

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 7, 2022

Volume 15 Issue 170

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- RUT has closed down 7 days in a row, but that does not mean it is necessarily about to bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. With evidence mixed, the market volatile, and no new supporting evidence triggering tonight, I am not fond of the setup.

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 6, 2022	20-low. Up day. Then gap up % new 20l	1-4 days	Bullish	2.80%	-1.80%	-3.40%
September 6, 2022	1% drop before US-only 3-day weekend	1-4 days	Bearish	-3.00%	1.20%	2.30%
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 1, 2022	NYSE Up Issues % > 70% 3 straight days	1-80 days	Bullish	9.85%	-4.72%	-11.90%
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 6, 2022	SPY gap > 0.75%. Close dn > 1%. < 200	1 day	Bearish			

The Evidence

The market struggle continued on Tuesday. The SPX closed down 0.4%, the NASDAQ dropped 0.7%, and the Russell 2000 lost 1.0%. Breadth was negative with the NYSE Up Issues % coming in at 32% and the Up Volume % at 31%. NYSE total volume rose some from Friday's level.

The market just can't put in a decent bounce lately. And the selling sure feels overdone, so I was quite surprised to see the Quantifinder post a rare blank on Tuesday afternoon. I will note that while SPX and NDX posted small gains last Thursday, the Russell 2000 is now down 7 days in a row. I decided to examine past instances where RUT closed down 7 days in a row and under the 200ma.

RUT closes down for exactly the 7th day in a row and < 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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	-7,499.79	16	7	9	43.75	10,353.42	-8,127.60	3,622.41	-3,650.74	0.99	0.77	-468.74
9	-5,981.86	16	7	9	43.75	8,722.56	-6,328.40	3,762.11	-3,590.74	1.05	0.81	-373.87
8	-10,374.25	16	7	9	43.75	6,826.82	-9,048.00	4,114.14	-4,352.58	0.95	0.74	-648.39
7	-15,994.14	16	8	8	50.00	9,169.92	-9,298.90	3,425.07	-5,424.34	0.63	0.63	-999.63
6	-26,491.14	16	8	8	50.00	5,100.37	-13,894.40	3,060.25	-6,371.64	0.48	0.48	-1,655.70
5	-24,822.15	16	8	8	50.00	7,197.83	-10,603.60	2,951.25	-6,054.02	0.49	0.49	-1,551.38
4	-35,041.37	16	8	8	50.00	3,528.91	-15,109.90	1,871.42	-6,251.59	0.30	0.30	-2,190.09
3	-10,882.31	16	8	8	50.00	10,684.31	-7,930.34	3,346.04	-4,706.33	0.71	0.71	-680.14
2	-2,243.02	16	9	7	56.25	13,725.03	-7,684.95	3,109.49	-4,318.34	0.72	0.93	-140.19
1	-3,893.40	16	9	7	56.25	4,230.74	-3,679.35	1,139.74	-2,021.58	0.56	0.72	-243.34

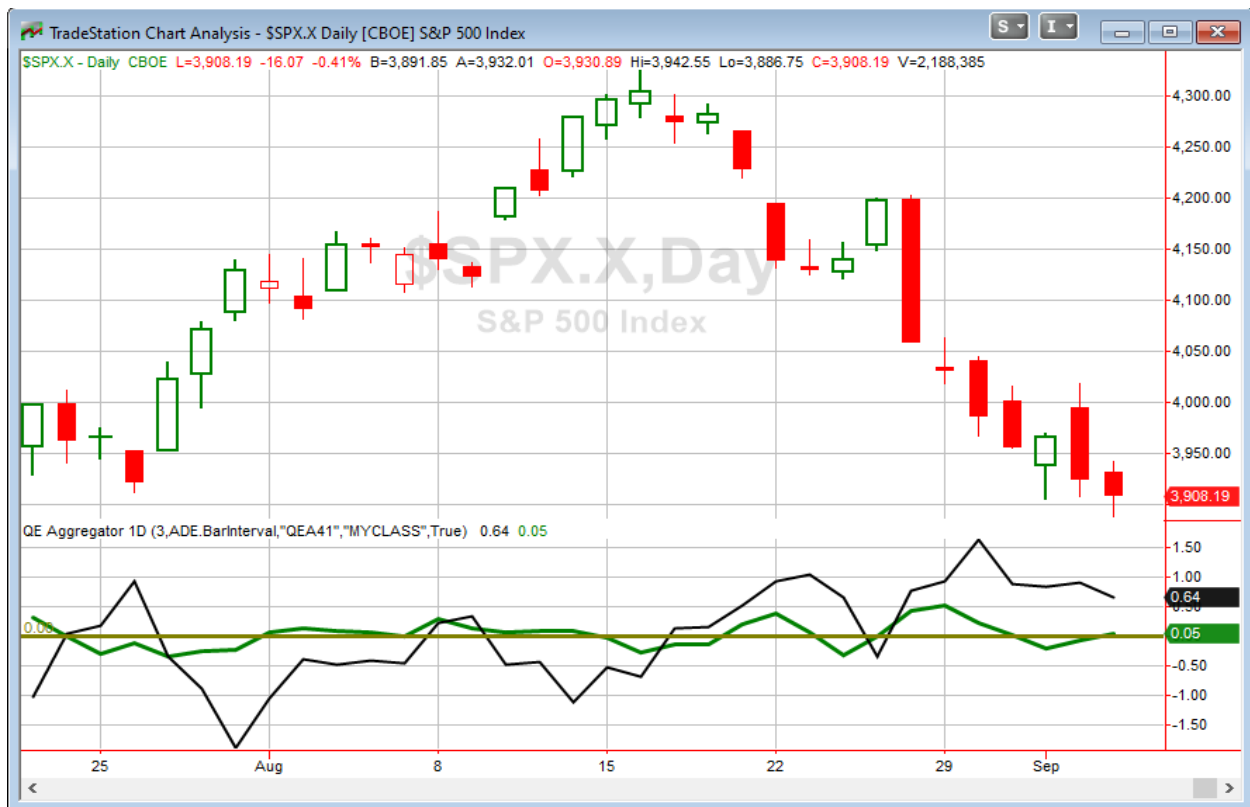
If you were hoping that 7 consecutive down days put the market so oversold that it "had" to bounce, well, these results would be disappointing. Winners to losers has been basically 50/50 but the losers have been substantially larger. Below is a look at all the instances and their 4-day results.

RUT closes down for exactly the 7th day in a row and < 200ma.
Buy on close. Sell 4 days later. \$100k/trade. 1988 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/30/1990	Buy	\$152.62	2.80%	\$2,796.85
2/5/1990	Sell	\$156.89		(\$6.55)
4/24/1990	Buy	\$158.36	-0.17%	\$448.01
4/30/1990	Sell	\$158.09		(\$599.45)
8/6/1990	Buy	\$149.01	1.23%	\$3,026.21
8/10/1990	Sell	\$150.84		\$0.00
9/21/1990	Buy	\$133.74	-5.65%	\$14.94
9/27/1990	Sell	\$126.18		(\$5,841.54)
4/4/1994	Buy	\$247.04	3.09%	\$3,623.88
4/8/1994	Sell	\$254.68		\$0.00
9/27/1994	Buy	\$253.08	0.67%	\$1,200.80
10/3/1994	Sell	\$254.78		(\$23.70)
7/27/1998	Buy	\$433.16	-3.10%	\$0.00
7/31/1998	Sell	\$419.75		(\$3,084.30)
8/27/1998	Buy	\$366.10	-3.67%	\$636.09
9/2/1998	Sell	\$352.65		(\$8,252.79)
10/2/1998	Buy	\$349.71	-11.28%	\$0.00
10/8/1998	Sell	\$310.28		(\$13,064.40)
9/18/2001	Buy	\$411.66	-4.34%	\$430.76
9/24/2001	Sell	\$393.79		(\$9,205.68)
7/16/2002	Buy	\$407.27	-6.78%	\$1,957.55
7/22/2002	Sell	\$379.65		(\$7,982.10)
6/13/2006	Buy	\$672.72	1.20%	\$4,454.80
6/19/2006	Sell	\$680.76		(\$420.32)
10/9/2008	Buy	\$500.65	0.34%	\$16,725.95
10/15/2008	Sell	\$502.36		(\$6,513.27)
8/2/2011	Buy	\$767.19	-15.15%	\$783.90
8/8/2011	Sell	\$650.96		(\$15,109.90)
9/28/2015	Buy	\$1,090.65	2.15%	\$2,129.40
10/2/2015	Sell	\$1,114.05		(\$1,093.82)
12/21/2018	Buy	\$1,292.09	3.55%	\$4,938.78
12/28/2018	Sell	\$1,337.92		(\$1,938.09)

Quite a few sizable declines in the mix here. The average drawdown over the 4-day period for all 18 instances was 4.6%, and the average run-up was 2.7%. In other words, volatility was high. With 50/50 odds and SPX and NDX not posting 7 down days in a row, I am not including this on the active list tonight. I just thought it was worth some discussion.

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



Without any new studies being added tonight, the green Aggregator line inched above zero. Positive readings mean expectations are for upside 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 turned long at the close.

Based on the current mix of active studies, short-term expectations are set to remain slightly positive on Wednesday afternoon. Of course this could easily change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be 3966.76 on Wednesday. That is 1.5% above Tuesday's close. Therefore, SPX will need to close up at least 1.5% on Wednesday to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. But evidence is mixed, and there is no new evidence tonight supporting the idea of a bounce. I would have expected to see more bullish evidence with the market seeming so oversold. Perhaps the lack of it is a sign of danger in itself. Volatility is high and tonight's study suggested there could be more volatility to come in the next few days. Overall, this is not a setup that I am excited about. I'll see what unfolds on Wednesday before considering new index positions for Thursday or Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/6 – neutral

The intermediate-term outlook was last updated in the 9/6/22 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

T – 1/3 @ \$17.19 (bought @ limit)

VZ – 1/3 @ \$41.30 (bought @ limit)

New

T – 1/3 @ \$16.79 (buy @ limit)

VZ – 1/3 @ \$41.10 (buy @ limit)

Broad Market Large Cap CBI – 4(T-2, VZ-2)

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.

T – Buy 1/3 Catapult position @ \$16.719 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of T.

VZ – Buy 1/3 Catapult position @ \$41.10 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of VZ.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
T(1/3)	9/6/2022	\$17.19	\$16.79	-2.33%	Catapult
VZ(1/3)	9/6/2022	\$41.30	\$41.10	-0.48%	Catapult

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