

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 24, 2021

Volume 14 Issue 184

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- 2 unfilled gaps higher after a 20-day low suggests a short-term upside edge.
- When the VIX moves from 10% above the 10ma to 10% below the 10ma in less than a week it has typically been followed by gains.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is basically where I am at as well. Evidence favors more gains, but I'll just look to get flat after two nice days of gains have put SPX in a short-term overbought condition.

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 24, 2021	2 unfilled up gaps from 20-day low	1-7 days	Bullish	2.50%	-0.90%	-1.90%
September 24, 2021	VIX 10% above 10ma to 10% below 10m	1-8 days	Bullish	2.05%	-1.20%	-2.50%
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			
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 22, 2021	20-low then 1% bounce, then down	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 20, 2021	20-day low. Biggest drop in 10. > 200ma	1-7 days	Bullish	2.00%	-1.30%	-2.70%

The Evidence

Thursday was a 2nd day of rallying. The SPX finished up 1.2%, the NASDAQ gained 1.0%, and the Russell 2000 rose 1.8%. Breadth was positive with the NYSE Up Issues % coming in at 65% and the Up Volume % at 80%. NYSE total volume declined for the 4th day in a row.

Coming off the 20-day low close on Tuesday, we have now seen SPY leave an unfilled gap higher for two days in a row. That is quite unusual to see that kind of overnight strength hold up so well for multiple days following an intermediate-term low. It is something I examined earlier this year in the 5/17/21 letter. I went back and updated that study tonight.

After closing at a 20-day low 2 days ago, SPY leaves an unfilled gap the last 2 days. 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
10	22,583.07	13	10	3	76.92	7,303.23	-2,443.98	2,803.59	-1,817.60	1.54	5.14	1,737.16
9	21,602.21	13	10	3	76.92	7,882.38	-2,937.00	2,572.46	-1,374.14	1.87	6.24	1,661.71
8	21,464.97	13	10	3	76.92	6,554.79	-2,055.90	2,518.54	-1,240.14	2.03	6.77	1,651.15
7	20,253.09	13	12	1	92.31	5,102.46	-1,440.00	1,807.76	-1,440.00	1.26	15.06	1,557.93
6	19,854.38	13	10	3	76.92	6,130.08	-1,019.94	2,186.62	-670.59	3.26	10.87	1,527.26
5	15,447.20	13	10	3	76.92	5,348.97	-1,425.78	1,803.70	-863.26	2.09	6.96	1,188.25
4	13,247.92	13	9	4	69.23	5,503.41	-490.88	1,611.79	-314.55	5.12	11.53	1,019.07
3	7,876.89	13	10	3	76.92	4,196.61	-1,372.80	1,079.80	-973.72	1.11	3.70	605.91
2	5,842.38	13	9	4	69.23	4,220.37	-1,252.80	1,173.81	-1,180.48	0.99	2.24	449.41
1	4,974.22	13	8	5	61.54	2,230.47	-1,188.00	946.99	-520.34	1.82	2.91	382.63

Instances remain low, but the upside consistency is quite impressive. Below is a list of all the trades along with the 7-day results.

After closing at a 20-day low 2 days ago, SPY leaves an unfilled gap up the last 2 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/15/1996	Buy	\$64.25	1.17%	\$2,053.92
4/24/1996	Sell	\$65.00		(\$622.40)
6/17/1998	Buy	\$111.38	1.80%	\$2,771.73
6/26/1998	Sell	\$113.38		(\$1,569.75)
1/26/2005	Buy	\$117.23	2.56%	\$2,729.60
2/4/2005	Sell	\$120.23		(\$528.86)
4/12/2012	Buy	\$138.79	-1.44%	\$410.40
4/23/2012	Sell	\$136.79		(\$2,052.00)
6/26/2013	Buy	\$160.14	2.38%	\$2,652.00
7/8/2013	Sell	\$163.95		(\$174.72)
3/31/2014	Buy	\$187.01	0.04%	\$1,436.46
4/9/2014	Sell	\$187.09		(\$1,826.28)
12/18/2014	Buy	\$206.78	0.40%	\$1,057.77
12/30/2014	Sell	\$207.60		(\$565.11)
6/11/2015	Buy	\$211.63	0.12%	\$807.12
6/22/2015	Sell	\$211.89		(\$1,812.48)
7/10/2015	Buy	\$207.48	2.06%	\$2,741.70
7/21/2015	Sell	\$211.75		\$0.00
6/29/2016	Buy	\$206.66	3.26%	\$3,579.03
7/11/2016	Sell	\$213.40		(\$48.30)
2/4/2020	Buy	\$329.06	2.43%	\$2,745.18
2/13/2020	Sell	\$337.06		\$0.00
11/3/2020	Buy	\$336.03	5.11%	\$8,419.95
11/12/2020	Sell	\$353.21		\$0.00
5/14/2021	Buy	\$416.58	0.40%	\$991.20
5/25/2021	Sell	\$418.24		(\$2,700.00)

This list is impressive, and many of the instances saw strong upside follow through. This setup has been unusual, but the consistent gains to this point intrigue me enough to pay the study some attention and put it on the Active List tonight.

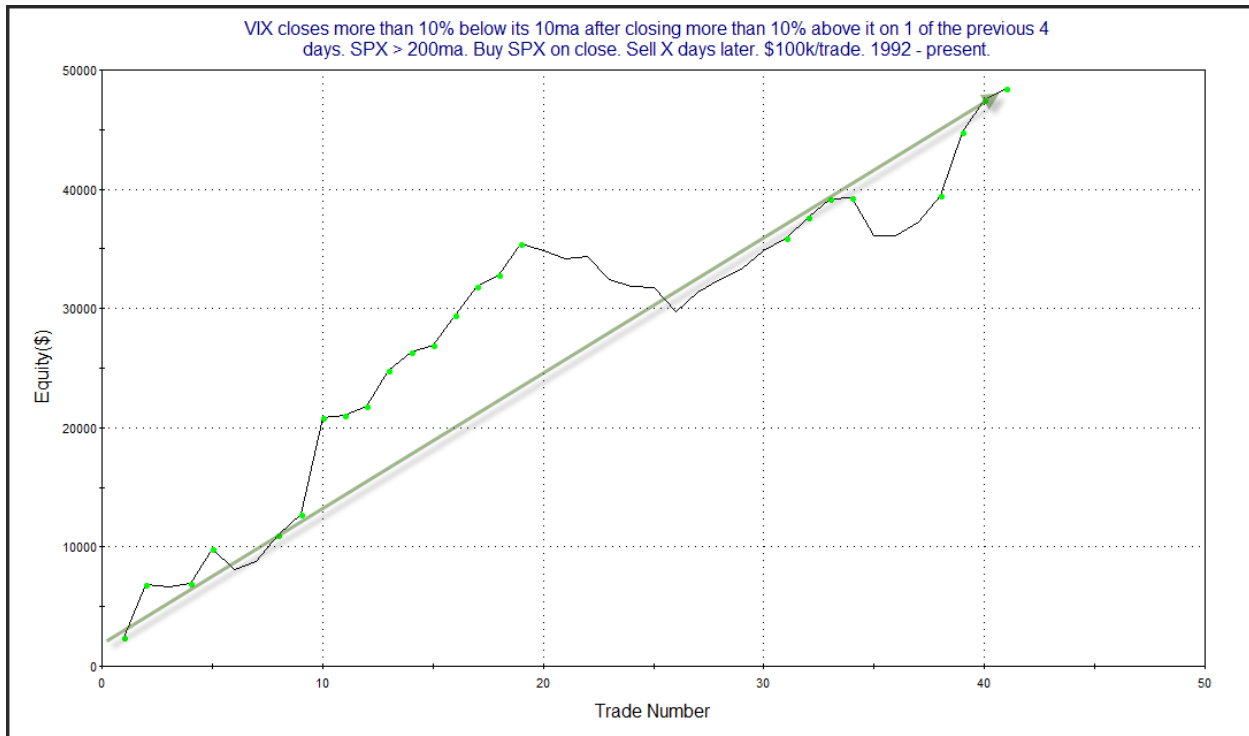
The 2nd study to discuss tonight also suggests a bullish edge for the short-term. It considers the sharp drop in the VIX over the last couple of days after a sharp rise just prior to that. It was last seen in the 3/11/21 subscriber letter. The results are updated.

VIX closes more than 10% below its 10ma after closing more than 10% above it on 1 of the previous 4 days. SPX > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1992 - 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	36,865.20	41	27	14	65.85	8,115.80	-4,224.84	2,156.05	-1,524.86	1.41	2.73	899.15
9	41,840.96	41	29	12	70.73	8,397.40	-2,973.64	1,928.53	-1,173.87	1.64	3.97	1,020.51
8	48,488.16	41	32	9	78.05	8,076.20	-3,172.20	1,855.87	-1,211.08	1.53	5.45	1,182.64
7	43,789.84	41	31	10	75.61	7,749.50	-2,513.62	1,795.76	-1,187.87	1.51	4.69	1,068.04
6	38,716.08	41	29	12	70.73	5,305.30	-3,271.68	1,743.79	-987.81	1.77	4.27	944.29
5	35,443.41	41	28	13	68.29	5,361.40	-2,011.20	1,659.96	-848.89	1.96	4.21	864.47
4	21,894.68	42	30	12	71.43	4,981.90	-2,927.52	1,242.99	-1,282.91	0.97	2.42	521.30
3	15,283.07	43	27	16	62.79	3,799.40	-3,629.81	1,037.59	-795.75	1.30	2.20	355.42
2	9,451.63	43	28	15	65.12	3,839.00	-5,300.66	863.26	-981.30	0.88	1.64	219.81
1	8,158.37	43	25	18	58.14	2,952.40	-3,572.94	781.32	-631.92	1.24	1.72	189.73

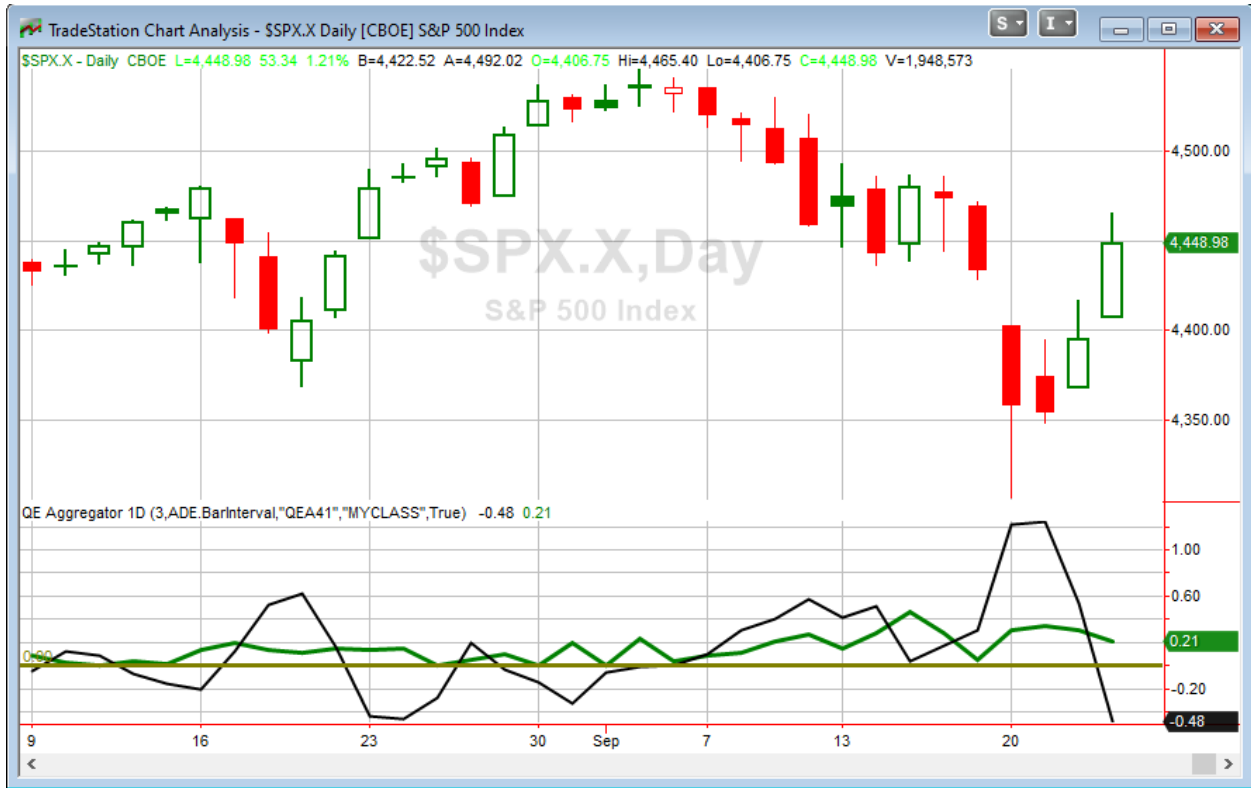
90.5% of instances closed above the entry price at some point in the next week.

The market condition that would typically accompany such VIX movement is one where you see SPX post a strong rebound from a sharp decline during a long-term uptrend. That is a pretty good description of the current setup. Results over the first 2-3 days are not terribly consistent, but once you get out beyond that the bounce becomes more reliable and more powerful. Below I have provided the profit curve assuming an 8-day holding period.



This curve struggled for some time in the middle of the chart, but it recovered nicely and has persisted higher. I have also included this study on the Active List tonight. Lastly, I will note that the strong bounce the last couple of days has caused a few of the studies from previous nights to reach their typical upside, so they have been removed a little early.

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 dove down below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. It would take some strong bearish evidence to change this. Meanwhile, the Differential Pivot will be 4383.73 on Friday. That is a 1.5% below Thursday's close. So for SPX to flip from overbought to oversold versus recent expectations on Friday it would need to close down over 1.5%.

So the Aggregator is now neutral. While evidence says the bounce should have further to go, the fact that SPX is already overbought vs recent expectations both increases risk and reduces potential reward. Sometimes when coming off an oversold low like this, I will try and get a little more upside out of the trade. But the CBI dropped from 12 to 2 today. So that is also back to neutral. Therefore, I will look to exit my current SPY position on Friday, and then wait for the next favorable reward/risk setup to emerge.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

FDX – 1/3 @ \$257.55 (bought @ limit)

NEE – 1/3 @ \$81.64 (bought @ limit)

Broad Market Large Cap CBI – 2(FDX, 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.

None.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
LLY(1/3)	9/10/2021	\$240.00	\$232.18	-3.26%		<i>sell on open</i>
TMUS(1/3)	9/10/2021	\$131.44	\$130.94	-0.38%		<i>sell on open</i>
LLY(1/3)	9/13/2021	\$239.50	\$232.18	-3.06%		<i>sell on open</i>
TMUS(1/3)	9/13/2021	\$130.81	\$130.94	0.10%		<i>sell on open</i>
PFE(1/3)	9/14/2021	\$44.58	\$44.19	-0.87%		<i>sell on open</i>
LLY(1/3)	9/14/2021	\$237.96	\$232.18	-2.43%		<i>sell on open</i>
TMUS(1/3)	9/14/2021	\$130.02	\$130.94	0.71%		<i>sell on open</i>
FDX(1/3)	9/20/2021	\$252.11	\$228.92	-9.20%		Catapult
NEE(1/3)	9/20/2021	\$81.54	\$81.27	-0.33%		Catapult
SPY(1/4)	9/21/2021	\$433.63	\$443.18	2.20%		see note below

I will look to exit my SPY position @ \$443.18 LIMIT. If not filled within the 1st half hour of trading, I will place a stop below the low of the 1st 30 minutes. If neither the target or stop has been hit by the close, I will exit at the close.

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2021 Quantifiable Edges, LLC.