

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 13, 2024

Volume 17 Issue 114

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Closing at a new long-term high on a Fed Day has often been a plus for the next 1-2 weeks.
- The intraday high, unfilled gap, and weak close imply short-term strength.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral and CPI and the Fed have the potential to generate outsized moves. Not a high probability setup.

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 13, 2024	SPY 20-high. Unfilled gap up. Close < open	1-3 days	Bullish			
June 13, 2024	SPX 100-day high on a Fed Day	1-8 days	Bullish			
June 12, 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			

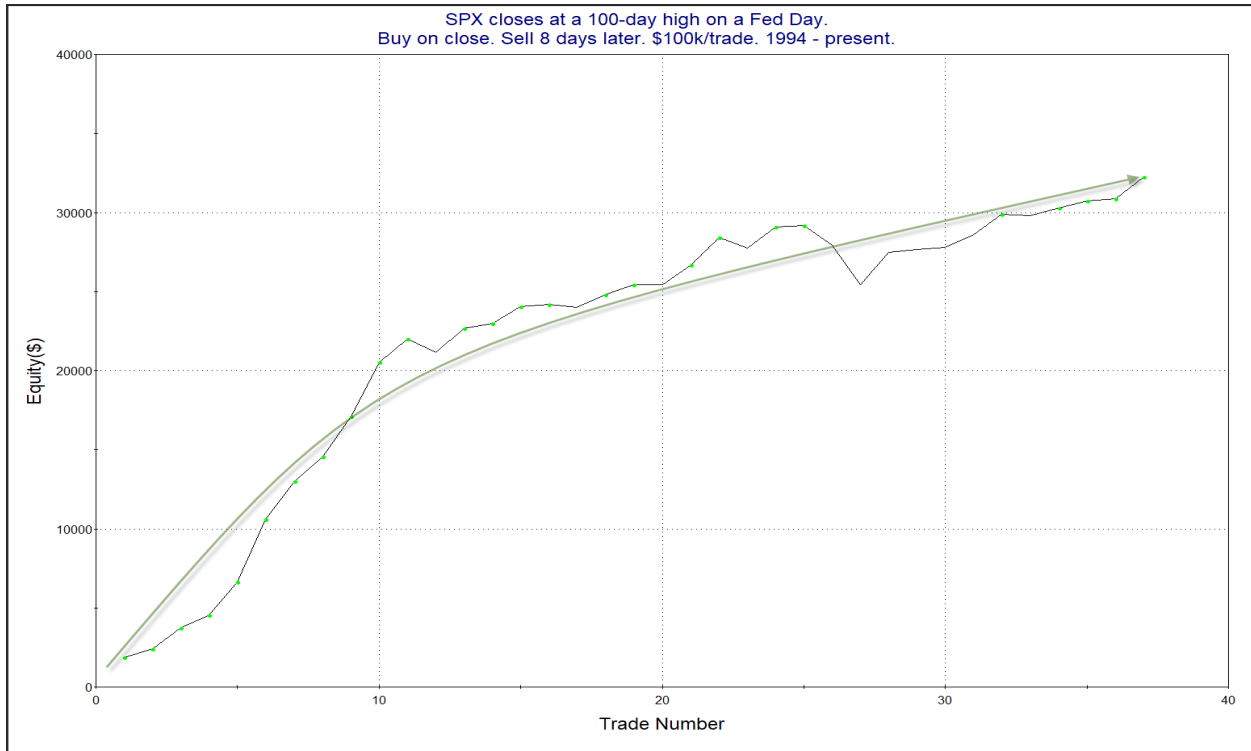
The Evidence

Wednesday was a strong up day. SPX rose 0.85%, the NASDAQ rallied 1.5%, and the Russell 2000 gained 1.6%. Breadth was positive with the NYSE Up Issues % coming in at 70% and the Up Volume % at 56%. NYSE total volume rose some from Tuesday’s level.

CPI suggested inflation is slowing and the Fed did not ruin the party. In “The Quantifiable Edges Guide to Fed Days” I discussed Fed Days that close at new highs. The basic finding was that when the market closed at a short-term high on a Fed Day, then it was likely to pull back over the next few days. But when it closed at a long-term high, then the rally was likely to continue. Below is a study from the guide that last appeared in the 3/21/24 Subscriber Letter.

SPX closes at a 100-day high on a Fed Day. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	29,981.78	38	27	11	71.05	5,492.11	-2,161.08	1,566.09	-1,118.41	1.40	3.44	788.99
9	31,243.26	38	28	10	73.68	5,708.74	-2,346.69	1,560.47	-1,244.98	1.25	3.51	822.19
8	31,911.29	38	30	8	78.95	3,995.65	-2,506.29	1,261.10	-740.22	1.70	6.39	839.77
7	24,006.46	38	28	10	73.68	3,198.09	-1,924.89	1,110.92	-709.93	1.56	4.38	631.75
6	21,515.19	38	28	10	73.68	3,147.85	-1,615.00	1,049.33	-786.60	1.33	3.74	566.19
5	17,867.20	38	26	12	68.42	2,353.88	-2,124.50	977.01	-627.92	1.56	3.37	470.19
4	16,651.19	38	24	14	63.16	3,173.92	-1,601.70	1,083.03	-667.25	1.62	2.78	438.19
3	9,666.35	38	22	16	57.89	2,227.50	-1,349.76	836.50	-546.04	1.53	2.11	254.38
2	10,948.97	38	25	13	65.79	2,314.87	-1,562.33	767.96	-634.61	1.21	2.33	288.13
1	7,191.59	38	23	15	60.53	2,073.34	-1,466.50	609.16	-454.61	1.34	2.05	189.25

This suggests further upside is likely over the next 1-2 weeks. Below is the profit curve assuming an 8-day holding strategy.



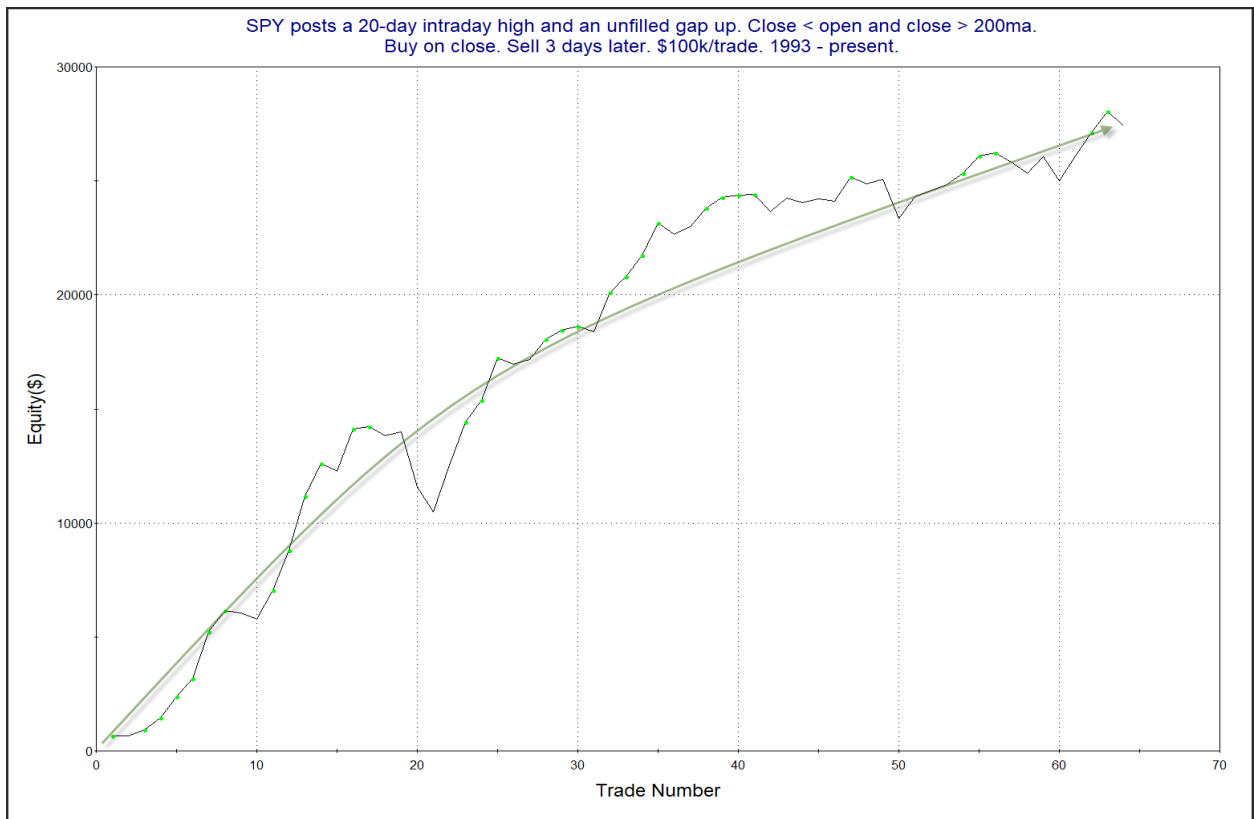
There were a couple of sizable losers in 2012-2013, but since then it has rebounded nicely to get the profit curve consistently making new highs again. I believe this study is worth some consideration.

There was a study from the 1/23/24 letter that looked at unfilled gaps up that make a 20-day high, but close below the open. Wednesday closed just slightly below the open price. The study suggested an upside edge over the next several days. Below is an updated look.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

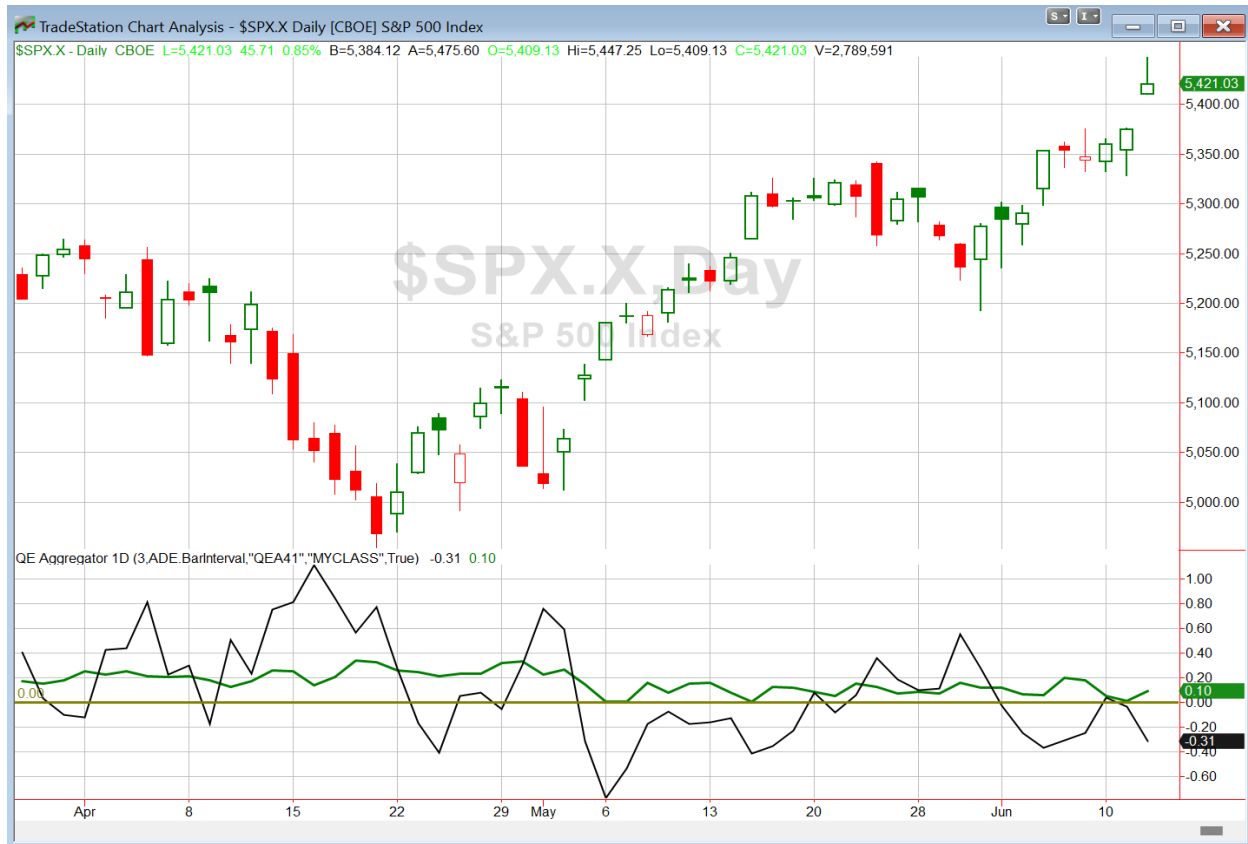
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	51,171.65	55	38	17	69.09	4,838.35	-4,810.68	1,869.20	-1,168.12	1.60	3.58	930.39
9	43,666.06	56	42	14	75.00	3,741.10	-5,564.16	1,502.50	-1,388.50	1.08	3.25	779.75
8	39,058.57	57	40	16	70.18	3,352.48	-6,021.40	1,448.96	-1,181.25	1.23	3.07	685.24
7	31,432.62	59	37	22	62.71	3,751.55	-4,952.36	1,448.00	-1,006.52	1.44	2.42	532.76
6	33,308.10	59	38	21	64.41	4,159.10	-6,414.24	1,439.06	-1,017.91	1.41	2.56	564.54
5	27,235.62	59	36	23	61.02	3,754.17	-4,540.20	1,225.14	-733.45	1.67	2.61	461.62
4	24,631.48	60	43	17	71.67	3,436.02	-2,228.24	867.00	-744.10	1.17	2.95	410.52
3	27,404.20	64	45	18	70.31	2,362.10	-2,427.88	858.31	-623.33	1.38	3.44	428.19
2	22,017.94	66	41	25	62.12	1,998.70	-926.12	777.27	-394.01	1.97	3.24	333.61
1	9,201.56	67	42	25	62.69	1,708.92	-1,015.84	418.07	-334.29	1.25	2.10	137.34

The numbers here suggest a solid bullish tendency in the days following such setups. Below is a look at a 3-day profit curve.



Here we see a persistent move up that also supports the idea of a bullish tendency. I have included this study on the active list as well.

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 5383.62 on Thursday. That is 0.7% below Wednesday's close. Therefore, SPX will need to close down at least 0.7% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Evidence is suggesting more upside despite the market already being overbought. But the overbought nature reduces reward/risk potential. This is still not a setup that gets me excited about taking on new short-term positions. I will stay sidelined until a more compelling setup emerges.

*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.

None tonight.

Current Open Trade Ideas

None

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