

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 7, 2026

Volume 20 Issue 86

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- 2 unfilled up gaps and a 50-day high are a short-term positive.

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 7, 2026	SPY 2 unfilled up gaps + 50-day high	1-4 days	Bullish	0.94%	-0.87%	-1.90%
May 4, 2026	SPX higher on 1st trading day of May	1-4 days	Bearish	-2.07%	1.05%	2.39%
Active - Long Term						
May 4, 2026	SPX 20-day high, closes bottom 10% of range	1-10 days	Bullish	2.02%	-1.47%	-2.79%
April 27, 2026	Sell in May 2nd yr Pres Cycle & 5% pullback	1-6 months	Bearish			
April 20, 2026	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.30%	-8.75%
April 6, 2026	NASDAQ leading	int term	Bullish			
March 30, 2026	SPX down 5 straight weeks	1-6 months	Bearish	-13.10%	8.60%	16.80%
December 15, 2025	QE active. Rates dropping. Fed dovish	int term	Bullish			
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			
Dropped Tonight (target hit, or avg drawdown + 1 std dev exceeded)						
May 4, 2026	SPY 20-day intraday high w/ unfilled gap, w	1-4 days	Bullish	1.04%	-0.67%	-1.26%
April 30, 2026	Fed Day with SPX down 2+ days in a row	1-6 days	Bullish	2.18%	-1.53%	-3.13%

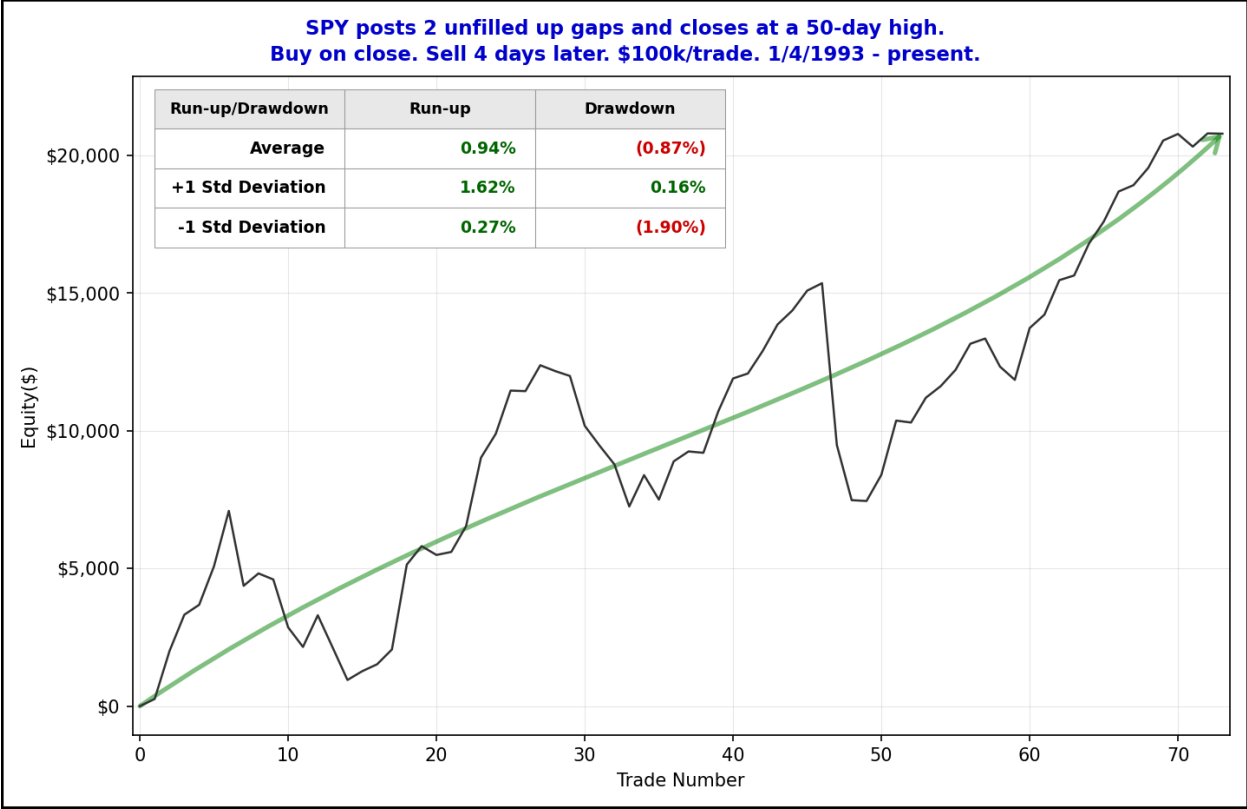
The Evidence

Wednesday was another strong day for stocks. SPX finished up 1.5%, the NASDAQ gained 2.0%, and the Russell 2000 rallied 1.5%. Breadth was solid as the NYSE Up Issues % closed at 67% and the NYSE Up Volume % posted a 63% reading. NYSE total volume rose from Tuesday's level.

Wednesday not only saw SPY make a new high, but it was also the 2nd day in a row with an unfilled gap up. The study below was last seen in the 1/7/26 letter. It examined other times SPY left at least 2 unfilled up gaps and closed at a 50-day high.

SPY posts 2 unfilled up gaps and closes at a 50-day high. Buy on close. Sell X days later. 1/4/1993 - present.											
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	72	49	23	68.06%	3.38%	-5.00%	0.94%	1.30%	0.73	1.55	0.228%
4	73	49	24	67.12%	3.08%	-5.88%	0.92%	1.00%	0.91	1.86	0.285%
3	73	51	20	69.86%	2.66%	-6.99%	0.66%	0.95%	0.69	1.76	0.199%
2	75	46	29	61.33%	1.38%	-1.73%	0.48%	0.48%	1.01	1.61	0.112%
1	87	47	39	54.02%	1.44%	-1.94%	0.35%	0.34%	1.02	1.23	0.035%

The size of the follow-through isn't terribly large, but the numbers appear consistent enough to warrant further examination. Below is the 4-day profit curve.



There were some sizable losers in 2020, including one in June of that year which lost nearly 6%. But the curve has certainly righted itself since then, rallying impressively over the last 20+ instances. I have decided to add this study to the active list.

I have updated the Aggregator chart below.



With tonight's evidence considered, the green Aggregator Line moved 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7211.09. That is a whopping 2.1% below Wednesday's close. Therefore, SPX will need to close down a sizable 2.1% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. No doubt the market is short-term overbought but the evidence is saying not to bet against more gains. So I won't. At some point we will see a high probability pullback or perhaps an overbought reading with very compelling bearish evidence. But we're not seeing that now. One-way markets can be frustrating for short-term swing traders. I'll continue to exercise patience until a more appealing reward-risk setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/4 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

LMT – 1/3 @ \$509.81 – (bought @ limit)

MDT – 1/3 @ \$79.37 – (bought @ limit)

New

ABT – 1/3 @ \$86.30 – (buy @ limit)

Broad Market Large Cap CBI – 3 (LMT, MDT, ABT)

Additional New Trade Ideas

ABT – Buy 1/3 Catapult position @ \$86.30 LIMIT. From the Catapult section above, this is the first of up to three possible lots of ABT.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LMT(1/3)	4/30/2026	\$509.81	\$514.26	0.87%	Catapult
MDT(1/3)	4/30/2026	\$79.37	\$77.60	-2.23%	Catapult

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