

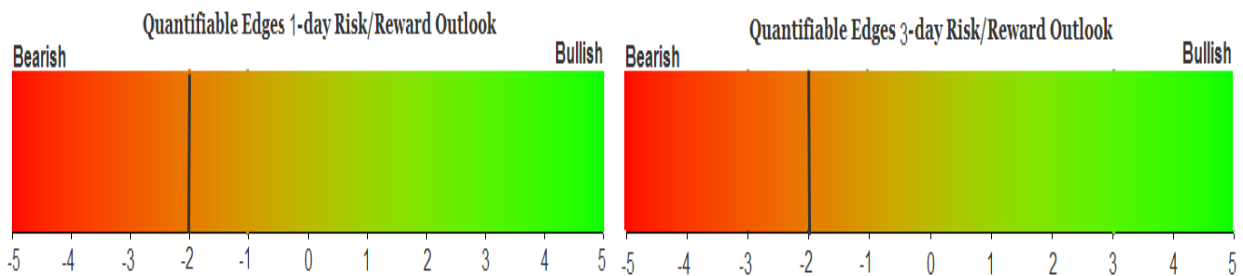
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 1, 2025

Volume 18 Issue 82

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- More evidence emerged suggesting a short-term pullback appears likely.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. SPX is overbought. I believe there is a short-term downside edge.

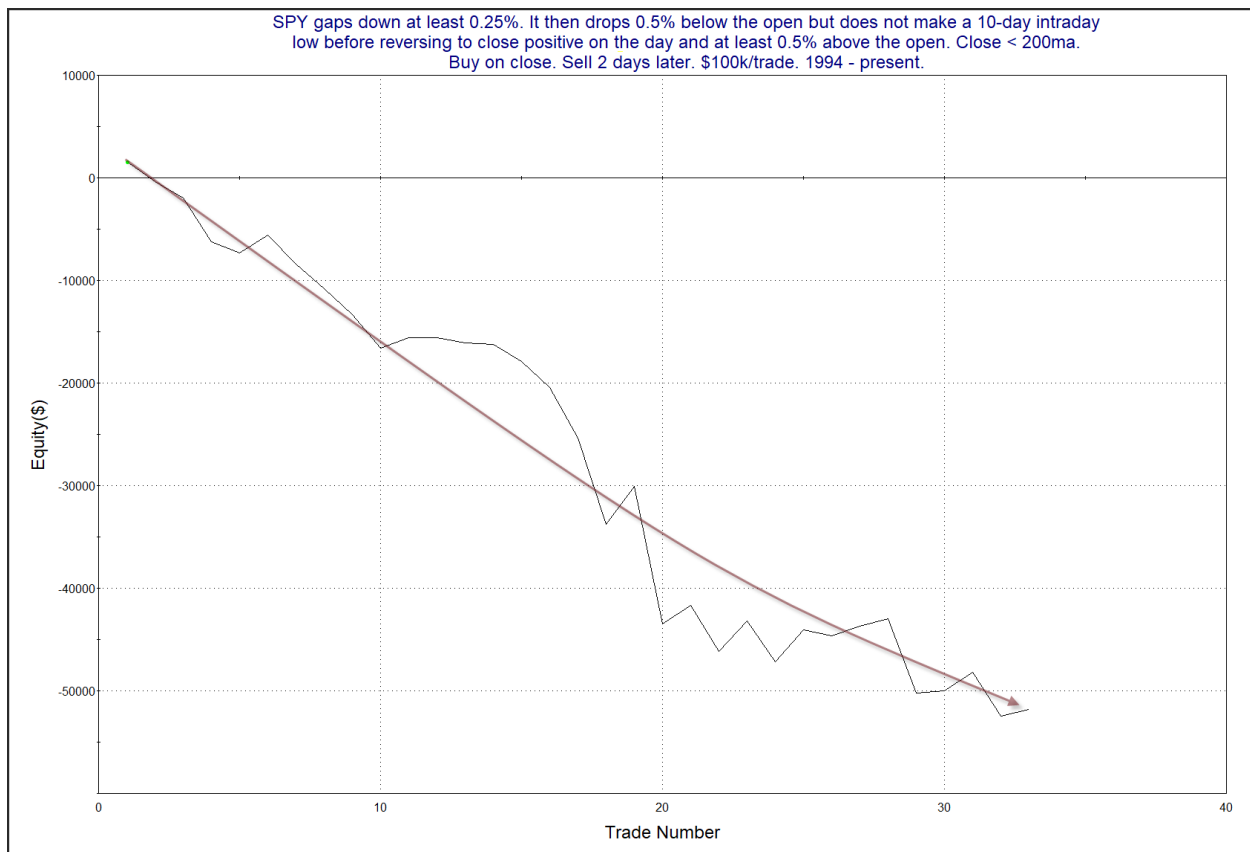
The Evidence

Wednesday started down substantially, but the market rallied back to close mixed. The SPX rose 0.15%, the NASDAQ declined 0.1%, and the Russell 2000 fell 0.6%. Breadth was positive as the NYSE Up Issues % closed at 65% and the NYSE Up Volume % posted a 62% reading. NYSE total volume rose some from Monday's level.

There were a few interesting studies that triggered in the Quantifinder. I'll feature a couple of the most relevant and compelling. This first one, last seen recently in the 4/14/25 letter, looked at the gap down, move lower, and then a reversal. I have updated the results below.

SPY gaps down at least 0.25%. It then drops 0.5% below the open but does not make a 10-day intraday low before reversing to close positive on the day and at least 0.5% above the open. Close < 200ma. 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
5	-33,376.54	30	13	17	43.33	8,586.35	-15,971.55	2,416.31	-3,811.09	0.63	0.48	-1,112.55
4	-56,479.00	31	12	19	38.71	3,122.24	-13,801.83	1,644.05	-4,010.92	0.41	0.26	-1,821.90
3	-42,577.37	32	15	17	46.88	3,599.75	-9,912.82	1,548.81	-3,871.15	0.40	0.35	-1,330.54
2	-51,788.04	33	12	20	36.36	3,694.56	-13,351.24	1,706.21	-3,613.13	0.47	0.28	-1,569.33
1	-16,209.75	35	18	17	51.43	3,490.59	-6,405.84	1,240.95	-2,267.46	0.55	0.58	-463.14

The stats appear to suggest a downside edge, especially over the 1st 2 days. Below I have produced an profit curve to show how the edge has played out over time.



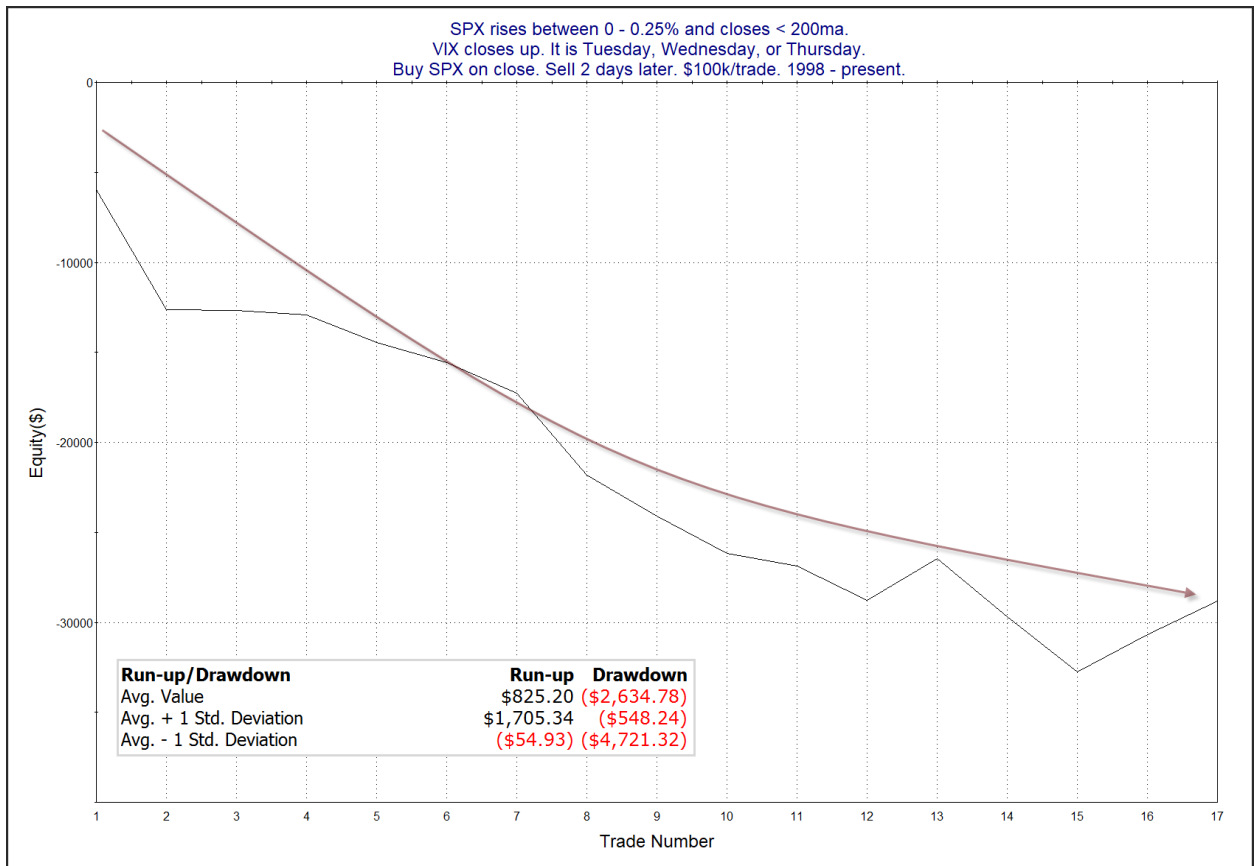
The curve has persistently made its way from upper left to lower right. Overall, this seems to support the idea of a 1-2 day bearish edge.

Another notable from Wednesday is that the VIX rose along with the SPX. Most often they move in opposite directions. This is especially true during mid-week, because the VIX is not impacted by the weekend, as it is on Friday afternoon and Monday morning. Rising SPX prices will often mean less worry on the part of options traders, and vice-versa. When the SPX and VIX agree on direction it will sometimes suggest a possible short-term edge. Of course the SPX was not up greatly today, so some people might think that the two closing in the same direction is not a big deal. That is not what my research suggests. I have shown the study below for several years, most recently in the 1/17/19 subscriber letter. It considers the rising VIX along with the small up close for SPX during the middle of the week. I have updated the results.

SPX rises between 0 - 0.25% and closes < 200ma.
 VIX closes up. It is Tuesday, Wednesday, or Thursday.
 Buy SPX on close. Sell X days later. \$100k/trade. 1998 - present.

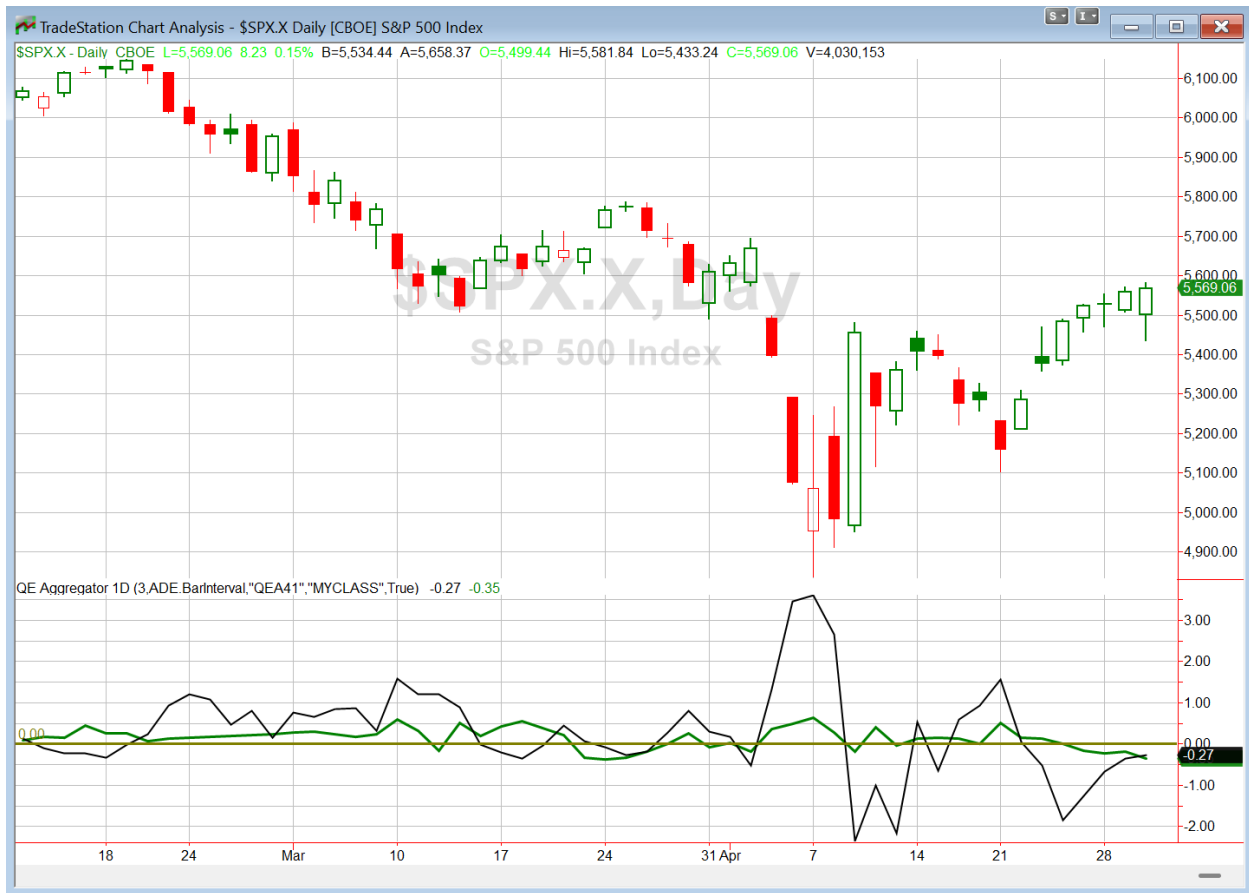
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-31,201.59	17	2	15	11.76	3,503.04	-7,204.80	2,249.89	-2,380.09	0.95	0.13	-1,835.39
4	-40,128.06	17	4	13	23.53	2,692.32	-7,745.95	1,069.08	-3,415.72	0.31	0.10	-2,360.47
3	-24,674.03	17	4	13	23.53	2,766.72	-5,299.32	1,507.45	-2,361.83	0.64	0.20	-1,451.41
2	-28,812.82	17	3	14	17.65	2,317.92	-6,672.34	2,081.69	-2,504.14	0.83	0.18	-1,694.87
1	-13,663.92	18	8	10	44.44	1,214.88	-3,035.25	592.79	-1,840.62	0.32	0.26	-759.11

The numbers certainly point lower. Below is a look at a 2-day profit curve.



While the last 2 instances have bucked the norm, these results remain impressive. Potential downside seems to dwarf upside potential. This study appears worth taking into account, and I have added it to the Active List tonight.

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



With tonight's evidence considered the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation stayed short at the close.

Based on the current list of active studies, expectations are set to remain negative on Thursday. Of course this could change if additional bullish evidence emerges. Meanwhile, the Differential Pivot will be 5507.32 on Thursday. That is 1.1% below Wednesday's close. So SPX will need to close down about 1.1% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is bearish. SPX is overbought, and bearish evidence continues to build. There is also ample room to the downside before SPX would turn oversold. So reward potential appears solid. The short SPY trade idea from last night got filled at the close. I am plenty content to keep the position small in a market like this that has been acting unusually strong in spite of the long-term downtrend.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/28 – somewhat 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	4/30/2025	\$554.54	\$554.54	0.00%	Aggregator

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