

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 10, 2020

Volume 13 Issue 176

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- A 2%+ drop to a 10-day low followed by a 1%+ (but weaker) rally has often led to upside follow through over the next several days.
- SPY's unfilled gap up and move higher happened in a way that suggests a solid probability of more upside follow-through.

Short-term Outlook

The Bottom Line

The Aggregator bullish, and it appears this bounce should have a bit further to go.

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 10, 2020	SPX dn 2% to 10-low. Up 1%+ < 2 ago	1-3 days	Bullish			
September 10, 2020	Gap up after 10 low. Close < 10ma > 200	1-5 days	Bullish	1.70%	-1.30%	-2.40%
September 8, 2020	1st 10-low in 30 days > 200. ADX > 14.	1-6 days	Bullish	2.20%	-1.40%	-3.10%
Active - Long Term						
September 8, 2020	SPX down 0.75% with VIX down 7.5%	1-10 days	Bullish	7.80%	-1.20%	-3.10%
September 8, 2020	1st 10-low in 30 days > 200. ADX > 14.	1-10 days	Bullish	3.00%	-1.90%	-4.20%
August 27, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
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)						
September 9, 2020	SPX dn 1.5% 2x in 5 days. 5-day low	1-4 days	Bullish	2.65%	-1.90%	-4.50%
September 9, 2020	SPX dn > 2.5% today from 5-low > 2	1-2 days	Bullish			

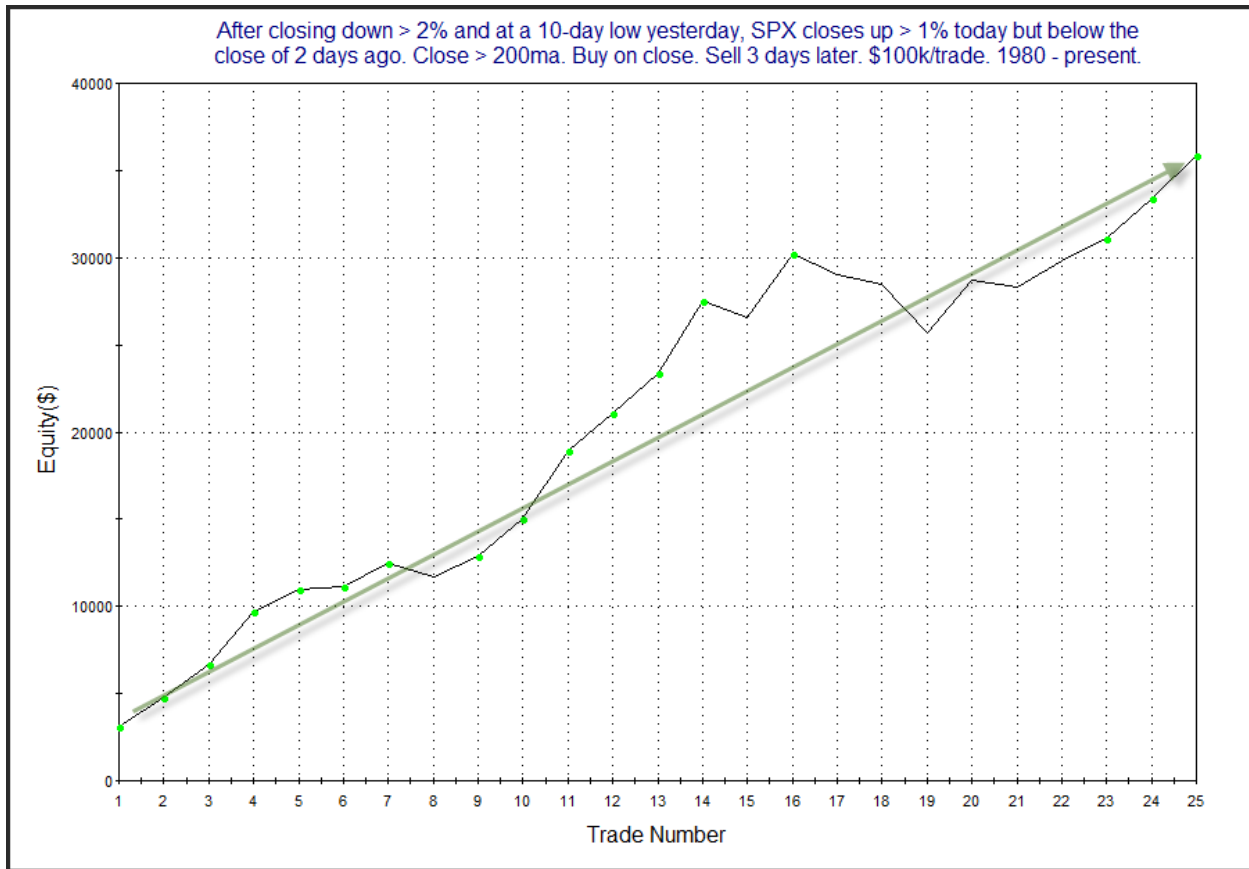
The Evidence

Wednesday saw the market bounce after 3 days of selling. The SPX closed up 2.0%, the NASDAQ rose 2.7%, and the Russell 2000 gained 1.45%. Breadth was positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 71%. NYSE total volume declined some from Tuesday's level.

Wednesday's rebound triggered a study from the 6/30/20 letter that suggested the bounce likely has further to go. It looked at other times a strong decline was followed by a sizable rebound that failed to completely make up for the previous day's loss. Updated results can be seen below.

After closing down > 2% and at a 10-day low yesterday, SPX closes up > 1% today but below the close of 2 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	42,517.58	24	21	3	87.50	5,396.71	-1,191.40	2,172.78	-1,036.91	2.10	14.67	1,771.57
4	36,528.08	24	19	5	79.17	4,997.19	-1,448.18	2,139.70	-825.23	2.59	9.85	1,522.00
3	35,843.19	25	19	6	76.00	4,134.33	-2,796.83	2,239.56	-1,118.08	2.00	6.34	1,433.73
2	26,870.67	25	19	6	76.00	4,001.40	-4,223.18	1,958.65	-1,723.94	1.14	3.60	1,074.83
1	13,024.85	25	16	9	64.00	2,842.84	-1,472.92	1,154.41	-605.08	1.91	3.39	520.99

The numbers here are quite impressive. Below is a look at a 3-day profit curve.



A strong move from lower left to upper right serves as some confirmation of the bullish numbers. I have included this study on the active list tonight.

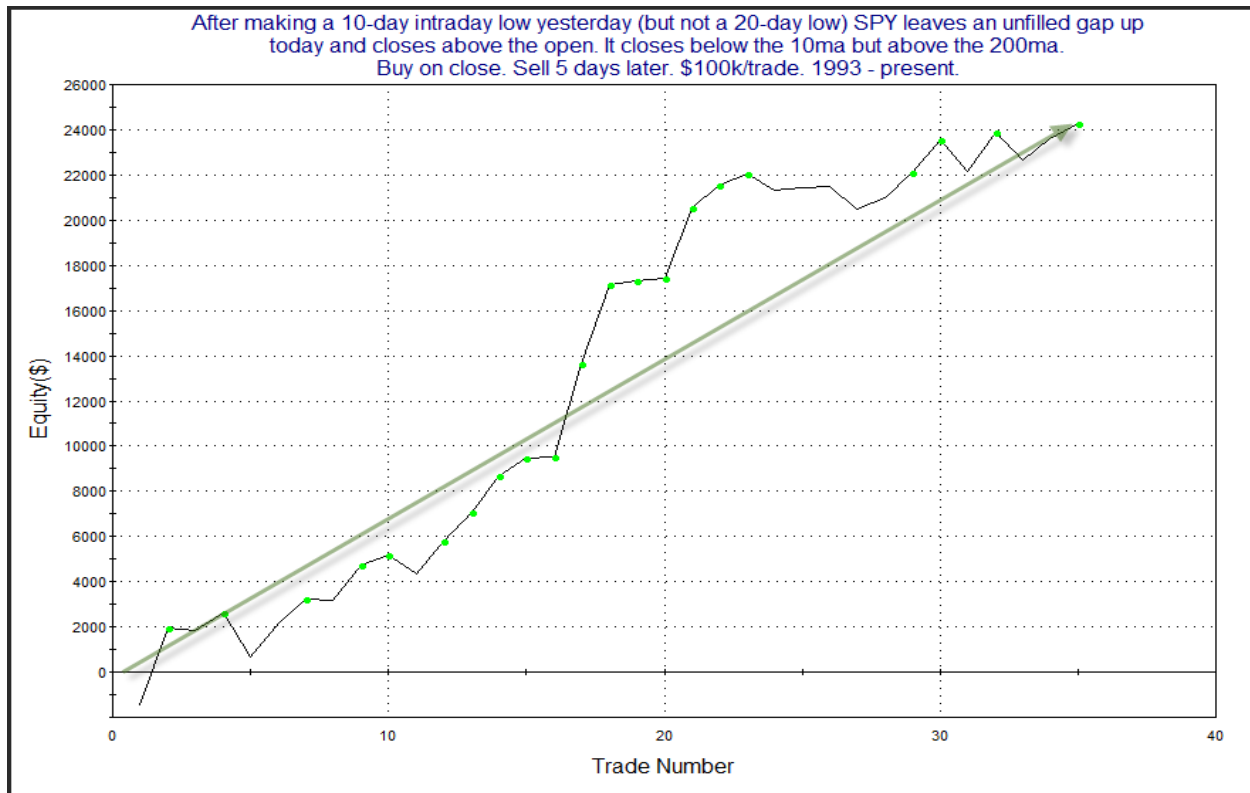
Wednesday's rally was also marked by the fact that it featured an unfilled gap up and a further rise after the open. I have looked at setups like this a number of times in the past. A couple of things that make this unfilled gap up appealing are that 1) it came from a short-term low, but not an intermediate-to-long-term low, and 2) it closed below the 10ma. The study below was last seen in the 10/1/19 letter. It looked at situations just like the current one. I have updated all the stats.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	24,255.32	35	26	9	74.29	4,106.63	-1,949.70	1,269.95	-973.70	1.30	3.77	693.01
4	24,557.36	36	24	12	66.67	3,904.83	-2,096.99	1,453.09	-859.73	1.69	3.38	682.15
3	15,829.82	37	23	14	62.16	3,914.92	-2,133.60	1,253.13	-928.01	1.35	2.22	427.83
2	10,210.42	37	22	15	59.46	2,828.00	-2,926.56	1,171.22	-1,037.09	1.13	1.66	275.96
1	1,937.61	37	19	17	51.35	1,773.46	-2,895.33	791.11	-770.20	1.03	1.15	52.37

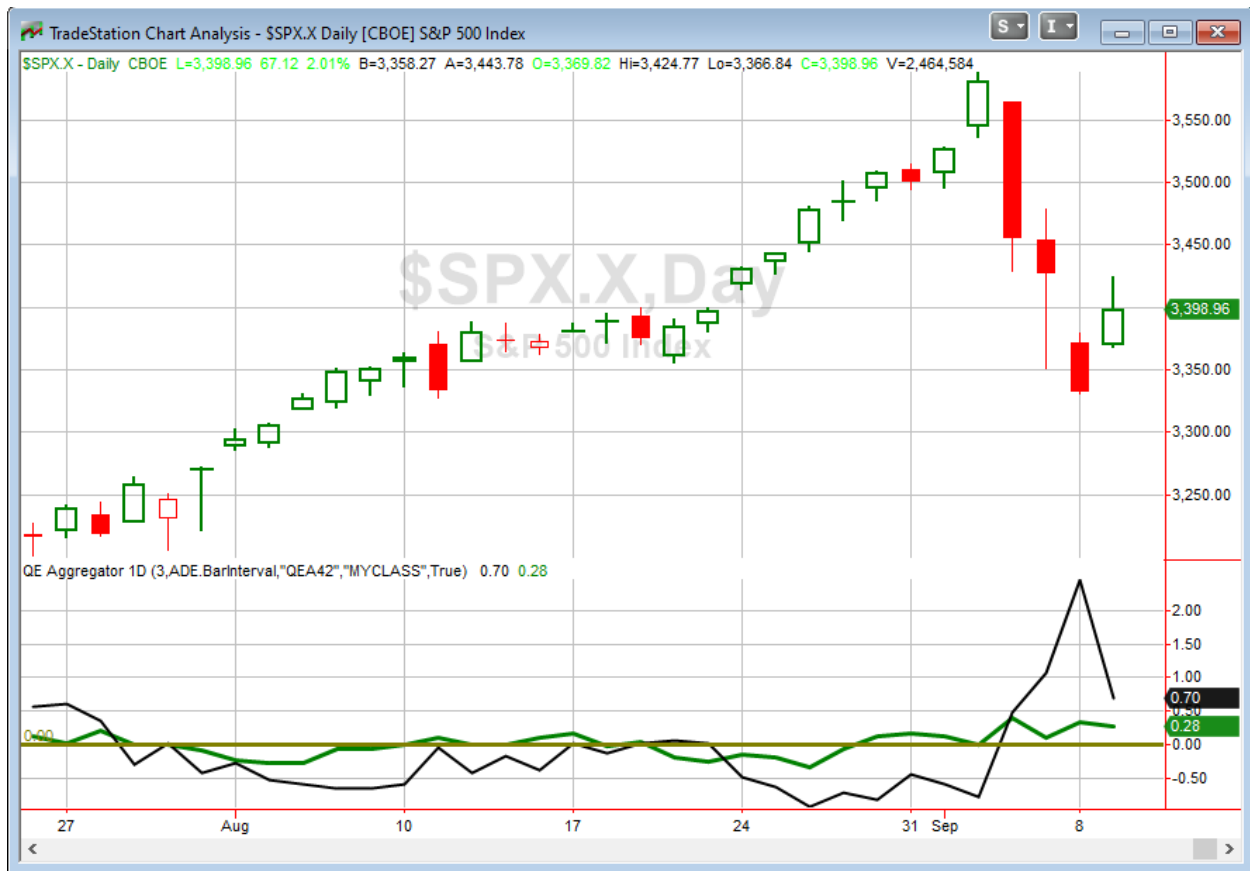
35 of 37 instances (95%) closed above the entry price at some point in the next week.

Indications here are bullish across the board. It is impressive that nearly every instance saw a continuation of the rally at some point in the next week. Below is an equity curve that assumes a 5-day holding period.



The strong upslope is impressive and the curve is back at new highs. I have included this study on the active list as well.

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



With tonight's studies considered, 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 is still far 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.

Based on the current list of active studies, expectations are set to remain positive on Thursday. It would take some strongly compelling new bearish evidence in order to change this. Meanwhile, the Differential Pivot will be 3441.63 on Thursday. That is a massive 1.3% above Wednesday's close. Therefore, SPX will need to close up at least 1.3% on Thursday in order to flip from oversold to overbought versus expectations.

The Aggregator is still bullish. And tonight's new evidence suggests the bounce should have a bit further to go. I won't look to add any more exposure at this point. I will close out my current SPY position if SPX closes above the Differential Pivot on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/8 – slightly bullish

The intermediate-term outlook was last updated in the 8/3/20 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	9/8/2020	\$336.71	\$339.79	0.91%		Sell on close if SPX > 3441.63

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