

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 13, 2022

Volume 15 Issue 174

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- NASDAQ's recent streak of higher closes suggests a pullback is likely.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish. I believe there is a short-term edge to the downside.

**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 13, 2022	NASDAQ up 4 < 200ma	1-2 days	Bullish			
September 12, 2022	Sep opex week when Sep up so far	1-3 days	Bullish	1.30%	-0.60%	-1.20%
September 12, 2022	Up 3 days, NR7 < 200ma	1-3 days	Bearish	-2.30%	1.10%	2.15%
<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%
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 market ramped higher for the 4<sup>th</sup> day in a row on Monday. The SPX rose 1.1%, the NASDAQ climbed 1.3%, and the Russell 2000 gained 1.2%. Breadth was positive with the NYSE Up Issues % coming in at 76% and the Up Volume % at 86%. NYSE total volume declined some from Friday's level.

Many of the studies I examined tonight I did not find terribly compelling – especially with regards to their recent performance. But the study below stood out. It was last seen in the 1/22/19 subscriber letter. It looks at other instances in which the NASDAQ rose exactly 4 days in a row and closed under the 200ma. All results have been updated.

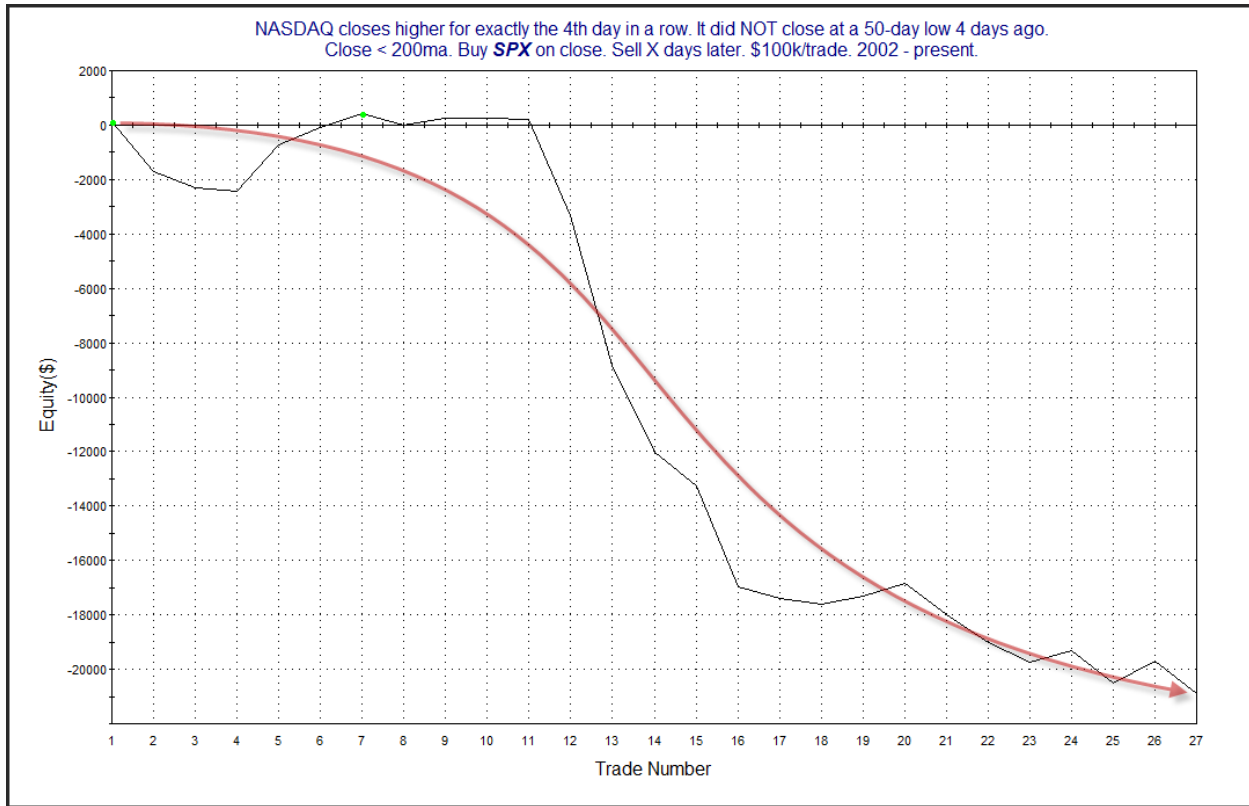
NASDAQ closes higher for exactly the 4th day in a row. It did NOT close at a 50-day low 4 days ago. Close < 200ma. Buy NASDAQ on close. Sell X days later. \$100k/trade. 2002 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-35,914.10	24	10	14	41.67	4,498.82	-9,279.70	2,081.83	-4,052.32	0.51	0.37	-1,496.42
9	-31,459.16	24	11	13	45.83	3,123.20	-7,688.92	1,618.64	-3,789.55	0.43	0.36	-1,310.80
8	-25,490.59	25	13	12	52.00	3,823.79	-7,746.48	1,504.53	-3,754.13	0.40	0.43	-1,019.62
7	-30,324.73	26	11	15	42.31	3,529.97	-5,934.18	1,408.67	-3,054.67	0.46	0.34	-1,166.34
6	-36,402.54	26	9	17	34.62	4,086.93	-6,362.65	1,207.27	-2,780.47	0.43	0.23	-1,400.10
5	-26,536.67	27	10	17	37.04	2,029.98	-5,753.20	1,121.50	-2,220.69	0.51	0.30	-982.84
4	-19,050.32	27	12	15	44.44	1,870.87	-4,907.27	874.99	-1,970.01	0.44	0.36	-705.57
3	-20,852.69	27	10	17	37.04	2,032.68	-4,090.24	1,213.15	-1,940.24	0.63	0.37	-772.32
2	-23,617.09	27	11	16	40.74	2,042.04	-5,242.88	732.74	-1,979.83	0.37	0.25	-874.71
1	-15,712.16	27	11	16	40.74	1,809.18	-3,232.00	511.79	-1,333.87	0.38	0.26	-581.93
<b>26 of 27 instances (96%) closed below the entry price at some point in the next week.</b>												

Results here appears to be solidly bearish. And the edge persists for up to 2 weeks. I also examined how the SPX might have performed when the Nasdaq had set up this way. The updated results below show this.

NASDAQ closes higher for exactly the 4th day in a row. It did NOT close at a 50-day low 4 days ago. Close < 200ma. Buy <b>SPX</b> on close. Sell X days later. \$100k/trade. 2002 - 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	-22,751.12	24	8	16	33.33	7,245.00	-7,631.40	3,122.53	-2,983.21	1.05	0.52	-947.96	
9	-20,078.15	24	12	12	50.00	4,733.40	-5,350.02	1,863.91	-3,537.09	0.53	0.53	-836.59	
8	-16,346.14	25	11	14	44.00	6,129.50	-7,676.64	1,823.03	-2,599.97	0.70	0.55	-653.85	
7	-20,217.84	26	11	15	42.31	4,320.55	-6,238.08	1,545.86	-2,481.49	0.62	0.46	-777.61	
6	-25,430.91	26	7	19	26.92	4,716.15	-5,959.76	1,908.49	-2,041.60	0.93	0.34	-978.11	
5	-21,030.75	27	11	16	40.74	1,915.14	-6,523.10	979.54	-1,987.86	0.49	0.34	-778.92	
4	-15,153.13	27	11	16	40.74	1,659.08	-4,056.12	786.68	-1,487.91	0.53	0.36	-561.23	
3	-17,031.26	27	13	14	48.15	1,802.76	-5,547.24	724.17	-1,888.96	0.38	0.36	-630.79	
2	-20,896.12	27	10	17	37.04	1,695.10	-5,495.94	522.63	-1,536.61	0.34	0.20	-773.93	
1	-11,783.33	27	9	18	33.33	1,736.36	-3,300.30	574.84	-942.05	0.61	0.31	-436.42	

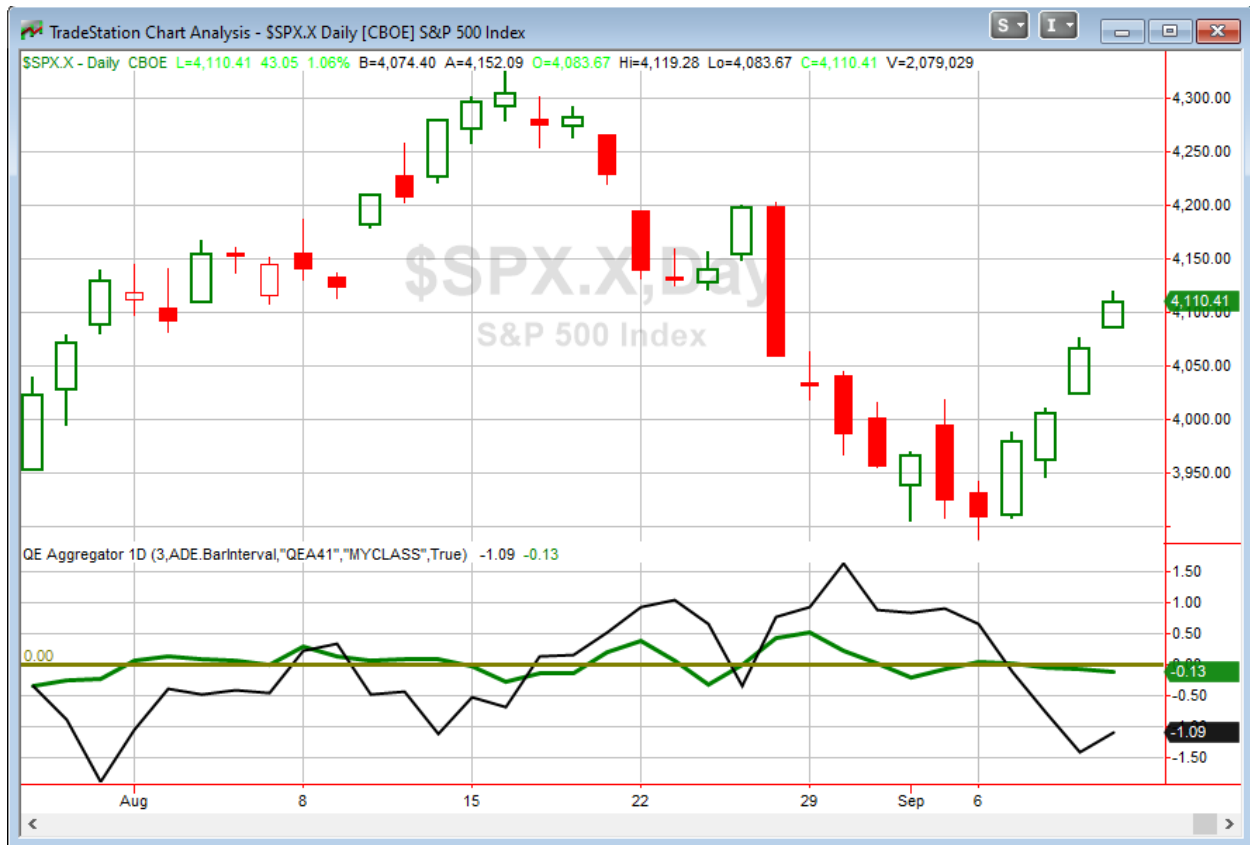
All 27 instances closed below the entry price  
at some point in the next week.

Though not quite as powerful, these results appear just as consistently bearish as the NASDAQ results. Below is an equity curve that assumes a 2-day holding period.



Certainly not the straightest curve we have seen, but it does wind its way from upper left to lower right. And the fact that SPX has closed below the entry price within a week every time has me accepting of this study and including it on the Active List.

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



With tonight's evidence considered, the green Aggregator line remained below zero. Negative readings mean expectations are for downside over the next over the next few days. Meanwhile the black Differential Line also held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation stayed short at the close.

Based on the current list of active studies, expectations are slated to remain negative on Tuesday. Of course this could easily change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4004.66. That is a sizable 2.6% below Monday's close. Therefore, SPX will need to close down at least 2.6% on Tuesday to flip from overbought to oversold vs recent expectations. More likely, it will take a multi-day pullback or consolidation to work off the overbought condition.

So the Aggregator is bearish. Evidence is building some, and SPX is clearly overbought. The CPI report will be released in the morning about an hour before the NYSE open. This could cause a gap up or down, depending on the reaction. If it gaps up, I'll be looking to short at the open. The market has run higher over the last 4 days as we've approached the news. Good news may already

be baked in, to a degree. I believe a reversal will be easier than additional follow through. That combined with the bearish-leaning evidence we have seen over the last few days has me looking to be a seller should a gap up occur.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/12 – neutral***

The intermediate-term outlook was last updated in the 9/12/22 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.

**SPY – short ¼ index position at \$411.00 LIMIT ON OPEN. If not filled on open, cancel order.** Based on the short-term outlook above, I will look to be a seller into a gap up on Tuesday.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
T(1/3)	9/6/2022	\$17.19	\$17.38	1.11%	<i>sell on open</i>
VZ(1/3)	9/6/2022	\$41.30	\$42.59	3.12%	<i>sold on open</i>
T(1/3)	9/7/2022	\$16.76	\$17.38	3.70%	<i>sell on open</i>
VZ(1/3)	9/7/2022	\$41.10	\$42.59	3.63%	<i>sold on open</i>
VZ(1/3)	9/8/2022	\$41.00	\$42.59	3.88%	<i>sold on open</i>

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