

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 14, 2023

Volume 16 Issue 175

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	5

Tonight's Research Points

- The weak breadth on Wednesday is sending a somewhat mixed message.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I don't see a strong edge in either direction.

Summary of Current 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, 2023	SPX up. Up Iss & Up Vol % < 40%	1-5 days	Bearish	-2.05%	1.00%	1.80%
September 14, 2023	SPX up and > 200ma. Up Vol % < 40%	1-7 days	Bullish	1.70%	-1.25%	-2.50%
September 8, 2023	SPX down 3 days. Offset HV < 0.25	1-5 days	Bullish	2.00%	-1.50%	-3.10%
Active - Long Term						
September 14, 2023	SPX up and > 200ma. Up Vol % < 40%	1-10 days	Bullish	2.10%	-1.50%	-3.30%
September 11, 2023	NASDAQ lagging	int term	Neutral			
August 15, 2023	20-low to 4-high.	1-20 days	Bullish	4.00%	-2.00%	-4.30%
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 7, 2023	SPY gaps < low 5 and closes < open	1-5 days	Bullish	1.90%	-1.40%	-3.00%
September 7, 2023	1st 5-low in 10 days but > 10ma	1-5 days	Bullish	1.40%	-1.20%	-2.30%

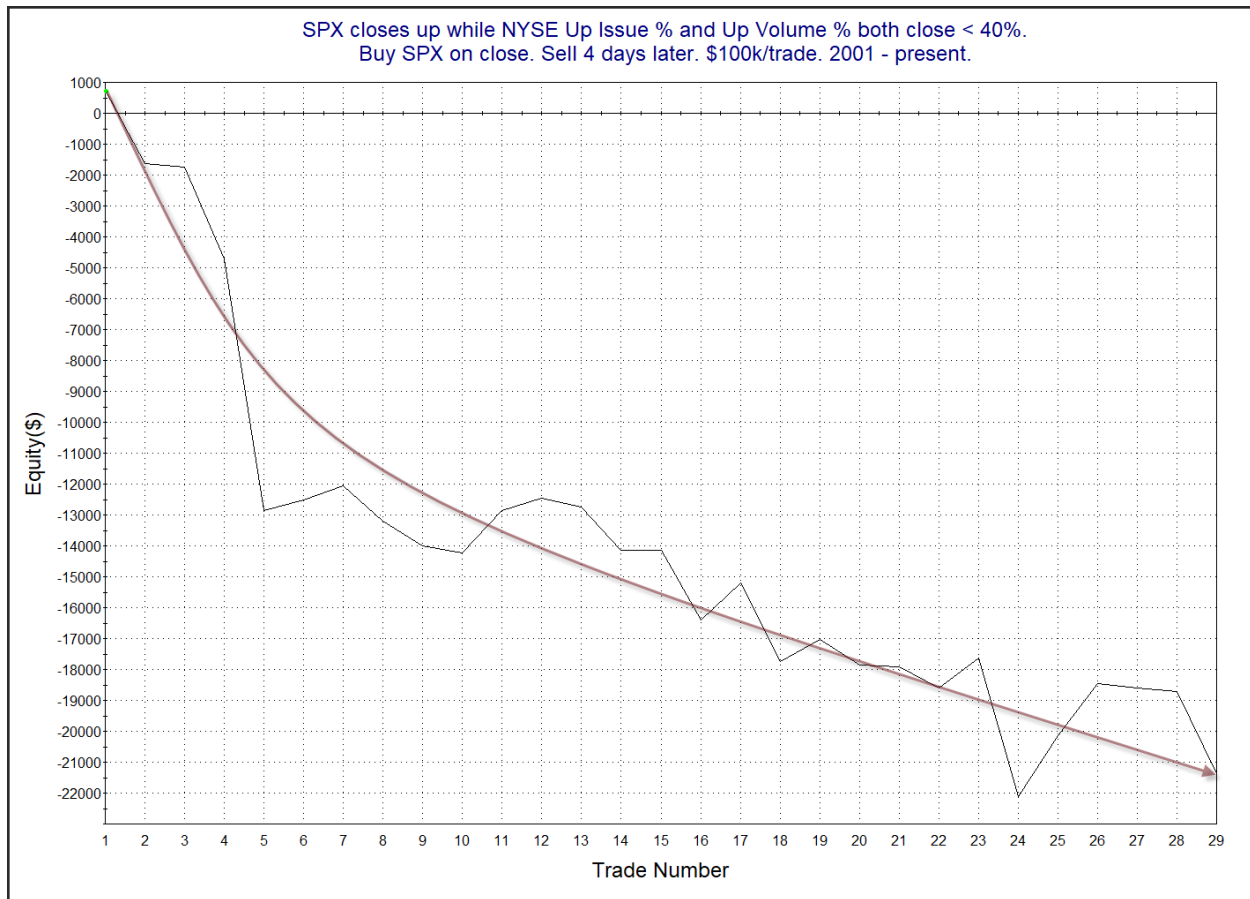
The Evidence

CPI did not trigger any big moves and the stock indices finished mixed and mild. The SPX rose 0.1%, the NASDAQ gained 0.3%, and the Russell 2000 declined 0.8%. Breadth was weak with the NYSE Up Issues % coming in at 39% and the Up Volume % at 32%. NYSE total volume rose some from Tuesday's level.

Notable about the action was the substantially weak breadth on a day that the SPX moved higher. This triggered a couple of interesting studies. They were both discussed recently in the 8/15/23 letter. Interestingly, they did not agree with each other. The 1st looked at times both the Up Volume % and Up Issues % were both below 40% on an up day. Updated results are below.

SPX closes up while NYSE Up Issue % and Up Volume % both close < 40%. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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
5	-13,576.63	29	15	14	51.72	3,146.16	-9,372.60	1,203.33	-2,259.04	0.53	0.57	-468.16
4	-21,361.28	29	10	19	34.48	1,977.25	-8,138.50	990.73	-1,645.71	0.60	0.32	-736.60
3	-13,654.01	31	16	15	51.61	2,365.53	-4,302.54	698.64	-1,655.49	0.42	0.45	-440.45
2	-9,294.17	31	16	15	51.61	2,505.37	-3,867.94	841.13	-1,516.81	0.55	0.59	-299.81
1	-9,202.09	33	14	19	42.42	2,625.35	-8,783.02	894.21	-1,143.21	0.78	0.58	-278.85

Numbers here look quite negative. Below is a look at the curve for the 4-day holding period.



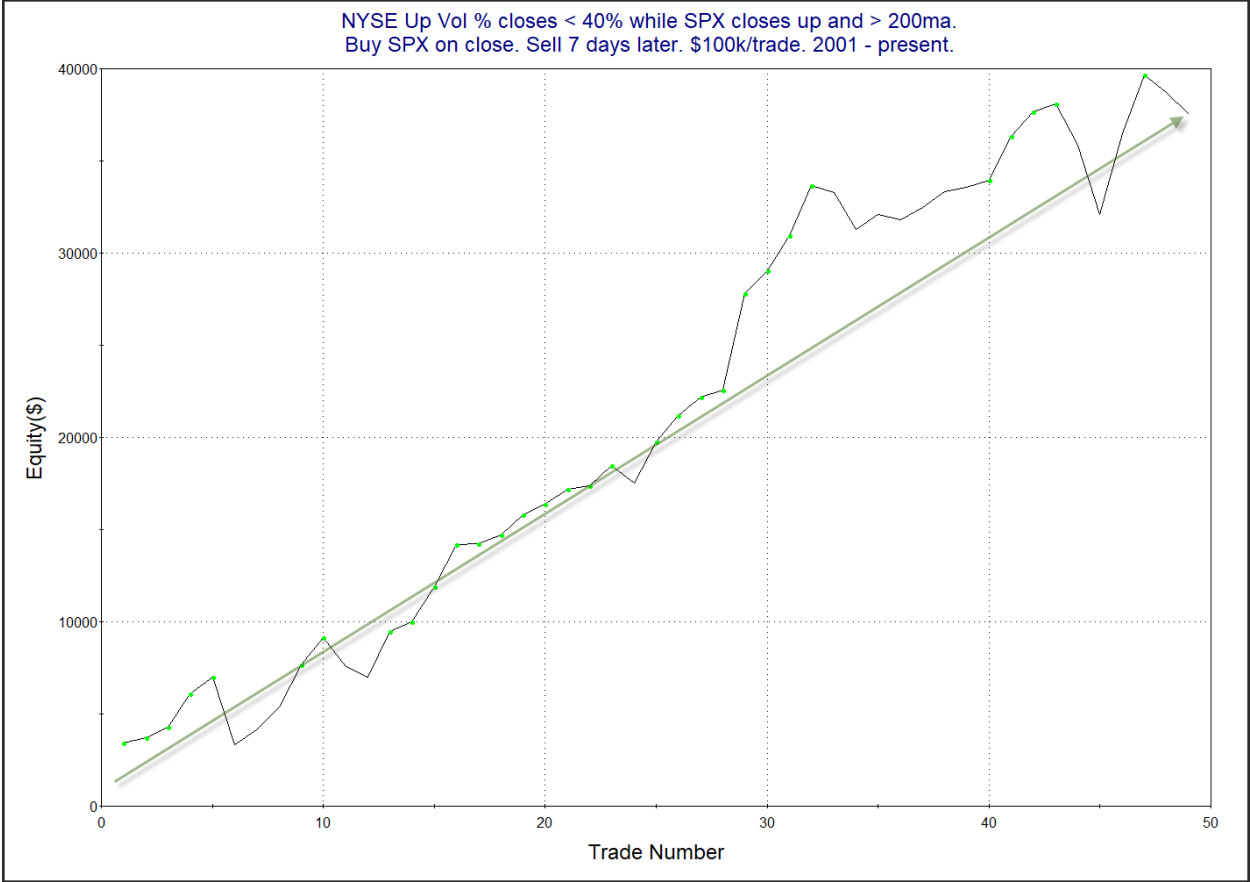
That is a persistent drop. This study appears to be worth some consideration.

But the next study viewed weak breadth as an “oversold” type condition suggesting a short-term upside edge. It simply focused on Up Volume % coming in under 40% while SPX closed higher during a long-term uptrend. It is also updated from the 8/15/23 letter.

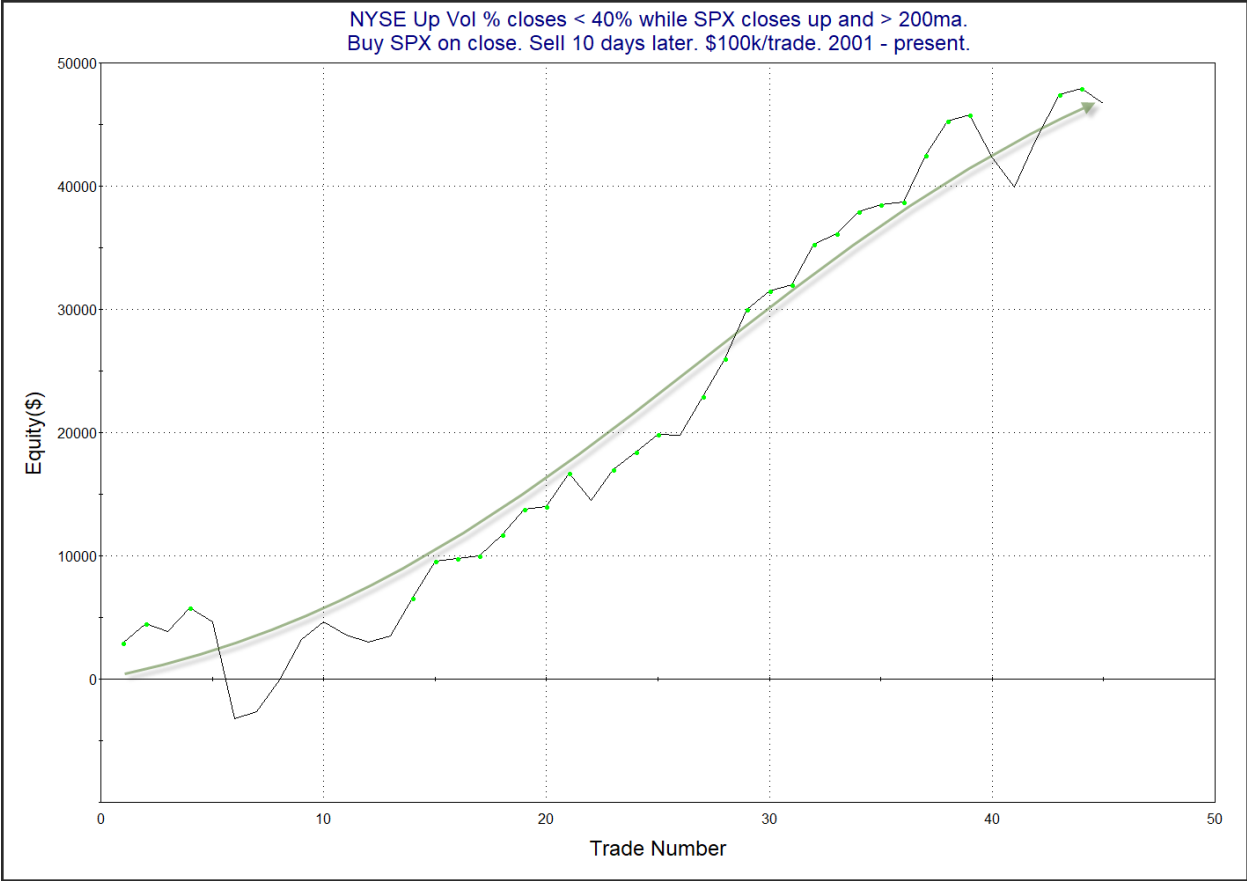
NYSE Up Vol % closes < 40% while SPX closes up and > 200ma.
Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.

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	46,691.42	45	35	10	77.78	3,969.23	-7,891.63	1,921.86	-2,057.35	0.93	3.27	1,037.59
9	42,161.29	46	35	11	76.09	3,793.00	-7,594.37	1,782.62	-1,839.13	0.97	3.08	916.55
8	41,833.07	47	37	10	78.72	4,666.56	-6,657.20	1,579.87	-1,662.22	0.95	3.52	890.07
7	37,521.11	49	38	11	77.55	5,211.84	-3,755.76	1,449.09	-1,594.95	0.91	3.14	765.74
6	34,617.58	49	35	14	71.43	6,018.56	-3,495.92	1,506.40	-1,293.32	1.16	2.91	706.48
5	26,592.36	53	40	13	75.47	4,787.84	-4,623.84	1,189.13	-1,613.31	0.74	2.27	501.74
4	11,280.05	54	33	21	61.11	2,689.05	-4,483.92	1,087.50	-1,171.78	0.93	1.46	208.89
3	12,689.06	56	36	20	64.29	2,513.92	-3,122.40	883.43	-955.72	0.92	1.66	226.59
2	13,062.85	60	40	20	66.67	2,661.75	-2,848.17	748.58	-844.02	0.89	1.77	217.71
1	6,726.50	65	39	26	60.00	1,790.64	-1,489.20	541.81	-554.01	0.98	1.47	103.48

Results have been surprisingly strong over the last 22 years. Below is a look at a 7-day profit curve.

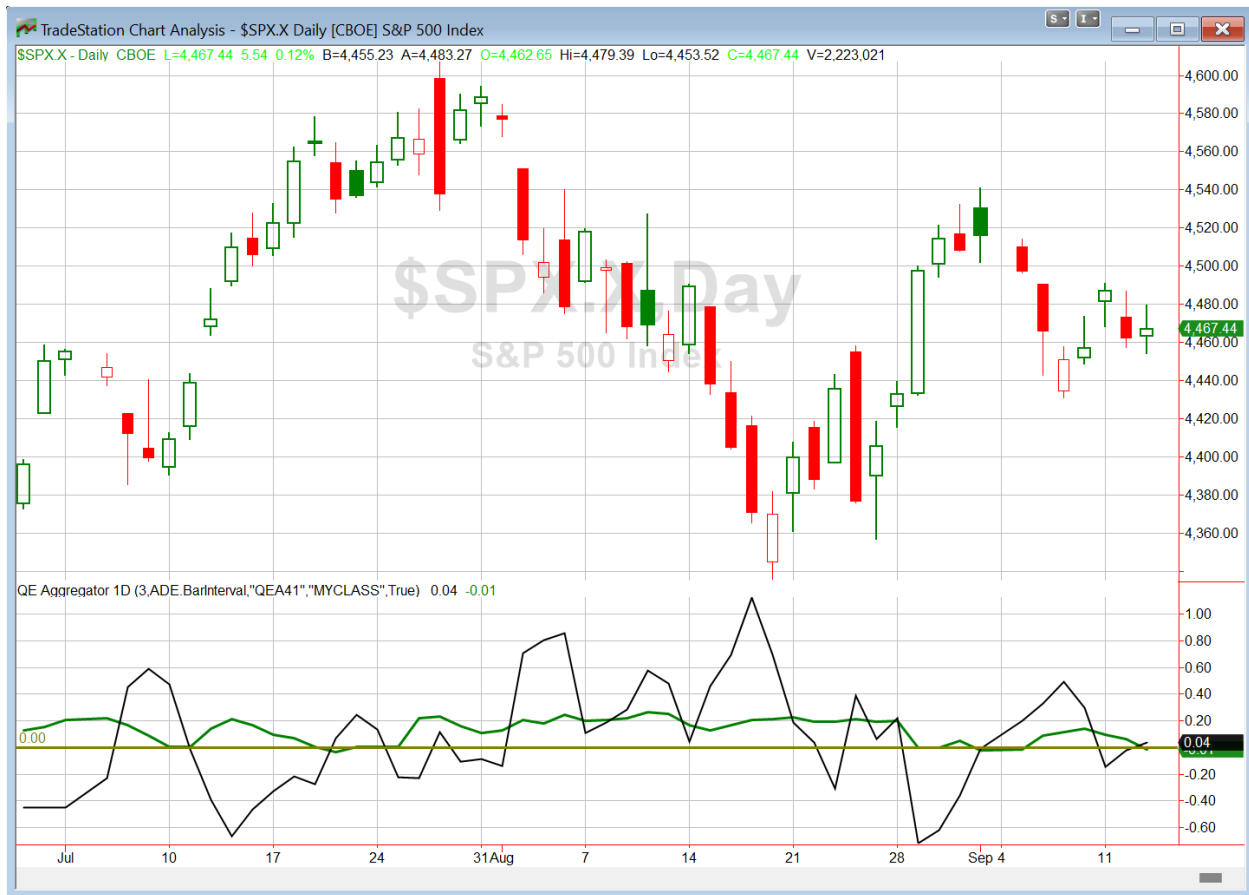


And here is the 10-day curve.



The curves have shown strong upside persistence. I find these results intriguing and have included this study on the short-term and the intermediate-term Active Lists. So we have a bit of a mix tonight.

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



With tonight's evidence considered, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line rose 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.

Based on the studies on the active list, expectations are slated to remain negative on Thursday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4503.15 on Thursday. That is 0.8% above Wednesday's close. Therefore, SPX will need to close up at least 0.8% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is again neutral. Everything flipped tonight. Evidence suggests we head lower, but with the SPX now oversold, reward/risk is weak. I don't see a compelling reason to get involved right here. I will continue to wait for a more favorable reward/risk setup to emerge before looking to take on my next index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/11 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

WBA – 1/3 @ \$22.73 (bought @ limit)

WBA – 1/3 @ \$22.64 (bought @ limit)

WBA – 1/3 @ \$22.04 (bought @ limit)

UPS – 1/3 @ \$160.89 (bought @ limit)

UPS – 1/3 @ \$156.57 (bought @ limit)

Broad Market Large Cap CBI – 5(WBA-3, UPS-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.

None.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
WBA(1/3)	9/6/2023	\$22.61	\$21.90	-3.14%	Catapult
WBA(1/3)	9/7/2023	\$22.60	\$21.90	-3.10%	Catapult
WBA(1/3)	9/8/2023	\$22.04	\$21.90	-0.64%	Catapult
UPS(1/3)	9/12/2023	\$157.37	\$157.84	0.30%	Catapult
UPS(1/3)	9/13/2023	\$156.56	\$157.84	0.82%	Catapult

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