

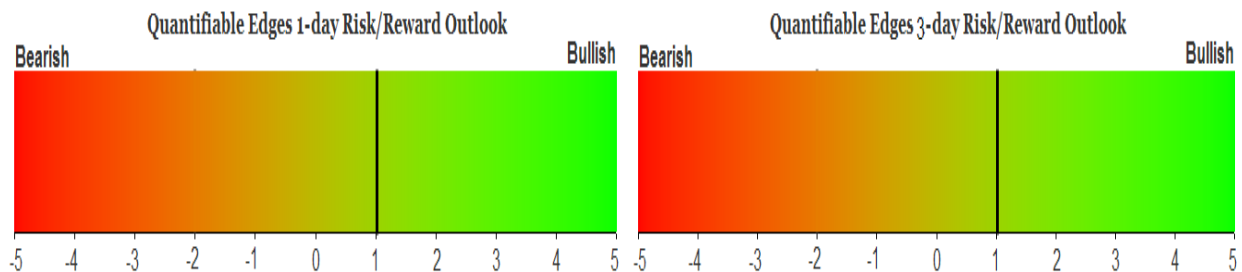
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 18, 2020

Volume 13 Issue 182

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The last 5 days have now closed within the previous day's range. After a 1% selloff in an uptrend this type of consolidation has often been followed by a pop.
- The week after September opex has historically been the worst of the year.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence is set to flip to negative on Friday. I do not find the current setup compelling and am looking to exercise some patience.

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 18, 2020	Big dn. 5 closes inside. > 200ma	1-3 days	Bullish	1.30%	-0.80%	-1.70%
September 15, 2020	1.75% dn, then up 2 < 3 ago. Cls > 200	1-4 days	Bullish	2.30%	-1.00%	-2.30%
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 17, 2020	Fed Day 5-high reversal down	1 day	Bullish			
September 17, 2020	5-high then close down. 60% Bread	1-2 days	Bullish			

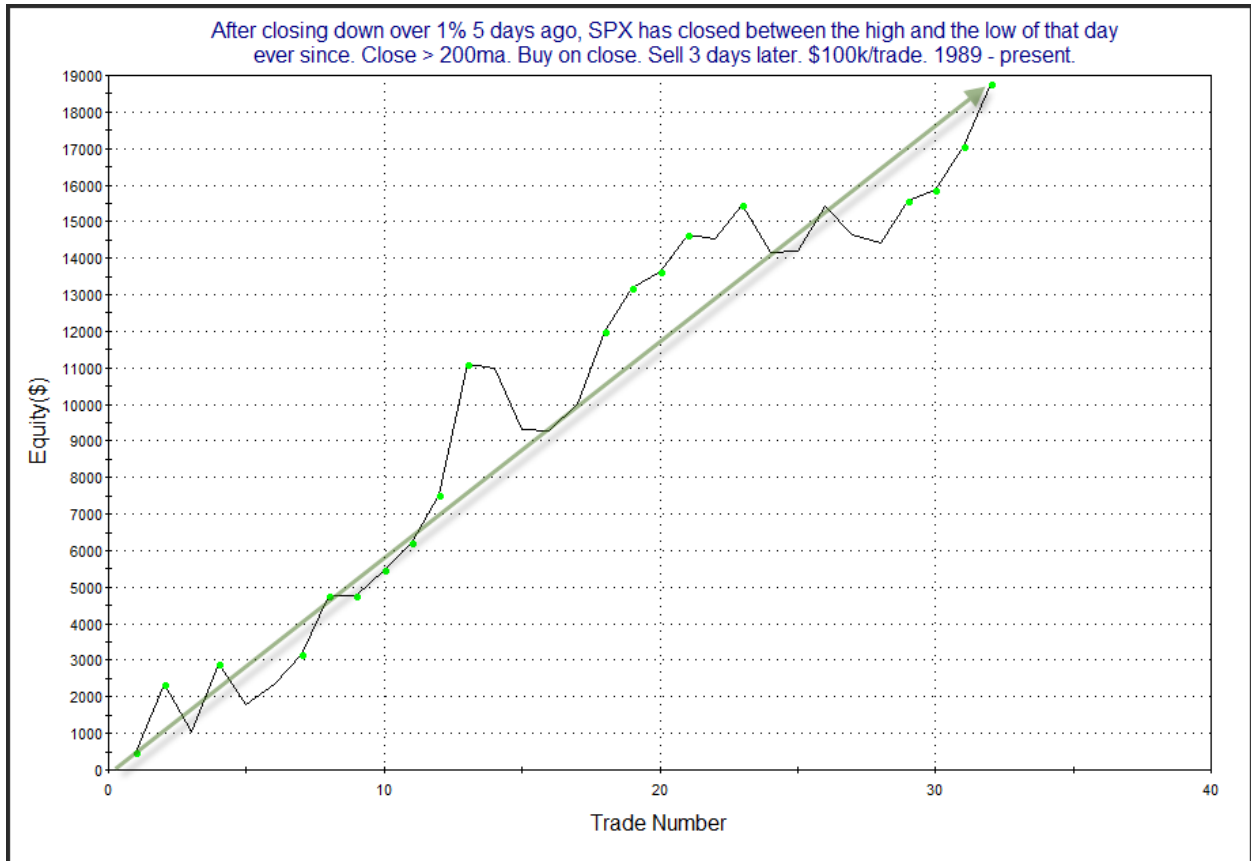
The Evidence

Thursday was a tough day for the market, although it did manage to close off its worst levels with a late rally. Still, the SPX finished down 0.8%, and the NASDAQ fell 1.3%, but the Russell 2000 lost 0.6%. Breadth was negative as the NYSE Up Issues % was 39% and the Up Volume % came in at 45%. NYSE total volume declined some from Wednesday’s level.

After a big down day last Thursday the market has chopped around and gone nowhere. In fact, it has closed within the range of that 1 bar every day for the last week. The bulls failed to follow through on the bounce, but the bears have not managed to drop the SPX back out of the range either. This triggered the study below, which I last discussed in the 5/2/18 Letter.

After closing down over 1% 5 days ago, SPX has closed between the high and the low of that day ever since. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1989 - 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	2,071.37	32	18	14	56.25	3,757.60	-5,937.53	1,806.18	-2,174.28	0.83	1.07	64.73
4	5,749.76	32	21	11	65.63	3,706.56	-3,003.89	1,274.16	-1,909.78	0.67	1.27	179.68
3	18,760.62	32	23	9	71.88	3,552.64	-1,683.76	1,109.01	-749.63	1.48	3.78	586.27
2	11,763.31	32	20	12	62.50	2,111.20	-2,003.25	1,020.95	-721.31	1.42	2.36	367.60
1	8,102.82	32	22	10	68.75	1,760.80	-1,663.20	699.92	-729.54	0.96	2.11	253.21

Over the last 31 years or so the SPX has burst higher out of this “failed selloff” and consolidation on a consistent basis. But the implications are only bullish for a few short days. After that there does not appear to be a decided edge for either the bulls or the bears. Below is a look at a 3-day profit curve.



The strong upslope serves as some confirmation of the bullish numbers. I have included this study on the active list tonight.

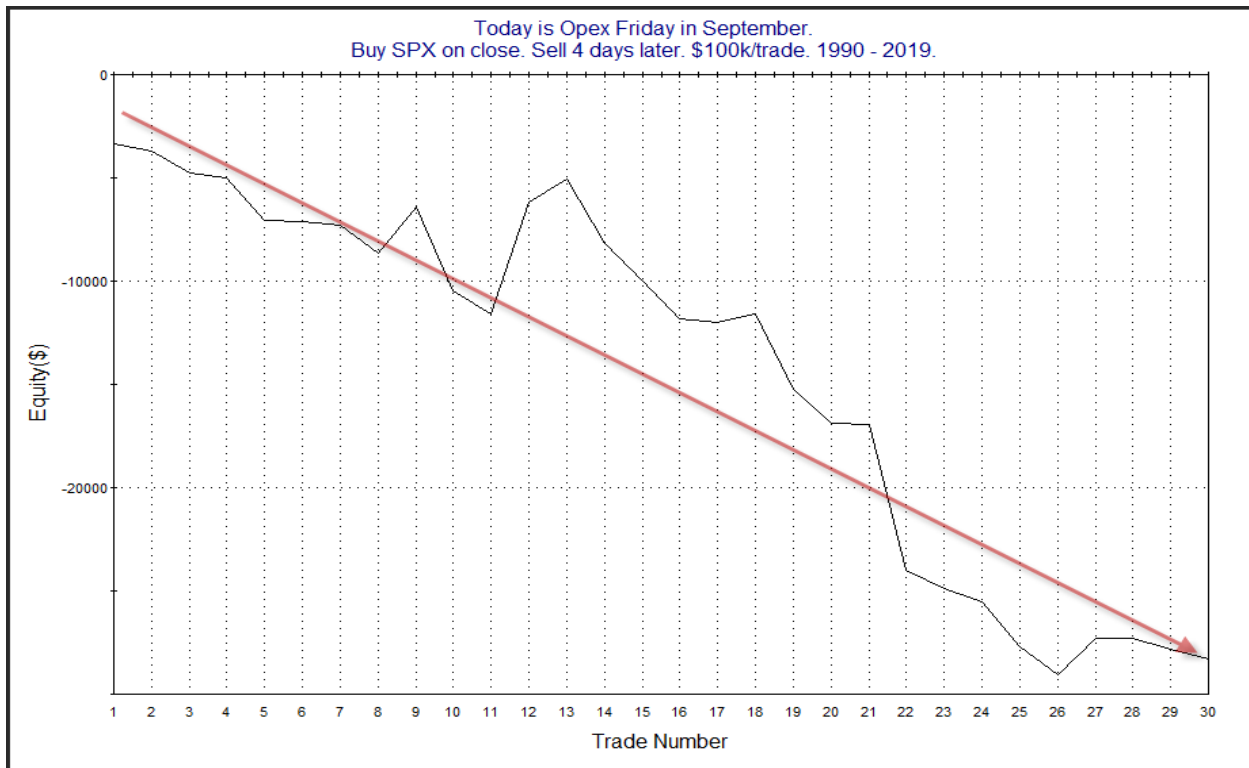
Last night I mentioned that the week after Opex in September has been the worst of the year for SPX. The study below was last seen in the 9/23/19 letter, and is updated once again this year.

Today is Opex Friday in September.
Buy SPX on close. Sell X days later. \$100k/trade. 1990 - 2019.

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	-28,213.36	30	6	24	20.00	7,739.42	-6,525.56	2,250.53	-1,738.19	1.29	0.32	-940.45
4	-28,292.45	30	6	24	20.00	5,439.43	-7,088.90	1,818.60	-1,633.50	1.11	0.28	-943.08
3	-20,360.64	30	7	23	23.33	4,508.00	-5,455.74	1,702.58	-1,403.42	1.21	0.37	-678.69
2	-17,720.91	30	9	21	30.00	4,786.41	-5,283.52	880.33	-1,221.14	0.72	0.31	-590.70
1	-9,648.71	30	8	22	26.67	3,877.95	-3,791.21	872.04	-755.68	1.15	0.42	-321.62

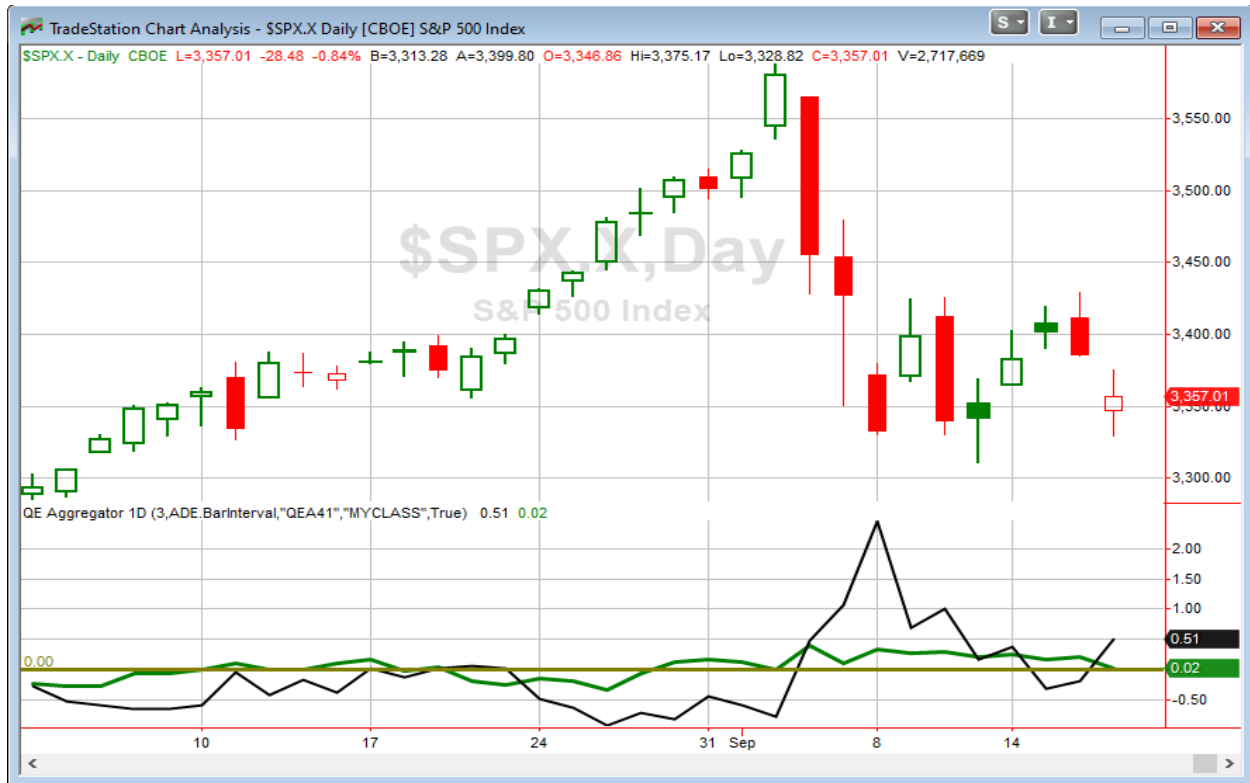
2001 & 2017 were the only years SPX failed to close below its entry price at some point in the next week.

The consistency and net results appear quite strong. I note the only instances that didn't post a lower close at some point during the following week were in 2001 and 2017. The 9/11 attacks certainly made for unusual circumstances in 2001, and 2017 did not see a decline, but it only rose 2 points total for the week, so it was not much of a victory for the bulls. Below is a look at a profit curve using a 4-day exit strategy.



That is a fairly steady decline. I have added this study to the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line remained slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line moved above 0. The positive Differential Line reading means that 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 turned long at the close.

Based on the current list of active studies, expectations are set to flip to negative on Friday. Of course this could change depending on what new evidence emerges. Meanwhile, the Differential Pivot will be 3421.82 on Friday. That is 1.9% above Thursday's close. So SPX would need to close up a sizable 1.9% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is now bullish. But we are going to need to see more bullish evidence emerge on Friday if that is to remain the case. With the "weakest week" set to arrive Monday, the market will be dealing with a seasonal headwind. So with volatile conditions, and mixed and mild evidence I am not seeing a good reason to take this Aggregator reading as a long signal. I'll remain sidelined and ready to pounce when a more compelling setup emerges.

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

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
BKNG(1/3)	9/11/2020	\$1,813.52	\$1,783.19	-1.67%		<i>sold on open</i>
BKNG(1/3)	9/14/2020	\$1,783.74	\$1,783.19	-0.03%		<i>sold on open</i>

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