

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 15, 2023

Volume 16 Issue 176

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	2

Tonight's Research Points

- During uptrends, opex Friday has often seen selling after the open.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. There appears to be a moderate downside edge.

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%
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 ADT ₅ > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

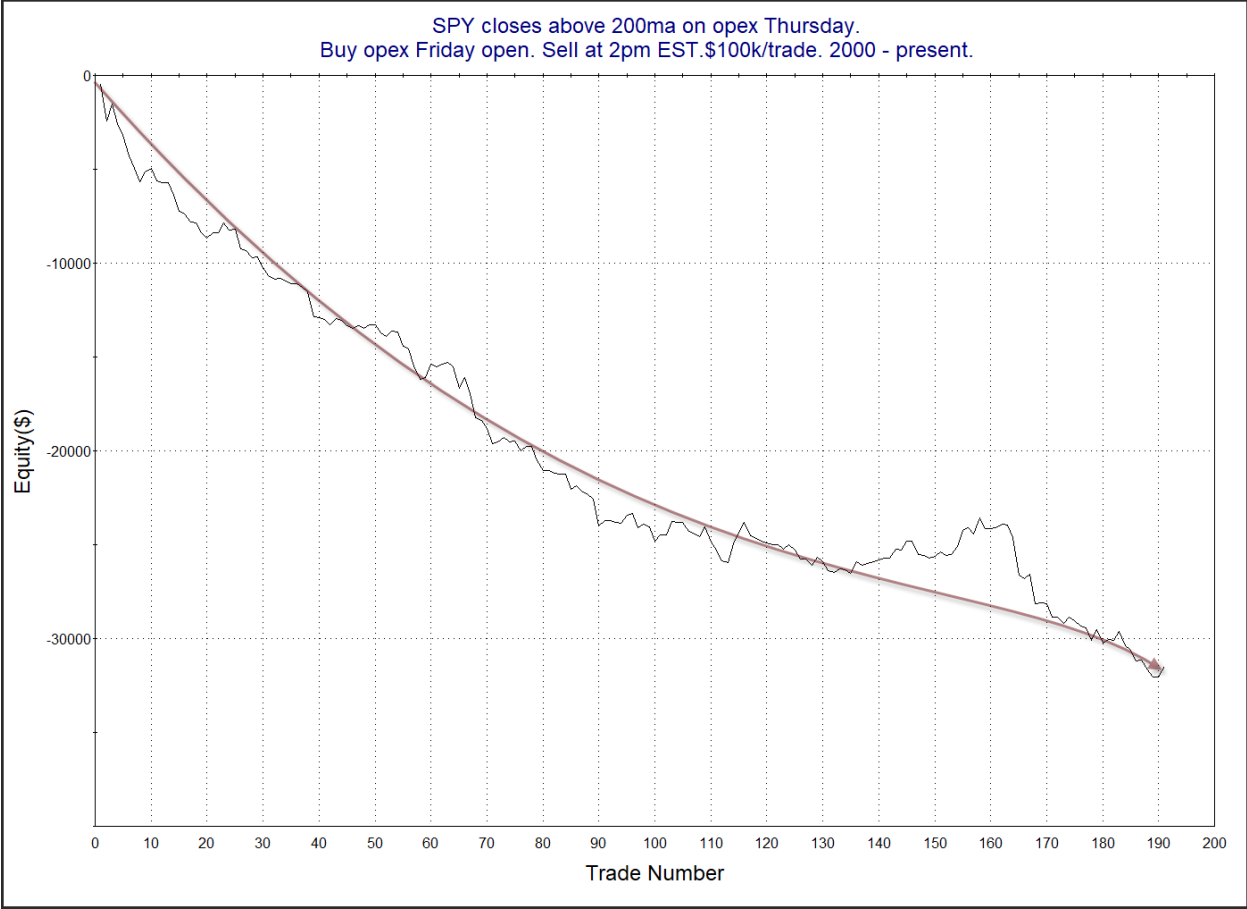
Thursday saw some nice gains. The SPX rose 0.84%, the NASDAQ climbed 0.81%, and the Russell 2000 rallied 1.40%. Breadth was strong with the NYSE Up Issues % coming in at 75% and the Up Volume % at 81%. NYSE total volume rose some from Wednesday’s level.

It is notable that Friday is monthly options expiration. Options expiration has long been a day that has seen weakness after the opening bell. I last discussed this in the 8/18/23 letter. I have updated the studies from that letter below.

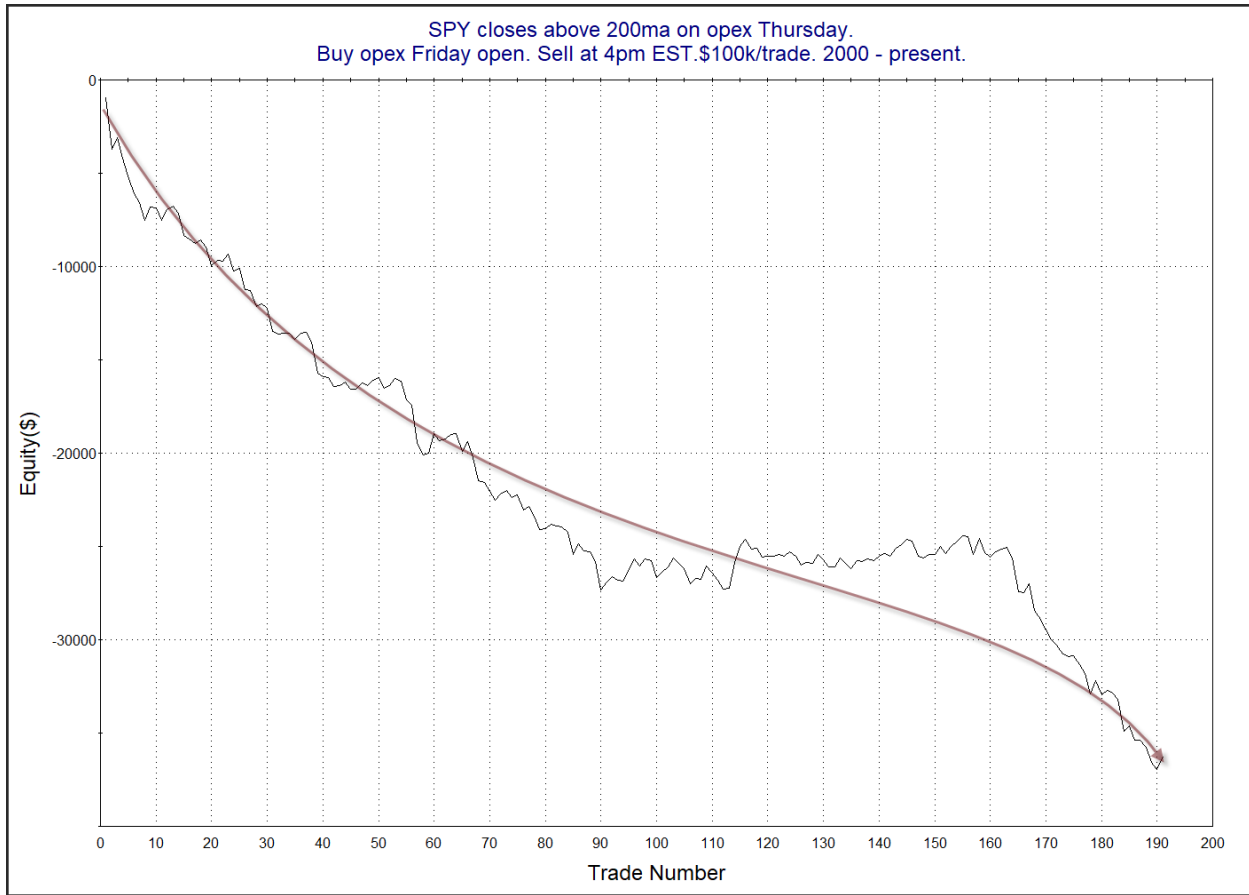
This first study show results of purchasing SPY at the open and then exiting at different times during the day.

SPY closes above 200ma on opex Thursday. Buy opex Friday open. Sell at time shown on left.\$100k/trade. 2000 - present.												
OE Op-Ex Fri Intra Short: timeofday	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
1,600	-36,247.17	191	77	114	40.31	1,400.58	-2,746.58	320.46	-534.41	0.60	0.41	-189.78
1,500	-31,011.29	191	78	112	40.84	983.92	-2,315.18	294.91	-482.27	0.61	0.43	-162.36
1,400	-31,461.35	191	65	126	34.03	993.96	-2,000.00	290.41	-399.51	0.73	0.38	-164.72
1,300	-27,996.50	191	67	123	35.08	968.86	-1,324.62	281.10	-380.73	0.74	0.40	-146.58
1,200	-26,198.86	191	66	125	34.55	1,243.06	-1,318.40	268.76	-351.49	0.76	0.40	-137.17
1,100	-20,197.72	191	71	119	37.17	1,020.18	-968.50	222.69	-302.60	0.74	0.44	-105.75
1,000	-17,132.82	191	55	136	28.80	365.47	-629.00	137.29	-181.50	0.76	0.31	-89.70

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

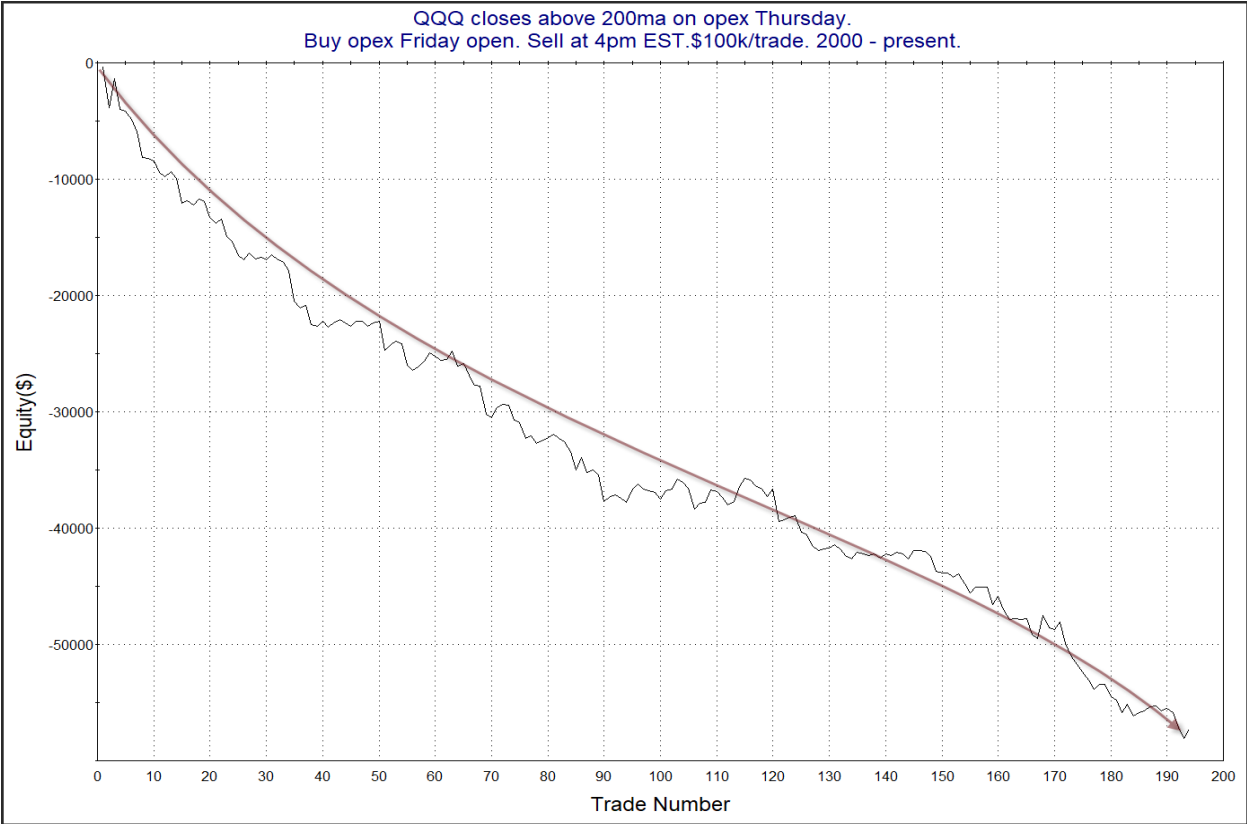
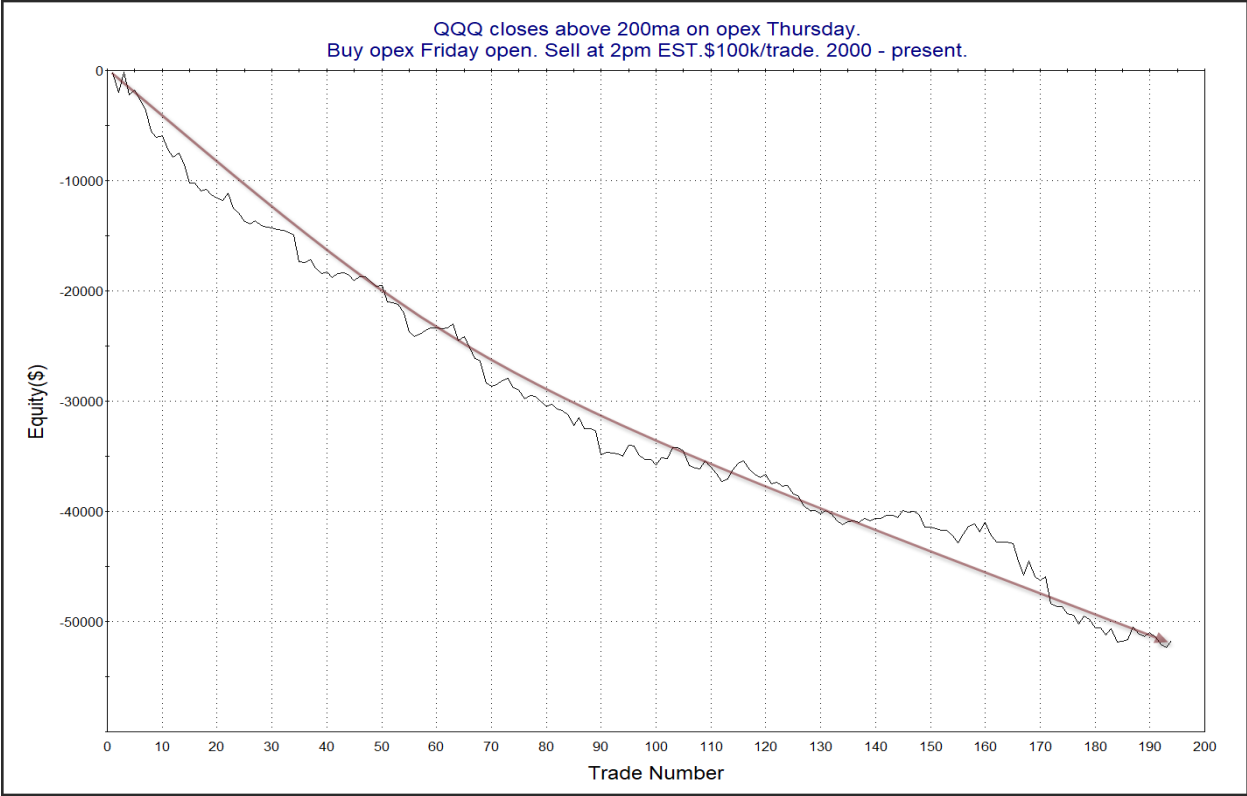


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

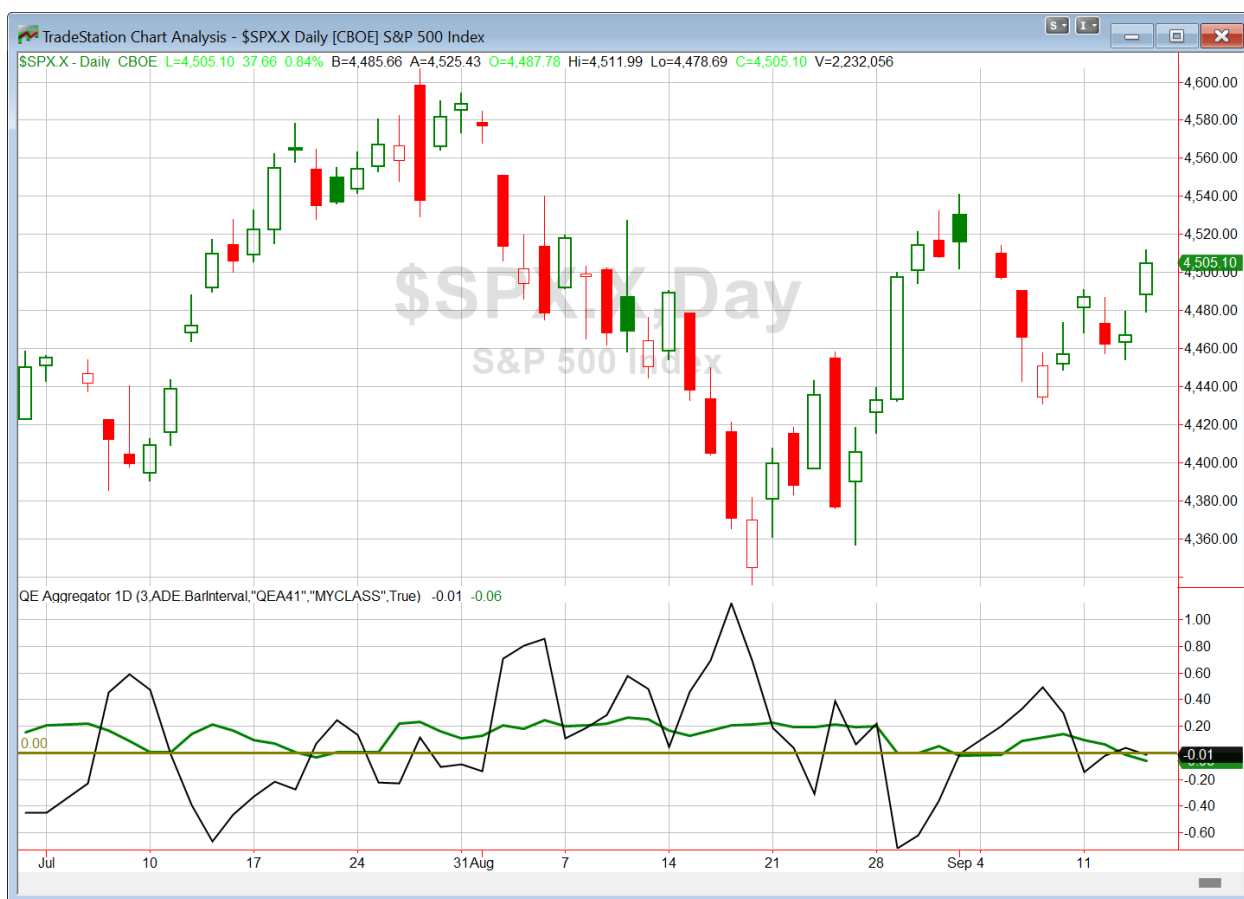
QQQ closes above 200ma on opex Thursday.
Buy opex Friday open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-57,295.85	194	75	119	38.66	2,510.56	-3,518.64	440.34	-759.00	0.58	0.37	-295.34
1,500	-51,597.15	194	70	122	36.08	1,726.01	-2,575.80	411.52	-659.05	0.62	0.36	-265.96
1,400	-51,700.63	194	63	129	32.47	1,818.31	-2,418.42	391.36	-591.91	0.66	0.32	-266.50
1,300	-45,004.15	194	67	126	34.54	1,652.17	-2,376.36	362.53	-549.95	0.66	0.35	-231.98
1,200	-43,834.45	194	66	124	34.02	2,473.64	-1,834.30	355.45	-542.69	0.65	0.35	-225.95
1,100	-35,148.33	194	66	128	34.02	1,984.45	-1,928.16	359.58	-460.01	0.78	0.40	-181.18
1,000	-27,976.23	194	60	133	30.93	1,319.89	-1,192.98	221.25	-310.16	0.71	0.32	-144.21



The bearish edge appears alive and well here with most every curve making new lows. It is something traders may want to consider on Friday morning.

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



Tonight the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line fell 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 turned short at the close.

Based on the studies on the active list, expectations are slated to turn slightly positive on Friday. But considering the fact that we are about to enter the “weakest week” of the year, there is a good chance expectations remain negative. Meanwhile, the Differential Pivot will be 4475.22 on Friday.

That is 0.7% below Thursday's close. Therefore, SPX will need to close down at least 0.7% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator formation is bearish. There appears to be a short-side edge. Opex Friday's often see selling after the open. And as I will cover in the weekend letter, next week is the worst of the year from a seasonal standpoint. So it seems there is at least a mild bearish edge. I will look to take on some short exposure if we get a gift open or a strong close on Friday.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

UPS – 1/3 @ \$160.89 (bought @ limit)

UPS – 1/3 @ \$156.57 (bought @ limit)

Broad Market Large Cap CBI – 2(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.

SPY – Short ¼ index position @ \$449.42 LIMIT ON OPEN If not filled on open, cancel order, and then look to enter at \$449.42 LIMIT ON CLOSE. Based on the short-term outlook above, I'll take on a small amount of short exposure if I can get a favorable fill.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
WBA(1/3)	9/6/2023	\$22.61	\$22.48	-0.57%	<i>sell on open</i>
WBA(1/3)	9/7/2023	\$22.60	\$22.48	-0.53%	<i>sell on open</i>
WBA(1/3)	9/8/2023	\$22.04	\$22.48	2.00%	<i>sell on open</i>
UPS(1/3)	9/12/2023	\$157.37	\$160.73	2.14%	Catapult
UPS(1/3)	9/13/2023	\$156.56	\$160.73	2.66%	Catapult

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