

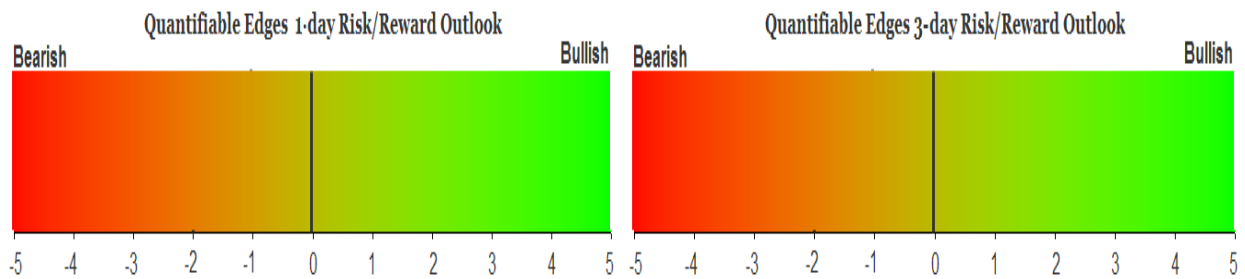
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 20, 2024

Volume 17 Issue 118

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	4

## Tonight's Research Points

- A (modified) Hindenburg Omen cluster is signaling potential danger ahead.

## *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) –  
Not updated tonight**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
June 17, 2024	SPY up. VIX up > 6%. Not 1st day of week.	1-5 days	Bullish	2.00%	0.90%	-1.80%
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%
<b>Active - Long Term</b>						
June 20, 2024	Hindenburg Omen with SPX trend mod	1-35 days	Bearish	-7.40%	2.80%	4.90%
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 ADT <sub>5</sub> > 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**

The market rose again on Tuesday. SPX climbed 0.25%, the NASDAQ inched up 0.03%, and the Russell 2000 gained 0.16%. Breadth was positive with the NYSE Up Issues % coming in at 57% and the Up Volume % at 58%. NYSE total volume rose some from Monday's level.

The Quantifinder noted that we had yet another Hindenburg Omen trigger. This is the 3<sup>rd</sup> in the past week and 4<sup>th</sup> recent one. (Depending on how you measure the trend, which I will discuss below.)

The Hindenburg Omen was created by Jim Miekka in 1995. It looks to identify times when there is a split market developing, which could signal trouble ahead. Note, there have been some discrepancy in the rules over the years. To get larger sample sizes, I have used the less-strict rules in my testing. The rules I generally use are below.

1. The daily number of NYSE new 52 week highs and the daily number of new 52 week lows are both greater than or equal to 2.8% of the sum of NYSE issues that advance or decline that day. The original version of the indicator used 2.2%. When I originally researched the Hindenburg Omens a few years ago, 2.2% was the number I used, and it is the number I again use in the studies below. (Two side notes: 1) If I use 2.8% rather than 2.2% there have been substantially less signals, making it difficult to utilize the stats. This is why I have stuck to the 2.2% to this point. 2) Over time I have also seen published different places levels of 2.4% and 2.5%, so there is often some confusion over this requirement.

- The NYSE index is greater in value than it was 50 trading days ago. Originally, this was expressed as a rising 10 week moving average, but the new rule is more relevant to the daily data used to look at new highs and lows.
- The McClellan Oscillator is negative on the same day.
- New 52 week highs cannot be more than twice the new 52 week lows (though new 52 week lows may be more than double new highs).

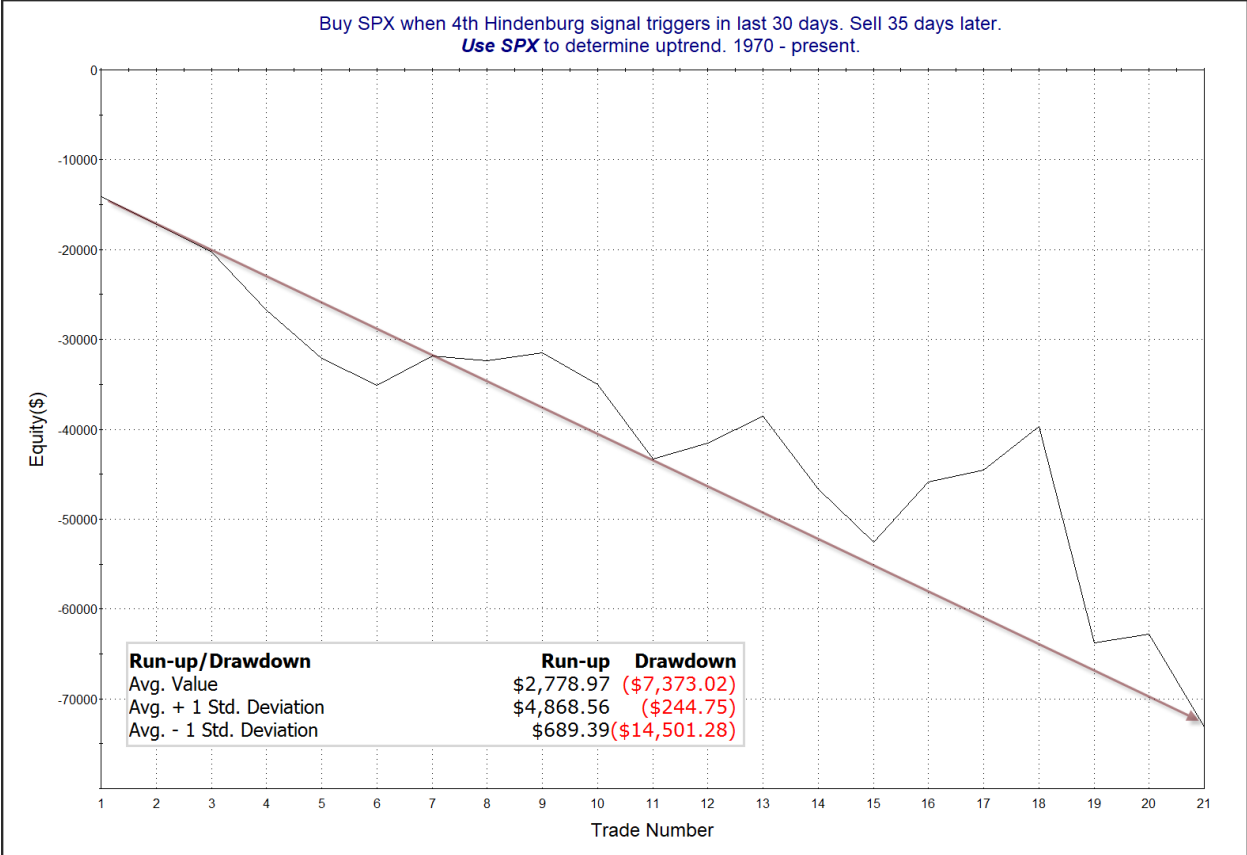
It is generally viewed that a single Hindenburg Omen signal is not a reliable indication of a market top, but that a cluster of numerous signals provide a more reliable indication of danger. This is something I explored in the past and updated today.

Before I do, I will also discuss requirement #2, that the NYSE index is greater in value than 50 trading days ago. My Tradestation data does not track the NYSE Composite Index (NYA) anymore. Not sure why. So the Quantifinder just looks at the SPX when trying to identify Hindenburg Omen signals. SPX has trended higher over the last 50 days. But the NYSE Composite has NOT. So today I ran the numbers a couple of ways. While the current setup does NOT qualify as a classic Hindenburg Omen cluster, using the SPX instead of NYA we do have valid triggers. So below is the breakdown of using one index vs the other.

Buy SPX when "X Signals" of Hindenburg signals trigger. Sell 35 days later. Use <b>NYSE Composite Index</b> to determine uptrend. 1970 - present.												
X Signals	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	-19,580.77	17	6	11	35.29	5,287.70	-10,630.62	3,128.01	-3,486.26	0.90	0.49	-1,151.81
4	-67,837.47	20	8	12	40.00	4,885.44	-24,047.70	2,274.43	-7,169.41	0.32	0.21	-3,391.87
3	-70,688.50	29	12	17	41.38	11,461.78	-30,631.72	3,739.10	-6,797.51	0.55	0.39	-2,437.53
2	-40,327.27	39	19	20	48.72	13,303.31	-29,362.20	4,146.76	-5,955.78	0.70	0.66	-1,034.03
1	-19,924.50	55	29	26	52.73	12,021.20	-24,659.19	4,194.04	-5,444.30	0.77	0.86	-362.26

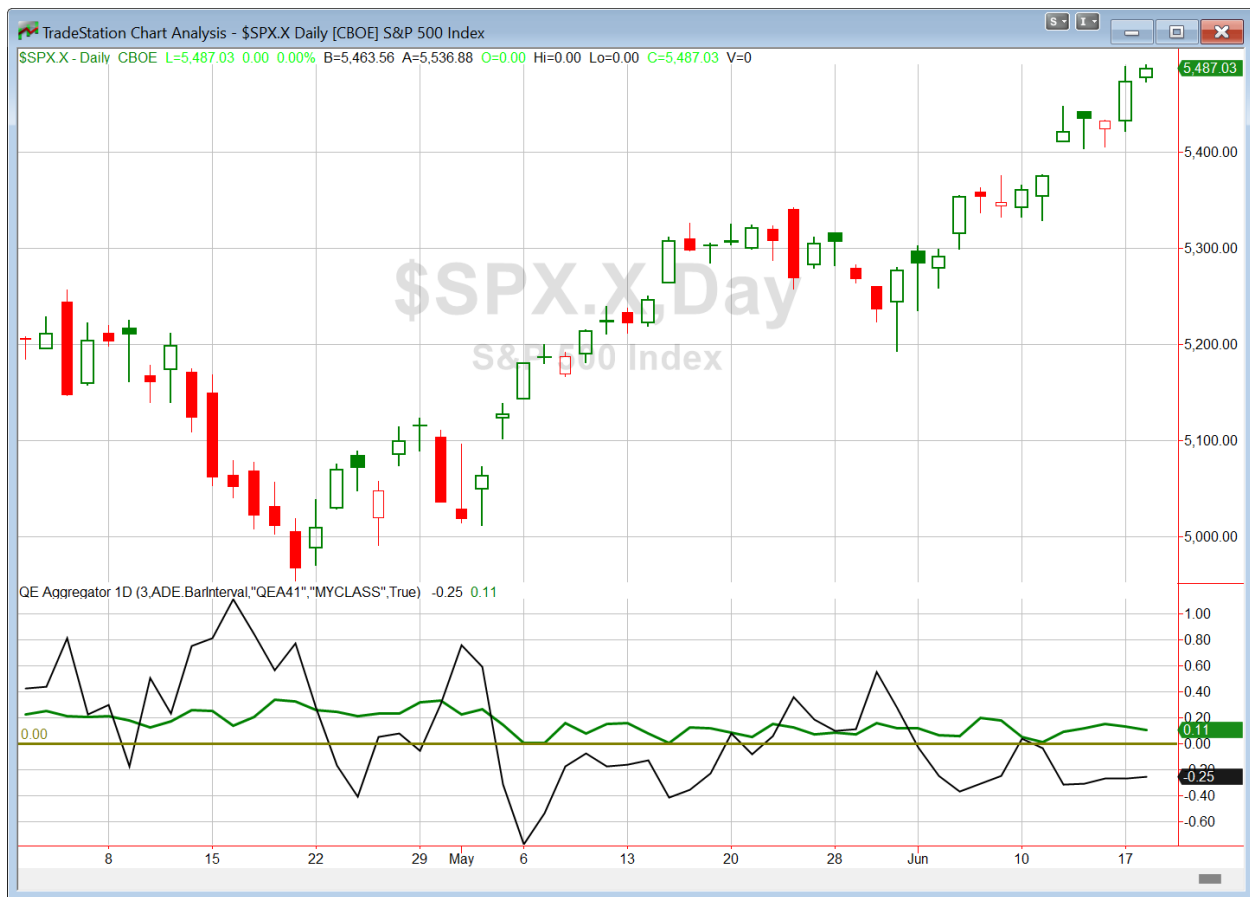
Buy SPX when "X Signals" of Hindenburg signals trigger. Sell 35 days later. Use <b>SPX</b> to determine uptrend. 1970 - present.												
X Signals	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-33,815.32	19	6	13	31.58	6,229.30	-11,394.90	3,716.47	-4,316.47	0.86	0.40	-1,779.75
4	-73,153.96	21	8	13	38.10	6,722.10	-24,047.70	2,855.65	-7,384.55	0.39	0.24	-3,483.52
3	-68,096.58	28	10	18	35.71	11,461.78	-30,631.72	4,241.80	-6,139.70	0.69	0.38	-2,432.02
2	-34,428.63	37	18	19	48.65	13,303.31	-29,362.20	4,325.83	-5,910.19	0.73	0.69	-930.50
1	-21,272.41	54	29	25	53.70	12,021.20	-24,659.19	4,279.56	-5,815.18	0.74	0.85	-393.93

Numbers are very similar. This is not surprising since you would expect overlap in most of the signals. So while the current setup might not be a classic Hindenburg Omen cluster using the NYA to measure trend, the SPX version appears just as valid. Below is look at the profit curve assuming a 4-signal entry trigger (like now) and a 35-day holding period.



That is a persistent move lower. I have added the SPX Hindenburg Omen signal to the intermediate-term active list today.

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



Despite today's bearish evidence, 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 5451.12 on Thursday. That is 0.65% below Tuesday's close. Therefore, SPX will need to close down over 0.65% in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. And my general outlook remains on repeat. 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.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/17 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

MO @ \$45.75 (bought @ limit)

RTX @ \$105.03 (bought @ limit)

MO @ \$44.32 (buy @ limit)

RTX @ \$104.23 (buy @ limit)

### ***Broad Market Large Cap CBI – 4(MO-2, RTX-2)***

## **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**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
MO(1/3)	6/14/2024	\$44.49	\$44.80	0.70%	Catapult
RTX(1/3)	6/14/2024	\$104.59	\$104.77	0.17%	Catapult
MO(1/3)	6/17/2024	\$44.22	\$44.80	1.31%	Catapult
RTX(1/3)	6/17/2024	\$104.00	\$104.77	0.74%	Catapult

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