

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 6, 2024

Volume 17 Issue 109

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- For breakouts to generate a short-term upside edge, they should have longer bases than what we saw with SPX.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. Evidence is suggesting more upside over the next few days but SPX is overbought. So reward/risk is meh.

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						
June 5, 2024	NYSE Up Vol % < 40. SPX up & > 200ma	1-8 days	Bullish	1.80%	-1.30%	-2.80%
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 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			
Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)						
June 4, 2024	Up 2 days from 10 low. < 10ma and >200ma	1-2 days	Bullish			
May 31, 2024	Gap < 5-low close. Close < open > 200	1-5 days	Bullish	1.90%	-1.40%	-3.00%

The Evidence

Wednesday saw strong gains for the indices. SPX rose 1.2%, the NASDAQ gained 2.0%, and the Russell 2000 climbed 1.5%. Breadth was strong with the NYSE Up Issues % coming in at 66% and the Up Volume % at 67%. NYSE total volume declined some from Tuesday’s level.

SPX made a new 50-day high on Monday after having a short, 9-day base. In the 8/4/20 letter I examined the importance of base length when considering odds of a low-volume breakout seeing a continuation over the next few days. I have updated those studies below. First, let’s look at breakout from short basing periods, like the current one.

SPX closes at a 50-day high after not doing so for at least 5 days (but less than 10 days). Buy on close. Sell X days later. \$100k/trade. 1996 - 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	11,681.30	36	20	16	55.56	3,687.06	-2,527.00	1,293.08	-886.26	1.46	1.82	324.48
4	8,044.25	36	23	13	63.89	3,349.50	-2,762.30	876.22	-931.45	0.94	1.66	223.45
3	7,182.93	36	23	13	63.89	3,803.64	-3,899.88	875.95	-997.23	0.88	1.55	199.53
2	5,815.48	36	26	10	72.22	1,658.22	-2,752.74	608.89	-1,001.56	0.61	1.58	161.54
1	5,768.74	36	26	10	72.22	1,415.70	-1,721.70	415.21	-502.68	0.83	2.15	160.24

Odds for these shorter bases appear very mild. Now let’s look at the longer bases.

SPX closes at a 50-day high after not doing so for at least 10 days.
Buy on close. Sell X days later. \$100k/trade. 1996 - present.

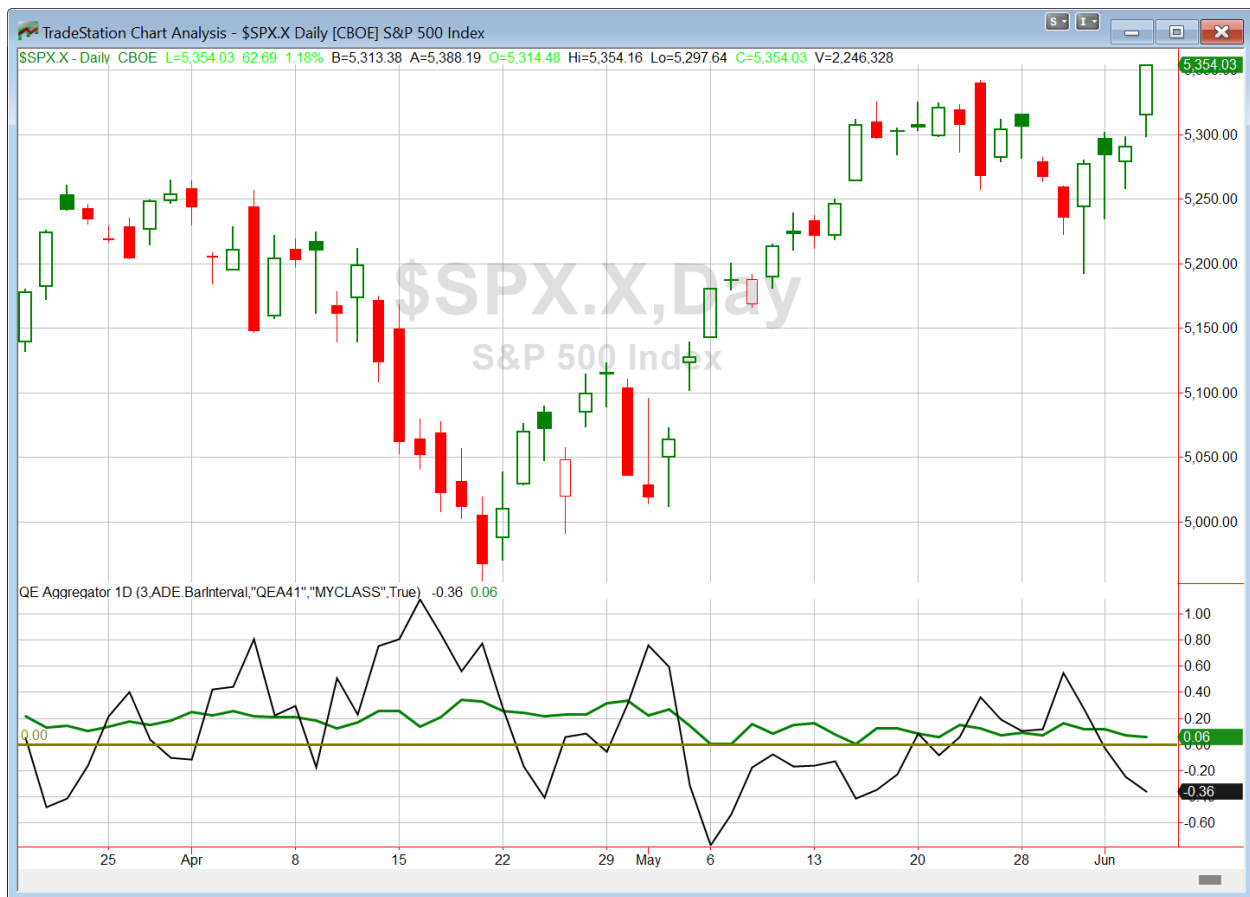
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	31,066.34	52	33	19	63.46	3,260.25	-3,070.40	1,333.90	-681.70	1.96	3.40	597.43
4	21,297.84	52	35	17	67.31	2,953.65	-2,913.85	1,086.41	-983.92	1.10	2.27	409.57
3	22,145.96	52	35	17	67.31	2,641.80	-1,802.37	999.93	-755.97	1.32	2.72	425.88
2	16,495.58	52	36	16	69.23	2,212.98	-1,912.60	690.39	-522.41	1.32	2.97	317.22
1	4,845.40	52	34	18	65.38	1,453.20	-1,921.32	377.38	-443.64	0.85	1.61	93.18

The odds here appear substantially better.

So in a situation like we have tonight, with a short base, there does not appear to be a substantial edge. Additionally, I am not seeing any other studies suggesting Wednesday's action dropped strong hints. So there is nothing new being added to the Active List tonight.

NASDAQ new high new low with NASDAQ at high study

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 but 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 change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5303.87 on Thursday. That is 0.9% below Wednesday's close. Therefore SPX will need to close down over 0.9% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is formation is neutral. And Wednesday did not really change anything. Evidence is pointing higher, but SPX is overbought. This is not a strongly favorable reward/risk scenario. I'll wait for a better setup to emerge before looking to take on my next short-term index position.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/3 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
ACN(1/3)	5/31/2024	\$284.80	\$291.02	2.18%	<i>sell on open</i>
ACN(1/3)	6/3/2024	\$282.29	\$291.02	3.09%	<i>sell on open</i>
ACN(1/3)	6/4/2024	\$281.76	\$291.02	3.29%	<i>sell on open</i>

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