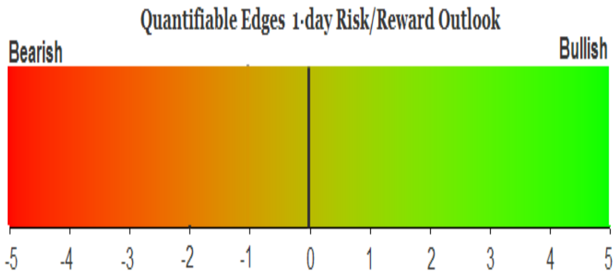
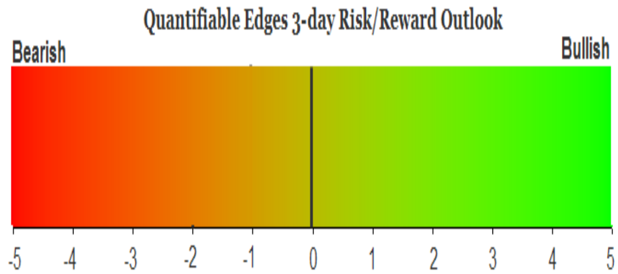
QUANTIFIABLE EDGES SUBSCRIBER LETTER
ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 17, 2024 Volume 17 Issue 96

QUANTIFIABLE EDGES SUBSCRIBER LETTER

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The series of higher highs, lows, and closes, suggests more upside is to come after Monday's down close.
- SPX made a 20-day intraday high and closed in the bottom 10% of its intraday range. This has historically been a bullish setup.
- During uptrends, the market often sees intraday selling on opex Friday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

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The Evidence

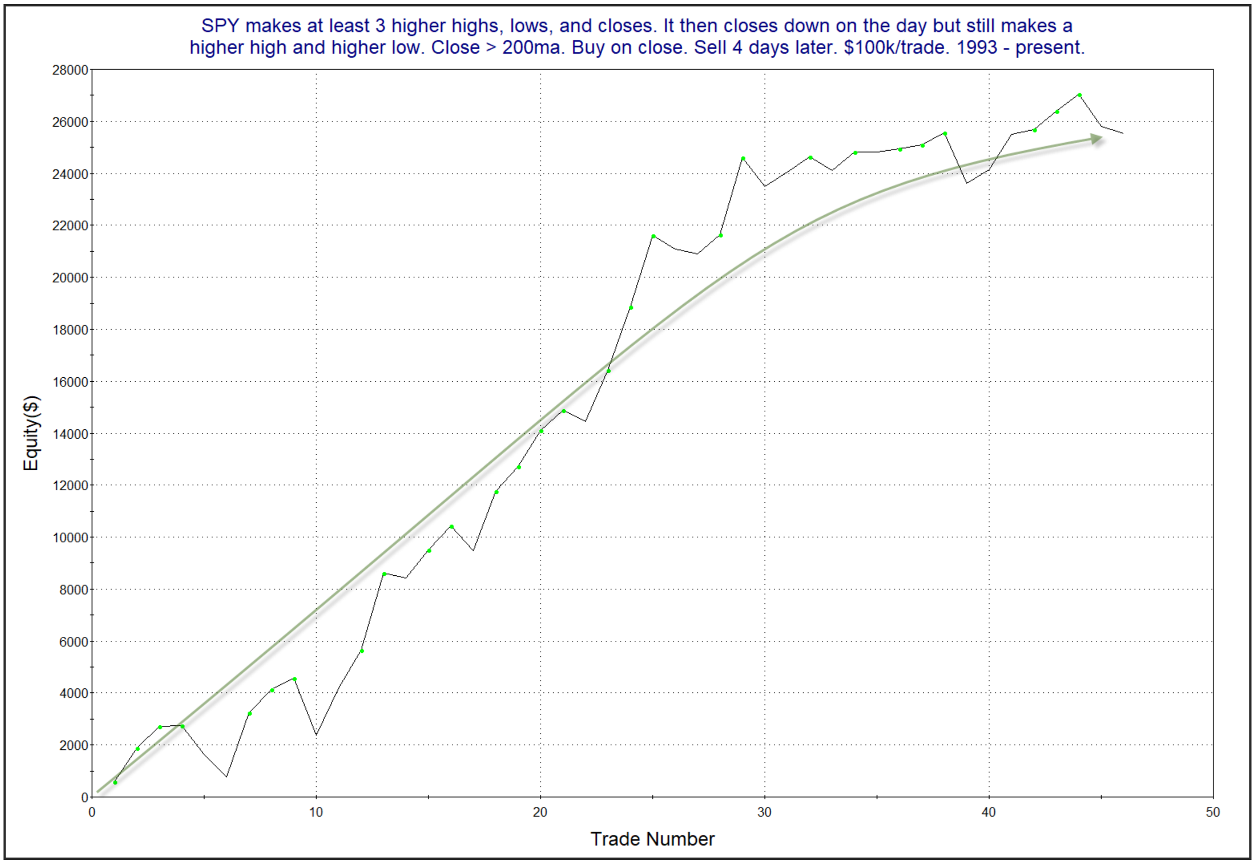
Thursday saw the indices all decline for the 1st time in a while. SPX lost 0.2%, the NASDAQ dropped 0.3%, and the Russell 2000 fell 0.6%. Breadth was negative, with the NYSE Up Issues % coming in at 45% and the Up Volume % at 46%. NYSE total volume declined some from Wednesday's level.

SPY finished lower, but it did manage to register a higher high and a higher low. The study below was last seen in the 2/13/24 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs, lows, and closes. It then closes down on the day but still makes a higher high and higher low. Close > 200ma. 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	19,116.65	46	29	17	63.04	3,602.64	-4,604.60	1,257.48	-1,020.60	1.23	2.10	415.58
4	25,525.51	46	32	14	69.57	2,962.96	-2,191.22	1,159.11	-826.15	1.40	3.21	554.90
3	17,941.95	46	30	16	65.22	2,762.41	-2,640.33	942.32	-645.47	1.46	2.74	390.04
2	13,867.54	46	32	13	69.57	2,399.54	-2,291.63	734.85	-742.13	0.99	2.44	301.47
1	7,235.84	46	29	17	63.04	1,395.93	-1,576.28	494.86	-418.53	1.18	2.02	157.30

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



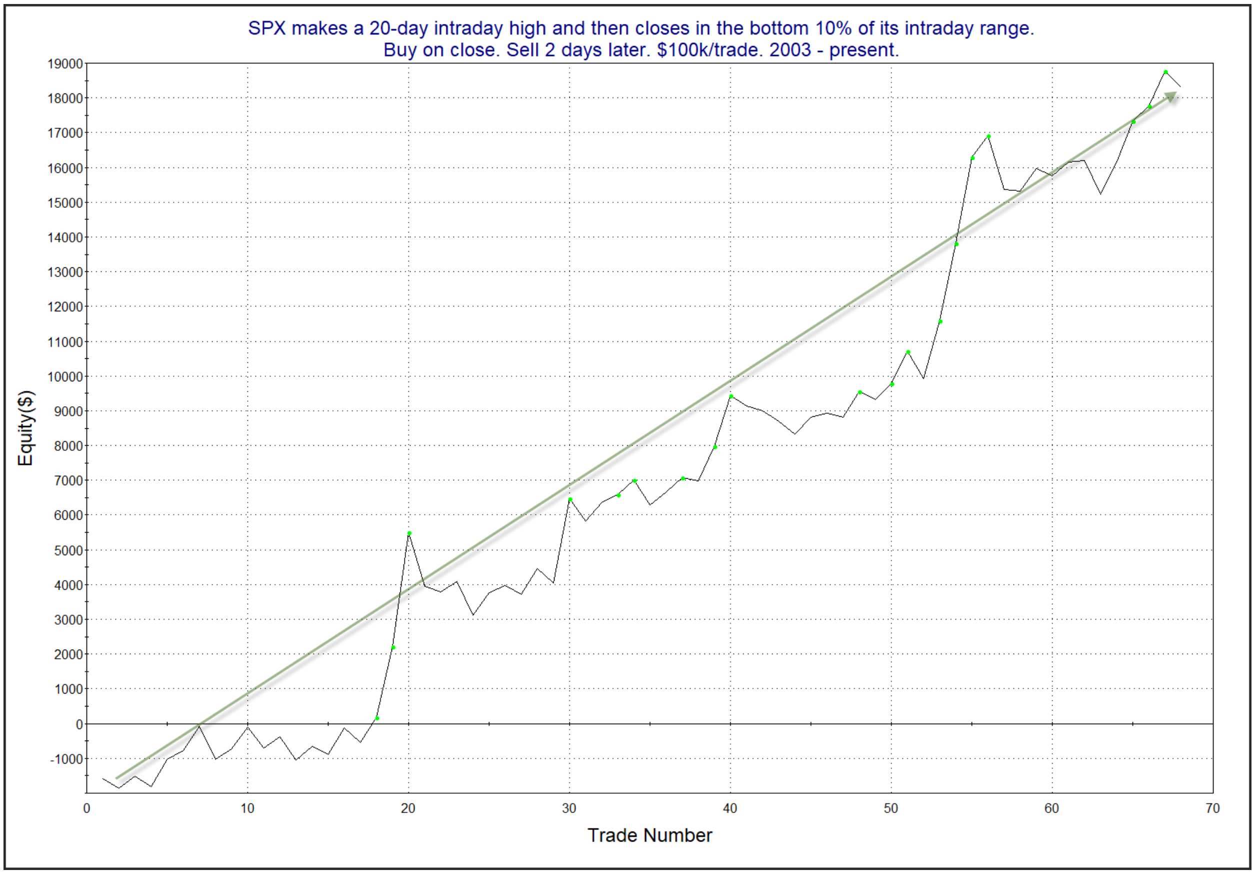
The persistent move higher is impressive. This study seems worth consideration. I have added it to the Active List tonight.

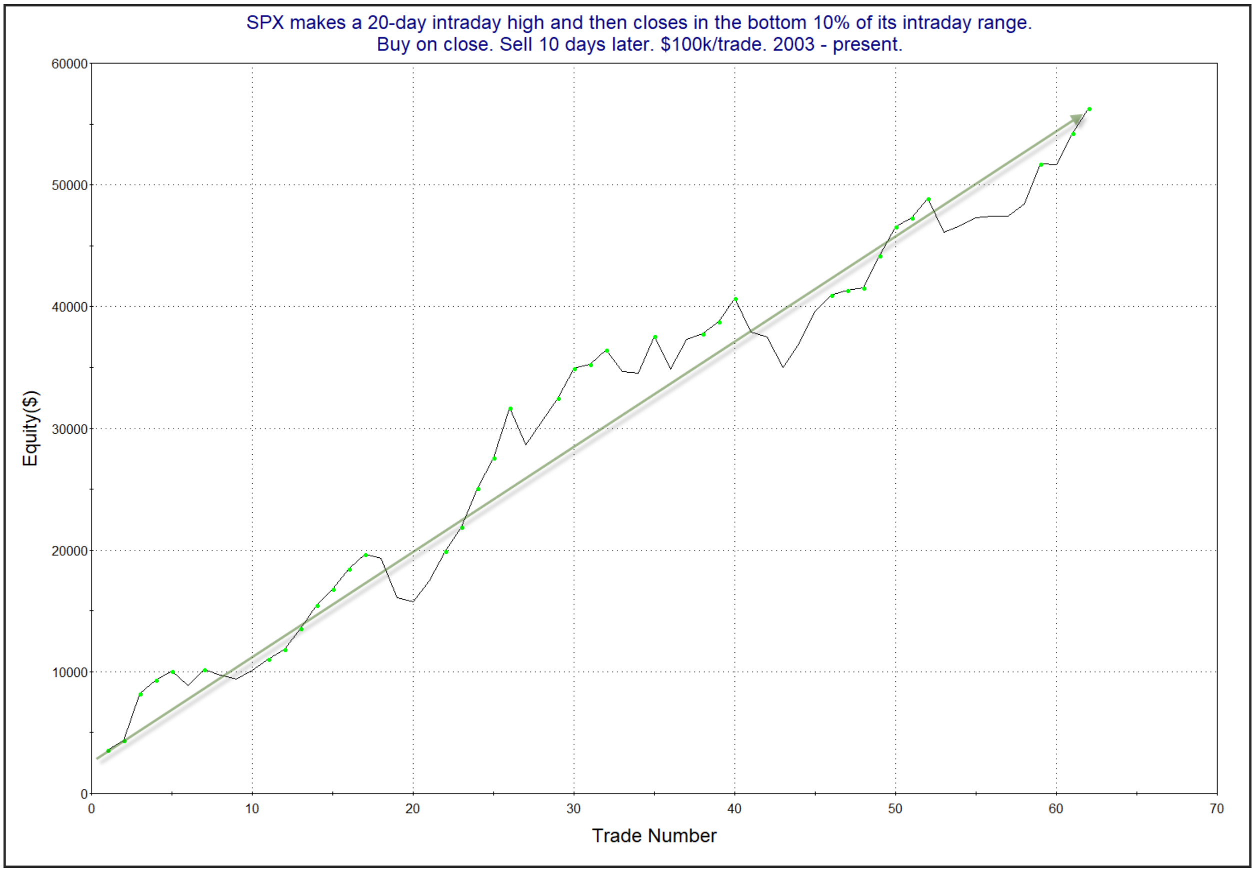
Early in the day the SPX managed to make a new intermediate-term intraday high. The new high followed by a poor and close triggered the study below, which was last seen recently in the 3/11/24 subscriber letter. Results are updated.

SPX makes a 20-day intraday high and then closes in the bottom 10% of its intraday range.
Buy on close. Sell X days later. $100k/trade. 2003 - 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	56,313.20	62	47	15	75.81	4,119.18	-3,210.80	1,666.94	-1,468.86	1.13	3.56	908.28
9	50,391.48	63	46	17	73.02	3,613.36	-3,775.10	1,626.14	-1,435.95	1.13	3.06	799.86
8	48,482.87	64	48	16	75.00	4,483.84	-3,803.24	1,569.06	-1,677.01	0.94	2.81	757.54
7	39,385.42	65	47	18	72.31	3,761.94	-4,159.32	1,446.10	-1,587.85	0.91	2.38	605.93
6	36,544.95	66	48	18	72.73	3,703.30	-3,567.90	1,253.25	-1,311.72	0.96	2.55	553.71
5	21,254.03	66	41	25	62.12	4,377.84	-3,566.84	1,078.91	-919.26	1.17	1.92	322.03
4	17,350.19	68	44	24	64.71	5,024.25	-2,435.84	974.77	-1,064.16	0.92	1.68	255.15
3	14,590.06	68	41	27	60.29	3,368.93	-3,384.50	905.27	-834.30	1.09	1.65	214.56
2	18,313.69	68	40	28	58.82	3,288.48	-1,575.22	842.17	-549.04	1.53	2.19	269.32
1	12,858.81	69	45	24	65.22	2,588.08	-2,471.25	562.74	-519.35	1.08	2.03	186.36

Results here seem to suggest an upside edge. Below are looks at both the 2-day and 10-day curves.





The persistent upslopes appear to confirm the upside edge suggested by the statistics. I have included this study on the short and intermediate-term active lists. It was just about to expire on the intermediate-term list, so I reset it there.

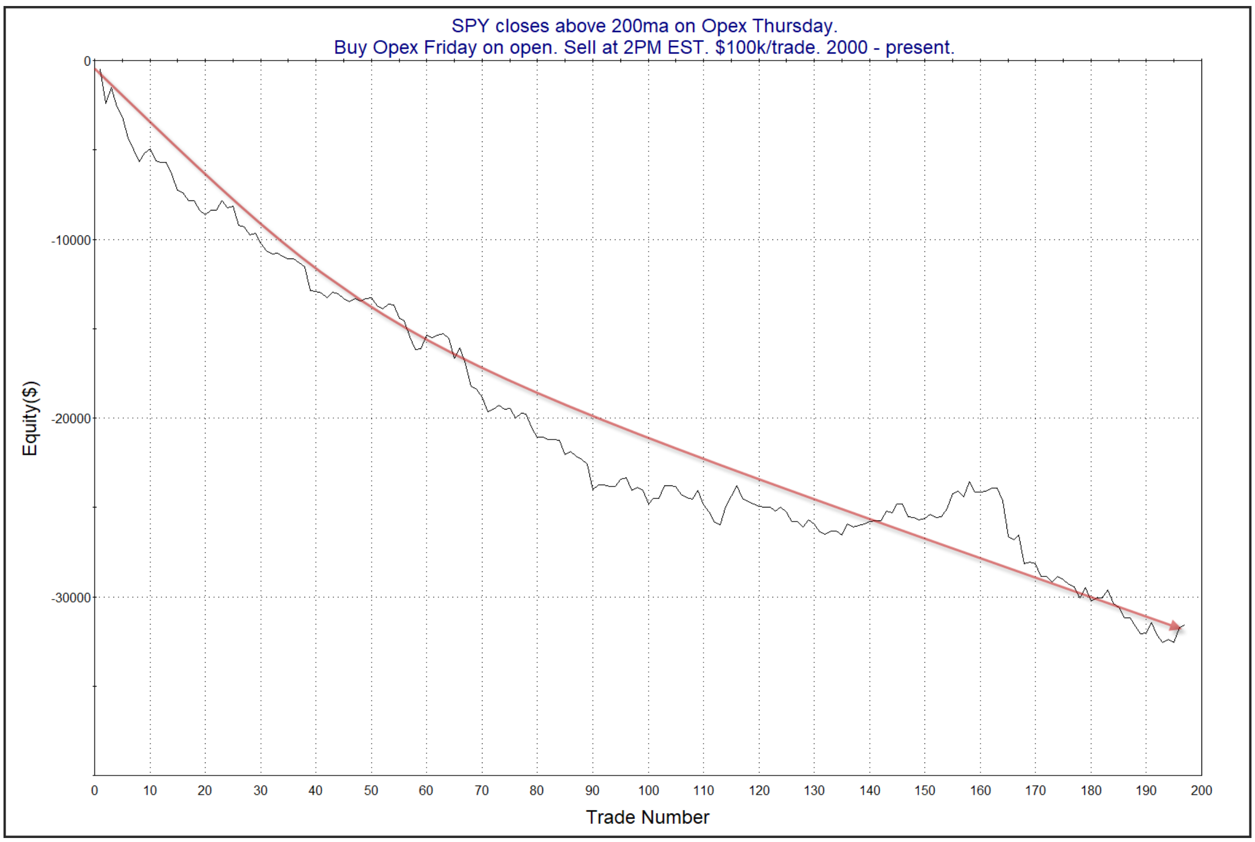
Of course Friday is opex. I've written several times before about the downside intraday market tendency on opex days. I last updated the research it in the 3/15/24 letter. I have copied that research below. Results are not updated, but SPY and QQQ both saw intraday selloffs on 3/15 and 4/19. So the numbers are somewhat more compelling now.

Options expiration has long been a day that has seen weakness after the opening bell…

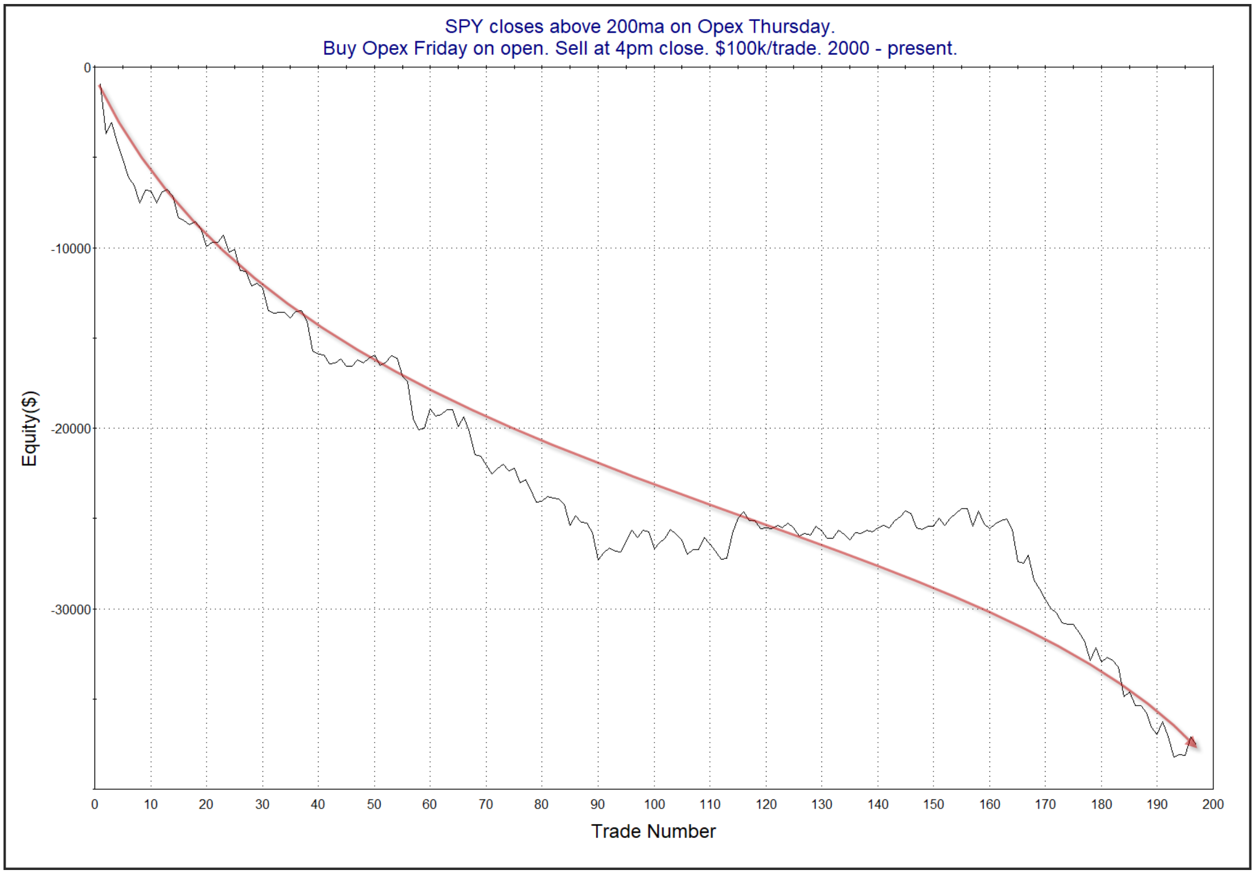
This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

SPY closes above 200ma on Opex Thursday. Buy Opex Friday on open. Sell at time shown on left. $100k/trade. 2000 - present.												
OE Op-Ex Fri Intra Short: timeofday	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
1,600	-37,559.81	197	79	118	40.10	1,400.58	-2,746.58	326.48	-536.88	0.61	0.41	-190.66
1,500	-31,736.87	197	80	116	40.61	983.92	-2,315.18	301.43	-481.47	0.63	0.43	-161.10
1,400	-31,592.41	197	68	129	34.52	993.96	-2,000.00	294.56	-400.17	0.74	0.39	-160.37
1,300	-28,247.44	197	70	126	35.53	968.86	-1,324.62	277.76	-378.50	0.73	0.41	-143.39
1,200	-26,777.19	197	69	128	35.03	1,243.06	-1,318.40	264.07	-351.55	0.75	0.40	-135.92
1,100	-21,483.49	197	73	123	37.06	1,020.18	-968.50	220.77	-305.69	0.72	0.43	-109.05
1,000	-17,940.30	197	56	141	28.43	365.47	-629.00	135.84	-181.19	0.75	0.30	-91.07

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

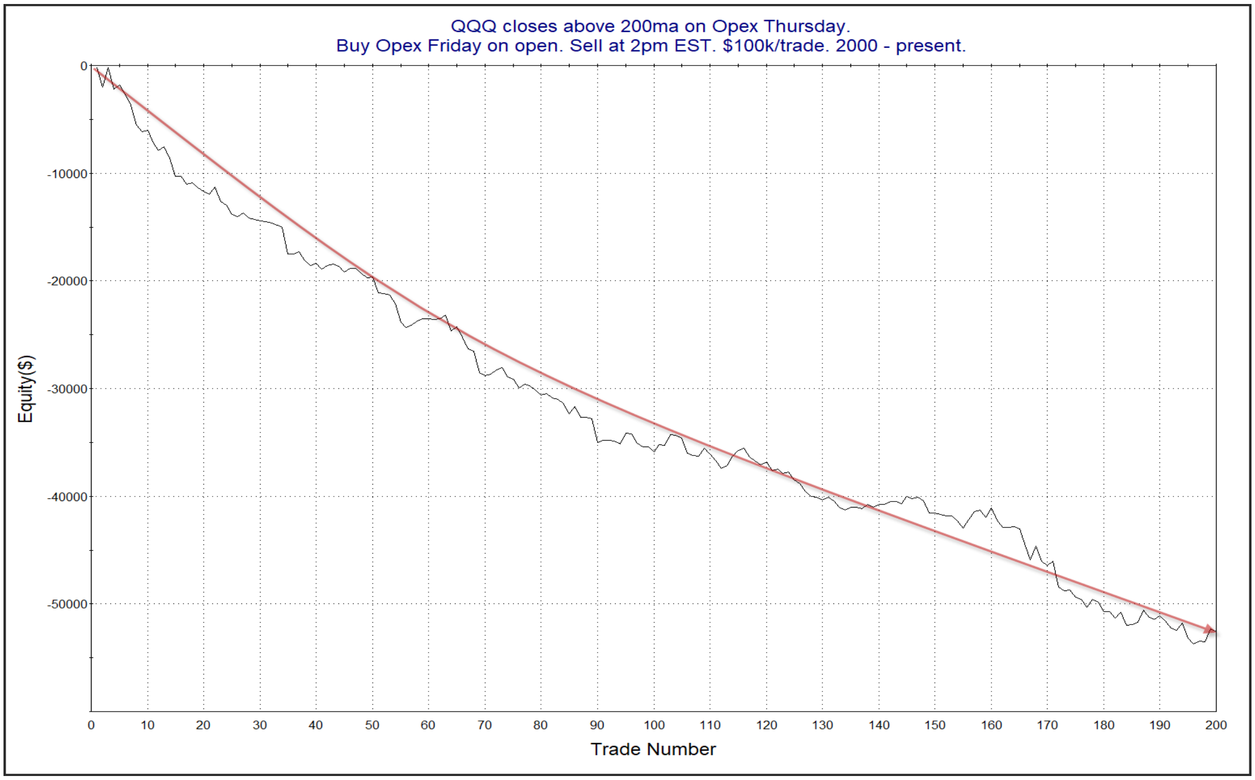


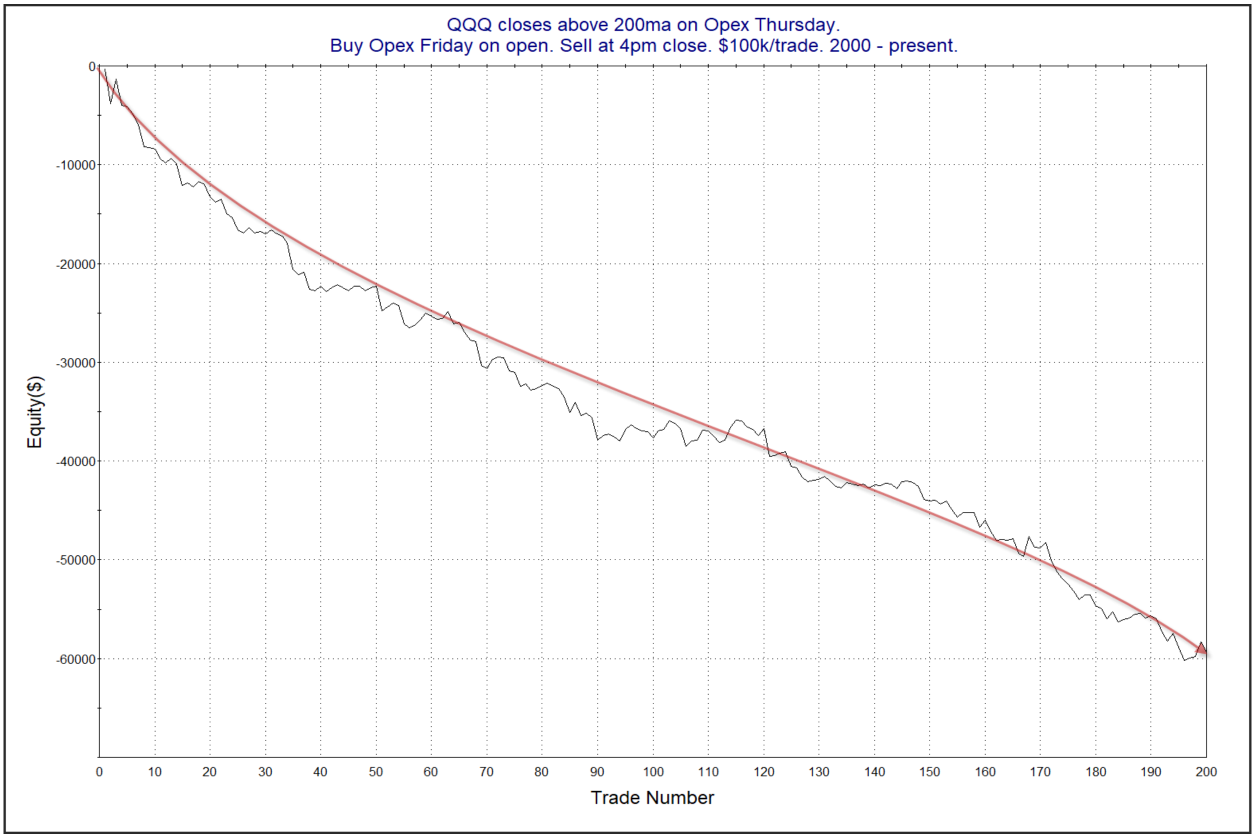
This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

QQQ closes above 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. $100k/trade. 2000 - present.

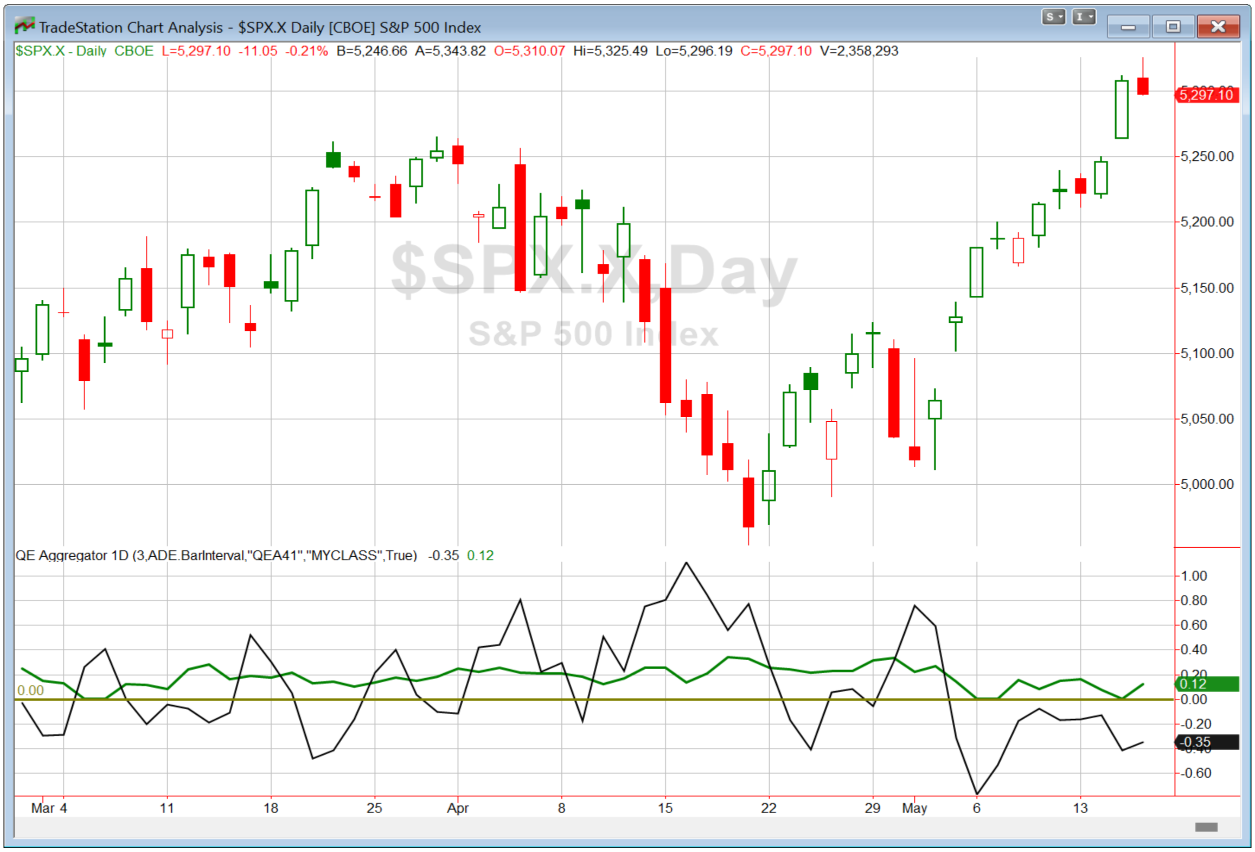
OE Op-Ex Fri Intra Short: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-59,307.31	200	78	122	39.00	2,516.00	-3,525.88	449.62	-773.58	0.58	0.37	-296.54
1,500	-52,994.32	200	73	125	36.50	1,739.00	-2,590.84	422.40	-670.63	0.63	0.37	-264.97
1,400	-52,593.31	200	65	132	32.50	1,822.25	-2,431.68	404.32	-597.53	0.68	0.33	-262.97
1,300	-45,908.58	200	69	130	34.50	1,655.75	-2,382.80	368.56	-548.76	0.67	0.36	-229.54
1,200	-45,150.78	200	71	128	35.50	2,488.25	-1,843.43	346.04	-544.69	0.64	0.35	-225.75
1,100	-37,547.00	200	68	131	34.00	1,998.00	-1,936.40	361.03	-474.03	0.76	0.40	-187.74
1,000	-29,056.55	200	63	136	31.50	1,332.00	-1,198.29	218.12	-314.69	0.69	0.32	-145.28





The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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 Friday. Of course this could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5266.93 on Friday. That is 0.6% below Thursday's close. Therefore, SPX will need to close down about 0.6% in order to flip from overbought to oversold versus recent expectations on Friday.

So the Aggregator is again neutral. Expectations remain bullish, but the 1-day pullback is not enough to generate an oversold condition. Further selling would be required to get me interested. As noted, opex Friday does often see intraday selling. So perhaps we will see the selling required to turn the Aggregator formation bullish. I am not inclined to jump the gun, though. I'll remain flat, and reevaluate the market setup over the weekend.

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