So it makes sense that options traders are paying up for options just ahead of this. Therefore, I am not including this study on the active list tonight either. But I will continue to monitor it going forward.

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 remained 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 Tuesday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 5226.98 on Tuesday. That is 0.1% *above* Monday'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 0.1% in order to remain overbought. A slightly positive, flat, or down close will leave SPX oversold versus recent expectations as of Tuesday's close.

So the Aggregator is again neutral. The mild change on Monday really did not do anything to change the short-term outlook. The market remains in the mode of too strong to short and too overbought to buy. So I will continue to exercise patience and wait for the next favorable reward/risk opportunity to emerge before taking on my next index trade.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/13 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### *Open Catapult Triggers*

**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**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
CVS(1/3)	5/2/2024	\$56.31	\$56.47	0.28%	<i>sell on open</i>
CVS(1/3)	5/3/2024	\$55.15	\$56.47	2.39%	<i>sell on open</i>

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