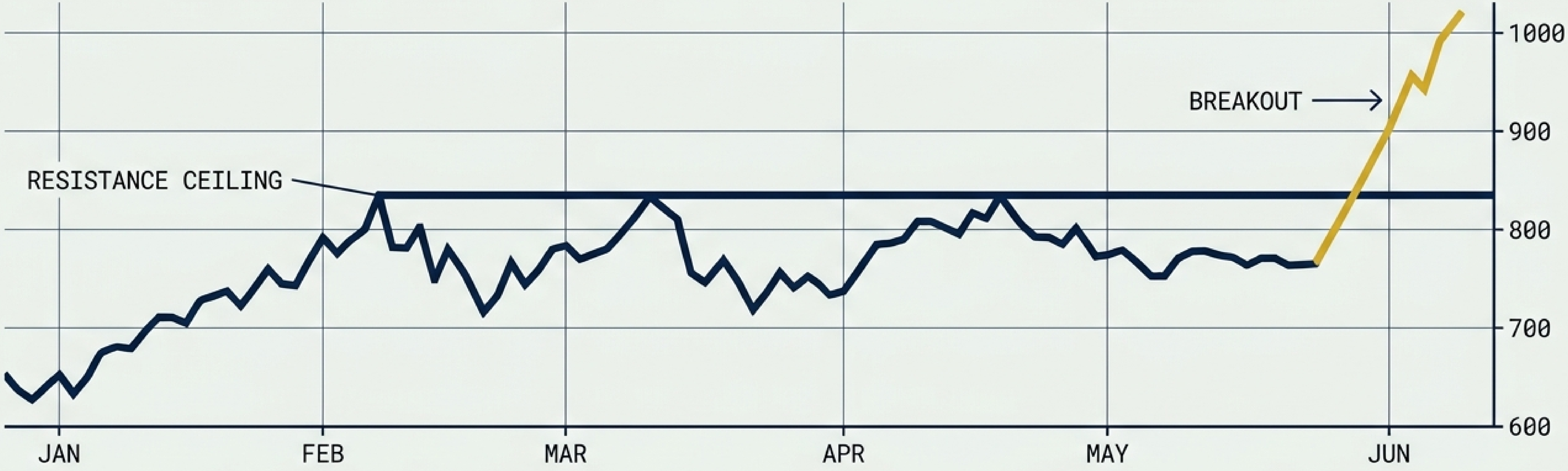
Buying the Echo

A Quantitative Study of Eli Lilly's Reclaim-Breakout Pattern

TICKER: LLY | DATE: June 4, 2026 | CLASSIFICATION: Single-Name Pattern Study | PUBLISHER: AlphaQuery



PATTERN METRICS	DIRECTIONAL SIGNALS	
CEILING HITS: 3 CONSOLIDATION PERIOD: 4 WEEKS BREAKOUT VELOCITY: +12.5% VOLUME AMPLIFICATION: 3X AVERAGE	TREND STRENGTH: STRONG (GOLD) MOMENTUM: BULLISH (GOLD) RELATIVE STRENGTH: OUTPERFORMING (GOLD)	↑ POSITIVE DIVERGENCE INCREASED ACCUMULATION ↓ DECREASED SELLING PRESSURE

THE SIGNAL

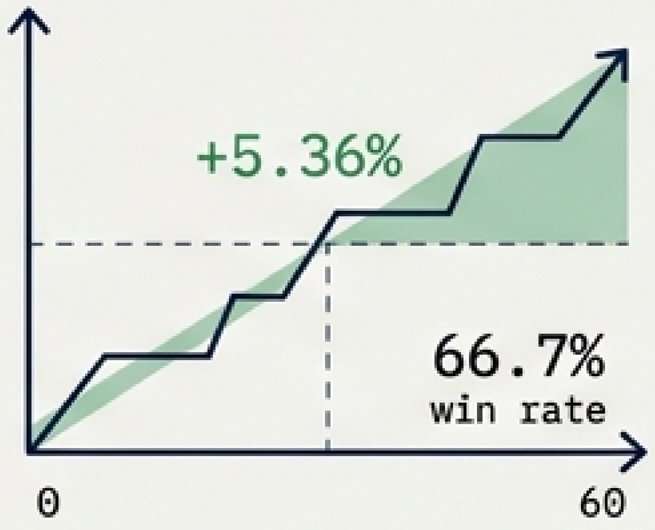
72 Analogs

LLY is triggering a rare 3rd-tap reclaim of all-time highs following a multi-week pause. Evaluated against 33 years of data, generating exactly 72 historical analogs.

THE EDGE

+5.36%
(60-day median)

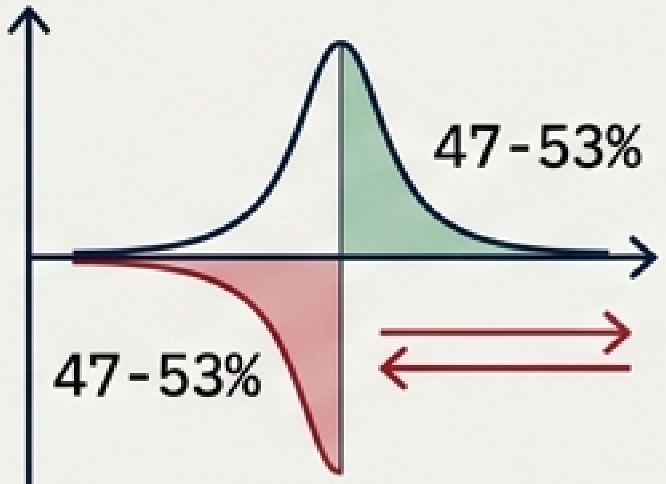
The edge is a slow, positive-drift anomaly accumulating over 4 to 8 weeks, featuring a 66.7% win rate.



THE TRAP

47-53%
(Day 1-2 Hit Rate)

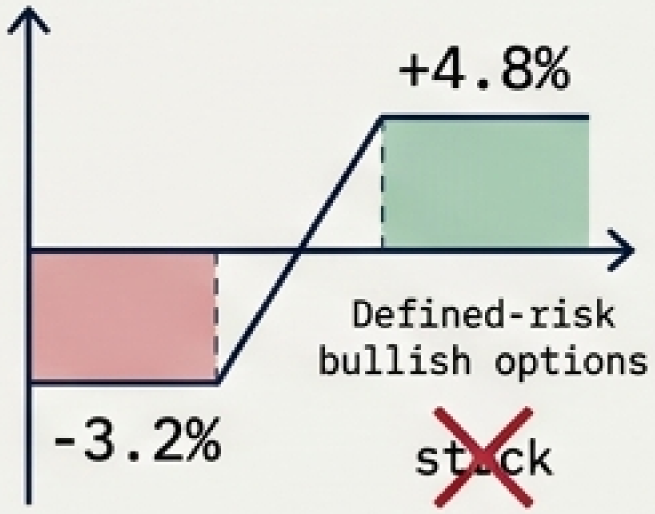
Buying the immediate breakout candle is a coin flip. The reflexive momentum trade faces negative expectancy and elevated implied volatility.



THE TRADE

+4.8% Max Up
vs. -3.2% Max Down

The asymmetric profile explicitly demands a defined-risk bullish options structure (30–45 DTE), completely ruling out naked long stock.



LLY PRICE TIMELINE (JUNE 2025 - JUNE 2026)

SIGNAL ACTIVATION LOGIC

[Condition 1]
Current session is a NEW ATH close
→
[Condition 2]
>= 2 prior ATH closes in trailing 60 sessions
→
[Condition 3]
>= 5 sessions elapsed since the last ATH
→
SIGNAL ACTIVE

The Pause is the Filter.
Pattern recognition that ignores the pause lumps dense, grinding melt-ups together with consolidation breakouts. We isolate the reclaim.

DATASET:
BATS Daily Series

RANGE:
Jan 1993 – Present

TOTAL SESSIONS:
8,402

TOTAL ANALOGS:
72

REGIME SUBSAMPLE:
38 (Post-2014 Pharma Regime)

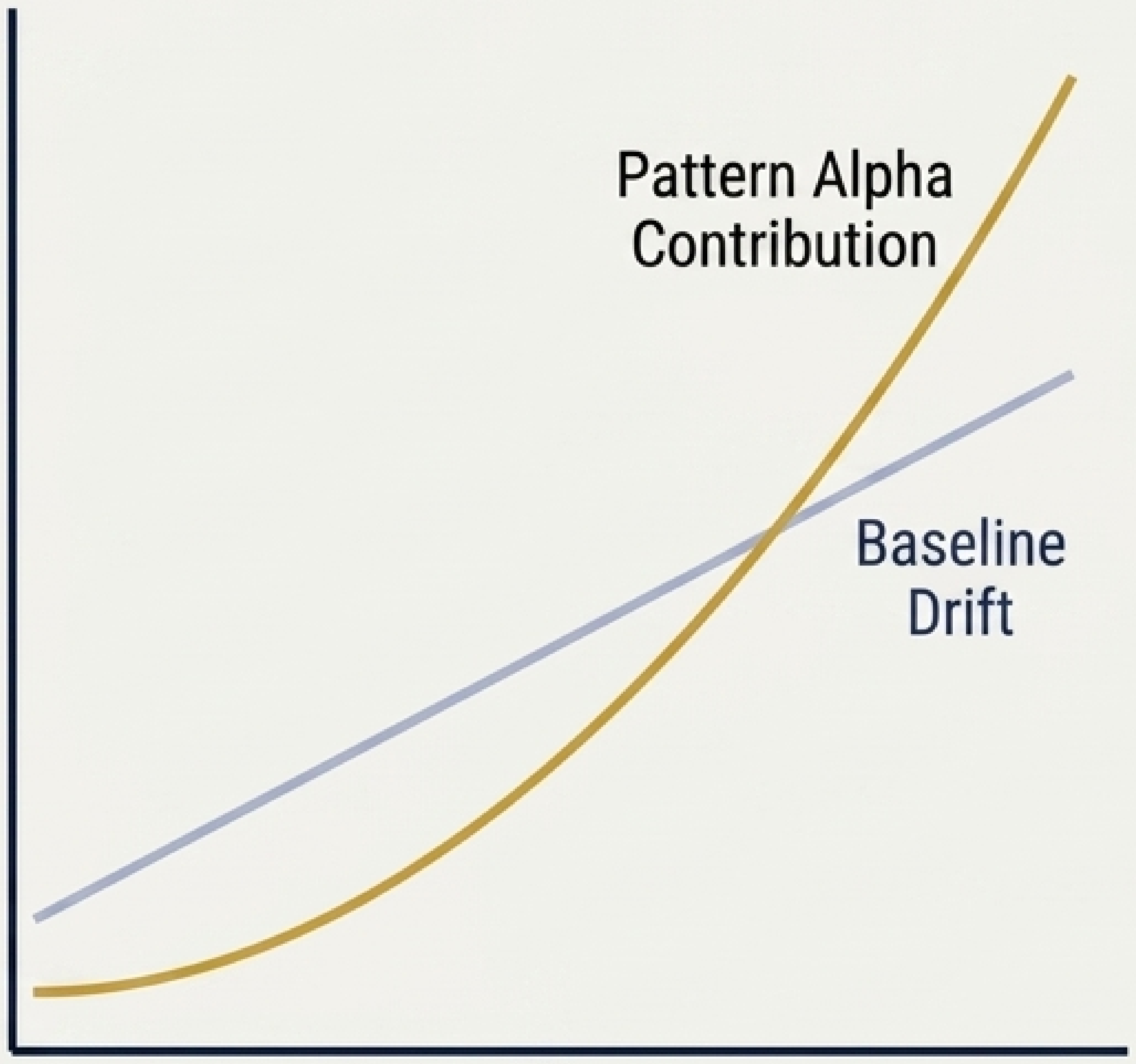
BENCHMARK:
Unconditional forward-return distribution

Honest Caveat: Drift Contamination

LLY exists in a secular uptrend. A meaningful share of the raw return is the stock's inherent upward drift, not the pattern.

The pattern's true alpha contribution is purely entry timing following a pause, combined with a highly favorable risk shape.

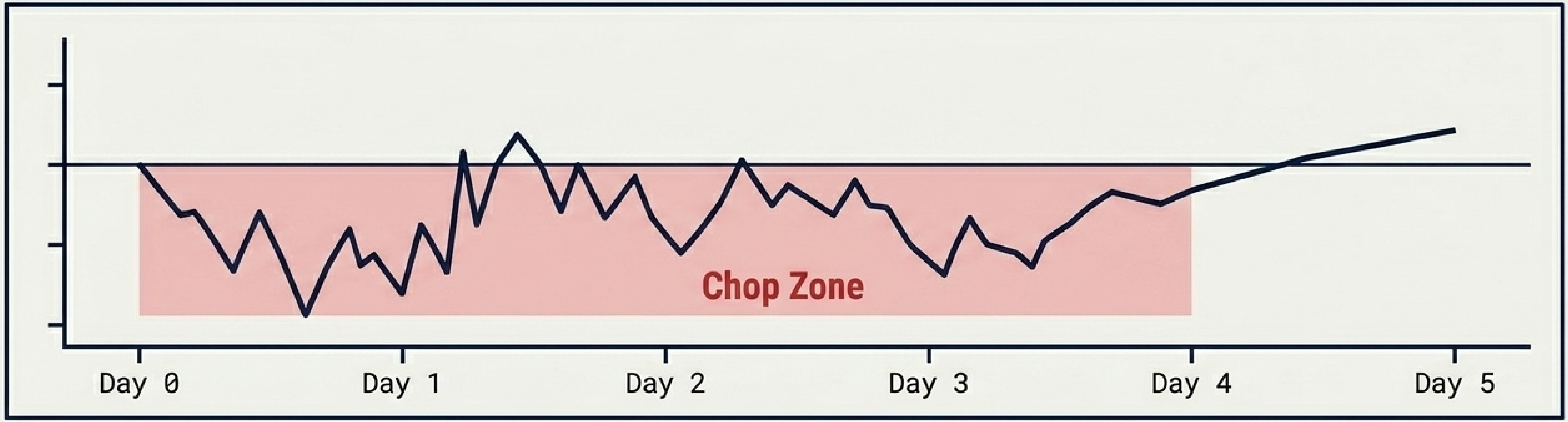
It is not a magic directional signal.



The "Buy the Breakout" Trap

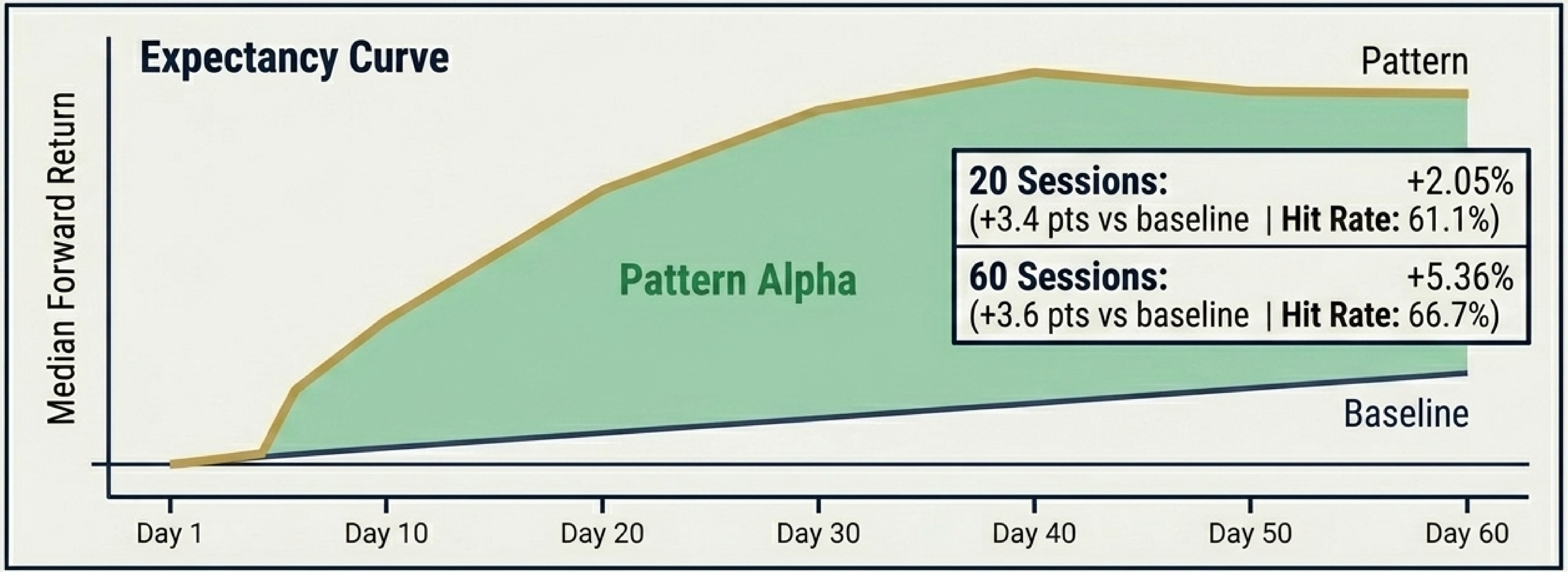
1-2 Session Hit Rate: 47% – 53% (Worse than unconditional baseline)

The reflexive momentum trade gets chopped before it works. For the first two sessions, the outcome is statistically worse than a coin flip. Paying elevated breakout-day implied volatility for this immediate window mathematically guarantees negative expectancy.



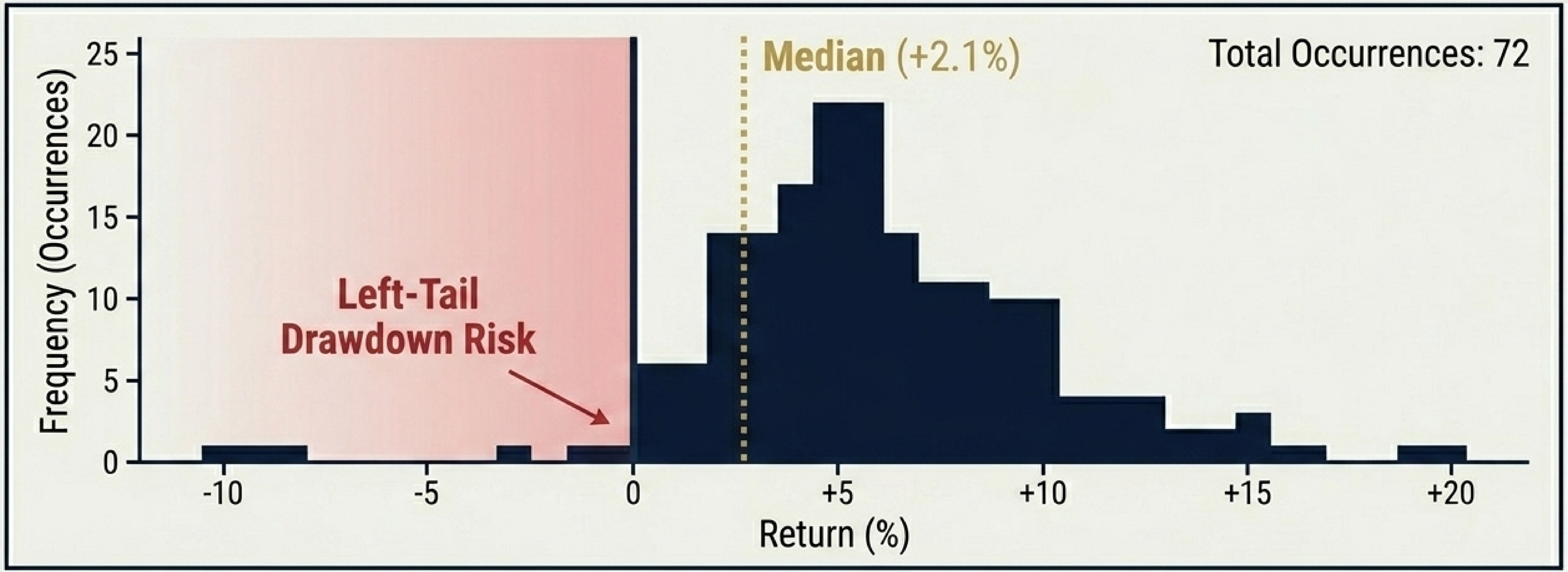
The True Edge: Slow, Positive Drift

The true edge completely bypasses the front-end chop, steadily outstripping the baseline before normalizing around week eight.



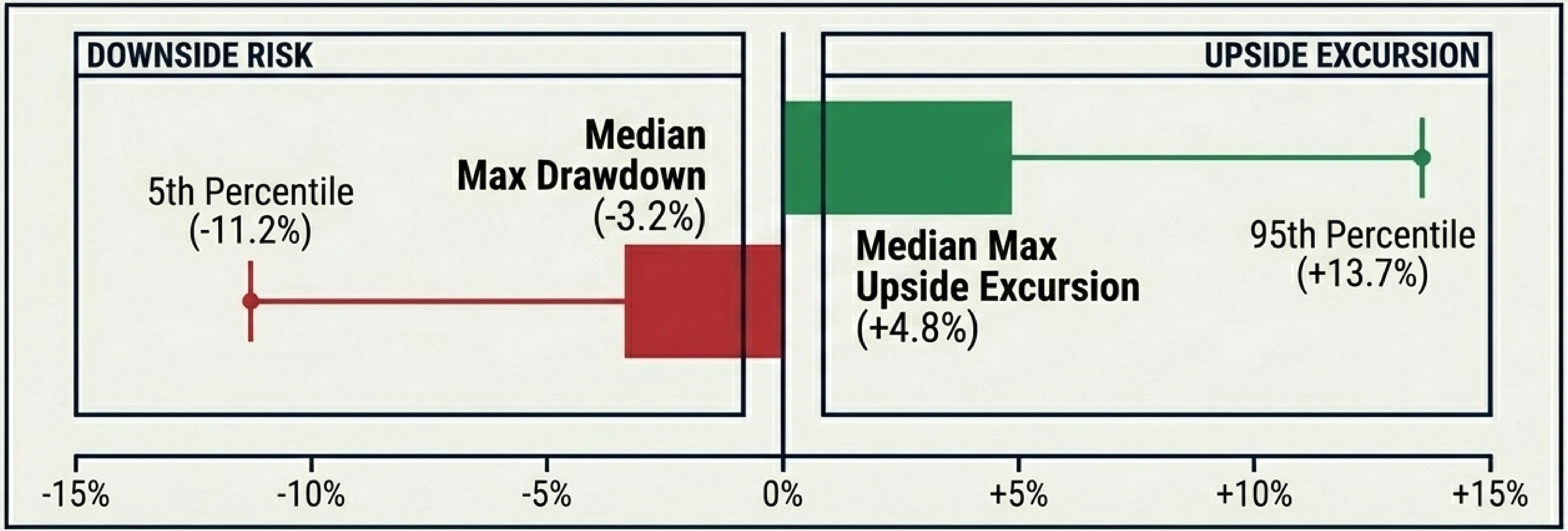
Distribution of Outcomes (20-Session Horizon)

The mass sits firmly right of zero. While a left-tail drawdown risk explicitly exists, it is remarkably shallow relative to the right-tail drift.



1.5 : 1 Structural Skew

The fundamental catalyst for our trade expression. A contained, knowable maximum typical heat (-3.2%) against a wider, highly probable upside (+4.8%). The rare but severe -11% tail events dictate that downside risk must be structurally capped.



Matching Pattern to Product

Naked equity exposure and directional calls are hostile to this specific data signature. The environment requires expressions that finance the front-end chop while defining left-tail exposure.

	Long Stock	Naked Calls	Call Debit Spread (Primary)	Short Put Spread (Alt)
Capital Efficiency	Fails	High	Optimal	Optimal
Volatility Risk	Subject to -11% tail	Fails - Buying breakout IV	Neutralizes breakout IV	Short volatility
Day 1-2 Chop Protection	None	Fails - Theta decay	Caps tail risk	Monetizes chop
Data Alignment	Poor	Poor	Perfect - Captures 20-40d edge	Strong - Captures drift as tailwind

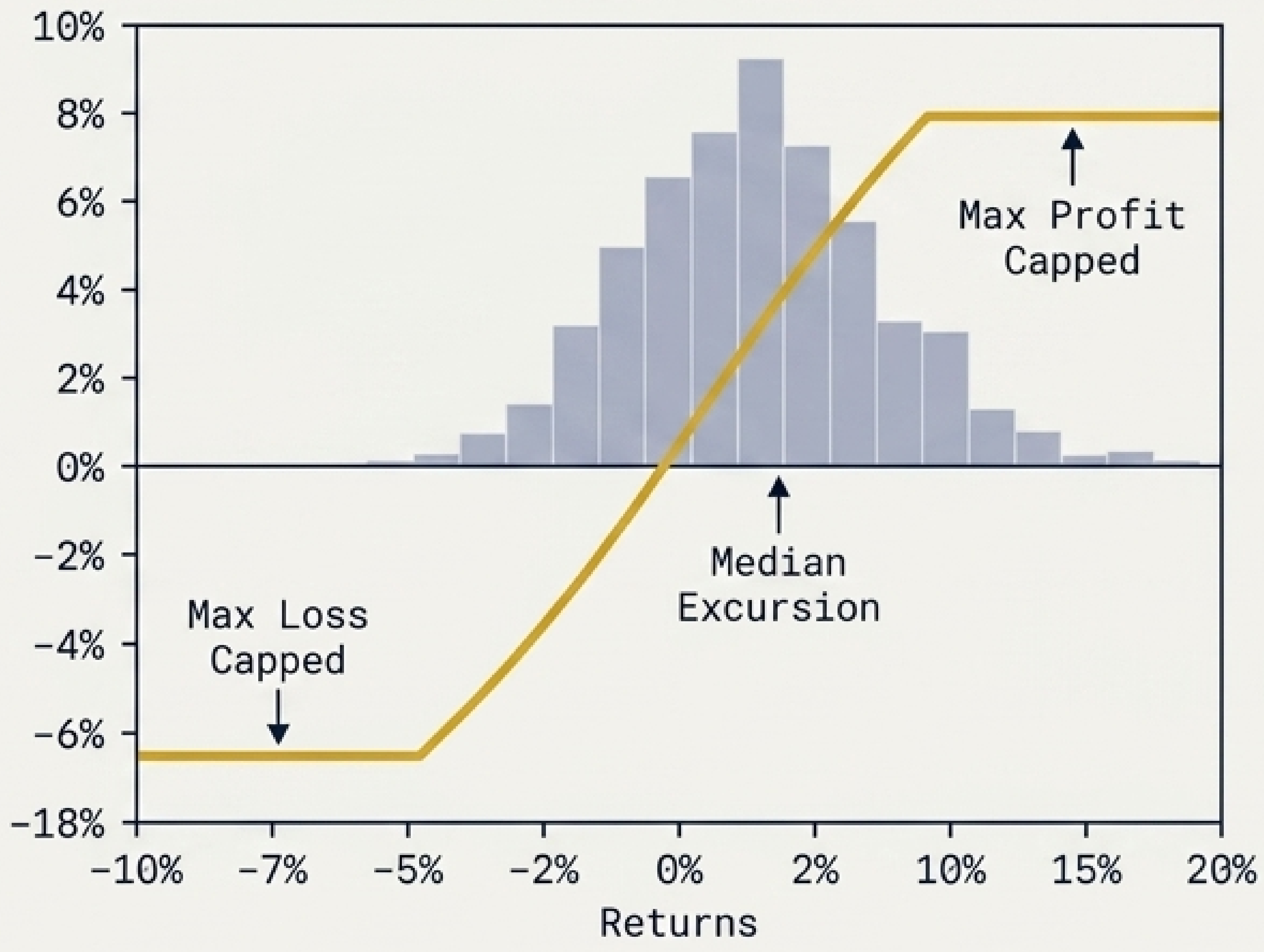
Primary Expression: Call Debit Spread

STRUCTURE: Long ATM Call / Short Call +8% higher

EXPIRY: 30–45 DTE

Selling the tail. Expiry matches the optimal 20-40 session alpha window. The short strike sits exactly at the median max favorable excursion (+4.8% to +8%).

We finance the entry by selling the part of the distribution that history history rarely exceeds, while mathematically decapitating the 5th-percentile drawdown tail.

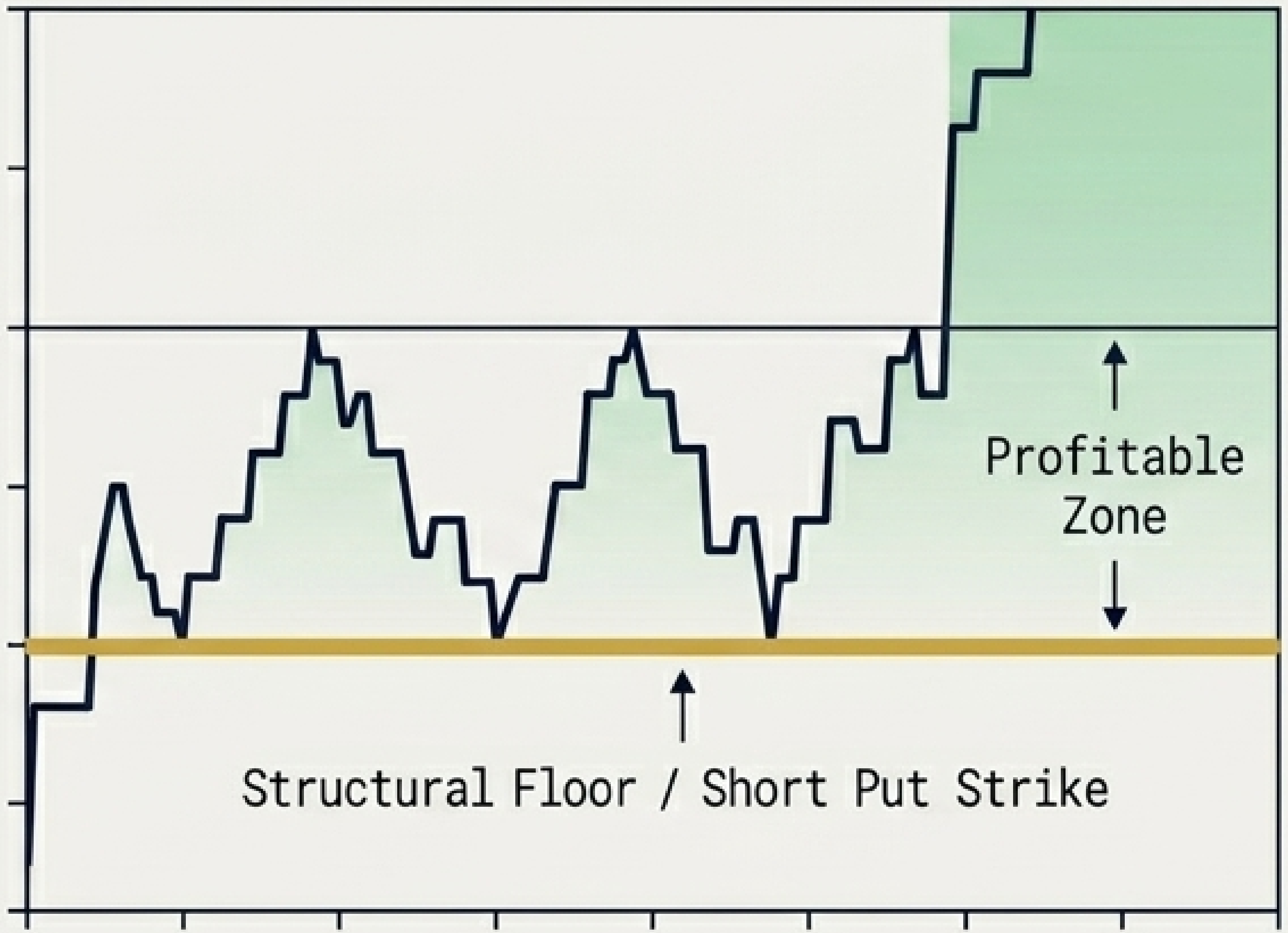


Alternative Expression: Short Put Spread at Base

STRUCTURE: Sell Put Spread struck near recent consolidation lows. EXPIRY: 30–45 DTE

Monetizing the chop. Instead of fighting the day-1/day-2 negative expectancy, this structure is paid premium to wait.

You remain synthetically long below the established base, leveraging the historical multi-week upward drift as an underlying tailwind.



Execution Logistics & Reality Checks

The Settlement Rule

The June 4 bar is intraday. The signal requires an ATH close. Wait for the settlement before sizing up.

If the stock fades back beneath the prior record into the closing bell, the setup has entirely failed to trigger.

Sample Size Reality

72 analogs (38 in the modern era) provides a statistical compass, not a GPS.

Treat these point estimates as directional probabilities, not absolute physical laws.

Catalyst Blindness

This is pure price-pattern derivation. Idiosyncratic drivers—earnings prints, GLP-1 trial readouts, or forward guidance—will instantly overrithe quantitative signal. Verify the corporate event calendar prior to execution.