

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 28, 2021

Volume 14 Issue 186

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- The Russell 2000 rising > 1% while SPX closes lower suggests a 1-day upside edge.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. It could easily turn to a bullish signal on Tuesday, but it is not there yet.

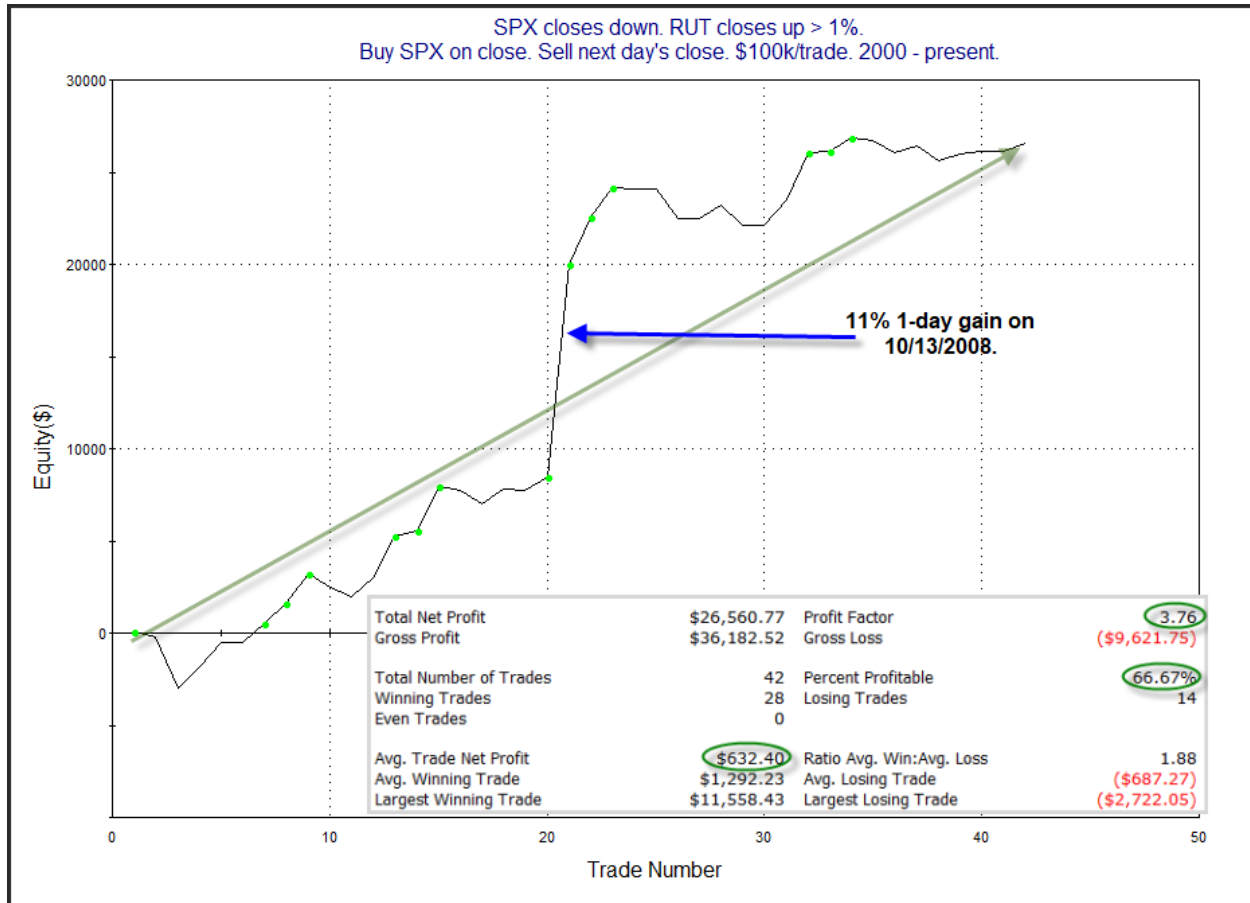
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 28, 2021	SPX Down. RUT up > 1%.	1 day	Bullish			
September 27, 2021	Dn 4 days then up 3 < 7 ago	1-7 days	Bullish			
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%
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			

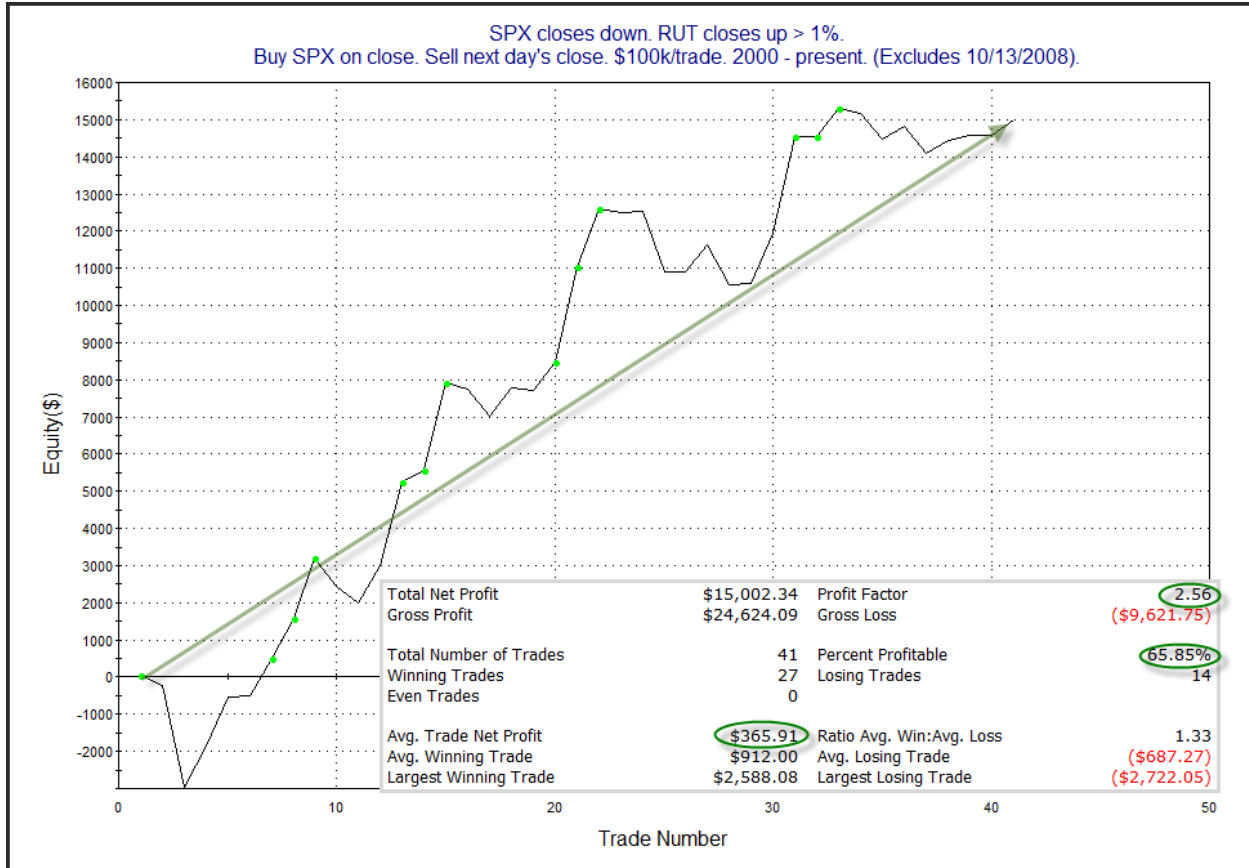
The Evidence

Monday was mostly lower for the indices. The SPX finished down 0.3%, the NASDAQ lost 0.5%, and the Russell 2000 rallied 1.5%. Breadth was positive with the NYSE Up Issues % coming in at 59% and the Up Volume % at 74%. NYSE total volume rose some from Friday's low level.

The divergence between the SPX and the Russell was notable. The split market triggered an interesting study from the 7/29/21 subscriber letter. It examined other times the SPX closed down on the same day the Russell 2000 rose at least 1%. I have updated the results below.

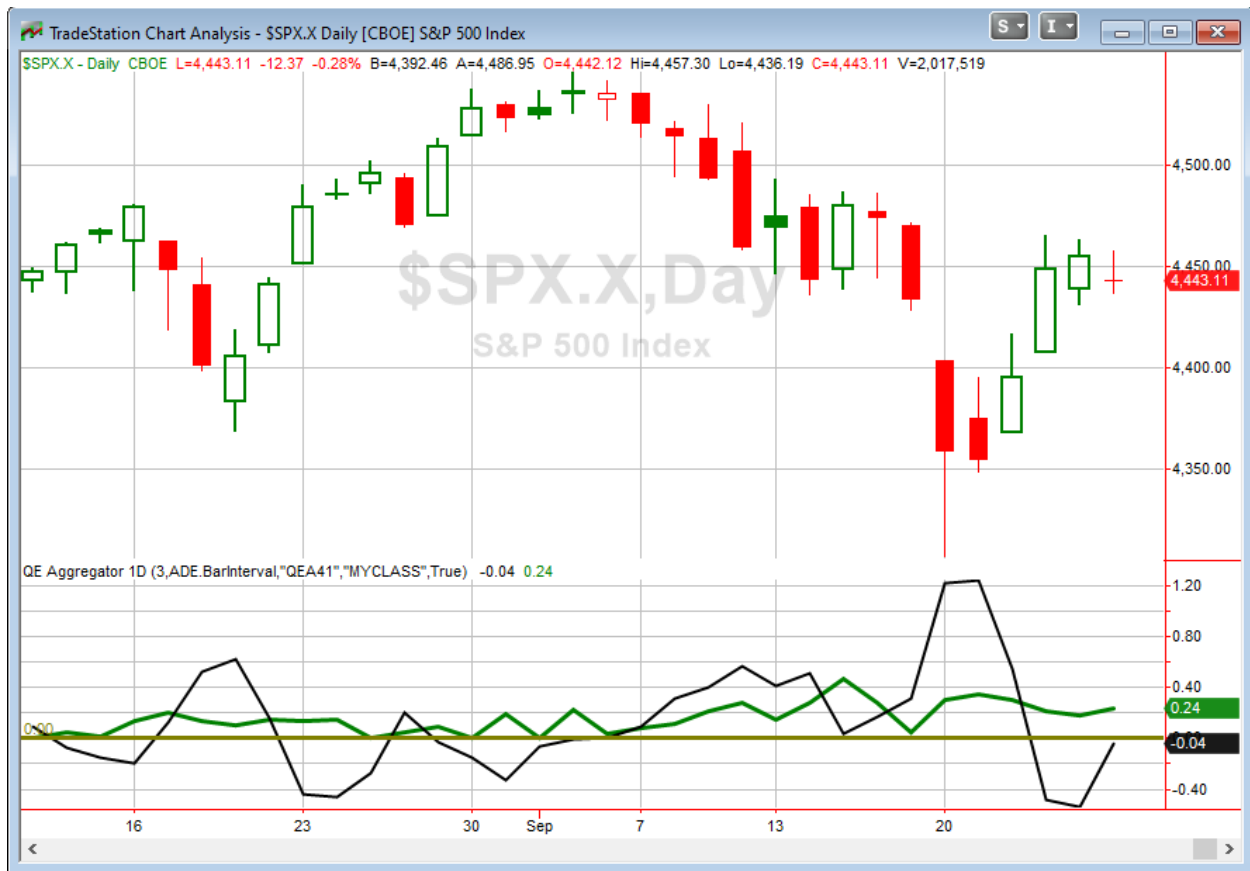


Stats here are very strong, but the one instance noted certainly inflates all the stats and skews the curve. So let's look at the results if we exclude that 2008 instance.



Despite some recent struggles, this still seems worth paying attention to. And the average instance has led to a 0.4% gain the next day. I have included this on the Active List.

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 held just 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. It would take strong bearish evidence to change this. Meanwhile, the Differential Pivot will be *inverted* at 4487.49 on Tuesday. That is a 1.0% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 1% in order to remain "overbought" vs recent expectations. Anything less than that and it will be considered "oversold" as of Tuesday's close.

So the Aggregator is again neutral. The market is overbought, but we do not have any short-term evidence suggesting a downside edge. And with the market primed to flip to "oversold" versus expectations tomorrow unless there is a rally, we could easily see a long signal trigger on Tuesday. I am not going to jump the gun though. I am content to remain flat on my index exposure until a clear edge emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/27 – 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)

New

NEE – 1/3 @ \$78.76 (buy @ limit)

Broad Market Large Cap CBI – 3(FDX, NEE-2)

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.

NEE – Buy 1/3 Catapult position @ \$78.76 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of NEE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
FDX(1/3)	9/20/2021	\$252.11	\$226.51	-10.15%		Catapult
NEE(1/3)	9/20/2021	\$81.54	\$78.76	-3.41%		Catapult

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