

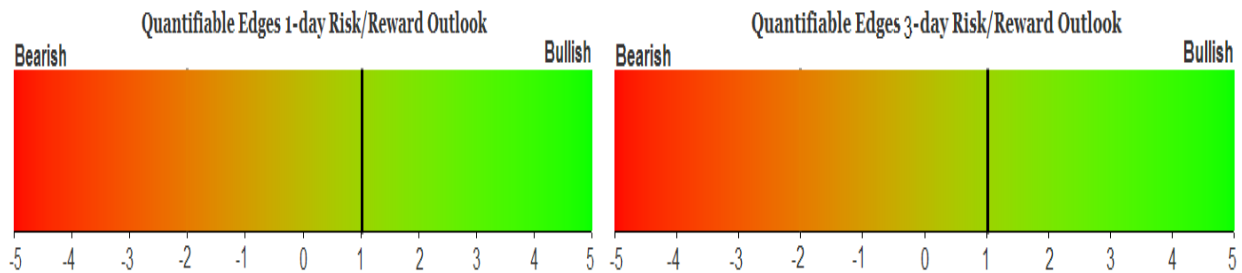
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 18, 2019

Volume 12 Issue 180

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Fed Day odds appear week, with the studies basically neutral to slightly bearish.

Short-term Outlook

The Bottom Line

The Aggregator formation is still bullish. But the setup is marginal and risk is elevated.

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			

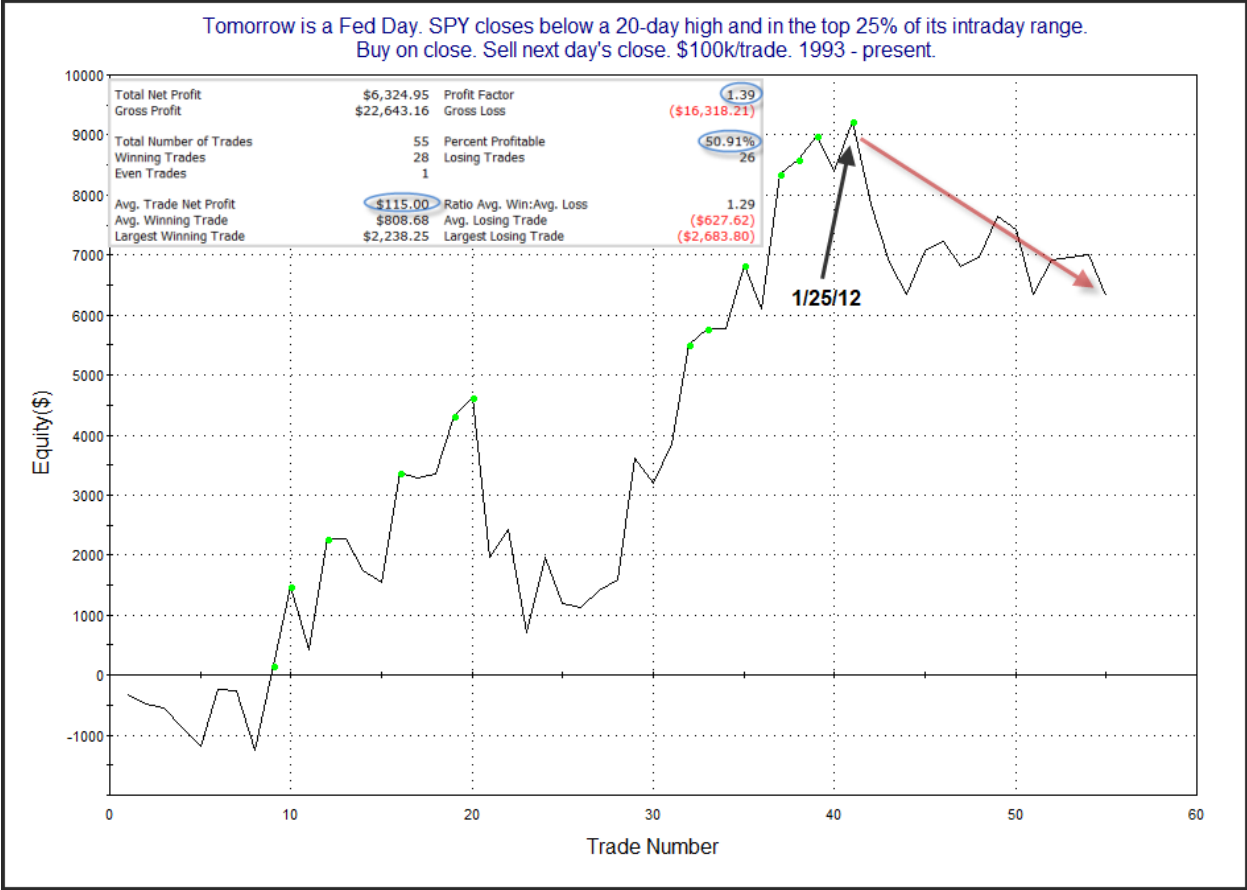
The Evidence

Tuesday was another mixed day for the market, which just seems to be shifting money back and forth lately. The SPX rose 0.3%, the NASDAQ gained 0.4% and the Russell 2000 declined 0.4%. Breadth was also mixed as the NYSE Up Issues % was 52% and the Up Volume % came in at 37%. NYSE volume declined quite a bit from Monday's level as traders are not making big moves ahead of the Fed meeting.

The last two night's I looked at potential Fed Day setups. And I showed studies that led to the following conclusions:

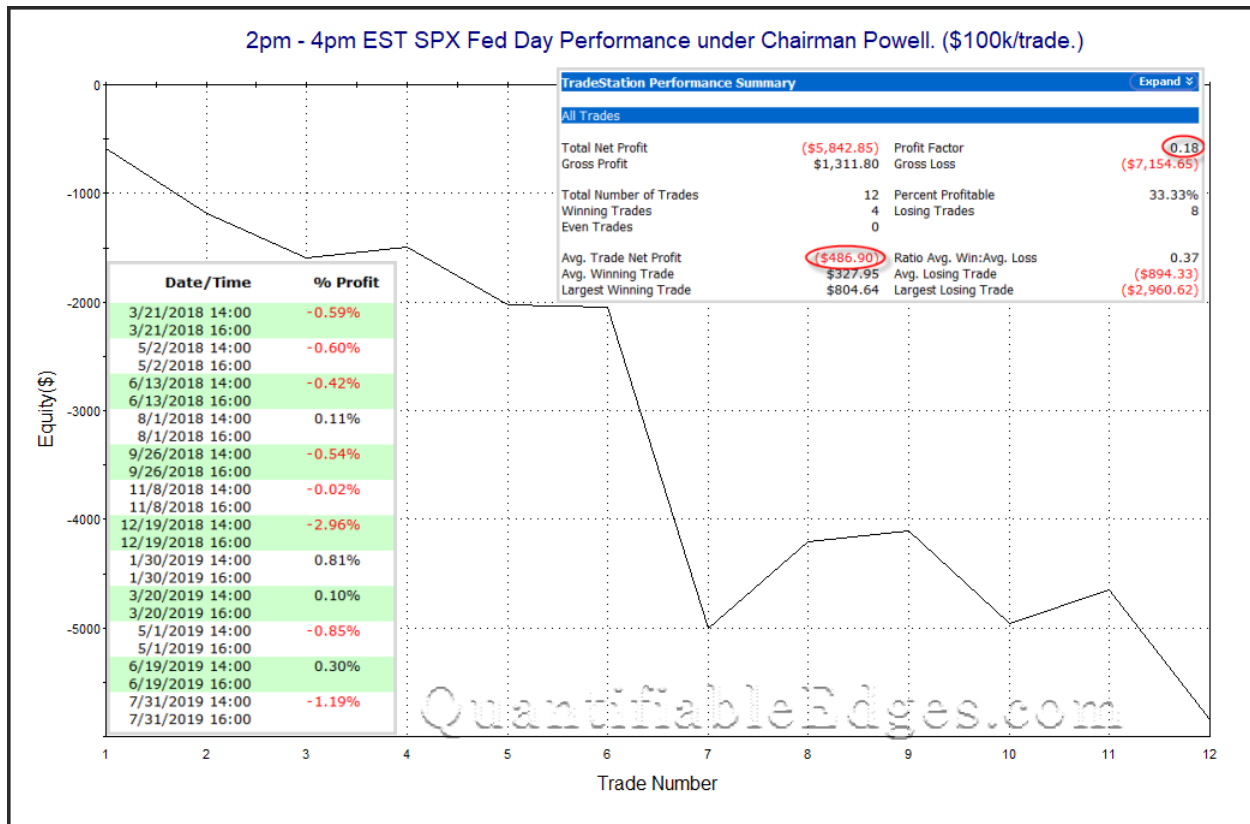
- The Fed Day edge has been impacted intermediate-term market positioning, with the edge effectively eliminated when already at new highs.
- In general, the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been.
- The bullish edge has almost entirely played out prior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

SPY did not close at an intermediate-term high on Tuesday. (It just barely missed.) But it did close near the high of the day, which is a hinderance. Below is a study last seen in the 5/2/18 letter that looks at this particular situation.



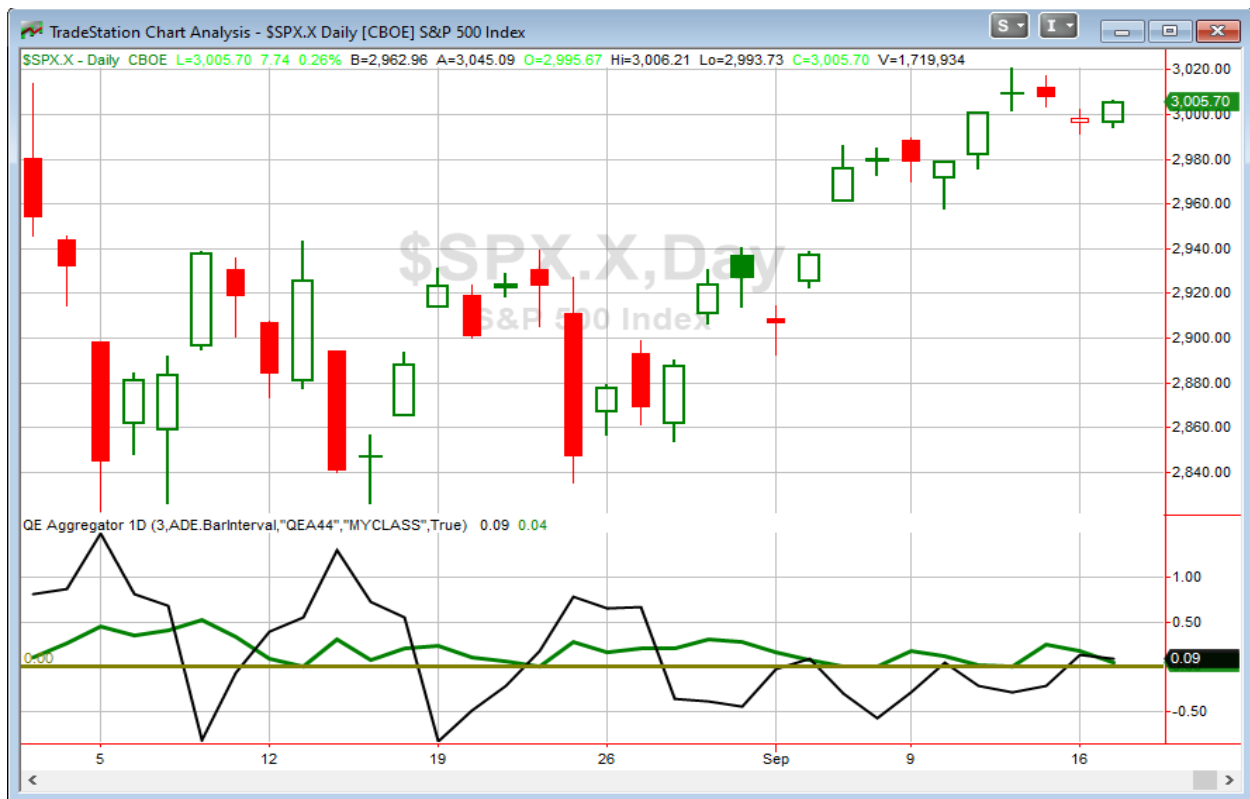
The numbers are mildly positive but the curve is not encouraging. It has been downhill for the last 7 years, and was quite choppy even before that. I have left this study off the Active List tonight.

On the blog today I shared a study that simply looked at performance from 2pm-4pm EST on Fed Days since Powell took over.



These are not encouraging results. As far as Fed Days go, odds for this one appear worse than most. I did not uncover any other compelling evidence based on Tuesday's action, so no new studies are being added to the Active List.

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



With the Fed Day looking neutral to bearish for Wednesday and no other new evidence emerging, the green Aggregator Line remained slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line held 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 stayed long at the close.

The last of the short-term studies is set to expire on Wednesday. Fed Days will often generate some new short-term evidence, and if so, then that new evidence will have a strong impact on short-term expectations. If nothing new emerges, the expectations will remain slightly bullish due to the intermediate-term outlook. Meanwhile, the Differential Pivot will be 3015.61 on Wednesday. That is 0.3% above Tuesday's close. Therefore, SPX would need to close up over 0.3% on Wednesday in order to flip from oversold to overbought vs expectations.

So the Aggregator formation remains bullish. But evidence is weak, the Fed Day appears neutral, or perhaps even slightly bearish, SPX is only modestly oversold, and risk is elevated as the reaction to the Fed could be strong either way. This is not the kind of solid potential / low risk setup I look for when taking on large index positions. Therefore, I am back to exercising patience and waiting for the next compelling reward/risk opportunity to emerge.

*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.

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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