

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 20, 2021

Volume 14 Issue 180

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	9

Tonight's Research Points

- System 110524 triggered for SPY, which has been a reliable trigger over the years.
- We are entering the “Weakest Week”, and selling prior to it has not seemed to dampen the selling in the past.
- The SOMA shot up again this past week. Eyes are on the Fed for any policy change announcements at the meeting this week.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence is mixed and expectations are set to turn negative on Monday. I am feeling more neutral than bullish.

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 14, 2021	Weakest Week	1-4 days	Bearish	Bearish	Bearish	Bearish
September 13, 2021	20-day low. Biggest drop in 10. > 200	1-7 days	Bullish			
September 14, 2021	CBI hits 10+	1-5 days	Bullish			
Active - Long Term						
August 30, 2021	NASDAQ Leading	int term	Bullish			
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			

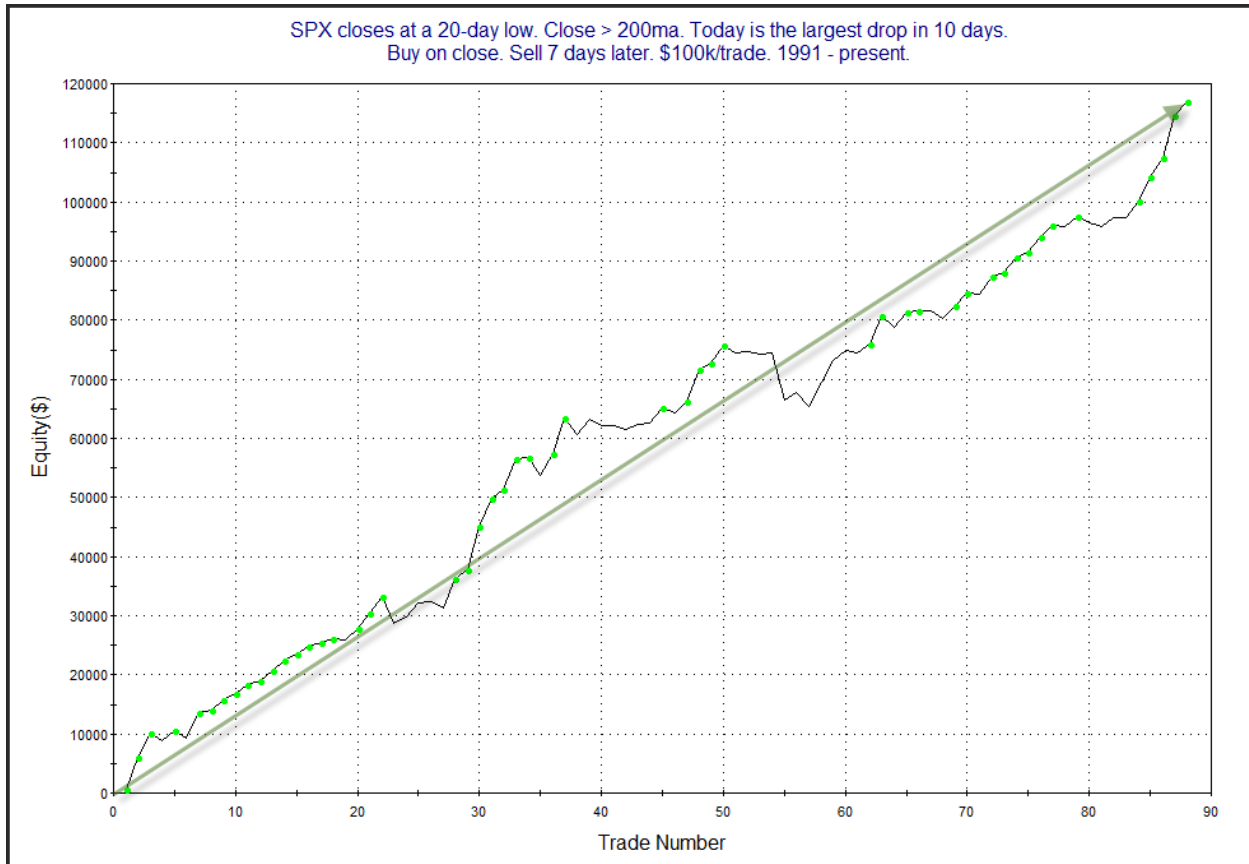
The Evidence

Friday saw some strong selling in the large-cap indices. The SPX closed down 0.9%, and the NASDAQ lost 0.9%, but the Russell 2000 gained 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 33%. NYSE total volume spiked higher as it often does on options expiration.

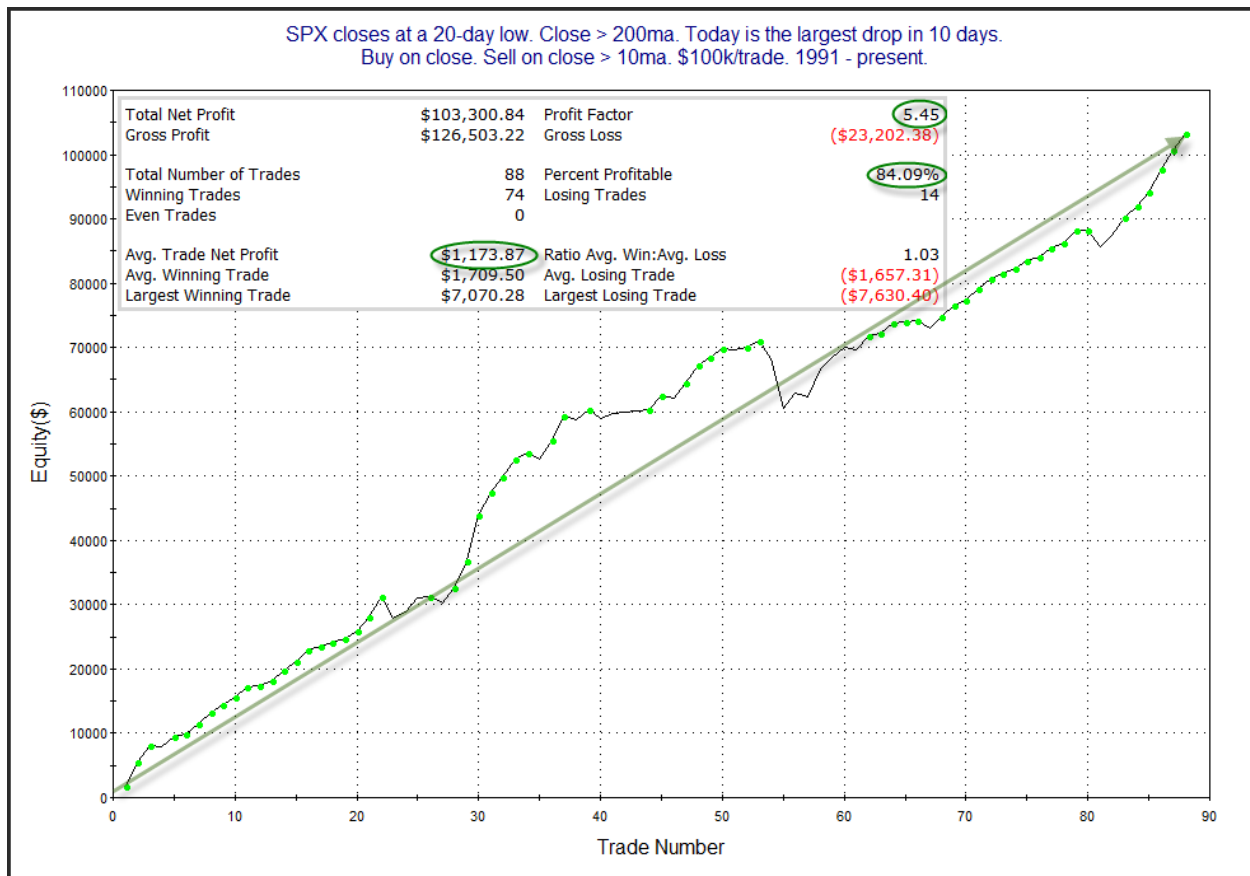
The selloff in SPX put it at a 20-day low. In the 3/23/18 letter I showed a study that examined large losses that finished at intermediate-term lows. I have updated that study below.

SPX closes at a 20-day low. Close > 200ma. Today is the largest drop in 10 days. Buy on close. Sell X days later. \$100k/trade. 1991 - 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
10	105,052.08	85	61	24	71.76	9,048.90	-13,993.88	2,654.64	-2,370.05	1.12	2.85	1,235.91
9	124,065.08	86	67	19	77.91	8,235.00	-10,059.36	2,393.16	-1,909.29	1.25	4.42	1,442.62
8	110,282.78	87	65	22	74.71	8,384.10	-14,092.68	2,408.74	-2,103.88	1.14	3.38	1,267.62
7	116,896.60	88	65	23	73.86	7,500.06	-8,018.76	2,336.05	-1,519.41	1.54	4.35	1,328.37
6	110,594.47	90	67	23	74.44	7,272.06	-7,966.32	2,263.43	-1,785.03	1.27	3.69	1,228.83
5	93,880.83	91	60	31	65.93	7,070.28	-3,385.80	2,107.89	-1,051.37	2.00	3.88	1,031.66
4	67,359.48	93	62	31	66.67	4,731.13	-3,863.84	1,763.10	-1,353.31	1.30	2.61	724.30
3	54,536.18	93	62	31	66.67	4,277.94	-5,331.20	1,493.79	-1,228.34	1.22	2.43	586.41
2	53,309.22	94	63	31	67.02	4,809.66	-3,863.25	1,250.24	-821.16	1.52	3.09	567.12
1	19,535.93	96	62	34	64.58	5,117.46	-2,162.04	739.80	-774.47	0.96	1.74	203.50

Results here are quite bullish. Here is a look at the profit curve for the 7-day holding period.



That is a strong and steady rise from lower left to upper right. Some subscribers may recognize the setup as numbered-system 110524. Results below are also updated and they utilize the system exit strategy rather than a simple day count.



As you can see, waiting for a reversion to exit has often been a good way to go. You'll note the largest losing trade is a big one. It triggered shortly before the US debt downgrade in 2011. Overall, losses have been rare and gains have been steady. This system continues to impress.

As I have discussed some recently, from a seasonality standpoint, there isn't a more reliable time of the year to have a selloff than this upcoming week. Since 1960 the week following the 3rd Friday in September has produced the most bearish results of any week. And the same goes for more recent looks. In the 9/21/20 subscriber letter I showed some tables with the best and worst weeks of the year since 1988. The 1st table includes weeks following the 5th Friday of the month. The second excludes those weeks (because they don't always happen.)

SPX Performance following the Friday during the Month specified. (5th Fridays included) \$100k/trade. \$0 commissions. 1988 - present. Top 10 and Bottom 10 Results Shown.													
Fri of Month	Month of Year	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	10	18,856.63	13	10	3	76.92	7,184.40	-3,889.28	2,476.71	-1,970.15	1.26	4.19	1,450.51
2	4	34,494.18	34	23	11	67.65	5,731.96	-3,580.15	2,206.14	-1,477.00	1.49	3.12	1,014.53
4	11	31,091.32	33	25	8	75.76	7,362.46	-2,238.87	1,571.14	-1,023.41	1.54	4.80	942.16
2	10	30,869.03	33	25	8	75.76	7,282.10	-6,557.14	1,962.97	-2,275.66	0.86	2.70	935.43
5	1	12,284.01	15	10	5	66.67	5,169.12	-3,138.72	2,459.60	-2,462.40	1.00	2.00	818.93
5	5	9,533.51	14	9	5	64.29	4,787.84	-3,683.73	2,205.70	-2,063.56	1.07	1.92	680.96
4	1	22,798.75	34	20	14	58.82	4,860.00	-3,765.16	2,269.60	-1,613.80	1.41	2.01	670.55
4	5	22,394.07	34	22	12	64.71	7,145.28	-2,983.50	1,854.94	-1,534.54	1.21	2.22	658.65
4	10	21,049.45	33	23	10	69.70	10,485.72	-5,472.04	1,962.32	-2,408.40	0.81	1.87	637.86
5	12	10,411.28	17	11	6	64.71	3,714.66	-2,109.86	1,684.09	-1,352.28	1.25	2.28	612.43
1	6	-7,730.53	34	15	19	44.12	4,090.16	-4,731.22	1,214.85	-1,365.96	0.89	0.70	-227.37
3	1	-10,113.36	34	18	16	52.94	2,505.60	-5,602.80	1,147.97	-1,923.55	0.60	0.67	-297.45
5	11	-3,211.13	10	6	4	60.00	1,717.40	-4,574.88	1,042.55	-2,366.60	0.44	0.66	-321.11
1	12	-10,618.59	33	14	19	42.42	4,131.36	-3,728.04	1,312.54	-1,526.01	0.86	0.63	-321.78
1	10	-11,219.32	33	18	15	54.55	5,944.32	-18,000.90	2,041.96	-3,198.31	0.64	0.77	-339.98
3	6	-18,271.41	34	11	23	32.35	2,928.60	-3,626.75	1,291.75	-1,412.20	0.91	0.44	-537.39
3	2	-23,338.87	34	16	18	47.06	2,106.80	-11,122.37	841.94	-2,044.99	0.41	0.37	-686.44
5	7	-11,402.04	15	6	9	40.00	2,404.80	-7,153.30	1,331.36	-2,154.47	0.62	0.41	-760.14
5	4	-7,756.89	10	4	6	40.00	1,247.86	-6,368.04	909.67	-1,899.26	0.48	0.32	-775.69
3	9	-28,593.27	33	7	26	21.21	7,739.42	-6,525.56	2,011.18	-1,641.21	1.23	0.33	-866.46

I will note that I DID exclude the 5th Friday in February. There has only been one of these since 1988. That was 2008, and it lost 2.8% the following week. Of course, February is not the immediate concern. September is. Here is the 2nd table.

SPX Performance following the Friday during the Month specified. (5th Fridays excluded) \$100k/trade. \$0 commissions. 1988 - present. Top 10 and Bottom 10 Results Shown.													
Fri of Month	Month of Year	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
2	4	34,494.18	34	23	11	67.65	5,731.96	-3,580.15	2,206.14	-1,477.00	1.49	3.12	1,014.53
4	11	31,091.32	33	25	8	75.76	7,362.46	-2,238.87	1,571.14	-1,023.41	1.54	4.80	942.16
2	10	30,869.03	33	25	8	75.76	7,282.10	-6,557.14	1,962.97	-2,275.66	0.86	2.70	935.43
4	1	22,798.75	34	20	14	58.82	4,860.00	-3,765.16	2,269.60	-1,613.80	1.41	2.01	670.55
4	5	22,394.07	34	22	12	64.71	7,145.28	-2,983.50	1,854.94	-1,534.54	1.21	2.22	658.65
4	10	21,049.45	33	23	10	69.70	10,485.72	-5,472.04	1,962.32	-2,408.40	0.81	1.87	637.86
4	3	20,416.73	34	23	11	67.65	4,194.44	-3,215.94	1,485.08	-1,249.11	1.19	2.49	600.49
4	6	19,958.70	34	20	14	58.82	5,769.16	-4,984.56	1,983.78	-1,408.35	1.41	2.01	587.02
2	9	18,167.70	33	21	12	63.64	5,313.08	-4,975.04	1,531.51	-1,166.18	1.31	2.30	550.54
1	7	17,788.47	34	24	10	70.59	5,370.89	-6,831.64	1,462.13	-1,730.26	0.85	2.03	523.19
2	8	-5,206.63	34	18	16	52.94	3,122.01	-5,670.55	1,231.73	-1,711.11	0.72	0.81	-153.14
1	8	-5,239.65	34	17	17	50.00	5,106.00	-3,772.71	1,044.05	-1,352.26	0.77	0.77	-154.11
3	3	-6,229.71	34	9	25	26.47	10,171.65	-5,895.00	3,498.85	-1,508.78	2.32	0.83	-183.23
1	6	-7,730.53	34	15	19	44.12	4,090.16	-4,731.22	1,214.85	-1,365.96	0.89	0.70	-227.37
3	1	-10,113.36	34	18	16	52.94	2,505.60	-5,602.80	1,147.97	-1,923.55	0.60	0.67	-297.45
1	12	-10,618.59	33	14	19	42.42	4,131.36	-3,728.04	1,312.54	-1,526.01	0.86	0.63	-321.78
1	10	-11,219.32	33	18	15	54.55	5,944.32	-18,000.90	2,041.96	-3,198.31	0.64	0.77	-339.98
3	6	-18,271.41	34	11	23	32.35	2,928.60	-3,626.75	1,291.75	-1,412.20	0.91	0.44	-537.39
3	2	-23,338.87	34	16	18	47.06	2,106.80	-11,122.37	841.94	-2,044.99	0.41	0.37	-686.44
3	9	-28,593.27	33	7	26	21.21	7,739.42	-6,525.56	2,011.18	-1,641.21	1.23	0.33	-866.46

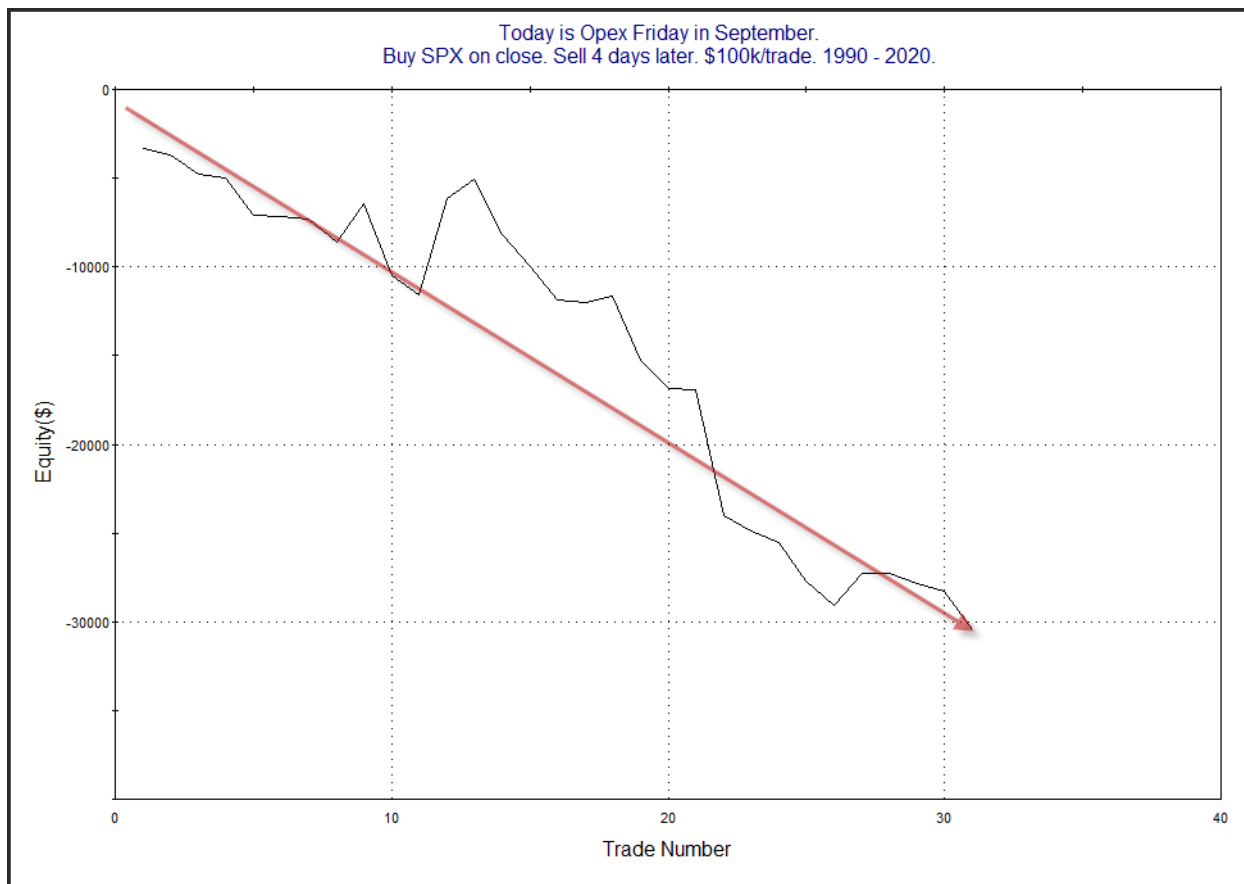
At the bottom of the tables you will see that the worst results occur following the 3rd Friday of the 9th month. Another potential bearish week that is coming up is the week after the 1st Friday in October. And interestingly, the weeks after the 2nd and 4th (and 5th) Fridays in October are listed among the most bullish 10. Further, I'd note that most of the weakest weeks occur after the 1st and 3rd Fridays, with those following quad-witching opex in March, June, and September being the ones with the lowest win %. Meanwhile, most of the strongest weeks occur after the 2nd and 4th Fridays of a month.

In Thursday night's letter I showed a breakdown of the "Weakest Week". I have copied that analysis below.

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.

But this year we are seeing two weeks of selling before we even get to the “Weakest Week”. So did the weakness arrive early this year, and are we more likely to see a move higher next week because of this? [This is something I examined last year](#). Below I have updated the table showing all instances of 2-week selloffs heading into the Weakest Week, and then the Weakest Week return.

Today is the 3rd Friday in September.
 SPX closes down for at least the 2nd week in a row.
 Next week's return shown. 1960 - 2020.

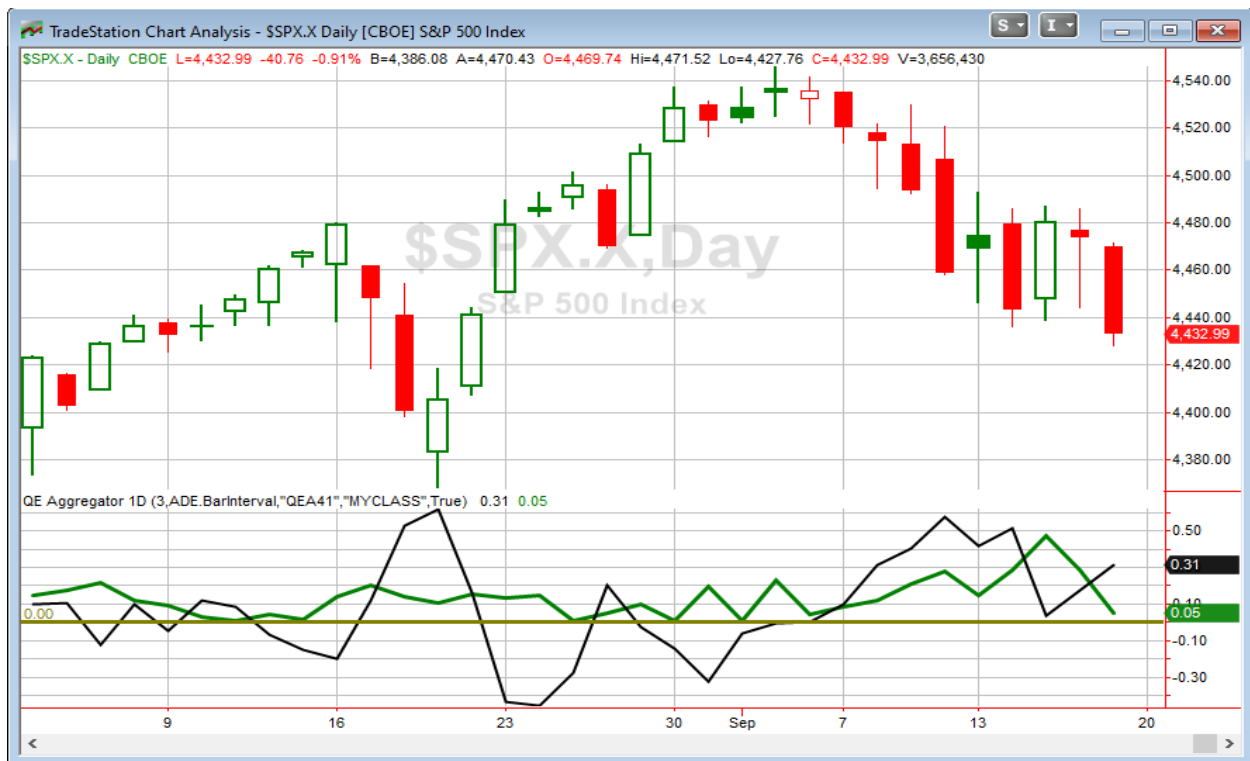
Ticker	Date/Time	Close	Next Week % Chg
\$SPX	9/16/1960	55.11	-2.2
\$SPX	9/15/1961	67.65	-1.37
\$SPX	9/17/1971	99.96	-1.81
\$SPX	9/15/1972	108.81	-0.27
\$SPX	9/20/1985	182.05	-0.42
\$SPX	9/15/1989	345.06	0.58
\$SPX	9/21/1990	311.32	-1.69
\$SPX	9/17/1999	1335.42	-4.35
\$SPX	9/15/2000	1465.81	-1.17
\$SPX	9/20/2002	845.39	-2.13
\$SPX	9/18/2020	3319.47	-0.63
		Avg Return	-1.41
		% Winners	9%

QuantifiableEdges.com

There have only been 11 instances. But 10 of 11 saw further selling in the Weakest Week. The lone winner (1989) only managed a 0.58% return. The average week of the sample saw a 1.41% loss. This is not encouraging for bulls.

So evidence is mixed. We are primed for a bounce, but in a seasonal period where you rarely get one, even when the market has been oversold. This is one of those times where the directional edge is not clear. I generally utilize the Aggregator to help weigh the bullish and bearish evidence.

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, expectations are set to temporarily turn negative on Monday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4520.43 on Monday. That is nearly 2.0% above Friday's close. Therefore, SPX would need to close up a whopping 2.0% on Monday in order to flip from oversold to overbought vs expectations. Not likely.

So the Aggregator is bullish. But expectations are primed to turn negative on Monday. We have also seen several bullish studies in the last couple of weeks that have been run over. Market tendencies have not been playing out as well as normal. And with the weakest seasonal week now upon us, I am not inclined to get aggressive here. There are some new Catapult triggers. And personally, I have a fair amount of exposure for myself and clients through a few semi-automatic systems that I do not override. So I don't see good reason right now to take on additional risk with a somewhat sketchy setup. If I miss out on this bounce, that is fine with me. I'll catch the next high-probability opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/20 – somewhat bullish

Combo #1	Combo #2	Combo #3
Flat	Long	Long

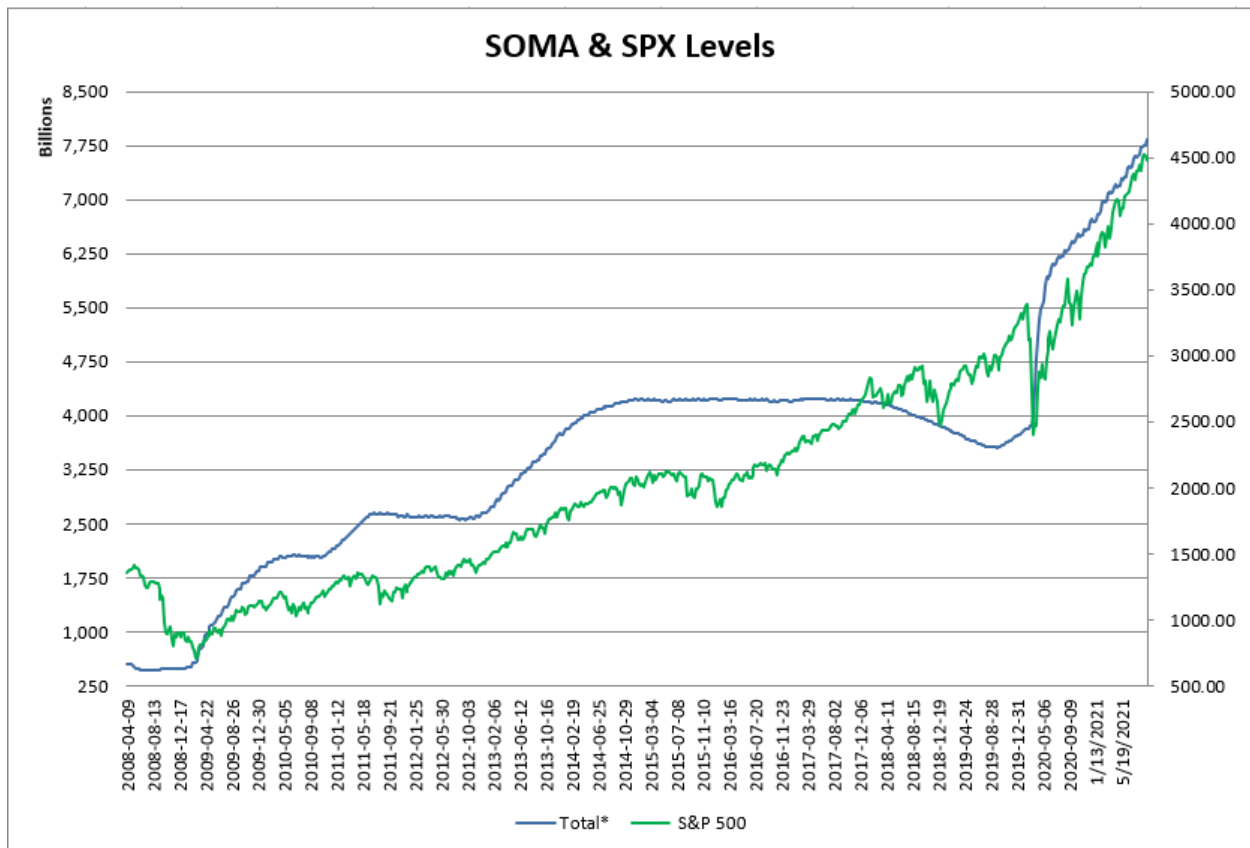
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week there were no changes to the Combo System signals.*

This past week saw mixed results. The SPX fell 0.6%, the NASDAQ lost 0.5%, but the Russell 2000 gained 0.4%. Despite the recent selling, the SPX is still just 2.3% below its closing high from 10 trading days ago. No new studies with intermediate-term implications emerged over the last few days.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of	
Previous	September 15, 2021 <small>Posted September 16, 2021 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; border-bottom: 1px solid black;"> SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,618,367,229.8
US Treasury Floating Rate Notes (FRNs)	24,879,545.9
US Treasury Inflation-Protected Securities (TIPS)*	359,551,828.5
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,504,530,550.7
Agency Commercial Mortgage-Backed Securities***	9,625,250.6
Total SOMA Holdings	7,845,345,405.5
Change From Prior Week	94,492,024.1

This past week saw the SOMA rise by a massive \$94.5 billion. This is not out of the ordinary for this time of the month in the current QE environment. We should see the SOMA continue to rise in the coming weeks. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is in the midst of the largest expansion in history, and the expansion is expected to continue for a while longer. That should continue to benefit the market. But amount of stimulus will be dialed back some in the coming months. *And this week we could see the Fed clue us in on when tapering may begin.* There is a Fed meeting on Tuesday and Wednesday. Fed meeting days are often bullish, especially when there is anxiety leading up to the meeting. Anxiety before such meetings can lead to an oversold condition that bounces when traders hear the Fed news and decide perhaps it wasn't all that horrible. When the massive liquidity support is eventually removed that will likely make for a much more challenging market environment. For now, the Fed is pumping at that is big positive for the SPX.

While the market has pulled back some over the last couple of weeks, the pullback has not changed much from an intermediate-term perspective. The long-term trend, the leading NASDAQ, and the strong liquidity support from the Fed is enough to keep me leaning bullish - barely. Seasonality is a challenge. September has been tough and October can be volatile. Fed policy changes could take a big positive away from the bulls. So I will continue to lean bullish for the time being, but I am prepared to come off that stance if evidence weakens.

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) – *trying again for an entry*

LLY – 1/3 @ \$237.96 (bought @ limit)

TMUS – 1/3 @ \$130.02 (bought @ limit)

PFE – 1/3 @ \$44.58 (bought @ limit)

New

NEE – 1/3 @ \$81.64 (buy @ limit)

Broad Market Large Cap CBI – 9(LLY-3, TMUS-3, FDX, PFE, NEE)

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.

FDX – Buy 1/3 Catapult position @ \$255.22 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of FDX.

NEE – Buy 1/3 Catapult position @ \$81.64 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of NEE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)</i>	<i>9/8/2021</i>	<i>\$450.89</i>	<i>\$446.35</i>	<i>-1.01%</i>		<i>div adjusted sale price</i>
<i>SPY(1/4)</i>	<i>9/9/2021</i>	<i>\$448.98</i>	<i>\$446.35</i>	<i>-0.59%</i>		<i>div adjusted sale price</i>
<i>SPY(1/4)</i>	<i>9/10/2021</i>	<i>\$445.44</i>	<i>\$446.35</i>	<i>0.20%</i>		<i>div adjusted sale price</i>
LLY(1/3)	9/10/2021	\$240.00	\$230.10	-4.13%		Catapult
TMUS(1/3)	9/10/2021	\$131.44	\$128.00	-2.62%		Catapult
LLY(1/3)	9/13/2021	\$239.50	\$230.10	-3.92%		Catapult
TMUS(1/3)	9/13/2021	\$130.81	\$128.00	-2.15%		Catapult
PFE(1/3)	9/14/2021	\$44.58	\$43.89	-1.55%		Catapult
LLY(1/3)	9/14/2021	\$237.96	\$230.10	-3.30%		Catapult
TMUS(1/3)	9/14/2021	\$130.02	\$128.00	-1.55%		Catapult

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