

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 16, 2021

Volume 14 Issue 178

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	8

## Tonight's Research Points

- Opex Thursday night tends to be favorable, as opex Friday will often start with a gap higher.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish and I still like the long side. I may lighten up some on Thursday if there is a gap up to sell into. Otherwise, Friday morning could offer a decent exit opportunity.

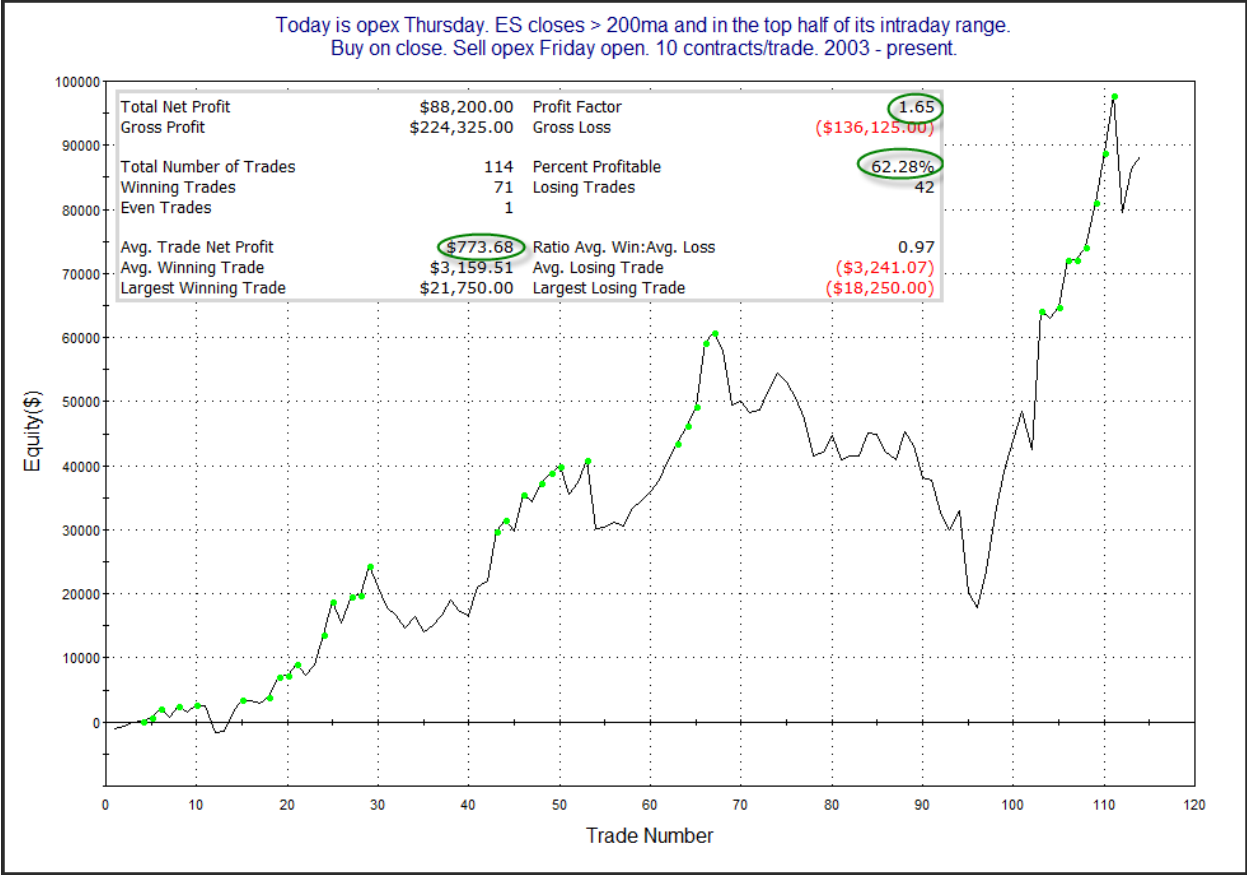
### *The Evidence*

Wednesday finally provided a real move higher. The SPX closed up 0.85%, the NASDAQ gained 0.8%, and the Russell 2000 rallied 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 69% and the Up Volume % at 74%. NYSE total volume rose some from Tuesday's level.

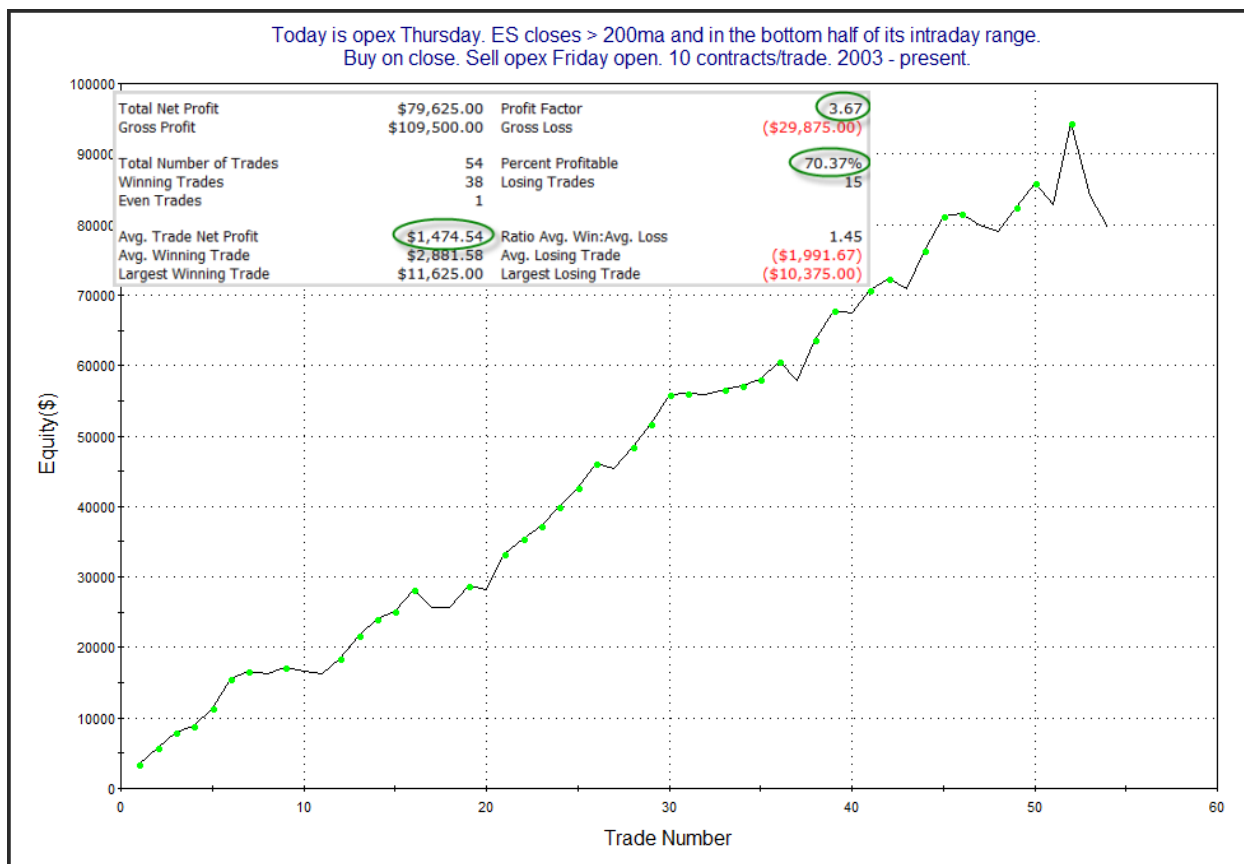
The bounce on Wednesday was impressive. But it fell just shy of the point where I would be taking several of my trades off. For instance, SPX was above the Differential Line with about 10 minutes to go, but ended up falling back beneath it at the close. I had several near-misses in individual names as well. So either this bounce has further to go, which is what the studies from a few days ago are suggesting, or I may just barely miss out on a exit before the bounce fails.

I mentioned last night that I felt the edge was fading a bit. The SPX is still oversold and expectations remain higher. But the strength of the signal does not necessarily seem impressive enough that I would look to carry a  $\frac{3}{4}$  index position. There were no studies that triggered in the Quantifinder tonight, but it does seem like a good time to mention SPX behavior leading up to options expiration.

In the past I have discussed the tendency for the market to sell off after the open on opex Friday. I may review this tendency again tomorrow night, but subscribers that can't wait can look back at the 7/16/21 letter in the archives section of the site. Another interesting tidbit about opex Friday is that while it tends to sell off after the open, it tends to gap up to start the day. The studies below look at times ES (S&P 500 futures) closed above its 200ma on the day before opex. This first study shows times there was a strong close going into opex.



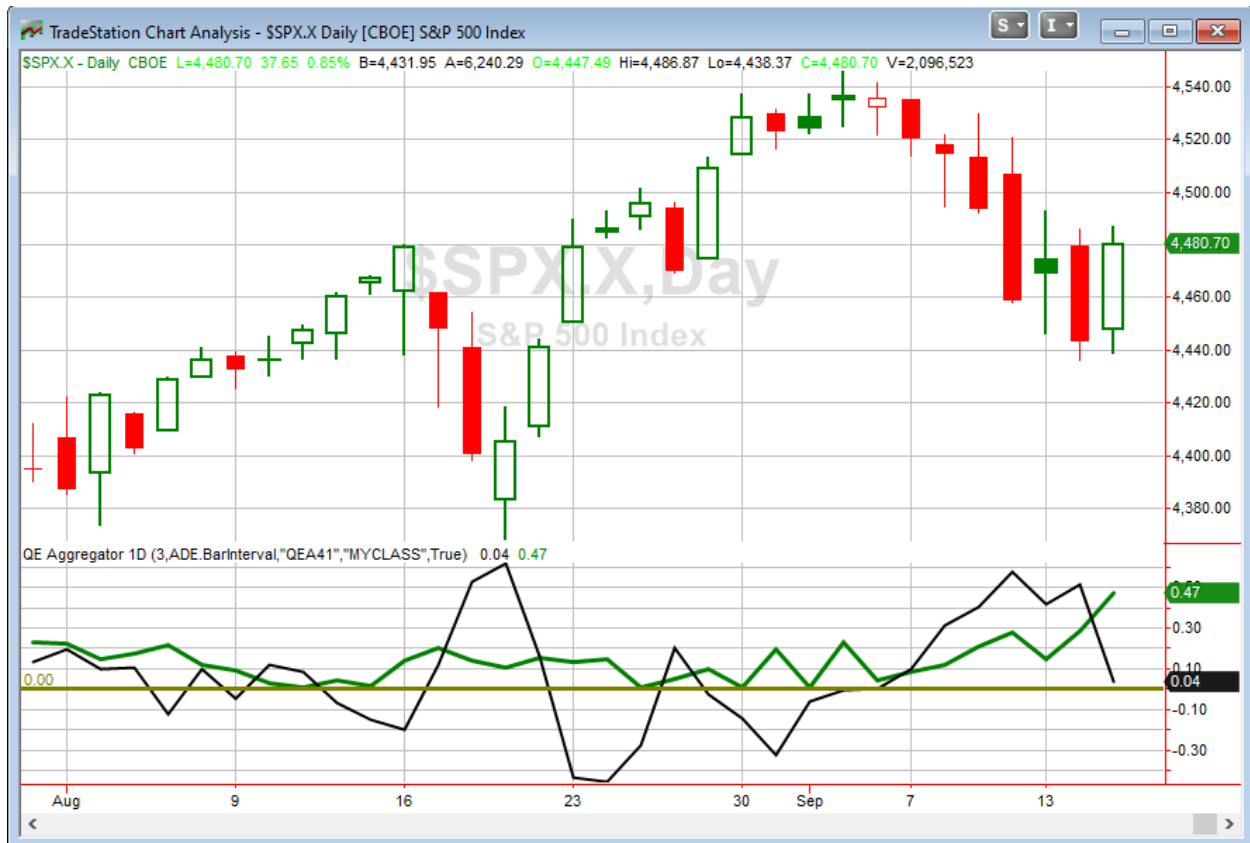
A bit of an (inconsistent) upside edge can be found here. Nothing that gets me terribly excited. But let's also look at times that ES closed low in its intraday range.



Despite the last 2 instances failing the numbers and consistency here are very impressive. So there appears to be an upside edge from Thursday's close to Friday's open. The reason I use ES in this study rather than SPY is the same reason that most people don't notice this tendency: SPY goes ex-div on opex Friday in March, June, September, and December. This makes the tendency to gap up much less apparent when using SPY for this study. Another thing to note is that there are many more instances of ES closing in the upper part of its range on opex Thursday than in the lower half. So there is a bit of an upside tendency on Thursday afternoon as well.

With this in mind, I would not be inclined to sell my SPY position during the day or at the close on Thursday, when it appears that Friday morning could likely offer a more favorable exit opportunity. Still, I may look to exit part of my position near the open if there is a decent sized gap up on Thursday morning.

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



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

Based on the current list of active studies, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4497.22 on Thursday. That is 0.4% above Wednesday's close. Therefore, SPX will need to close up at least 0.4% on Tuesday if it is to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. I still favor the long side, but I will lighten up some if presented with a gift of a gap-up open on Thursday. Upside evidence has been fading and I've seen too many gaps higher fail in the last couple of weeks to not want to lighten up a little. If I am not filled at the open, then I will cancel the trade, and hold my entire position until at least the open on Friday.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 9/13 – somewhat bullish*

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

***Open Catapult Triggers***

LLY – 1/3 @ \$240.00 (bought @ limit)

TMUS – 1/3 @ \$131.44 (bought @ limit)

LLY – 1/3 @ \$239.50 (bought @ limit)

TMUS – 1/3 @ \$130.81 (bought @ limit)

FDX – 1/3 @ \$257.55 (buy @ limit) – *not filled – cancel for now*

LLY – 1/3 @ \$237.96 (buy @ limit)

TMUS – 1/3 @ \$130.02 (buy @ limit)

PFE – 1/3 @ \$44.58 (buy @ limit)

***Broad Market Large Cap CBI – 8(LLY-3, TMUS-3, FDX, PFE)***

**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)	9/8/2021	\$450.89	\$447.88	-0.67%		sell @ \$448.25 limit on open
SPY(1/4)	9/9/2021	\$448.98	\$447.88	-0.24%		Aggregator
SPY(1/4)	9/10/2021	\$445.44	\$447.88	0.55%		Aggregator
<b>CHTR(1/3)</b>	<b>9/10/2021</b>	<b>\$785.41</b>	<b>\$761.50</b>	<b>-3.04%</b>		<b>sold on open</b>
LLY(1/3)	9/10/2021	\$240.00	\$233.73	-2.61%		Catapult
TMUS(1/3)	9/10/2021	\$131.44	\$127.07	-3.32%		Catapult
LLY(1/3)	9/13/2021	\$239.50	\$233.73	-2.41%		Catapult
TMUS(1/3)	9/13/2021	\$130.81	\$127.07	-2.86%		Catapult
<b>MSFT(1/3)</b>	<b>9/13/2021</b>	<b>\$295.71</b>	<b>\$303.26</b>	<b>2.55%</b>		<b>sell on open</b>
PFE(1/3)	9/14/2021	\$44.58	\$44.77	0.43%		Catapult
LLY(1/3)	9/14/2021	\$237.96	\$233.73	-1.78%		Catapult
TMUS(1/3)	9/14/2021	\$130.02	\$127.07	-2.27%		Catapult

Note: Per the discussion in the short-term outlook, I will look to exit SPY if it gaps up a fair amount on Thursday. If not, I will cancel the order and hold another day.

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