

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 25, 2024

Volume 17 Issue 121

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce – especially heading into a “Turnaroud” Tuesday.
- 3-day pullbacks on declining volatility heading into Tuesdays also appear to suggest an upside edge.

Short-term Outlook

The Bottom Line

The Aggregator formation is bullish. Evidence is pointing higher after this mild multi-day pullback heading into a potential Turnaround Tuesday.

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 25, 2024	SPX btm 10% rng & 5-low on a Monday	1-5 days	Bullish	2.00%	-1.10%	-2.20%
June 13, 2024	SPX 100-day high on a Fed Day	1-8 days	Bullish			
Active - Long Term						
June 24, 2024	Seasonality Calendar strong end June-July	int term	Bullish			
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 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 the indices move mostly lower. SPX declined 0.3%, the NASDAQ fell 1.1%, and the Russell 2000 gained 0.4%. Breadth was unusually positive with the NYSE Up Issues % coming in at 69% and the Up Volume % at 74%. NYSE total volume fell substantially from Friday's oversized opex level.

I've discussed many times in the past that Tuesdays have a well-earned reputation for being a day when the market will often halt a decline. I've also shown that pullbacks often bounce more reliably when they occur on relatively low volatility, as measured by the 3/10 Offset Historical Volatility (HV) indicator. (The 3/10 Offset HV compares the current 3-day HV to the 10-day HV as of 3 days ago, and readings < 0.25 are generally considered low.) The study below is from way back in the 9/25/12 letter. With several instances since then, I have updated the stats.

SPX closes down for exactly the 3rd day in a row. Today is Monday. The 3/10 Offset HV indicator < 0.25. Buy SPX on close. Sell X days later. \$100k/trade. 1995 - 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	34,139.42	13	11	2	84.62	8,234.80	-1,338.96	3,301.96	-1,091.08	3.03	16.64	2,626.11
4	30,094.74	13	11	2	84.62	8,810.76	-1,238.58	2,948.75	-1,170.77	2.52	13.85	2,314.98
3	22,657.37	13	10	3	76.92	8,432.34	-1,155.42	2,495.90	-767.19	3.25	10.84	1,742.87
2	16,954.66	13	10	3	76.92	5,018.23	-1,641.60	2,124.99	-1,431.73	1.48	4.95	1,304.20
1	10,408.26	13	10	3	76.92	2,971.43	-1,236.90	1,310.77	-899.82	1.46	4.86	800.64

Instances are quite low, but instances so far how shown an impressive upside tendency. Below is a list of all 13 instances and their 5-day results.

SPX closes down for exactly the 3rd day in a row. Today is Monday.
 The 3/10 Offset HV indicator < 0.25.
 Buy SPX on close. Sell X days later. \$100k/trade. 1995 - present.

Date	Trade	Price	%Chg	Runup/Ddn
11/10/1997	Buy	\$921.13	2.72%	\$3,081.24
11/17/1997	Sell	\$946.20		(\$2,216.16)
6/12/2000	Buy	\$1,446.00	2.77%	\$2,962.17
6/19/2000	Sell	\$1,486.00		(\$249.78)
8/5/2002	Buy	\$834.60	8.29%	\$9,442.65
8/12/2002	Sell	\$903.80		\$0.00
8/4/2008	Buy	\$1,249.02	4.51%	\$5,130.40
8/11/2008	Sell	\$1,305.31		\$0.00
1/10/2011	Buy	\$1,269.75	1.99%	\$2,052.18
1/18/2011	Sell	\$1,295.02		(\$10.14)
9/24/2012	Buy	\$1,456.89	-0.85%	\$431.80
10/1/2012	Sell	\$1,444.49		(\$1,792.48)
3/20/2017	Buy	\$2,373.47	-1.34%	\$355.32
3/27/2017	Sell	\$2,341.59		(\$2,151.24)
3/27/2017	Buy	\$2,341.59	0.74%	\$1,210.86
4/3/2017	Sell	\$2,358.84		(\$166.32)
7/24/2017	Buy	\$2,469.91	0.02%	\$565.20
7/31/2017	Sell	\$2,470.30		(\$399.20)
7/31/2017	Buy	\$2,470.30	0.43%	\$426.00
8/7/2017	Sell	\$2,480.91		(\$152.80)
12/20/2021	Buy	\$4,568.02	4.78%	\$5,019.00
12/28/2021	Sell	\$4,786.35		\$0.00
3/14/2022	Buy	\$4,173.11	6.90%	\$7,098.72
3/21/2022	Sell	\$4,461.18		\$0.00
8/8/2022	Buy	\$4,140.06	3.79%	\$3,881.52
8/15/2022	Sell	\$4,297.14		(\$671.28)

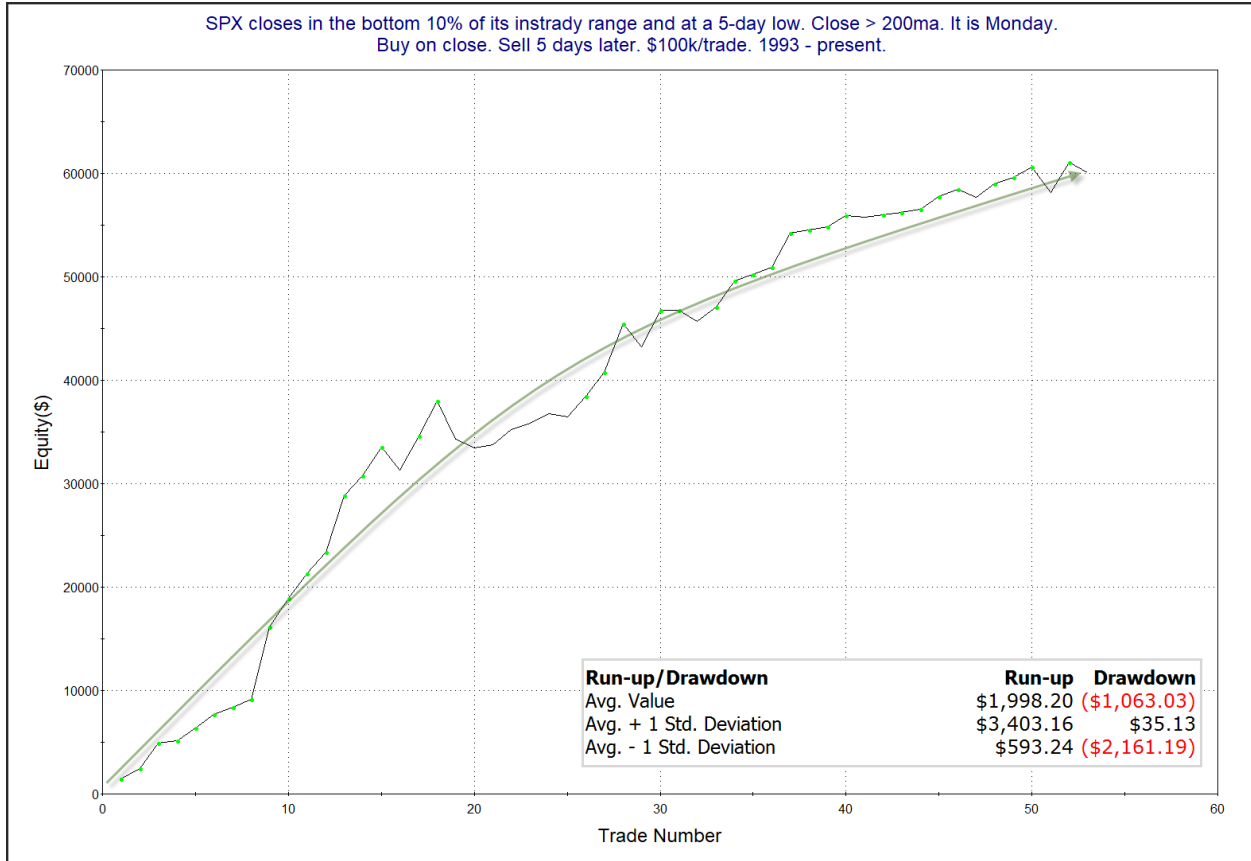
There was strong upside in several of the instances. I believe this study suggests a bullish tendency. But I did not include it for generating Aggregator estimates, since instances were low, and I felt the next Turnaround Tuesday was better suited for that.

The below study looked at times SPX closed near the bottom of its intraday range and at a short-term low. It is updated from the 10/20/20 letter.

SPX closes in the bottom 10% of its intraday range and at a 5-day low. Close > 200ma. It is Monday.
 Buy on close. Sell X days later. \$100k/trade. 1993 - present.

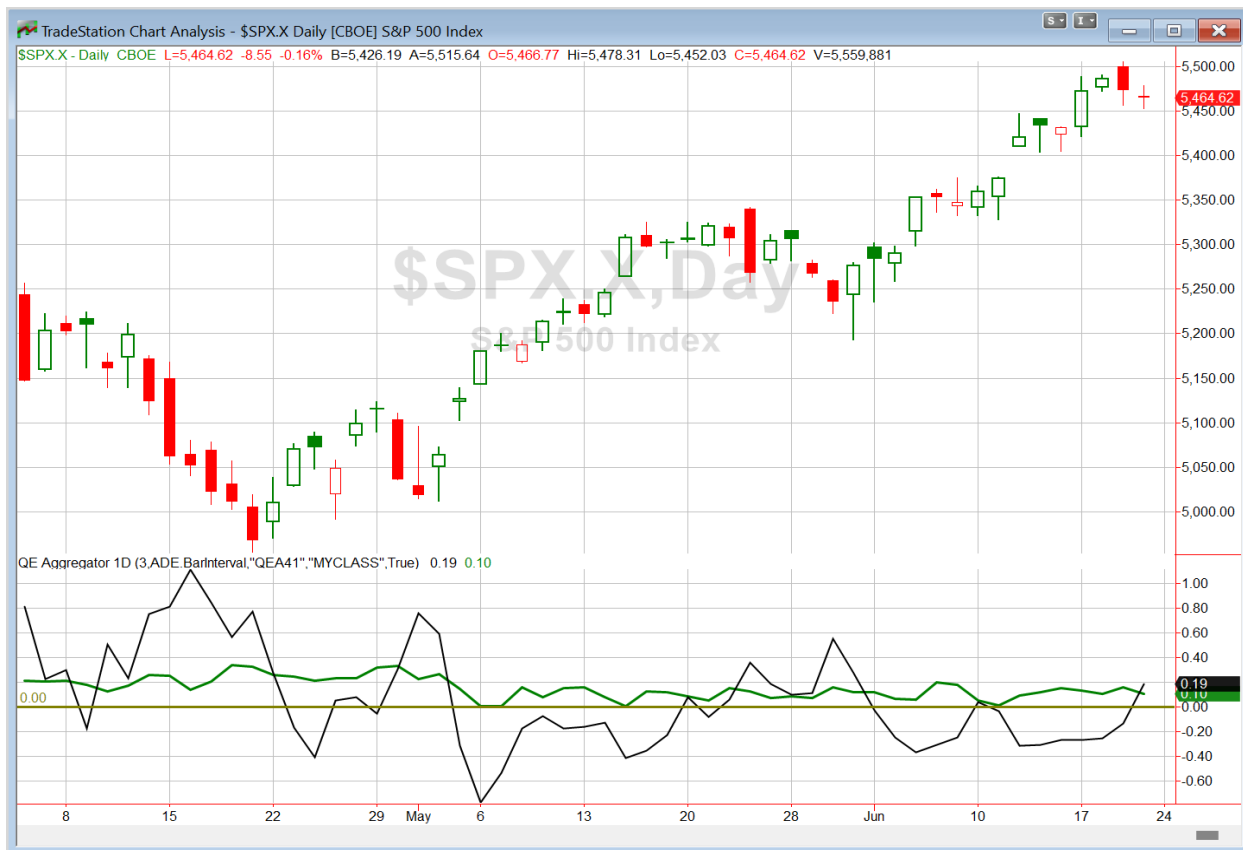
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	60,114.04	53	43	10	81.13	7,070.28	-3,720.99	1,740.66	-1,473.44	1.18	5.08	1,134.23
4	45,217.32	53	42	11	79.25	5,187.49	-3,019.20	1,478.50	-1,534.51	0.96	3.68	853.16
3	33,075.59	53	36	17	67.92	5,339.18	-3,515.67	1,423.75	-1,069.38	1.33	2.82	624.07
2	29,185.87	53	36	17	67.92	4,809.66	-2,261.76	1,170.19	-761.24	1.54	3.26	550.68
1	28,851.79	53	40	13	75.47	5,117.46	-1,611.03	873.23	-467.49	1.87	5.75	544.37

These numbers are quite impressive from day one. And a week out they are very strong. Below is a look at a profit curve that assumes a 5-day hold.



The strong upslope and persistent new highs serve as confirmation of the bullish edge suggested by the stats table. I have included this study on the Active List tonight.

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 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 stayed 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 5495.14 on Tuesday. That is 0.9% above Monday's close. Therefore, SPX will need to close up at least 0.9% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. The recent pullback is generating evidence suggesting a bounce, and there is decent room to the north before SPX would flip to overbought. I like the long side. I took a small amount of long index exposure via SPY at the close on Monday. I will look to add to that if SPY closes down much again on Tuesday.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/24 – **slightly bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

PM – 1/3 @ \$99.92 (bought @ limit)

Broad Market Large Cap CBI – 1(PM)

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 ¼ index position @ \$542.50 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take on another lot of SPY if we close lower again on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
PM(1/3)	6/24/2024	\$99.92	\$101.87	1.95%	Catapult
SPY(1/4)	6/24/2024	\$542.74	\$542.74	0.00%	Aggregator

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