

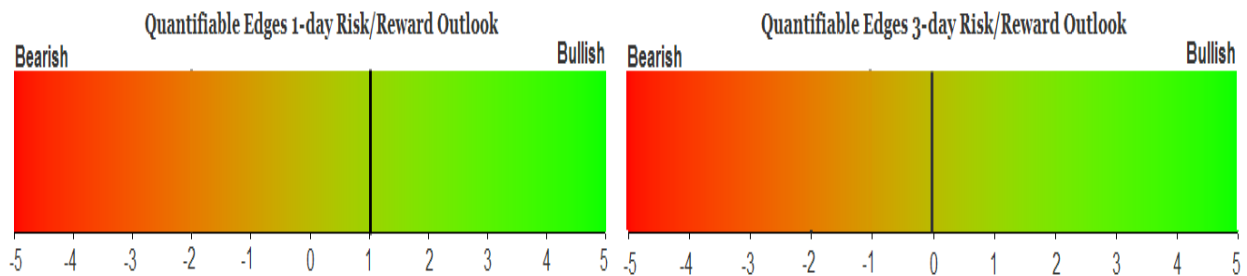
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 16, 2020

Volume 13 Issue 180

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- The somewhat weak close on Tuesday ahead of the Fed Day suggests solid odds for a bullish Wednesday.
- The strong selloff in BKX ahead of the Fed Day used to be a bullish sign for BKX. But over the last 9 years, the banks have not bounced like they did in the past.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral. Evidence is still mildly bullish, but I don't like reward/risk here.

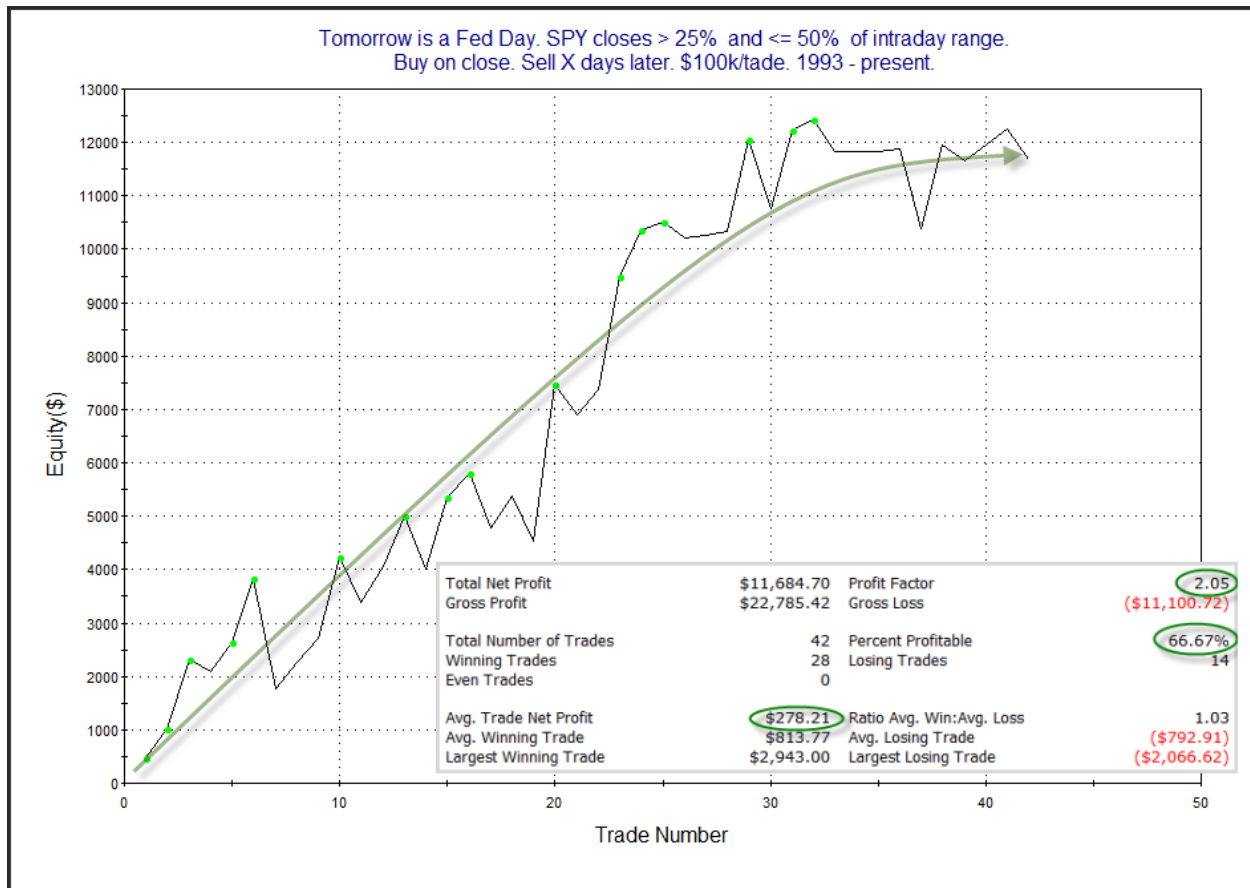
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 16, 2020	Fed Day tomorrow	1 day	Bullish			
September 15, 2020	1.75% dn, then up 2 < 3 ago. Cls > 200	1-4 days	Bullish	2.30%	-1.00%	-2.30%
September 10, 2020	Gap up after 10 low. Close < 10ma > 200	1-5 days	Bullish	1.70%	-1.30%	-2.40%
Active - Long Term						
September 14, 2020	SPY gap up close up, lowest low 20	1-10 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 11, 2020	Outside day btm 10% 10-day rng >	1-6 days	Bullish	2.30%	-0.80%	-1.70%
September 8, 2020	1st 10-low in 30 days > 200. ADX>14.	1-6 days	Bullish	2.20%	-1.40%	-3.10%

The Evidence

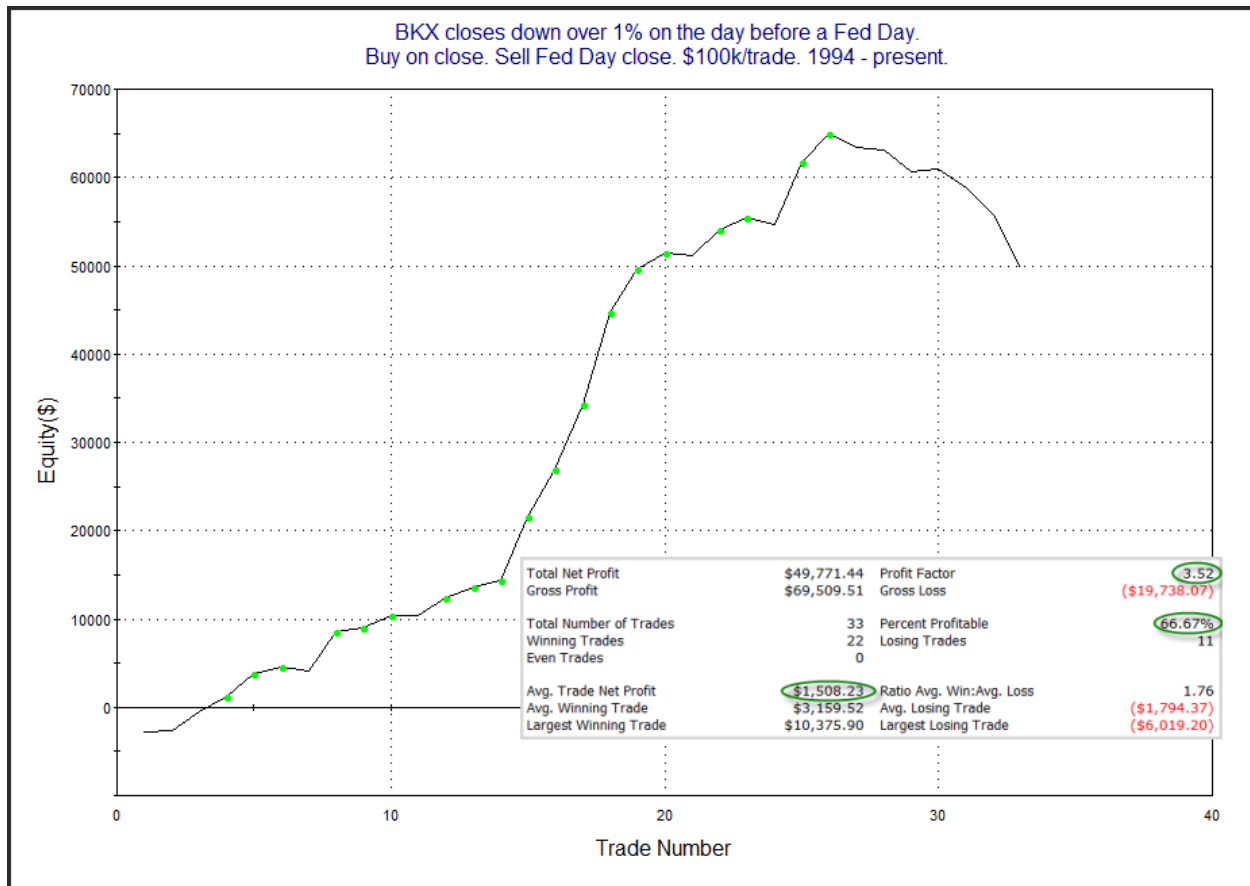
Tuesday was another up day, but it did need to endure some afternoon selling, and closed well below its highs. The SPX finished up 0.5%, the NASDAQ rose 1.2%, and the Russell 2000 inched up 0.1%. Breadth was mixed as the NYSE Up Issues % was 54% and the Up Volume % came in at 48%. NYSE total volume rose some from Monday's level.

Tuesday's action did not do much to inspire compelling new evidence. But Wednesday we will see the Fed conclude their 2-day meeting and release their policy statement. I often refer to these days as "Fed Days". Fed Days have a long history of bullishness, though how bullish the tendency has been has varied based on a number of factors. One of my favorite Fed Day filters is just looking at what quartile the market closed within its intraday range on the day before. Generally the worse the close, the better the Fed Day odds. Tuesday we saw SPY close in the 25%-50% quartile. I have update the results for that below.



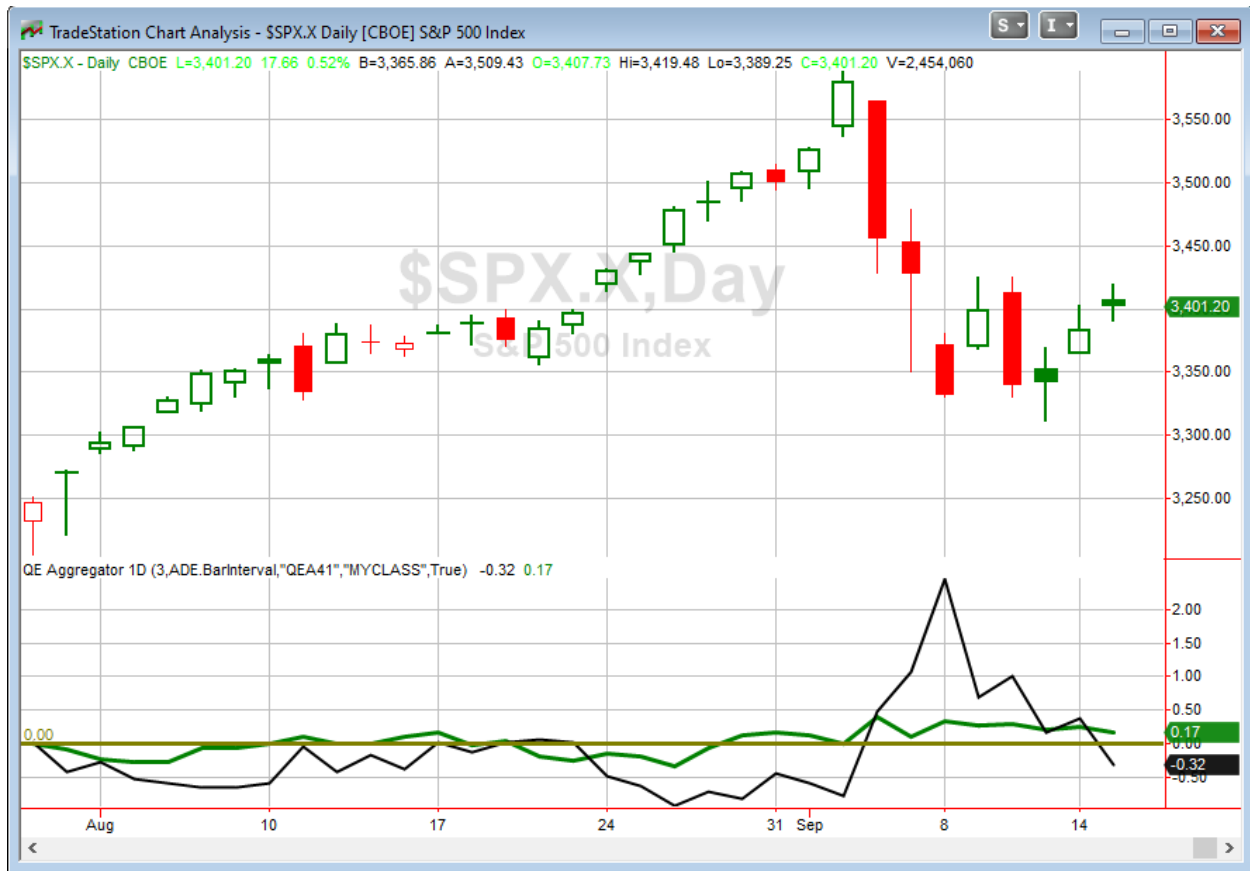
These results are pretty good. There has been a bit of a struggle lately. Part of that is that Fed Day performance has withered a bit in recent years. Still, it has provided a bullish edge overall. I will note that the edge has generally played out prior to the announcement. Performance after 2pm on a Fed Day has been very choppy and inconsistent. I discussed this further in [an old blog post you can see here](#).

There were also a few studies that appeared which noted poor performance in the Bank Index today as we head into the Fed meeting tomorrow. The one below was last seen in the 12/19/18 letter. Results are updated.



While the stats still look bullish, I am not a fan of the way the curve has headed down. Six of the last 7 instances closed lower, dating back to 2011. So it has been about 9 years since the bullish inclinations played out very much here. I'm not inclined to bet anything based on this study, and I have not included it on the active list tonight.

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 dipped below 0. The negative Differential Line reading means that after 3 days of rallying, SPX is now 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. It would take compelling new bearish evidence in order to change this. Meanwhile, the Differential Pivot will be 3365.96 on Wednesday. That is 1.0% below Tuesday's close. So SPX would need to close down over 1% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now neutral. Evidence is pointing higher, and Wednesday has solid odds of a rally thanks to it being a Fed Day. But the 3-day rally for SPX has it overbought, which makes new entries more risky. And with post-announcement Fed reaction somewhat unpredictable and a potential source of volatility, entries prior to the announcement will carry extra risk. I'll see how the Fed Day plays out and what new edges emerge before looking to take on new index exposure.

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
<i>SPY(1/4)</i>	<i>9/8/2020</i>	<i>\$336.71</i>	<i>\$341.12</i>	<i>1.31%</i>		<i>sold on open</i>
BKNG(1/3)	9/11/2020	\$1,813.52	\$1,787.00	-1.46%		Catapult
BKNG(1/3)	9/14/2020	\$1,783.74	\$1,787.00	0.18%		Catapult

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