

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 2, 2022

Volume 15 Issue 168

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The poor breadth is suggesting possible weakness on Friday.
- SPY's pattern on Thursday is one that has often been followed by a down day.
- Friday's employment report could generate a strong reaction, and increases risk.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I don't see a strong edge at the moment.

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 2, 2022	VIX up SPX 50-high Fri.	1 day	Bearish			
September 2, 2022	Gap down, 10-low and strong reverse up	1 day	Bearish			
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

Thursday started with some strong selling, but an afternoon rebound left the indices mixed. The SPX closed up 0.3%, the NASDAQ dropped 0.26%, and the Russell 2000 tumbled 1.15%. Breadth was negative with the NYSE Up Issues % coming in at 27% and the Up Volume % at 31%. NYSE total volume declined some from Wednesday's level.

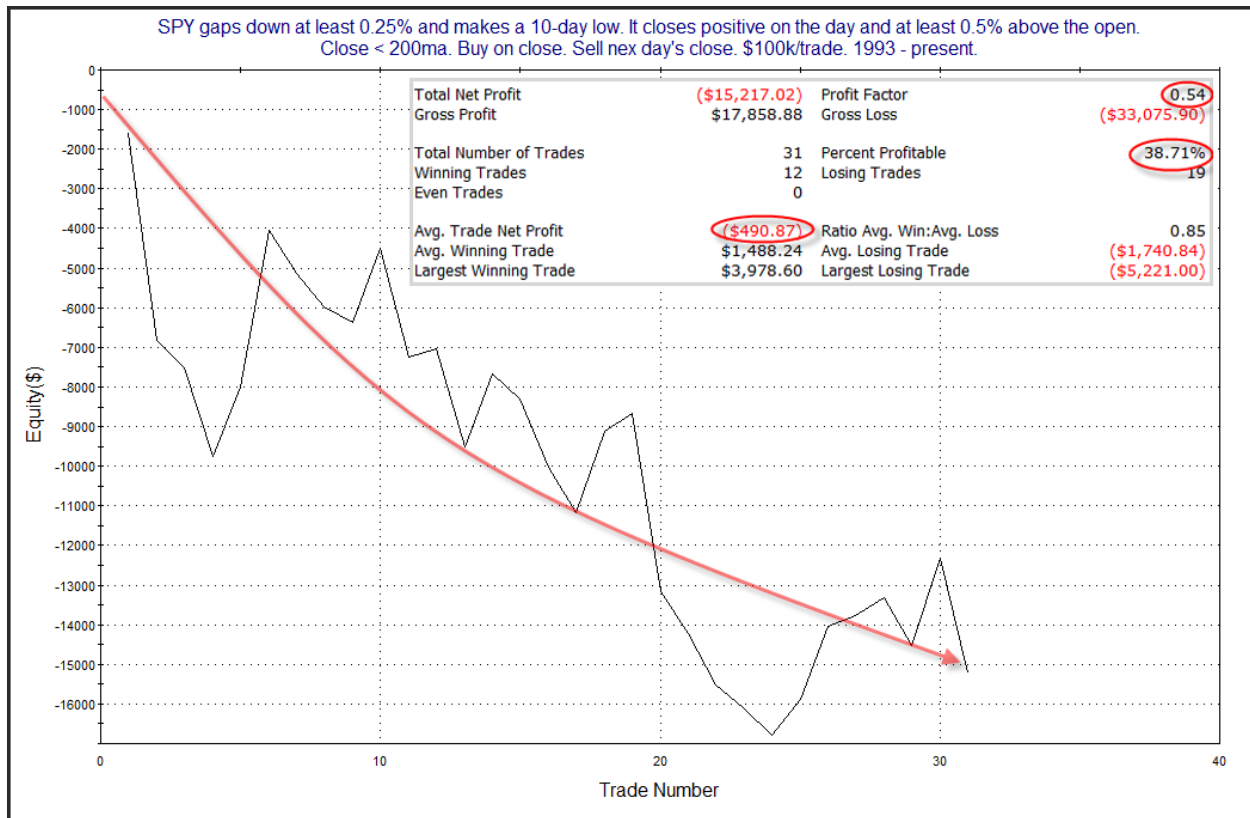
The strongly negative breadth on a day the SPX closed higher was unusual. And it triggered several breadth studies in the Quantifinder. In the 5/19/16 letter I look at other instances where SPX rose and the NYSE Up Issues % and Up Volume % both closed below 40% during a long-term downtrend. I found this study to be the most appealing among the group I looked at, and have updated it below.

SPX closes down and < 200ma while NYSE Up Issues % and NYSE Up Volume % both close < 40%. SPX forward returns shown. 1957 - present.

Ticker	Date/Time	Close	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg
\$\$SPX	5/22/1970	72.25	-2.77	-4.1	0.72	3.27	5.95
\$\$SPX	5/21/1974	87.91	-0.93	-0.71	0.76	0.52	-1.16
\$\$SPX	1/25/1982	115.41	-0.19	0.29	3.04	4.32	2.05
\$\$SPX	11/19/1986	237.66	1.85	3.45	4.12	4.42	4.67
\$\$SPX	4/19/1994	442.54	-0.13	1.4	1.15	2.3	2.11
\$\$SPX	6/9/2008	1361.76	-0.24	-1.93	-1.61	-0.13	-0.12
\$\$SPX	6/23/2008	1318	-0.28	0.3	-2.64	-3.01	-2.88
\$\$SPX	9/26/2008	1213.01	-8.79	-3.85	-4.28	-8.14	-9.38
\$\$SPX	1/19/2016	1881.33	-1.17	-0.66	1.36	-0.23	1.19
\$\$SPX	12/10/2018	2637.72	-0.04	0.51	0.49	-1.43	-3.48
\$\$SPX	4/16/2020	2799.55	2.68	0.84	-2.25	-0.01	-0.06
\$\$SPX	5/11/2020	2930.19	-2.05	-3.76	-2.65	-2.27	0.81
\$\$SPX	7/6/2022	3845.08	1.5	1.41	0.24	-0.68	-1.13
		Average	-0.81	-0.52	-0.12	-0.08	-0.11
		Median	-0.24	0.29	0.49	-0.13	-0.06
		% Wins	23%	54%	62%	38%	46%

The numbers that stand out here are the 1-day results. I have included this as a 1-day edge on the active list tonight.

Price action also triggered some studies in the Quantifinder. The one below I found to be compelling. It was last seen in the 5/15/20 letter. Results are updated.



The numbers and the profit curve all point to a downside edge. I have also included this study on the active list tonight.

Lastly, I will note that the BLS Employment Report will be released on Friday at 8:30am EST. Employment Days often see volatility, and that has certainly been the case in 2022. This can be seen in the table below.

Buy SPX on close the day before employment report.
 Sell at close on day of employment report. \$100k/trade. 2022 instances.

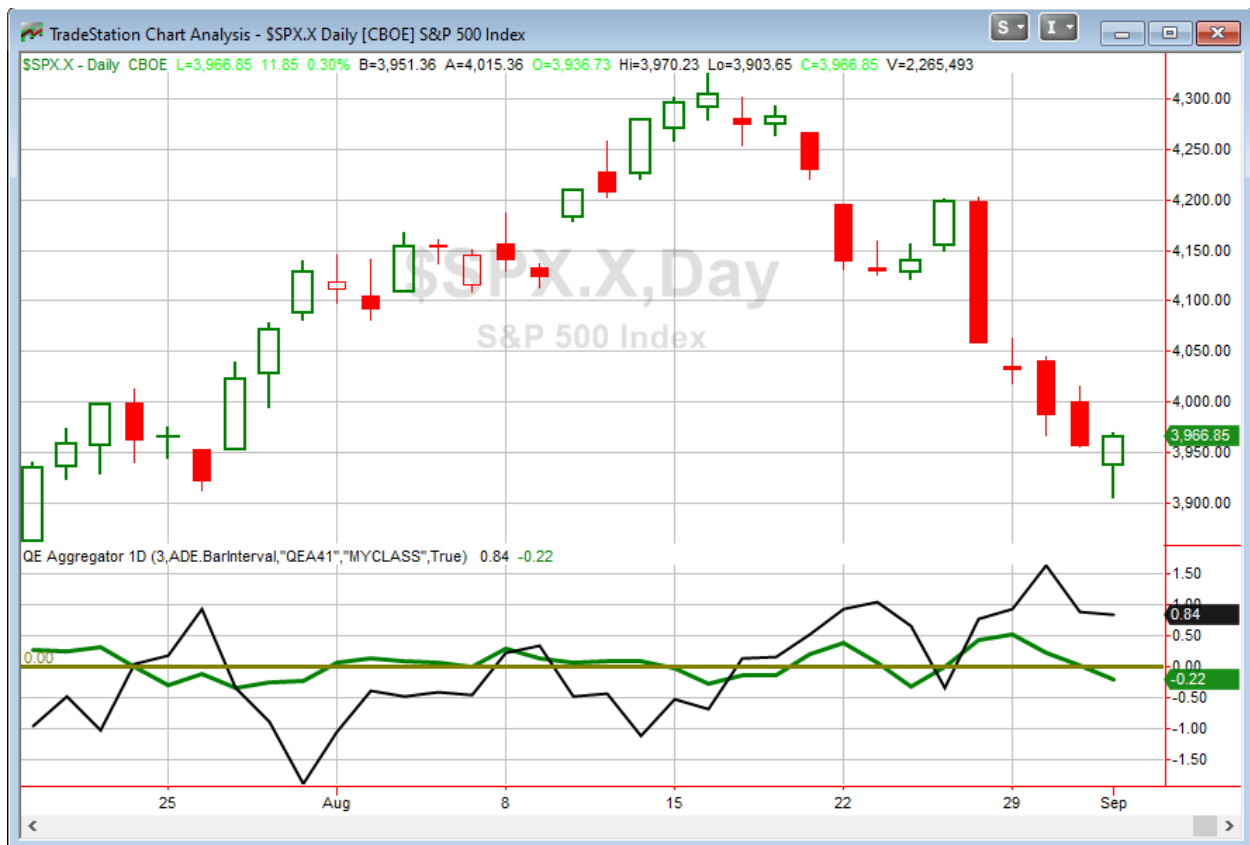
Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/6/2022	Buy	\$4,696.05	-0.41%	\$249.90
1/7/2022	Sell	\$4,677.03		(\$699.51)
2/3/2022	Buy	\$4,477.44	0.52%	\$1,368.84
2/4/2022	Sell	\$4,500.53		(\$570.68)
3/3/2022	Buy	\$4,363.49	-0.79%	\$0.00
3/4/2022	Sell	\$4,328.87		(\$1,727.22)
3/31/2022	Buy	\$4,530.41	0.34%	\$402.38
4/1/2022	Sell	\$4,545.86		(\$502.48)
5/5/2022	Buy	\$4,146.87	-0.57%	\$259.68
5/6/2022	Sell	\$4,123.34		(\$1,895.04)
6/2/2022	Buy	\$4,176.82	-1.63%	\$0.00
6/3/2022	Sell	\$4,108.54		(\$1,797.45)
7/7/2022	Buy	\$3,902.62	-0.08%	\$397.00
7/8/2022	Sell	\$3,899.38		(\$832.00)
8/4/2022	Buy	\$4,151.94	-0.16%	\$0.00
8/5/2022	Sell	\$4,145.19		(\$1,071.12)

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I will note that every Employment Day this year saw an intraday drawdown of over 0.5%, but only February saw a run-up of at least 0.5%. I don't find this streak to be predictive, but I do believe that Friday's employment report is a wildcard that increases risk.

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



With tonight's evidence considered, the green Aggregator line dropped below zero. Negative readings mean expectations are for downside over the next over the next few days. Meanwhile the black Differential Line is above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 turned flat at the close.

With tonight's studies only showing a 1-day edge, expectations over the next few days will be greatly influenced by any new evidence that emerges. Meanwhile, the Differential Pivot will be 4031.68 on Friday. That is 1.6% above Thursday's close. Therefore, SPX will need to close up at least 2.8% on Friday to flip from oversold to overbought vs recent expectations.

So the Aggregator is neutral. Friday appears risky with the jobs report, the bearish studies, and the long weekend ahead. I will look to exit the long index position I am in if I can get a decent fill. I am not inclined to chase a gap down, but I will look to sell at Thursday's closing price or better. Volatility is here and I'd prefer to step aside when things look dicey. I will remain nimble and willing to take trades in either direction as opportunities present themselves.

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	\$396.42	-1.44%	<i>sell @ \$396.42 limit</i>

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