

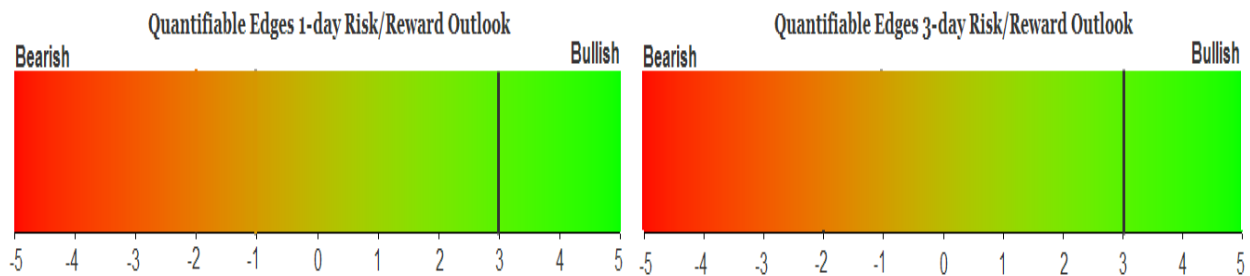
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 10, 2021

Volume 14 Issue 174

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- Numbered System 11111 triggered for SPY.
- The gap down and close below the open after closing at a short-term low the day before, suggests a bounce is likely.
- 4 down days and an acceleration to the down move during a long-term uptrend has consistently led to a bounce at some point over the next several days.

## *Short-term Outlook*

### *The Bottom Line*

The bullish case appears strong. I am positioning to try and take advantage of it.

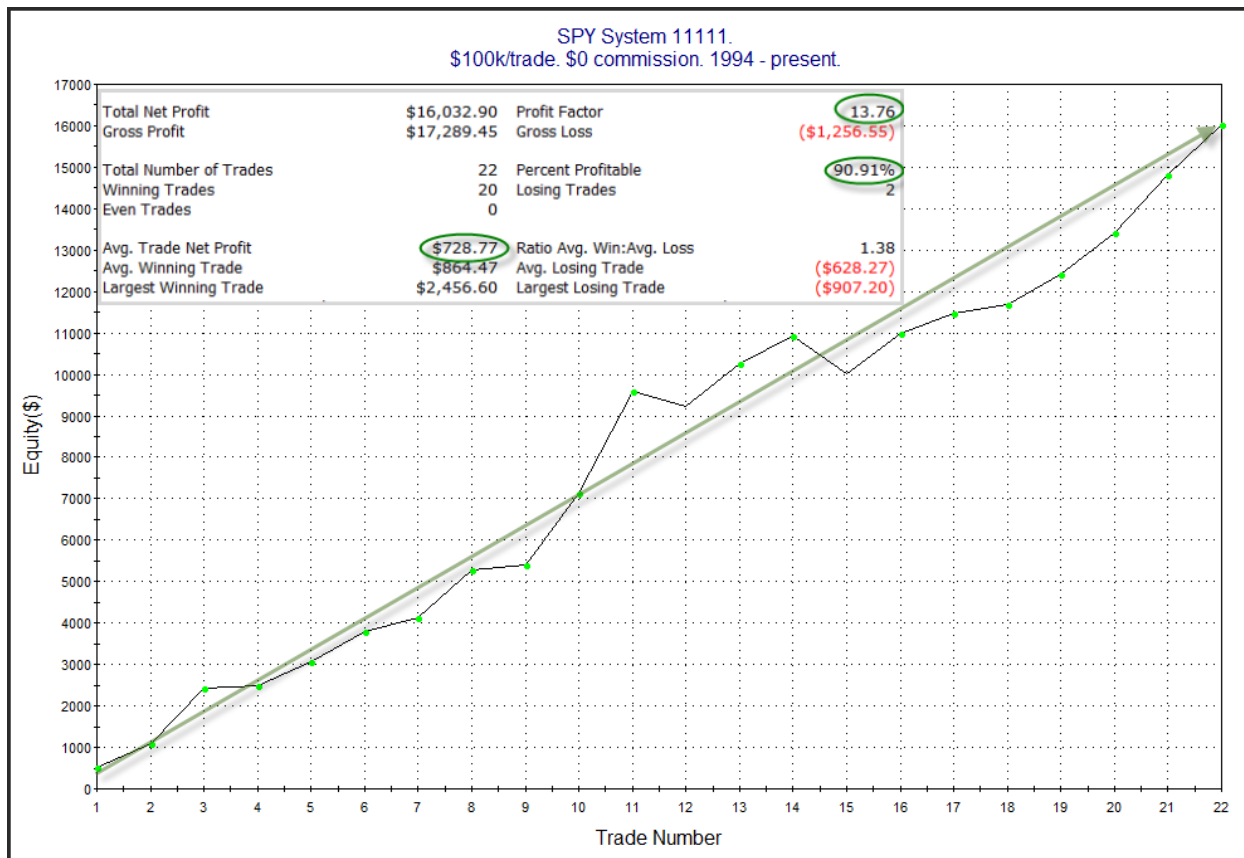
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
September 10, 2021	4th day down. Biggest drop today.	1-5 days	Bullish	2.00%	-1.00%	-1.80%
September 10, 2021	Gap down from 5-low and close < open	1-2 days	Bullish			
September 10, 2021	System 11111	1-3 days	Bullish			
September 9, 2021	3 dn from 50 < 10ma > 10-low	1-4 days	Bullish	1.60%	-0.90%	-2.00%
September 8, 2021	1st 5-low in 10 days. Close > 10ma	1-5 days	Bullish	1.50%	-1.10%	-2.30%
September 7, 2021	Rally into Labor Day week	1-4 days	Bearish	-1.60%	1.00%	2.00%
September 3, 2021	20-high and partial reversal	1-5 days	Bullish	1.60%	-0.70%	-1.30%
<b>Active - Long Term</b>						
August 30, 2021	NASDAQ Leading	int term	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**

Thursday was another down day. The SPX lost 0.5%, the NASDAQ dropped 0.25%, and the Russell 2000 declined 0.03%. Breadth was mixed with the NYSE Up Issues % coming in at 49% and the Up Volume % at 56%. NYSE total volume rose some from Wednesday's level.

I'll note that with the pullback, SPY is now set up to trigger QE numbered system 11111 on Thursday. A trade at or below SPY's closing price would mean an entry for this system. System 11111 has done fairly well over the years. With SPY, it has done very well. Below are the updated stats.



There have not been a whole lot of instances but the stats are extremely lopsided in favor of the bulls. And the profit curve is impressive as well. Also notable (but not shown) is that the average trade only lasted about 3 ½ days. The short time in these trades and the high percent that end up profitable speaks to the probability of a quick bounce here. I have incorporated this setup into the Aggregator today. Subscribers may find a link to the system 11111 page below:

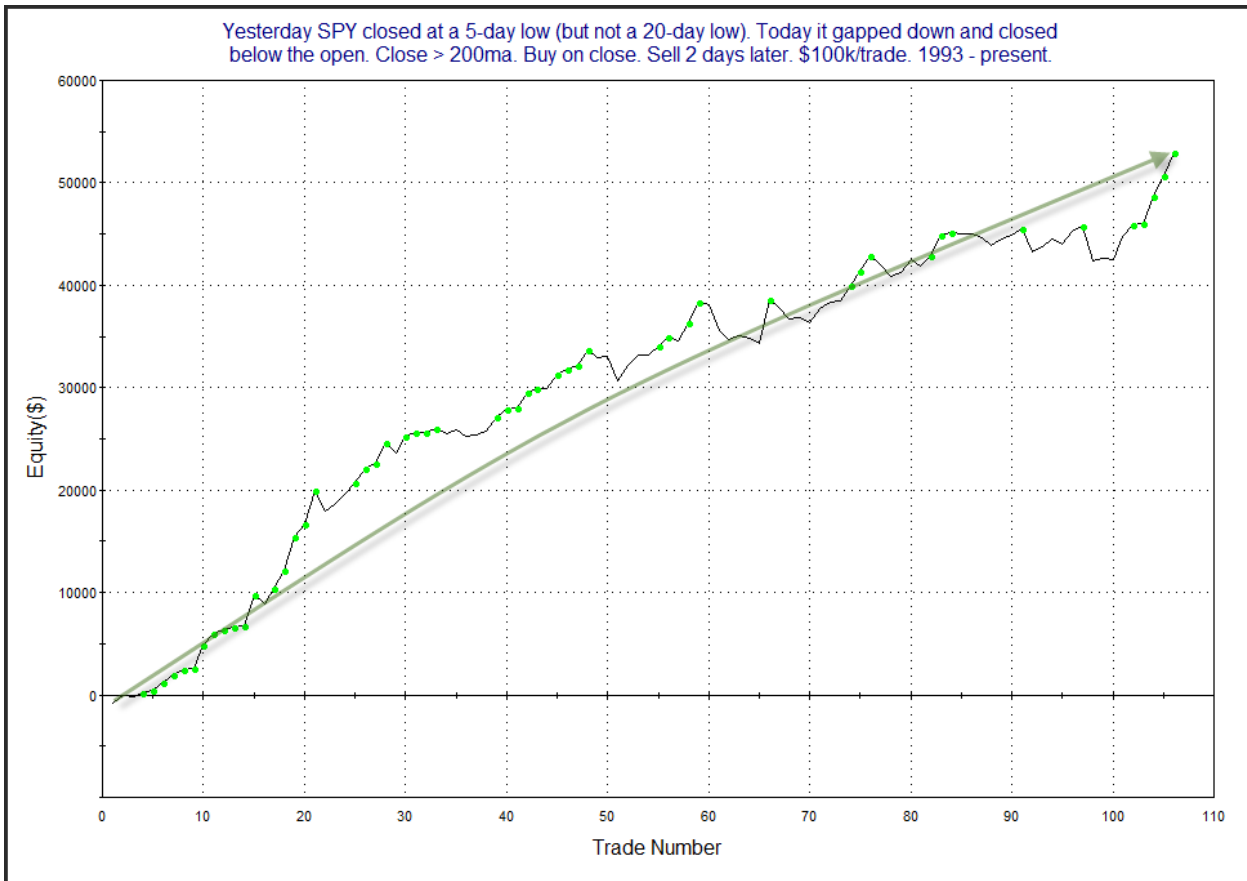
<http://quantifiableedges.com/system-11111/>

In the 3/22/21 letter I showed a study that examined gaps down and poor closes following a 5-day low. The setup appeared bullish. But I also noted that it was even more bullish if the gap down followed a 20-day low. The resulting study excluded 20-day low instances. Updated stats are below.

Yesterday SPY closed at a 5-day low (but not a 20-day low). Today it gapped down and closed below the open. Close > 200ma. Buy on close. Sell X days later. 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
5	81,642.87	103	72	30	69.90	5,165.28	-5,063.85	1,662.66	-1,268.95	1.31	3.14	792.65
4	47,065.00	103	70	33	67.96	4,647.50	-8,109.60	1,464.68	-1,680.69	0.87	1.85	456.94
3	49,964.38	105	67	37	63.81	4,290.00	-7,722.10	1,453.12	-1,280.93	1.13	2.05	475.85
2	52,938.96	106	76	30	71.70	4,305.42	-3,385.20	1,043.39	-878.63	1.19	3.01	499.42
1	30,217.73	110	77	33	70.00	2,143.68	-4,181.76	783.67	-912.88	0.86	2.00	274.71

Odds here appear bullish, especially over the 1<sup>st</sup> 2 days. Below is a profit curve assuming a 2-day exit strategy.

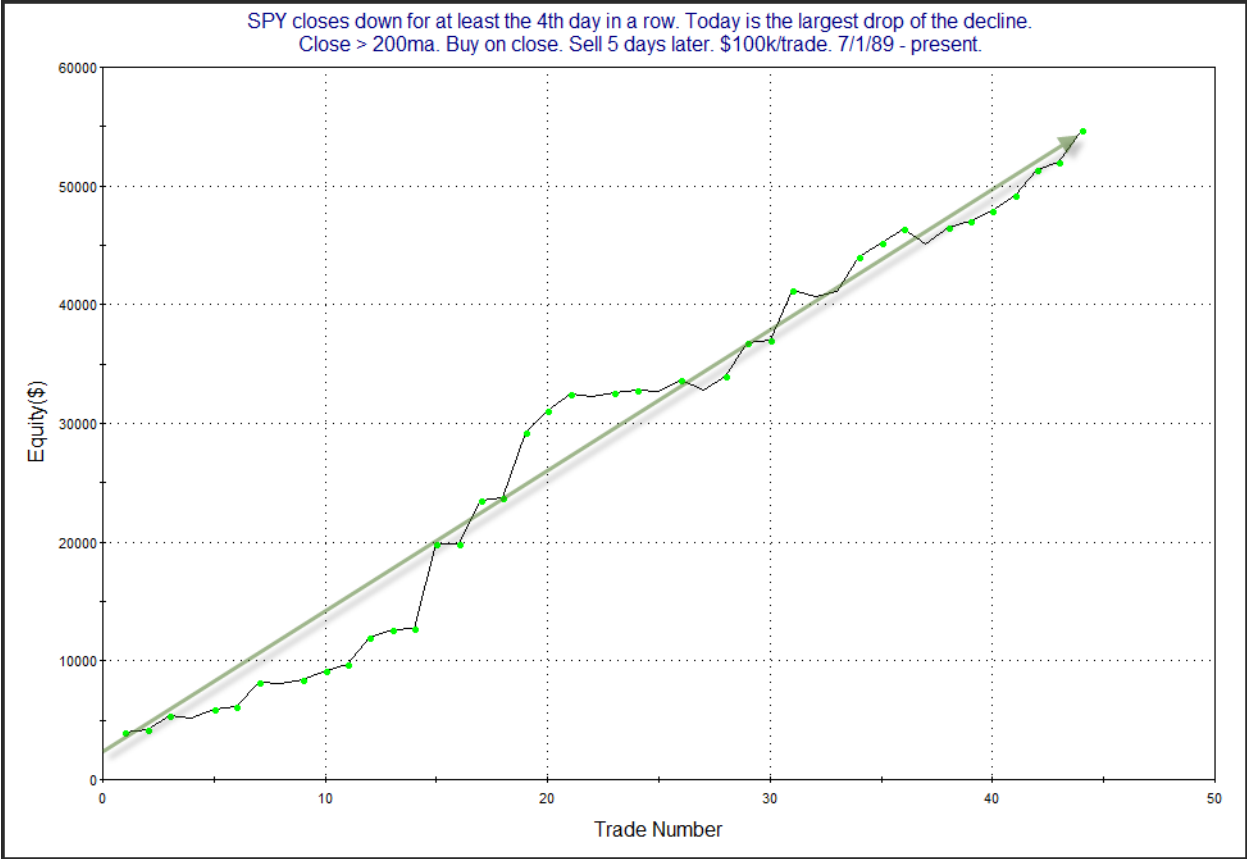


The persistent upslope and continued new highs serve as confirmation of the bullish potential. And the last several instances have been about the best run we have seen. I have included this study on the Active List tonight.

The last study was perhaps the most impressive. It examined other multi-day selloffs that accelerated after already being down for a number of days. It was last seen in the 2/23/21 Subscriber Letter.

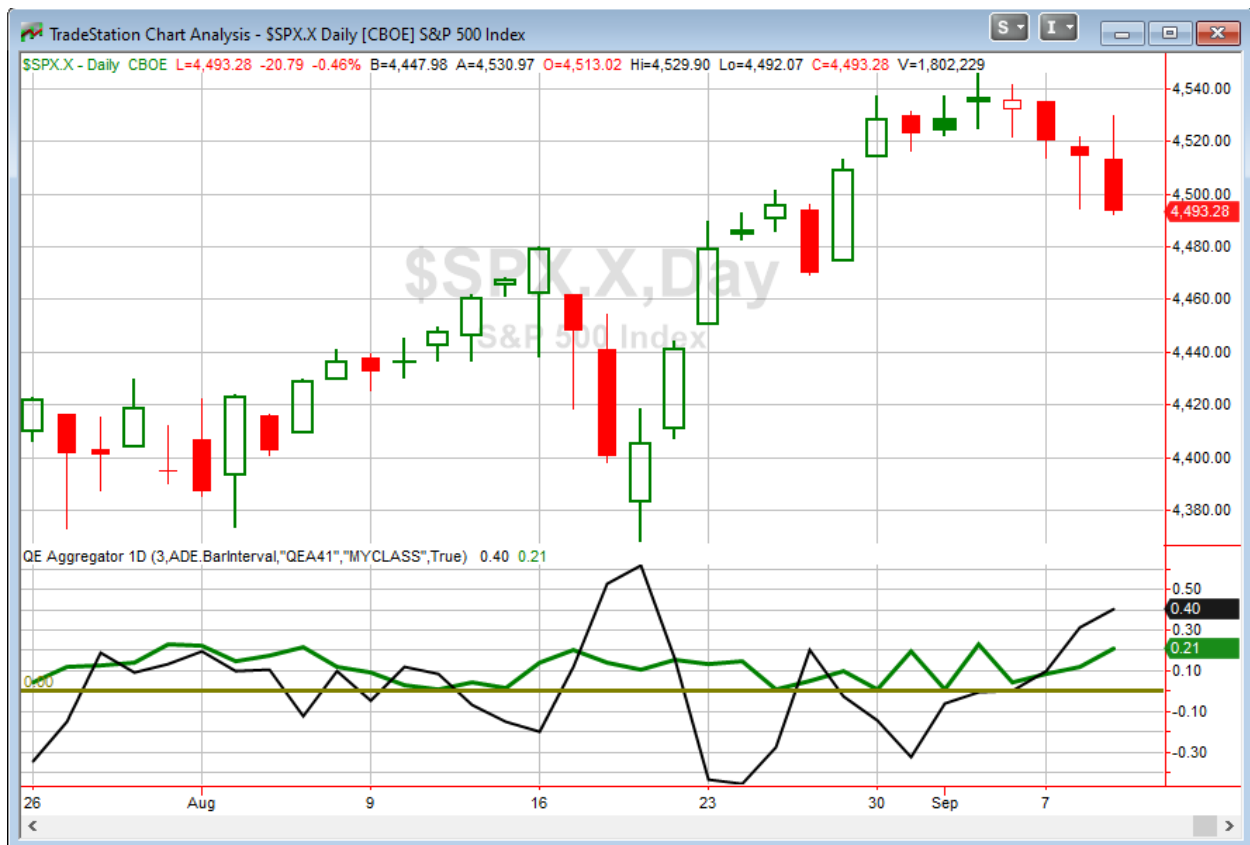
SPY closes down for at least the 4th day in a row. Today is the largest drop of the decline. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 7/1/89 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	54,751.23	44	37	7	84.09	7,070.28	-1,218.72	1,571.60	-485.45	3.24	17.11	1,244.35
4	43,497.95	44	33	11	75.00	5,187.49	-2,665.92	1,636.65	-955.59	1.71	5.14	988.59
3	40,414.35	44	31	13	70.45	5,339.18	-1,565.28	1,622.64	-760.57	2.13	5.09	918.51
2	36,061.52	45	33	12	73.33	4,809.66	-1,343.84	1,350.35	-708.33	1.91	5.24	801.37
1	21,354.44	48	33	15	68.75	5,117.46	-2,005.85	973.90	-718.95	1.35	2.98	444.88
<b>100% of instances closed above the entry price at some point in the next 6 days.</b>												

These results appear extremely compelling. The consistency is very strong. Of course the market is always capable of doing things it hasn't before. We've seen plenty evidence of that over the last 13+ years since beginning Quantifiable Edges. So although this condition has led to a bounce in every instance evaluated over the test period, it's no sure thing. In fact, just before the period shown there were 2 trades that were losers. Still, the evidence appears strong enough to suggest a bullish inclination. This is further confirmed by the equity curve below.



The consistently strong upslope makes this an appealing looking equity curve.

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



With tonight's evidence considered, the green Aggregator Line again moved a little further above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also rose further above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is quite oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation 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 4535.98 on Friday. That is 0.95% above Thursday's close. Therefore, SPX will need to close up at least 0.95% on Friday if it is to flip from oversold to overbought vs recent expectations.

The Aggregator is bullish. Evidence continues to build. And the market is now quite oversold. Everything is pointing to a bounce, and I am positioning to take advantage of it. I took a 2<sup>nd</sup> lot of my index position at the close on Thursday. If selling continues on Friday, I may take on a 3<sup>rd</sup> lot near the close. Subscribers should note that there are also 3 Catapult trade ideas that triggered today. They can be found listed below.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/7 – somewhat bullish***

The intermediate-term outlook was last updated in the 9/7 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***

*New*

CHTR – 1/3 @ \$785.41 (buy @ limit)

LLY – 1/3 @ \$240.00 (buy @ limit)

TMUS – 1/3 @ \$131.44 (buy @ limit)

***Broad Market Large Cap CBI – 3(CHTR, LLY, TMUS)***

**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 @ \$447.00 LIMIT ON CLOSE.** Based on the short-term section above, I will look to add a 2<sup>nd</sup> lot to my long position if SPY closes down at \$447 or lower on Friday.

**CHTR – Buy 1/3 Catapult position @ \$785.41 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots for CHTR.

**LLY – Buy 1/3 Catapult position @ \$240.00 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots for LLY.

**TMUS – Buy 1/3 Catapult position @ \$131.44 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots for TMUS.

## **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
SPY(1/4)	9/8/2021	\$450.89	\$448.98	-0.42%		Aggregator
SPY(1/4)	9/9/2021	\$448.98	\$448.98	0.00%		Aggregator

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. Capital Advisors 360, 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 © 2021 Quantifiable Edges, LLC.