

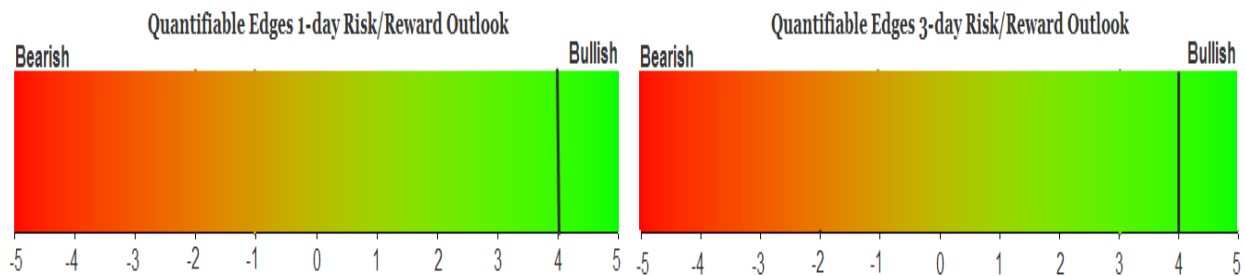
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 21, 2021

Volume 14 Issue 181

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	9

Tonight's Research Points

- Many studies triggered that looked at strong selloffs following lows in uptrends. We also saw some related to Turnaround Tuesday tendencies. I featured a couple of the most compelling studies tonight.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, evidence is solid, and the market is strongly oversold. I like the long side.

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 21, 2021	20 low big drop on Monday	1-5 days	Bullish			
September 21, 2021	Gap dn from 20-low. Close < open > 200	1-5 days	Bullish			
September 20, 2021	20-day low. Biggest drop in 10. > 200	1-7 days	Bullish	2.00%	-1.30%	-2.70%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 20, 2021	Weakest Week	1-4 days	Bearish	-2.10%	0.80%	2.00%
September 14, 2021	CBI hits 10+	1-5 days	Bullish			

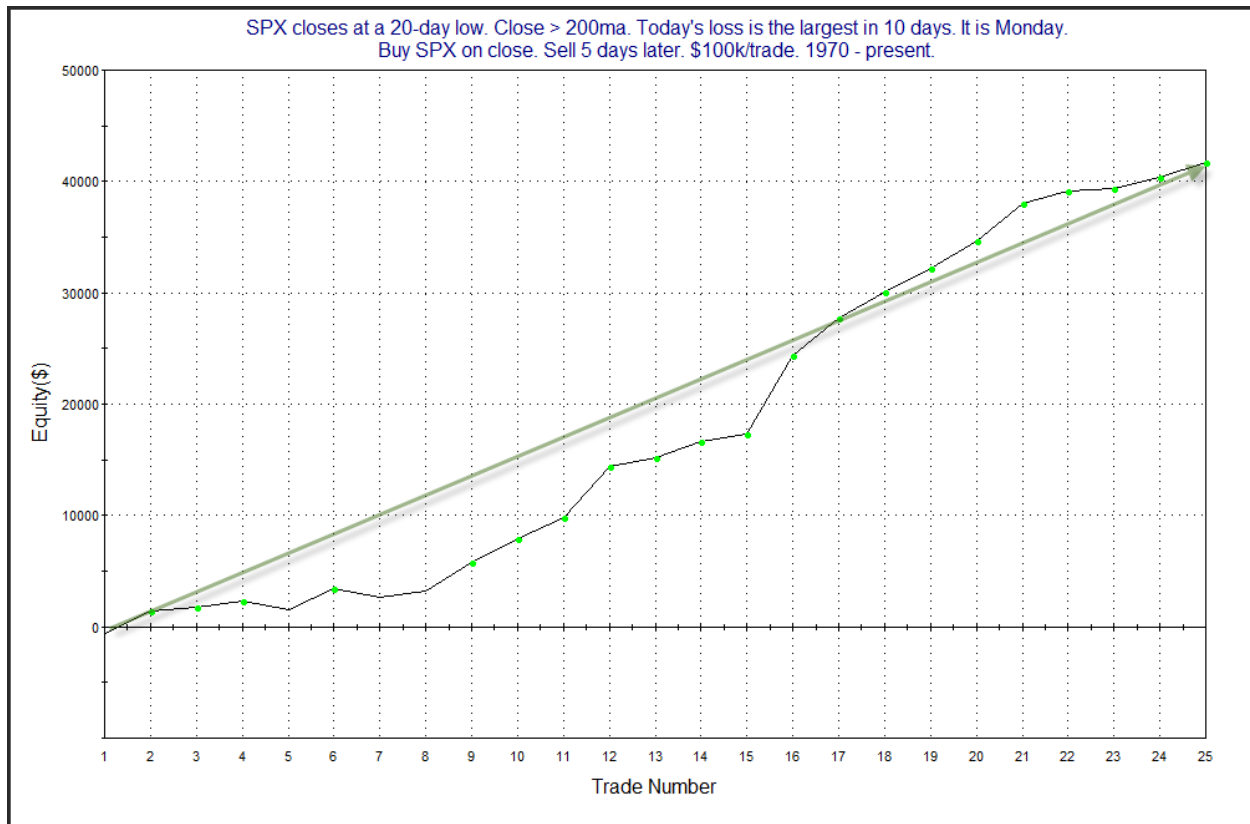
The Evidence

The market kinda crumbled for most of Monday. The last 45 minutes got buying interest, so the closing numbers were not nearly as bad as things looked for a while. The SPX finished down 1.7%, the NASDAQ lost 2.2%, and the Russell 2000 dropped 2.4%. Breadth was negative with the NYSE Up Issues % coming in at 16% and the Up Volume % at 10%. NYSE total volume declined from Friday's options expiration high level.

Several studies viewed the strong selling and closing lows to be potentially bullish. And Turnaround Tuesday is typically the best day for a bounce to begin. The study below considered the long-term uptrend, intermediate-term low, and strong selling on Monday. It was last seen in the 8/6/19 letter. All stats are now updated.

SPX closes at a 20-day low. Close > 200ma. Today's loss is the largest in 10 days. It is Monday. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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	41,738.65	25	22	3	88.00	7,070.28	-734.40	1,989.15	-674.18	2.95	21.64	1,669.55
4	35,776.72	25	24	1	96.00	4,690.50	-1,087.43	1,536.01	-1,087.43	1.41	33.90	1,431.07
3	27,976.53	25	20	5	80.00	3,940.55	-2,513.78	1,618.93	-880.42	1.84	7.36	1,119.06
2	23,698.32	25	21	4	84.00	4,809.66	-925.32	1,237.07	-570.05	2.17	11.39	947.93
1	12,730.59	25	18	7	72.00	5,117.46	-2,264.50	892.41	-476.12	1.87	4.82	509.22

The only instance that did not close higher 4 days later was the one that triggered on 2/5/18. But as you can see in the 5-day profit curve below, it did close higher on day 5. In fact the last 18 instances all closed higher 5 days later. The last loser was in 1981.



Nothing here makes me think any less of the numbers. This study is strongly suggestive of a bounce. As I mentioned, the last time this study triggered was 8/5/19. I recall that instance vividly, because my wife and I decided to go see the Rolling Stones at Giants Stadium in NJ that day. It is about a 4 ½ hour drive to NJ and the market was tanking the whole time we were in the car. We checked into the hotel just around 4pm, and I frantically researched and typed out the letter that evening so we could go to the concert. Meanwhile, my wife was just as frantically looking for Stones tickets at those resale sights online. I kept thinking prices were going to drop as the concert got closer and closer. But while market prices tumbled, Stones ticket prices kept ramping higher. I finished the letter, and we drove to the stadium, and did not get tickets until we were already parked in the garage. They were expensive, but I was not about to drive home without seeing them at that point. The seats were ok. The concert was very good. Leaving the stadium was a mess, but the stock market rebounded strongly over the next few days. So...a happy ending.

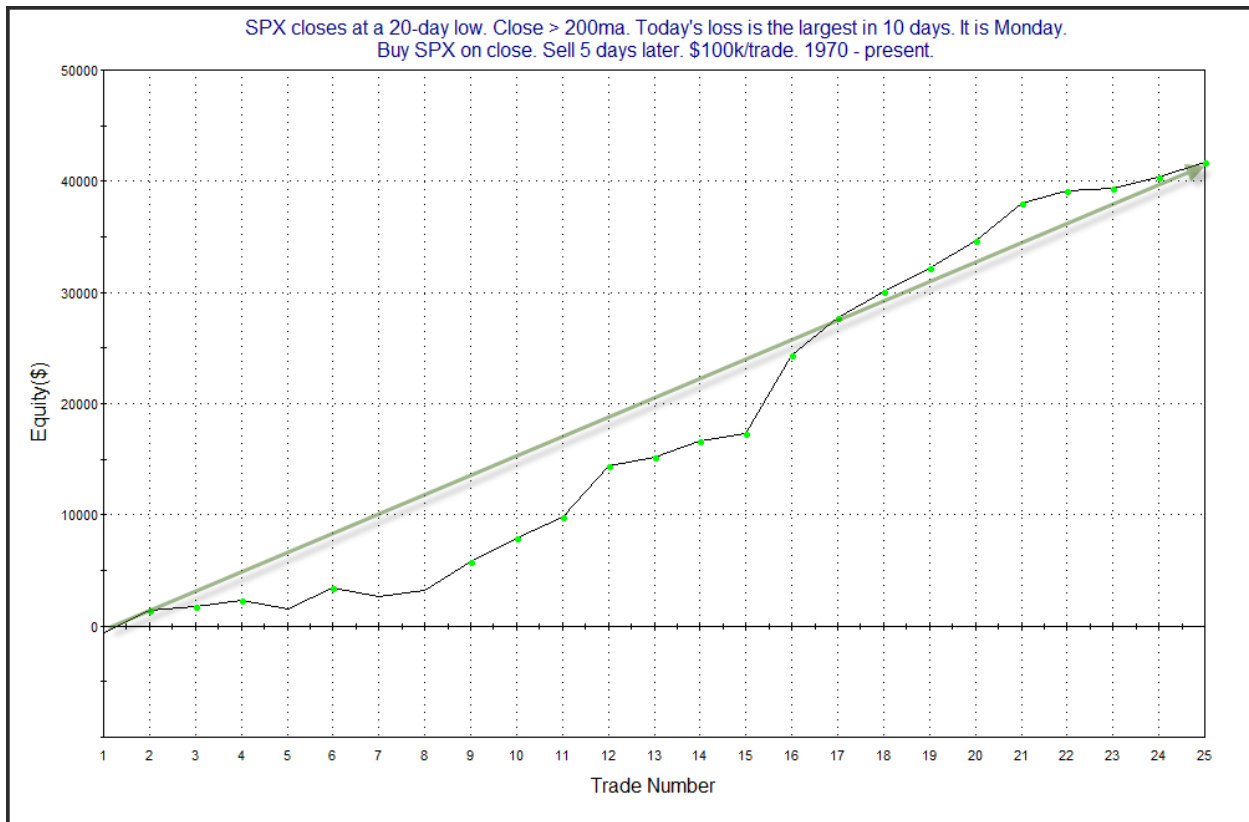
As we know, SPY was already oversold before Monday's action. Monday saw it gap down from a 20-day low the day before and then continue the selling. This triggered the next study below, from the 10/3/19 letter. Results are updated.

Yesterday SPY closed at a 20-day low. Today it gapped down and closed below the open.
 Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 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	51,681.76	28	24	4	85.71	8,239.74	-1,594.30	2,278.70	-751.75	3.03	18.19	1,845.78
4	40,671.90	28	23	5	82.14	5,581.02	-3,255.65	1,997.79	-1,055.44	1.89	8.71	1,452.57
3	30,414.77	28	19	9	67.86	4,348.05	-2,421.25	2,046.66	-941.30	2.17	4.59	1,086.24
2	23,062.52	29	16	13	55.17	5,477.88	-1,643.62	1,975.98	-657.94	3.00	3.70	795.26
1	18,975.72	34	23	11	67.65	5,764.38	-3,000.80	1,238.28	-864.07	1.43	3.00	558.11

The only instance NOT to close above the entry price at some point in the next week triggered on 5/14/12.

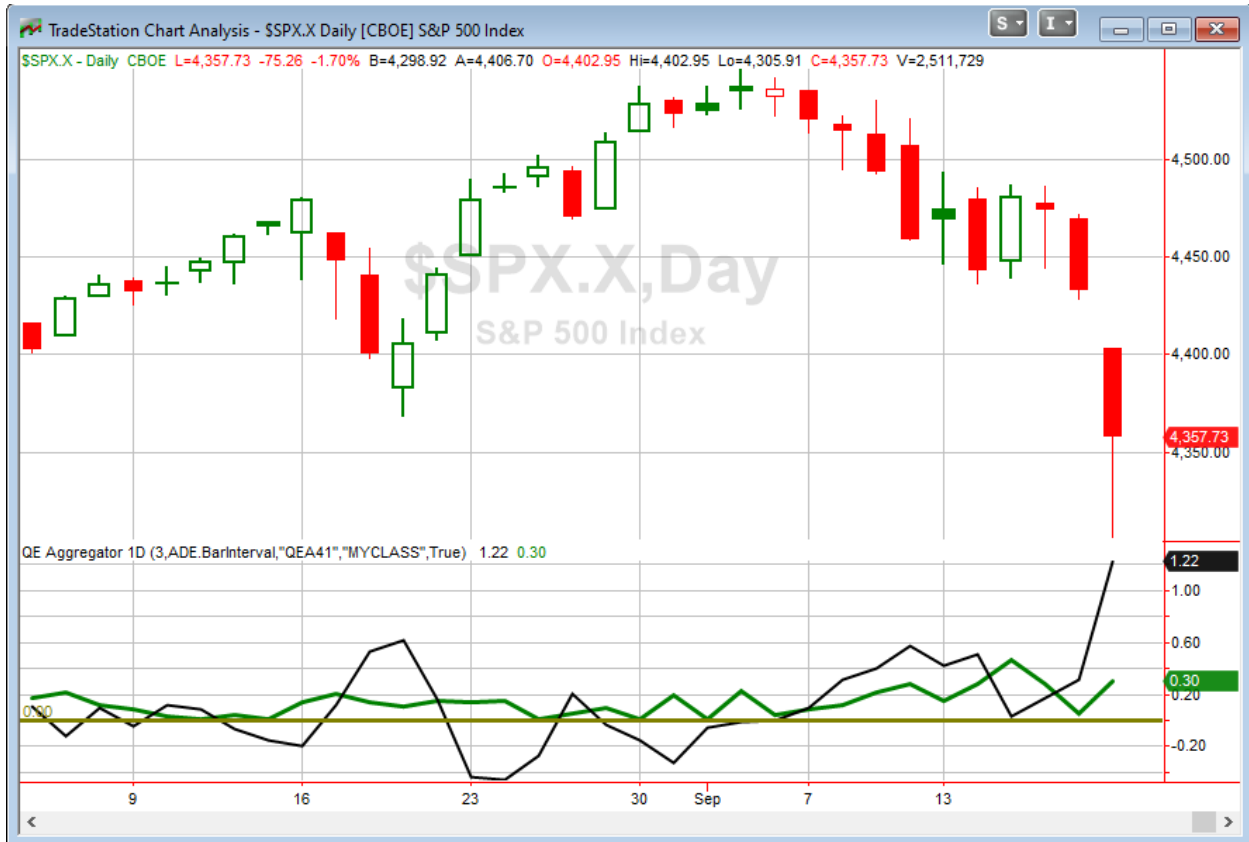
Results here appear consistent and powerful. Below is a look at the profit curve assuming a 5-day holding period.



The strong, steady upslope is impressive. It serves as some confirmation of the bullish edge. So we have a few looks at the strong move to new intermediate-term lows today that suggests a good chance of much higher prices in the next week.

Coming into today, one big concern was seasonality, and the fact that this week is the “Weakest Week” for the market. I noted on Twitter today that the average drawdown during the Weakest Week has been 2.3%. And SPX already reached that today. So as I do with all studies that hit their objective early, I have removed it from the Active List tonight. While there may be more selling this week, it would be hard to attribute further downside to seasonal forces.

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 shot way above 0. The strongly positive Differential Line reading means that SPX is extremely 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 Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4516.75 on Tuesday. That is a whopping 3.65% above Monday's close. Therefore, SPX would need to close up 3.65% on Tuesday in order to flip from oversold to overbought vs expectations. A more likely scenario to work off the oversold condition is a multi-day rally or consolidation.

So the Aggregator is bullish. I am seeing some compelling setups suggesting a likely bounce, and there is substantial room to the upside before SPX would turn from oversold to overbought. I like the long side, and I will look to start scaling into a position on Tuesday. I'll take one lot if I can get filled near Monday's closing price. And I will take another lot at the close if SPY closes down and in the bottom half of its daily range. That 2nd lot may only be a 1-day hold. Poor performance prior to a Fed announcement often leads to a ramp up on the Fed Day. So the 2nd lot will be looking to take advantage of that.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/20 – 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 (bought @ limit)

LLY – 1/3 @ \$237.96 (bought @ limit)

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

PFE – 1/3 @ \$44.58 (bought @ limit)

NEE – 1/3 @ \$81.64 (bought @ 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.

SPY – Buy ¼ index position @ \$434.04 LIMIT. From the short-term outlook above, I will look to take on one lot of SPY if I can get filled at Monday’s closing price or better.

SPY – Buy ¼ index position @ \$434.00 LIMIT ON CLOSE if it also closes in the lower half of its intraday range. From the short-term outlook above, I will look to take on a 2nd lot if there is a weak close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
LLY(1/3)	9/10/2021	\$240.00	\$231.64	-3.48%		Catapult
TMUS(1/3)	9/10/2021	\$131.44	\$125.63	-4.42%		Catapult
LLY(1/3)	9/13/2021	\$239.50	\$231.64	-3.28%		Catapult
TMUS(1/3)	9/13/2021	\$130.81	\$125.63	-3.96%		Catapult
PFE(1/3)	9/14/2021	\$44.58	\$44.20	-0.85%		Catapult
LLY(1/3)	9/14/2021	\$237.96	\$231.64	-2.66%		Catapult
TMUS(1/3)	9/14/2021	\$130.02	\$125.63	-3.38%		Catapult
FDX(1/3)	9/20/2021	\$252.11	\$250.80	-0.52%		Catapult
NEE(1/3)	9/20/2021	\$81.54	\$81.69	0.18%		Catapult

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