

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 21, 2025

Volume 18 Issue 96

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Unfilled gaps down from 50-day highs have often struggled the following day.
- 5+ days higher to a 50-day high is rarely a rally that ends abruptly.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

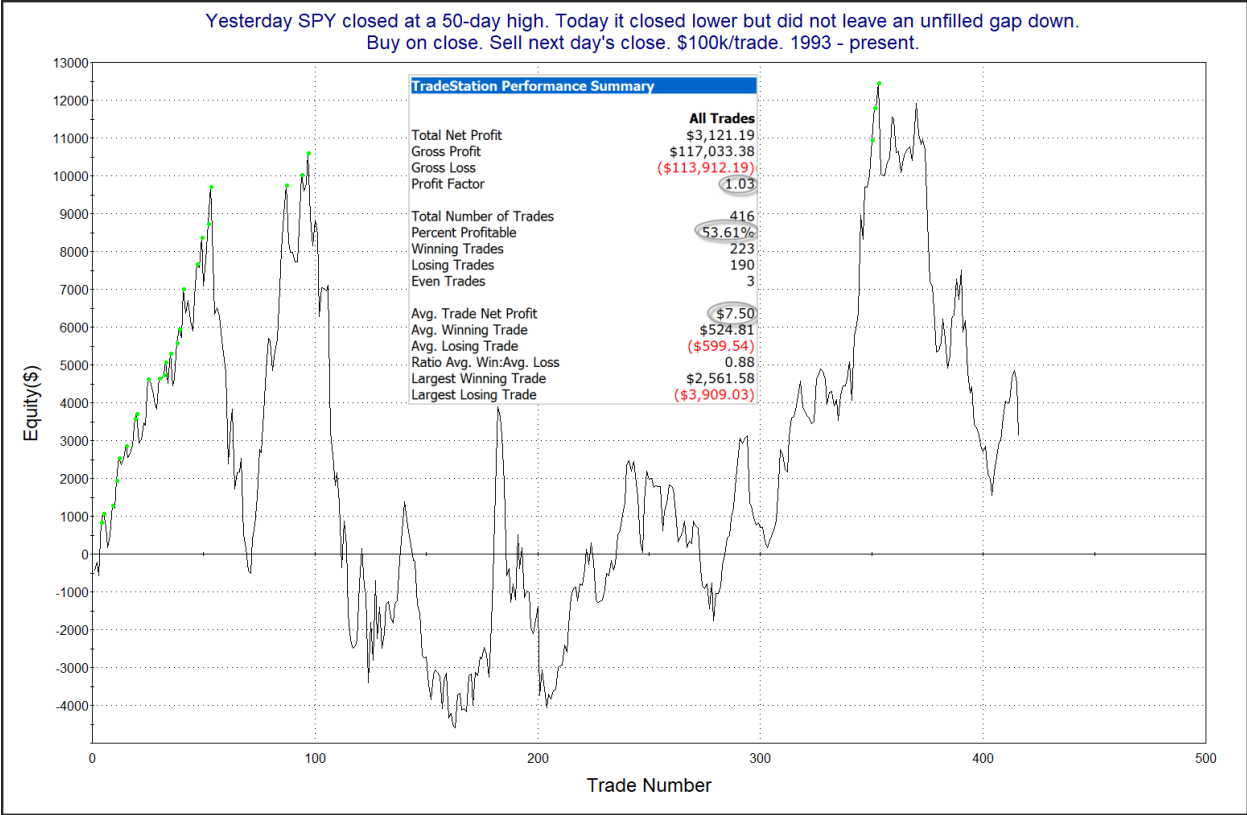
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 21, 2025	Unfilled gap down from a 50-day high	1 day	Bearish			
May 21, 2025	5 up to a 50-high then down	1-6 days	Bullish	1.40%	-1.00%	-1.90%
May 15, 2025	Up Vol < 40%. SPX up & > 200ma.	1-8 days	Bullish			
May 15, 2025	Breakout then inside day	1-5 days	Bullish			
May 14, 2025	SPX breakout on lower volume	1-5 days	Bullish	1.40%	-1.00%	-1.90%
Active - Long Term						
May 21, 2025	5 up to a 50-high then down	1-10 days	Bullish	1.80%	-1.10%	-2.30%
May 19, 2025	DeGraaf Thrust (55% SPX 20-day high)	1-12 months	Bullish			
May 19, 2025	RSI(2) crosses 99	5-15 days	Bullish	2.20%	-1.60%	-3.00%
May 5, 2025	Sell in May when 5% drop prior	1-6 months	Bearish			
April 28, 2025	NASDAQ Leading	int term	Bullish			
April 25, 2025	Zweig Breadth Thrust	1-12 months	Bullish	29.50%	-2.90%	-6.55%
April 25, 2025	Triple 70 Breadth Thrust	1-80 days	Bullish	9.46%	-4.59%	-9.50%
April 23, 2025	Up Issue % & Up Vol % > 86% 2x in 9 days	1-12 months	Bullish			
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			

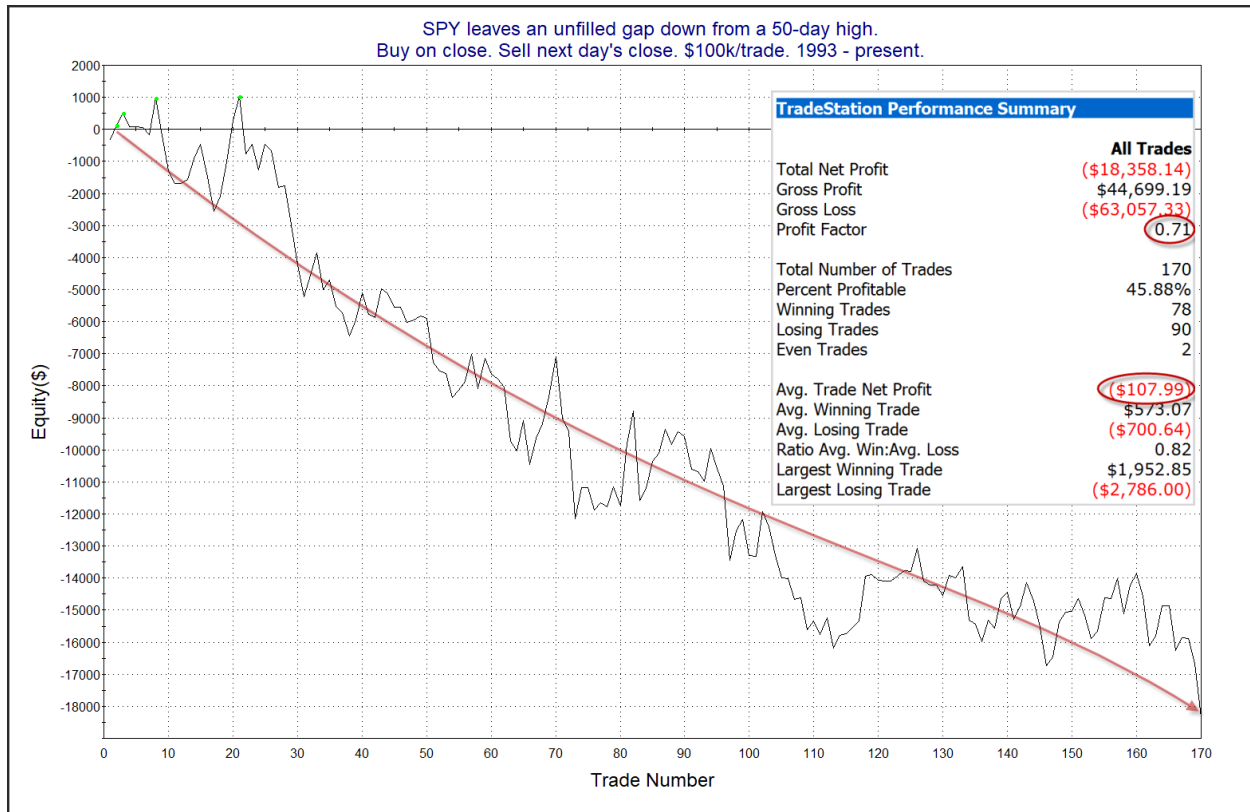
The Evidence

The recent winning streak came to an end on Tuesday. SPX declined 0.39%, and the NASDAQ lost 0.38%, but the Russell 2000 rose 0.05%. Breadth was weak as the NYSE Up Issues % closed at 39% and the NYSE Up Volume % posted a 40% reading. NYSE total volume rose some from Monday's level.

The 1st day down from a high does not often suggest a strong edge. But when the 1st day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below/ demonstrate this. They were last seen in the 7/18/24. The 1st one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.



There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



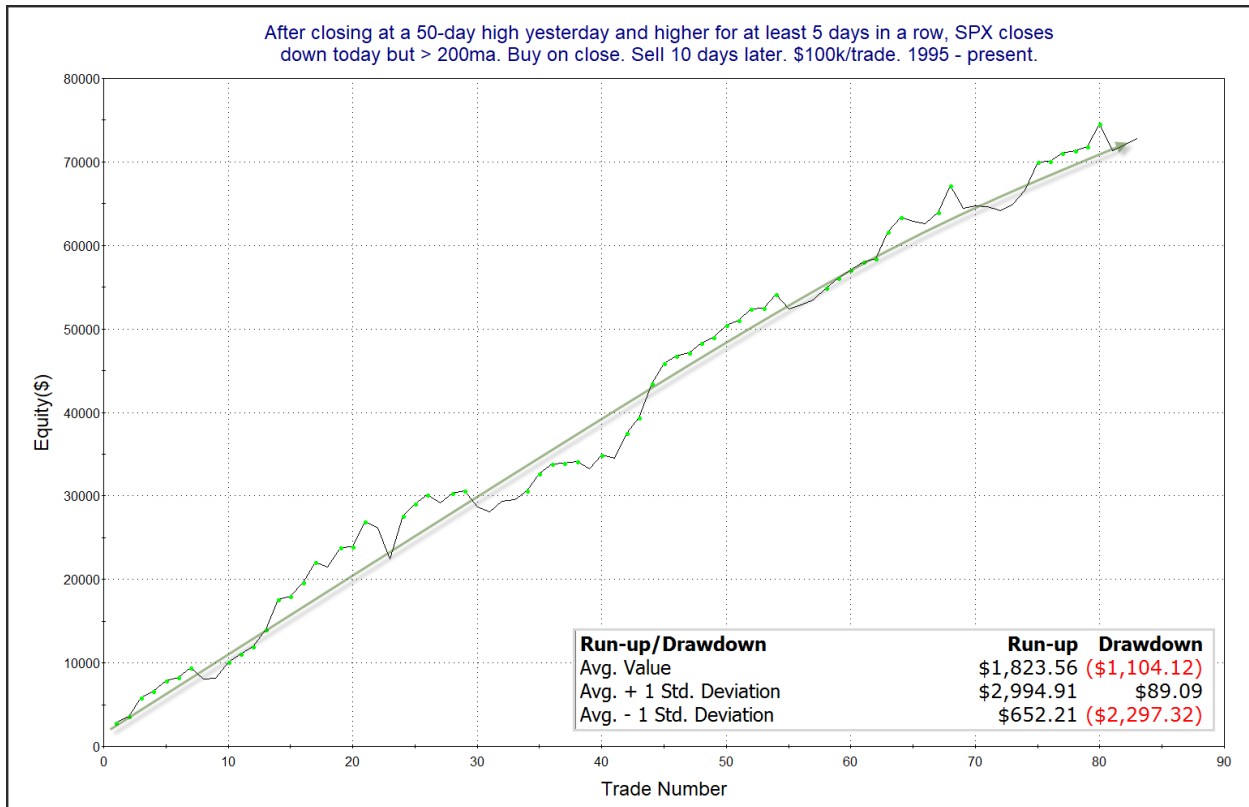
While the curve has flattened some in recent years, it is back near new lows. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Wednesday did *not* include an unfilled gap lower.

Another compelling study suggested the recent persistent upmove is unlikely to abruptly end. It examined what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 11/29/24 Letter. I have updated the stats in the table below.

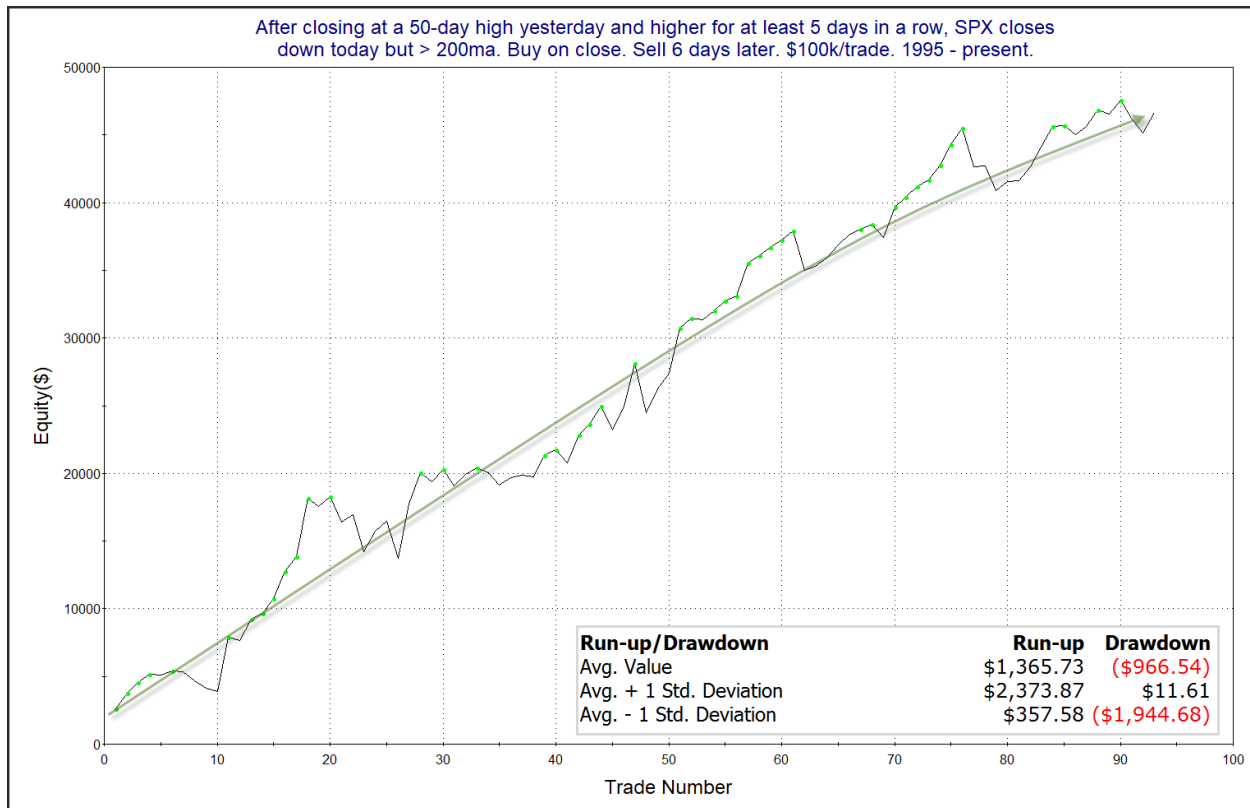
After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes down today but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

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
10	72,839.57	83	67	16	80.72	5,131.35	-3,672.90	1,387.45	-1,257.46	1.10	4.62	877.59
9	69,634.89	87	69	18	79.31	5,023.20	-4,151.40	1,372.43	-1,392.37	0.99	3.78	800.40
8	59,863.78	88	61	27	69.32	4,878.08	-4,874.10	1,471.86	-1,108.13	1.33	3.00	680.27
7	47,638.41	91	63	28	69.23	3,874.76	-4,511.36	1,282.75	-1,184.82	1.08	2.44	523.50
6	46,631.24	93	66	27	70.97	4,307.20	-3,637.71	1,182.38	-1,163.19	1.02	2.48	501.41
5	36,032.52	93	62	31	66.67	4,252.50	-4,717.16	1,052.40	-942.47	1.12	2.23	387.45
4	36,815.04	93	60	33	64.52	3,843.00	-3,003.39	1,048.05	-789.94	1.33	2.41	395.86
3	19,433.23	93	56	37	60.22	2,472.85	-1,992.34	842.62	-750.10	1.12	1.70	208.96
2	23,057.01	93	61	32	65.59	2,437.50	-2,614.95	761.82	-731.68	1.04	1.98	247.92
1	14,568.82	93	60	32	64.52	1,751.19	-1,744.10	508.08	-497.38	1.02	1.92	156.65

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 6-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 6-day exit profit curves. First, the 10 day.

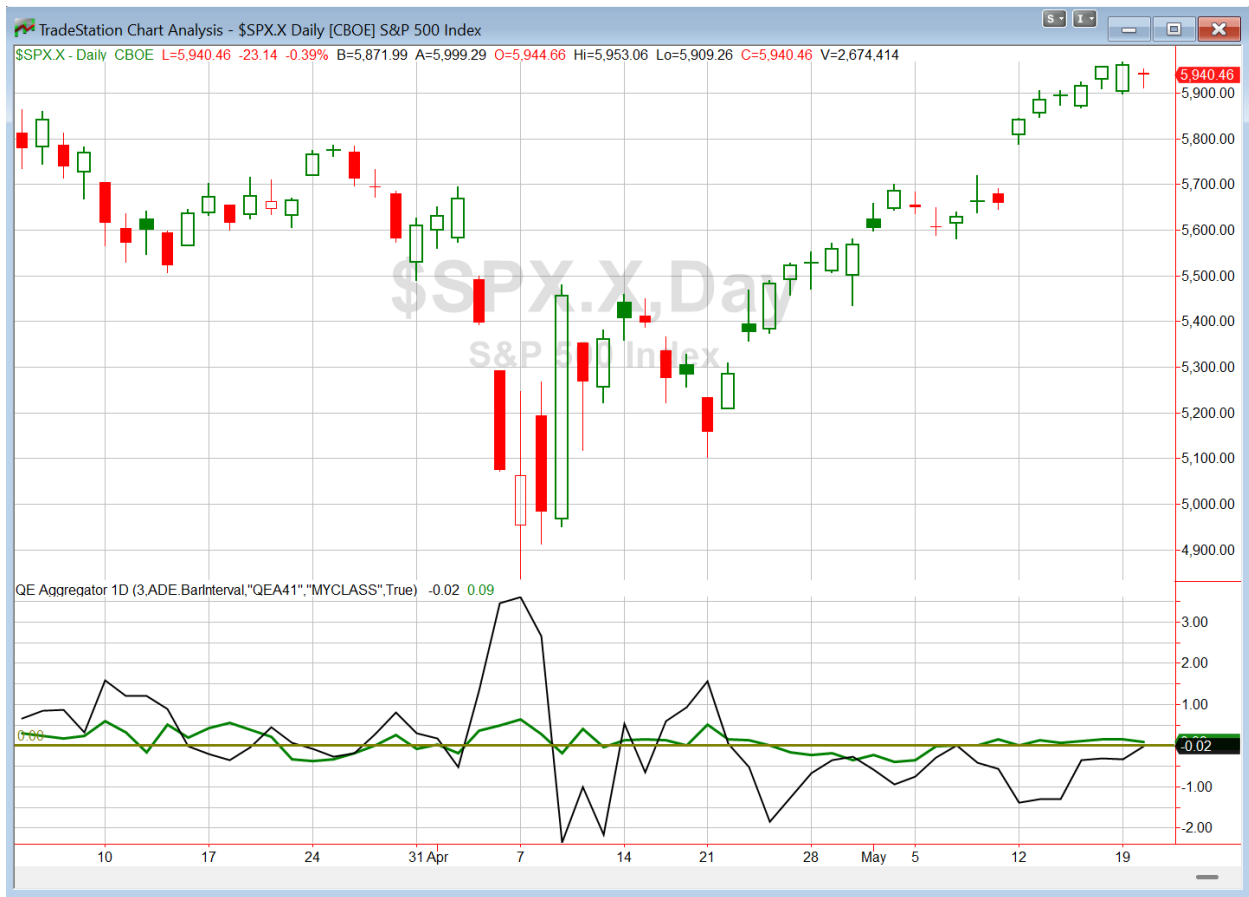


The strong upslope appears to confirm the bullish edge. Next let's look at the 6-day curve.



Results are a little choppier. But even with more whipsaws this curve has worked its way from lower left to upper right and is not far off new highs. The study appears worthy of consideration. I have included it on both the short-term and intermediate-term active lists. That leaves us with a mix of bearish and bullish studies based on Tuesday's action.

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



With tonight's mix of evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside 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 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 bullish on Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 5979.60* on Wednesday. That is 0.7% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.7% in order to remain overbought. Anything less than that and it will flip to oversold versus recent expectations.

So the Aggregator is still neutral. We could easily get a bullish Aggregator formation on Wednesday, but we are not there yet. So I am not going to jump the gun. I will continue to wait for a more favorable reward/risk opportunity before taking on my next index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/19 – 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
UNH(1/3)	5/15/2025	\$274.90	\$321.58	16.98%	<i>sell on open</i>
UNH(1/3)	5/15/2025	\$274.90	\$321.58	16.98%	<i>sell on open</i>
UNH(1/3)	5/16/2025	\$274.35	\$321.58	17.22%	<i>sell on open</i>

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