

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 12, 2019

Volume 12 Issue 176

## Market Overview



## Signals Overview

<b>Aggregator</b>	<b>CBI Reading</b>
<b>Flat</b>	<b>0</b>

## Tonight's Research Points

- The Great Rotation continued on Wednesday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator formation is now neutral. That's basically where I am as well.

**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
<b>Active - Short Term</b>						
September 10, 2019	5-high, down close. Up Issue % > 60%	1-3 days	Bullish			
<b>Active - Long Term</b>						
September 9, 2019	NYSE Advance/Decline Line breakout	1-40 days	Bullish			
August 26, 2019	SPX down 4 weeks but > 40-week ma	1-10 weeks	Bullish	8.65%	-3.30%	-7.70%
August 13, 2019	3rd 1% dn day in last 10. Close > 200ma	1-20 days	Bullish			
August 5, 2019	4+ Hindenburg Omen Signals	1-35 days	Bearish			
August 1, 2019	QT over.	int term	Neutral			
April 2, 2019	Golden Cross	int term	Bullish			
<b>Dropped Tonight</b>						
September 11, 2019	9/11 Bullish since 2001	1 day	Bullish			
September 10, 2019	Dn close. RSI2 > 90.	1-2 days	Bullish			

**The Evidence**

Wednesday saw the bullish Aggregator formation play out and the market rally. The SPX rose 0.7%, the NASDAQ gained 1.1% and the Russell 2000 rallied 2.1%. Breadth was positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 73%. NYSE volume declined some from Tuesday's level.

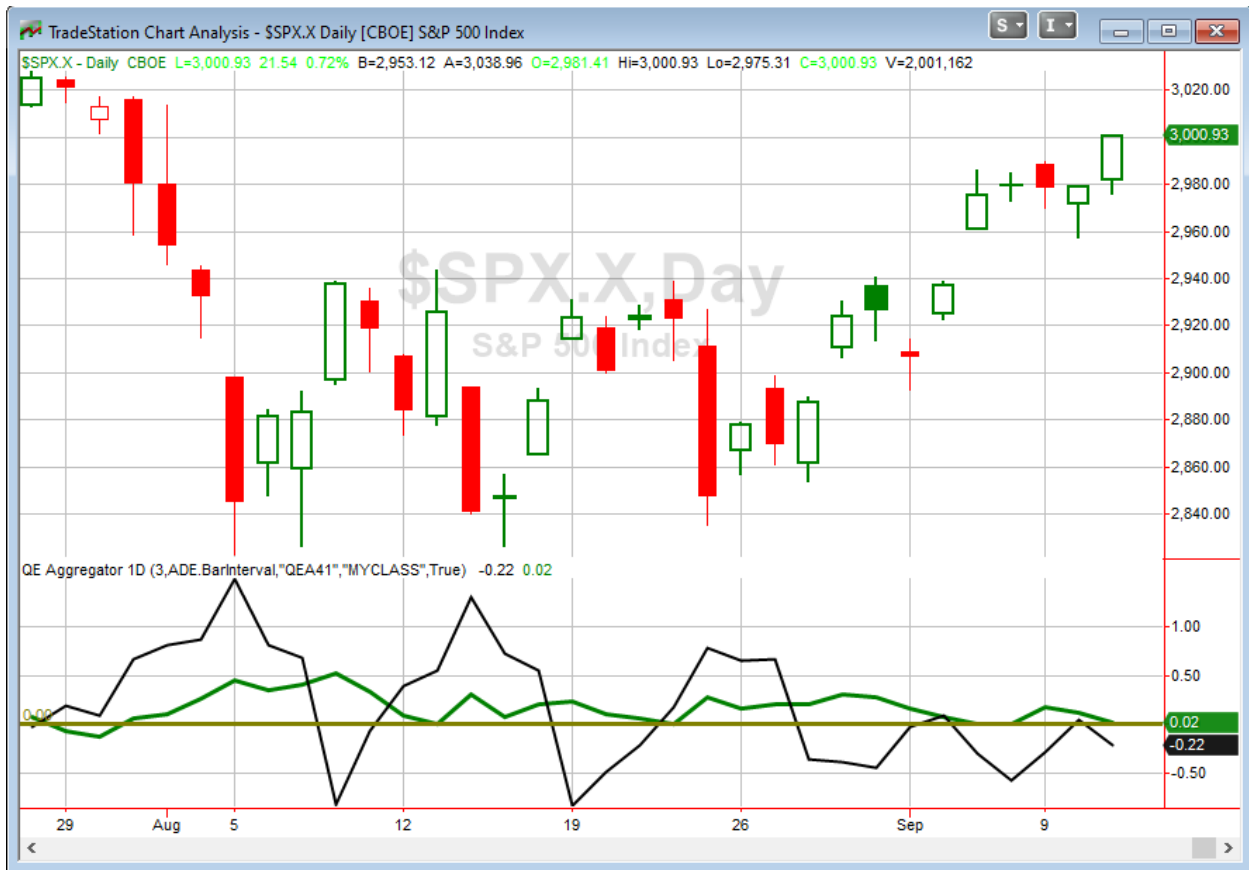
Last night I showed just how Monday and Tuesday saw a massive rotation among S&P 500 constituents. The top stocks over the 1-year period leading up to last Friday had all seen substantial selling. And the bottom stocks had all rallied strongly over the Monday-Tuesday timeframe. I decided to follow up on that study a little tonight to see how those stocks made out with the SPX rally on Wednesday. Below are updated tables. The right-hand columns show performance on Wednesday.

Top 10 SPX constituents based on 252-day % Change as of 3 days ago					Bottom 10 SPX constituents based on 252-day % Change as of 3 days ago				
Ticker	Date/Time	252 Day ROC 3 Days Ago	2-Day %Chg Yest	%Chg Today	Ticker	Date/Time	252 Day ROC 3 Days Ago	2-Day %Chg Yest	%Chg Today
MKTX	9/11/2019	119.36	-18.44	-0.18	NKTR	9/11/2019	-74.82	17.05	0.55
BLL	9/11/2019	86.65	-8.19	-0.01	DXC	9/11/2019	-62.11	5.57	1.28
SBUX	9/11/2019	77.99	-5.63	0.7	CPRI	9/11/2019	-61.67	11.86	2.04
CMG	9/11/2019	75.01	-5.78	1.43	M	9/11/2019	-57.01	11.11	4.33
SBAC	9/11/2019	67.41	-8.11	0.48	ALGN	9/11/2019	-53.06	1.57	1.11
EW	9/11/2019	61.87	-3.54	-0.19	TPR	9/11/2019	-53.02	6.25	2.42
TDG	9/11/2019	60.75	-5.43	-0.76	KHC	9/11/2019	-52.14	6.16	1.1
AMT	9/11/2019	57.58	-7.04	-1.62	NOV	9/11/2019	-52.08	7.08	1.26
HSY	9/11/2019	54.54	-4.05	-0.91	JWN	9/11/2019	-52.07	10.2	2.37
CDNS	9/11/2019	50.44	-6.04	-0.46	XEC	9/11/2019	-50.92	6.6	2.09
		<i>Averages</i>	-7.225	-0.152			<i>Averages</i>	8.345	1.855

We see that even with the market rally on Wednesday the rotation continued. All 10 of the bottom ranked stocks continued to rally. Meanwhile, 7 of the 10 top ranked stocks underwent further selling. The split was not as drastic as Mon-Tues. Wednesday the bottom ranked stocks outperformed the top stocks by about 2% on average. Over the Monday – Tuesday period it was a

15.5% outperformance. I am working on some research to explore historical implications of such violent rotations. I have nothing concrete to share at this point. But I do feel that swing traders could find some decent bounce candidates on the Top ranked list. Strong short-term pullbacks during longer-term uptrends will often create solid short-term buying opportunities. The group on the left all fit that description nicely.

I have updated [the Aggregator chart](#) below.



Tonight 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 fell back below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal turned flat at the close.

With the current list of active studies, expectations are primed to finish positive again on Thursday. This could change if new bearish evidence emerges. The Differential Pivot will be 2984.09 on Thursday. That is 0.6% below Wednesday's close. Therefore, SPX would need to close down at least 0.6% on Thursday to flip from overbought to oversold vs expectations.

So the Aggregator is now neutral. Short-term evidence is very light. The SPX is mildly overbought. And the great rotation continued for the 3<sup>rd</sup> day in a row. As I mentioned above, traders could look to the top ranked list of securities above for potential trade ideas. There are even stocks on the Top Ranked list that also appeared on the Numbered Systems spreadsheet tonight. I won't be using these as official "trade ideas" since the Aggregator formation is neutral. I will instead continue to wait for a more compelling market setup before looking to take on new positions.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/9– moderately bullish***

The intermediate-term outlook was last updated in the 9/9/19 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

***OpenCatapult Triggers***

None

***Broad Market Large Cap CBI – 0***

**Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

**None tonight.**

## **Current Open Trade Ideas**

*None.*

*A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found [here](#).*

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