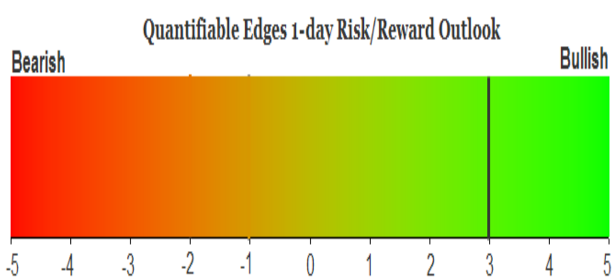
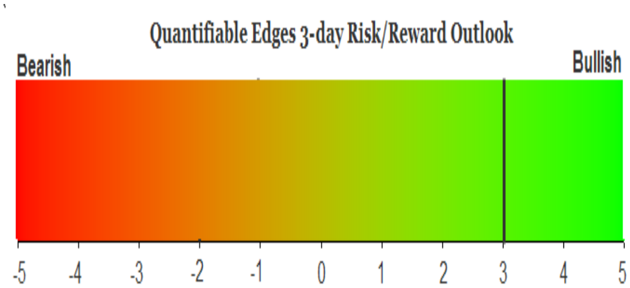
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 29, 2021 Volume 14 Issue 187

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- System 110524 triggered for SPX, which has been a reliable trigger over the years.
- Weak closes at short and intermediate-term lows during a long-term uptrend have often seen a bounce in the following days.

Short-term Outlook

The Bottom Line

Evidence is pointing higher, and SPX is strongly oversold on a short-term basis. There appears to be a substantial upside edge.

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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 29, 2021	20-low. Biggest drop in 10.	1-7 days	Bullish	2.40%	-1.60%	-3.40%
September 29, 2021	Btm 10% daily range and 40-day low	1-6 days	Bullish	2.50%	-1.70%	-3.70%
September 27, 2021	Dn 4 days then up 3 < 7 ago	1-7 days	Bullish	2.15%	-1.20%	-2.40%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 24, 2021	***2 unfilled up gaps from 20-day low***	***1-7 days***	***Bullish***	***2.50%***	***-0.90%***	***-1.90%***
September 28, 2021	SPX Down. RUT up > 1%.	1 day	Bullish			

The Evidence

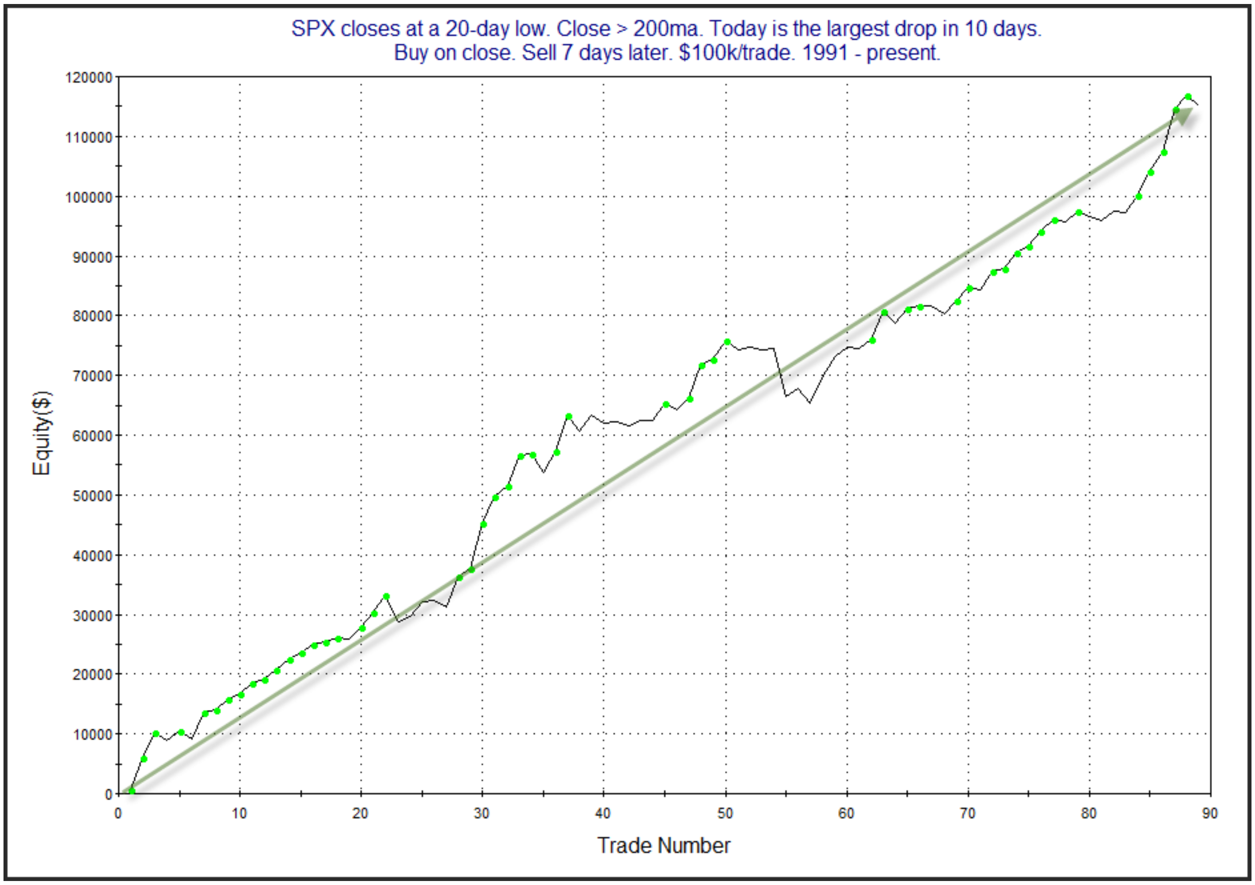
Tuesday saw some of the biggest declines in months. The SPX finished down 2.0%, the NASDAQ lost 2.8%, and the Russell 2000 dropped 2.25%. The declines left the SPX and NDX at their lowest closing prices since July 20th. Meanwhile, the Russell 2000 is still up over the last 5 days. It also closed above the midpoint of its range since the July 20th close. So it has not seen nearly the selling of the other 2 indices. Breadth was negative with the NYSE Up Issues % coming in at 20% and the Up Volume % at 37%. NYSE total volume rose for the 2nd day in a row.

Just last week, in the 9/20/21 letter I showed a study that examined large losses that finished at intermediate-term lows. I have updated that study below.

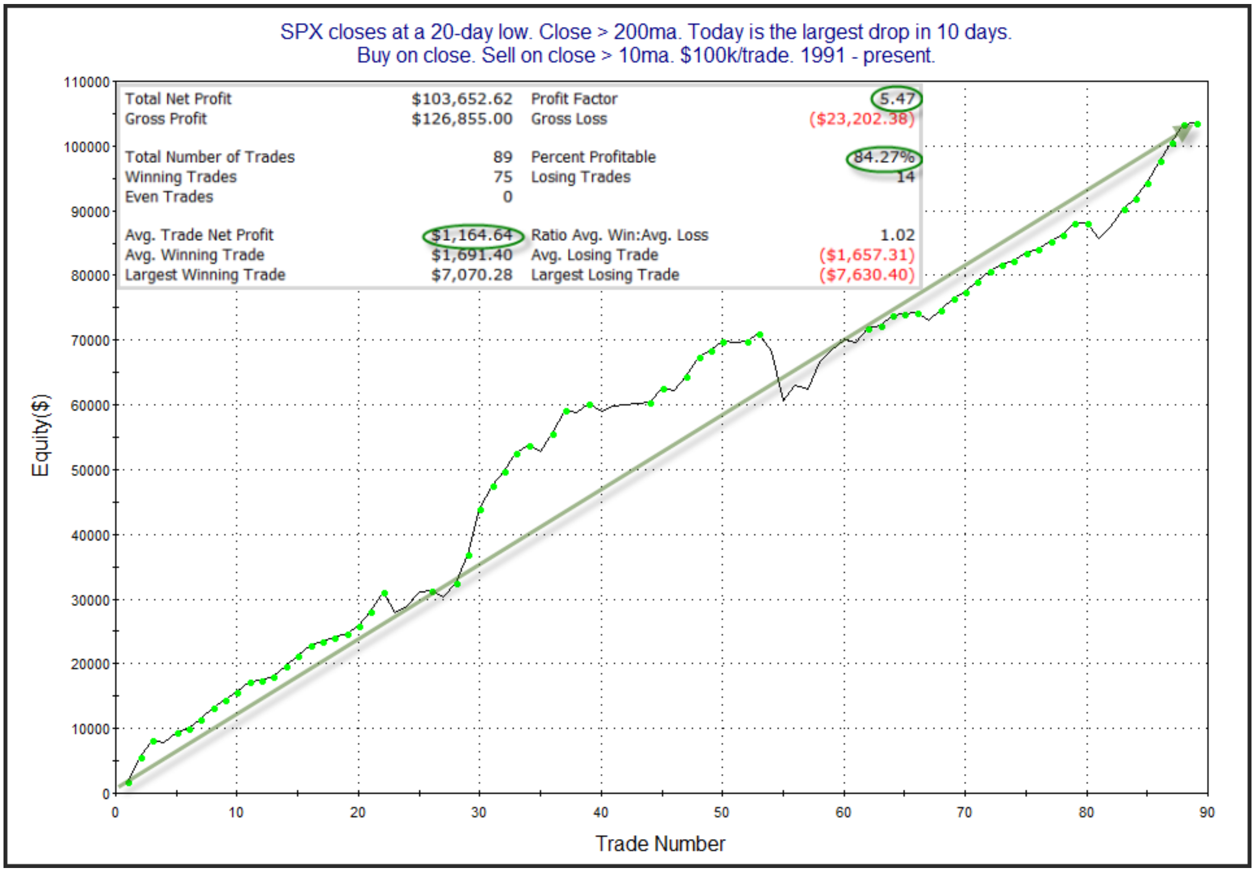
SPX closes at a 20-day low. Close > 200ma. Today is the largest drop in 10 days.
Buy on close. Sell X days later. $100k/trade. 1991 - present.

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	110,817.11	91	68	23	74.73	7,272.06	-7,966.32	2,233.42	-1,785.03	1.25	3.70	1,217.77
5	94,375.61	92	61	31	66.30	7,070.28	-3,385.80	2,081.44	-1,051.37	1.98	3.90	1,025.82
4	67,711.27	94	63	31	67.02	4,731.13	-3,863.84	1,740.70	-1,353.31	1.29	2.61	720.33
3	53,714.48	94	62	32	65.96	4,277.94	-5,331.20	1,493.79	-1,215.63	1.23	2.38	571.43
2	51,575.62	95	63	32	66.32	4,809.66	-3,863.25	1,250.24	-849.67	1.47	2.90	542.90
1	17,802.33	98	62	36	63.27	5,117.46	-2,162.04	739.80	-779.60	0.95	1.63	181.66

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.



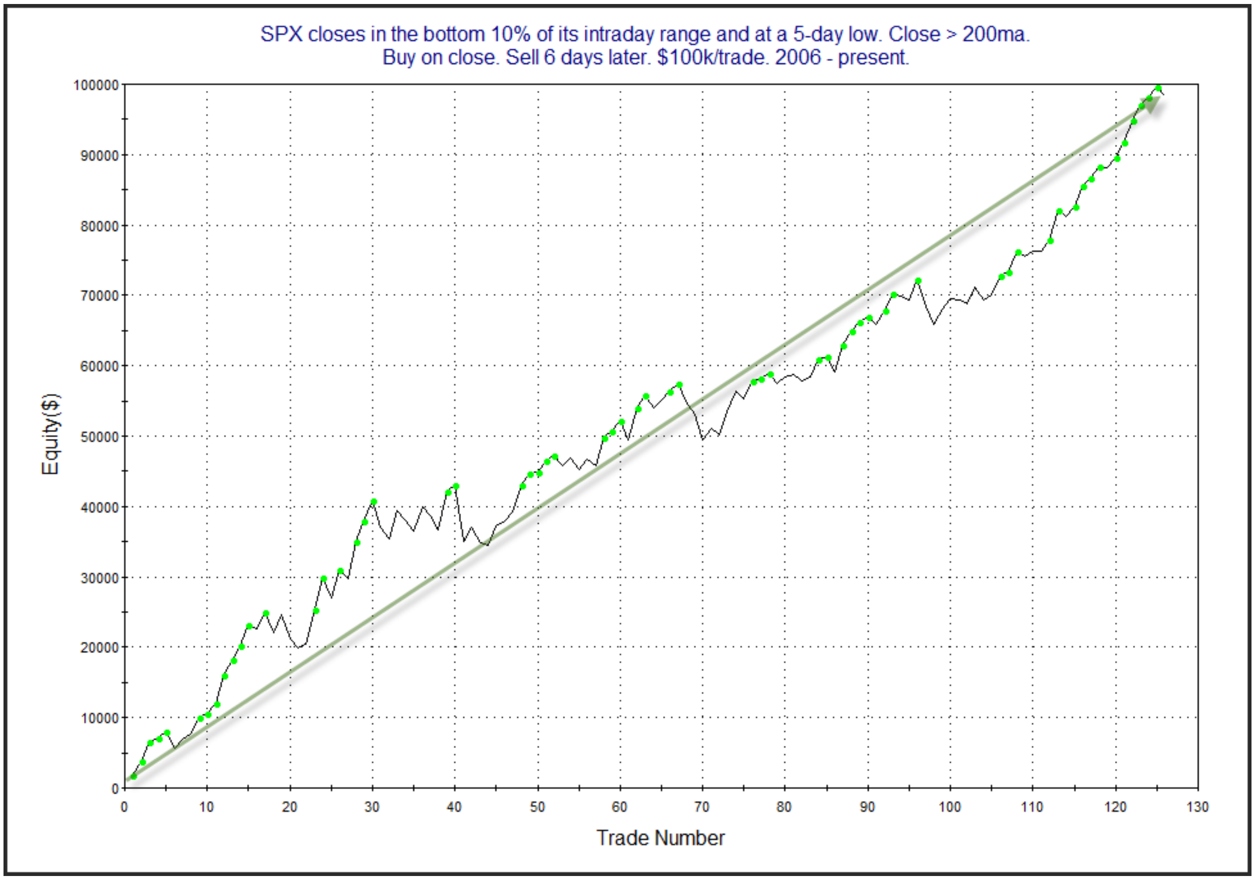
As you can see, waiting for a reversion to exit has often been a good way to go. You'll note the largest losing trade is a big one. It triggered shortly before the US debt downgrade in 2011. Overall, losses have been rare and gains have been steady. This system continues to impress.

In addition to the strong selloff, we also saw several studies suggest the close near the low of the day could also offer a bullish edge. Over the last several years when SPX has closed near the bottom of its daily range and at a short-term or intermediate-term low, it has typically been followed by a bounce in the next few days. This can be seen in the series of studies below, from the 5/29/19 letter.

SPX closes in the bottom 10% of its intraday range and at a 5-day low. Close > 200ma.
Buy on close. Sell X days later. $100k/trade. 2006 - 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	60,137.52	108	71	37	65.74	7,072.00	-13,993.88	2,185.74	-2,568.92	0.85	1.63	556.83
9	79,634.85	115	79	36	68.70	5,877.30	-11,831.15	2,097.85	-2,391.54	0.88	1.92	692.48
8	68,890.52	117	77	39	65.81	6,612.06	-14,092.68	2,111.80	-2,403.04	0.88	1.74	588.81
7	73,342.86	120	80	40	66.67	7,152.30	-8,018.76	2,002.94	-2,172.30	0.92	1.84	611.19
6	98,338.91	126	85	41	67.46	5,461.44	-7,966.32	2,027.41	-1,804.67	1.12	2.33	780.47
5	79,731.13	131	88	43	67.18	5,555.16	-5,132.88	1,699.54	-1,623.92	1.05	2.14	608.63
4	68,074.30	136	90	46	66.18	5,290.00	-6,520.68	1,542.04	-1,537.16	1.00	1.96	500.55
3	53,483.85	143	95	48	66.43	4,895.50	-5,393.69	1,234.59	-1,329.21	0.93	1.84	374.01
2	41,086.99	155	91	64	58.71	4,424.50	-4,632.95	1,100.81	-923.24	1.19	1.70	265.08
1	29,383.46	170	106	64	62.35	2,671.02	-4,074.84	769.99	-816.18	0.94	1.56	172.84

The stats here appear to suggest a pretty solid upside tendency over the last 15 years. Below is a look at the profit curve assuming a 5-day holding period.



The upslope is impressive. This serves as some confirmation of the short-term upside edge. Of course it was not just a 5-day low we saw on Tuesday. It was the lowest close in over 2 months. I also ran the above test subbing in a 20 or 40-day low. Results of those tests are below.

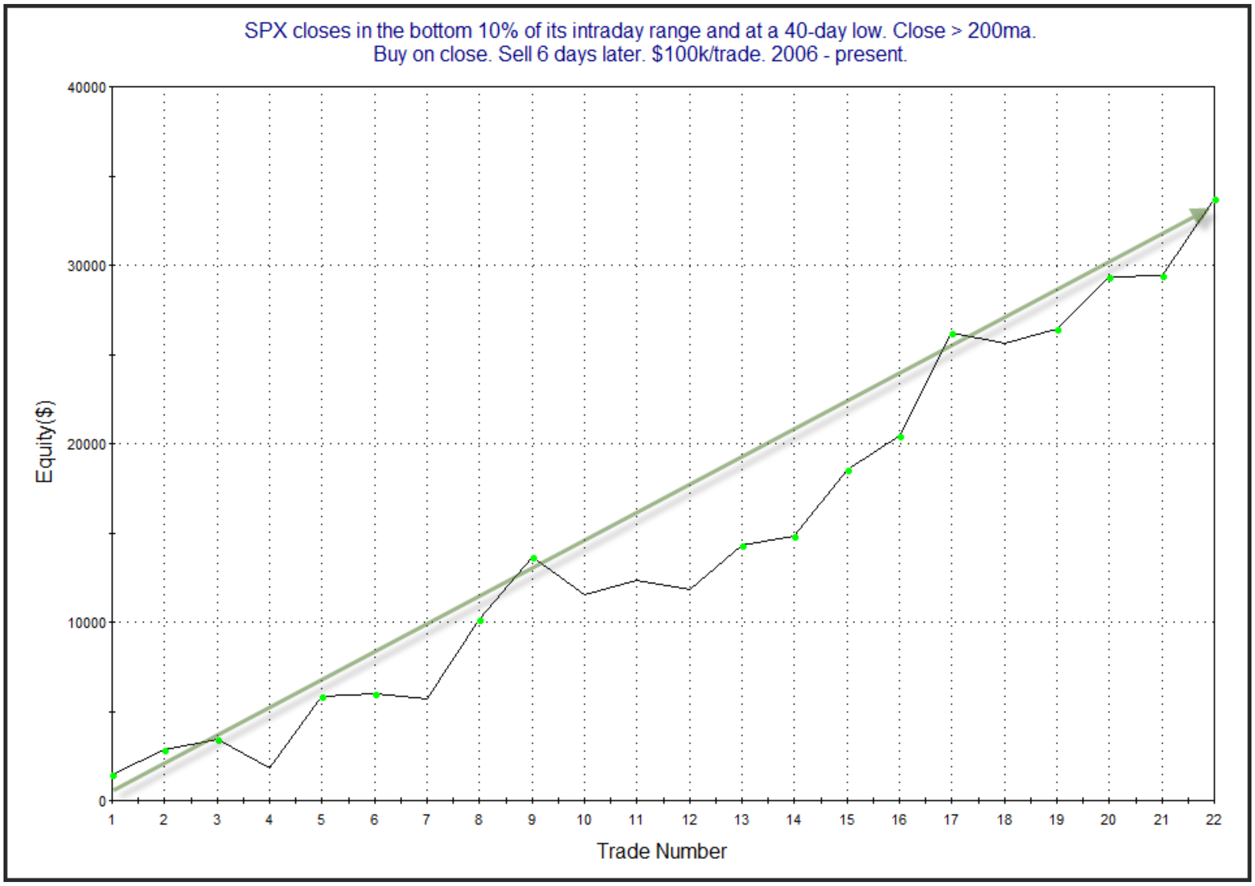
SPX closes in the bottom 10% of its intraday range and at a 20-day low. Close > 200ma.
Buy on close. Sell X days later. $100k/trade. 2006 - present.

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	52,978.59	47	35	12	74.47	9,048.90	-13,993.88	2,610.18	-3,198.14	0.82	2.38	1,127.20
9	51,351.17	47	35	12	74.47	8,235.00	-11,831.15	2,469.42	-2,923.22	0.84	2.46	1,092.58
8	60,881.84	47	36	10	76.60	8,384.10	-14,092.68	2,510.49	-2,949.57	0.85	3.06	1,295.36
7	47,491.91	47	33	14	70.21	7,152.30	-8,018.76	2,240.18	-1,888.14	1.19	2.80	1,010.47
6	53,615.96	49	36	13	73.47	7,182.60	-7,966.32	2,176.24	-1,902.22	1.14	3.17	1,094.20
5	42,450.03	51	36	15	70.59	5,172.30	-3,870.04	1,794.46	-1,476.70	1.22	2.92	832.35
4	35,967.91	54	36	18	66.67	5,290.00	-3,863.84	1,744.16	-1,490.11	1.17	2.34	666.07
3	27,540.17	56	37	19	66.07	4,895.50	-5,393.69	1,459.89	-1,393.47	1.05	2.04	491.79
2	29,069.24	60	38	22	63.33	4,424.50	-4,632.95	1,309.83	-941.10	1.39	2.40	484.49
1	24,350.95	68	46	22	67.65	2,671.02	-2,050.91	916.12	-808.66	1.13	2.37	358.10

SPX closes in the bottom 10% of its intraday range and at a 40-day low. Close > 200ma.
Buy on close. Sell X days later. $100k/trade. 2006 - present.

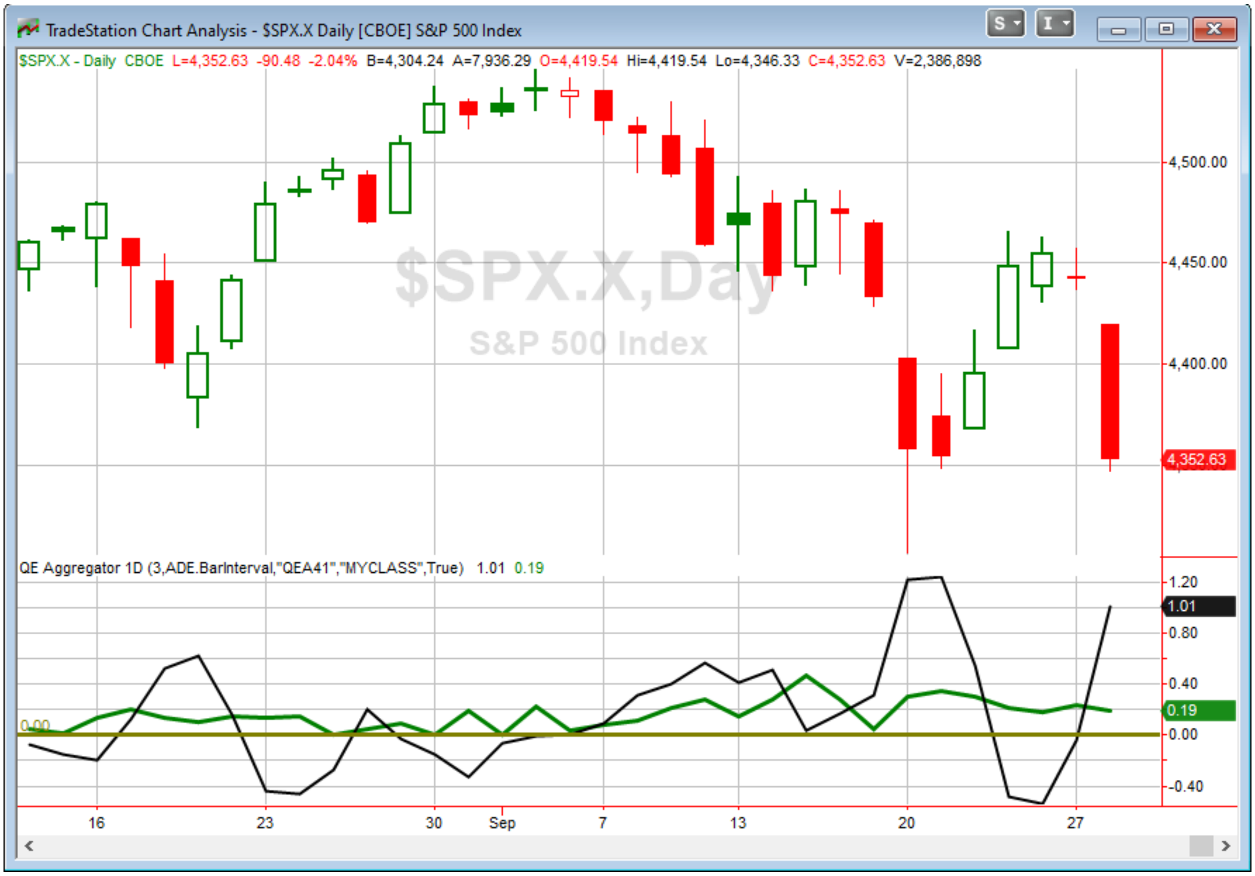
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	32,137.74	21	15	6	71.43	6,319.40	-7,625.38	3,090.80	-2,370.70	1.30	3.26	1,530.37
9	24,905.72	21	15	6	71.43	5,514.18	-11,831.15	2,717.11	-2,641.83	1.03	2.57	1,185.99
8	32,968.41	21	16	4	76.19	5,150.40	-4,831.04	2,550.19	-1,958.67	1.30	5.21	1,569.92
7	22,010.73	21	12	9	57.14	5,139.88	-3,232.37	2,554.80	-960.76	2.66	3.55	1,048.13
6	33,706.18	22	17	5	77.27	5,746.36	-2,113.95	2,284.67	-1,026.63	2.23	7.57	1,532.10
5	23,707.03	22	16	6	72.73	5,707.60	-3,870.04	2,183.67	-1,871.96	1.17	3.11	1,077.59
4	19,208.82	22	15	7	68.18	4,469.94	-3,351.72	1,920.32	-1,370.86	1.40	3.00	873.13
3	13,641.84	22	15	7	68.18	3,669.76	-5,393.69	1,717.47	-1,731.45	0.99	2.13	620.08
2	7,159.56	24	14	10	58.33	2,850.00	-4,632.95	1,379.60	-1,215.48	1.14	1.59	298.32
1	3,743.48	28	17	11	60.71	2,177.98	-2,005.85	884.12	-1,026.05	0.86	1.33	133.70

Numbers using the 20 and 40-day filters both improved what was seen using the 5-day low. And the longer-term the low, the better the edge appears. Below is a look at the 6-day curve for the 40-day low filter.



The upward tendency has been quite steady here. This serves as additional confirmation of the stats tables. I have included this on the Short-Term Active List tonight.

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 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. It is highly unlikely that this would change. Meanwhile, the Differential Pivot will be 4484.05 on Wednesday. That is a whopping 3.0% above Tuesday's close. Therefore, SPX would need to close up over 3.0% on Wednesday in order to flip from oversold to overbought versus recent expectations. That's a big stretch. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is now bullish. SPX is at an intermediate-term low within a long-term uptrend. And based on the studies we are seeing, that has generally been a good short-term entry point. So I like the evidence. It is not overwhelming, but it is solid. And there is ample room to the upside before the market would turn "overbought" – so plenty of upside opportunity. Therefore, I will look to start building a long index position on Wednesday if I can get a decent fill.

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

The intermediate-term outlook was last updated in the 9/27 Letter. It can be found in the most recent weekly letter on the website.

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)
NEE – 1/3 @ $78.76 (bought @ limit)
New
NEE – 1/3 @ $77.27 (buy @ limit)
FDX – 1/3 @ $222.40 (buy @ limit)
DUK – 1/3 @ $97.05 (buy @ limit)

Broad Market Large Cap CBI – 6(FDX-2, NEE-3, DUK)

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 @ $77.27 LIMIT. From the Catapult section above, this is the 3rd and final lot of NEE.

FDX – Buy 1/3 Catapult position @ $222.40 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of FDX.

DUK – Buy 1/3 Catapult position @ $97.05 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of DUK.

SPY – Buy ¼ index position @ $433.72 LIMIT. Based on the short-term outlook above, I will look to take on some long SPY exposure if I can get filled at Tuesday's closing price or better.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
FDX(1/3)	9/20/2021	$252.11	$222.40	-11.78%		Catapult
NEE(1/3)	9/20/2021	$81.54	$77.27	-5.24%		Catapult
NEE(1/3)	9/28/2021	$78.48	$77.27	-1.54%		Catapult