

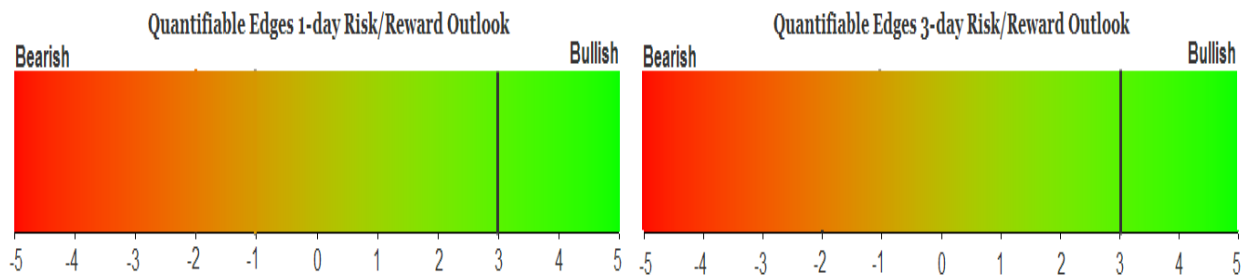
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 23, 2021

Volume 14 Issue 183

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	12

Tonight's Research Points

- No new compelling studies emerged tonight.
- The Fed remains accommodative, and that is helping to alleviate some market concerns for now.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. The Differential Pivot is inverted. But despite the inverted pivot, I still think this bounce could have a few more days to run.

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 22, 2021	20-low then 1% bounce, then down day	1-4 days	Bullish			
September 22, 2021	3 20-day lows in a row > 200ma	1-4 days	Bullish			
September 22, 2021	SPX down 3+ days. Fed Day tomorrow	1-4 days	Bullish			
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			

The Evidence

Wednesday saw a strong bounce, though there was a little give-back in the last 30 minutes, which left SPY closing a good bit off its highs of the day. Still, the 1-day gains were impressive. The SPX finished up 0.95%, the NASDAQ gained 1.02%, and the Russell 2000 rose 1.48%. Breadth was positive with the NYSE Up Issues % coming in at 79% and the Up Volume % at 84%. NYSE total volume declined from Tuesday's level.

The Quantifinder did not identify much tonight. An expected bounce, which is fairly moderate in size, from an oversold condition is not huge news. There was one study that looked at unfilled gaps up on Fed Days that was somewhat interesting. It suggested a possible bearish tendency moving forward, but the tendency has really only existed when the SPY was also at a short-term high. This can be seen in the updated stats tables below.

Today is a Fed Day. SPY leaves an unfilled gap up and closes above the open and at a 10-day high. 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	-13,967.25	19	9	10	47.37	5,434.00	-6,223.36	1,411.46	-2,667.04	0.53	0.48	-735.12
4	-8,788.95	19	11	8	57.89	3,637.92	-5,244.16	1,319.68	-2,913.18	0.45	0.62	-462.58
3	-13,297.59	19	8	11	42.11	3,992.56	-5,502.64	1,145.81	-2,042.19	0.56	0.41	-699.87
2	-12,661.97	19	9	10	47.37	1,231.20	-5,216.64	786.32	-1,973.88	0.40	0.36	-666.42
1	-6,163.99	19	7	12	36.84	876.55	-3,248.96	444.84	-773.16	0.58	0.34	-324.42

Today is a Fed Day. SPY leaves an unfilled gap up and closes above the open but < 10-day high.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

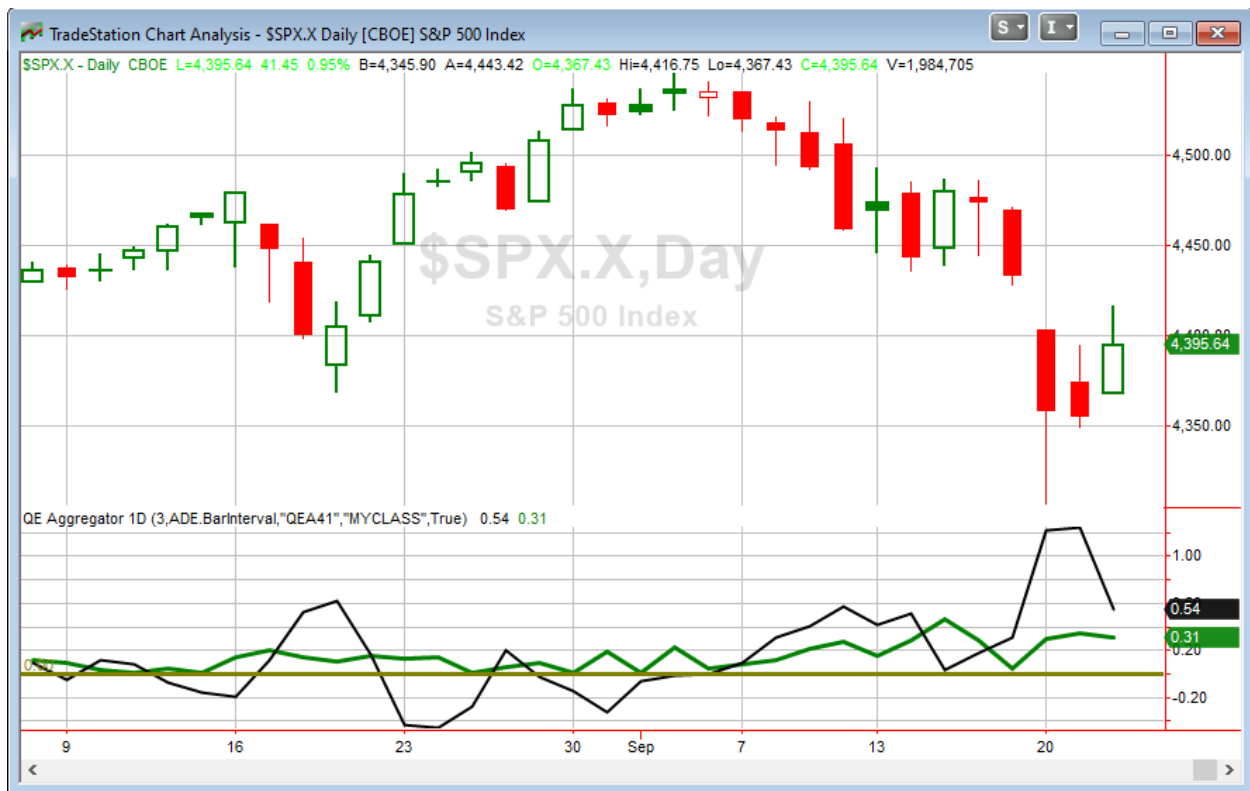
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-5,604.37	16	8	8	50.00	2,960.10	-4,267.54	989.66	-1,690.21	0.59	0.59	-350.27
4	3,543.43	16	9	7	56.25	3,135.34	-2,599.94	1,440.66	-1,346.07	1.07	1.38	221.46
3	-3,317.62	16	7	8	43.75	2,811.60	-2,903.14	1,100.63	-1,377.75	0.80	0.70	-207.35
2	-3,986.46	16	9	7	56.25	2,341.35	-3,244.24	688.71	-1,454.98	0.47	0.61	-249.15
1	-2,007.66	16	7	9	43.75	2,470.05	-2,713.64	946.92	-959.57	0.99	0.77	-125.48

The current situation matches the bottom study, and the results there are fairly breakeven. So no great insights from that.

The news out of the Fed was nothing unexpected. There were no policy changes but the announcement hinted strongly that a reduction in the amount of bonds purchased (otherwise known as “tapering”) could begin sometime shortly after the November meeting. Rates won’t rise for likely a year or more. So the Fed remains accommodative, and Powell in his talk kept pointing to full-employment as the #1 goal. Therefore, you can bet that there will be plenty of focus on the employment numbers in the coming months by Wall St. media. And the 1st Friday of each month should continue to offer interesting trading action.

No new studies are being added to the active list tonight. Of course, there are already plenty that are active, and they are all suggesting more rallying beyond the 1-day bounce we have seen so far.

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 is still 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 is unlikely to change. Meanwhile, the Differential Pivot will be *slightly inverted* at 4385.43 on Thursday. That is a 0.2% *below* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down at least 0.2% in order to remain "oversold" vs recent expectations. Anything other than that and it will be considered "overbought" as of Thursday's close.

So the Aggregator is again bullish. We have a bounce, and evidence says we should get more of a bounce. But the Differential Pivot is inverted, which limits potential upside to just 1 day. Often when there is an inverted Differential Pivot, I will look to take profits. In this case, I am more inclined to hold on a bit longer. The CBI remains elevated, and actually increased to 12 on Thursday. And as oversold as the market was, the bounce should carry at least 2-3 days. So I won't exit Thursday unless there is a strong move up and SPY closes near its high. Otherwise, I'll hold at least until Friday morning.

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)

LMT – 1/3 @ \$336.05 (buy @ limit) – *not filled. Cancel for now.*

UNP – 1/3 @ \$196.61 (buy @ limit) – *not filled. Cancel for now.*

New

BMY – 1/3 @ \$60.15 (buy @ limit)

Broad Market Large Cap CBI – 12(LLY-3, TMUS-3, FDX, PFE, NEE, LMT, UNP, BMY)

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.

BMV – Buy 1/3 Catapult position @ \$60.15 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of BMV.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
LLY(1/3)	9/10/2021	\$240.00	\$228.30	-4.88%		Catapult
TMUS(1/3)	9/10/2021	\$131.44	\$127.73	-2.82%		Catapult
LLY(1/3)	9/13/2021	\$239.50	\$228.30	-4.68%		Catapult
TMUS(1/3)	9/13/2021	\$130.81	\$127.73	-2.35%		Catapult
PFE(1/3)	9/14/2021	\$44.58	\$43.95	-1.41%		Catapult
LLY(1/3)	9/14/2021	\$237.96	\$228.30	-4.06%		Catapult
TMUS(1/3)	9/14/2021	\$130.02	\$127.73	-1.76%		Catapult
FDX(1/3)	9/20/2021	\$252.11	\$229.08	-9.13%		Catapult
NEE(1/3)	9/20/2021	\$81.54	\$81.90	0.44%		Catapult
SPY(1/4)	9/21/2021	\$434.04	\$437.50	0.80%		sold @ Limit
SPY(1/4)	9/21/2021	\$433.63	\$437.86	0.98%		see note below

I will sell SPY at the close if it closes \geq \$442.00 and in the top 25% of its intraday day range. Other than that scenario, I will hold at least until Friday morning.

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