

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 1, 2022

Volume 15 Issue 167

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Turn of the month just is not providing a compelling edge that I can see.
- When August has a big down month, September is typically volatile.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but primed to turn neutral on Thursday unless more bullish evidence emerges.

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						
August 29, 2022	Friday down 1.5x the 20-day ATR.	1-4 days	Bullish	2.50%	-1.50%	-2.70%
Active - Long Term						
August 23, 2022	10ema breadth collapse	1 month	Bearish			
August 16, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
August 15, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
August 11, 2022	50-day high breakout on 90% Up Vol	1-40 days	Bullish	8.00%	-1.80%	-4.40%
August 1, 2022	NYSE Up Issues % > 70% 3 straight days	1-80 days	Bullish	9.85%	-4.72%	-11.90%
July 11, 2022	NASDAQ Leading	int term	Bullish			
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	Bearish			
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

The selling continued on Wednesday. The SPX declined 0.78%, the NASDAQ dropped 0.56%, and the Russell 2000 slid 0.62%. Breadth was negative with the NYSE Up Issues % coming in at 31% and the Up Volume % at 34%. NYSE total volume spiked higher.

Despite the continued selloff and strong short-term oversold condition, I am not seeing new and compelling evidence suggesting a bounce. Very little of note triggered in the Quantifinder on Wednesday. One study that did trigger was from the 9/1/15 letter. It looked at performance after big August declines. I have updated the results below.

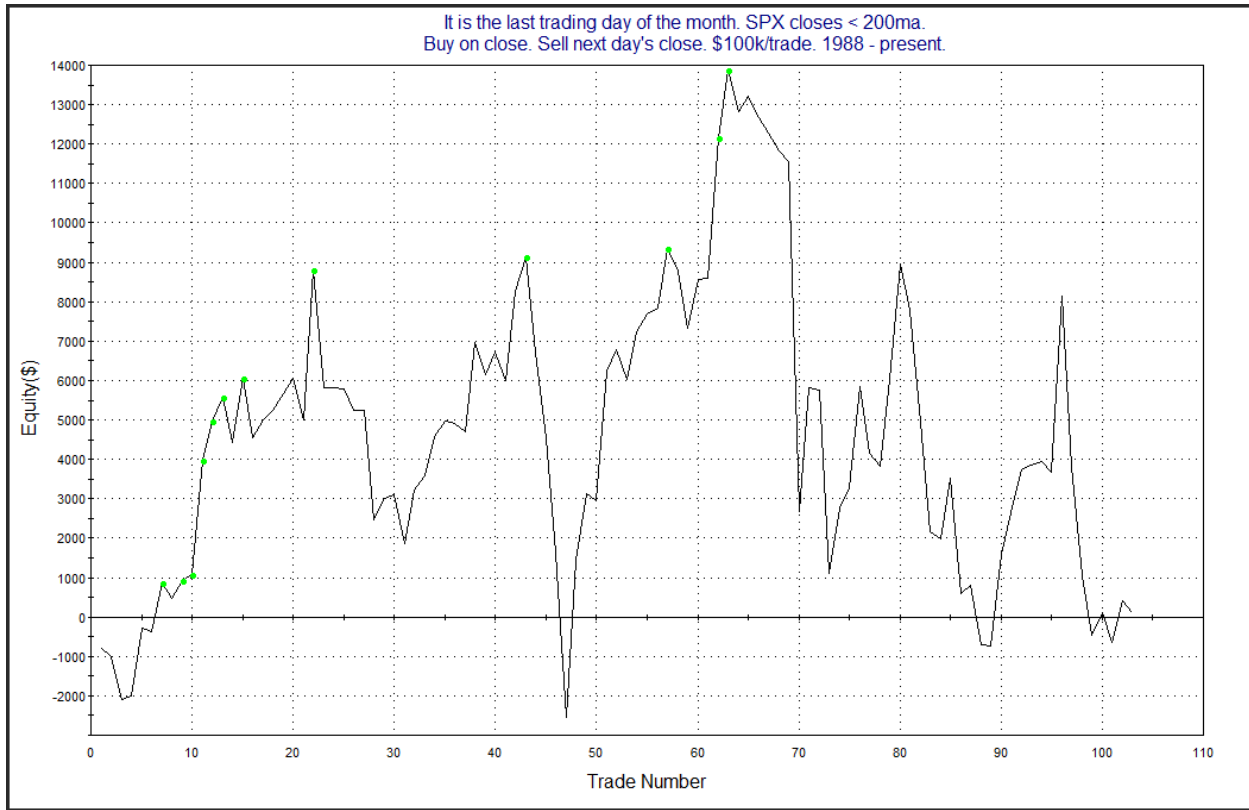
SPX closes down at least 4% for Aug. Buy SPX on close of last day of Aug.
Sell the close the last day of Sep. \$100k/trade. 1961 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
8/31/1966	Buy	\$77.10	-0.70%	\$4,811.87
9/30/1966	Sell	\$76.56		(\$2,684.79)
8/30/1974	Buy	\$72.15	-11.93%	\$1,191.96
9/30/1974	Sell	\$63.54		(\$13,347.18)
8/31/1981	Buy	\$122.79	-5.38%	\$1,457.06
9/30/1981	Sell	\$116.18		(\$10,256.40)
8/31/1990	Buy	\$322.56	-5.12%	\$1,230.70
9/28/1990	Sell	\$306.05		(\$8,242.90)
8/29/1997	Buy	\$899.47	5.32%	\$6,784.32
9/30/1997	Sell	\$947.28		\$0.00
8/31/1998	Buy	\$957.55	6.21%	\$11,289.20
9/30/1998	Sell	\$1,017.05		(\$1,825.20)
8/31/2001	Buy	\$1,133.58	-8.17%	\$1,920.16
9/28/2001	Sell	\$1,040.94		(\$16,617.04)
8/31/2010	Buy	\$1,049.33	8.76%	\$10,243.85
9/30/2010	Sell	\$1,141.20		\$0.00
8/31/2011	Buy	\$1,218.89	-7.18%	\$852.80
9/30/2011	Sell	\$1,131.42		(\$8,582.94)
8/31/2015	Buy	\$1,972.18	-2.64%	\$2,434.00
9/30/2015	Sell	\$1,920.03		(\$5,013.50)
Run-up/Drawdown			Run-up	Drawdown
Max. Value			\$11,289.20	(\$16,617.04)
Max. Value Date			9/23/1998	9/21/2001
Avg. Value			\$4,221.59	(\$6,656.99)
1 Std. Deviation			\$3,926.30	\$5,711.57
Avg. + 1 Std. Deviation			\$8,147.89	(\$945.43)
Avg. - 1 Std. Deviation			\$295.30	(\$12,368.56)

One thing that is evident in all of these Septembers is that there was high volatility. The 1966 instance saw the smallest range with the market moving a little over 5% from high to low. Seven of the ten instances saw ranges of 9.4%+ in September. So I would not look for the action to dull this month.

Turn of the month often offers an edge, but it does not appear so right now. Below is an excerpt from last night's letter about this.

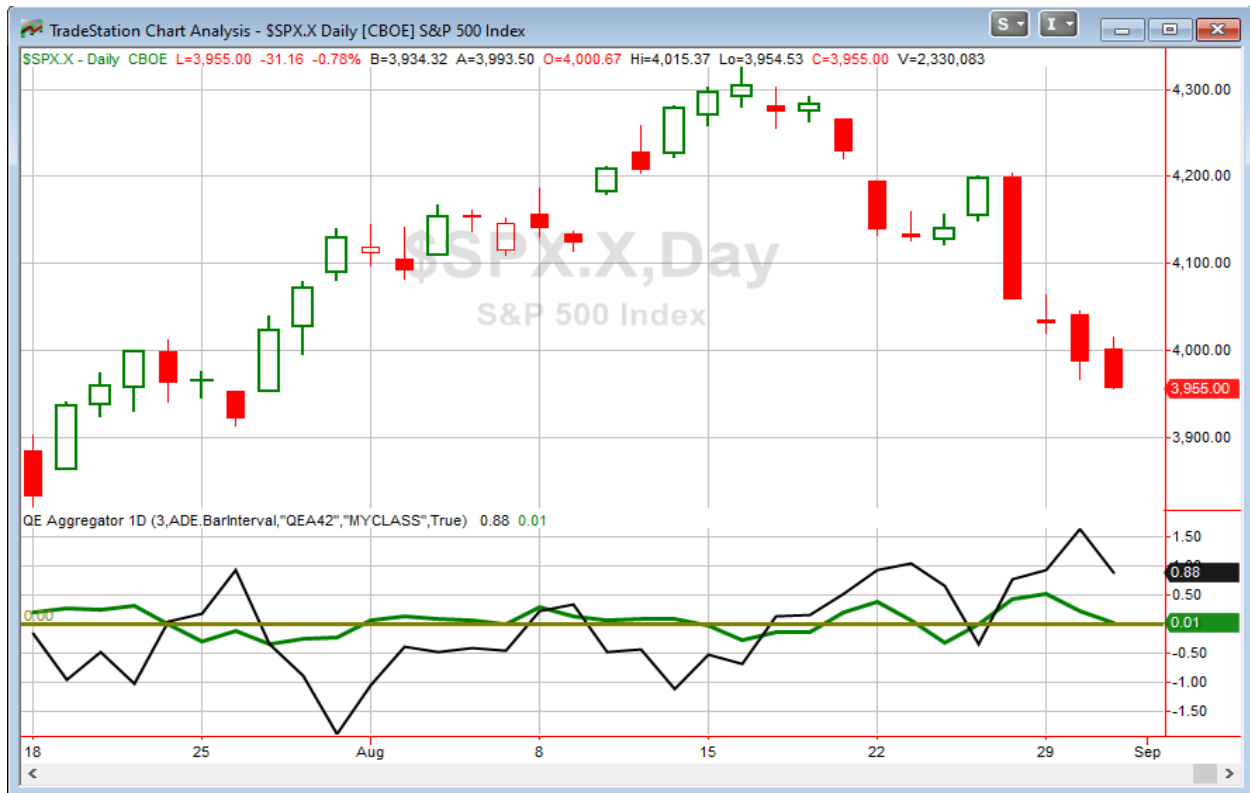
In looking at Thursday, the 1st trading of the month often carries an upside edge. But that has really only been the case when the SPX is above its 200ma. And SPX is well below that line right now. In the 6/30/22 letter I showed Day-1 results when SPX was in a long-term downtrend like now. I have updated that chart below.



Pretty remarkable that after 103 instances there is almost exactly zero progress. We probably can't look to 1st of the month to help the market Thursday.

Overall, we still seem to have a steep pullback that is failing to generate much in the way of compelling reasons to aggressively buy (or short) it.

I have updated [the Aggregator chart](#) below.



Without any new studies making the cut tonight, the green Aggregator line remained just barely above zero. Positive readings mean expectations are for upside over the next over the next few days. Meanwhile the black Differential Line is also above zero. 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.

With the last of the active short-term studies set to expire, expectations are set to turn neutral on Thursday. Of course any new evidence that emerges will have a strong influence on expectations over the next few days. Meanwhile, the Differential Pivot will be 4066.60. That is 2.8% above Wednesday's close. Therefore, SPX would need to close up at least 2.8% on Thursday to flip from oversold to overbought vs recent expectations. A more likely scenario to work off the oversold condition is a multi-day rally or consolidation.

So the Aggregator is again bullish. But just barely. Evidence is weak and currently primed to turn neutral. While it seems this pullback could have a big 1-3 day reversal at any time, there also remains plenty of danger. I have a small index position. Once again, I won't be adding to it. Depending on how things play out on Thursday and what new evidence emerges, I could look to exit, or add to, that position on Friday. But for now I'll remain conservatively positioned.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/29 – neutral

The intermediate-term outlook was last updated in the 8/29/22 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

None

Broad Market Large Cap CBI – 0

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 tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	8/29/2022	\$402.20	\$395.18	-1.75%	Aggregator

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 © 2022 Quantifiable Edges, LLC.