

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 20, 2022

Volume 15 Issue 179

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Bullish Fed Day tendencies have been more pronounced when the market closes poorly on the day before the Fed Day.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well. There could be a Fed Day edge if SPX sells off on Tuesday.

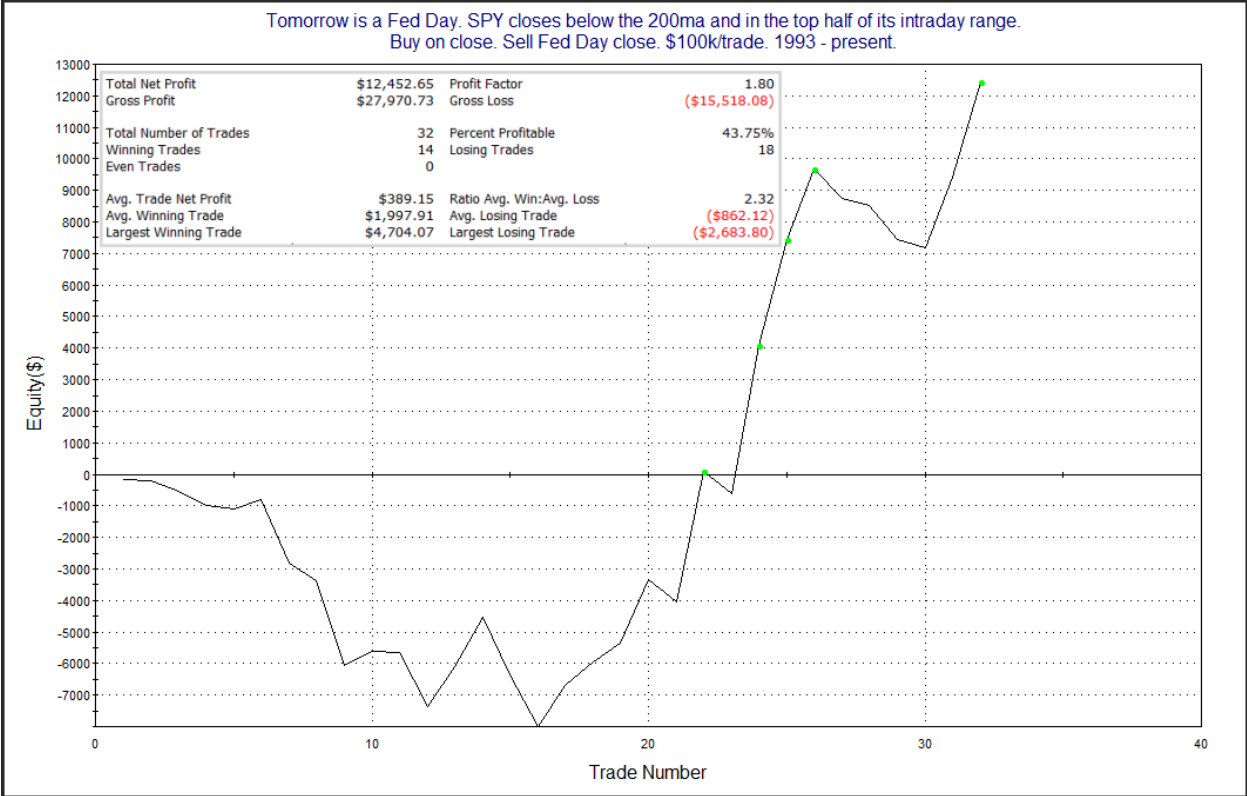
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 14, 2022	3% drop from 5-hi. No 10-lo < 200ma	1-5 days	Bearish	-5.20%	2.30%	5.50%
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%
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 19, 2022	5-day low heading into Weakest Week	1 day	Bearish			

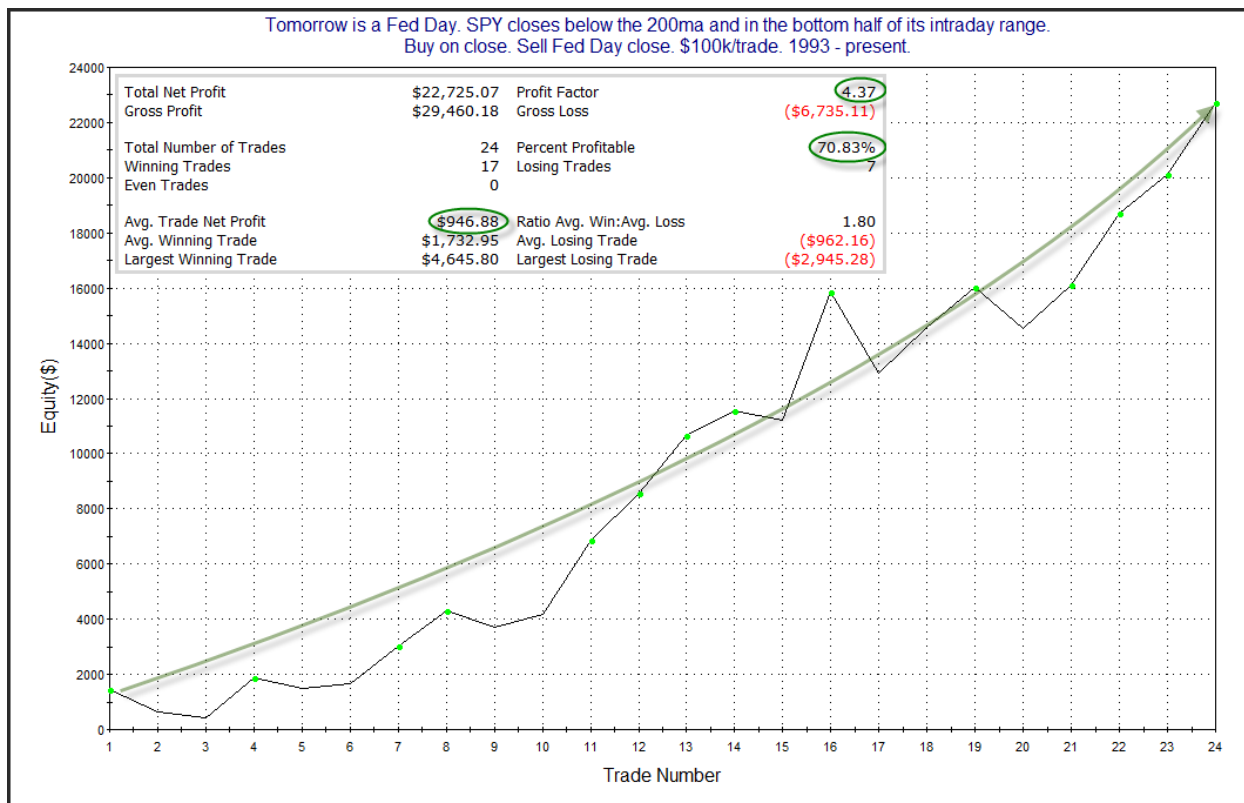
The Evidence

Monday started weak but saw a solid bounce-back. The SPX finished up 0.7%, the NASDAQ gained 0.76%, and the Russell 2000 rallied 0.81%. Breadth was positive with the NYSE Up Issues % coming in at 58% and the Up Volume % at 73%. NYSE total volume declined significantly from its opex Friday high level.

As I am sure all readers are aware, Wednesday is a Fed Day. In the 6/14/22 letter I showed that when SPY has been below its 200ma, that closing low in its range the day before a Fed Day appeared advantageous. This is similar to tendencies above the 200ma, which I have shown many times in the past. First let's look at instances where SPY closed strongly the day before a Fed Day.



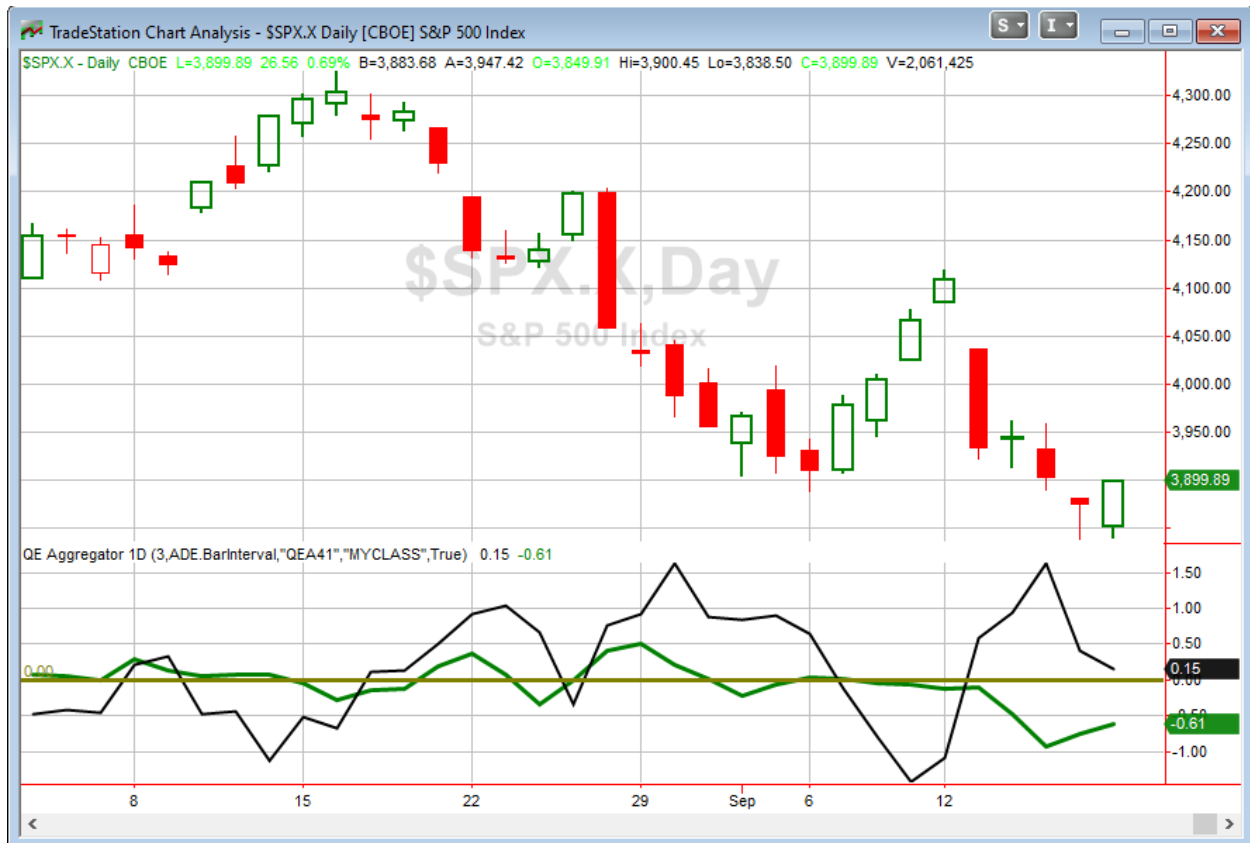
Results here appear quite inconsistent, though it has been hot lately. Next let's view times SPY posted a weak close the day before a Fed Day.



Weak closes appear quite promising. A weak close on Tuesday would suggest bullish odds for Wednesday. This would seem worth keeping in mind on Tuesday afternoon. And as we saw last night, a close at a 5-day low would also be a positive sign. To do this, SPX will need to close down over 26.56 points (the amount gained on Monday).

So we have some things to watch for on Tuesday, but nothing compelling emerged based on Monday's action so I will not be adding any new studies to the active list tonight.

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



With no new studies making the active list tonight, 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 held 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 stayed flat at the close.

With the last of the short-term studies set to expire on Tuesday, and the intermediate-term outlook neutral, expectations are set to be flat as of Tuesday's close. Of course this could change if compelling new evidence emerges, such as the potentially bullish Fed Day studies we noted tonight and last night. Meanwhile, the Differential Pivot will be *inverted* at 3842.71. That is a 1.5% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down about 1.5% in order to remain oversold. Anything less than that and it will flip to "overbought" as of Tuesday's close.

So the Aggregator is again neutral. Additionally, expectations are set to turn flat, and the Differential Pivot is inverted. So there is not much to get excited about. Of course the Fed Day on Wednesday could have a bright outlook if Tuesday sees selling and a weak close to the day. If that

happens, aggressive and nimble traders could consider taking on some long exposure near the close on Tuesday in anticipation of a Fed Day pop. I'll also note that anyone doing this may want to consider taking a partial or full exit before the announcement on Wednesday. As I have detailed in the past, the Fed Day edge is something that primarily plays out between the close of the day before the Fed Day up until the actual Fed announcement. After that, returns have been more unreliable and somewhat random. I won't be adding this as a trade idea, since it would be difficult to execute in a nightly letter. But it does appear to be a potential edge for those that are more aggressively inclined.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/19 – neutral

The intermediate-term outlook was last updated in the 9/19/22 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

None.

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