

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 14, 2024

Volume 17 Issue 115

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPX is making new highs while less than 50% of SPX constituents are even above their 100ma. That is a rare condition. The few times it has happened in the past, the market has seen long-term struggles.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. So am I.

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 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
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

Though breadth was weak, the largecap indices pressed ahead. SPX rose 0.2%, the NASDAQ rallied 0.3%, and the Russell 2000 lost 0.9%. Breadth was poor with the NYSE Up Issues % coming in at 35% and the Up Volume % at 30%. NYSE total volume declined some from Wednesday’s level.

Breadth has really been poor lately. I have seen several people tweet about it. For instance, see Tom McClellan’s note below:

Tom McClellan @McClellanOsc · 15m

By my count today, only 30 NDX component stocks were higher on June 13, despite the new all-time high for the index. That keeps the McClellan A-D Oscillator for those stocks below zero, not the condition you want to see if you are in the bullish camp.

The chart shows the NASDAQ 100 INDEX (top line) and the NASDAQ 100 McClellan A-D Oscillator (bottom line) from approximately 05/03/23 to 06/13/24. The index is at a new all-time high, while the oscillator remains below zero.

In my observation of current conditions I noticed that the % of SPX stocks above their 100ma is just 48%. This is the 2nd time in the last 3 days that it came in below 50% with SPX closing at a new all-time high. That is highly unusual. I generated a study looking at other instances where SPX was closing at a new 2-year high while the % of constituents above their 100ma was less than 50%. Since the inception of the SPX in 1957, this has been quite rare. And long-term returns have NOT been good. This can be seen in the table below.

SPX closes at a 500-day high while the % of SPX constituents above their 100ma < 50%. This is the 1st such instance in the last month. Forward SPX returns shown. 1957 - present.									
Ticker	Date/Time	10-Day %Chg	21-Day % Chg	42-Day % Chg	63-Day % Chg	126-Day % Chg	252-Day % Chg	378-Day % Chg	504-Day % Chg
\$SPX	5/24/1972	-2.75	-1.85	-2.46	1.77	5.97	-2.54	-12.45	-19.89
\$SPX	8/8/1972	1.55	-0.36	-0.97	2.97	3.6	-5.35	-16.59	-26.95
\$SPX	6/17/1976	-0.02	0.66	1.15	1.67	1.15	-3.63	-9.71	-5.97
\$SPX	11/18/1999	0.59	-0.48	1.45	-5.53	-1.26	-3.69	-7.87	-19.27
\$SPX	3/21/2000	0.06	-4.44	-5.82	-1.18	-2.27	-24.88	-32.24	-23.38
\$SPX	6/11/2024	na	na	na	na	na	na	na	na
	Avg	-0.11	-1.29	-1.33	-0.06	1.44	-8.02	-15.77	-19.09
	Median	0.06	-0.48	-0.97	1.67	1.15	-3.69	-12.45	-19.89
	Win %	60%	20%	40%	60%	60%	0%	0%	0%

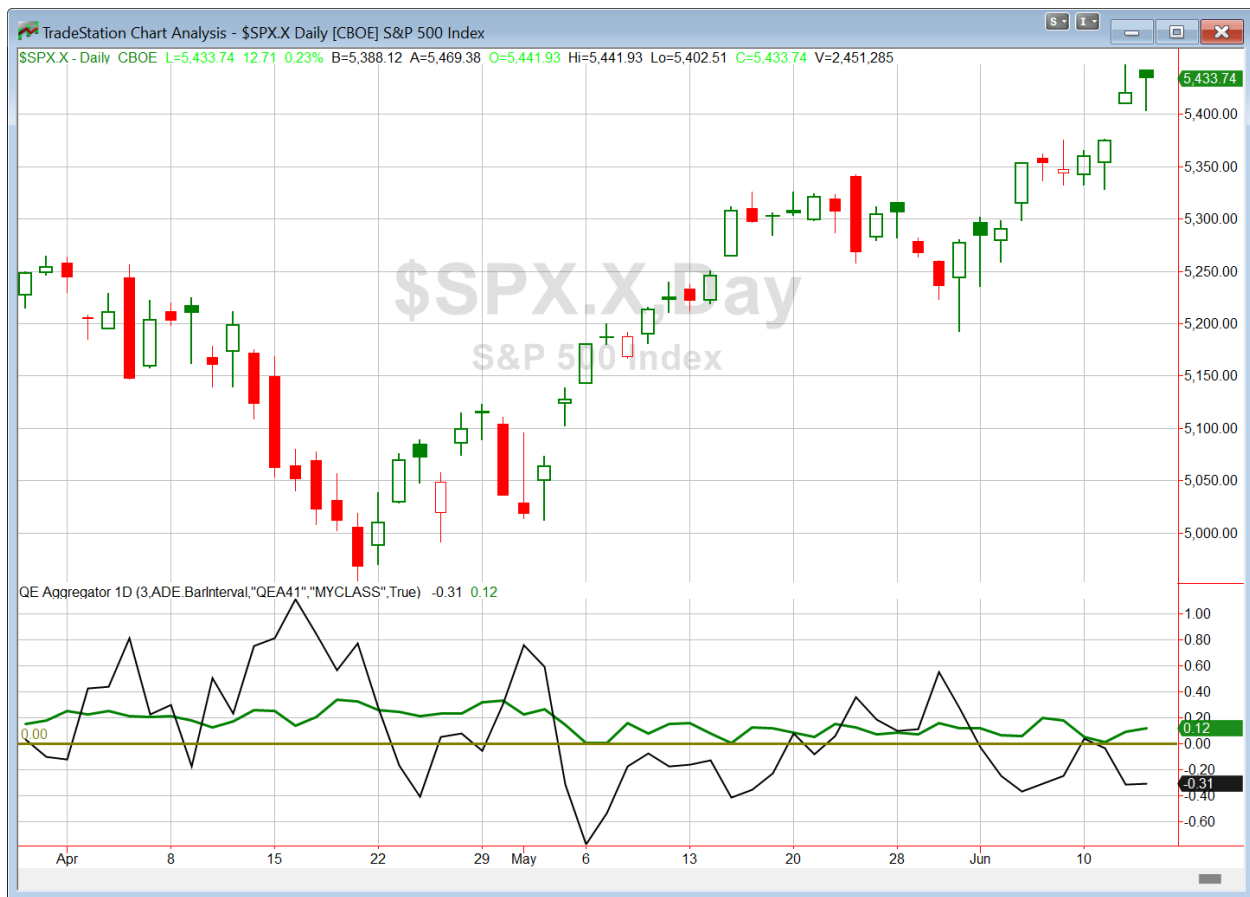
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Note: 21 days is approx 1 month. 252 days is approx 1 yr. 504 days is approx 2 years. Data from Norgate Data

Only 5 previous instances. So it is a bit dangerous to put much faith in this study. But each time the narrow leadership has eventually failed and the market has seen some long-term suffering.

I'm not inclined to give this much weight, but I did add it to the intermediate-term list to keep track of.

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 Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5388.09 on Friday. That is 0.8% below Thursday's close. Therefore, SPX will need to close down at least 0.8% on Friday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Short-term evidence says there could be more upside to come despite the market 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 index positions. I will stay mostly sidelined until a more compelling setup emerges. (A couple of Catapults did trigger.)

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

MO @ \$45.75 (buy @ limit)

RTX @ \$105.03 (buy @ limit)

Broad Market Large Cap CBI – 2(MO, RTX)

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.

MO – Buy 1/3 Catapult position @ \$45.75 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of MO.

RTX – Buy 1/3 Catapult position @ \$105.03 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of RTX.

Current Open Trade Ideas

None

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