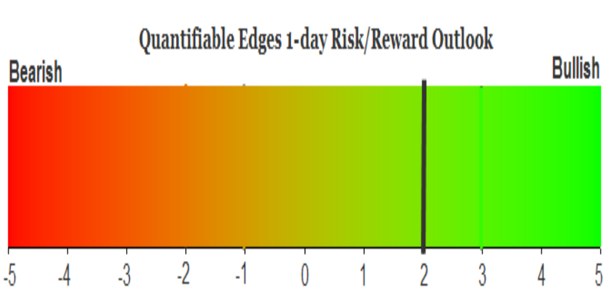
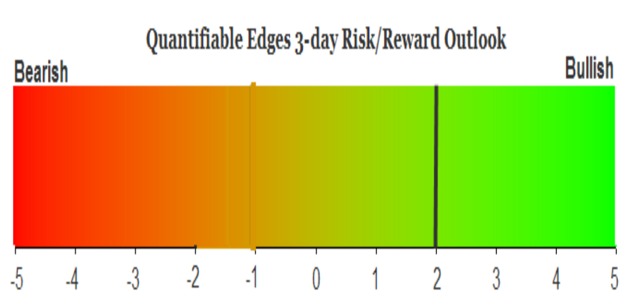
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 4, 2026 Volume 20 Issue 105

Market Overview





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Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- When a multi-day advance gives back a few days' gains and SPX closes below the close of three days ago, there has typically been an upside edge over the next day or two.
- Weak closes at 5-day lows above the 200ma are often followed by a bounce.
- An unfilled gap down from a 50-day high has often been followed by further selling the next day.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side, but am not inclined to get aggressive with just one down day.

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						
June 4, 2026	SPY unfilled gap down from a 50-day high	1 day	Bearish			
June 4, 2026	SPX weak close at a 5-day low above the 200	1-5 days	Bullish	1.62%	-1.30%	-2.72%
June 4, 2026	SPX up 5+ days, then down below the close	1-2 days	Bullish	1.26%	-0.46%	-1.04%
June 3, 2026	SOX up 4%+ while NASDAQ lags under 1%	1-2 days	Bullish	1.40%	-1.09%	-2.20%
June 1, 2026	SPX 20-day high on highest 20-day volume,	1-5 days	Bullish	1.42%	-1.05%	-2.21%
Active - Long Term						
June 4, 2026	SPX up 5+ days, then down below the close	1-11 days	Bullish	2.89%	-1.12%	-2.46%
June 2, 2026	SPX RSI(2) crosses above 99, > 200ma	1-15 days	Bullish	2.25%	-1.60%	-3.05%
June 1, 2026	SPX up exactly 7 days in a row, > 200ma	1-20 days	Bullish	3.13%	-2.06%	-4.34%
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			
May 27, 2026	NDX > 18% above 200ma	1-90 days	Bullish	13.80%	-9.37%	-18.64%

The Evidence

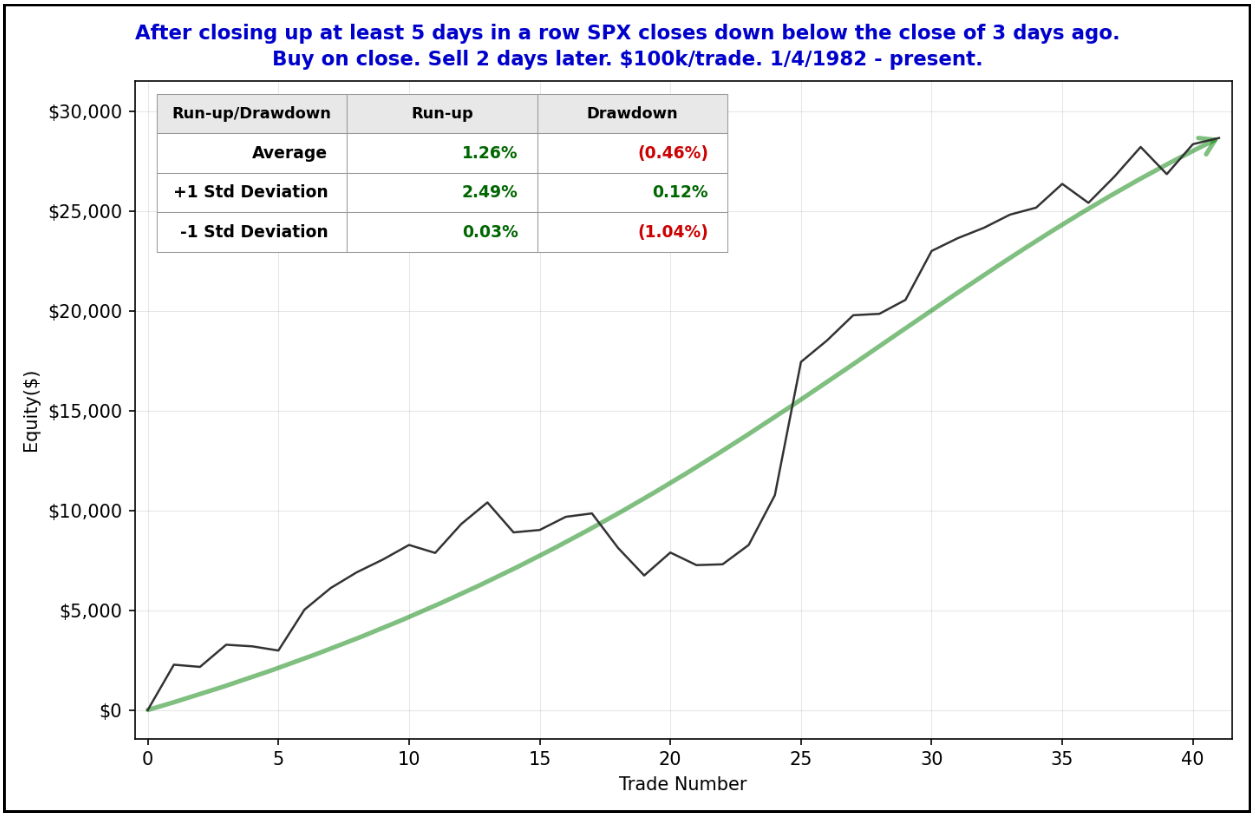
The market finally had a losing day. SPX finished down 0.7%, the NASDAQ fell 0.9%, and the Russell 2000 dropped 1.3%. Breadth was very weak as the NYSE Up Issues % closed at 24% and the NYSE Up Volume % posted a 26% reading. NYSE total volume was slightly lower than Tuesday's level.

The selloff Wednesday wiped out a few days worth of gains. Below I show results since 1982 where 3+ days of gains were erased after a rally of 5+ days. This study is updated from the 8/23/21 letter.

After closing up at least 5 days in a row SPX closes down below the close of 3 days ago.
Buy on close. Sell X days later. 1/4/1982 - present.

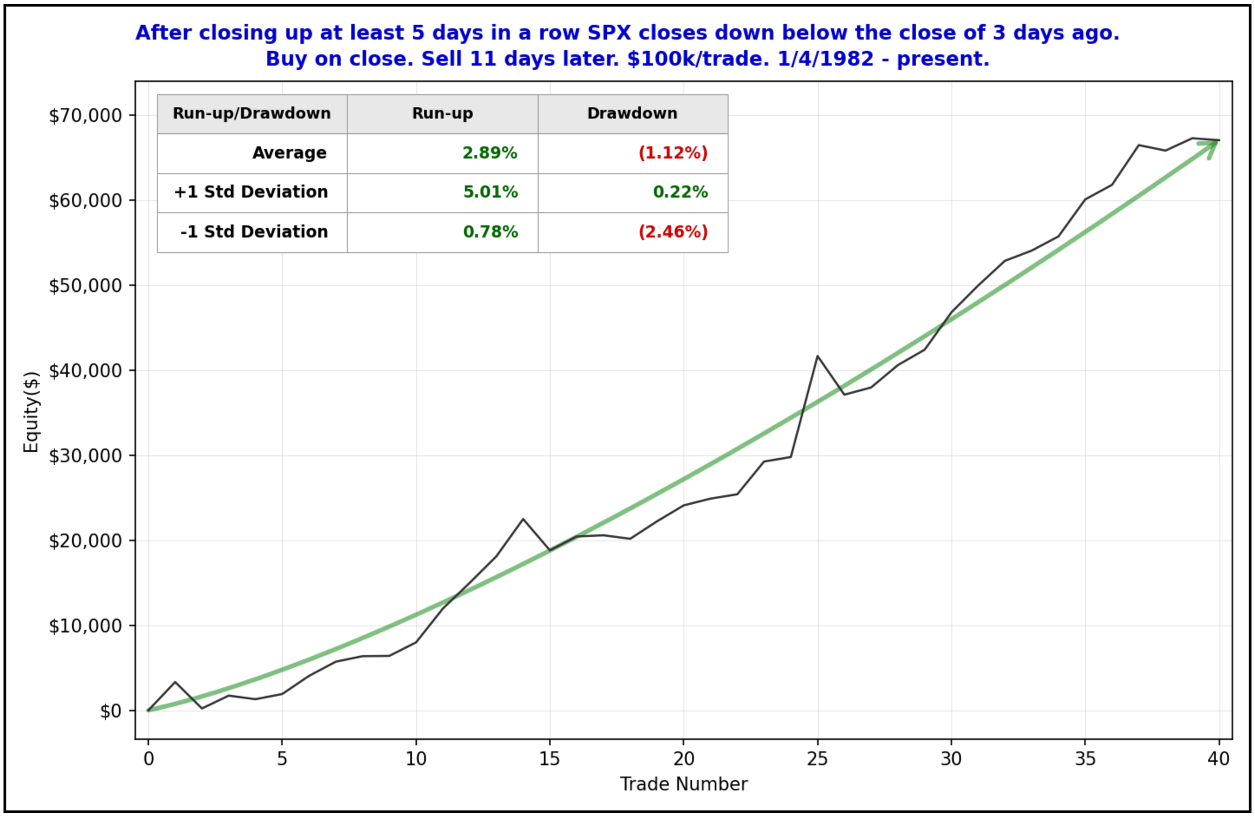
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
12	40	32	8	80.00%	10.81%	-5.49%	2.53%	1.97%	1.28	5.12	1.627%
11	40	33	7	82.50%	11.88%	-4.55%	2.43%	1.86%	1.30	6.14	1.675%
10	40	33	7	82.50%	6.42%	-3.72%	2.28%	1.82%	1.25	5.90	1.561%
9	40	35	5	87.50%	7.78%	-4.21%	2.17%	2.62%	0.83	5.80	1.574%
8	40	31	9	77.50%	7.03%	-4.94%	2.31%	1.61%	1.44	4.95	1.428%
7	41	32	9	78.05%	10.17%	-3.91%	2.19%	1.43%	1.53	5.43	1.394%
6	41	31	10	75.61%	8.88%	-2.77%	1.92%	1.04%	1.85	5.73	1.199%
5	41	30	11	73.17%	11.45%	-1.88%	1.91%	0.91%	2.09	5.70	1.150%
4	41	29	12	70.73%	7.33%	-3.13%	1.71%	1.00%	1.70	4.11	0.914%
3	41	27	14	65.85%	3.55%	-3.25%	1.41%	1.17%	1.21	2.32	0.529%
2	41	31	10	75.61%	6.68%	-1.73%	1.19%	0.84%	1.43	4.43	0.699%
1	41	33	8	80.49%	3.99%	-1.07%	0.79%	0.45%	1.75	7.23	0.551%

These results appear to provide a solid upside edge. Below is a profit curve that assumes a 2-day holding period.



Run-up/Drawdown	Run-up	Drawdown
Average	1.26%	(0.46%)
+1 Std Deviation	2.49%	0.12%
-1 Std Deviation	0.03%	(1.04%)

The persistent move from lower left to upper right has this again at a new high. Next let's look at an 11-day hold.



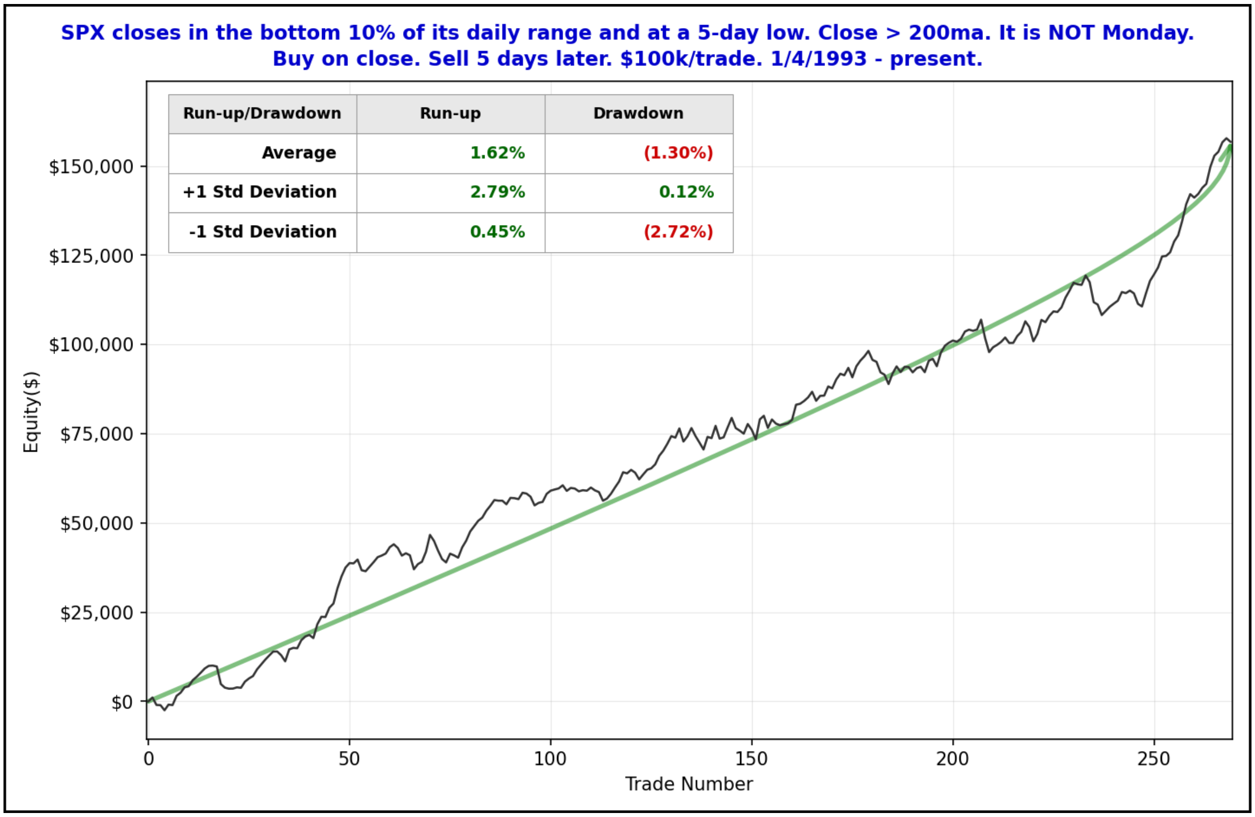
This appears nicely consistent. I have added this study to the short and intermediate-term active list.

The study below looks at times since 1993 that SPX 1) closed in the bottom 10% of its daily range, 2) at a 5-day low, 3) above the 200ma, and 4) it was not Monday. The "not Monday" requirement seems like an odd one. But it is included because when it happens on a Monday it is even more powerful – containing Turnaround Tuesday potential. Last seen in the 1/2/26 letter, results are all updated.

SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. It is NOT Monday.
Buy on close. Sell X days later. 1/4/1993 - present.

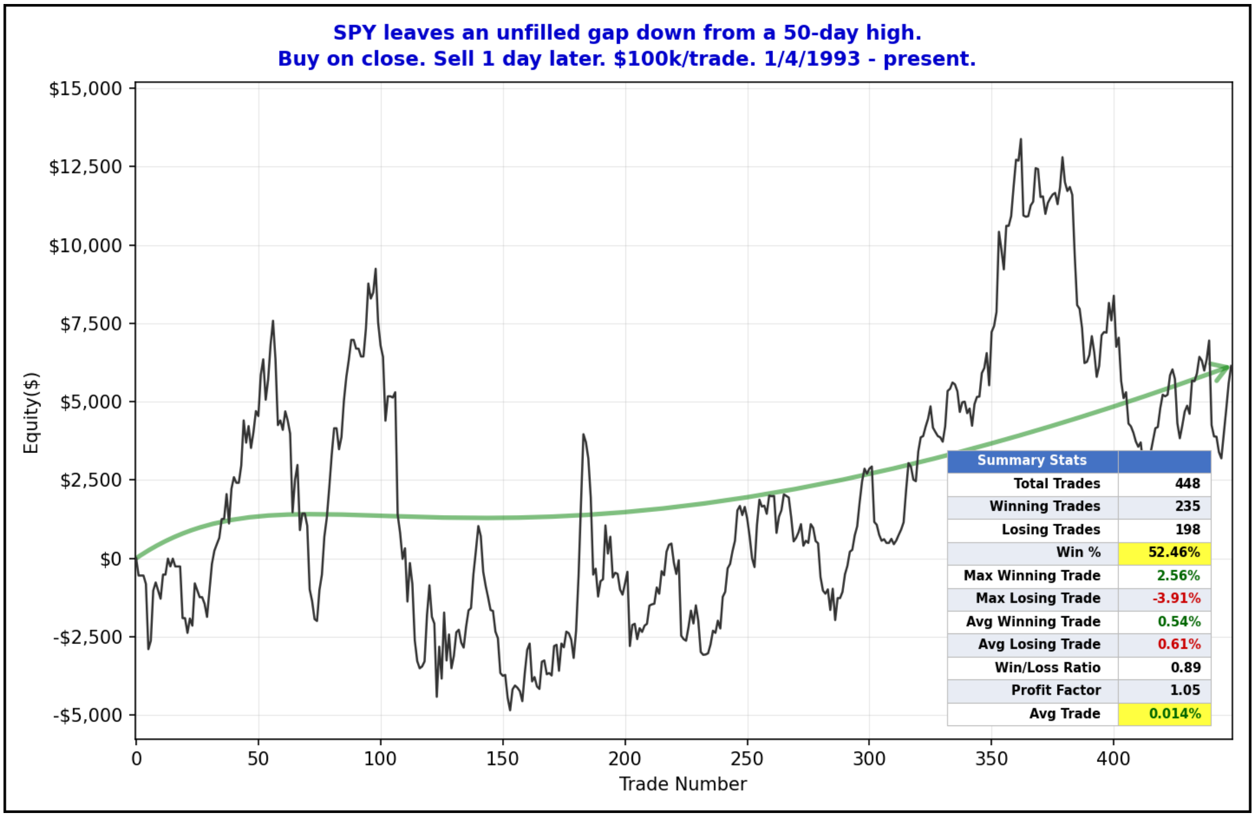
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	269	174	95	64.68%	5.61%	-5.60%	1.67%	1.42%	1.18	2.17	0.583%
4	281	173	108	61.57%	5.36%	-6.56%	1.51%	1.31%	1.15	1.85	0.427%
3	289	184	105	63.67%	4.96%	-5.56%	1.22%	1.25%	0.97	1.71	0.322%
2	308	184	124	59.74%	4.49%	-7.48%	1.06%	1.01%	1.05	1.56	0.228%
1	338	205	133	60.65%	2.72%	-5.76%	0.70%	0.77%	0.90	1.38	0.117%

The stats table shows moderate odds of a move higher over the next few days. Below is a look at the 5-day profit curve.

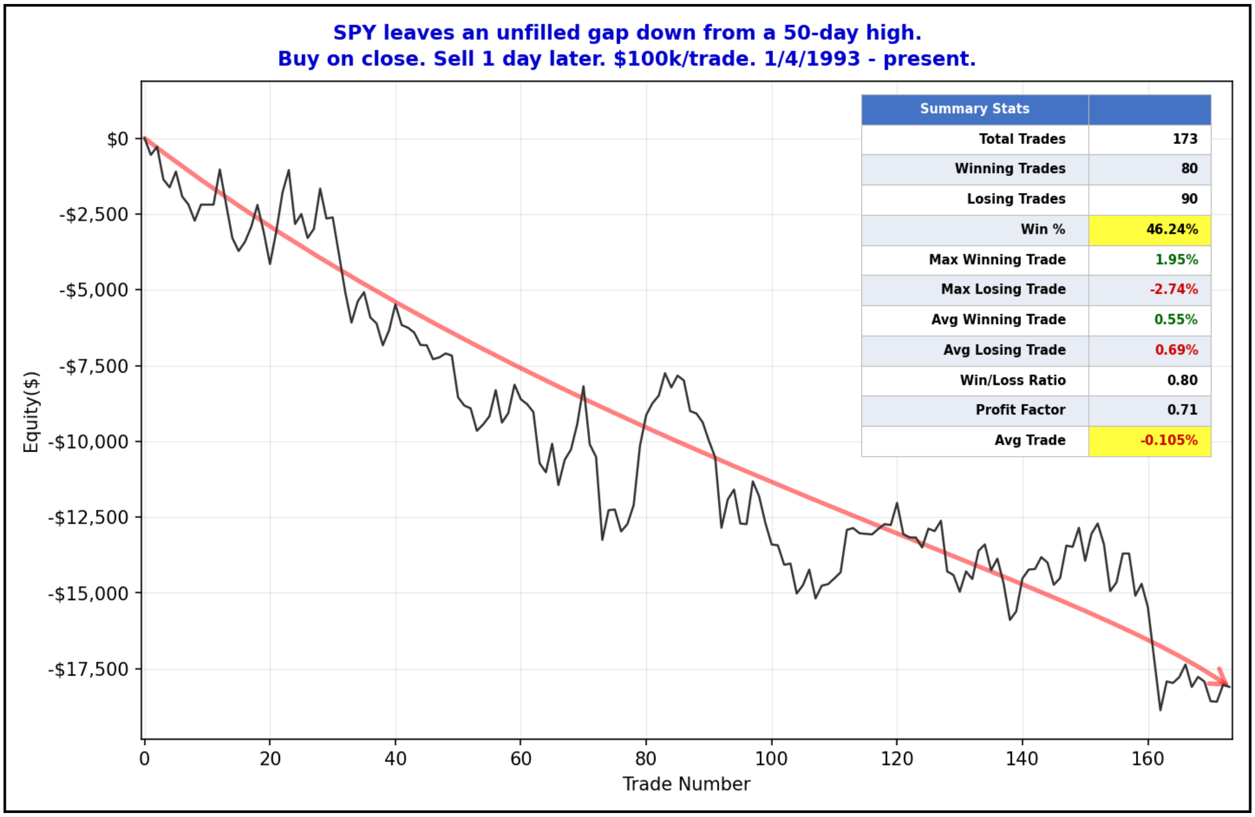


The stats were not overwhelming, but I do like the profit curve. It shows a very persistent move higher that has accelerated in recent times. Overall, the study appears to suggest an upside edge.

But not everything tonight is bullish. I discussed in the 4/29/26 letter that 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. We saw this happen on Wednesday. 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. The 1st one shows performance following down closes from a 50-day high that do *not* include an unfilled gap lower.

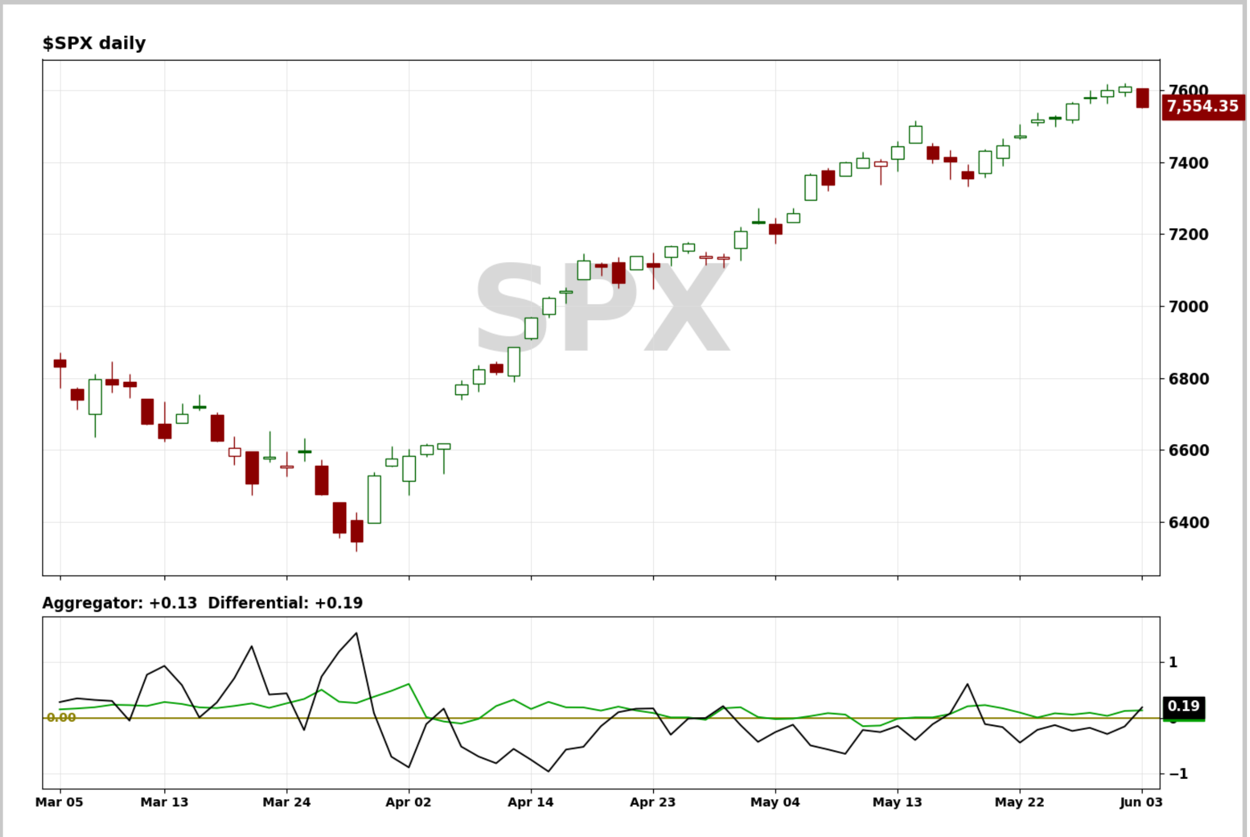


There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



The move lower has persisted for a long time. The curve is back near new lows. The study overall is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. It suggests a moderate downside edge for Thursday.

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 moved above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long 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 7613.34. That is 0.8% above Wednesday's close. Therefore, SPX will need to close up at least 0.8% on Thursday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. Most studies are pointing higher and the SPX has underperformed expectations over the last few days. But one day lower is not much of a pullback. And the gap down study suggested we could see another day of selling on tap. So I am not inclined to get aggressive right here. But I would consider scaling into a position if we got another lower close on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/1 – bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

GOOGL @ $361.85 (bought 1/3 @ limit)

New

GOOGL @ $358.99 (buy 1/3 @ limit)

***Broad Market Large Cap CBI* – 2(GOOGL)**

Additional New Trade Ideas

GOOGL - Buy 1/3 Catapult position @ $358.99 LIMIT. From the catapult section above, this is the first of up to three possible lots of GOOGL.

SPY - Buy ¼ index position @ $754.00 LIMIT ON CLOSE. Based on the short-term outlook above I will look to start scaling into a SPY position if it closes even a mild amount lower on Thursday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CVS(1/3)	5/27/2026	$90.73	$91.37	0.71%	*sell on open*
MDT(1/3)	6/1/2026	$73.81	$77.95	5.61%	*sell on open*
GOOGL(1/3	6/3/2026	$361.85	$358.99	-0.79%	Catapult