

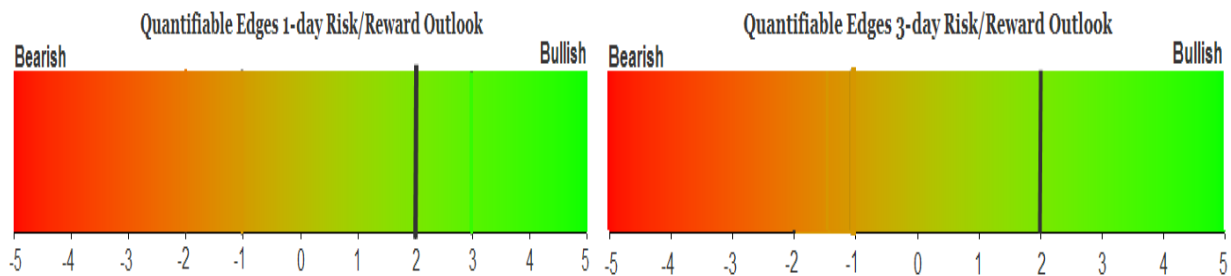
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 15, 2020

Volume 13 Issue 179

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- A sizable drop followed by a 2-day bounce that does not entirely make up for the drop has often been followed by more upside in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. It is still looking like we could see more of a bounce. But the SPX could easily turn overbought vs expectations on Tuesday, so reward/risk is weakening some.

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 15, 2020	1.75% dn, then up 2 < 3 ago. Cls > 200	1-4 days	Bullish	2.30%	-1.00%	-2.30%
September 11, 2020	Outside day btm 10% 10-day rng > 200	1-6 days	Bullish	2.30%	-0.80%	-1.70%
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 14, 2020	SPY gap up close up, lowest low 20	1-2 days	Bullish	2.90%	-1.70%	-3.30%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 14, 2020	SPY gap up close up, lowest low 20	1-2 days	Bullish	1.30%	-0.60%	-1.30%
September 14, 2020	SPX higher hi dn, lower low up.	1-5 days	Bullish	1.70%	-1.40%	-2.50%
September 10, 2020	SPX dn 2% to 10-low. Up 1%+ < 2 ago	1-3 days	Bullish			

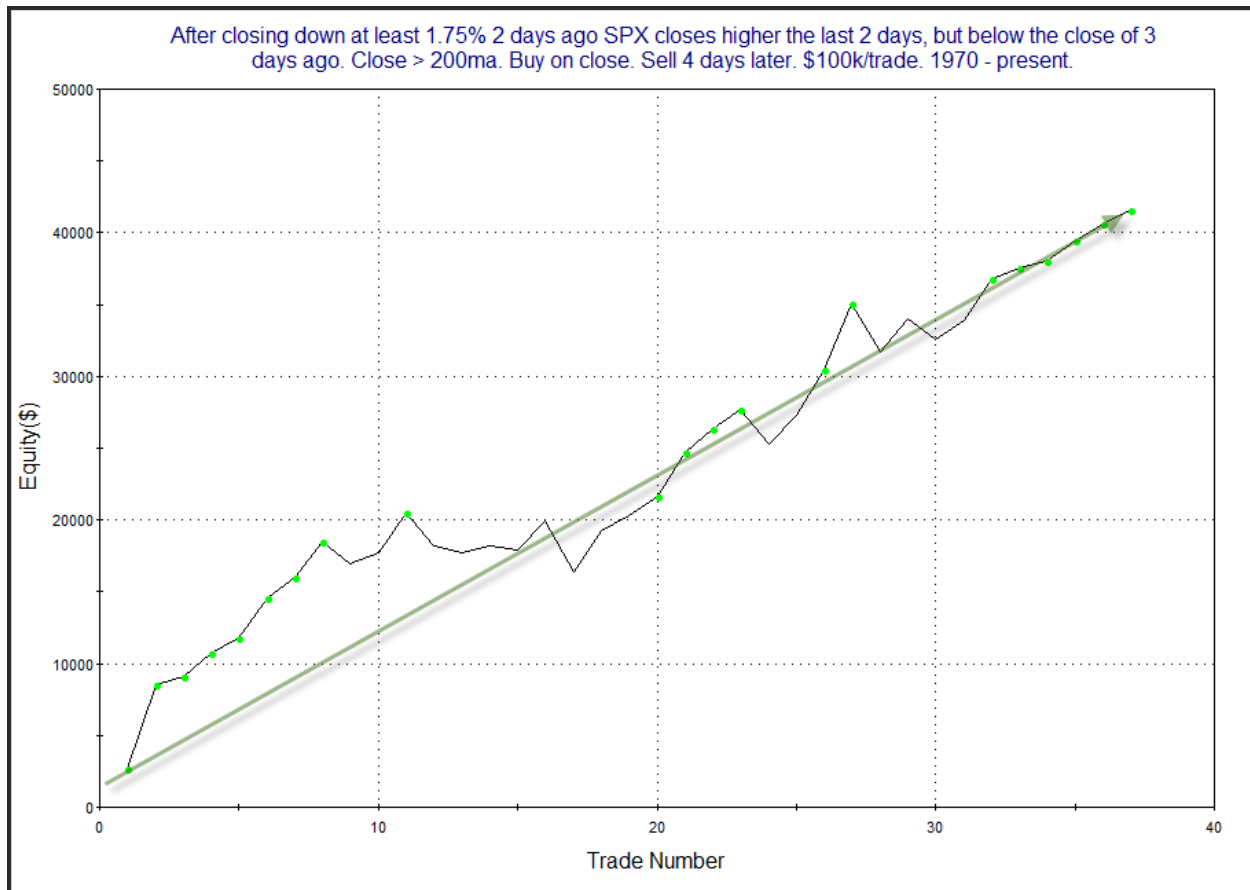
The Evidence

Monday saw a good sized bounce from the market, though most of the rally occurred before the open. The SPX closed up 1.3%, the NASDAQ rose 1.9%, and the Russell 2000 rallied 2.65%. Breadth was strong as the NYSE Up Issues % was 76% and the Up Volume % came in at 84%. NYSE total volume rose some from Friday's level.

There were a few studies tonight that looked at times the market bounced 2 days in a row, but still failed to close above the close of 3 days ago. Perhaps the most compelling of these studies was from the 3/21/11 letter. I have taken a new look at it and updated the results below.

After closing down at least 1.75% 2 days ago SPX closes higher the last 2 days, but below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1970 - 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	44,089.19	37	26	11	70.27	6,384.44	-6,447.66	2,493.20	-1,884.91	1.32	3.13	1,191.60
4	41,599.49	37	29	8	78.38	5,921.24	-3,541.48	1,961.38	-1,910.07	1.03	3.72	1,124.31
3	36,023.20	37	28	9	75.68	5,411.72	-3,973.16	1,759.15	-1,470.34	1.20	3.72	973.60
2	31,623.36	37	27	10	72.97	3,944.92	-2,848.17	1,541.79	-1,000.51	1.54	4.16	854.69
1	14,371.76	37	23	14	62.16	2,699.42	-1,647.38	1,082.65	-752.09	1.44	2.36	388.43

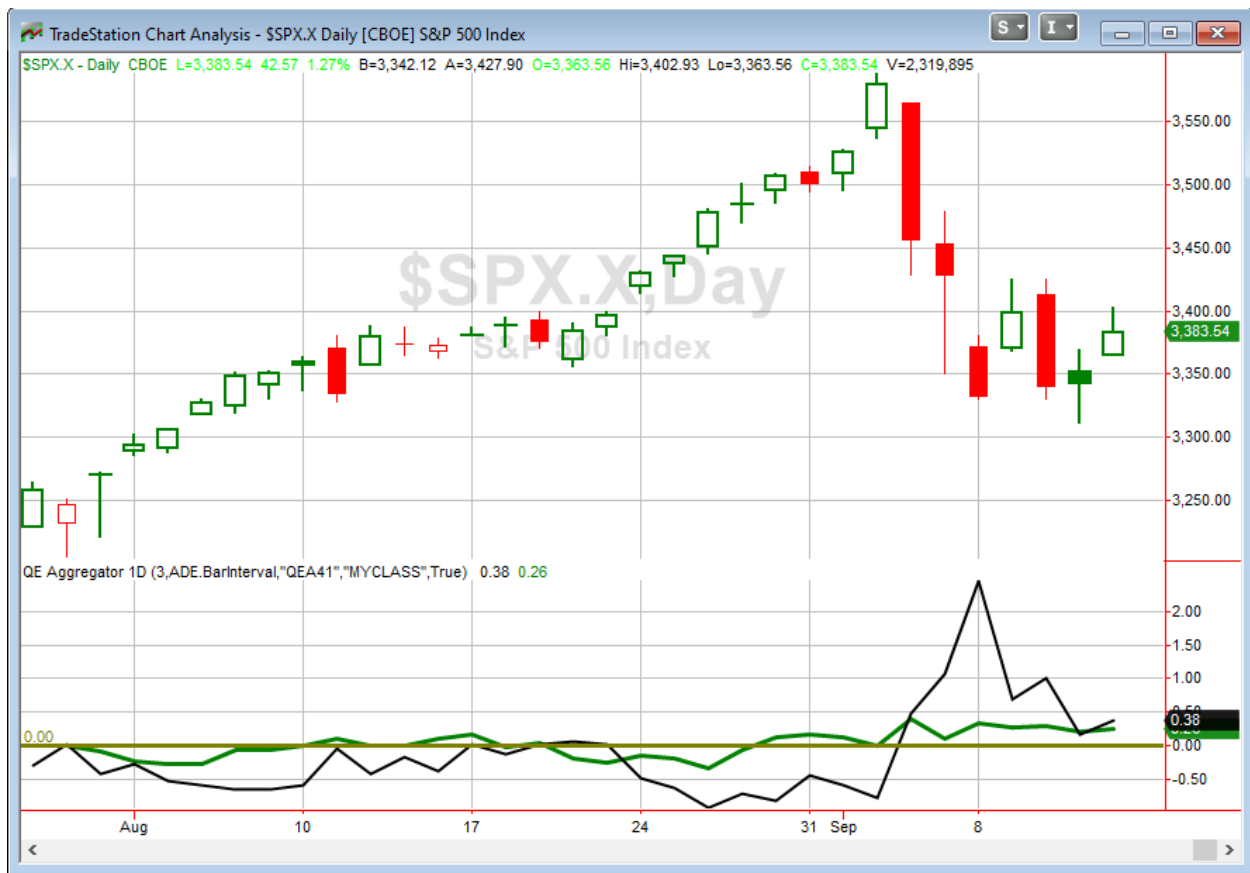
The numbers here are strong across the board and suggest an upside edge. Below is a look at a 4-day profit curve.



That appears to be a very steady rise over a long period of time. And with the last 7 instances, dating back to 2017, all closing higher, that makes it even more appealing. I have added this study to the active list tonight.

We did see some evidence removed from the Active List tonight as well. The strong bounce on Monday caused both of the weekend studies to reach their anticipated run-up already. So they are no longer considered “active”.

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



With tonight's evidence 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 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 Tuesday. It would take compelling new bearish evidence in order to change this. Meanwhile, the Differential Pivot will be *inverted* at 3368.80 on Monday. That is 0.4% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down over 0.4% on Tuesday in order to remain "oversold" versus recent expectations. Anything less than that and it will flip to "overbought" as of Tuesday's close.

So the Aggregator is bullish. But the inverted pivot limits the upside potential to just one day. Even a flat close tomorrow would see the Aggregator turn neutral or bearish. Because of this, I will often look to take profits when faced with an inverted pivot. But we do have a few studies, including the new one tonight, suggesting the bounce should have further to go. So I will look to take profits on Tuesday, but only if I can get a solidly favorable fill either at the open or the close.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/14 – neutral

The intermediate-term outlook was last updated in the 9/14/20 Letter. It can be found in the [most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

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

BKNG @ \$1,783.74 (buy 1/3 @ Limit)

Broad Market Large Cap CBI – 2(BKNG-2)

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	\$338.46	0.52%		see below
BKNG(1/3)	9/11/2020	\$1,813.52	\$1,784.59	-1.60%		Catapult
BKNG(1/3)	9/14/2020	\$1,783.74	\$1,784.59	0.05%		Catapult

I will look to sell SPY either 1) @ \$340.00 LIMIT ON OPEN, or 2) \$338.46 LIMIT ON CLOSE.

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