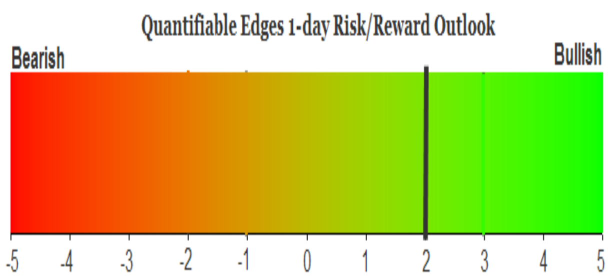
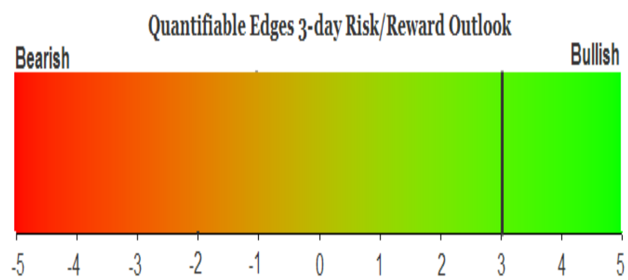
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 18, 2026 Volume 20 Issue 115

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- A Fed Day that closes lower for at least the 2nd day in a row is often followed by a bounce.
- When SPX drops 1% and decliners more than double advancers, there has typically been an upside edge over the following week.
- When SPX drops more than 1% while SOX finishes positive on the day, there has typically been an upside edge over the next few weeks.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I like the long side.

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 18, 2026	SPX -1% while SOX finishes positive	1-5 days	Bullish	2.92%	-1.96%	-3.86%
June 18, 2026	SPX -1% & decliners 2x advancers at a 4-day	1-5 days	Bullish	2.27%	-2.11%	-4.55%
June 18, 2026	Fed Day closes lower 2nd day in a row	1-6 days	Bullish	2.20%	-1.52%	-3.11%
June 16, 2026	VIX overbought to oversold, SPX > 200ma	1-6 days	Bullish	1.68%	-1.12%	-2.44%
Active - Long Term						
June 18, 2026	SPX -1% while SOX finishes positive	1-17 days	Bullish	5.37%	-2.79%	-5.71%
June 15, 2026	NASDAQ lagging	int term	weak			
May 27, 2026	NDX > 18% above 200ma	1-90 days	Bullish	13.80%	-9.37%	-18.64%
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			
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

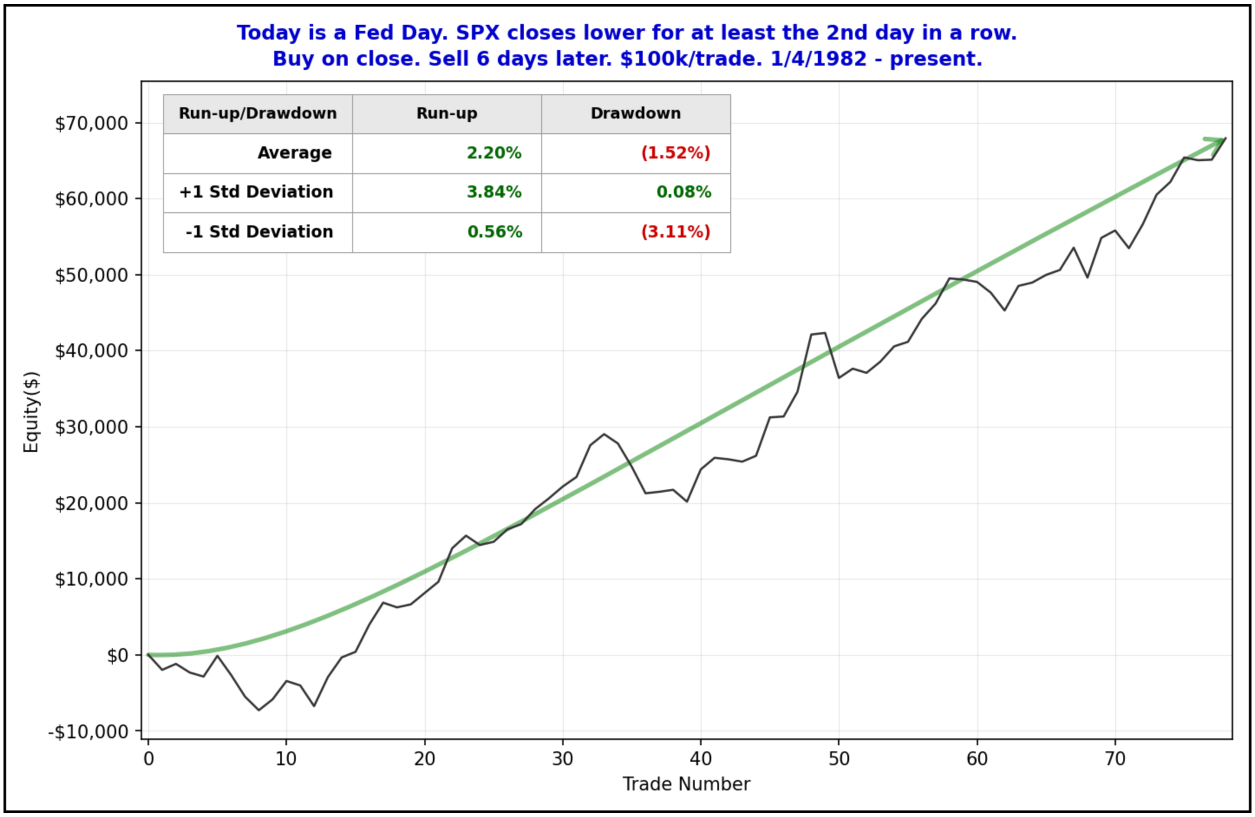
Wednesday was choppy, but in the end it decided it did *not* like what Kevin Warsh had to say. SPX finished down 1.2%, the NASDAQ lost 1.3%, and the Russell 2000 declined 0.7%. Breadth was very weak as the NYSE Up Issues % closed at 27% and the NYSE Up Volume % posted a 25% reading. NYSE total volume rose some from Tuesday's level.

So the Fed Day was a flub. Primarily because the Fed's dot plot and the statement both appeared more hawkish. Tim Warsh did not announce much in the way of policy change but he did announce a lot of potential procedural changes and new committees that are being designed to potentially implement changes at the Fed. This may have spooked the market some as well. The study below is one I have shown many times over the years, most recently in the 4/30/26 letter. It looks at other times where SPX has closed down on a Fed day and it was at least the second down day in a row. I have updated the results tonight.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row.
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
10	78	55	23	70.51%	7.33%	-4.86%	2.58%	2.28%	1.13	2.70	1.143%
9	78	55	23	70.51%	6.32%	-4.32%	2.44%	1.97%	1.24	2.96	1.140%
8	78	53	24	67.95%	8.66%	-7.41%	2.29%	2.34%	0.98	2.16	0.838%
7	78	55	23	70.51%	6.20%	-6.36%	2.13%	2.26%	0.94	2.26	0.837%
6	78	53	25	67.95%	7.53%	-5.92%	2.10%	1.73%	1.21	2.58	0.871%
5	78	51	27	65.38%	5.98%	-5.62%	2.02%	1.69%	1.20	2.26	0.736%
4	78	49	29	62.82%	6.09%	-4.65%	1.93%	1.54%	1.25	2.12	0.639%
3	78	54	24	69.23%	4.14%	-4.55%	1.39%	1.45%	0.96	2.16	0.517%
2	78	43	35	55.13%	3.75%	-4.67%	1.33%	1.06%	1.25	1.54	0.258%
1	78	40	38	51.28%	4.24%	-5.89%	0.95%	0.86%	1.11	1.17	0.069%

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.



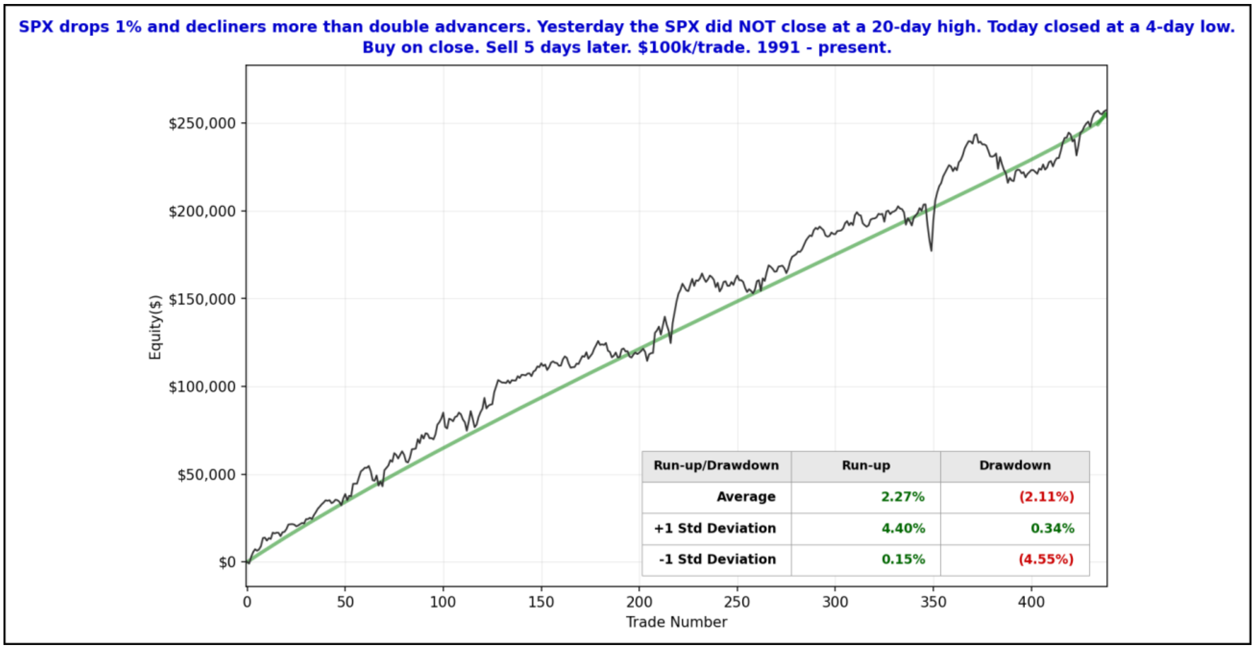
That is an impressive looking curve, and it is again at new highs. I have added this study to the active list again tonight.

There was another interesting study that was last featured in the 2/13/26 letter,. It looked at large down days on strongly negative breadth. I have updated it below.

SPX drops 1% and decliners more than double advancers. Yesterday the SPX did NOT close at a 20-day high. Today closed at a 4-day low.
Buy on close. Sell X days later. 1991 - 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	438	264	174	60.27%	17.40%	-11.49%	2.36%	2.10%	1.12	1.71	0.587%
4	468	272	196	58.12%	13.59%	-16.54%	2.12%	2.00%	1.06	1.47	0.396%
3	511	306	205	59.88%	17.55%	-13.91%	1.93%	1.97%	0.98	1.46	0.365%
2	582	323	259	55.50%	10.64%	-8.70%	1.60%	1.44%	1.11	1.39	0.250%
1	660	371	289	56.21%	10.79%	-9.51%	1.19%	1.08%	1.11	1.42	0.199%

The implications here appear to be moderately bullish. Below is a look at the 5-day profit curve.



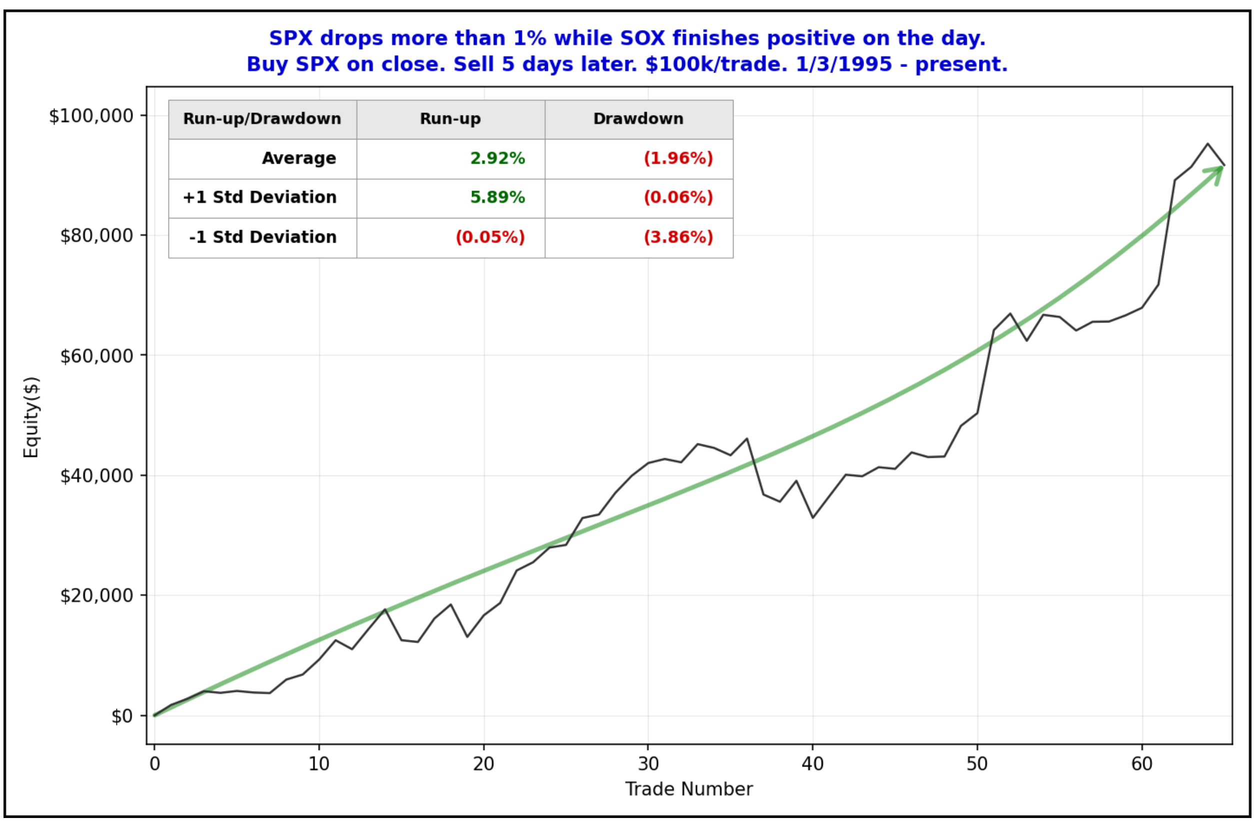
The long-term upslope is impressive. The dip that can be seen between instance 380 and 400 all occurred during 2022. That was a tough year for many mean-reversion strategies, so seeing a dip there is not terribly surprising or concerning. I have added this study to the Active List.

Comparative price action between SPY and SOX (semiconductor index) also appears to be suggesting a strong upside advantage. The SOX will often lead the market. In the 10/24/12 Letter I showed a study that indicated a positive close in the SOX on a day when the SPX drops more than 1% has often led to substantial gains over the next 1-4 weeks. I have updated that study below.

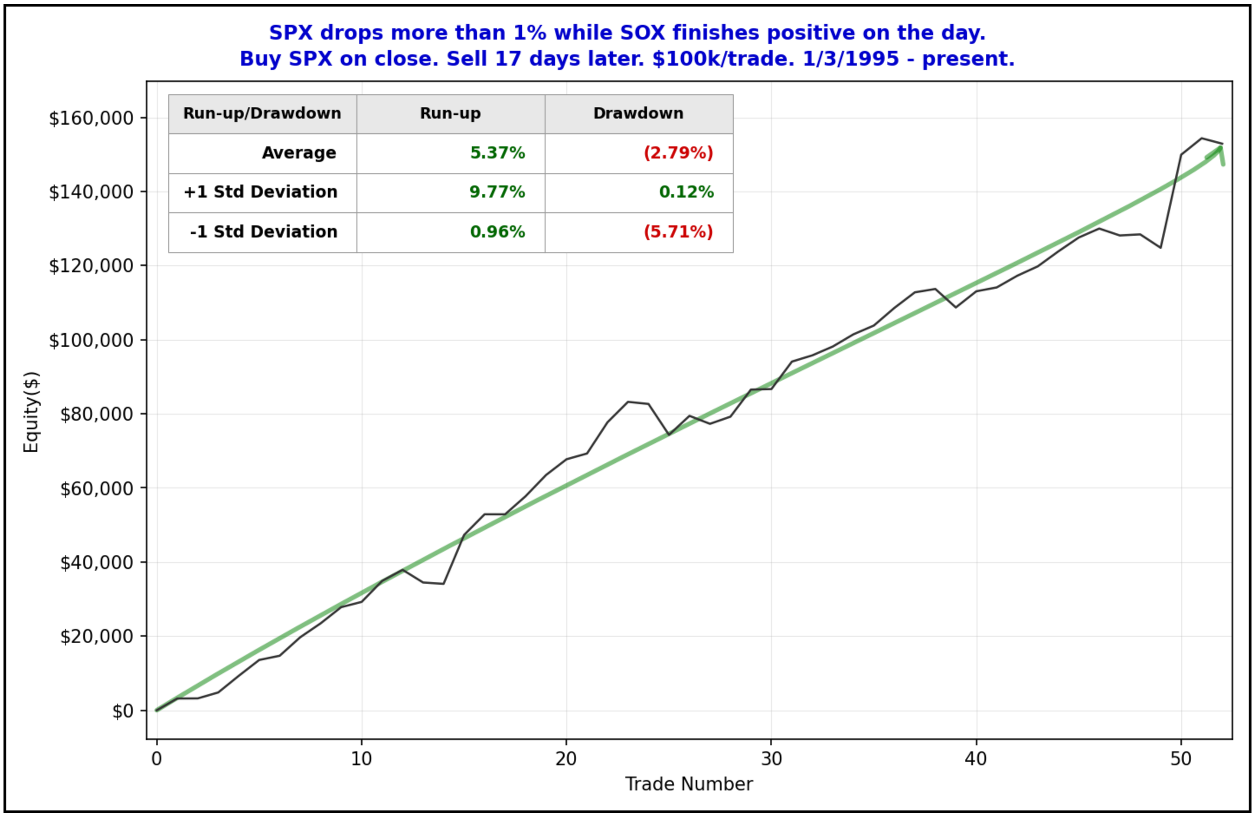
SPX drops more than 1% while SOX finishes positive on the day.
Buy SPX on close. Sell X days later. 1/3/1995 - present.

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	50	39	11	78.00%	22.31%	-10.61%	4.80%	3.17%	1.51	5.37	3.044%
19	51	39	12	76.47%	26.18%	-8.97%	4.82%	3.24%	1.48	4.82	2.919%
18	52	40	12	76.92%	28.48%	-11.37%	4.78%	3.23%	1.48	4.94	2.932%
17	52	42	10	80.77%	25.13%	-8.34%	4.28%	2.68%	1.60	6.71	2.940%
16	52	41	11	78.85%	24.40%	-6.51%	4.11%	2.20%	1.87	6.96	2.773%
15	54	44	10	81.48%	27.20%	-7.06%	3.94%	1.98%	1.99	8.74	2.842%
14	55	42	13	76.36%	23.43%	-4.59%	3.83%	1.65%	2.32	7.48	2.533%
13	56	43	13	76.79%	24.69%	-6.32%	3.83%	2.75%	1.39	4.60	2.299%
12	56	42	14	75.00%	22.91%	-6.55%	3.52%	2.29%	1.54	4.62	2.070%
11	56	40	16	71.43%	18.86%	-12.14%	3.58%	2.75%	1.30	3.25	1.772%
10	57	40	17	70.18%	19.05%	-11.26%	3.35%	3.06%	1.09	2.57	1.436%
9	60	42	18	70.00%	11.23%	-11.36%	3.01%	2.70%	1.12	2.60	1.297%
8	60	40	20	66.67%	12.94%	-7.43%	3.21%	1.95%	1.64	3.28	1.487%
7	61	41	20	67.21%	12.23%	-9.57%	3.20%	2.44%	1.32	2.70	1.355%
6	63	44	19	69.84%	18.47%	-11.05%	3.18%	2.48%	1.28	2.97	1.472%
5	65	45	20	69.23%	17.40%	-9.32%	3.02%	2.21%	1.37	3.08	1.410%
4	65	42	23	64.62%	14.12%	-6.42%	2.74%	1.64%	1.67	3.05	1.192%
3	70	45	25	64.29%	17.55%	-8.38%	2.38%	1.85%	1.28	2.31	0.869%
2	73	43	30	58.90%	10.64%	-4.33%	2.05%	1.46%	1.41	2.02	0.609%
1	75	39	36	52.00%	10.79%	-3.47%	1.64%	0.77%	2.14	2.32	0.485%

It's interesting here that there seem to be not only short-term bullish implications, but intermediate-term ones as well. I ran equity curves for the 5 and 17-day exits below. First let's look at a 5-day exit.

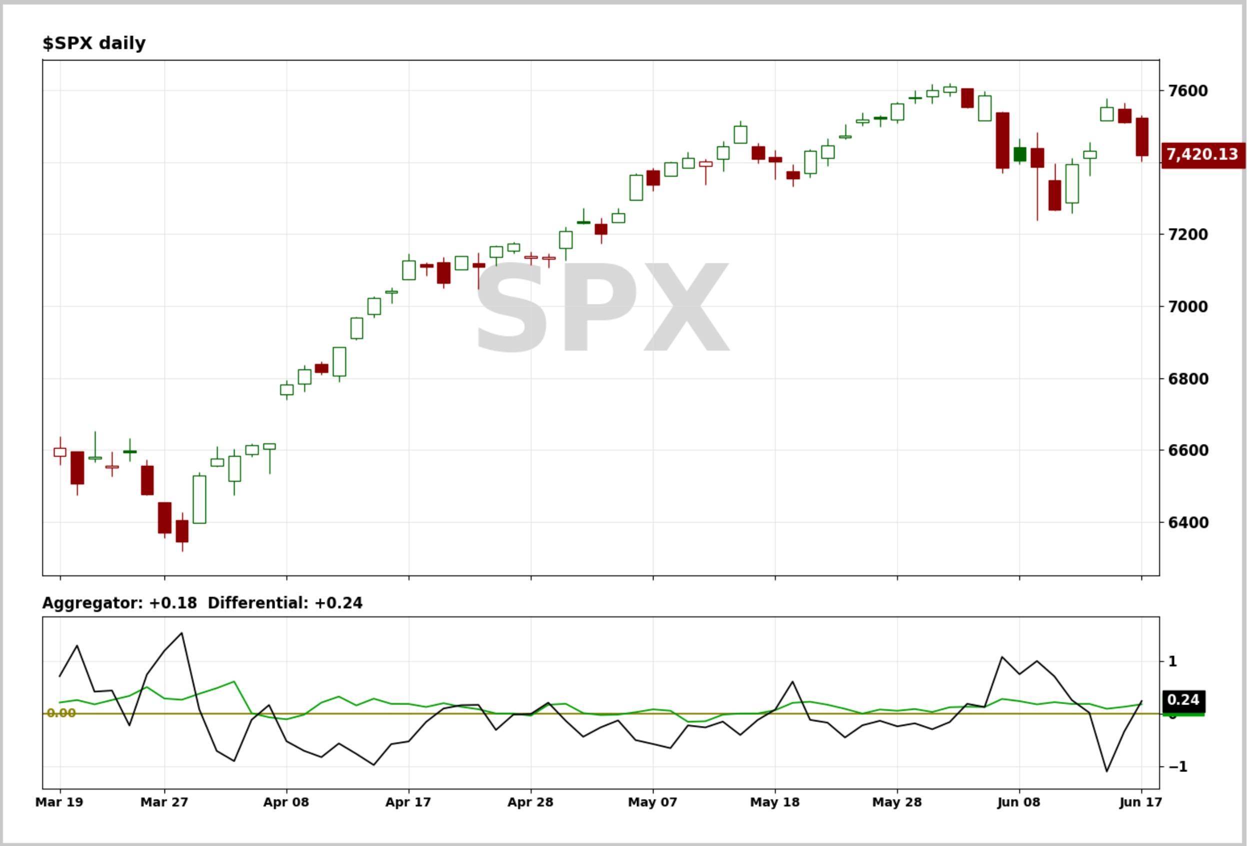


Though the last instanced faltered, this curve looks healthy and there has been a recent acceleration. Now let's take a look at the 17-day exit.



This equity curve is very strong and steady and shows no sign of weakness. I'd say this SOX/SPX study is well worth consideration for both the short and intermediate-term.

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 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 7587.36. That is 2.3% above Wednesday's close. Therefore, SPX will need to close up at least a sizable 2.3% on Thursday in order to flip from oversold to overbought versus recent expectations. That's not likely.

So the aggregator is back to bullish. The studies suggest we should see a bounce coming in the next few days. Perhaps the reaction to the Fed was an overreaction. Of course there's always a chance that more could shake out over the next day or two. We do have a long weekend coming up so Thursday is the last trading day of the week. It also makes Thursday "Options Expiration Friday". I've shown many times over the years that OPEX Friday tends to struggle during the day, especially in the morning. Overall, I like the long side and I think there is a decent chance for a bounce. I don't want to get allocated heavily heading into a long weekend. So I added a trade idea down below that will look to potentially enter on a gap down or a close lower on Thursday. Basically I am looking for a bargain entry if one is available.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/15 – neutral

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

SPY – buy ¼ index position @ $740.95 LIMIT ON OPEN. If not filled on open, cancel order and then look to enter @ $740.95 LIMIT ON CLOSE. Based on the short-term section above I will look to start taking on some long exposure if I can get a favorable fill on Thursday.

Current Open Trade Ideas

None