

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 12, 2026

Volume 20 Issue 89

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	3

Tonight's Research Points

- A couple of VIX studies are suggesting a pullback is likely in the next few days.
- Weak breadth days with the SPX hitting a new high suggest an upside edge for the following day.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. I ain't interested in shorting.

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 12, 2026	SPX 200-high with NYSE Up Issues < 45%	1 day	Bullish			
May 12, 2026	1st day of week, VIX up, SPX at 50-day high	1-2 days	Bearish	-0.82%	0.45%	0.92%
May 12, 2026	VIX up 6%+ while SPY positive on Monday	1-3 days	Bearish	-1.42%	0.85%	1.76%
May 7, 2026	SPY 2 unfilled up gaps + 50-day high	1-4 days	Bullish	0.94%	-0.87%	-1.90%
Active - Long Term						
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			

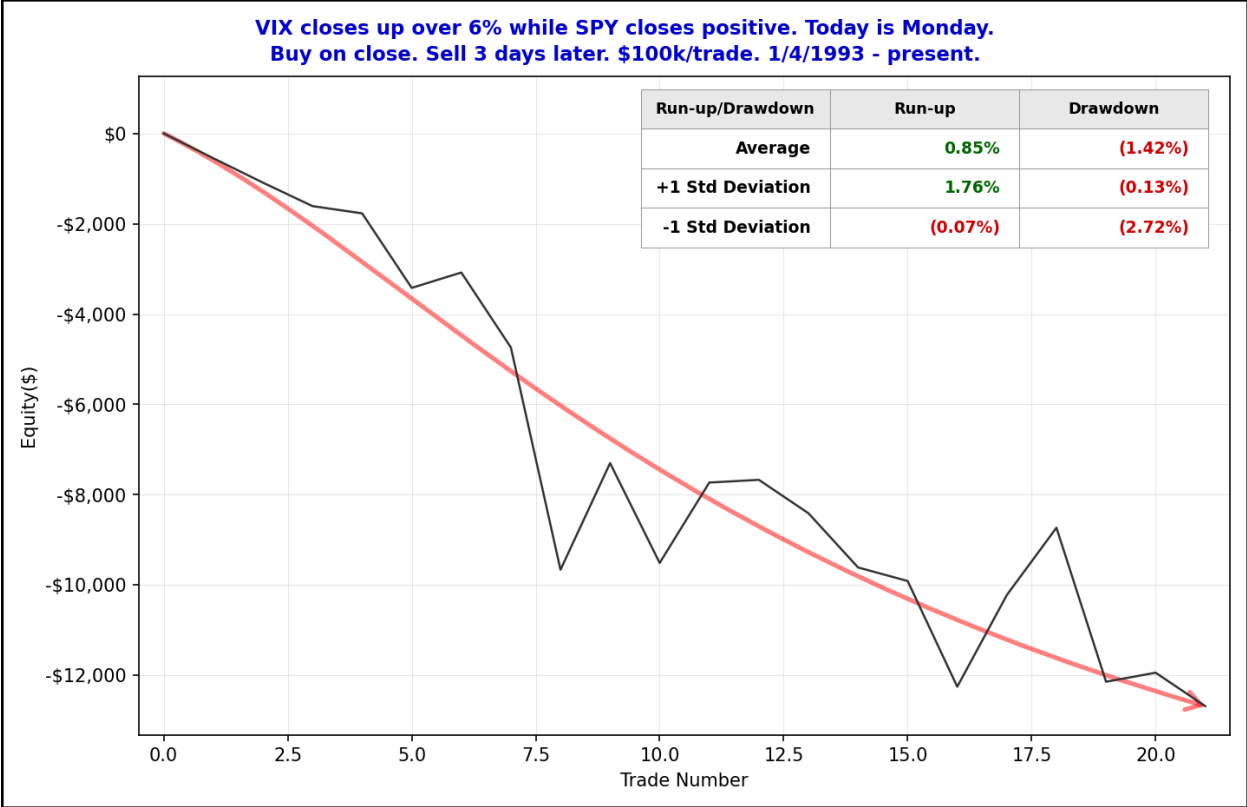
The Evidence

Monday saw modest gains for the indices. SPX finished up 0.2%, the NASDAQ gained 0.1%, and the Russell 2000 climbed 0.3%. Breadth was negative as the NYSE Up Issues % closed at 40% and the NYSE Up Volume % posted a 43% reading. NYSE total volume rose some from Friday's level.

One interesting study that appeared tonight in the Quantifinder looked at other times the VIX rose > 6% while SPY also closed higher. VIX does have a natural tendency to rise on Mondays, so it is the easiest day of the week for this to trigger. Even so, it has shown an edge. The results below are updated.

VIX closes up over 6% while SPY closes positive. Today is Monday. 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	21	8	13	38.10%	2.17%	-10.98%	1.35%	2.17%	0.62	0.38	-0.832%
4	21	8	13	38.10%	2.28%	-8.26%	1.29%	1.93%	0.67	0.41	-0.702%
3	21	7	14	33.33%	2.36%	-4.92%	1.18%	1.50%	0.79	0.39	-0.603%
2	21	6	13	28.57%	1.86%	-3.38%	1.00%	0.98%	1.02	0.47	-0.323%
1	21	7	14	33.33%	0.76%	-1.93%	0.41%	0.43%	0.95	0.48	-0.148%

The stats suggest a decent downside edge. Below is a look at the 3-day profit curve.



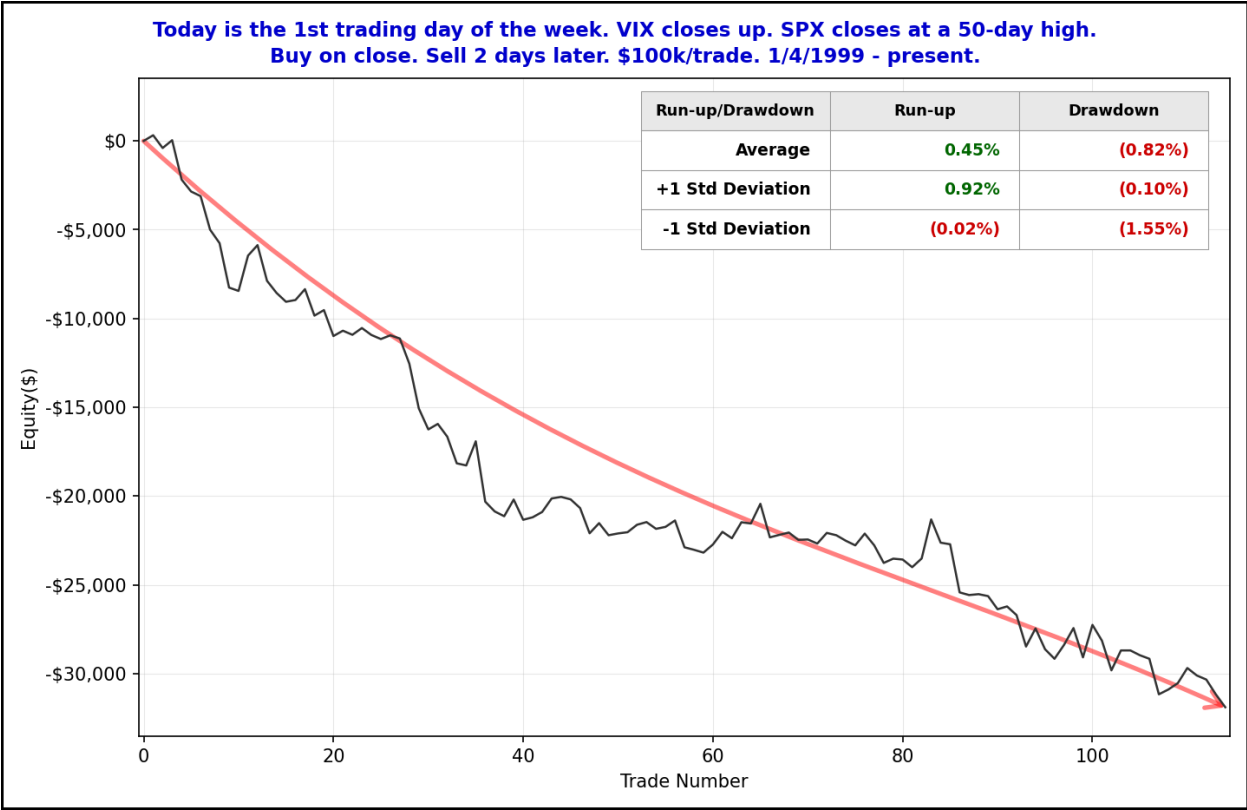
Definitely choppy, but it has persisted lower. This seems to offer some support for the idea of a potential bearish edge. I have added this study to the active list tonight.

Another VIX study combined the rising VIX with the SPX 50-day high. It also showed a tendency for the market to pull back over the next few days. Results are updated from the 6/29/21 subscriber letter.

**Today is the 1st trading day of the week. VIX closes up. SPX closes at a 50-day high.
Buy on close. Sell X days later. 1/4/1999 - present.**

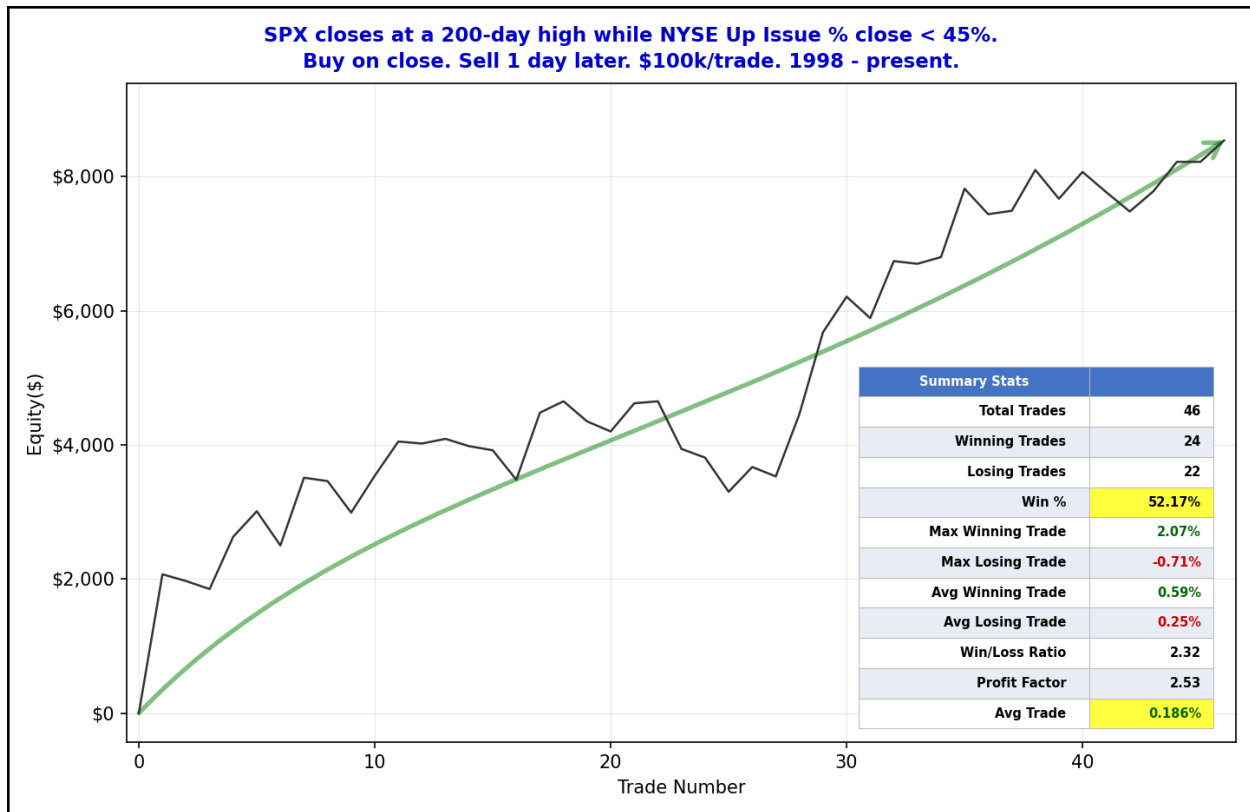
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	109	52	57	47.71%	5.78%	-5.13%	1.11%	1.34%	0.83	0.76	-0.171%
4	114	54	60	47.37%	4.52%	-5.91%	0.97%	1.25%	0.78	0.70	-0.198%
3	114	55	59	48.25%	2.65%	-7.12%	0.73%	1.02%	0.72	0.67	-0.175%
2	114	46	68	40.35%	2.20%	-3.40%	0.56%	0.85%	0.66	0.45	-0.279%
1	114	41	73	35.96%	0.88%	-1.59%	0.36%	0.33%	1.07	0.60	-0.085%

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



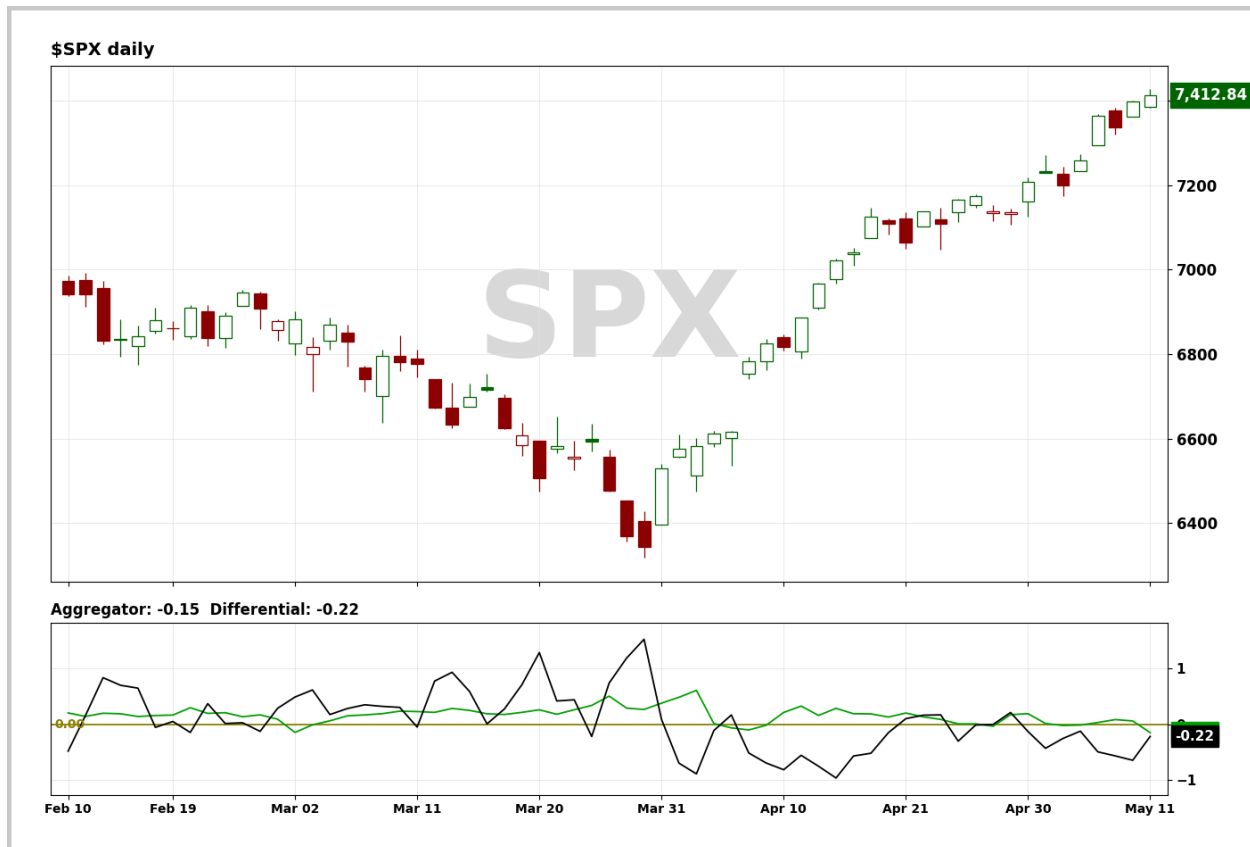
The profit curve has had a long decline. It is again back at new lows and seems worthy of consideration. I have also included this study on the Active List.

But not everything was bearish. Interestingly when the market has posted poor breadth numbers on days where it was hitting a long-term high, the following day has carried an upside edge. This can be seen in the study below.



The Win% is only a little over 50%, but the average win has been more than double the average loss. This has made for a persistent move from lower left to upper right. Perhaps there is a mean reversion to the breadth and with more issues heading higher the following day, price tends to increase. In any case the numbers and the curve look good, and I've also added this study to the active list.

I have updated the Aggregator chart below.



With tonight's evidence considered, the green Aggregator Line dipped 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 turned short at the close.

Based on the current list of active studies, expectations are set to remain negative on Tuesday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 7343.66. That is 0.9% below Monday's close. Therefore, SPX will need to close down at least 0.9% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is bearish. But evidence is mixed and this market is in a complete runaway mode. I don't have any interest in fighting it unless evidence is absolutely overwhelmingly bearish. I'll continue to wait for a more compelling set up to emerge before looking to take on a new short-term index trade.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/11 – **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)

ABT – 1/3 @ \$86.30 – (bought @ limit)

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

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LMT(1/3)	4/30/2026	\$509.81	\$512.25	0.48%	Catapult
MDT(1/3)	4/30/2026	\$79.37	\$74.54	-6.09%	Catapult
ABT(1/3)	5/7/2026	\$86.30	\$82.56	-4.33%	Catapult

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