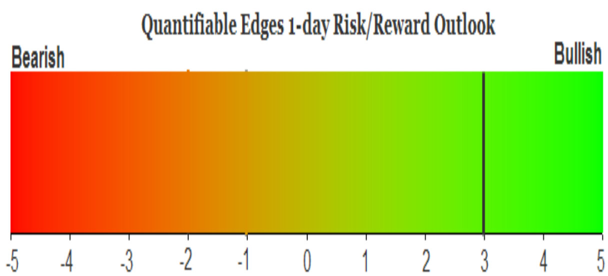
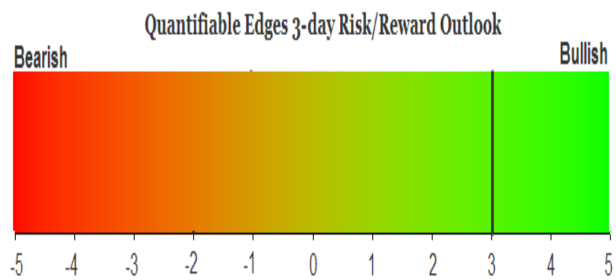
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 20, 2026 Volume 20 Issue 95

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Similar three-day pullbacks from long-term highs often see a rebound in the following days.
- The first dip below the 10ma after at least 25 days above it is normally followed by a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. There appears to be a decent short-term upside edge.

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 20, 2026	SPX dips below 10ma after 25+ days above	1-9 days	Bullish	2.49%	-1.19%	-2.41%
May 20, 2026	SPY down 3 days from a 50-day high, closes	1-4 days	Bullish	1.56%	-0.86%	-1.81%
Active - Long Term						
May 13, 2026	SPX historically strong 6-week rally	1-12 months	Bullish	18.96%	-8.29%	-10.88%
April 27, 2026	Sell in May 2nd yr Pres Cycle & 5% pullback	1-6 months	Bearish			
April 6, 2026	NASDAQ leading	int term	Bullish			
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

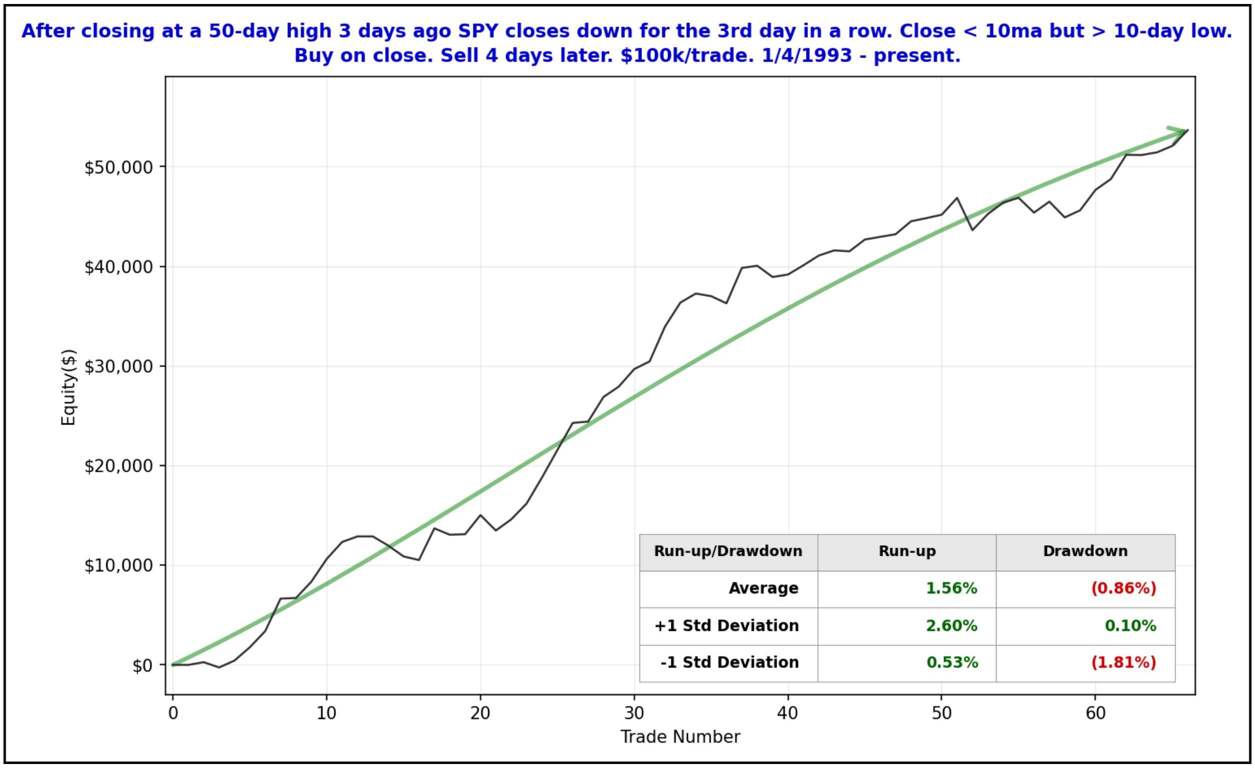
Tuesday was a down day for the market. SPX dropped 0.7%, the NASDAQ lost 0.8%, and the Russell 2000 fell 1.0%. Breadth was weak as the NYSE Up Issues % closed at 29% and the NYSE Up Volume % posted a 36% reading. NYSE total volume was slightly higher than Monday's level.

Three-day pullbacks will often generate some bullish short-term studies. The one below considers the fact that the SPY 3-day pullback is occurring right after a high was hit. Additionally, it requires that the pullback is deep enough to put it below the 10ma, but not deep enough to see it at a 10-day closing low. It was last seen in the 4/3/24 subscriber letter. I have updated the stats.

After closing at a 50-day high 3 days ago SPY closes down for the 3rd day in a row. Close < 10ma but > 10-day low. 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	65	45	20	69.23%	4.82%	-3.18%	1.59%	0.96%	1.66	3.73	0.804%
4	66	50	14	75.76%	3.55%	-3.24%	1.35%	0.97%	1.38	4.94	0.813%
3	66	45	21	68.18%	3.55%	-4.58%	1.27%	0.95%	1.33	2.85	0.562%
2	66	43	21	65.15%	3.48%	-2.78%	0.95%	0.96%	0.98	2.01	0.310%
1	66	40	25	60.61%	3.15%	-1.74%	0.74%	0.69%	1.07	1.71	0.186%

Under these circumstances, it appears bounces have been both reliable and powerful. The 1^{st} four days show some very impressive stats, with the 76% win rate standing out. Below is a look at the profit curve assuming a 4-day exit technique.



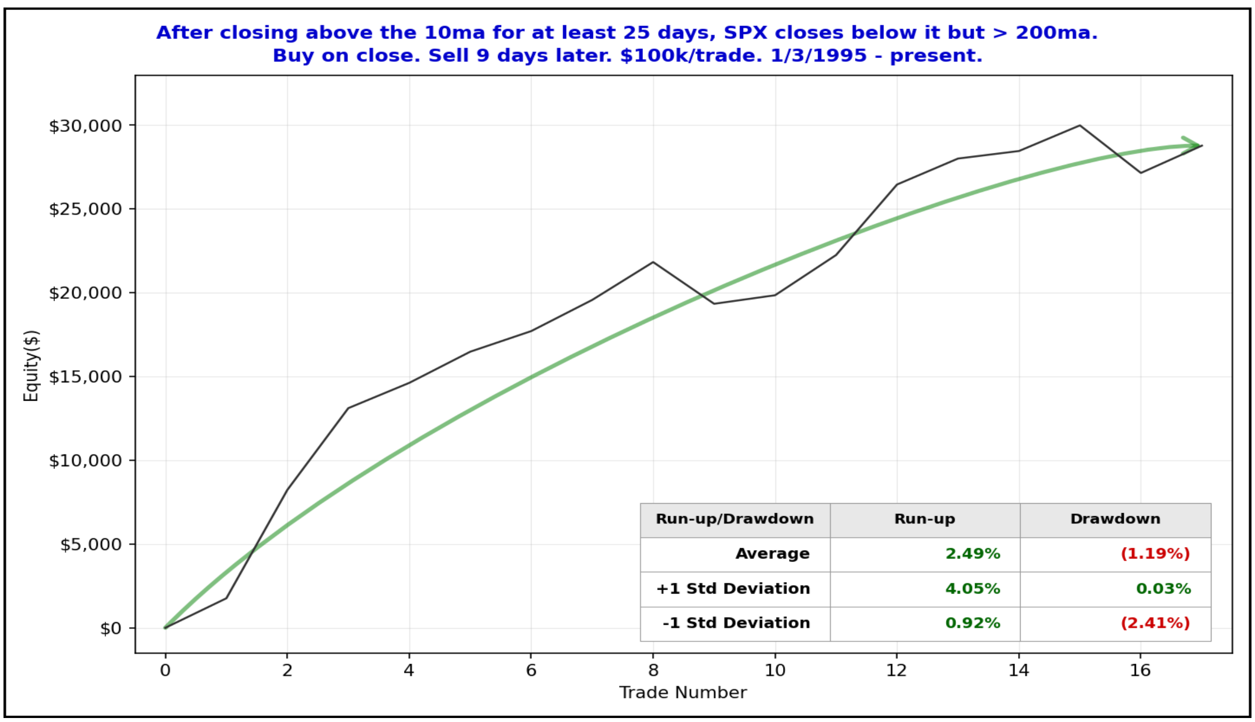
The strong move from lower left to upper right serves as some confirmation of the upside edge. I have again placed this study on the Active List.

The SPX was on a streak of closes above the 10ma for quite a while before Tuesday. It had actually gone thirty-four days in a row. But that streak has now come to an end. The move in SPX below the 10ma triggered the study below, from the 4/26/23 letter. It looked at times SPX closed above the 10ma for at least 25 days, and then closed below it. The results below look back to 1990, and are all updated.

After closing above the 10ma for at least 25 days, SPX closes below it but > 200ma.
Buy on close. Sell X days later. 1/3/1995 - present.

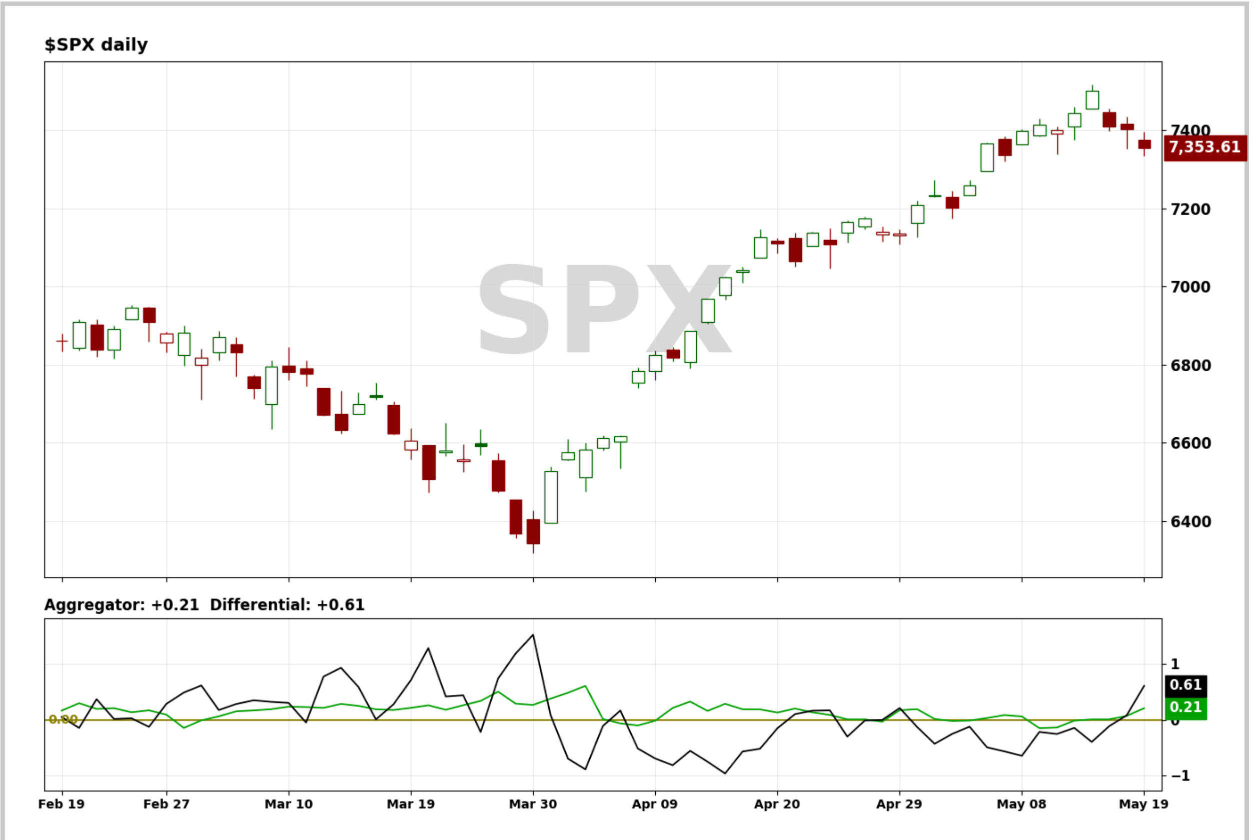
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
20	17	13	4	76.47%	8.21%	-4.74%	3.81%	2.66%	1.43	4.65	2.288%
19	17	14	3	82.35%	7.06%	-2.91%	3.60%	1.71%	2.10	9.82	2.661%
18	17	15	2	88.24%	7.45%	-2.66%	3.09%	2.19%	1.41	10.59	2.471%
17	17	14	3	82.35%	6.20%	-3.46%	3.13%	2.63%	1.19	5.54	2.112%
16	17	15	2	88.24%	6.13%	-2.99%	2.91%	2.86%	1.02	7.64	2.231%
15	17	15	2	88.24%	6.35%	-6.82%	2.98%	5.67%	0.53	3.94	1.962%
14	17	15	2	88.24%	6.69%	-6.03%	2.91%	5.70%	0.51	3.83	1.897%
13	17	15	2	88.24%	6.82%	-6.31%	2.66%	4.26%	0.62	4.69	1.847%
12	17	14	3	82.35%	6.97%	-4.04%	2.80%	2.52%	1.11	5.17	1.858%
11	17	15	2	88.24%	6.89%	-5.04%	2.69%	4.48%	0.60	4.50	1.846%
10	17	14	3	82.35%	5.83%	-3.92%	2.48%	2.50%	0.99	4.64	1.603%
9	17	15	2	88.24%	6.47%	-2.84%	2.27%	2.66%	0.85	6.40	1.692%
8	17	14	3	82.35%	6.40%	-2.01%	2.11%	0.99%	2.14	10.00	1.566%
7	17	12	5	70.59%	6.33%	-1.56%	1.94%	0.84%	2.32	5.57	1.126%
6	17	13	4	76.47%	5.16%	-2.07%	1.65%	1.29%	1.29	4.18	0.961%
5	17	13	4	76.47%	3.51%	-3.30%	1.68%	1.70%	0.99	3.21	0.886%
4	17	12	5	70.59%	3.23%	-3.35%	1.85%	1.35%	1.37	3.28	0.909%
3	17	13	4	76.47%	2.82%	-1.67%	1.31%	1.38%	0.95	3.09	0.680%
2	17	10	7	58.82%	2.13%	-3.57%	1.20%	0.89%	1.35	1.93	0.340%
1	17	10	7	58.82%	1.99%	-1.57%	0.65%	0.51%	1.26	1.80	0.169%

Instances are a little low, but the numbers are heavily lopsided in favor of the bullish case. The edge seems to persist up to 4 weeks, but 2/3 of the gains were realized in the 1st nine trading days. Below is a look at the individual instances and profit curve assuming a 9-day holding period.



The curve and the trade list are impressive. I have added this study to the Active List tonight.

I have updated the Aggregator chart below.



With tonight's 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 above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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 Wednesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 7407.77. That is 0.7% above Tuesday's close. Therefore, SPX will need to close up at least 0.7% on Wednesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. We are seeing some solid evidence that a bounce is likely in the upcoming few days. There is also decent room to the upside before SPX would turn overbought. So I like the long side here. We had a trade idea from last night's letter kick in at the close on Tuesday. I like the setup, but I'll just leave exposure as-is for now. If it looks like the edge becomes even stronger on Wednesday, I may look to add another lot to that trade idea on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/18 – bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MDT(1/3)	4/30/2026	$79.37	$78.58	-1.00%	*sell on open*
SPY(1/4)	5/19/2026	$733.73	$733.73	0.00%	Aggregator