

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 30, 2020

Volume 13 Issue 190

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- With SPY down a fair amount, but still not filling the gap from the day before, we could see additional selling on Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

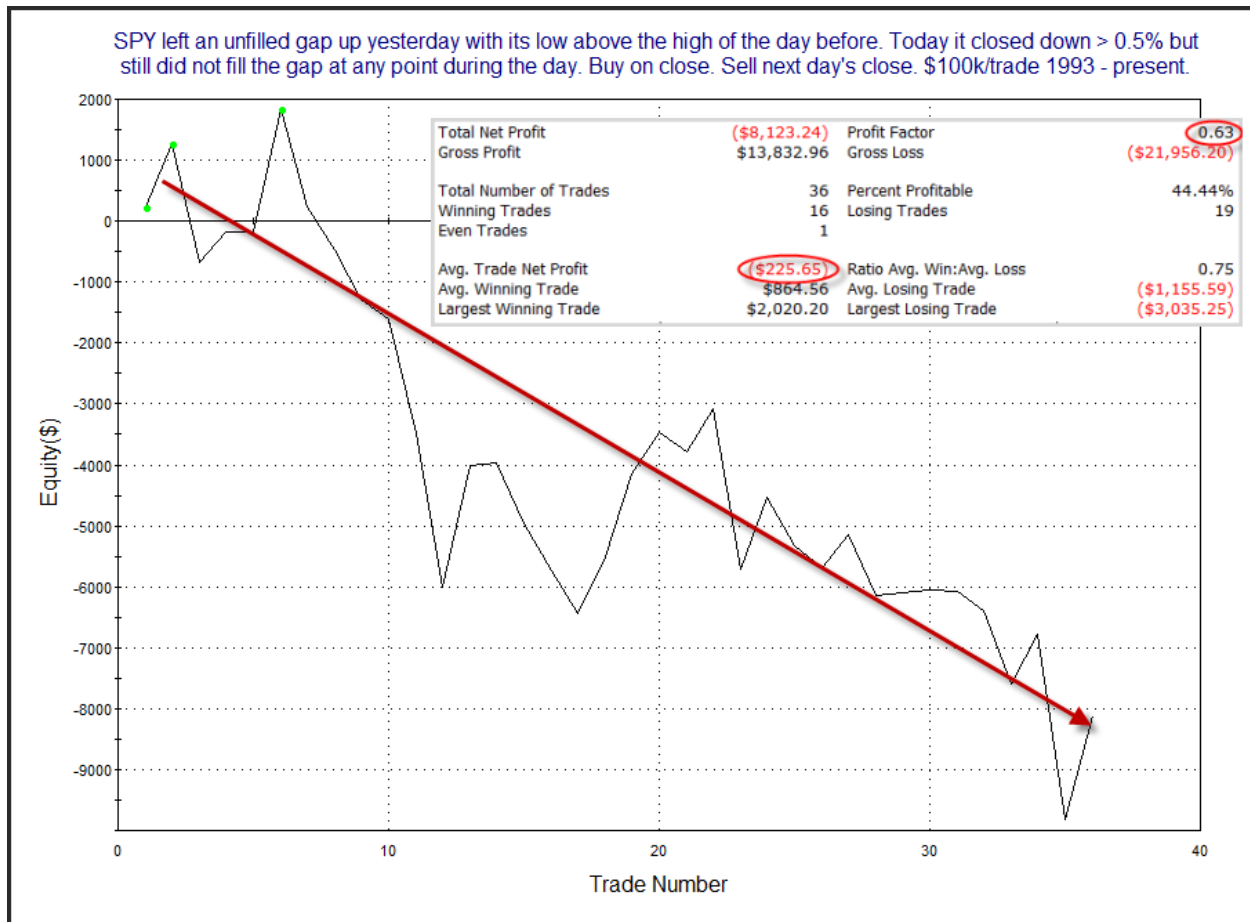
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 30, 2020	SPY down > 0.5%. No fill yest gap.	1 day	Bearish			
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			

The Evidence

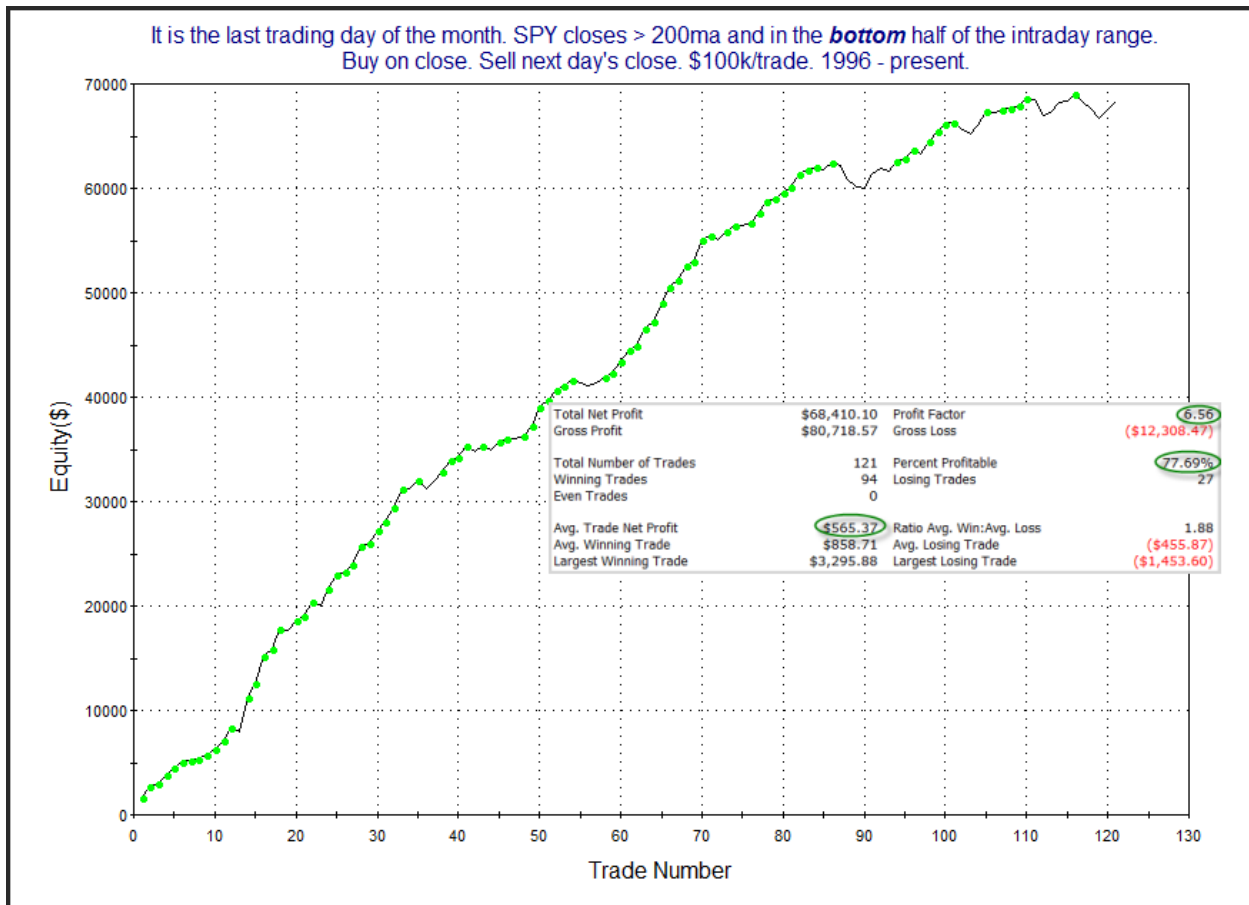
Tuesday saw a moderate pullback for the market. The SPX finished down 0.5%, the NASDAQ declined 0.3%, and the Russell 2000 lost 0.4%. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % came in at 29%. NYSE total volume declined some from Monday's level.

Despite the selloff, SPY still did not fill the large upside gap it left on the chart on Monday. The study below looks at other instances where a pullback of over 0.5% could not fill the gap left the day before while the market was in a long-term uptrend. It is updated from the 8/21/19 letter.



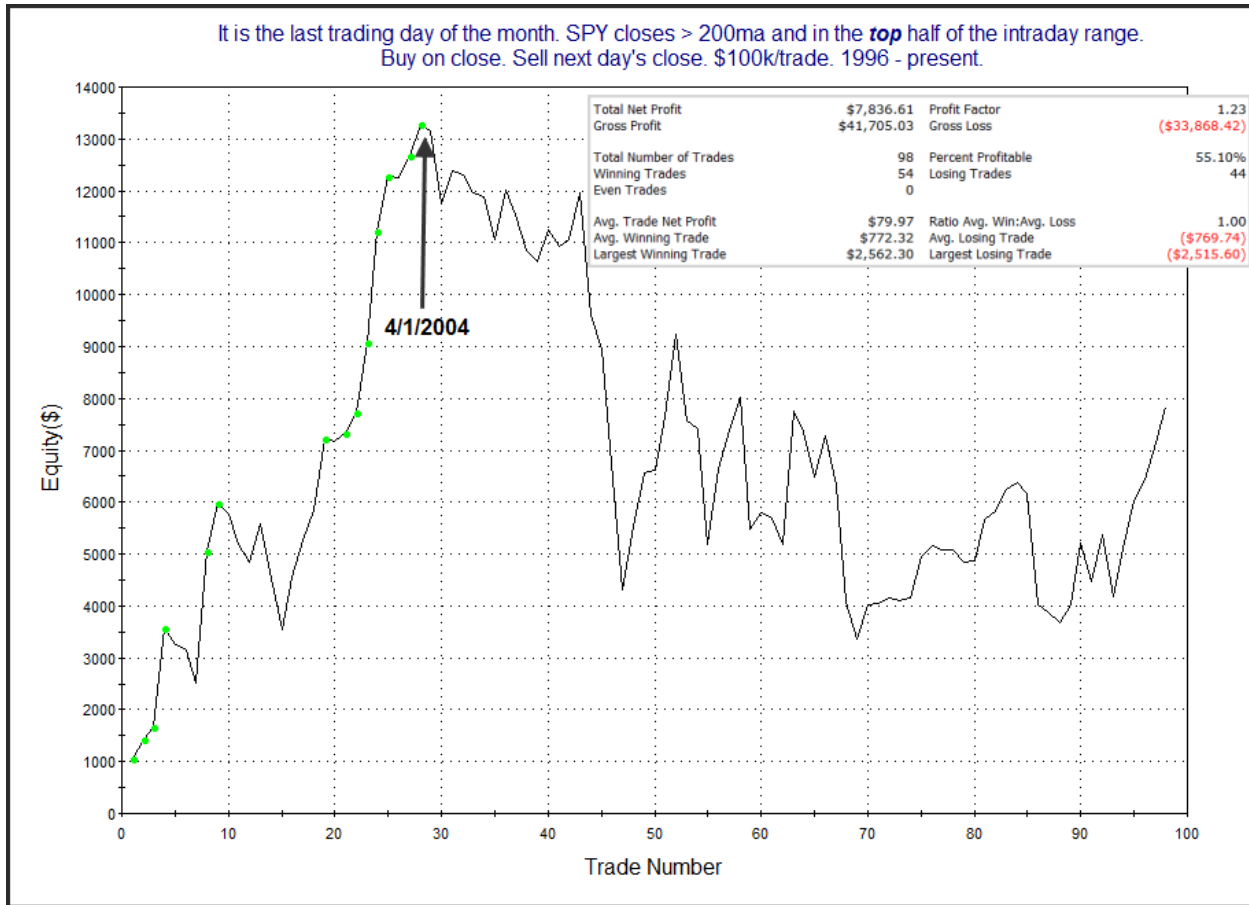
The stats are somewhat negative. The curve has made its way from upper left to lower right, though it has certainly been a choppy ride. As a 1-day study this may be worth some consideration, so I elected to include it on the active list tonight. Traders may take another stab at filling the gap on Wednesday.

Something to keep an eye on for tomorrow is whether the market closes in the upper or lower half of the day's range. The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. This can be seen in the studies below, which also use a 200ma filter. I have shown them many times over the years. First let's look at times the market closed in the bottom half of its range on the last day of the month



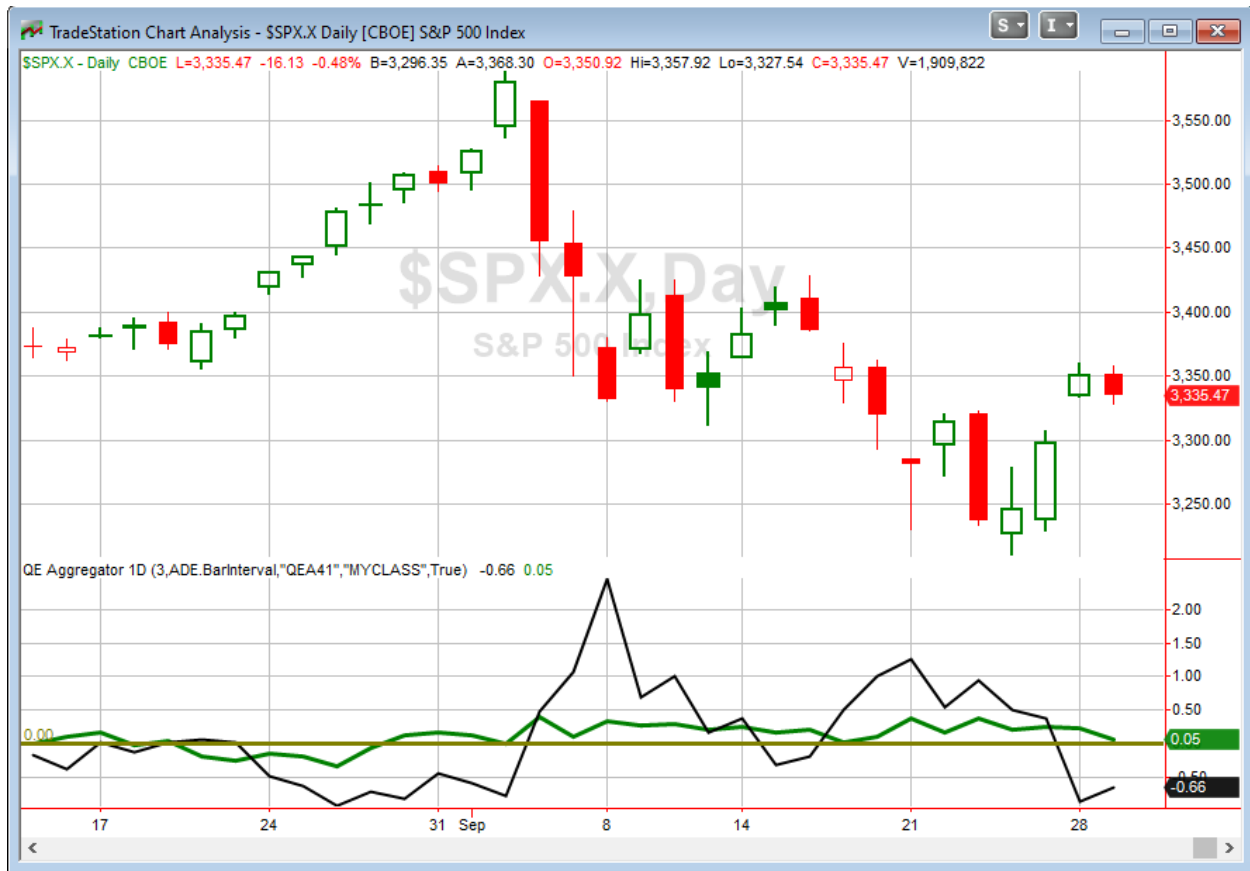
The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 6.5x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 121 instances. And despite a few recent failures, the curve has shown progress over a long period of time. This setup certainly appears to provide a 1-day bullish edge.

But what about times where SPY closed in the top half of its intraday range?



We see here the upside edge nearly completely wiped away. And since 2004 there have been (inconsistent) net losses. The 1st day of the month has performed much better with some afternoon selling leading up to the day. This will be worth watching on Wednesday.

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



With tonight's evidence considered, the green Aggregator Line held just slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3325.48 on Wednesday. That is about 0.3% below Tuesday's close. Therefore, SPX will need to close down at least 0.3% on Wednesday in order to switch from overbought to oversold versus expectations.

So the Aggregator is again neutral. And I do not have a strong short-term opinion. The presidential debate tonight has the potential to spark a sharp move one way or the other. If that happens, we may see a clearer directional edge emerge. For now, I'll remain sidelined until a better opportunity avails itself.

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

None.

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