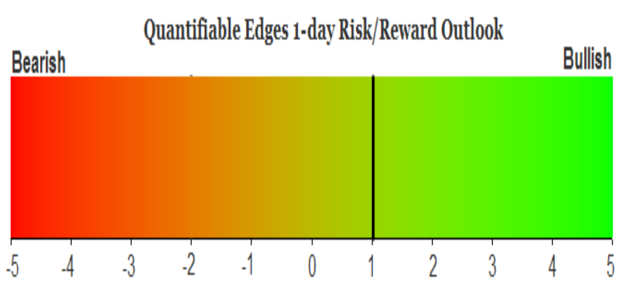
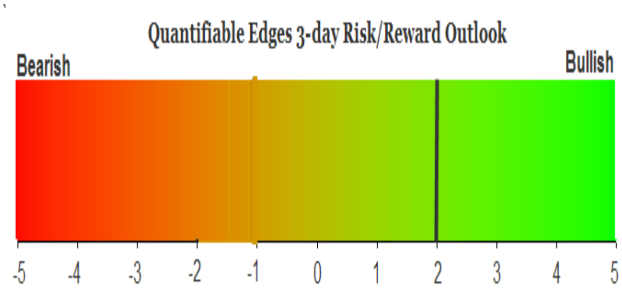
QUANTIFIABLE EDGES SUBSCRIBER LETTER

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.

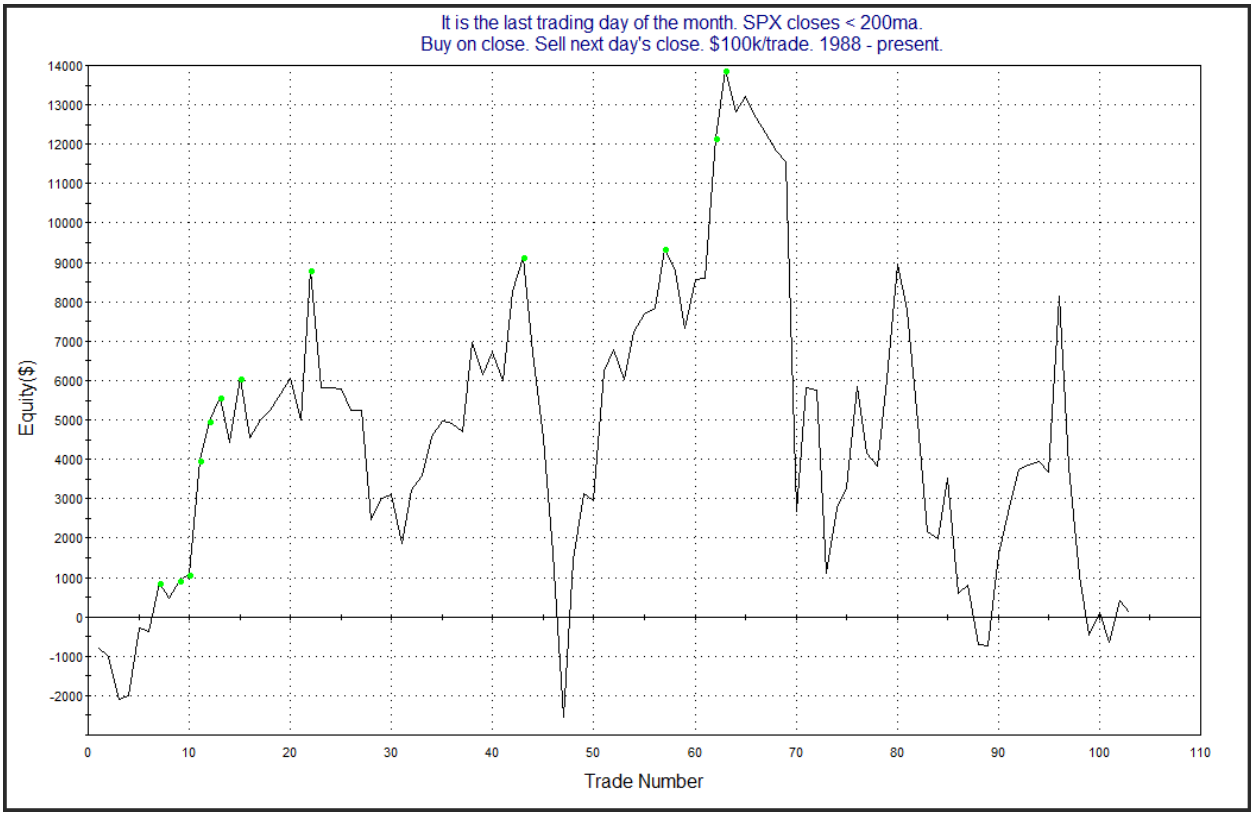
SPX closes down at least 4% for Aug. Buy SPX on close of last day of Aug. Sell the close the last day of Sep. $100k/trade. 1961 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
8/31/1966	Buy	$77.10	-0.70%	$4,811.87
9/30/1966	Sell	$76.56		($2,684.79)
8/30/1974	Buy	$72.15	-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.

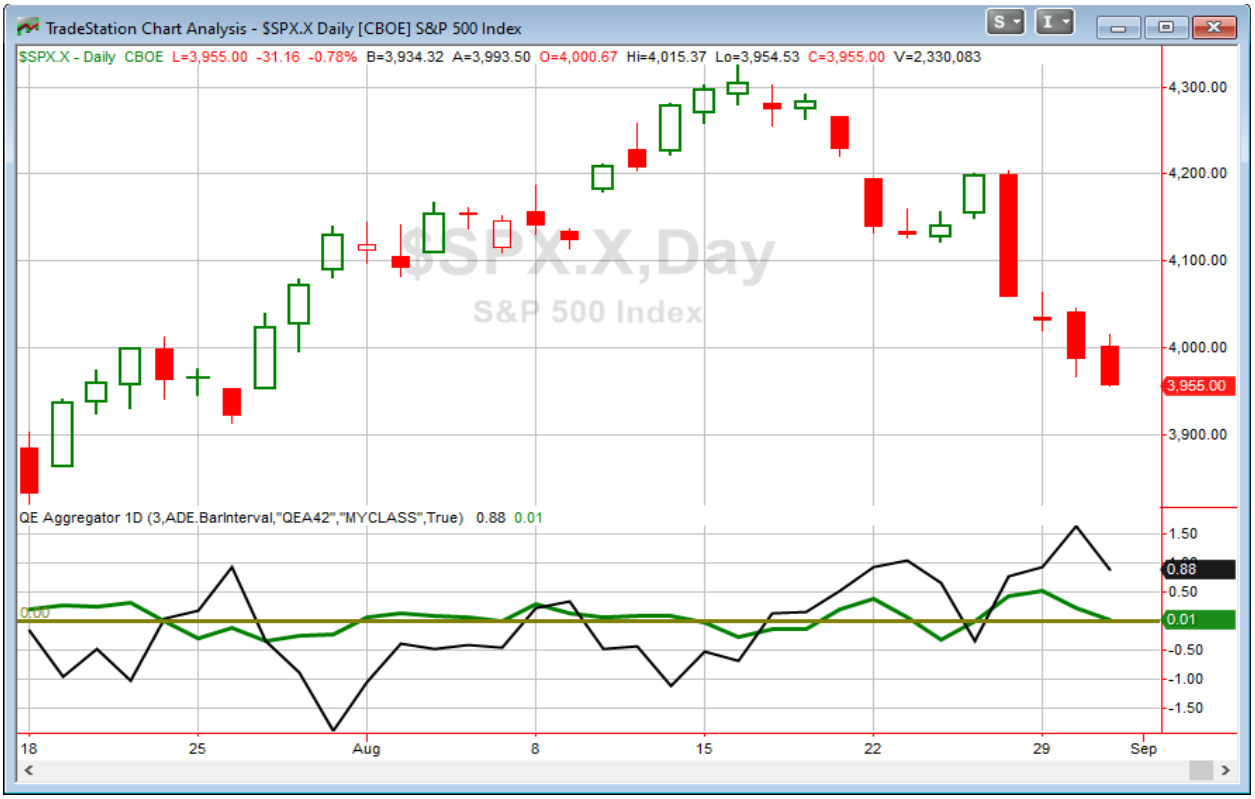
In looking at Thursday, the 1st trading of the month often carries an upside edge. But that has really only been the case when the SPX is above its 200ma. And SPX is well below that line right now. In the 6/30/22 letter I showed Day-1 results when SPX was in a long-term downtrend like now. I have updated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