

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 8, 2022

Volume 15 Issue 171

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	5

## Tonight's Research Points

- No compelling new evidence emerged on Wednesday.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is now neutral. I am as well.

*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
<b>Active - Short Term</b>						
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%
<b>Active - Long Term</b>						
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			

**The Evidence**

Wednesday was a big rebound day. The SPX rallied 1.8%, the NASDAQ climbed 2.1%, and the Russell 2000 gained 2.2%. Breadth was positive with the NYSE Up Issues % coming in at 76% and the Up Volume % at 83%. NYSE total volume rose some from Tuesday's level.

Despite the strong up day, nothing triggered in the Quantifinder. And nothing really stood out to me suggesting a strong edge. At this point, Wednesday's action simply looks like a big reflex rebound. Below is an example of a study I looked at that examined similar rebounds from a 20-day low to a 5-day high in just one day.

SPX closes up > 1% and flips from a 20-day low yesterday to a 5-day high today. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1990 - 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	-1,600.22	21	9	12	42.86	11,970.12	-15,288.57	4,961.91	-3,854.79	1.29	0.97	-76.20
9	2,893.05	21	9	12	42.86	14,258.16	-12,531.42	5,266.53	-3,708.81	1.42	1.07	137.76
8	-13,626.26	21	9	12	42.86	10,693.76	-9,428.76	3,633.28	-3,860.48	0.94	0.71	-648.87
7	-3,696.96	21	9	12	42.86	11,879.20	-10,550.43	4,119.59	-3,397.77	1.21	0.91	-176.05
6	-2,805.88	21	10	11	47.62	10,315.50	-6,121.50	3,179.69	-3,145.70	1.01	0.92	-133.61
5	11,675.04	21	11	10	52.38	9,334.72	-6,314.22	3,660.30	-2,858.83	1.28	1.41	555.95
4	2,095.98	21	10	11	47.62	7,172.80	-6,217.20	2,993.82	-2,531.11	1.18	1.08	99.81
3	4,927.82	21	10	11	47.62	9,591.40	-5,635.08	3,283.10	-2,536.66	1.29	1.18	234.66
2	-11.42	21	10	11	47.62	7,309.60	-9,455.49	2,812.17	-2,557.56	1.10	1.00	-0.54
1	192.85	21	9	12	42.86	3,893.60	-3,094.18	1,352.14	-998.04	1.35	1.02	9.18

This obviously does not suggest any edge at all. Whether the market is able to maintain upside momentum over the next few days is not apparent based on this study or anything else I examined. I will not be adding any new studies to the active list tonight.

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



Without any new studies being added tonight, the green Aggregator held slightly above zero. Positive readings mean expectations are for upside over the next over the next few days. Meanwhile the black Differential Line dipped barely below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. 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.

Based on the current mix of active studies, short-term expectations are set to turn slightly negative on Thursday. Of course this could easily change if additional bullish evidence emerges. Meanwhile, the Differential Pivot will be 3912.47 on Thursday. That is 1.7% below Wednesday's close. Therefore, SPX will need to close down at least 1.7% on Thursday to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. That is basically where I am as well. Evidence is mixed, and also primed to flip to slightly negative. Meanwhile the SPX is neither strongly overbought nor oversold. So I will continue to exercise patience and wait for a more favorable reward/risk opportunity.

**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)

T – 1/3 @ \$16.79 (bought @ limit)

VZ – 1/3 @ \$41.10 (bought @ limit)

***New***

VZ – 1/3 @ \$41.08 (buy @ limit)

***Broad Market Large Cap CBI – 5(T-2, VZ-3)***

**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.*

**VZ – Buy 1/3 Catapult position @ \$41.08 LIMIT.** From the Catapult section above, this is the 3<sup>rd</sup> and final lot of VZ.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
T(1/3)	9/6/2022	\$17.19	\$16.87	-1.86%	Catapult
VZ(1/3)	9/6/2022	\$41.30	\$41.08	-0.53%	Catapult
T(1/3)	9/7/2022	\$16.76	\$16.87	0.66%	Catapult
VZ(1/3)	9/7/2022	\$41.10	\$41.08	-0.05%	Catapult

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