

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 30, 2021

Volume 14 Issue 188

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- The weak bounce was not terribly encouraging, but it does not appear to be the bearish omen that it did in years past.
- Thursday's action could help determine whether there is much of a new-month edge for Friday.

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 solid upside edge.

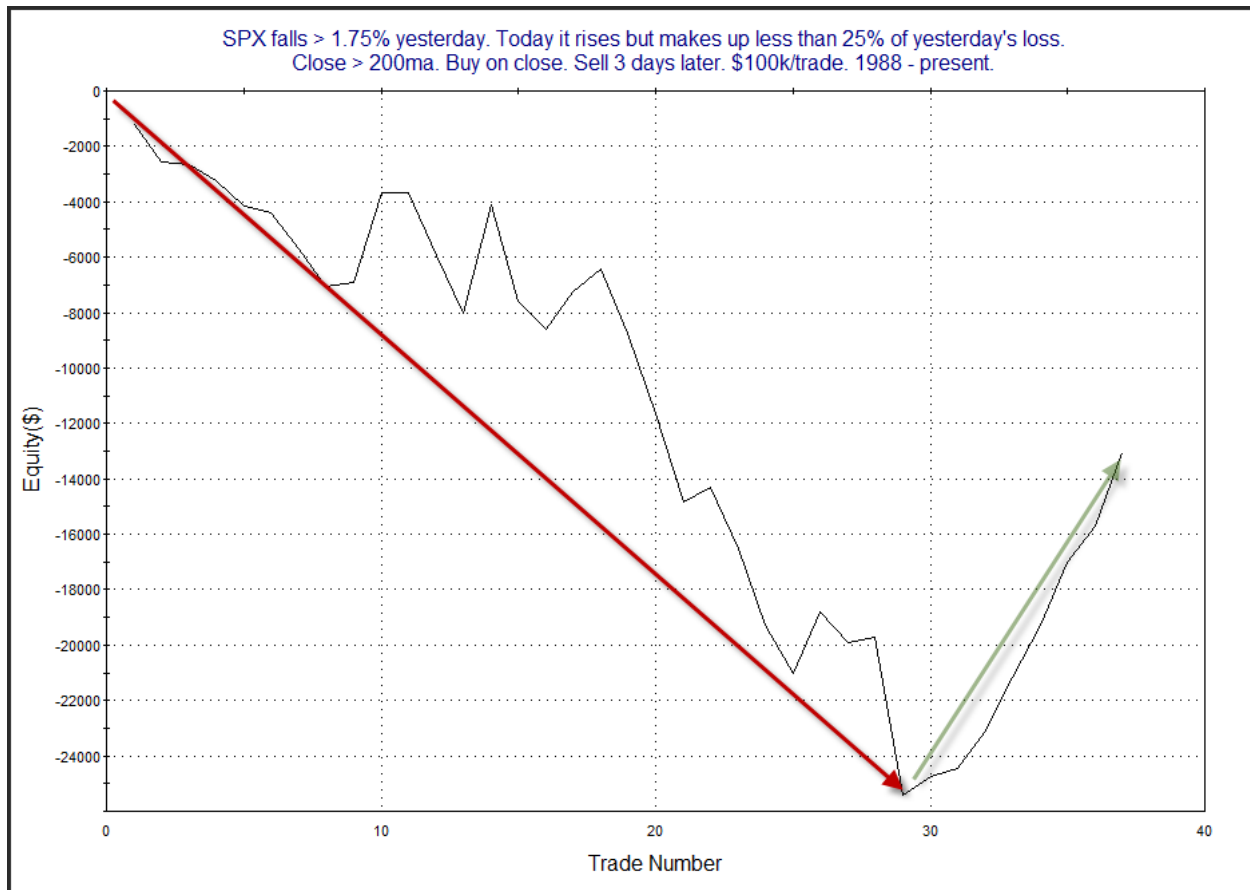
Summary of Recent Active Studies (see Letters from listed dates for details)

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			

The Evidence

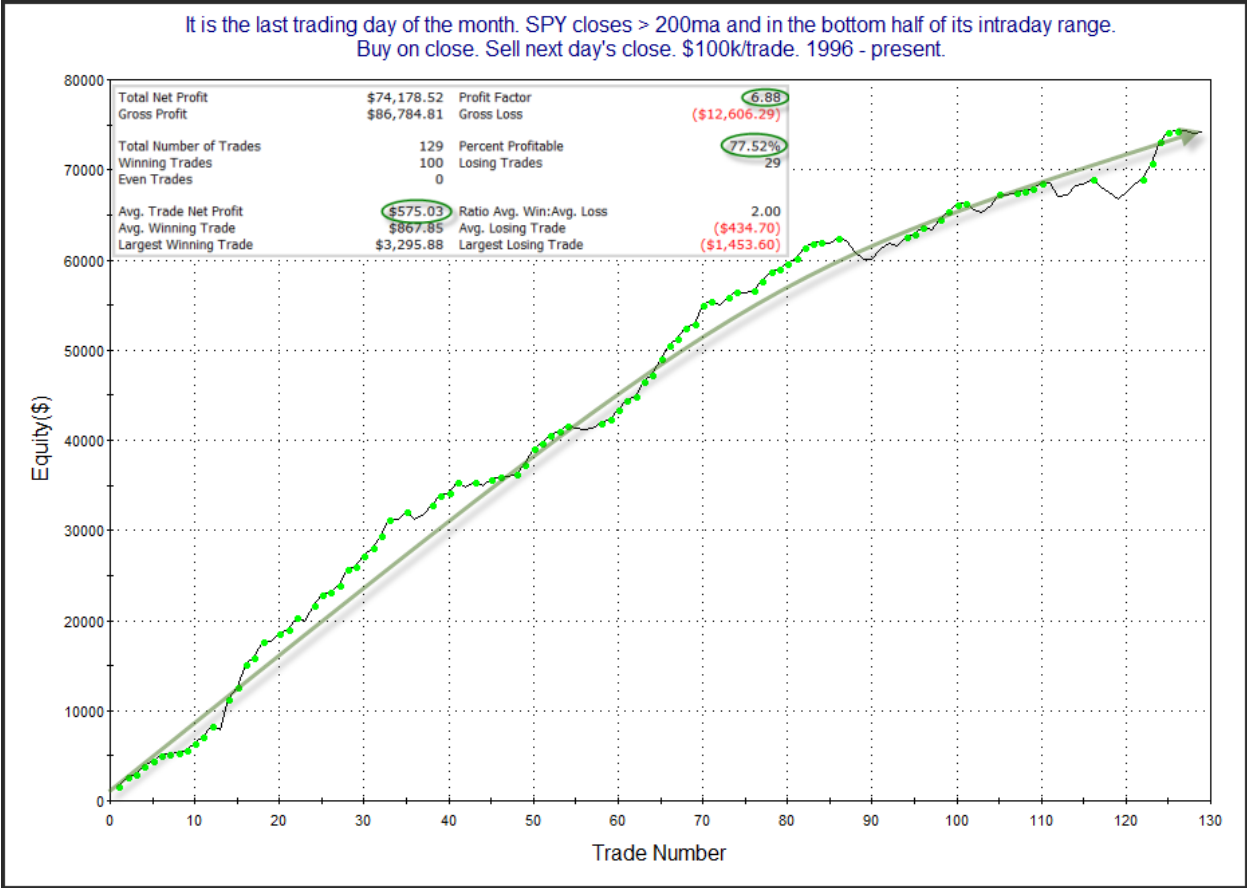
Wednesday started strong but finished mixed and mild. The SPX gained 0.16%, the NASDAQ lost 0.24%, and the Russell 2000 dropped 0.20%. Breadth was positive with the NYSE Up Issues % coming in at 57% and the Up Volume % at 55%. NYSE total volume declined some from Tuesday's level.

The mixed results did not trigger much in the Quantifinder. There was a time when such a mild bounce following a strong selloff seemed to suggest a downside edge. But over the last several years, that has not played out as it did previously. This can be seen in the chart below, which is from a study last seen in the 8/16/19 letter.



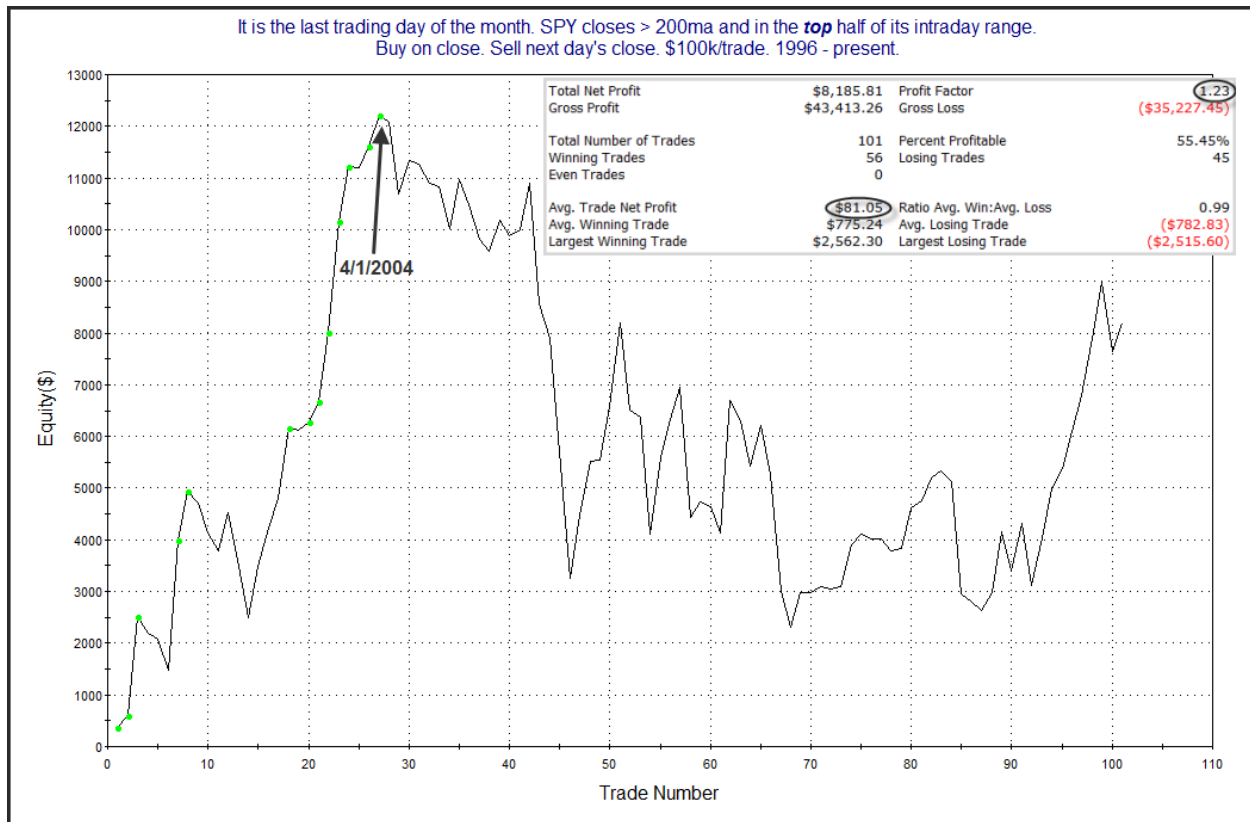
After fairly consistent losses, the last 7 instances have all been followed by gains over the next 3 days. This no longer appears to be a dependable downside edge. So I have not included it on the active list tonight.

The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. This can be seen in the studies below, which use a 200ma filter. First let's look at times when the market closed in the bottom half of its range on the last day of the month.



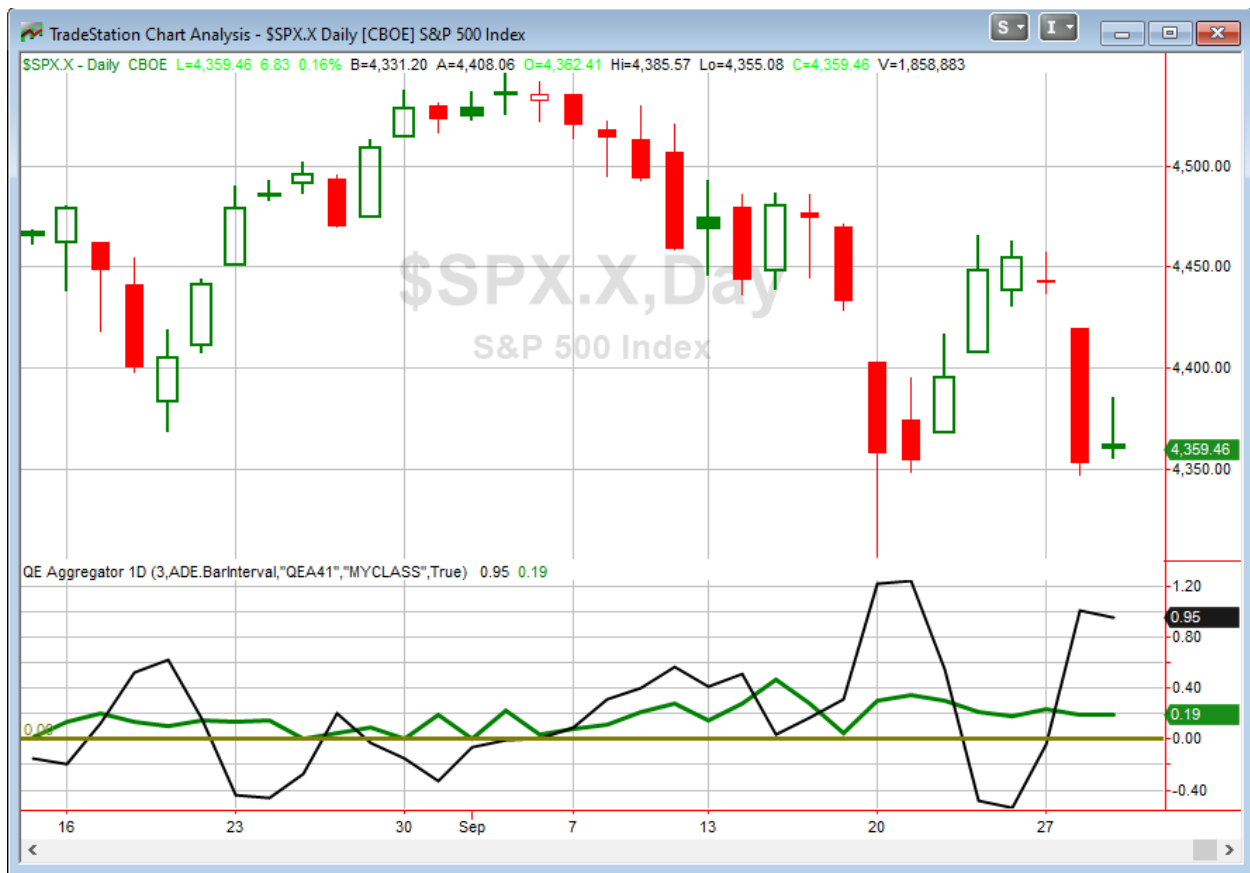
The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are nearly 7x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 129 instances. And the curve has shown progress over a long period of time. This setup certainly appears to provide a 1-day bullish edge.

But what about times where SPY closed in the top half of its intraday range?



We see here the upside edge nearly completely wiped away. And since 2004 there have been (inconsistent) net losses, even with the recent hot streak. The 1st day of the month has performed much better with some afternoon selling leading up to the day. So traders may want to keep that in mind on Thursday as we approach the close.

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 again well 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. It is highly unlikely that this would change. Meanwhile, the Differential Pivot will be 4468.99 on Thursday. That is a whopping 2.5% above Wednesday's close. Therefore, SPX would need to close up over 2.5% on Thursday in order to flip from oversold to overbought versus recent expectations. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is again bullish. Evidence points upwards and the market is oversold. The unfilled gap up on Wednesday prevented me from getting a fill on my SPY trade idea. But I still like the bullish case, and I'd like it even better for Friday if Thursday closes poorly. So I will try again to take on some long exposure, and I may even take two lots on Thursday if the market closes poorly on the day.

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)

NEE – 1/3 @ \$77.27 (buy @ limit) – not filled, cancel for now

FDX – 1/3 @ \$222.40 (bought @ limit)

DUK – 1/3 @ \$97.05 (bought @ limit)

New

ADBE – 1/3 @ \$577.70 (buy @ limit)

FDX – 1/3 @ \$221.09 (buy @ limit)

Broad Market Large Cap CBI – 8(FDX-3, NEE-3, DUK, ADBE)

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.

ADBE – Buy 1/3 Catapult position @ \$577.70 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of ADBE.

FDX – Buy 1/3 Catapult position @ \$221.09 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of FDX.

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

SPY – Buy ¼ index position @ \$434.44 LIMIT ON CLOSE IF SPY ALSO CLOSSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. Between the bullish Aggregator and the bullish 1st of month setup, I’ll look to take on another lot on a down close in the lower half of the intraday range on Thursday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
FDX(1/3)	9/20/2021	\$252.11	\$221.09	-12.30%		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
FDX(1/3)	9/29/2021	\$222.40	\$221.09	-0.59%		Catapult
DUK(1/3)	9/29/2021	\$97.05	\$98.34	1.33%		Catapult

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