

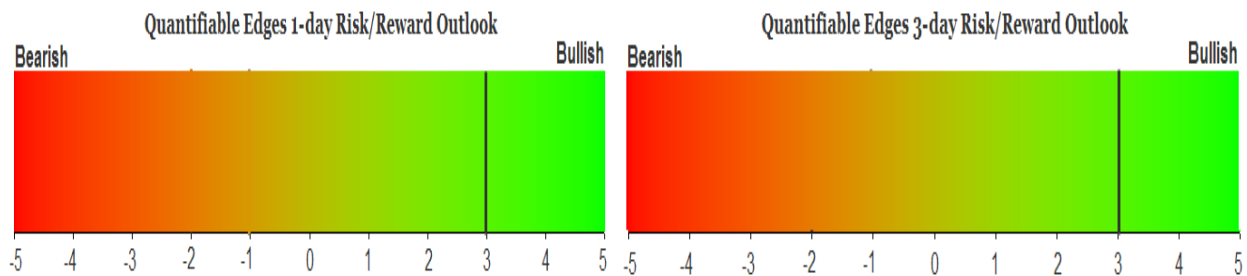
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 25, 2020

Volume 13 Issue 187

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The SPX pattern the last 2 days suggests bulls failed and then bears failed, and that has seen the edge swing back to the bulls historically.
- The intraday reversal from the 20-day low suggest more of a bounce in the next few days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, and the market looks likely to rise over the next few days.

**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
<b>Active - Short Term</b>						
September 25, 2020	Higher hi dn then lower low up < 10ma	1-5 days	Bullish			
September 25, 2020	20 Low yest. 20-intraday low higher cls	1-7 days	Bullish			
September 24, 2020	Outside day bottom 10% 10range > 200	1-5 days	Bullish			
September 24, 2020	System 110524	1-7 days	Bullish			
September 22, 2020	Unfilled gap dn from 10-low > 200	1-5 days	Bullish	3.50%	-2.90%	-7.00%
<b>Active - Long Term</b>						
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			
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
September 24, 2020	20-low Up 1, then 20-low	1 day	Bullish			

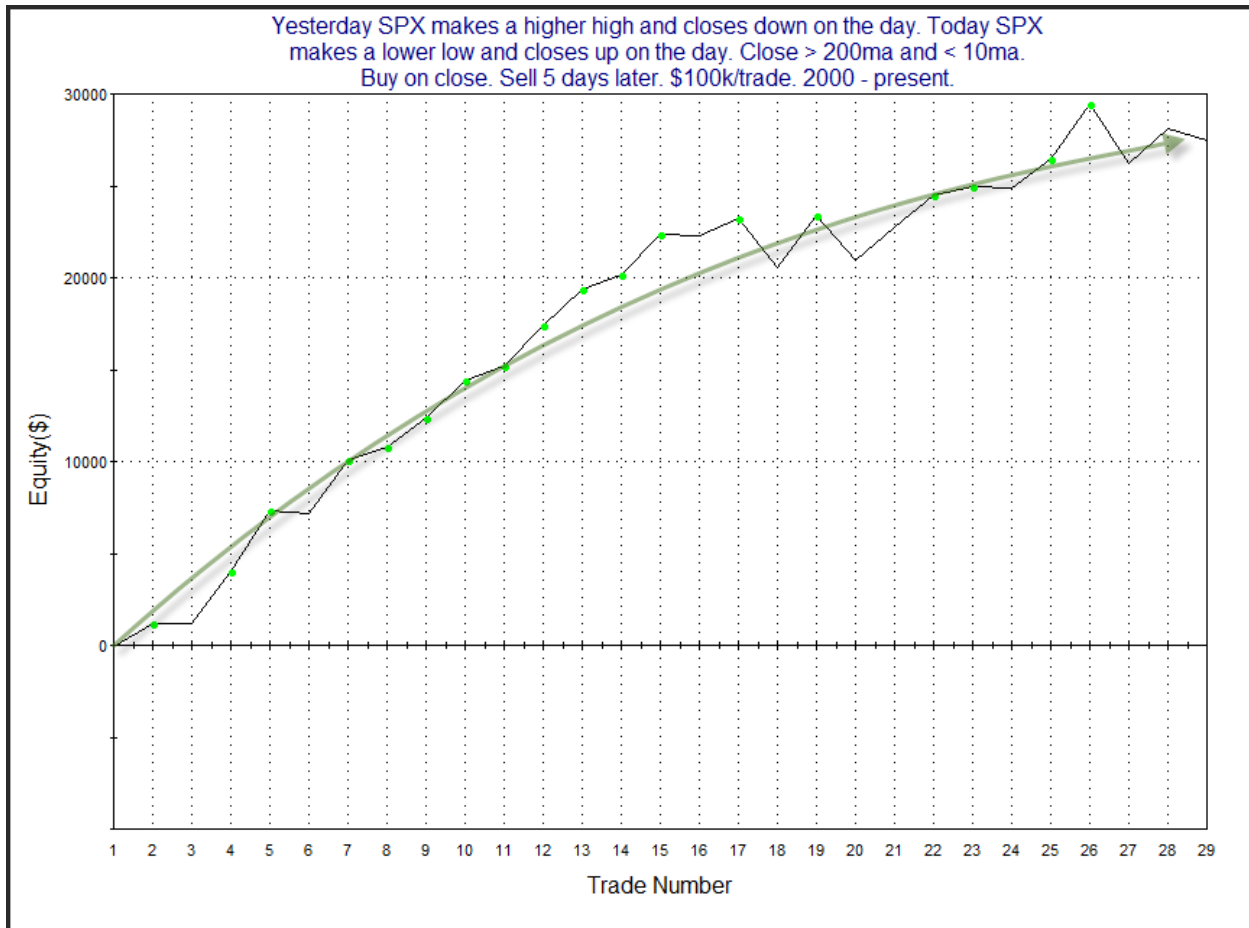
**The Evidence**

Thursday saw moderate gains for the indices. The SPX rose 0.3%, the NASDAQ gained 0.4%, and the Russell 2000 inched up 0.02%. Breadth was mixed as the NYSE Up Issues % was 49.6% and the Up Volume % came in at 58.4%. NYSE total volume declined some from Wednesday's level.

On Wednesday the bulls tried to make a move higher and failed, making for a higher high and a lower close. On Thursday the opposite happened for SPX. The bears failed in their attempt at a move lower. In the 9/14/20 Subscriber Letter I looked at two-day moves like this. I found results to be substantially different based on whether the market is near the top or the bottom of its short-term range. When the pattern occurs in the lower end of the short-term range it has been consistently bullish over the next 4-5 days. This can be seen in the below test, which I have updated.

Yesterday SPX makes a higher high and closes down on the day. Today SPX makes a lower low and closes up on the day. Close > 200ma and < 10ma. Buy on close. Sell X days later. \$100k/trade. 2000 - 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	27,447.48	29	20	9	68.97	3,344.64	-3,209.58	1,837.67	-1,033.99	1.78	3.95	946.46
4	21,944.94	30	25	5	83.33	2,345.07	-2,618.70	1,219.53	-1,708.68	0.71	3.57	731.50
3	9,699.30	30	20	10	66.67	2,224.32	-3,490.90	1,024.55	-1,079.17	0.95	1.90	323.31
2	5,501.39	30	18	12	60.00	2,967.00	-2,246.00	1,084.17	-1,167.81	0.93	1.39	183.38
1	4,014.69	30	16	14	53.33	1,712.28	-1,970.00	848.53	-682.98	1.24	1.42	133.82

Odds strongly favor a move higher and the profit factors are very impressive over the next 4-5 days. Below is an equity curve using a 5-day exit strategy to see how the edge has played out over time.



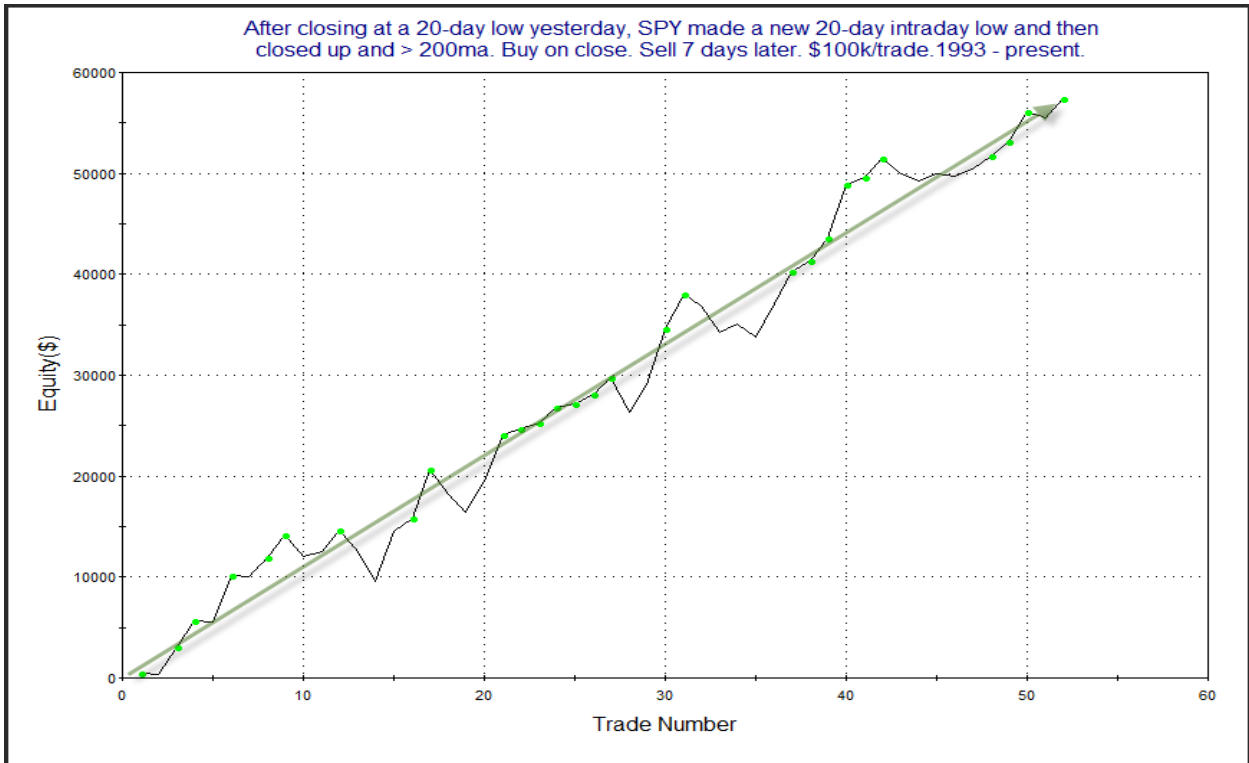
The persistent upslope is impressive. The failure of the bears to take control when the market pressed downward and made a lower low on Friday has potentially opened the door for the bulls.

And while SPY closed up on Thursday, it did first make a new intermediate-term intraday low. The study below was last seen in the 9/26/19 letter. It looks at reversals from intermediate-term lows like we saw on Thursday. All stats are updated.

After closing at a 20-day low yesterday, SPY made a new 20-day intraday low and then closed up and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

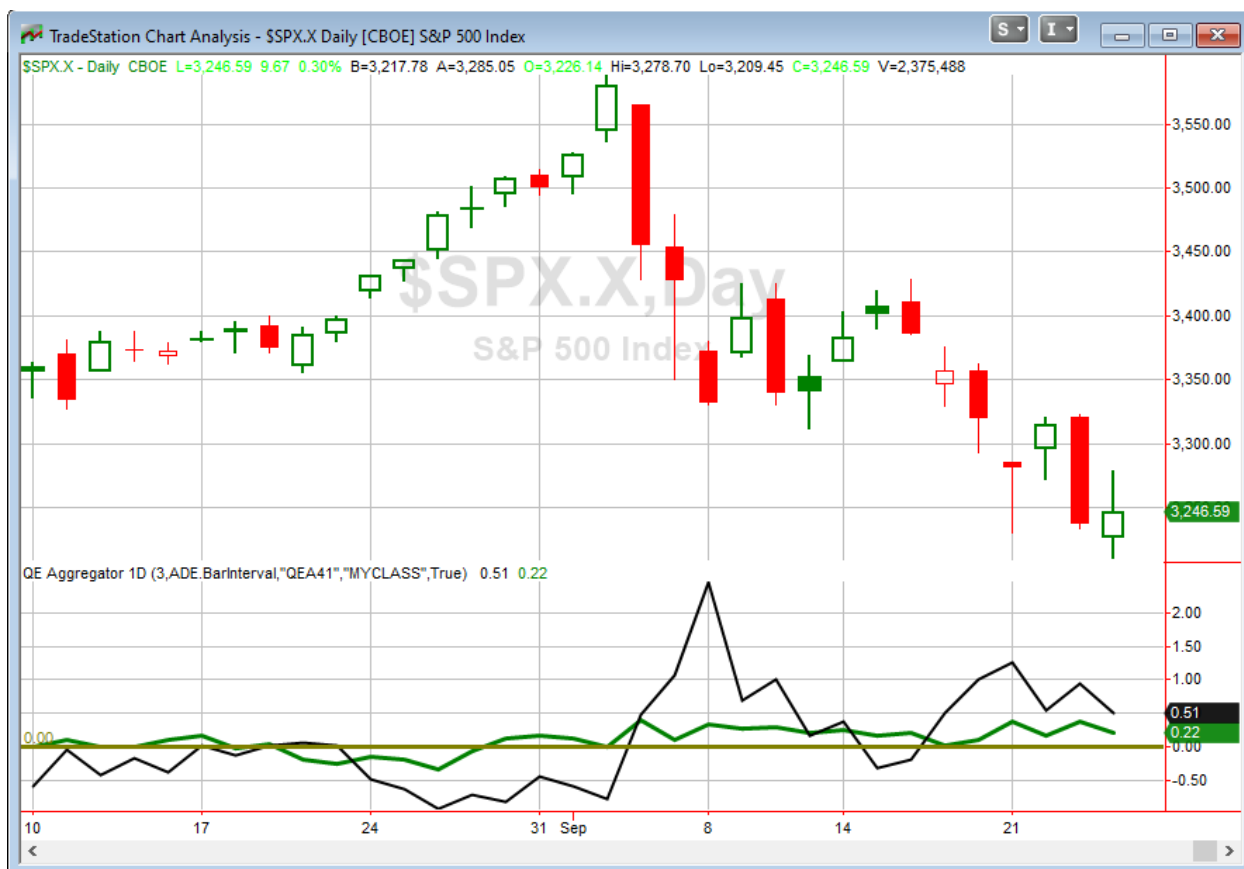
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	64,307.32	49	37	12	75.51	6,600.62	-3,844.83	2,256.89	-1,599.79	1.41	4.35	1,312.39
9	60,196.23	50	35	15	70.00	5,915.43	-4,258.20	2,484.22	-1,783.43	1.39	3.25	1,203.92
8	55,036.97	51	37	14	72.55	5,306.40	-4,268.86	2,271.18	-2,071.19	1.10	2.90	1,079.16
7	57,427.63	52	36	16	69.23	5,585.14	-3,531.11	2,242.66	-1,456.77	1.54	3.46	1,104.38
6	48,204.68	53	38	15	71.70	5,411.67	-3,952.19	1,970.53	-1,778.36	1.11	2.81	909.52
5	41,958.54	53	36	16	67.92	5,029.50	-3,450.35	1,755.54	-1,327.56	1.32	2.98	791.67
4	33,682.11	53	35	18	66.04	3,213.00	-2,284.36	1,486.89	-1,019.95	1.46	2.83	635.51
3	19,390.17	57	33	24	57.89	4,462.50	-3,560.24	1,344.83	-1,041.22	1.29	1.78	340.18
2	19,029.11	59	37	22	62.71	4,105.50	-4,266.50	1,254.34	-1,244.61	1.01	1.69	322.53
1	14,693.85	59	36	23	61.02	2,562.30	-2,512.28	946.63	-842.82	1.12	1.76	249.05

Results here seem to suggest a solid upside edge over the next 2 weeks. Much of the gains occurred in the 1st 7 days. Below is the 7-day profit curve.



The impressive upslope serves as some confirmation of the upside edge.

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 also held 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 stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 3335.04 on Friday. That is 2.7% above Thursday's close. Therefore, SPX will need to close up at least 2.7% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is pointing higher, and the market is oversold. The bounce appears to have more upside. I am already long 2 lots of SPY. I intend to hold those positions for the time being, looking for more of move upwards. I am not inclined to add a 3<sup>rd</sup> lot just yet.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 9/21 – neutral***

The intermediate-term outlook was last updated in the 9/21/20 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.*

**Non tonight.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	9/21/2020	\$325.70	\$323.50	-0.68%		Aggregator
SPY(1/4)	9/24/2020	\$321.22	\$323.50	0.71%		Aggregator

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