

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 11, 2020

Volume 13 Issue 177

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- An outside day and close near the bottom of the short-term range during a long-term uptrend has consistently been followed by a bounce.
- September 11th has been a bullish market day since the attacks in 2001.

Short-term Outlook

The Bottom Line

The Aggregator bullish. It is still looking like a bounce is probable.

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 11, 2020	Outside day btm 10% 10-day rng > 200	1-6 days	Bullish	2.30%	-0.80%	-1.70%
September 11, 2020	9/11 bullish since 2001	1 day	Bullish			
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			

The Evidence

Thursday was a big disappointment. The SPX closed down 1.8%, the NASDAQ fell 2.0%, and the Russell 2000 lost 1.2%. Breadth was negative as the NYSE Up Issues % was 32% and the Up Volume % came in at 17%. NYSE total volume rose some from Wednesday's level.

The big outside day that SPX put in is notable. (An outside day is a day where the market makes a higher high and a lower low than the day before.) The study below is from the 10/2/19 letter. It examines the implications of an outside day occurring and putting the SPX near the lower end of its range during a long-term uptrend.

SPX posts an outside day and closes in the bottom 10% of the 10-day range but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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
10	61,716.03	32	27	5	84.38	6,549.66	-2,142.23	2,533.13	-1,335.69	1.90	10.24	1,928.63
9	60,033.56	32	27	5	84.38	6,622.56	-3,224.13	2,450.67	-1,226.88	2.00	10.79	1,876.05
8	60,345.87	32	27	5	84.38	5,596.29	-2,364.18	2,460.35	-1,216.72	2.02	10.92	1,885.81
7	56,133.58	33	28	5	84.85	5,846.58	-2,644.46	2,204.59	-1,119.00	1.97	11.03	1,701.02
6	56,480.14	33	30	3	90.91	5,645.64	-1,353.73	1,958.04	-753.69	2.60	25.98	1,711.52
5	51,741.21	33	29	4	87.88	5,460.84	-1,604.46	1,905.07	-876.48	2.17	15.76	1,567.92
4	38,988.94	33	25	8	75.76	5,187.49	-2,964.25	1,759.93	-626.16	2.81	8.78	1,181.48
3	30,878.02	33	23	10	69.70	5,339.18	-1,665.30	1,632.66	-667.31	2.45	5.63	935.70
2	22,643.96	36	24	12	66.67	3,591.28	-1,105.36	1,183.39	-479.78	2.47	4.93	629.00
1	7,876.95	36	28	8	77.78	1,337.22	-1,799.08	575.54	-1,029.76	0.56	1.96	218.80

Rarely do I see results more bullish than these. Not only is the consistency incredibly impressive, but the size of the average trade is very large for using a “> 200ma” filter. And it isn’t just the numbers that look good. Here is the profit curve.



The last instance did not pan out, but the consistency of the upslope remains very impressive nonetheless. I have included this study on the Active List tonight.

Last year (9/11/19 letter) I noted that since the 9/11/2001 attacks and tragedy, September 11th has actually been a strong day for the market. I have updated that study below.

SPX % Return on 9/11 Since 2001.

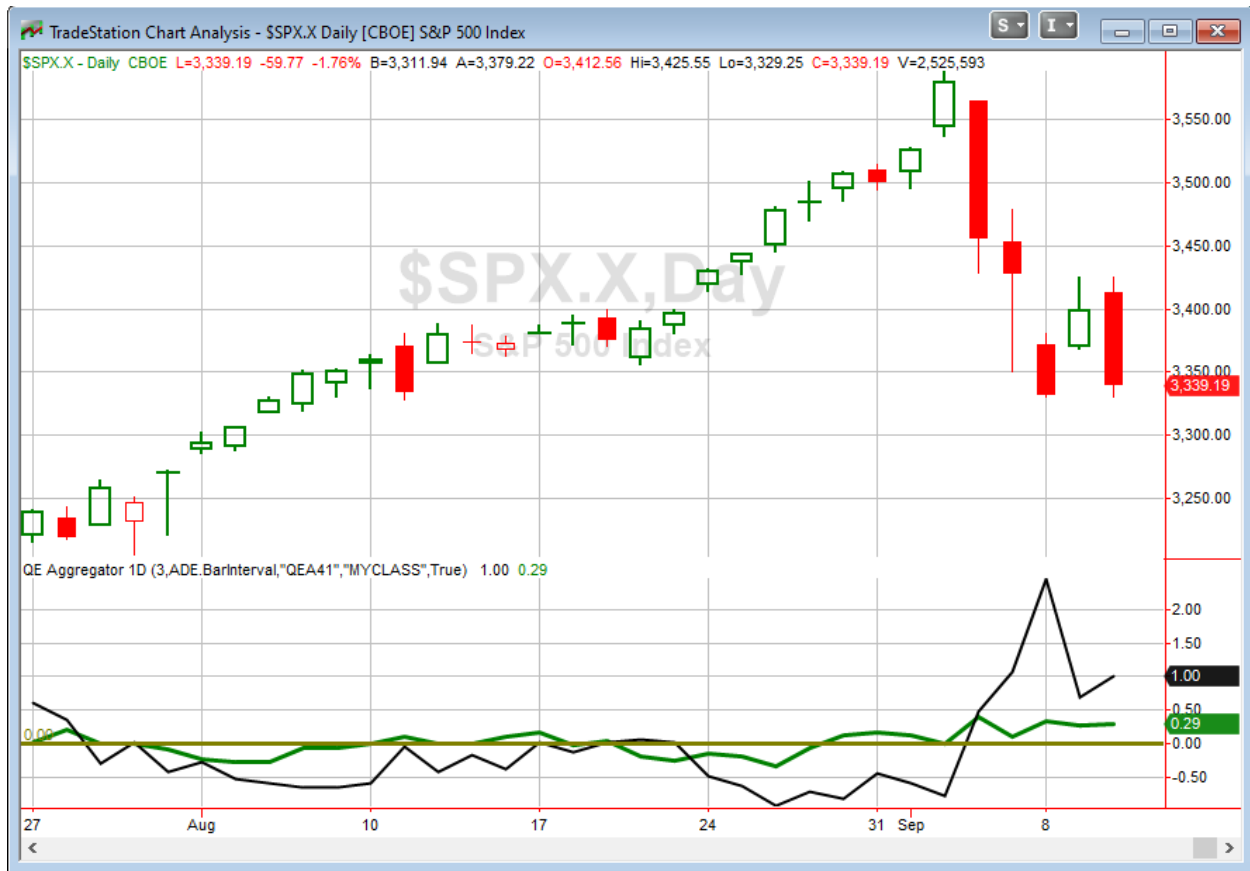
(Years 9/11 was not a trading day not included.)

Symbol	Ex. date	% chg
SSPX	9/11/2002	-0.01%
SSPX	9/11/2003	0.54%
SSPX	9/11/2006	0.05%
SSPX	9/11/2007	1.36%
SSPX	9/11/2008	1.38%
SSPX	9/11/2009	-0.14%
SSPX	9/11/2012	0.31%
SSPX	9/11/2013	0.31%
SSPX	9/11/2014	0.09%
SSPX	9/11/2015	0.45%
SSPX	9/11/2017	1.08%
SSPX	9/11/2018	0.37%
SSPX	9/11/2019	0.72%

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Eleven winners and two losers with the average instance seeing a gain of 0.5%. And since the losers are so small, the profit factor is an unreal 44. Not sure whether this study is truly providing an edge, but it at least remains a hot streak. And I will give it some consideration again this year.

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 Friday. It would take some compelling new bearish evidence in order to change this. Meanwhile, the Differential Pivot will be 3357.89 on Friday. That is a massive 0.6% above Thursday's close. Therefore, SPX will need to close up at least 0.6% on Friday in order to flip from oversold to overbought versus expectations.

The Aggregator is again bullish. Evidence is continuing to point north over the next few days. I like the long side. Perhaps the stumble on Thursday is providing an opportunity to take on a 2nd lot. I will look to do that on Friday if I can get a favorable fill.

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

New

BKNG @ \$1,816.59 (buy 1/3 @ Limit)

Broad Market Large Cap CBI – 1(BKNG)

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 @ \$333.00 LIMIT ON OPEN. If not filled at the open, cancel order and look to enter at \$333.50 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to add new long exposure on a gap down or a lower close on Friday.

BKNG - Buy 1/3 Catapult position @ \$1,816.59 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of BKNG.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	9/8/2020	\$336.71	\$333.89	-0.84%		Aggregator

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