

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 30, 2024

Volume 17 Issue 104

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce the next day.
- A gap below a short-term low and further selling in a long-term uptrend is often followed by a move up over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator formation is bullish. The long side looks appealing.

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 31, 2024	Gap < 5-low close. Close < open > 200ma	1-5 days	Bullish	1.90%	-1.40%	-3.00%
May 31, 2024	SPY 2 unfilled gaps down > 200ma	1 day	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			

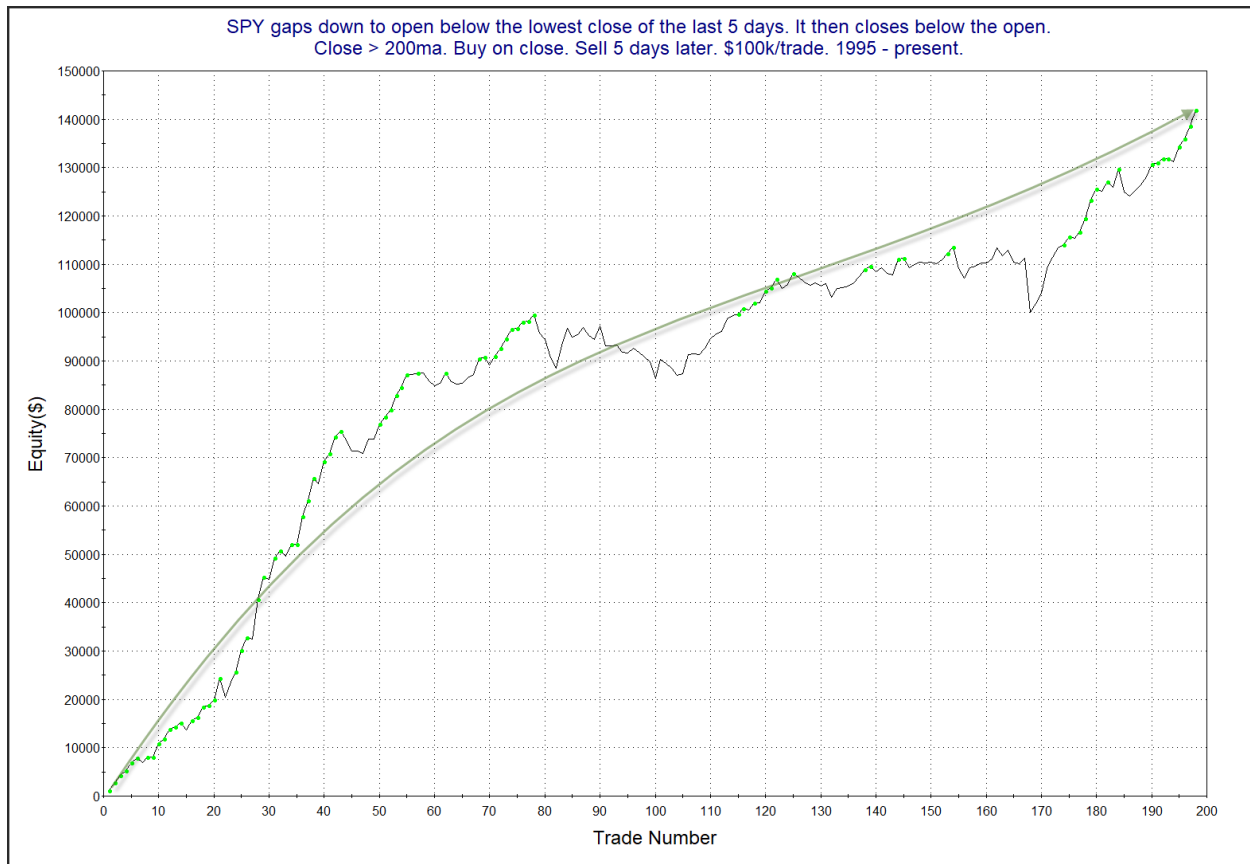
The Evidence

Thursday was mixed. SPX lost 0.7%, and the NASDAQ fell 1.1%, but the Russell 2000 rose 1.0%. Breadth was strong, with the NYSE Up Issues % coming in at 76% and the Up Volume % at 71%. NYSE total volume rose some from Wednesday’s level.

There were a couple of studies from the 9/7/23 letter that triggered tonight. They both had bullish implications. This first study looked at times that SPY gapped down to a short-term low, and then sold off further during the day, while in a long-term uptrend. I have updated the results of the study below.

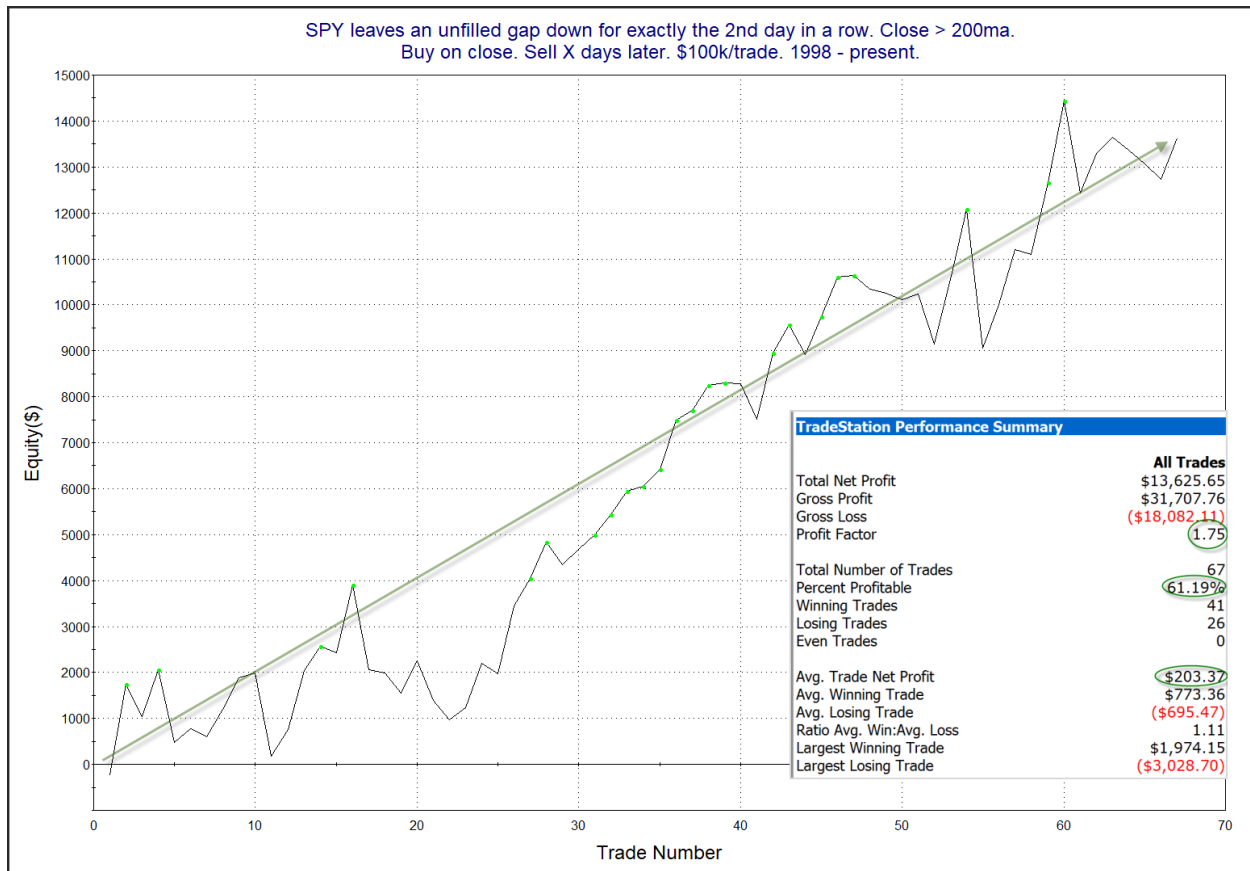
SPY gaps down to open below the lowest close of the last 5 days. It then closes below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	141,934.30	198	135	62	68.18	8,239.74	-11,128.78	1,755.13	-1,532.39	1.15	2.49	716.84
4	125,869.59	207	140	67	67.63	5,581.02	-10,755.03	1,630.43	-1,528.23	1.07	2.23	608.07
3	111,227.51	218	136	81	62.39	5,117.85	-6,572.02	1,531.37	-1,198.01	1.28	2.15	510.22
2	101,818.89	231	149	80	64.50	5,477.88	-6,228.17	1,174.18	-914.17	1.28	2.39	440.77
1	64,080.75	251	163	88	64.94	5,764.38	-4,181.76	817.93	-786.84	1.04	1.93	255.30

The numbers here look fairly bullish. Here is the 5-day profit curve.



Not the straightest line, but it has made it way from lower left to upper right and is again at new highs.

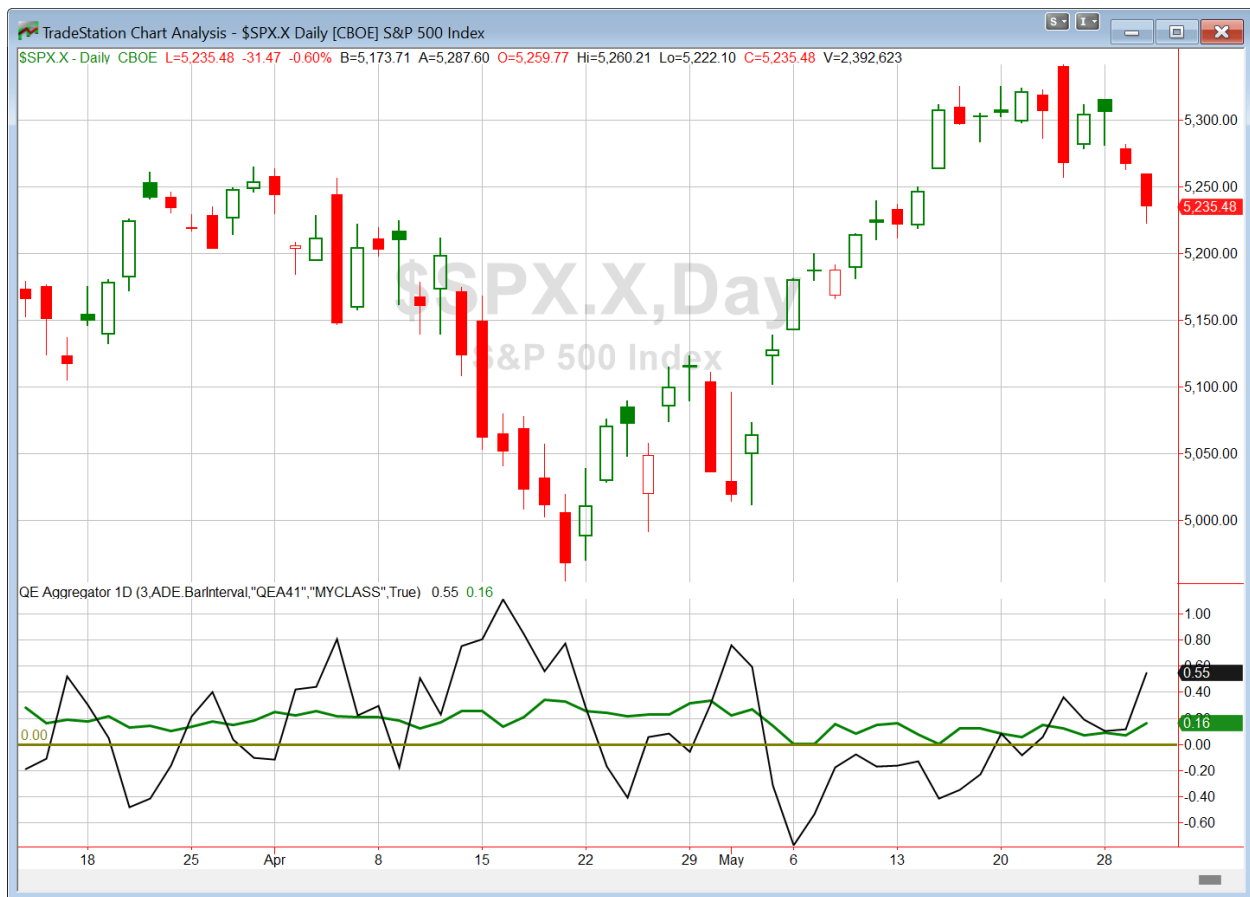
Also notable about Thursday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. This next study suggested bullish implications when this occurred during a long-term uptrend. I took another look at the study tonight.



The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

A couple of other quick notes to consider: 1) The CBI is now at 8. More selling on Friday could easily get it to a bullish 10+. 2) I've shown it many times before, but when the last day of the month closes low in the intraday range, that has been a great setup for a bullish Day 1 for the next month. Together, this suggests that a selloff on Friday would very likely trigger more bullish studies.

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 Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5320.27 on Friday. That is 1.6% above Thursday's close. Therefore, SPX will need to close up at least 1.6% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is pointing higher and the market is now quite oversold. I like the long side. I have some long exposure currently and I will look to add more on Friday if the price is right.

*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)

BMY @ \$40.49 (bought at limit)

AMGN @ \$300.19 (bought at limit)

AMGN @ \$296.37 (bought at limit)

CL @ \$91.29 (bought at limit)

New

ACN @ \$284.80 (buy at limit)

CL @ \$90.93 (buy at limit)

Broad Market Large Cap CBI – 8(BMY-3, AMGN-2, CL-2, ACN)

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.

CL – Buy 1/3 Catapult position @ \$90.93 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of CL.

ACN – Buy 1/3 Catapult position @ \$284.80 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of ACN.

SPY – Buy ¼ index position @ \$522.50 LIMIT. Based on the short-term outlook above, I will look to add another lot to my SPY position on just about any pullback on Friday.

SPY – Buy ¼ index position @ \$522.00 LIMIT ON CLOSE IF SPY ALSO CLOSES IN THE BOTTOM HALF IF ITS INTRADAY RANGE. I will add a 3rd lot at the close if Friday is a down day with a poor close (which typically sets up for a positive 1st day of the next month.).

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
BMY(1/3)	5/21/2024	\$43.14	\$40.25	-6.70%	Catapult
BMY(1/3)	5/22/2024	\$42.22	\$40.25	-4.67%	Catapult
BMY(1/3)	5/29/2024	\$40.28	\$40.25	-0.07%	Catapult
AMGN(1/3)	5/29/2024	\$299.04	\$301.00	0.66%	Catapult
CVS(1/3)	5/29/2024	\$53.20	\$56.04	5.34%	<i>Sell on open</i>
AMGN(1/3)	5/30/2024	\$297.18	\$301.00	1.29%	Catapult
CL(1/3)	5/30/2024	\$91.27	\$90.93	-0.37%	Catapult
SPY(1/4)	5/30/2024	\$524.52	\$522.61	-0.36%	Catapult

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