

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 29, 2024

Volume 17 Issue 103

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- The SPY bounce looks like it should have further to go.

Short-term Outlook

The Bottom Line

The Aggregator formation is bullish, but SPX is set to flip to short-term overbought. This is not an ideal setup for a new entry.

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 29, 2024	SPY up 2 < 3 ago. Close > 200ma	1-2 days	Bullish			
May 24, 2024	1st SPX close < 10ma in 15+ days	1-3 days	Bullish			
Active - Long Term						
May 17, 2024	20-high then close bottom 10% intraday rng	1-10 days	Bullish			
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 29, 2024	May-October selloff potential when 5% dn	1-6 months	Bearish			
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%
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

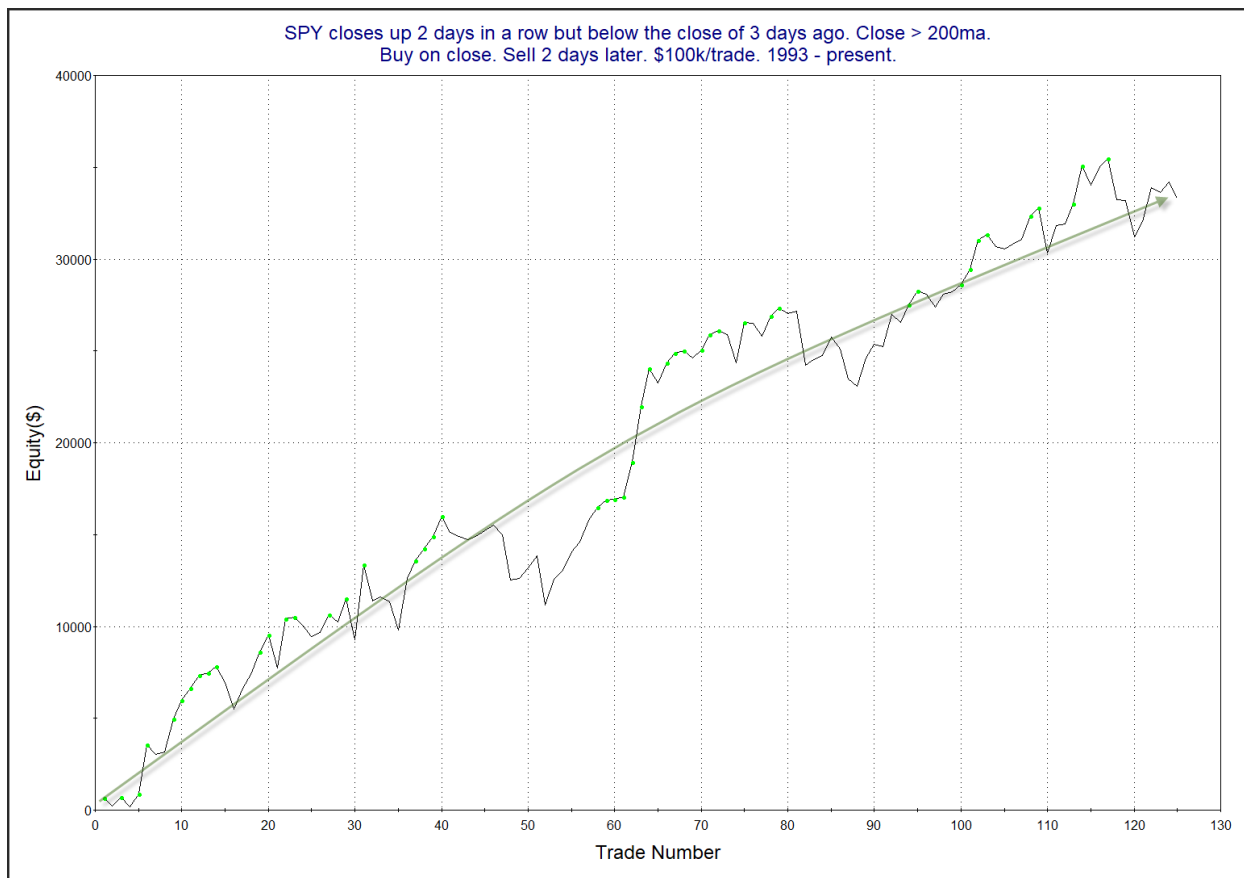
The Evidence

Thursday was mostly mixed and mild for the indices. SPX gained 0.02%, the NASDAQ rose 0.6%, and the Russell declined 0.1%. Breadth was weak, with the NYSE Up Issues % coming in at 35% and the Up Volume % at 41%. NYSE total volume rose some from Friday’s low level.

With a late-day push, SPY closed up slightly. The small up close for SPY meant the last 2 days of gains have failed to make up for the losses of the 1-day drop on Thursday. This triggered the below study, last seen in the 4/9/24 letter.

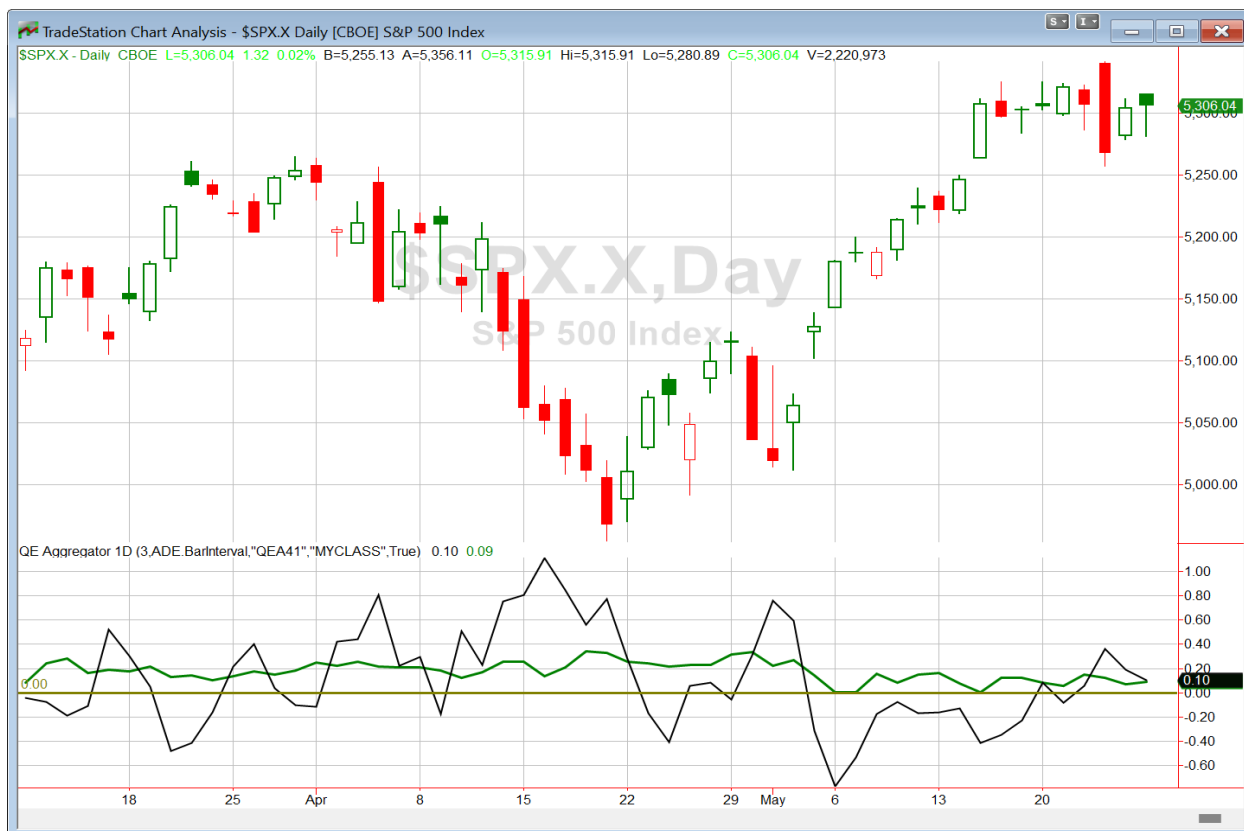
SPY closes up 2 days in a row but below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	23,279.05	122	71	50	58.20	4,717.70	-6,549.84	1,457.88	-1,604.60	0.91	1.29	190.81
4	35,512.20	124	82	42	66.13	4,698.60	-4,384.89	1,239.92	-1,575.26	0.79	1.54	286.39
3	29,799.46	125	78	47	62.40	3,000.00	-4,092.24	1,120.86	-1,226.11	0.91	1.52	238.40
2	33,326.80	125	82	43	65.60	4,088.25	-2,932.22	906.90	-954.39	0.95	1.81	266.61
1	18,121.58	125	73	50	58.40	3,732.75	-1,777.90	662.88	-605.38	1.09	1.60	144.97

This suggests a 2-day upside edge. Let’s check the curve for confirmation.



This is an appealing curve. So it appears this bounce has a pretty good chance of continuing higher over the next day or two. This study has been added to the short-term active list. There was nothing else that stood out tonight suggesting a compelling edge.

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 also remained 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 list of active studies, expectations are set to remain positive on Wednesday. Of course this could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 5285.16 on Wednesday. That is 0.4% *below* Tuesday'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 down at least 0.4% in order to remain oversold vs recent expectations. Anything other than that and it will flip to overbought as of Wednesday's close.

So the Aggregator is again bullish. But the inverted pivot dampens potential reward. This is because any move in the expected direction (up) will lead to the end of the bullish setup. And even a mild move lower will be the end of the setup. I generally view inverted pivots as opportune times to start taking profits if I have them – not good times to start initiating new positions. In this case, I do not have an active SPX position. So I will sit out tomorrow and see if a more compelling setup emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/20 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

BMY @ \$43.36 (bought at limit)

BMY @ \$43.27 (bought at limit)

New

BMY @ \$40.49 (buy at limit)

AMGN @ \$300.19 (buy at limit)

CVS @ \$53.63 (buy at limit)

Broad Market Large Cap CBI – 5(BMY-3, AMGN, CVS)

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.

BMY – Buy 1/3 Catapult position @ \$40.49 LIMIT. From the Catapult section above, this is the 3rd and final lot of BMY.

AMGN – Buy 1/3 Catapult position @ \$300.19 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of AMGN.

CVS – Buy 1/3 Catapult position @ \$53.63 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of CVS.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
BMY(1/3)	5/21/2024	\$43.14	\$40.49	-6.14%	Catapult
BMY(1/3)	5/22/2024	\$42.22	\$40.49	-4.10%	Catapult

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