

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 11, 2024

Volume 17 Issue 112

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.
- The Fed Day edge on Wednesday will be greatly influenced by action on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator formation is bullish. Evidence is mixed. The edge does not appear huge, but Wednesday could be good if Tuesday is weak.

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 11, 2024	VIX up. SPX 50-day high. Monday.	1-2 days	Bearish			
June 10, 2024	SPX dn 2 days from 50-high. < 0.25% drop	1-2 days	Bullish			
June 5, 2024	NYSE Up Vol % < 40. SPX up & > 200ma	1-8 days	Bullish	1.80%	-1.30%	-2.80%
Active - Long Term						
June 7, 2024	RUT btm 25% 20-day rng. SPX top 25%.	1-40 days	Bullish	5.30%	-3.30%	-6.60%
May 16, 2024	SPX 50-day %b crosses 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
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			

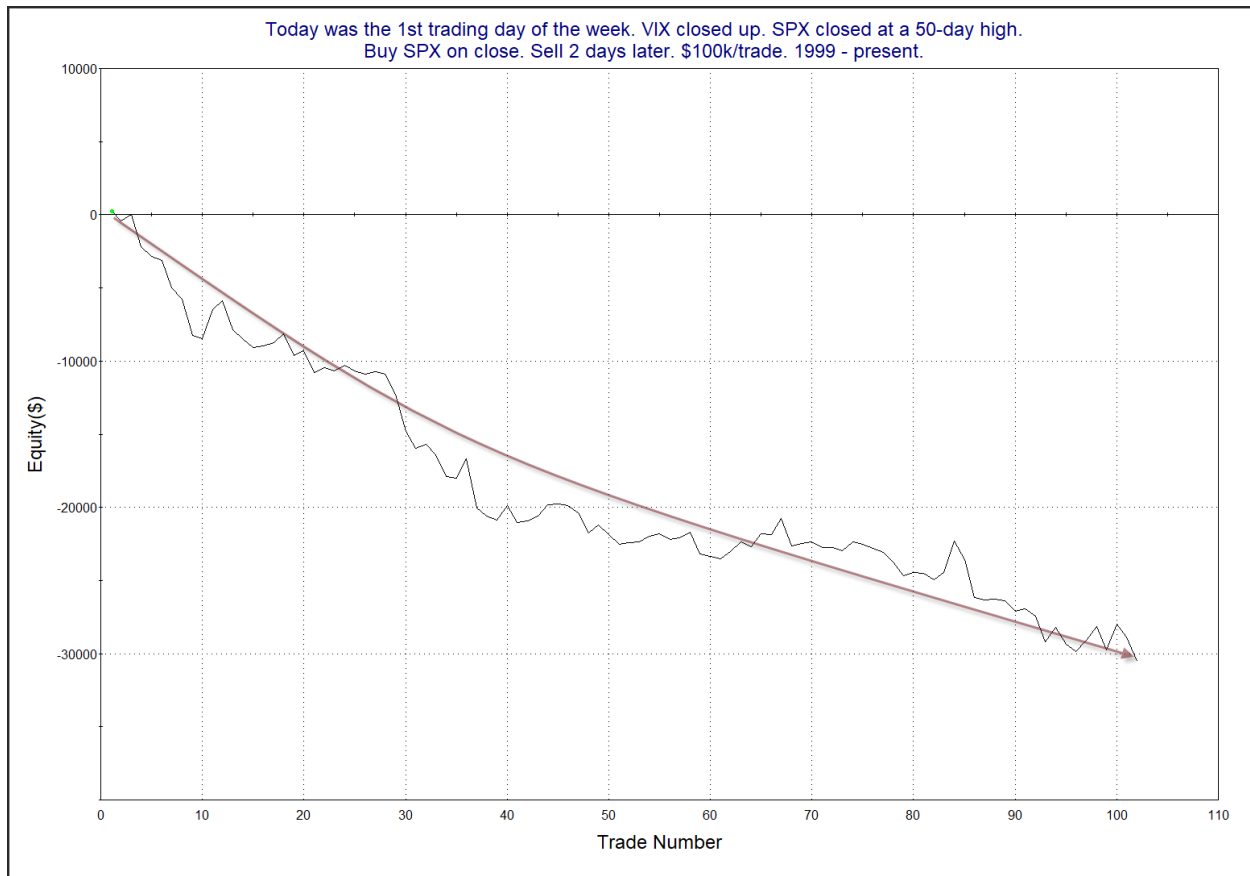
The Evidence

Monday saw moderate gains. SPX rose 0.3%, the NASDAQ rallied 0.35%, and the Russell 2000 climbed 0.25%. Breadth was about even with the NYSE Up Issues % coming in at 49.6% and the Up Volume % at 51.8%. NYSE total volume rose some from Friday's level.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which I discussed in the 8/16/22 letter. Results are all updated.

Today was the 1st trading day of the week. VIX closed up. SPX closed at a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-15,826.55	96	46	50	47.92	5,653.12	-5,048.68	1,092.20	-1,321.35	0.83	0.76	-164.86
4	-14,304.39	102	50	52	49.02	4,422.40	-5,732.40	957.64	-1,195.89	0.80	0.77	-140.24
3	-18,685.48	102	48	54	47.06	2,641.80	-6,908.70	716.52	-982.93	0.73	0.65	-183.19
2	-30,496.97	102	42	60	41.18	2,148.48	-3,372.16	539.40	-885.86	0.61	0.43	-298.99
1	-9,522.38	102	37	65	36.27	802.88	-1,580.04	334.97	-337.17	0.99	0.57	-93.36

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long decline. It is again back at new lows and seems worthy of consideration. I have also included this study on the Active List.

Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. I [have documented this tendency in great detail](#) over the years, including the 2011 book, [The Quantifiable Edges Guide to Fed Days](#). One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. Below are updated stats for the 4 quartiles from highest to lowest in the daily range.

Tomorrow is a Fed Day.SPY closes in the top 25% of its intraday range.Buy on close.
Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$10,818.90
Gross Profit	\$39,289.06
Gross Loss	(\$28,470.16)
Profit Factor	1.38
Total Number of Trades	96
Percent Profitable	50.00%
Winning Trades	48
Losing Trades	46
Even Trades	2
Avg. Trade Net Profit	\$112.70
Avg. Winning Trade	\$818.52
Avg. Losing Trade	(\$618.92)
Ratio Avg. Win:Avg. Loss	1.32
Largest Winning Trade	\$2,238.25
Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day.
SPY closes > 50% and <= 75% of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present

TradeStation Performance Summary

	All Trades
Total Net Profit	\$15,445.46
Gross Profit	\$34,876.26
Gross Loss	(\$19,430.80)
Profit Factor	1.79
Total Number of Trades	58
Percent Profitable	51.72%
Winning Trades	30
Losing Trades	27
Even Trades	1
Avg. Trade Net Profit	\$266.30
Avg. Winning Trade	\$1,162.54
Avg. Losing Trade	(\$719.66)
Ratio Avg. Win:Avg. Loss	1.62
Largest Winning Trade	\$4,704.07
Largest Losing Trade	(\$2,246.40)

Tomorrow is a Fed Day.
 SPY closes > 25% and <= 50% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$13,122.59
Gross Profit	\$26,498.43
Gross Loss	(\$13,375.84)
Profit Factor	1.98
Total Number of Trades	49
Percent Profitable	63.27%
Winning Trades	31
Losing Trades	18
Even Trades	0
Avg. Trade Net Profit	\$267.81
Avg. Winning Trade	\$854.79
Avg. Losing Trade	(\$743.10)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

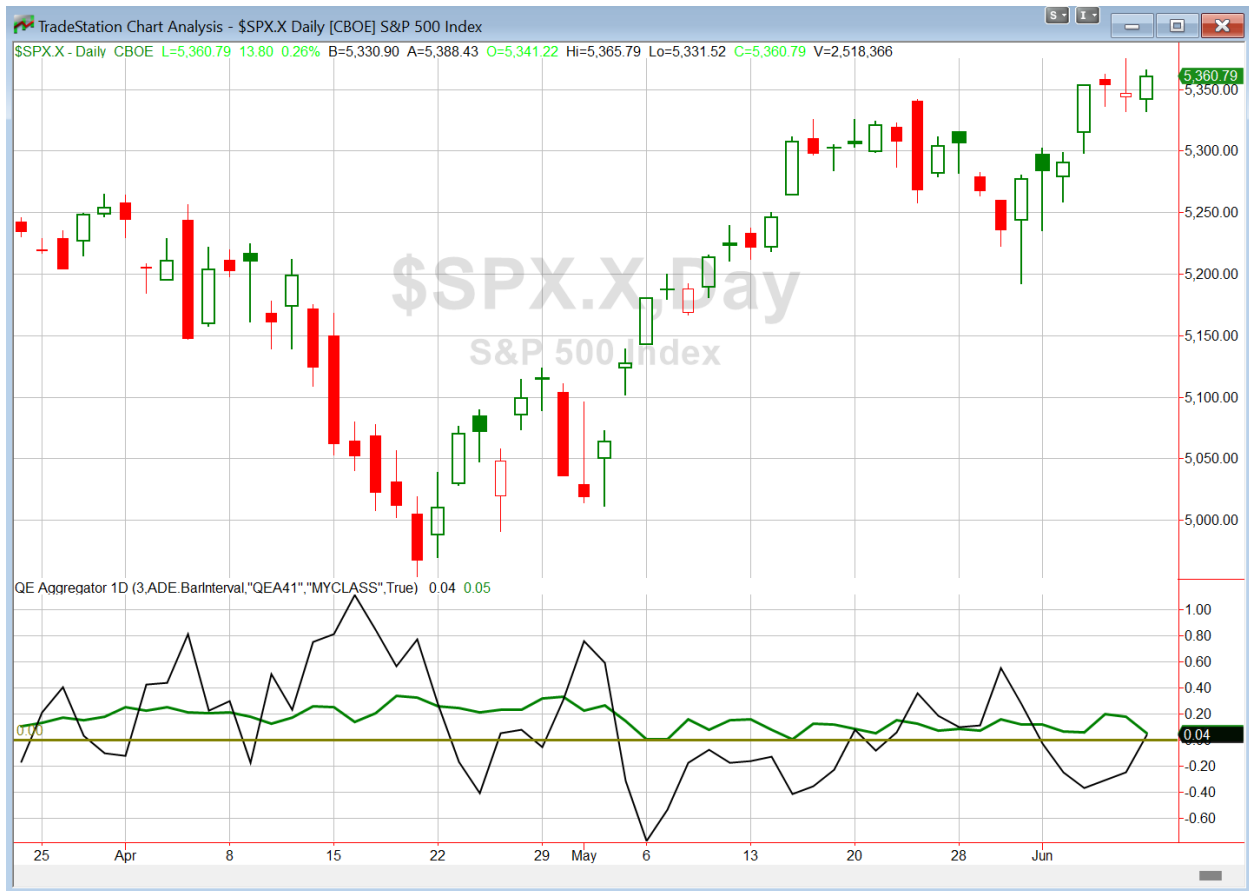
Tomorrow is a Fed Day.
 SPY closes in the BOTTOM 25% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$25,474.09
Gross Profit	\$37,727.36
Gross Loss	(\$12,253.27)
Profit Factor	3.08
Total Number of Trades	46
Percent Profitable	71.74%
Winning Trades	33
Losing Trades	13
Even Trades	0
Avg. Trade Net Profit	\$553.78
Avg. Winning Trade	\$1,143.25
Avg. Losing Trade	(\$942.56)
Ratio Avg. Win:Avg. Loss	1.21
Largest Winning Trade	\$4,645.80
Largest Losing Trade	(\$2,945.28)

So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

I have updated [the Aggregator chart](#) below.



Even with tonight's bearish 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 inched 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5370.49 on Tuesday. That is 0.2% above Monday's close. Therefore, SPX will need to close up at least 0.2% on Tuesday in order to flip from oversold to overbought versus recent expectations.

The Aggregator is formation is now bullish. The Differential Pivot is not far away, so there does not appear to be much upside potential. And the Fed meeting on Wednesday is a bit of a wildcard. But as we have seen, a weak close on Tuesday should help odds for Wednesday. So I may look to take on come long exposure if the market closes poorly on Wednesday. And I will likely take at least part of that position off on Wednesday before the Fed announcement.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/10 – **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.

SPY – Buy ½ index position @ \$535.65 LIIMIT ON CLOSE IF SPY ALSO CLOSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will take on a sizable SPY position near the close on Tuesday, if SPY closes down and in the lower half of its intraday range. I will look to sell at least a part of this on Wednesday prior to the Fed announcement.

Current Open Trade Ideas

None

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