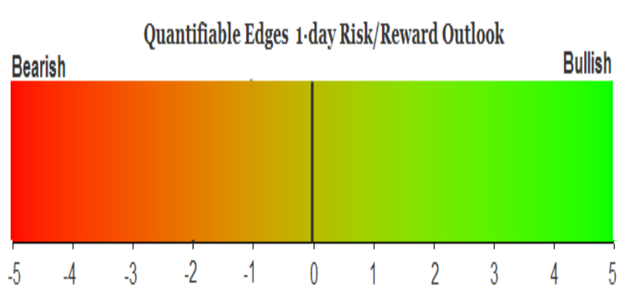
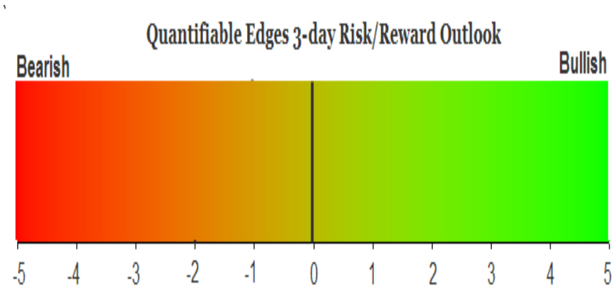
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 17, 2021 Volume 14 Issue 179

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- The bounce in the NASDAQ composite sets up in a way that follow through over the next couple of days has been typical.
- During uptrends, opex Friday has often seen selling after the open.
- Next week has historically been the worst week of the year from a seasonal perspective.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but it could easily flip to bearish or neutral at the close on Friday. And with opex Friday's history of selling after the open, the edge bullish edge really seems to be exhausted at the open on Friday.

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The Evidence

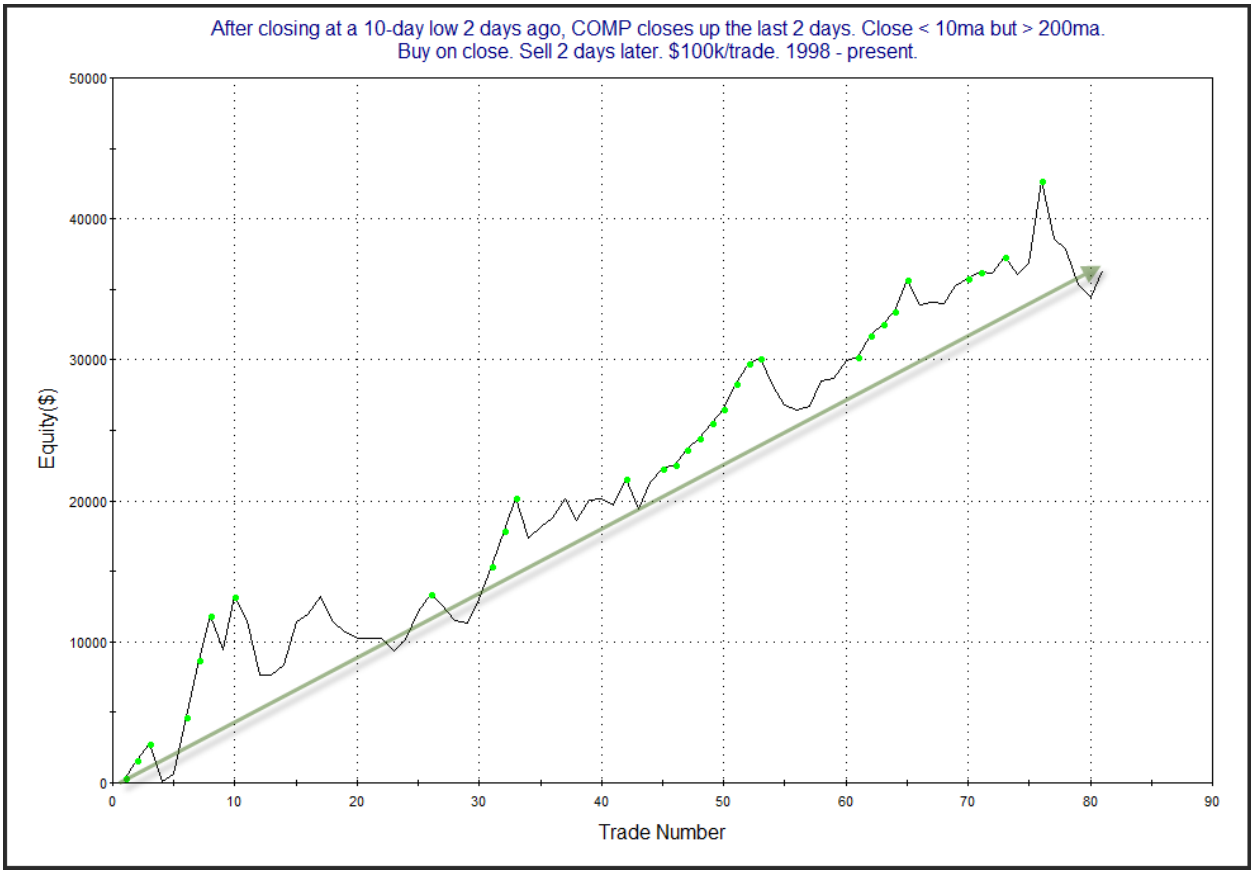
A bad morning was followed by an afternoon bounce, and the market finished mixed. The SPX closed down 0.2%, the NASDAQ gained 0.1%, and the Russell 2000 declined 0.1%. Breadth was negative with the NYSE Up Issues % coming in at 43% and the Up Volume % at 46%. NYSE total volume rose some from Tuesday's level.

There was one study that emerged that noted the moderate bounce we have seen in the NASDAQ composite over the last couple of days, following the 10-day low. I showed it in the 1/30/20 letter and have updated it below.

After closing at a 10-day low 2 days ago, COMP closes up the last 2 days. Close < 10ma but > 200ma. Buy on close. Sell X days later. $100k/trade. 1998 - 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	36,118.91	80	51	29	63.75	8,967.60	-11,016.39	2,035.38	-2,333.97	0.87	1.53	451.49
4	45,902.33	80	51	29	63.75	6,444.48	-4,986.40	1,984.88	-1,907.81	1.04	1.83	573.78
3	25,879.09	81	47	34	58.02	6,518.80	-8,084.18	1,781.24	-1,701.15	1.05	1.45	319.49
2	36,288.91	81	54	27	66.67	5,842.88	-4,137.56	1,388.96	-1,433.90	0.97	1.94	448.01
1	21,767.18	81	51	30	62.96	3,441.68	-3,682.80	965.99	-916.61	1.05	1.79	268.73

The stats are impressive over the 1st couple of days. Below is a look at the 2-day profit curve.



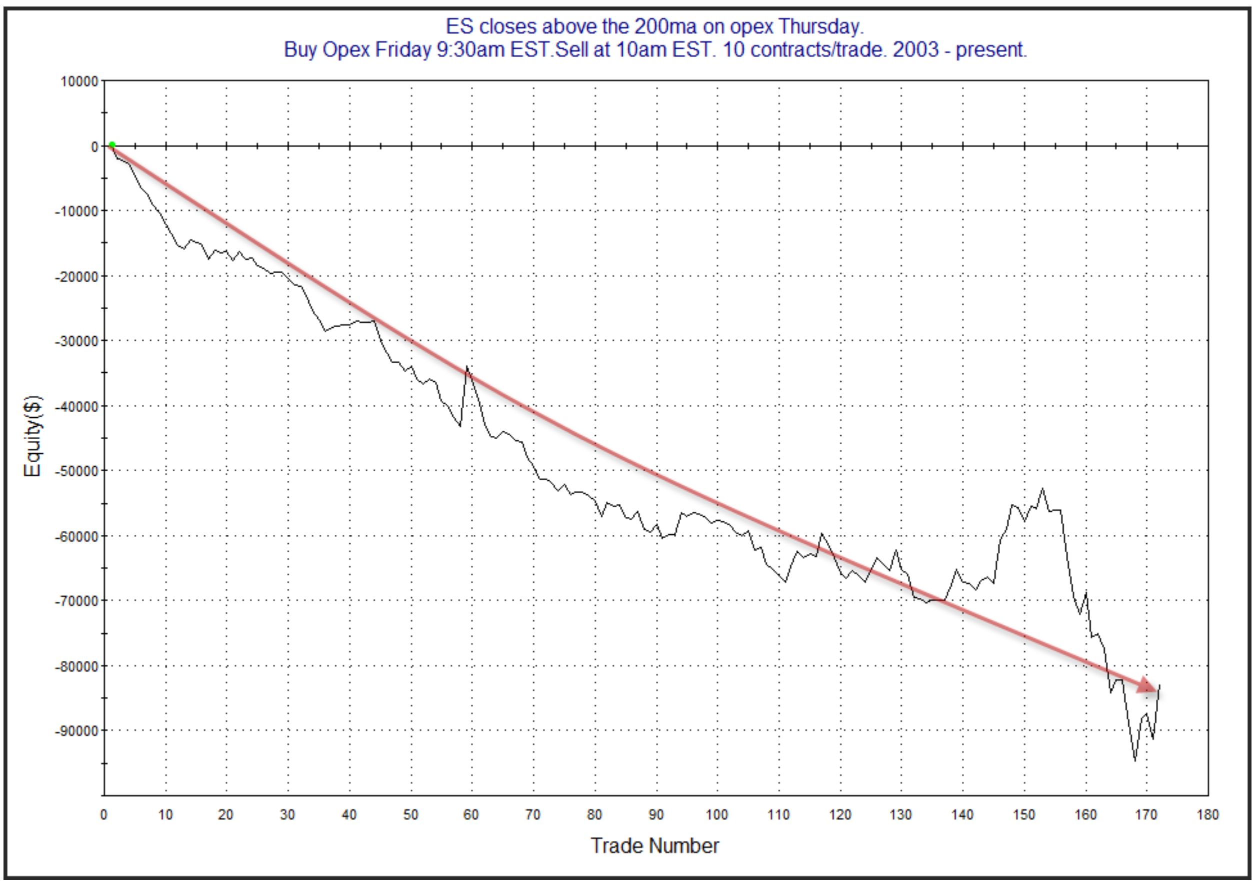
Despite a few recent instances, this has been a fairly persistent move higher and supports the idea of a short-term upside edge. Of course with SPX closing lower on Wednesday, it failed   Still, this study appears worthy of some consideration and I have included it on the Active List tonight.

It is notable that Friday is options expiration. Options expiration has long been a day that has seen weakness after the opening bell (and strength the night before it). Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. The tables and charts are updated from the 7/16/21 letter.

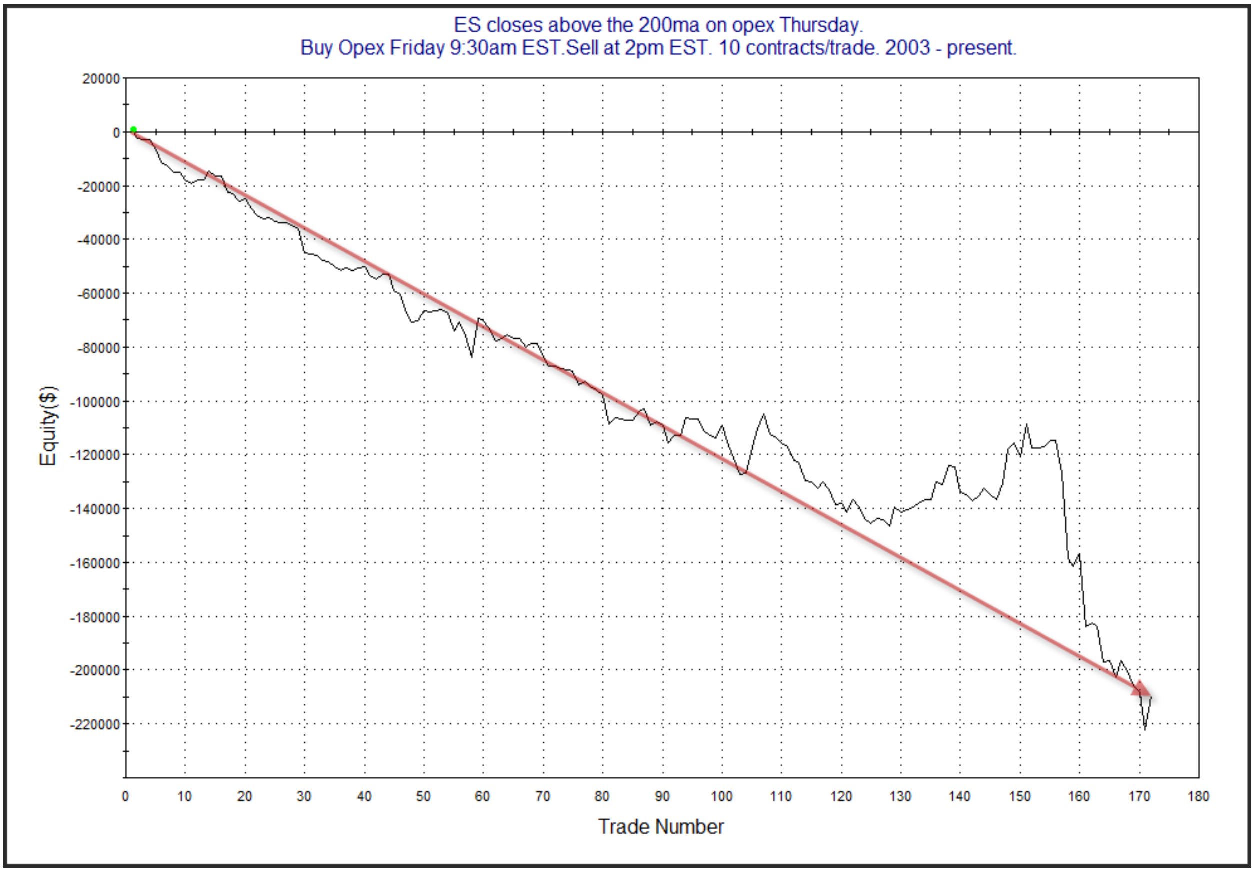
ES closes above the 200ma on opex Thursday.
Buy Opex Friday 9:30am EST.Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-264,625.00	172	71	98	41.28	16,125.00	-28,500.00	3,202.46	-5,020.41	0.64	0.46	-1,538.52
1,500	-188,250.00	172	67	100	38.95	13,250.00	-24,250.00	3,402.99	-4,162.50	0.82	0.55	-1,094.48
1,400	-209,375.00	172	57	108	33.14	14,250.00	-31,625.00	3,254.39	-3,656.25	0.89	0.47	-1,217.30
1,300	-178,875.00	172	59	112	34.30	15,250.00	-22,125.00	3,203.39	-3,284.60	0.98	0.51	-1,039.97
1,200	-140,500.00	172	61	111	35.47	15,875.00	-12,750.00	2,940.57	-2,881.76	1.02	0.56	-816.86
1,100	-116,125.00	172	65	105	37.79	14,625.00	-12,625.00	2,398.08	-2,590.48	0.93	0.57	-675.15
1,000	-82,875.00	172	55	113	31.98	9,250.00	-7,000.00	1,736.36	-1,578.54	1.10	0.54	-481.83

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve for the 1st half-hour.



The strong move from upper left to lower right supports the bearish case. Next is the 2pm exit.

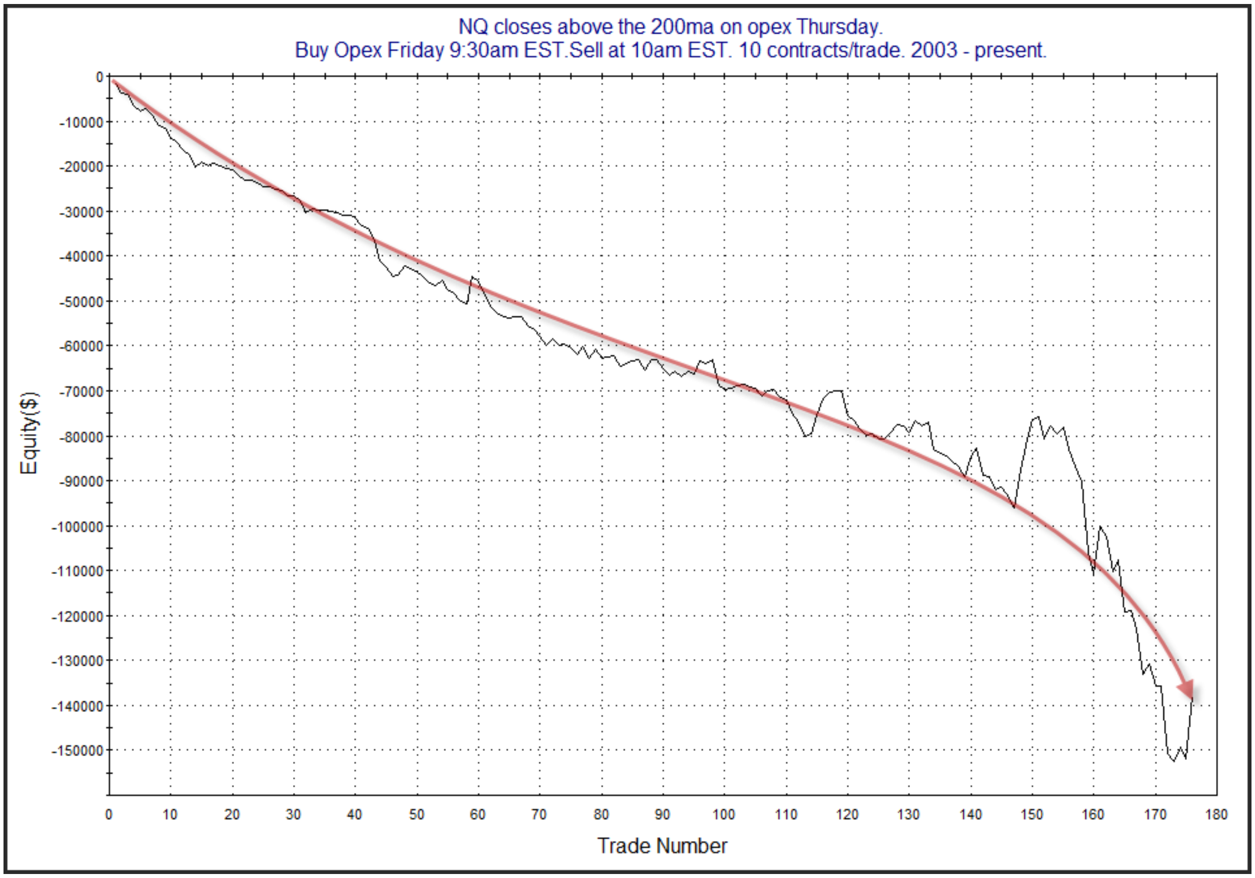


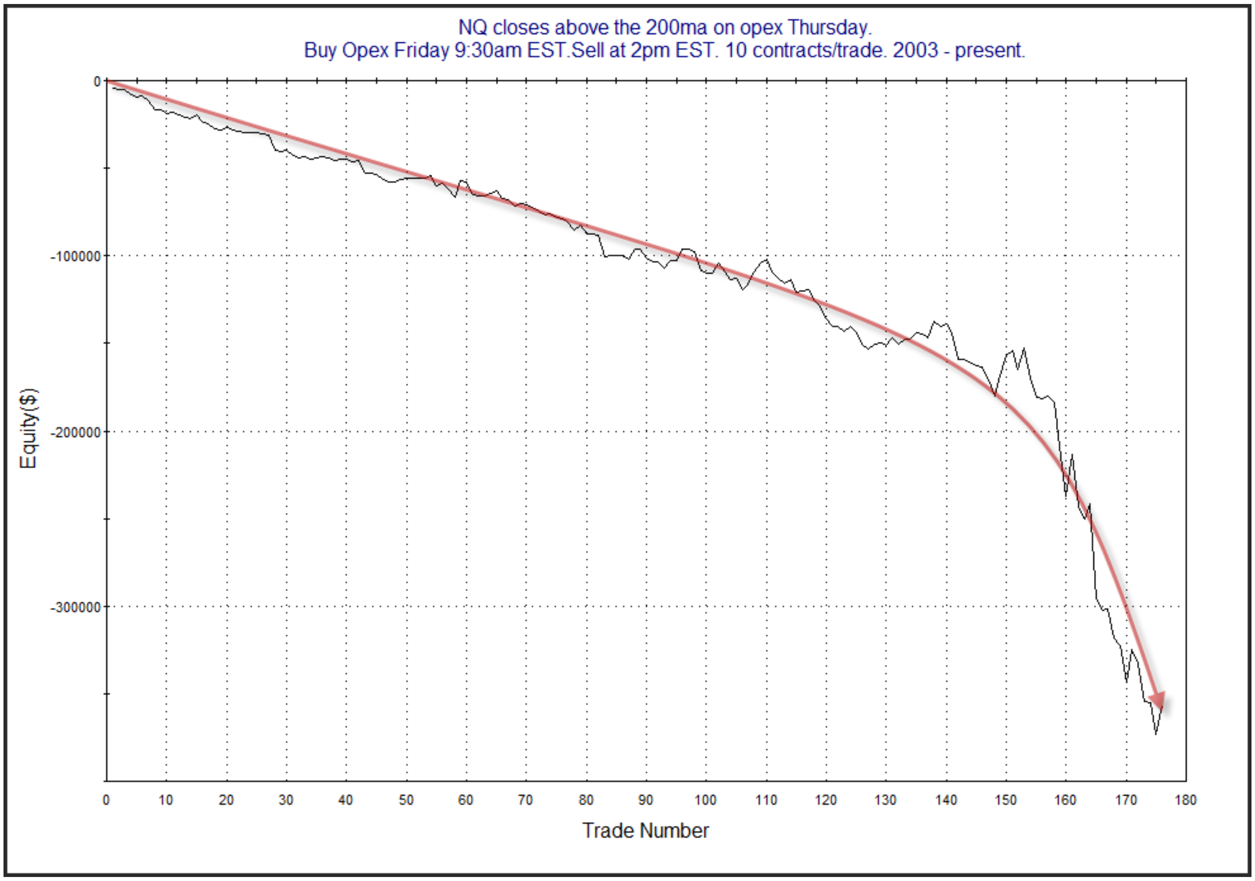
This is also impressive.

NQ (the NASDAQ 100 future) has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

NQ closes above the 200ma on opex Thursday.
Buy Opex Friday 9:30am EST.Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-420,500.00	176	67	109	38.07	36,850.00	-39,500.00	3,853.73	-6,226.61	0.62	0.38	-2,389.20
1,500	-344,350.00	176	65	110	36.93	22,850.00	-44,750.00	3,861.54	-5,412.27	0.71	0.42	-1,956.53
1,400	-356,700.00	176	58	118	32.95	23,550.00	-54,100.00	3,675.86	-4,829.66	0.76	0.37	-2,026.70
1,300	-291,750.00	176	64	110	36.36	20,750.00	-53,400.00	3,567.19	-4,727.73	0.75	0.44	-1,657.67
1,200	-288,350.00	176	64	111	36.36	13,750.00	-32,550.00	2,963.28	-4,306.31	0.69	0.40	-1,638.35
1,100	-191,450.00	176	62	114	35.23	18,900.00	-31,300.00	3,253.23	-3,448.68	0.94	0.51	-1,087.78
1,000	-138,100.00	176	54	118	30.68	13,700.00	-15,500.00	2,069.44	-2,117.37	0.98	0.45	-784.66


NQ closes above the 200ma on opex Thursday.
Buy Opex Friday 9:30am EST.Sell at 10am EST. 10 contracts/trade. 2003 - present.
Equity($)
Trade Number
0
-10000
-20000
-30000
-40000
-50000
-60000
-70000
-80000
-90000
-100000
-110000
-120000
-130000
-140000
-150000
0
10
20
30
40
50
60
70
80
90
100
110
120
130
140
150
160
170
180



The bearish edge appears alive and well here.

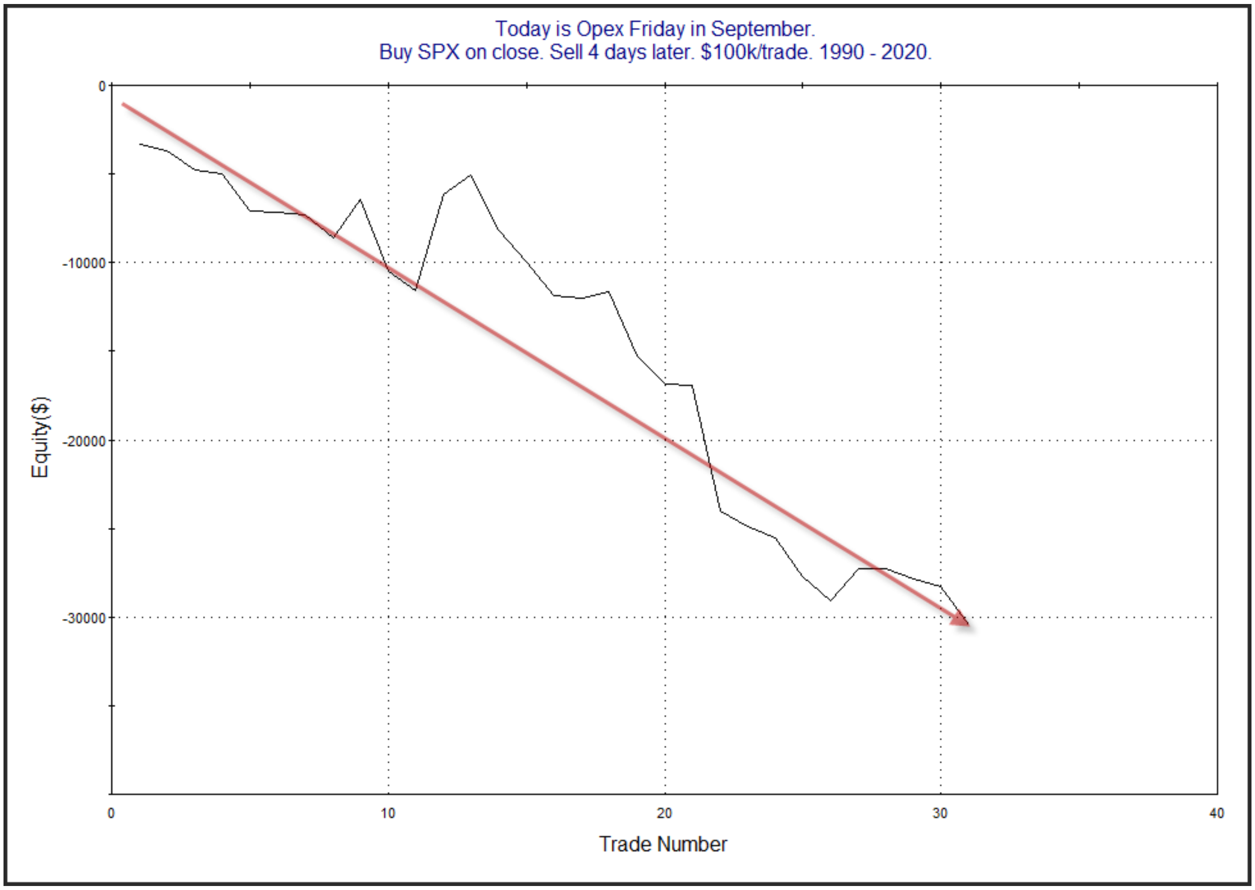
I mentioned over the weekend that the "weakest week" is coming up. That is the week following Opex Friday in September (next week). Below is a table showing results of buying Sept. opex Friday and then selling X days later from 1990 – 2020. I have updated this table from the 9/21/20 letter.

Today is Opex Friday in September.
Buy SPX on close. Sell X days later. $100k/trade. 1990 - 2020.

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	-28,843.66	31	6	25	19.35	7,739.42	-6,525.56	2,250.53	-1,693.87	1.33	0.32	-930.44
4	-30,478.84	31	6	25	19.35	5,439.43	-7,088.90	1,818.60	-1,655.62	1.10	0.26	-983.19
3	-22,837.14	31	7	24	22.58	4,508.00	-5,455.74	1,702.58	-1,448.13	1.18	0.34	-736.68
2	-17,837.91	31	9	22	29.03	4,786.41	-5,283.52	880.33	-1,170.95	0.75	0.31	-575.42
1	-10,801.01	31	8	23	25.81	3,877.95	-3,791.21	872.04	-772.93	1.13	0.39	-348.42

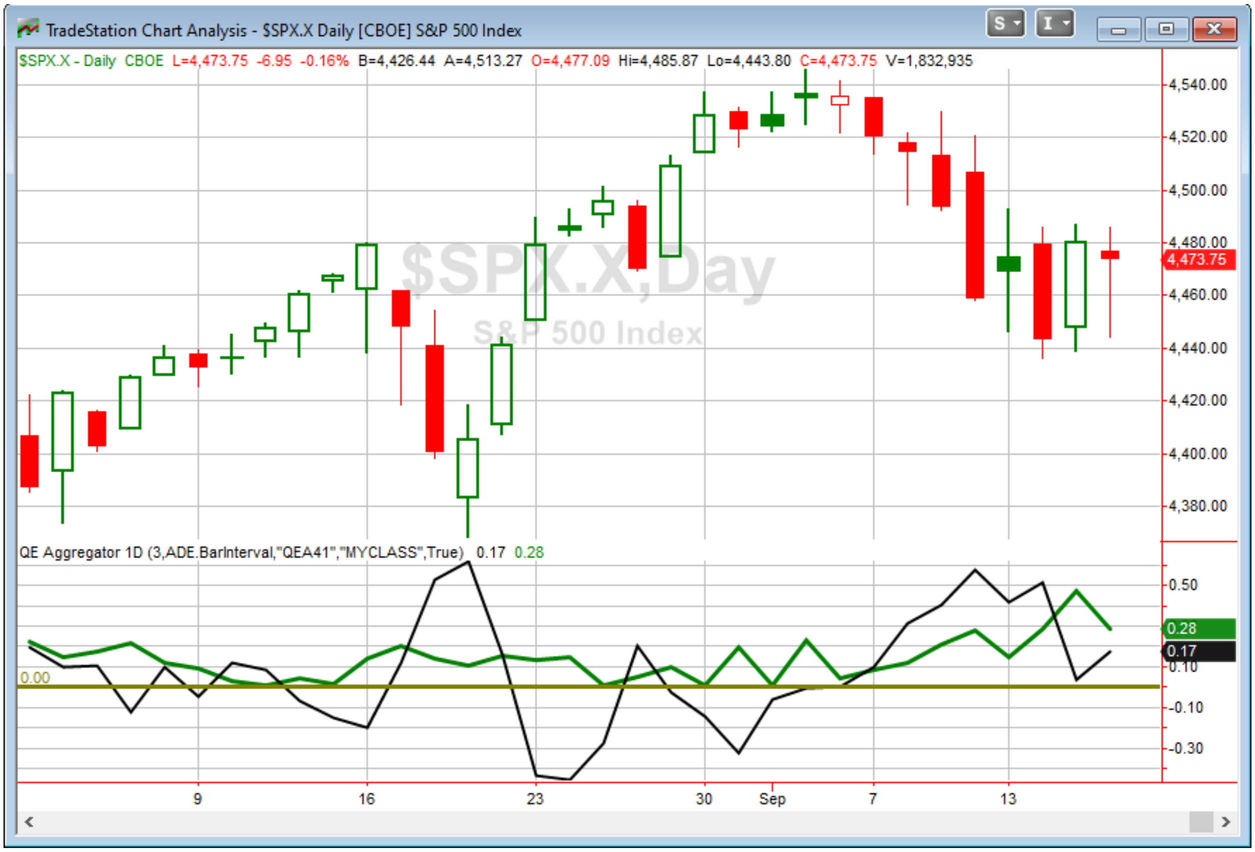
2001 and 2017 were the only years SPX failed to close below its entry price at some point in the next week.

The consistency and net results appear quite strong. I note the only instances that didn't post a lower close at some point during the following week was in 2001 and 2017. The 9/11 attacks certainly made for unusual circumstances in 2001, and 2017 did not see a decline, but it only rose 2 points, so it was not much of a victory for the bulls. Below is a look at the profit curve for the 4-day holding period.



The strong move from upper left to lower right serves as some confirmation of the bearish edge. I'll cover this edge a little more in the weekend letter. But I thought we might as well look at it in advance to prep for next week.

I have updated the Aggregator chart below.



With tonight's evidence considered, 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 and the new seasonality evidence that will kick in after the close on Friday, expectations are set to turn negative on Friday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4474.69 on Friday. That is less than 1 point above Thursday's close. Therefore, SPX will only need to close up about 1 point in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. But expectations could easily turn negative on Friday, and the SPX will flip to overbought with just about any move higher. Last night I showed that opex Friday often gaps up to start the day. But tonight we see that after that gap up, there is often selling. So perhaps the bullish edge is really ending at the open on Friday, rather than the close. That is my interpretation. Over the last week, we saw numerous studies suggesting a short-term move higher. But all the market managed to do was put in some small 1-day up moves. I am a little underwater in my current SPY position. A gap up could change that. But either way, evidence is no longer as compelling as it was, and SPX is no longer as short-term oversold as it was. So win or lose, it is time to step out of my index position and wait for the next compelling setup to emerge.

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	$447.17	-0.83%		sell on open
SPY(1/4)	9/9/2021	$448.98	$447.17	-0.40%		sell on open
SPY(1/4)	9/10/2021	$445.44	$447.17	0.39%		sell on open
LLY(1/3)	9/10/2021	$240.00	$231.01	-3.75%		Catapult
TMUS(1/3)	9/10/2021	$131.44	$128.91	-1.92%		Catapult
LLY(1/3)	9/13/2021	$239.50	$231.04	-3.53%		Catapult
TMUS(1/3)	9/13/2021	$130.81	$128.91	-1.45%		Catapult
PFE(1/3)	9/14/2021	$44.58	$44.47	-0.25%		Catapult
LLY(1/3)	9/14/2021	$237.96	$231.04	-2.91%		Catapult
TMUS(1/3)	9/14/2021	$130.02	$128.91	-0.85%		Catapult