

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 2, 2021

Volume 14 Issue 169

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Nothing compelling emerged on Wednesday, but Friday's Employment Report could provide a boost to the market.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. The market is quiet. Evidence is light. But Friday could set up nicely for a gain if Thursday does not rally too much.

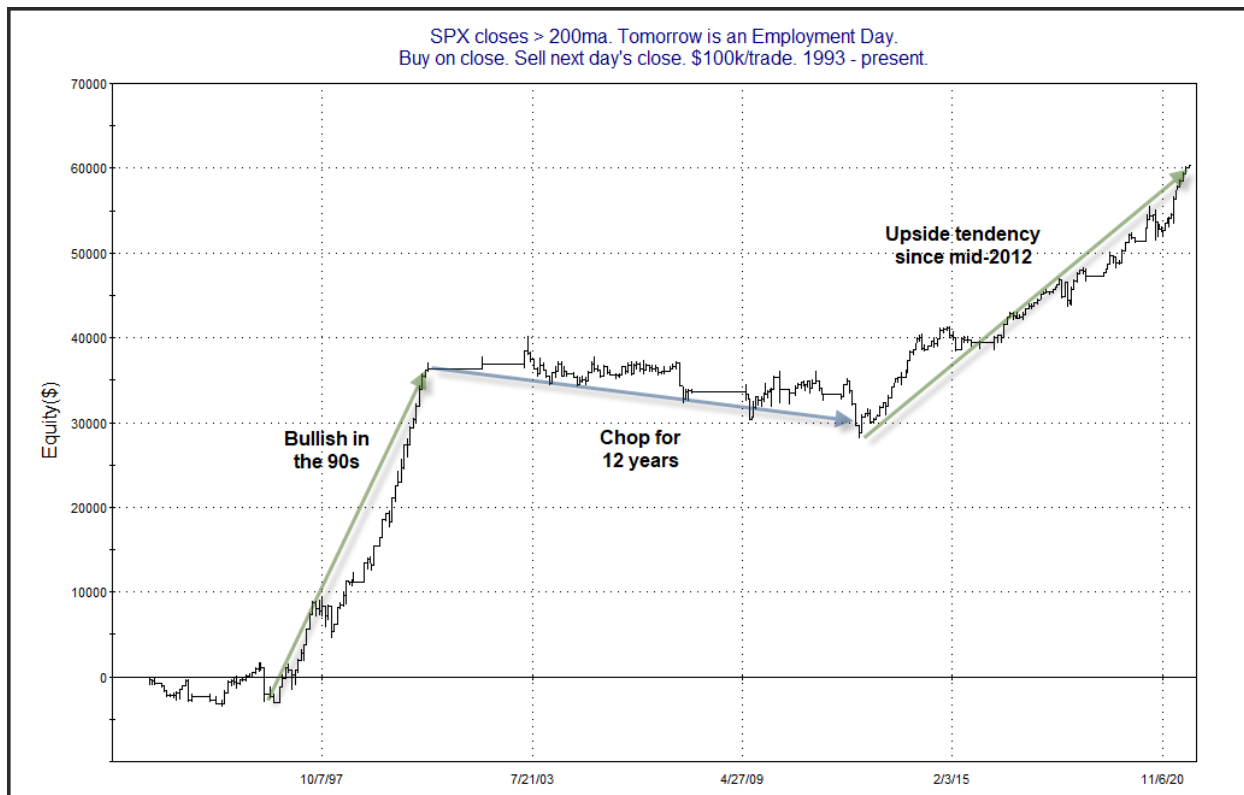
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
August 30, 2021	NASDAQ Leading	int term	Bullish			
August 18, 2021	Up 5 days then down < 3 days ago	1-11 days	Bullish			
July 8, 2021	Russell btm 25% 20-day rng. SPX top 25%	1-40 days	Bullish			
July 6, 2021	SPX 200 hi. Mc Osc < 0 12 days in row	1-45 days	Bearish	-6.50%	2.45%	4.50%
May 3, 2021	Worst 6 Months	1-6 months	Bearish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

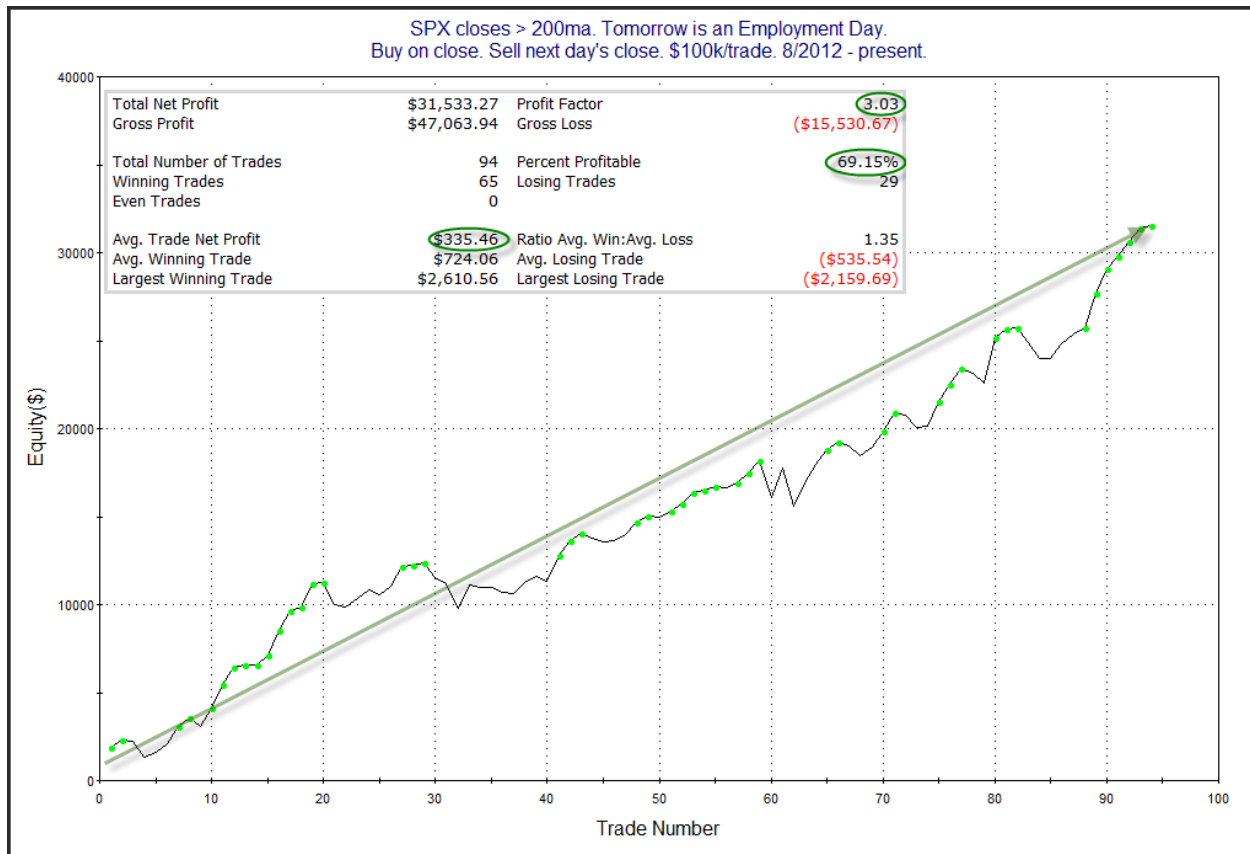
The Evidence

Wednesday started strong, but an afternoon fade left the gains fairly mild. The SPX finished up 0.03%, the NASDAQ gained 0.3%, and the Russell 2000 rose 0.6%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 57%. NYSE total declined from Tuesday's level and was light overall.

There were a few studies that triggered in the Quantifinder related to the low volume. But like many volume studies we have seen in recent years, they simply have not shown an edge as of late. So tonight I thought I would discuss the fact that the BLS Employment Report is due out on Friday. Employment days have an interesting history and they have contributed to some worthwhile studies over the years. Below is a chart of SPX performance on Employment Days. I last posted this chart in the 8/6/21 subscriber letter. For this equity curve, which is updated, I filtered to only include days where SPX was > its 200ma. Each trade was a fictional \$100k.

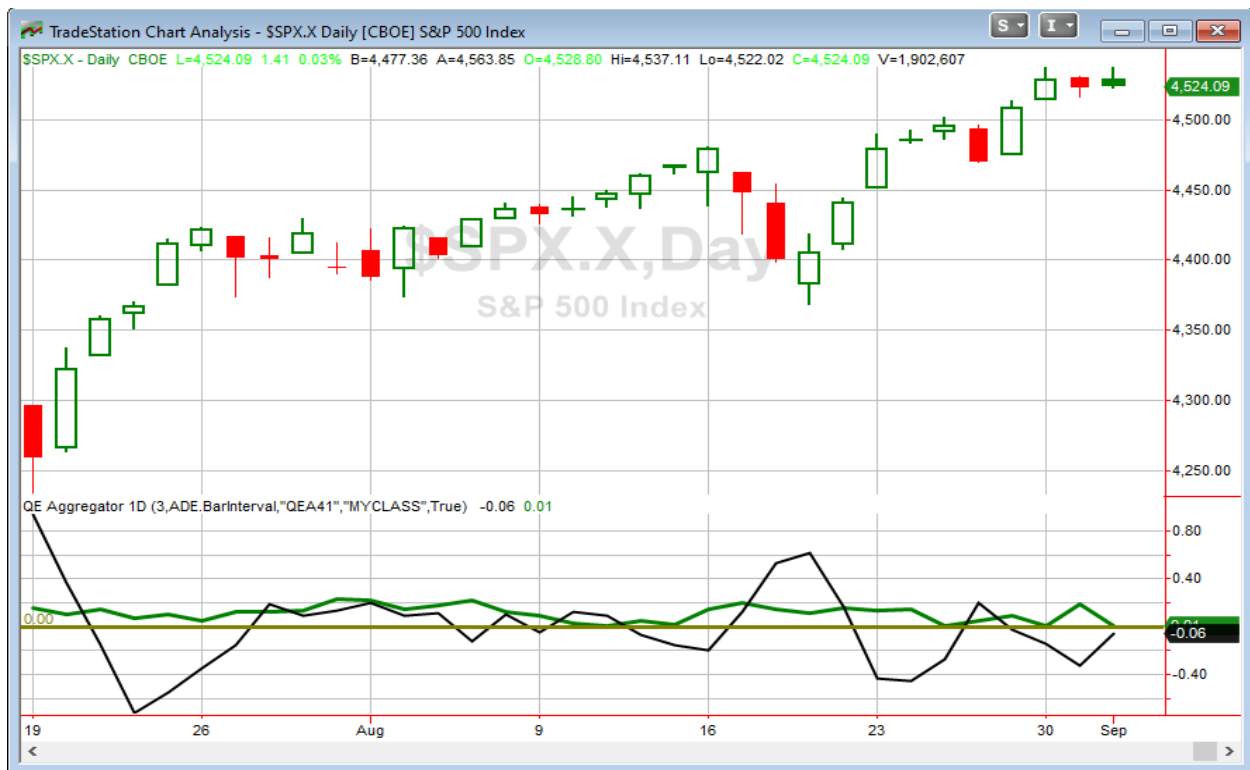


What I find interesting about the chart is that Employment Days in uptrends have shown such streaky performance – and the streaks lasted a long time. Here is a zoomed in look at performance since mid-2012 when the recent bullish tendency began.



Based on what we know of history, I would not expect this edge to last forever. But it may be worth factoring in for as long as the current behavior seems to persist. The broader study is also a nice reminder that market dynamics change over time. But in recent times, Employment Days have seen good results. In fact, the last Employment Day to finish lower was November 2020, when SPX lost 1 point. So I'll view Employment Days as bullish until the curve appears to turn.

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



Without any new studies being added tonight, the green Aggregator Line held 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 formation stayed flat at the close.

With the short-term list now blank, expectations will be highly influenced by any new evidence that emerges over the next few days. The intermediate-term outlook is currently keeping expectations positive. Meanwhile, the Differential Pivot will be *inverted* at 4535.84 on Thursday. That is 0.3% *above* Wednesday'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 up about 0.3% in order to remain "overbought" vs expectations. Anything less than that and it will be considered oversold as of Thursday's close.

So the Aggregator is neutral. But we could easily see it turn bullish on Thursday afternoon. The Employment Report study will kick in for Friday, and SPX will be considered "oversold" unless it rallies. Aggressive traders could look to enter near the close on Thursday if we don't see a rally above the Differential Pivot. I will do so if SPX closes down on the day, which would reduce the chance of new bearish evidence emerging.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/30 – somewhat bullish

The intermediate-term outlook was last updated in the 8/23 Letter. It can be found [in the most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult 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.

SPY – Buy ¼ index position @ \$451.75 LIMIT ON CLOSE. Based on the short-term outlook above, and in anticipation of a positive reaction to the employment report, I will take a small SPY position on Thursday afternoon if SPY closes down a little.

Current Open Trade Ideas

None

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