

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 29, 2020

Volume 13 Issue 189

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- After going an extended period of time without closing above the 10ma, SPX managed to do so today. When in a long-term uptrend, that has often led to further gains.

Short-term Outlook

The Bottom Line

With SPX now overbought, the Aggregator has changed to neutral. I do not see a compelling edge at the moment.

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%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
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%
September 24, 2020	Outside day bottom 10% 10range >	1-5 days	Bullish			
September 25, 2020	20 Low yest. 20-intraday low high	1-7 days	Bullish			
September 25, 2020	Higher hi dn then lower low up < 10	1-5 days	Bullish			

The Evidence

Monday started strong and then held on nicely. The SPX finished up 1.6%, the NASDAQ gained 1.9%, and the Russell 2000 climbed 2.4%. Breadth was positive as the NYSE Up Issues % was 84% and the Up Volume % came in at 82%. NYSE total volume rose some from Friday's level.

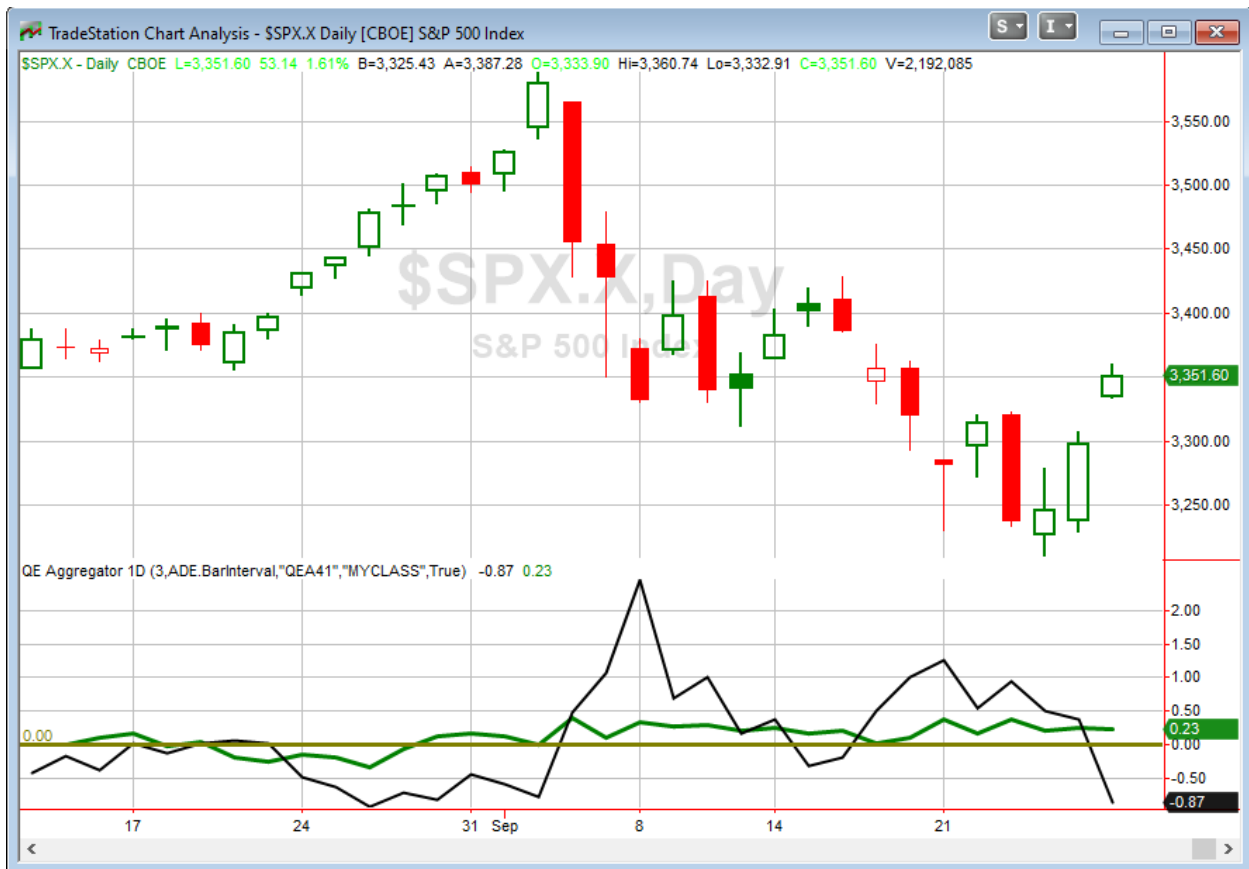
Monday was the 1st day that SPX closed above its 10ma since September 2nd. So prior to today that was a run of 16 days in a row below the 10ma. When the market is above its 200ma, that is quite unusual. The study below looked back at other times during uptrends that SPX moved above its 10ma after closing below it for at least 3 weeks. It was last seen in the 9/5/13 letter. This is the 1st time since 2013 that the study has triggered.

SPX closes above the 10ma after closing below it for at least 15 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	266.78	12	8	4	66.67	4,346.40	-11,602.12	2,768.54	-5,470.38	0.51	1.01	22.23
9	5,120.98	12	8	4	66.67	4,191.90	-6,371.60	2,438.45	-3,596.66	0.68	1.36	426.75
8	10,063.65	12	8	4	66.67	4,436.82	-4,917.08	2,432.73	-2,349.54	1.04	2.07	838.64
7	12,124.72	12	10	2	83.33	4,151.08	-3,822.96	1,725.49	-2,565.10	0.67	3.36	1,010.39
6	11,164.27	12	10	2	83.33	3,821.38	-3,349.68	1,581.07	-2,323.21	0.68	3.40	930.36
5	8,599.82	12	10	2	83.33	4,176.20	-3,519.00	1,361.75	-2,508.86	0.54	2.71	716.65
4	4,665.84	12	7	5	58.33	2,517.97	-4,068.00	1,563.31	-1,255.47	1.25	1.74	388.82
3	2,666.70	12	10	2	83.33	1,943.76	-4,078.50	892.60	-3,129.63	0.29	1.43	222.23
2	4,152.12	12	8	4	66.67	1,773.59	-1,656.75	942.89	-847.74	1.11	2.22	346.01
1	-2,693.00	12	5	7	41.67	1,613.68	-1,480.36	478.53	-726.52	0.66	0.47	-224.42

We see here some suggestion of an upside edge. But the instances over the last 40 years have been very light, with today's instance being the 1st in 7 years. Additionally, results are choppy and inconsistent over the 1st few days. Therefore, while it suggests we could see some follow-through over the next week or so, I have not added this study to the active list tonight.

Other studies I looked at tonight showed a similar message, the current rally from an intermediate-term low during a long-term uptrend appeared to suggest more of an upside edge than a downside edge. But the edge was very mild, and results not terribly consistent. So I won't be adding anything new to the active list tonight. I will also note that the rally the last 2 days was strong enough that it caused several studies that were on the active list last night to meet their upside targets and be removed tonight. So the list has shrunk substantially.

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



With tonight's changes 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 down below 0. The negative Differential Line reading means that SPX is

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 Tuesday. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3269.42 on Tuesday. That is about 2.5% below Monday's close. Therefore it would take a very strong 2.5% decline on Tuesday in order for SPX to flip from overbought to oversold vs recent expectations.

So the Aggregator is now neutral. There appears to be more upside potential based on the active studies, but with the market now substantially overbought, risks are elevated and potential reward much lower. I already exited my SPY positions on Monday. I do not intend to jump back in until a more compelling edge emerges.

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

The intermediate-term outlook was last updated in the 9/28/20 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
<i>SPY(1/4)</i>	<i>9/21/2020</i>	<i>\$325.70</i>	<i>\$333.22</i>	<i>2.31%</i>		<i>sold on open</i>
<i>SPY(1/4)</i>	<i>9/24/2020</i>	<i>\$321.22</i>	<i>\$334.19</i>	<i>4.04%</i>		<i>sold on close</i>

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