A Reversal at the High-Water Mark

The momentum-over-value spread (SPMO/SPYV) printed a bearish outside reversal week off a fresh all-time high. Six analogs since 2015 say the signal is real—but the trade is the follow-through, not the candle.

QUANTITATIVE DESK · WEEKLY · SPMO ÷ SPYV · JUNE 1, 2026 CLOSE

The week ending June 1 did something the SPMO/SPYV ratio has done only a handful of times in eleven years. The spread—pure momentum factor divided by pure large-cap value—tagged a new all-time high at 2.550, engulfed the prior week's entire range, then surrendered everything to close at 2.377, sitting on the dead lows of the week. Close location inside the bar: the first percentile. That is not a wobble; it is a bearish outside reversal week stamped at the exact top of an eleven-year range.

The instinct is to read it as a momentum top and short the spread. The data partially endorses that instinct and partially mugs it. Below is what the six prior analogs actually did, and why the structure argues for a *conditional* trade triggered by continuation rather than a reflexive short into the close.

7	0.01	−3.2%	4 / 6
SIGNALS SINCE 2015 (INCL. CURRENT)	CLOSE LOCATION IN WEEKLY RANGE	MEDIAN 13-WK FWD RETURN	BROKE SIGNAL LOW NEXT WEEK

Defining the structure

The screen requires four conditions on the weekly ratio bar: (1) the high exceeds the prior week's high *and* the low undercuts the prior week's low—a true outside week; (2) the close is below the prior week's close—bearish; (3) the close sits in the lower 35% of the week's range; and (4) the bar occurs at or within 0.5% of a 52-week high, so we are screening tops rather than mid-trend noise. Six historical instances clear the bar, plus the current one.

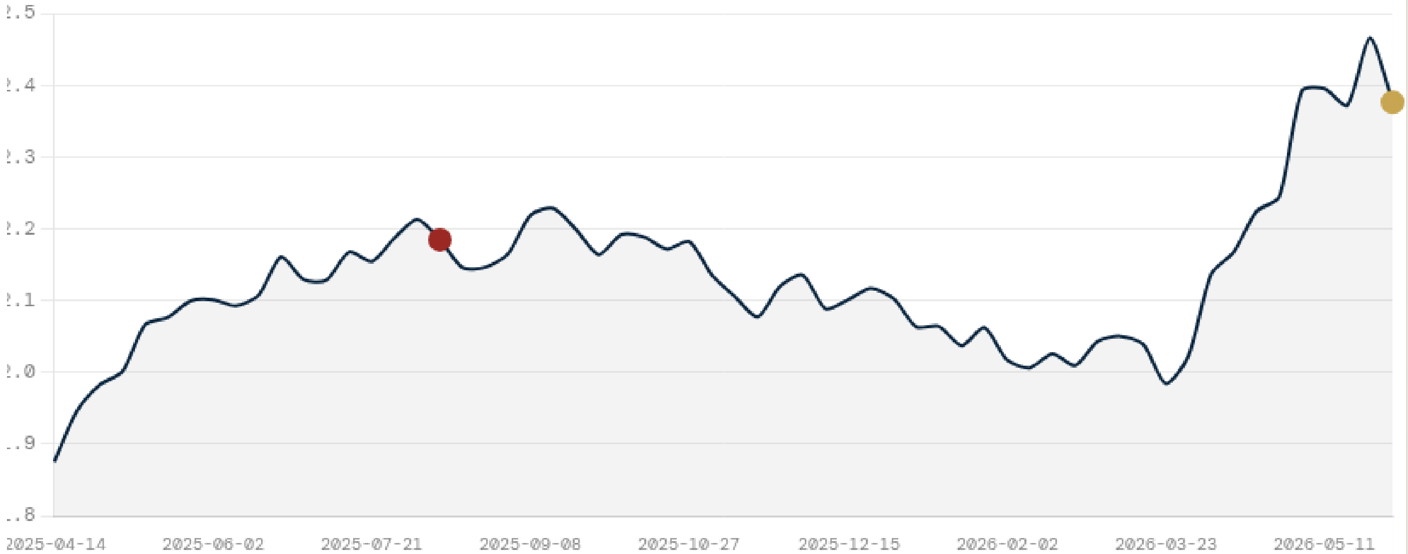

FIG 1 — SPMO/SPYV weekly close, Apr 2025–Jun 2026. Gold marker = current bearish outside reversal week (Jun 1, 2026). The Aug 2025 analog is the most recent prior signal.

What the analogs did next

Point-to-point forward returns lean bearish but are not overwhelming. The signal's edge is real at the short horizon (roughly two-thirds of instances closed lower at one and two weeks) and strengthens materially by the one-quarter mark, where five of six instances were lower with a −3.2% median. The four-week window is the weakest—essentially a coin flip—which is the chop that catches premature shorts.

HORIZON	MEAN	MEDIAN	% LOWER	RANGE
1 week	-0.38%	-0.42%	67%	-1.8 / +1.0
2 weeks	-0.81%	-0.89%	67%	-2.1 / +0.7
4 weeks	+0.04%	-0.11%	67%	-2.4 / +2.5
8 weeks	-0.71%	-0.15%	67%	-3.5 / +1.6
13 weeks	-2.58%	-3.18%	83%	-5.3 / +2.1

Close-to-close % change in the ratio, n=6 historical signals. Current bar excluded (forward window open).

> The honest read: as a buy-and-hold short the spread, the candle is a weak edge with a wide tail. The magnitude lives in the *quarter-out* window, not the first month. The first month is a fight.

The real trade is in the path, not the close

Buy-and-hold returns understate the structure because they ignore the route. Measuring the eight-week excursion from the signal close—favorable being the spread falling, adverse being it rising—the average favorable excursion (3.8%) modestly exceeds the average adverse excursion (3.4%). A symmetric short entered blindly at the close is barely better than a coin flip with slightly fatter favorable tails. That is not a trade; that is a lottery ticket.

The asymmetry appears only when entry is made *conditional on continuation*—shorting the spread on a break of the signal week's low, with a stop at the signal week's high. Of six analogs, four broke the reversal-week low the following week, and critically, **none** ever closed back above the reversal-week high within the next eight weeks. The signal high has functioned as a clean structural ceiling.

SIGNAL DATE	NEW ATH?	MFE (8WK)	MAE (8WK)	R IF STOP = HIGH
2017-11-06	near	1.8%	6.9%	0.3
2018-07-23	yes	1.9%	3.0%	0.6
2018-09-04	yes	5.1%	0.9%	5.5
2018-10-01	near	8.1%	0.9%	8.9
2020-08-31	yes	0.9%	6.7%	0.1
2025-08-11	yes	2.8%	2.4%	1.2

MFE/MAE measured from break of signal-week low; R = favorable ÷ adverse excursion against a stop at the signal-week high.

The distribution is bimodal and instructive. Two instances (the autumn-2018 cluster) ran 5–9R as the spread rolled over hard into the Q4 2018 value rotation. Two (2017, Aug-2020) failed almost immediately as momentum re-accelerated—but the structural stop at the signal high capped the loss. The 2025 case landed in the middle. This is a positive-skew, low-hit-rate profile: most attempts are scratches or small losses, and the expectancy is carried by the occasional regime change that the reversal week front-runs.

Translating to actionable trades

Three expressions, ordered by directness. None is a recommendation—position sizing and suitability are yours—but each maps cleanly to the structure above.

1 · THE CONDITIONAL SPREAD SHORT (PRIMARY)

Wait. Do not short the June 1 close. Enter short the ratio—long SPYV / short SPMO in beta-balanced notional—only on a weekly break below the signal-week low of *2.375*. Stop on a weekly close above the signal-week high of *2.550*. Historical structure says that ceiling held in all six analogs; the stop is roughly 7% of spread, the favorable tail in the working cases ran

5–8%, and the realistic base-case target is the prior consolidation shelf near *2.18–2.20* (the Aug-2025 signal pivot). Skew is positive; hit rate is not. Size for a string of scratches.

2 · THE MOMENTUM-FADE PAIRS LEAN (LIGHTER)

For those unwilling to wait for the trigger, a half-size tactical tilt toward value over momentum—reducing SPMO exposure, adding SPYV—carries a two-thirds historical edge over the next one-to-two weeks and an 83% edge at the quarter. This is a portfolio tilt, not a trade with a stop, and it accepts the weak four-week chop window as cost of entry.

3 · THE FAILURE FADE (CONTRARIAN)

If the spread instead closes back above 2.550 next week, the signal is voided and the opposite becomes true: momentum has refused to break at a textbook reversal point, which historically (no analog ever did this) would be new information arguing for continuation. A weekly close back above the ATH is the cleanest long-momentum re-entry the data offers.

> **Strongest counterargument, stated plainly:** n=6 is thin, two of the six signals cluster in a single eight-week stretch of autumn 2018, and the headline expectancy is carried by that one regime. Strip the 2018 cluster and you are left with four signals that are roughly a coin flip at every horizon shorter than a quarter. The edge is conditional, regime-dependent, and small. Treat this as a structure that improves the odds of a trade you would take anyway on macro grounds—momentum/value rotation—not as a standalone alpha source.
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> ## Bottom line
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> The June 1 bar is a genuine technical event: a bearish outside reversal at an eleven-year high in the momentum-over-value ratio, with the close pinned to the lows. The reflexive short into the close has barely-positive expectancy and a wide tail. The trade with real asymmetry is the *conditional* short on a break of 2.375, stopped at 2.550, targeting 2.18—a positive-skew, low-hit-rate structure whose expectancy depends on whether June 1 is front-running a value rotation or merely a one-week shakeout. The signal high is the line. Below 2.375 you have a trade; above 2.550 you have the opposite trade; in between you have noise.
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> ALPHAQUERY ▲ QUANTITATIVE DESK · TECHNICAL RESEARCH NOTE · SPMO/SPYV WEEKLY RATIO · GENERATED JUNE 7 2026
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> Source: weekly BATS SPMO ÷ SPYV ratio, 556 bars (Oct 2015–Jun 2026). Signal screen: outside week + bearish close + close in lower 35% of range + within 0.5% of 52-week high. n=6 historical analogs. Forward returns close-to-close; excursions measured from signal/trigger over 8-week window.
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