

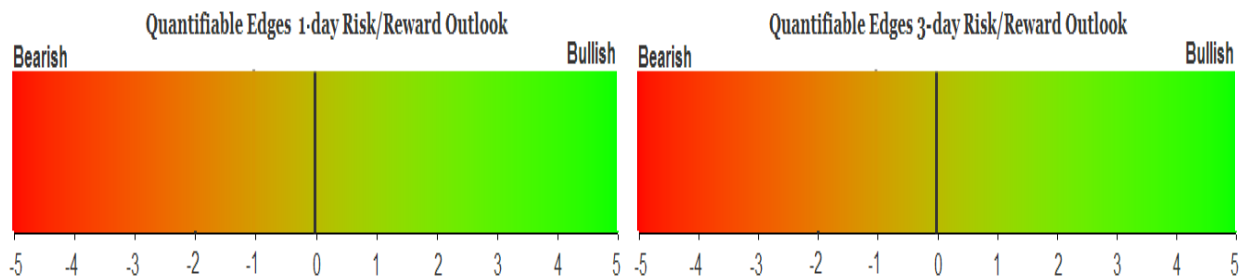
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 19, 2019

Volume 12 Issue 181

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral and so am I.

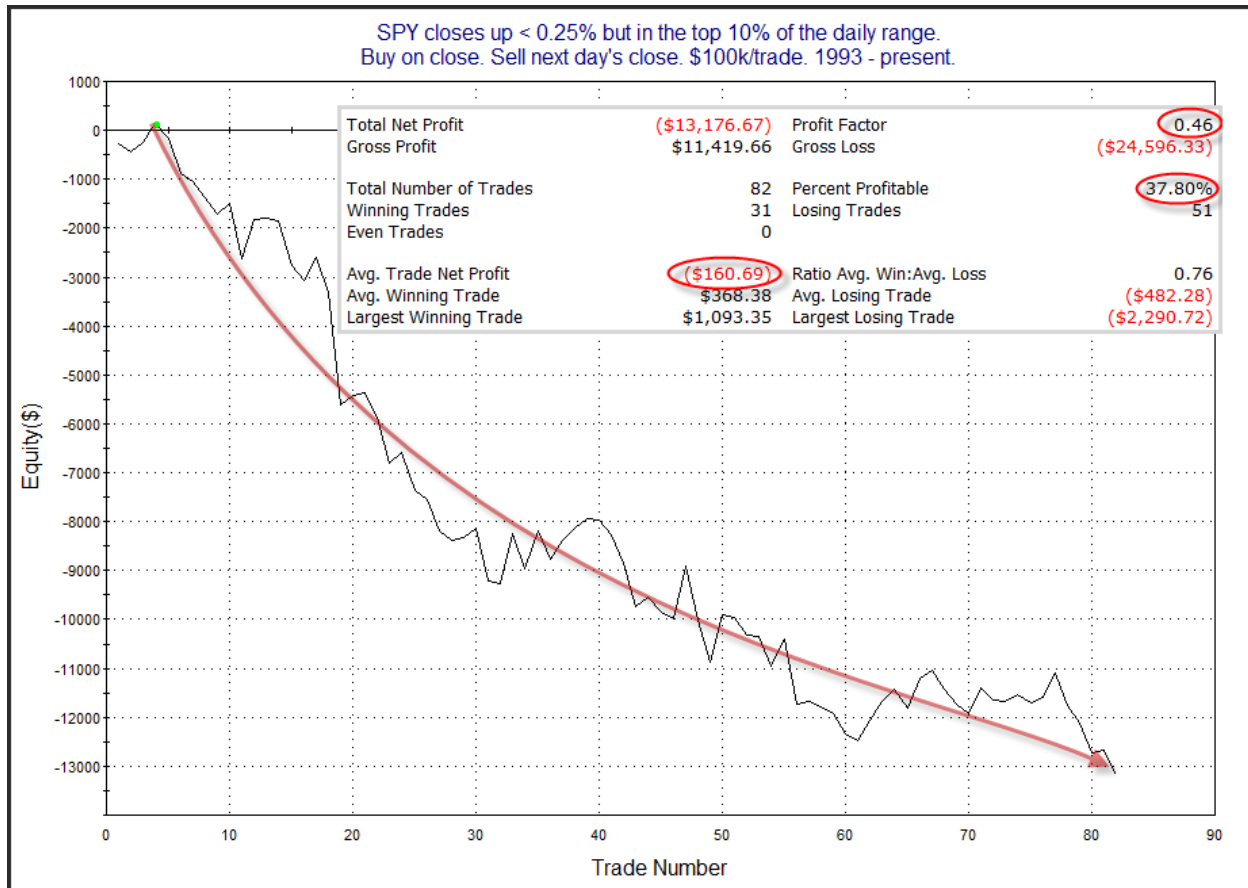
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 19, 2019	SPY up < 0.25% but top 10% range	1 day	Bearish			
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			
Dropped Tonight						
September 16, 2019	Sep opex with momentum	1-3 days	Bullish	1.40%	-0.60%	-1.20%

The Evidence

The initial reaction to the Fed was negative, but then the market rallied off its lows to finish Wednesday mixed. The SPX rose 0.03%, the NASDAQ lost 0.1% and the Russell 2000 declined 0.6%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 37%. NYSE volume rose some from Tuesday's level.

The mild up close may have seemed like a win for the bulls, but the study below suggests that when SPY closes strong (in the top 10% of its intraday range) but still only manages a small gain on the day, the next day has shown a downside tendency. It last appeared in the 4/9/19 letter. I have updated the stats and the profit curve.



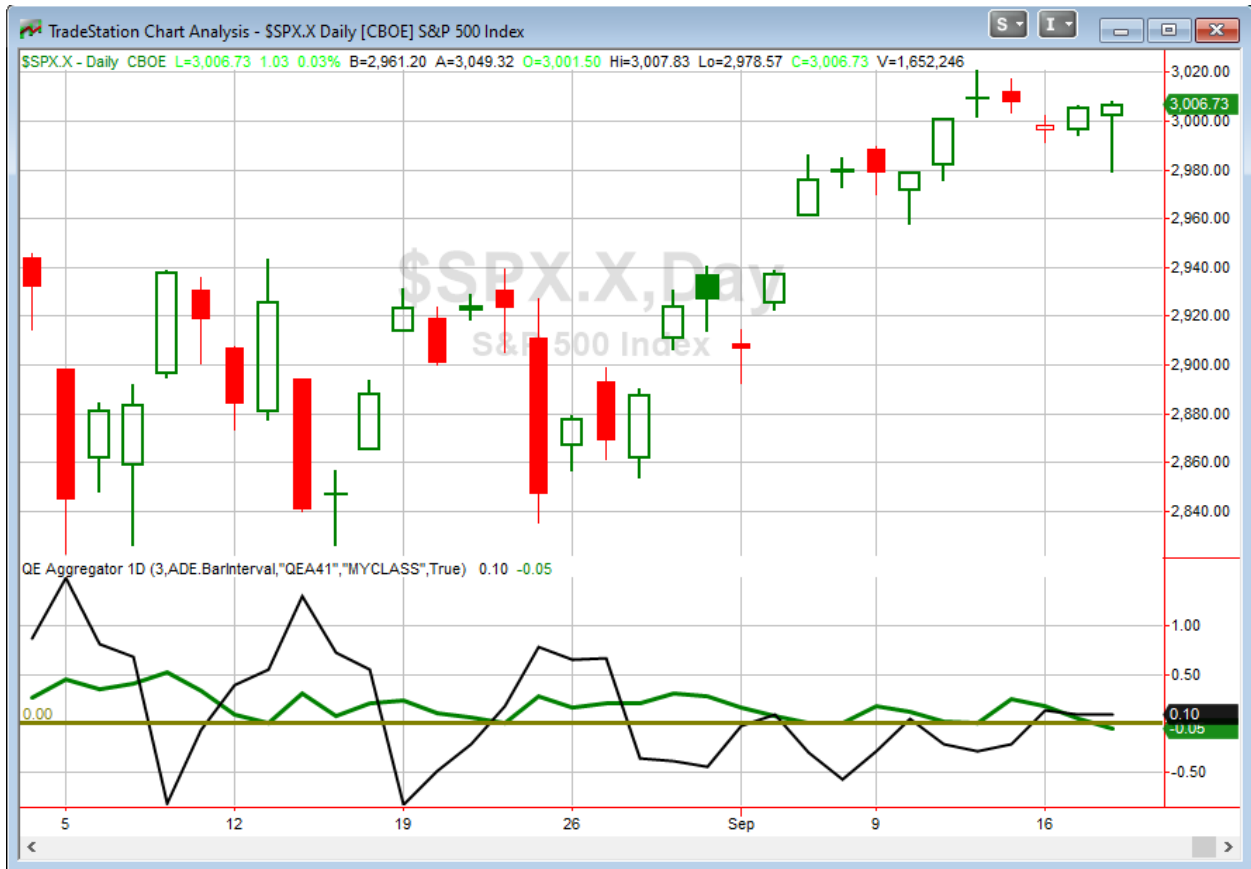
This bearish edge has persisted since the inception of SPY in 1993. It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day. I have added this study to the Active List tonight.

Of course the big news Wednesday was the Fed meeting. A few points there:

- They cut rates by 0.25%. This was expected.
- Whether another cut is coming soon is unclear. I believe this will make the market extra sensitive to data like CPI readings and employment reports in the coming 6 weeks.
- The overnight repo market needed a liquidity injection from the Fed a couple of nights ago. This was played off as “no big deal” by Powell. Hopefully, he is right. Repeated liquidity problems could be cause for concern.
- The Fed may look to grow the SOMA “organically” in the coming months. To some this sounded like QE4 (others disagreed). The hint of a possible QE-like program helped to reverse the afternoon selloff.

I did look at some studies that examined reversals on Fed Days like we saw Wednesday. Nothing stood out suggesting a substantial edge.

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



With tonight's evidence considered, the green Aggregator Line fell slightly below zero. Negative 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 negative but SPX is oversold. 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.

The last of the short-term studies is set to expire on Thursday. If nothing new emerges, the expectations will flip to slightly bullish due to the intermediate-term outlook. But new evidence that emerges over the next few days will have a strong impact on expectations. Meanwhile, the Differential Pivot will be 3010.63 on Thursday. That is just 0.1% above Wednesday's close. Therefore, SPX would only need to close up 0.1% on Thursday in order to flip from oversold to overbought vs expectations.

So the Aggregator formation is now neutral. And that seems about right to me as well. Looking out to Thursday, expectations could easily finish either bullish or bearish. And any move down will leave the market oversold while almost any move up will turn it overbought. Also worth keeping in mind is that we will have some negative seasonality to factor in next week, since it is the “weakest week” of the year. But I’ll talk more about that in the coming nights. For tonight, I am again sidelined waiting for a more favorable setup to emerge before taking on new index positions.

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

The intermediate-term outlook was last updated in the 9/16/19 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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