

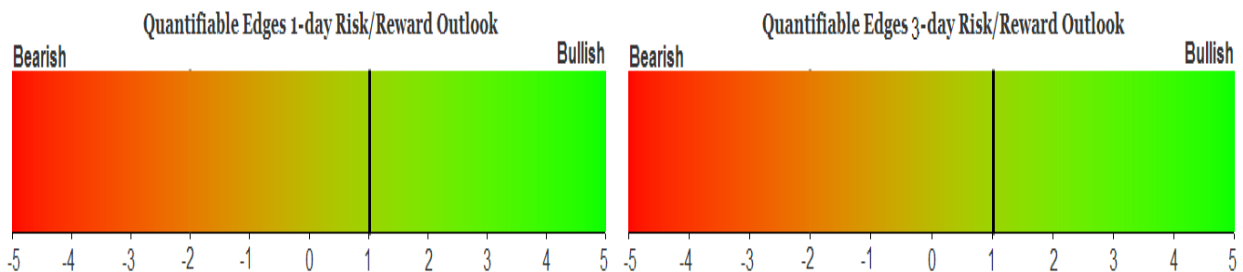
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 28, 2020

Volume 13 Issue 188

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The 2-day bounce to this point appears favorable for the bulls short-term.
- SPX closed lower for the 4th week in a row, but still above its 40-week moving average. Most of the time such pullbacks have been followed by a move higher over the next several weeks.
- The NASDAQ has taken over leading position – a positive for the bulls.
- The Fed continues to pump strongly.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but SPX will turn short-term overbought vs expectations on Monday unless there is substantial selling. So potential reward is limited and the Aggregator reading is set to change on Monday afternoon.

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 28, 2020	2 Days up < 3 ago studies	1-4 days	Bullish	2.00%	-1.00%	-2.05%
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%
Active - Long Term						
September 28, 2020	NASDAQ Leading	int term	Bullish			
September 28, 2020	4 weeks down > 40-week ma	1-10 weeks	Bullish	8.60%	-3.10%	-7.40%
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			

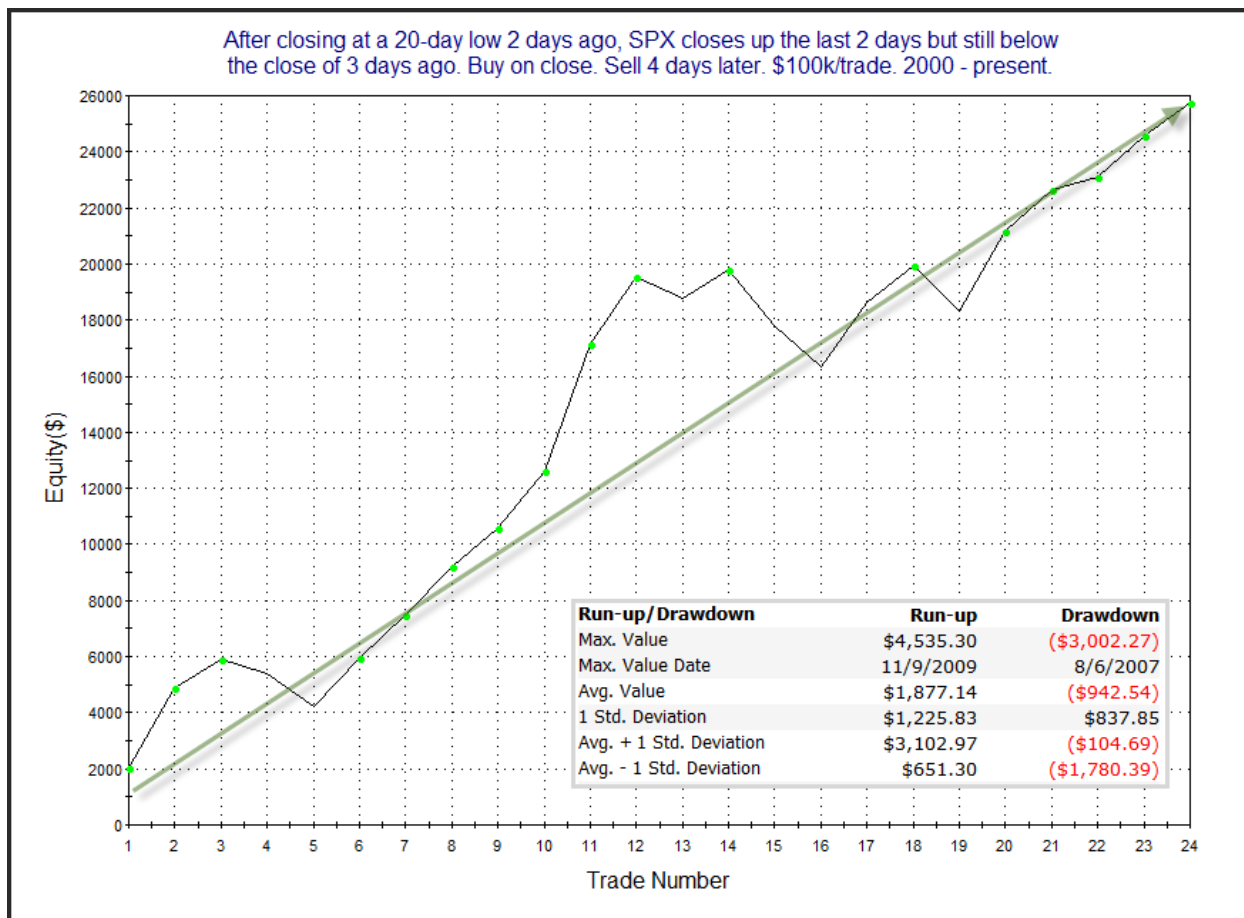
The Evidence

Friday was a rally day for the market. The SPX rose 1.6%, the NASDAQ gained 2.3%, and the Russell 2000 climbed 1.6%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 62%. NYSE total volume declined some from Wednesday's level.

The most compelling studies from the Quantifinder on Wednesday looked at 2-day bounces from lows that failed to make up for the losses of the down day just prior. The first one below was last seen in the 5/16/19 letter. The stats are all updated.

After closing at a 20-day low 2 days ago, SPX closes up the last 2 days but still below the close of 3 days ago. 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	19,743.00	24	16	8	66.67	4,522.00	-3,088.50	1,983.13	-1,498.39	1.32	2.65	822.63
4	25,721.95	24	18	6	75.00	4,528.65	-1,984.50	1,845.05	-1,248.16	1.48	4.43	1,071.75
3	20,669.20	25	19	6	76.00	2,891.90	-1,433.20	1,348.81	-826.36	1.63	5.17	826.77
2	15,367.77	25	17	8	68.00	3,844.65	-1,640.00	1,188.82	-605.28	1.96	4.17	614.71
1	6,354.36	25	14	11	56.00	2,699.42	-2,621.71	928.66	-604.26	1.54	1.96	254.17

The numbers above appear compelling. Below is the 3-day profit curve.



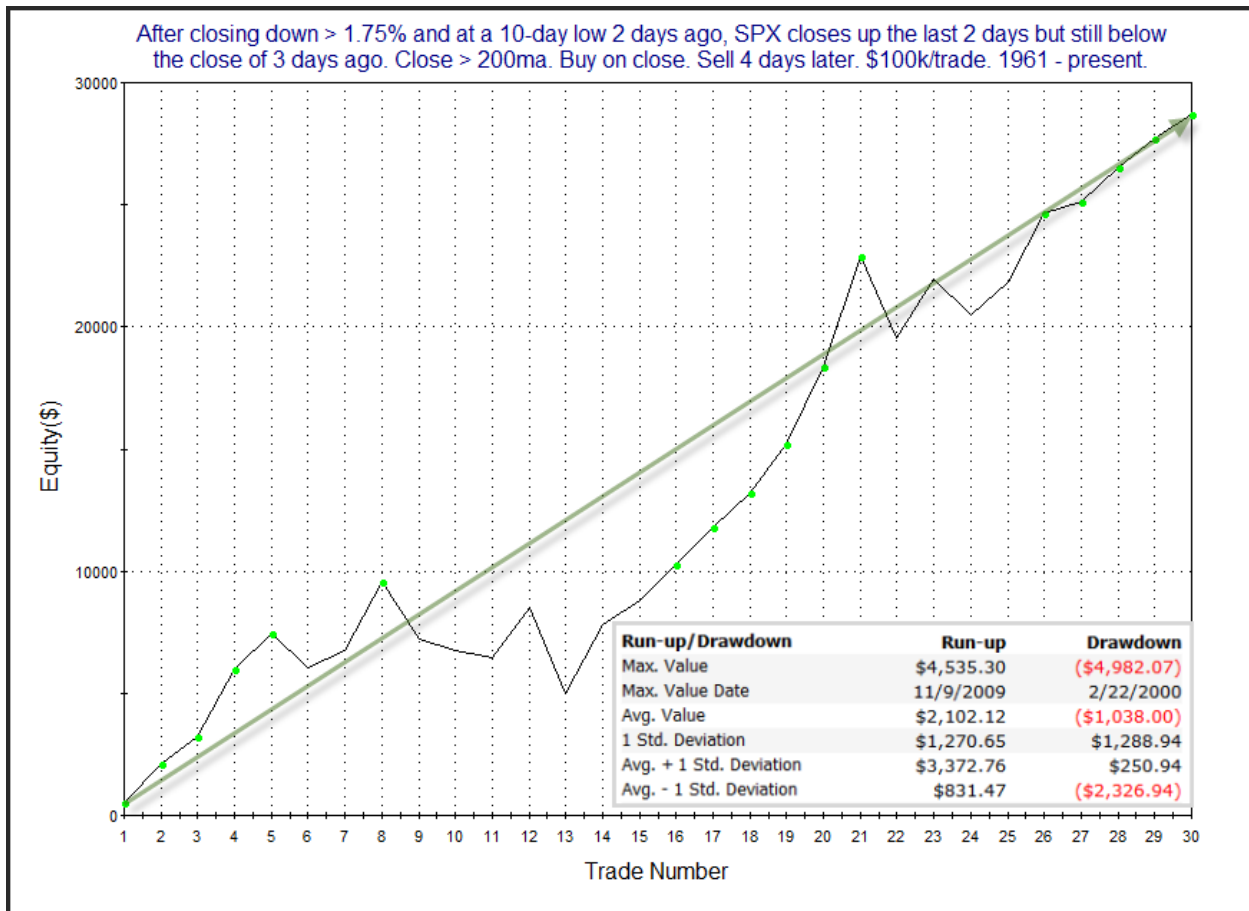
This is an impressive looking curve that supports the bullish inclinations suggested by the numbers.

A second study, also last seen in the 5/16/19 letter, looked at a similar setup. But it required a very large down day, and looked back further in time. Results below are updated.

After closing down > 1.75% and at a 10-day low 2 days ago, SPX closes up the last 2 days but still below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1961 - present.

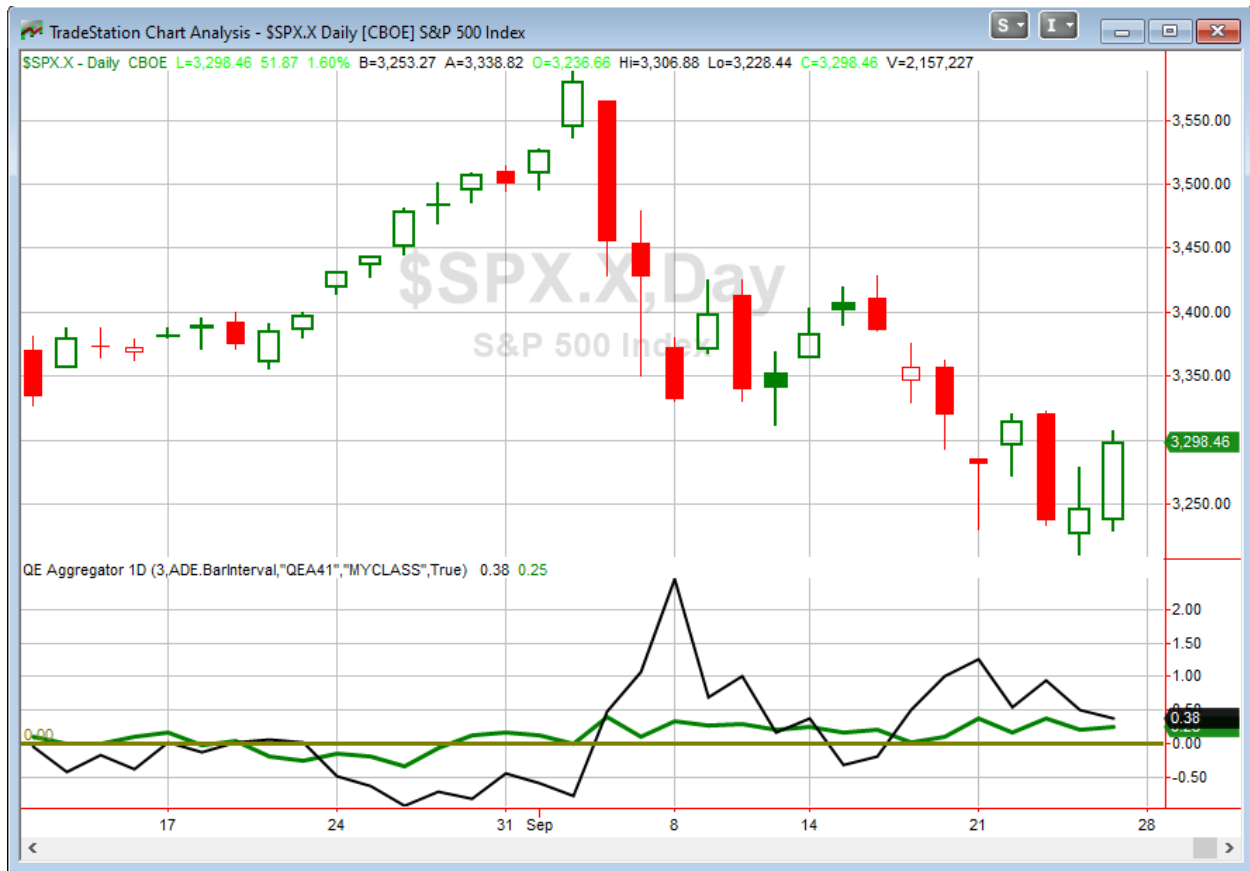
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	26,692.99	30	21	9	70.00	5,601.62	-6,447.66	2,164.86	-2,085.46	1.04	2.42	889.77
4	28,718.82	30	23	7	76.67	4,528.65	-3,541.48	1,809.81	-1,843.82	0.98	3.23	957.29
3	25,008.68	30	23	7	76.67	3,269.52	-3,973.16	1,564.33	-1,567.26	1.00	3.28	833.62
2	22,146.66	30	21	9	70.00	3,844.65	-1,919.22	1,395.41	-795.21	1.75	4.09	738.22
1	10,912.34	30	19	11	63.33	2,699.42	-1,647.38	1,007.82	-748.74	1.35	2.32	363.74

Results look very favorable for the bulls. Below is a look at a 3-day profit curve.



Not perfect, but still a solid looking move up that is again making new highs. I have included this combination of studies 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 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 Monday. This is unlikely to change. Meanwhile, the Differential Pivot will be *inverted at 3265.78* on Monday. That is about 1.0% *below* Friday'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 about 1% in order to remain oversold. Anything less than that and it will be considered overbought vs expectations as of Monday's close.

So the Aggregator is still bullish. But with the inverted pivot that means that upside is quite limited. Unless there is a sizable decline on Monday the Aggregator reading will be either neutral or bearish as of Monday's close. I often view inverted pivots as opportune times to take profits. And that is what I intend to do on Monday. I'll look to scale out of my SPY lots if I can get favorable fills on Monday.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 9/28 – slightly bullish*

Combo #1	Combo #2	Combo #3
Long	Long	Long

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week we saw Combo System #3 change from flat to long.*

This past week was mostly lower for the indices. The SPX lost 0.6%, and the NASDAQ rose 1.1%, and the Russell 2000 tumbled 4.0%. The SPX and NASDAQ closed at 1-month lows on Friday. The NASDAQ outperformance did help it to take back the lead from SPX with our lead/lag indicator. This can be seen in the chart below, copied from the website:

NASDAQ/S&P 500 Relative Strength Weekly



The movement of the red line (which is about to turn green) above the blue line is our indication that the NASDAQ is in a leading position. Since 1971, the market has performed substantially better when the NASDAQ has been leading. More on this indicator can be found in the Market

Timing Course, which is free and available to all annual subscribers, or on its page (which can be found by clicking on the chart on the charts page). <http://quantifiableedges.com/nasdaq-weekly-strength-model/>

This past week was the 4th week in a row that the SPX declined. In the 8/26/19 letter I looked at other times the SPX closed down for the 4th week in a row, but still remained above its 40-week moving average. Updated results of that study can be found below.

SPX closes down for the 4th week in a row but above the 40-week moving average. Buy on close. Sell X weeks later. \$100k/trade. 1975 - 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	81,634.26	14	13	1	92.86	21,376.21	-9,879.00	7,039.48	-9,879.00	0.71	9.26	5,831.02
9	80,017.91	14	11	3	78.57	18,486.80	-2,911.50	7,654.35	-1,393.32	5.49	20.14	5,715.56
8	63,094.65	14	11	3	78.57	15,511.51	-7,373.36	6,502.91	-2,812.47	2.31	8.48	4,506.76
7	61,557.19	15	11	4	73.33	16,927.40	-5,653.16	6,393.41	-2,192.57	2.92	8.02	4,103.81
6	63,328.25	15	10	5	66.67	16,611.00	-2,588.34	6,908.62	-1,151.60	6.00	12.00	4,221.88
5	52,320.14	15	11	4	73.33	14,120.48	-4,272.89	5,994.24	-3,404.13	1.76	4.84	3,488.01
4	43,627.12	15	10	5	66.67	14,842.55	-5,046.86	5,989.73	-3,254.04	1.84	3.68	2,908.47
3	34,770.83	15	12	3	80.00	12,243.55	-8,350.96	4,048.23	-4,602.66	0.88	3.52	2,318.06
2	27,588.69	15	11	4	73.33	11,314.69	-4,509.00	3,620.36	-3,058.81	1.18	3.25	1,839.25
1	20,613.24	15	12	3	80.00	6,921.25	-2,652.75	2,217.80	-2,000.10	1.11	4.44	1,374.22

These results are suggestive of an upside edge over the next several weeks. Below I have listed all 14 non-overlapping instances using a 10-week exit strategy.

SPX closes down for the 4th week in a row but above the 40-week moving average.
Buy on close. Sell 10 weeks later. \$100k/trade. 1975 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
8/8/1975	Buy	\$86.02	3.30%	\$5,554.36
10/17/1975	Sell	\$88.86		(\$5,170.90)
6/4/1976	Buy	\$99.15	5.14%	\$7,691.04
8/13/1976	Sell	\$104.25		(\$1,189.44)
7/7/1978	Buy	\$94.89	9.73%	\$13,857.48
9/15/1978	Sell	\$104.12		(\$642.33)
11/4/1983	Buy	\$162.44	2.82%	\$4,366.50
1/13/1984	Sell	\$167.02		(\$528.90)
8/16/1985	Buy	\$186.10	0.76%	\$1,793.58
10/25/1985	Sell	\$187.52		(\$3,576.42)
8/26/1988	Buy	\$259.67	6.41%	\$9,343.95
11/4/1988	Sell	\$276.31		(\$1,039.50)
6/26/1992	Buy	\$403.44	3.38%	\$5,357.43
9/4/1992	Sell	\$417.08		\$0.00
4/4/1997	Buy	\$757.90	17.86%	\$17,919.49
6/13/1997	Sell	\$893.27		(\$3,191.16)
8/14/1998	Buy	\$1,062.74	0.74%	\$4,126.60
10/23/1998	Sell	\$1,070.65		(\$13,107.36)
5/21/2004	Buy	\$1,093.59	0.74%	\$4,800.25
7/30/2004	Sell	\$1,101.72		(\$1,347.71)
7/10/2009	Buy	\$879.13	21.52%	\$22,033.87
9/18/2009	Sell	\$1,068.30		(\$430.53)
2/5/2010	Buy	\$1,066.19	11.81%	\$13,738.89
4/16/2010	Sell	\$1,192.13		(\$900.24)
5/27/2011	Buy	\$1,331.10	-9.90%	\$1,903.50
8/5/2011	Sell	\$1,199.38		(\$12,225.75)
8/23/2019	Buy	\$2,847.11	7.72%	\$7,694.40
11/1/2019	Sell	\$3,066.91		\$0.00

The 2011 instance did not work out at all. Most everything else looks encouraging. I have added this study to the intermediate-term active list.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

« As of 09/16/2020

DOMESTIC SECURITIES HOLDINGS AS OF
September 23, 2020

Summary T-Bills T-Notes and T-Bonds FRN TIPS Agencies

Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	3,763,734,562.0
US Treasury Floating Rate Notes (FRN)	16,096,475.3
US Treasury Inflation-Protected Securities (TIPS)*	285,917,826.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,015,471,411.2
Agency Commercial Mortgage-Backed Securities***	9,396,550.3
Total SOMA Holdings	6,419,007,824.8
Change From Prior Week	43,968,743.3

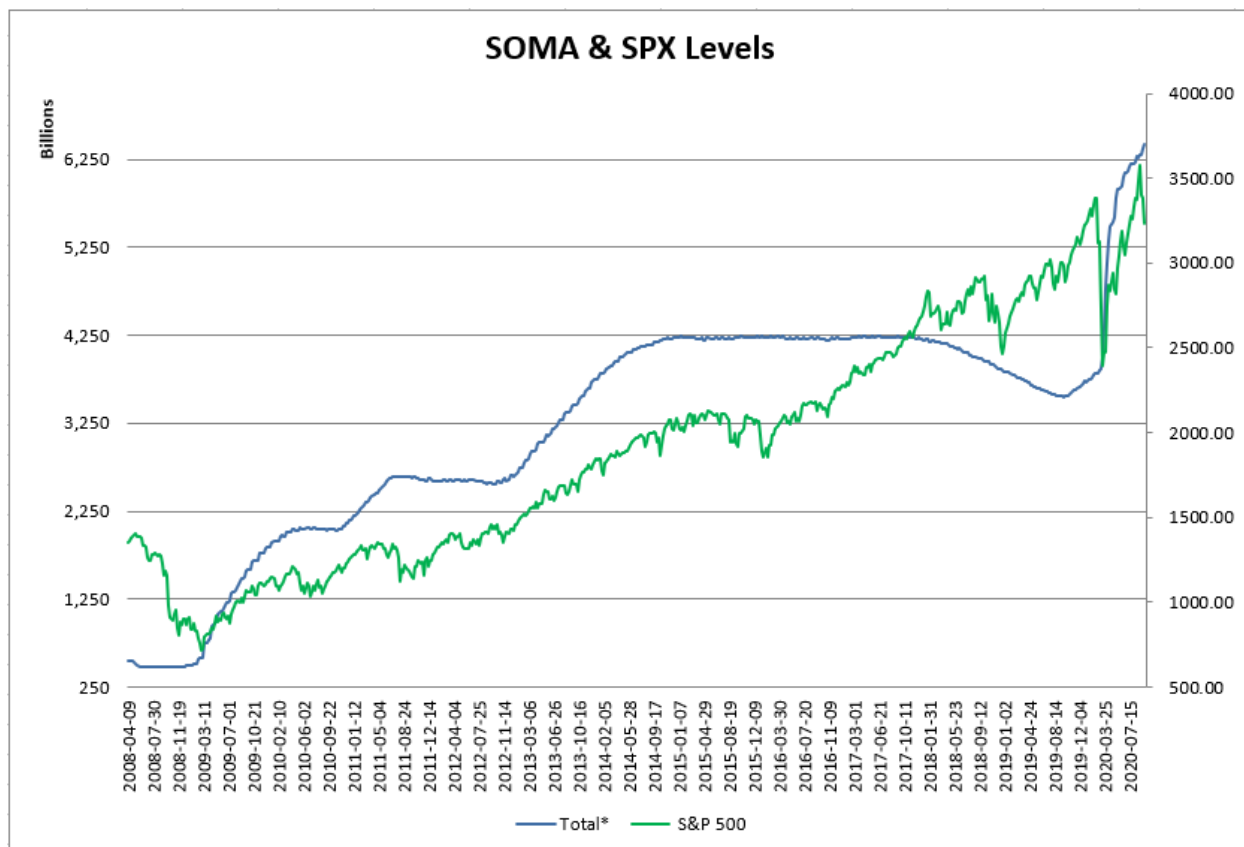
*Does not reflect inflation compensation of 39,730,582.

**Fannie Mae, Freddie Mac and Federal Home Loan Bank

***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

Data posted on 09/24/2020 4:30pm.

This past week saw the SOMA rise by a very large \$44 billion. The Fed is still pumping strongly, and I am not seeing anything that would lead me to believe that is about to stop. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is in the midst of the largest expansion in history, and the expansion is not likely to end anytime soon. We have seen some wiggles in the SOMA in the last couple of months, as not every week has seen strong buying. That is normal calendar-induced wiggling, similar to what we saw with earlier QE expansions. You'll note on the chart the same type of pattern during 2009 and 2013-14. The Fed has indicated they will remain aggressive in their efforts to stimulate the economy. And that is good for the market for as long as it lasts.

With the addition of the 4-week pullback study, and the NASDAQ retaking a leading position, I have decided to move my intermediate-term outlook from "neutral" to "slightly bullish". This may be a little early, but I am not seeing compelling quantitative evidence suggesting the selloff is likely to turn into something substantially worse just yet. The continued Fed support also remains a big plus for the bulls. Of course, there are plenty of risks to consider. The political atmosphere and upcoming election, with the 1st debate scheduled for Tuesday night, could certainly generate worry in the markets. COVID is still here, unemployment is very high, and the economy in general is struggling. Fiscal stimulus is likely needed, but congress can't manage to agree on a package, and may not agree on anything until at least the election is over. And the way things are going, Wall St. is worried the election will not be over on Nov 3rd. It could drag on for substantially longer as votes are recounted and argued about. Still, I think the market has enough going for it right now

that I would lean slightly bullish for the intermediate-term. This could quickly change, though. An open mind may be very important over the next several months. I certainly don't expect a quiet, gentle, rise for the last quarter of the year.

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
SPY(1/4)	9/21/2020	\$325.70	\$328.73	0.93%		<i>sell @ \$328.73 LIMIT</i>
SPY(1/4)	9/24/2020	\$321.22	\$328.73	2.34%		<i>sell @ \$328.50 limit on close</i>

I will look to get out of half of my SPY position as early as the open, and the rest at the close, at the limit prices shown.

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Hanna Capital Management, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2020 Quantifiable Edges, LLC.