

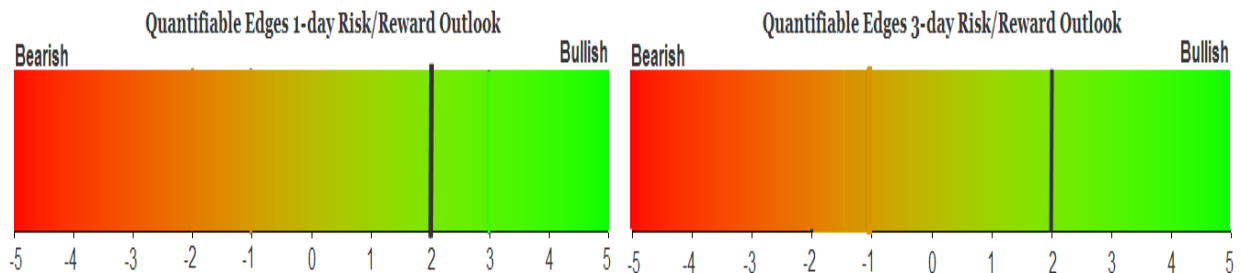
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 17, 2019

Volume 12 Issue 179

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Tuesday's action should help establish the odds of a strong Fed Day.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. If Tuesday sees some selling, that suggests pretty good odds for a bounce on Wednesday – at least up until the 2pm Fed announcement.

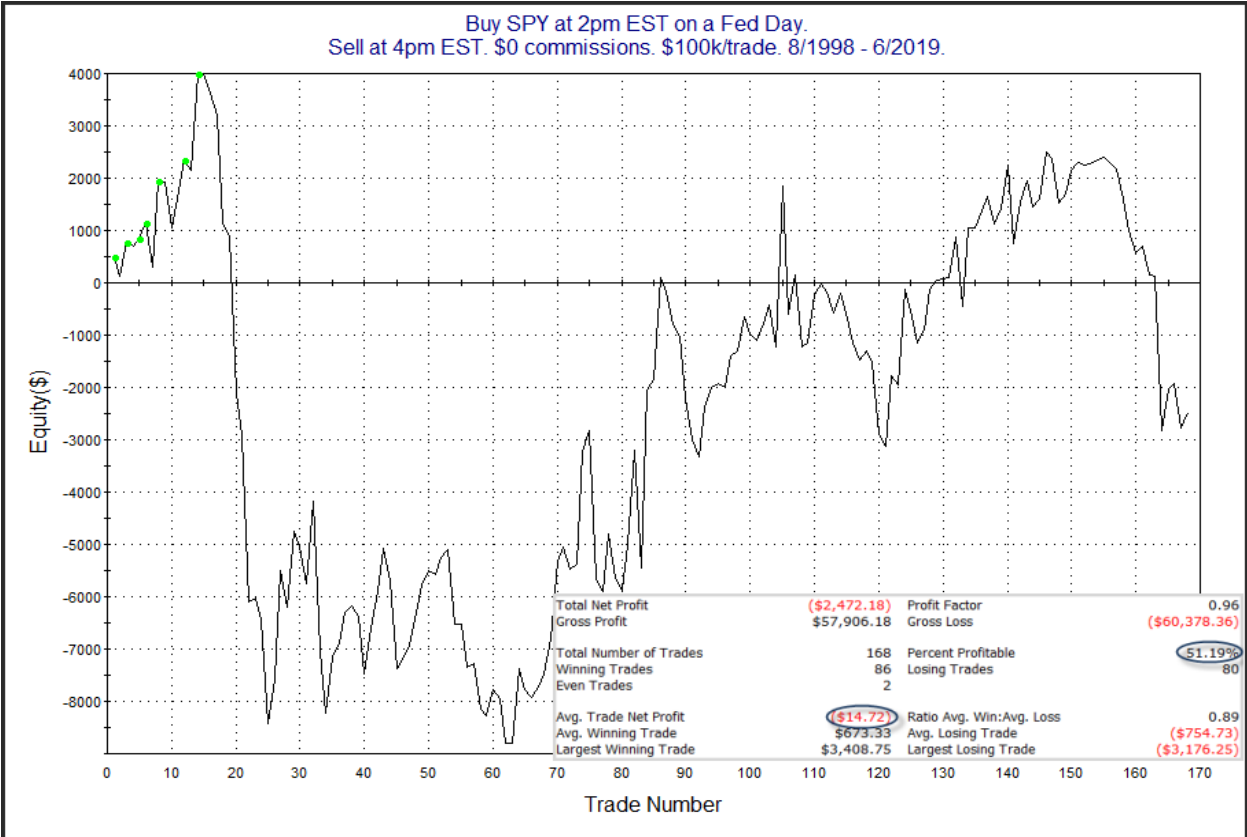
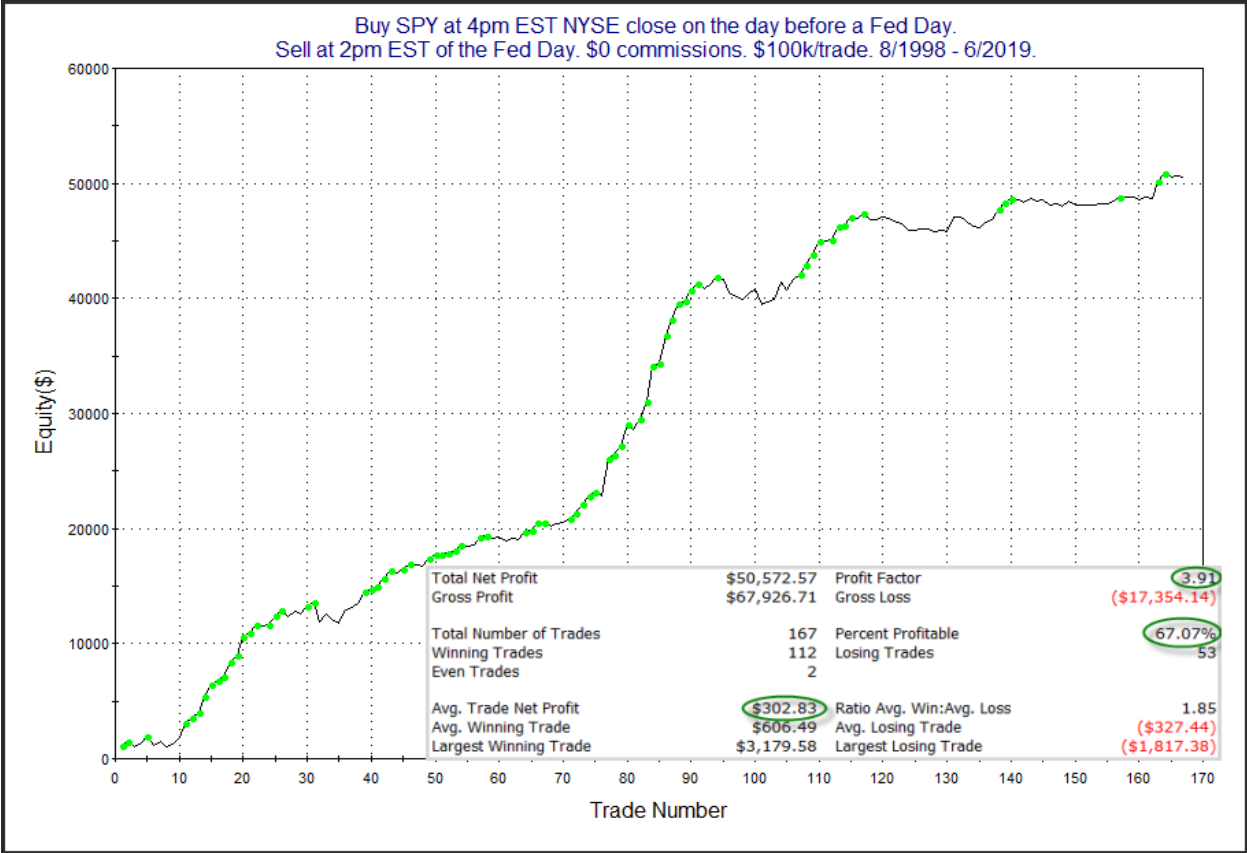
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 16, 2019	Sep opex with momentum	1-3 days	Bullish	1.40%	-0.60%	-1.20%
Active - Long Term						
September 13, 2019	DJI up 7 days in a row	1-19 days	Bullish			
September 13, 2019	SPX RSI(2) > 99	1-15 days	Bullish			
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			

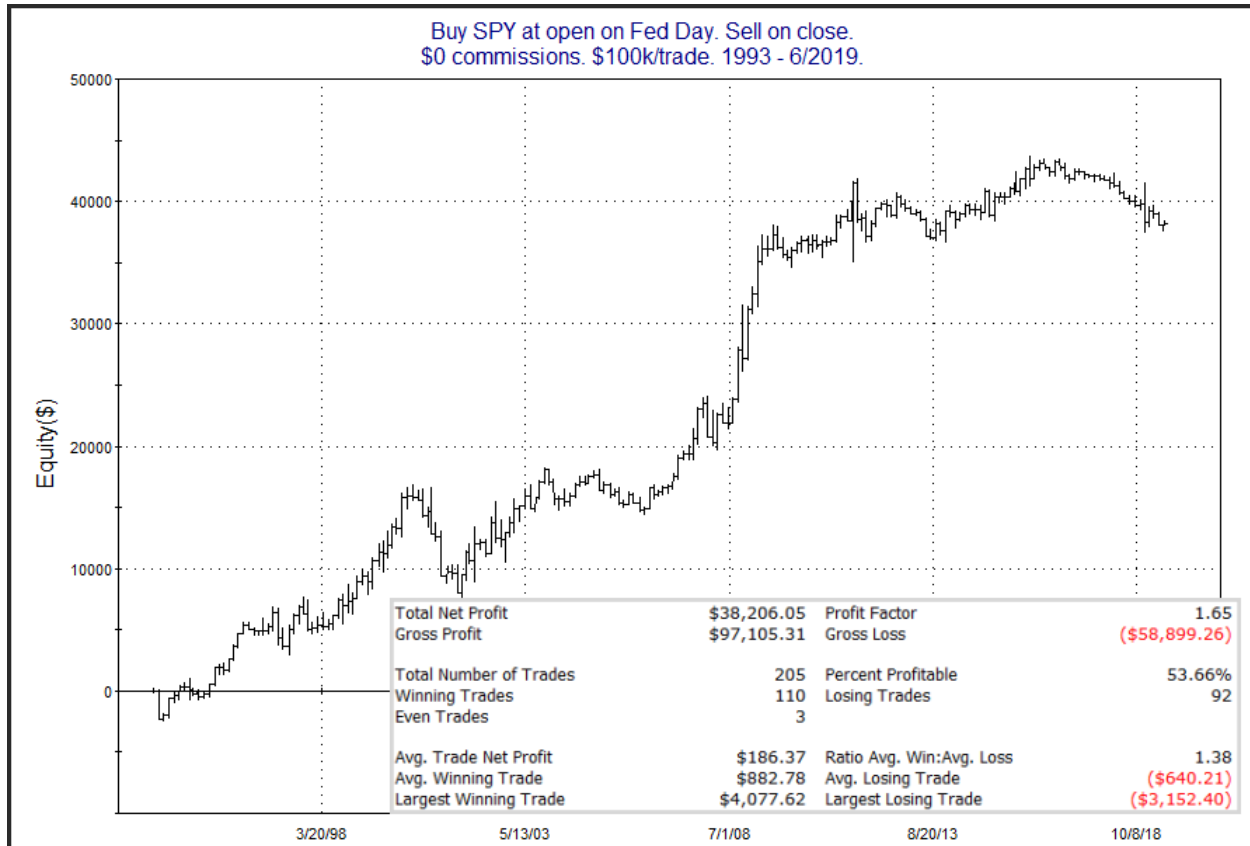
The Evidence

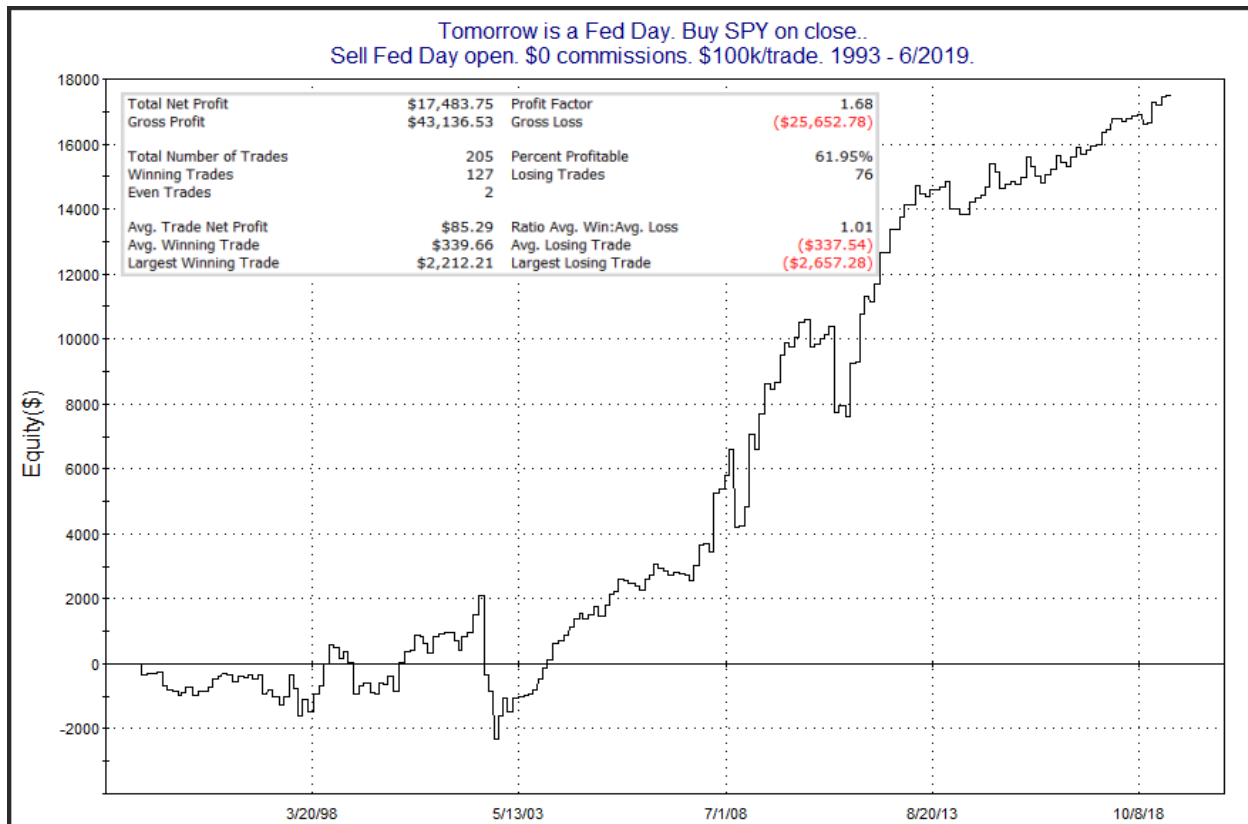
As has been the case quite a bit lately, the market put in a mixed day on Monday. The SPX declined 0.3%, the NASDAQ sank 0.3% and the Russell 2000 rose 0.4%. Breadth was positive as the NYSE Up Issues % was 53% and the Up Volume % came in at 61%. NYSE volume spiked up above the level of the last few days.

As I discussed last night, Wednesday is a Fed Day. Last night I showed studies that suggested the Fed Day edge is greatly improves if 1) SPX closes below a 20-day high on the day before the Fed Day (Tuesday), and 2) the lower SPY closes in the intraday range, the better the odds of a Fed Day rally. In the July 30th letter, I also shared a few intraday Fed related studies. I have copied them below. The 1st two compare performance prior to the announcement vs performance after the announcement.



We see here that the upside Fed Day edge has completely played out prior to the Fed announcement. Returns following the announcement have been volatile and inconsistent. I also broke it down by night (before Fed Day) vs day (of Fed Day).



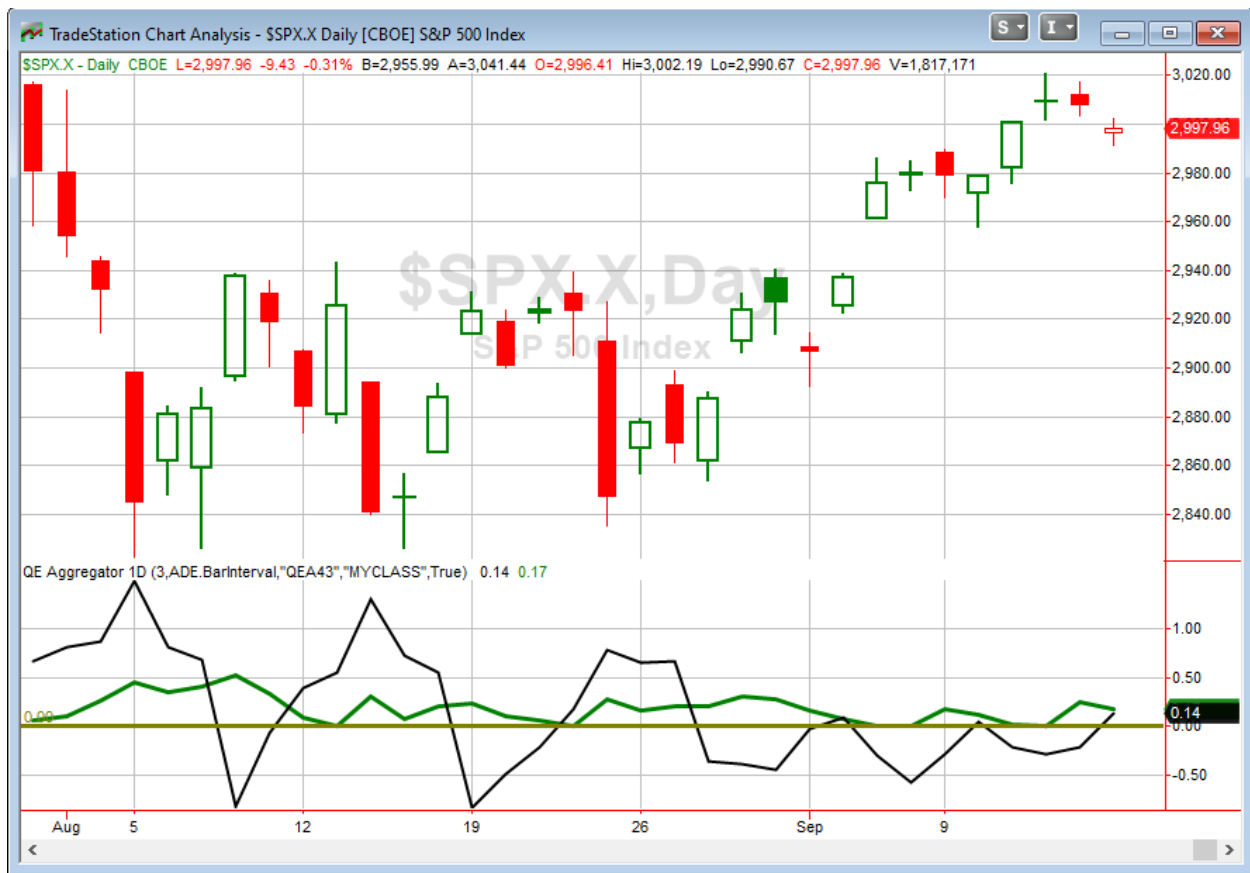


Here we see that since 2003 the overnight has exhibited a much greater edge. And since 2009, the overnight has delivered all of the edge, while the day has just chopped.

In summary, it is worth keeping the following points in mind based on research we have seen the last 2 nights:

- The Fed Day edge has been impacted intermediate-term market positioning, with the edge effectively eliminated when already at new highs.
- In general, the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been.
- The bullish edge has almost entirely played out prior to the announcement.

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 moved above 0. The positive Differential Line reading means 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 signal turned long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3014.02 on Tuesday. That is 0.5% above Monday's close. Therefore, SPX would need to close up over 0.5% on Tuesday in order to flip from oversold to overbought vs expectations.

So the Aggregator has turned bullish. But I don't completely love the setup. Evidence remains somewhat weak, and the "oversold" Differential reading is occurring with SPY in the top 20% of its 10-day range. But the Fed Day research is encouraging if we see further selling and a poor close Tuesday. Combined with the bullish Aggregator, I think a short-term Fed trade is worth a shot if the selloff and weak close occur. So I'll look to get long at the close under that scenario, and there is a good chance I'll exit the position before 2pm on Wednesday.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 9/16– moderately bullish***

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.

SPY – buy ¼ index position @ \$300.17 LIMIT ON CLOSE IF IT ALSO CLOSSES IN THE BOTTOM 50% OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will look for a quick trade on a small position if we see some selling on Tuesday heading into the Fed announcement.

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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