

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 16, 2024

Volume 17 Issue 95

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPX closing above its 50-day Bollinger Band suggests momentum is strong enough that further intermediate-term gains appear likely.
- RSI(2) crossing above 99 bodes well for the intermediate-term.
- SPX hit a 50-day high for the 1st time in a while, but the breakout lacked desirable characteristics that would suggest short-term follow-through.

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. I keep saying that, but it hasn't changed.

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						
None		'''				
Active - Long Term						
May 16, 2024	SPX > 200ma. RSI2 crosses over 99.	1-15 days	Bullish	2.30%	-1.50%	-2.90%
May 16, 2024	SPX 50-day %b crosses 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
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			

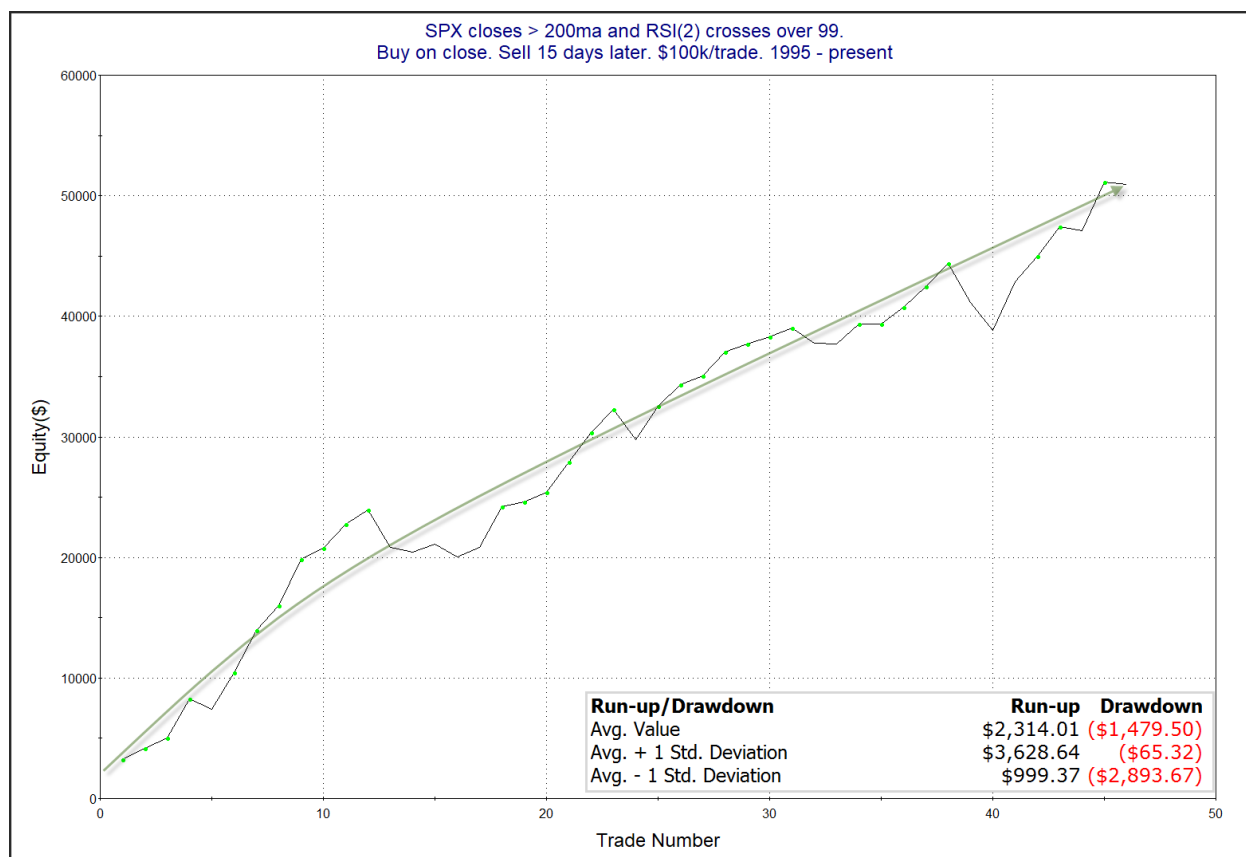
The Evidence

The market liked the CPI report and a rally ensued. SPX climbed 1.2%, the NASDAQ gained 1.4%, and the Russell 2000 rose 1.1%. Breadth was positive, with the NYSE Up Issues % coming in at 70% and the Up Volume % at 56%. NYSE total volume rose some from Tuesday's level.

The recent rally has left the market short-term overbought by most measures. Short-term overbought often triggers some studies that suggest a downside edge, but when the overbought condition gets very strongly overbought, then those downside edges often disappear. And at some point, rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we have seen this scenario unfold. It is exemplified in the study below from the 11/9/23 Letter, which uses RSI(2).

SPX closes > 200ma and RSI(2) crosses over 99. 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
15	46,537.44	44	34	10	77.27	4,055.36	-3,265.02	1,816.94	-1,523.85	1.19	4.05	1,057.67
14	41,205.28	44	34	10	77.27	4,461.36	-4,024.68	1,680.17	-1,592.06	1.06	3.59	936.48
13	43,618.59	46	36	10	78.26	3,989.82	-3,320.01	1,600.69	-1,400.63	1.14	4.11	948.23
12	38,984.40	47	36	11	76.60	4,058.61	-3,175.53	1,485.40	-1,317.29	1.13	3.69	829.46
11	37,796.20	48	36	12	75.00	4,106.40	-3,857.28	1,530.40	-1,441.51	1.06	3.18	787.42
10	32,308.08	49	37	12	75.51	3,770.55	-3,907.12	1,348.10	-1,464.31	0.92	2.84	659.35
9	27,459.03	49	36	13	73.47	3,453.27	-3,440.07	1,197.83	-1,204.84	0.99	2.75	560.39
8	22,545.93	49	33	16	67.35	3,547.80	-4,112.92	1,262.42	-1,194.62	1.06	2.18	460.12
7	17,051.61	50	31	19	62.00	3,564.39	-4,153.62	1,128.70	-944.12	1.20	1.95	341.03
6	7,088.22	50	30	20	60.00	2,634.36	-5,296.92	1,024.66	-1,182.58	0.87	1.30	141.76
5	11,204.17	50	33	17	66.00	2,859.08	-3,596.40	904.64	-1,097.01	0.82	1.60	224.08
4	7,686.90	50	33	17	66.00	2,697.92	-3,039.18	816.34	-1,132.48	0.72	1.40	153.74
3	3,050.83	51	30	21	58.82	3,504.64	-2,880.45	780.07	-969.10	0.80	1.15	59.82
2	4,631.46	51	30	21	58.82	2,273.92	-2,348.76	670.19	-736.87	0.91	1.30	90.81
1	1,276.83	51	26	25	50.98	2,096.10	-3,515.37	490.41	-458.95	1.07	1.11	25.04

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.



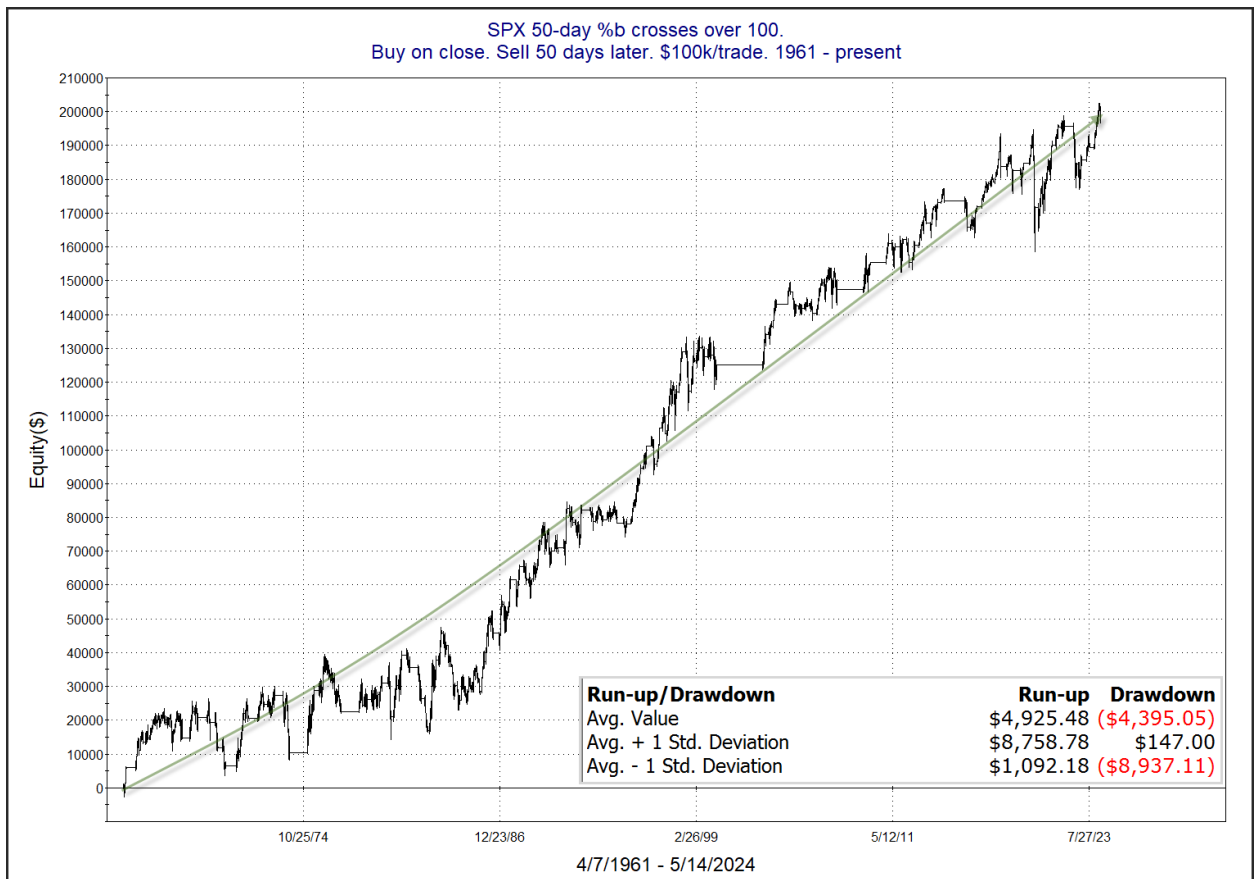
The upside edge has been apparent for a while, and it still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.

Another interesting study that triggered in the Quantifinder looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 2/12/24 letter. Updated results are below.

SPX 50-day %b crosses over 100.
Buy on close. Sell X days later. \$100k/trade. 1961 - 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
50	198,887.38	150	94	56	62.67	18,408.18	-20,704.80	4,752.37	-4,425.63	1.07	1.80	1,325.92
45	152,404.06	156	92	64	58.97	15,816.57	-32,382.30	4,932.37	-4,708.96	1.05	1.51	976.95
40	158,877.22	163	99	64	60.74	17,624.67	-27,920.40	4,440.24	-4,386.04	1.01	1.57	974.71
35	150,296.22	172	104	68	60.47	15,782.13	-13,839.56	3,982.46	-3,880.58	1.03	1.57	873.82
30	91,984.94	179	107	72	59.78	11,920.74	-14,377.53	3,268.40	-3,579.63	0.91	1.36	513.88
25	58,749.77	187	107	80	57.22	10,859.94	-8,745.98	2,949.17	-3,210.15	0.92	1.23	314.17
20	57,972.97	200	114	86	57.00	9,501.30	-10,205.38	2,633.30	-2,816.55	0.93	1.24	289.86
15	39,750.36	220	127	93	57.73	7,843.46	-9,763.44	2,296.10	-2,708.11	0.85	1.16	180.68
10	36,924.61	244	148	96	60.66	8,239.16	-9,133.53	1,668.22	-2,187.20	0.76	1.18	151.33
5	6,626.52	298	165	133	55.37	5,030.81	-6,524.55	1,116.91	-1,335.81	0.84	1.04	22.24

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside rather than a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That’s a pretty steady upslope for a study without a very high “% Profitable”. Overall, I like this study enough to add it to the intermediate-term active list.

The SPX breakout to a new high triggered a few studies related to the breakout. From a short-term perspective, the volume occurring on rising, but unremarkable, volume was disappointing. I discussed why in the 5/1/23 letter. I have copied the notes and studies related to this issue below.

The SPX closed at a new 50-day high for the 1st time since... Days where the market breaks out to a new 50-day high for the 1st time in a while will often give some clues as to the likely additional follow-through. One indicator that helps to give clues is the volume on the breakout. In the past I have broken down volume by time it came in 1) lower, 2) the highest in 20 days, and 3) higher, but not the highest level in 20 days. I last showed these studies in the 10/22/21 letter and have updated them below. First let's take a look at breakouts that came on NYSE volume that was lower than the day before.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	51,440.02	67	40	27	59.70	11,088.84	-8,157.10	2,683.98	-2,071.07	1.30	1.92	767.76
19	45,789.26	68	41	27	60.29	9,628.99	-9,056.82	2,479.24	-2,068.87	1.20	1.82	673.37
18	47,937.92	68	44	24	64.71	11,076.80	-9,094.80	2,381.74	-2,369.11	1.01	1.84	704.97
17	45,155.80	68	44	24	64.71	10,017.28	-8,682.96	2,354.83	-2,435.69	0.97	1.77	664.06
16	53,374.83	68	45	23	66.18	10,944.36	-9,243.81	2,438.55	-2,450.43	1.00	1.95	784.92
15	48,663.80	68	47	21	69.12	8,357.91	-9,354.92	2,199.17	-2,604.62	0.84	1.89	715.64
14	51,460.09	70	50	20	71.43	9,189.84	-6,525.68	1,996.69	-2,418.72	0.83	2.06	735.14
13	50,103.34	71	48	23	67.61	7,920.66	-5,160.09	1,964.32	-1,921.05	1.02	2.13	705.68
12	35,514.67	71	42	29	59.15	5,996.75	-4,539.14	1,937.58	-1,581.50	1.23	1.77	500.21
11	29,516.68	71	40	31	56.34	5,809.60	-6,029.07	1,883.24	-1,477.84	1.27	1.64	415.73
10	25,938.88	71	39	32	54.93	5,960.00	-4,324.52	1,787.76	-1,368.24	1.31	1.59	365.34
9	29,390.16	71	46	25	64.79	5,147.20	-5,812.26	1,486.21	-1,559.02	0.95	1.75	413.95
8	34,188.86	71	49	22	69.01	5,096.00	-4,186.55	1,350.97	-1,454.94	0.93	2.07	481.53
7	36,959.48	71	47	24	66.20	4,655.00	-3,211.35	1,286.51	-979.44	1.31	2.57	520.56
6	46,805.80	71	47	24	66.20	5,002.50	-3,563.65	1,396.56	-784.69	1.78	3.49	659.24
5	49,170.95	71	49	22	69.01	4,482.50	-3,693.73	1,382.62	-844.44	1.64	3.65	692.55
4	34,103.83	71	49	22	69.01	4,440.00	-2,913.85	1,108.47	-918.68	1.21	2.69	480.34
3	31,895.75	71	46	25	64.79	3,950.00	-1,802.37	1,051.31	-658.57	1.60	2.94	449.24
2	22,645.38	71	49	22	69.01	2,212.98	-1,912.60	742.59	-624.62	1.19	2.65	318.95
1	9,773.66	71	46	25	64.79	1,453.20	-1,921.32	459.16	-453.91	1.01	1.86	137.66

Numbers here are pretty good, and suggest a good chance at follow through over the next week. Next let's look at breakouts on very high volume.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is the highest in at least 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
20	7,438.76	40	21	19	52.50	8,953.20	-8,308.32	3,539.26	-3,520.30	1.01	1.11	185.97
19	5,094.87	40	22	18	55.00	8,942.40	-7,980.00	3,361.75	-3,825.76	0.88	1.07	127.37
18	16,579.31	40	22	18	55.00	9,613.50	-7,323.36	3,664.31	-3,557.53	1.03	1.26	414.48
17	11,171.92	40	23	17	57.50	9,069.84	-8,144.90	3,272.50	-3,770.32	0.87	1.17	279.30
16	16,752.76	40	22	18	55.00	8,048.82	-8,109.35	3,543.20	-3,399.87	1.04	1.27	418.82
15	10,754.70	40	22	18	55.00	7,668.00	-8,358.20	3,437.94	-3,604.45	0.95	1.17	268.87
14	12,818.99	40	22	18	55.00	8,128.38	-8,338.45	3,295.55	-3,315.73	0.99	1.21	320.47
13	20,657.67	40	23	17	57.50	7,478.64	-8,251.55	3,045.64	-2,905.42	1.05	1.42	516.44
12	17,516.61	40	22	18	55.00	7,352.31	-8,757.15	2,792.50	-2,439.91	1.14	1.40	437.92
11	24,016.23	40	25	15	62.50	6,782.40	-6,975.70	2,502.72	-2,570.12	0.97	1.62	600.41
10	27,174.81	40	23	17	57.50	6,199.20	-3,730.08	2,466.44	-1,738.42	1.42	1.92	679.37
9	24,212.64	40	23	16	57.50	6,418.16	-3,113.22	2,219.21	-1,676.82	1.32	1.90	605.32
8	26,297.58	40	23	17	57.50	6,220.34	-2,943.34	2,207.92	-1,440.27	1.53	2.07	657.44
7	27,552.62	40	24	16	60.00	5,264.21	-2,946.00	1,989.43	-1,262.11	1.58	2.36	688.82
6	30,425.85	40	27	13	67.50	4,695.76	-3,093.30	1,721.75	-1,235.50	1.39	2.89	760.65
5	26,154.23	40	25	15	62.50	4,771.60	-2,562.72	1,596.10	-916.55	1.74	2.90	653.86
4	17,768.76	40	25	15	62.50	3,165.12	-1,948.21	1,213.41	-837.76	1.45	2.41	444.22
3	15,110.41	40	25	15	62.50	2,989.36	-2,188.15	1,051.82	-745.67	1.41	2.35	377.76
2	25,654.63	40	26	13	65.00	3,813.53	-1,259.60	1,170.85	-368.26	3.18	6.36	641.37
1	14,755.98	40	28	12	70.00	2,755.52	-1,292.50	660.20	-310.81	2.12	4.96	368.90

Again good numbers over the next week suggest the very high volume can generate some follow through momentum. Lastly, let's look at just moderately higher volume.

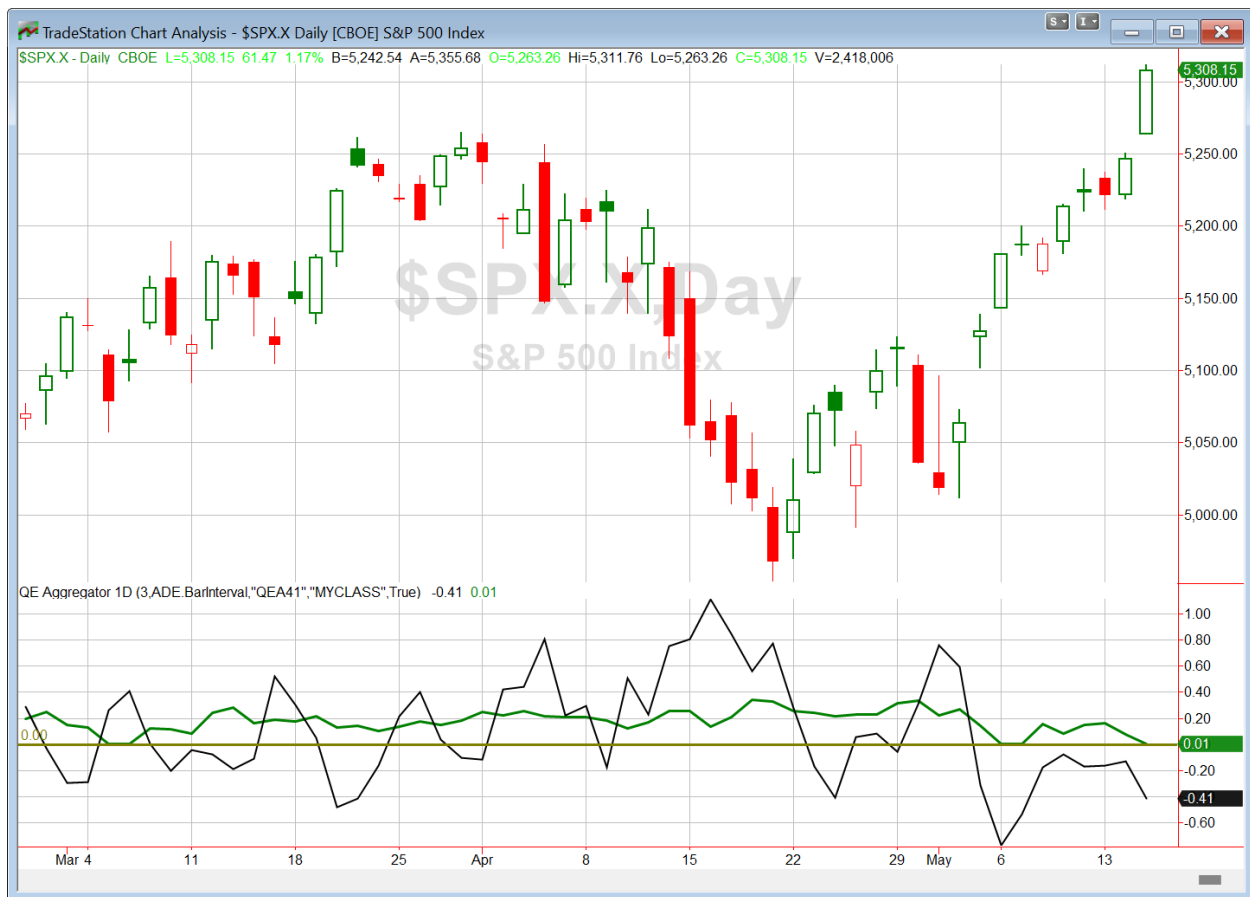
SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is > yesterday but < 20-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - present.

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
20	-12,788.56	108	52	56	48.15	13,401.70	-11,541.15	3,252.59	-3,248.63	1.00	0.93	-118.41
19	-2,022.69	108	55	53	50.93	9,135.36	-11,854.89	3,065.02	-3,218.85	0.95	0.99	-18.73
18	866.94	109	58	51	53.21	9,503.00	-10,293.66	2,884.76	-3,263.71	0.88	1.01	7.95
17	-3,613.14	109	58	51	53.21	9,962.68	-9,419.67	2,774.66	-3,226.34	0.86	0.98	-33.15
16	-6,228.66	111	60	51	54.05	8,910.72	-11,033.63	2,599.96	-3,180.90	0.82	0.96	-56.11
15	3,601.66	111	59	52	53.15	8,150.48	-10,321.97	2,508.69	-2,777.13	0.90	1.02	32.45
14	-7,789.61	111	62	49	55.86	7,702.40	-10,120.46	2,250.52	-3,006.57	0.75	0.95	-70.18
13	-9,593.41	111	58	53	52.25	7,911.80	-9,725.34	2,286.26	-2,682.95	0.85	0.93	-86.43
12	-11,211.20	112	60	52	53.57	10,197.98	-9,869.02	2,149.52	-2,695.81	0.80	0.92	-100.10
11	2,787.85	112	59	53	52.68	10,380.37	-9,482.88	2,190.80	-2,386.22	0.92	1.02	24.89
10	-6,409.86	112	57	55	50.89	10,515.18	-8,683.66	2,094.96	-2,287.69	0.92	0.95	-57.23
9	-2,756.95	112	55	57	49.11	8,413.73	-6,878.68	2,044.81	-2,021.43	1.01	0.98	-24.62
8	-6,390.23	112	60	52	53.57	8,532.68	-7,076.24	1,642.90	-2,018.54	0.81	0.94	-57.06
7	13,804.65	112	61	51	54.46	6,337.26	-7,255.84	1,660.43	-1,715.33	0.97	1.16	123.26
6	9,220.09	112	63	49	56.25	6,819.80	-7,103.18	1,463.54	-1,693.53	0.86	1.11	82.32
5	5,583.23	112	56	56	50.00	8,516.82	-6,088.44	1,494.74	-1,395.04	1.07	1.07	49.85
4	-2,280.87	112	61	51	54.46	6,716.71	-5,585.56	1,203.80	-1,484.56	0.81	0.97	-20.36
3	9,197.48	112	64	48	57.14	6,740.50	-5,361.06	1,103.20	-1,279.31	0.86	1.15	82.12
2	2,446.50	112	66	46	58.93	4,028.44	-4,276.16	764.93	-1,044.32	0.73	1.05	21.84
1	8,812.09	112	62	50	55.36	2,731.56	-2,722.61	508.34	-454.10	1.12	1.39	78.68

These results look quite a bit different. There does not seem to be any edge suggested. And unfortunately, this is the setup that triggered on Friday's breakout. So SPX made a 50-day high, and we may see further follow through over the next several days, but odds of that appear about breakeven.

So Wednesday's rally managed to triggered a couple of studies with bullish intermediate-term implications, but it did not generate any new and compelling short-term evidence.

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 Thursday. Of course this could easily change if compelling new bearish evidence emerges. And with the short-term active list now blank, expectations over the next few days will be greatly influenced by any new studies that trigger. Meanwhile, the Differential Pivot will be 5241.22 on Wednesday. That is 1.3% below Wednesday's close. Therefore, SPX will need to close down about 1.3% in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. Short-term evidence is light. SPX is overbought by many measures. This market remains too strong to short and too overbought to buy. Again, I'll continue to wait for the next compelling reward/risk setup to emerge before considering new index positions.

*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

None

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