

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 2, 2020

Volume 13 Issue 171

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- No new compelling studies emerged tonight.

Short-term Outlook

The Bottom Line

The Aggregator neutral, but the market remains strongly overbought. I'd like to see a pullback before getting excited.

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

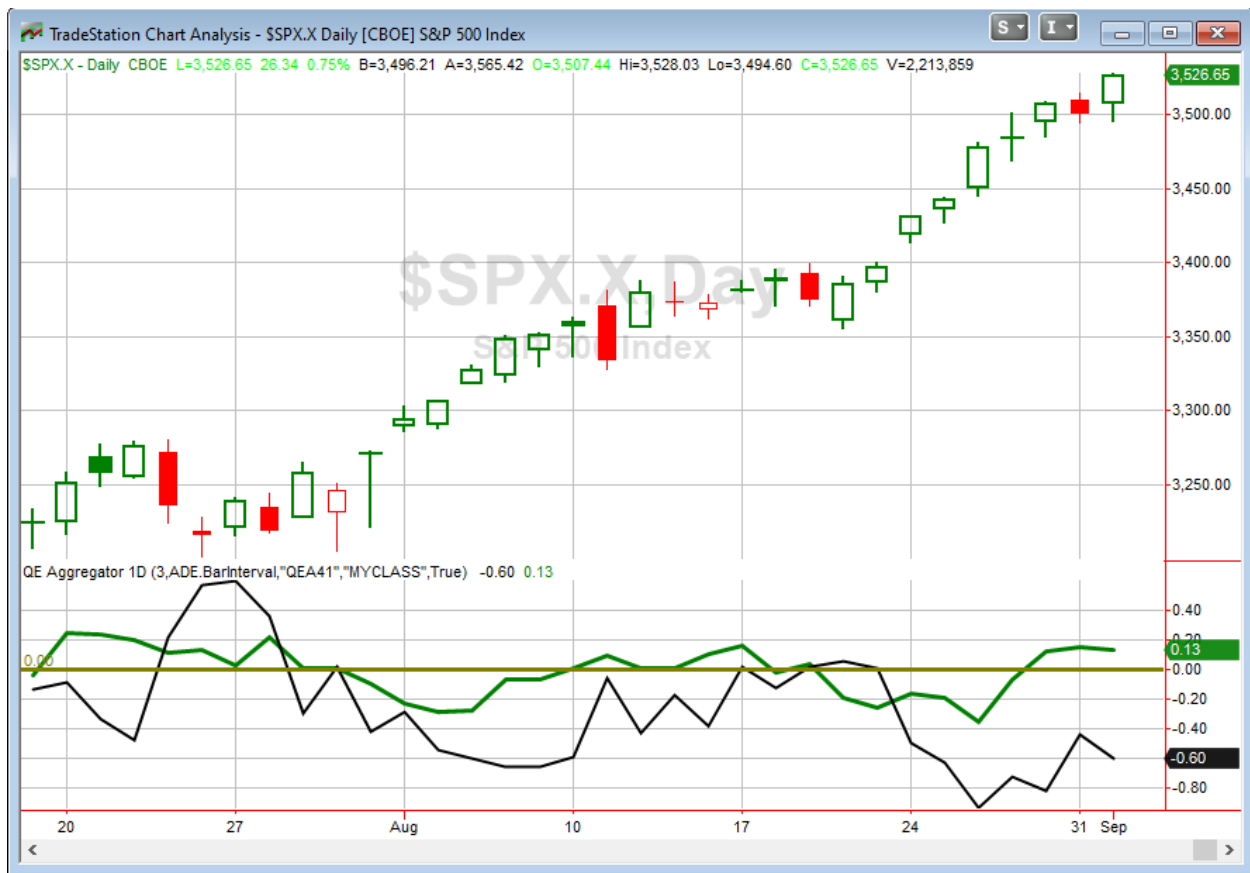
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 1, 2020	5 up to 50-hi then dn 1	1-4 days	Bullish			
September 1, 2020	3 Higher Hi, Lo, Cls. Then dn cls only	1-4 days	Bullish			
Active - Long Term						
September 1, 2020	5 up to 50-hi then dn 1	1-10 days	Bullish			
August 31, 2020	SPX up 7 days in a row > 200	1-20 days	Bullish	3.00%	-2.00%	-4.20%
August 27, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
August 27, 2020	RSI2 crosses over 99	1-11 days	Bullish	1.80%	-1.30%	-2.70%
July 24, 2020	NDX big dn day. SPX new high.	1-50 days	Bullish	6.00%	-2.85%	-5.50%
July 9, 2020	Golden Cross	int term	Bullish			
June 8, 2020	3 Breadth Sigs (BAM/90%Day/A-D Hi)	1-63 days	Bullish			
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
August 31, 2020	SPX up 3 to 50-hi. Volume up 3.	1-2 days	Bullish			
September 1, 2020	Poor close on last day of month	1 day	Bullish			

The Evidence

Overbought and divergences don't matter these days. The market just keeps going higher. On Tuesday the SPX rose 0.75%, the NASDAQ gained 1.4%, and the Russell 2000 rallied 1.1%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 58%. NYSE total volume declined some from Monday's level.

The strong start to September was not a surprise after yesterday's late selling. But the incredible persistency in this uptrend is still very impressive. Over the last several nights we have seen studies showing that the market recently reached a point where it was so overbought that it was likely to lead to further strength. And that continues to play out. That makes it very difficult for anyone looking for a fresh entry. But if you are riding the trend it means just hanging on until bearish indications build or the tide turns. The Quantifinder came up empty tonight, and exploration of a few ideas did not produce compelling results either. So I am keeping this letter brief.

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



Without any new studies making the active list 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 held 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. Of course, this could change if very compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3497.53 on Wednesday. That is 0.8% below Tuesday's close. Therefore, SPX would need to close 0.8% lower on Wednesday in order to flip from overbought to oversold vs recent expectations.

Tuesday did not change much. The Aggregator is still neutral. Evidence is still pointing higher. And the market is still overbought, meaning we don't have a low-risk swing entry. I will continue to wait for a more favorable reward/risk scenario before looking to take on a new index swing position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/31 – slightly 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

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