

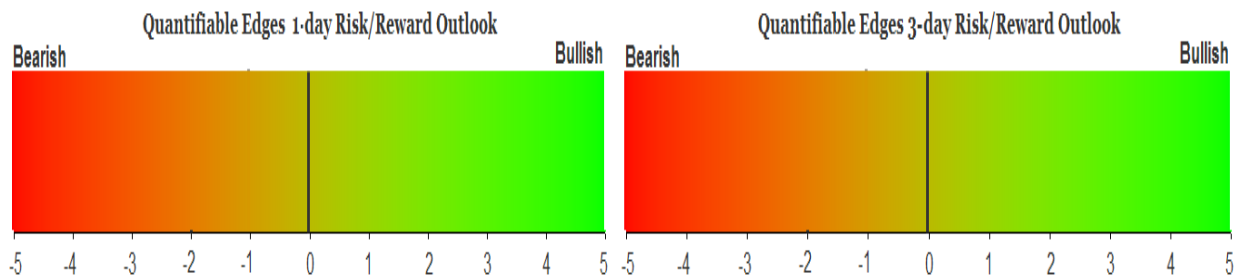
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 19, 2023

Volume 16 Issue 178

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The gap down and reversal in SPY on Monday suggests a decent chance of some follow through on Tuesday.
- The Fed Day edge on Wednesday will be greatly influenced by action on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence is pointing lower, but SPX is already short-term oversold. So reward/risk is muted.

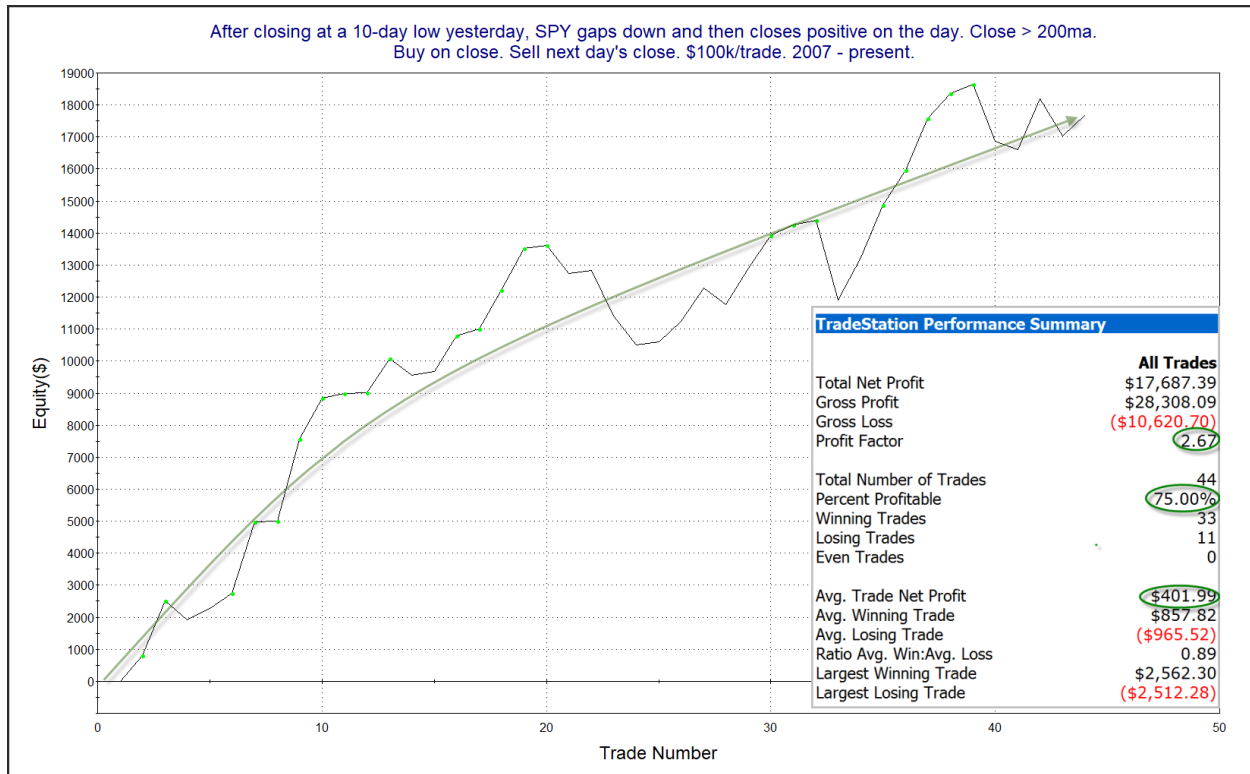
Summary of Current Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 19, 2023	Gap down from 10-low and close up.	1 day	Bullish			
September 18, 2023	Weak 1/2 Sep & weakest week	1-6 days	Bearish	-4.00%	1.20%	2.80%
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 ADT5 > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

Action was muted on Monday. The SPX closed up 0.07%, the NASDAQ rose 0.01%, and the Russell 2000 dropped 0.69%. Breadth was weak with the NYSE Up Issues % coming in at 45% and the Up Volume % at 34%. NYSE total volume was down substantially from Friday's large opex level.

The market has been quite choppy lately, and we have been locked in a range for the last couple of months. Monday the bears had a chance to exert themselves. But they failed. After closing at a 10-day low on Friday, SPY gapped down a bit at the open on Monday. But there was no downside follow-through and it closed slightly higher. The study below looks at similar setups. It is updated from the 1/18/22 letter.



Strong stats and a decent-looking profit curve suggest that this study might be worth some consideration. I have added it to the active list tonight.

Also worth some discussion is that Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. [I have documented this tendency](#) in great detail over the years, including the 2011 book, [The Quantifiable Edges Guide to Fed Days](#). One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. Below are updated stats for the 4 quartiles from highest to lowest in the daily range.

Tomorrow is a Fed Day.
 SPY closes in the TOP 25% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$8,372.10
Gross Profit	\$35,926.51
Gross Loss	(\$27,554.41)
Profit Factor	1.30
Total Number of Trades	92
Percent Profitable	48.91%
Winning Trades	45
Losing Trades	45
Even Trades	2
Avg. Trade Net Profit	\$91.00
Avg. Winning Trade	\$798.37
Avg. Losing Trade	(\$612.32)
Ratio Avg. Win:Avg. Loss	1.30
Largest Winning Trade	\$2,238.25
Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day.
 SPY closes > 50% and <= 75% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$17,071.49
Gross Profit	\$34,876.26
Gross Loss	(\$17,804.77)
Profit Factor	1.96
Total Number of Trades	57
Percent Profitable	52.63%
Winning Trades	30
Losing Trades	26
Even Trades	1
Avg. Trade Net Profit	\$299.50
Avg. Winning Trade	\$1,162.54
Avg. Losing Trade	(\$684.80)
Ratio Avg. Win:Avg. Loss	1.70
Largest Winning Trade	\$4,704.07
Largest Losing Trade	(\$2,246.40)

Tomorrow is a Fed Day.
 SPY closes > 25% and <= 50% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$13,122.59
Gross Profit	\$26,498.43
Gross Loss	(\$13,375.84)
Profit Factor	1.98
Total Number of Trades	49
Percent Profitable	63.27%
Winning Trades	31
Losing Trades	18
Even Trades	0
Avg. Trade Net Profit	\$267.81
Avg. Winning Trade	\$854.79
Avg. Losing Trade	(\$743.10)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

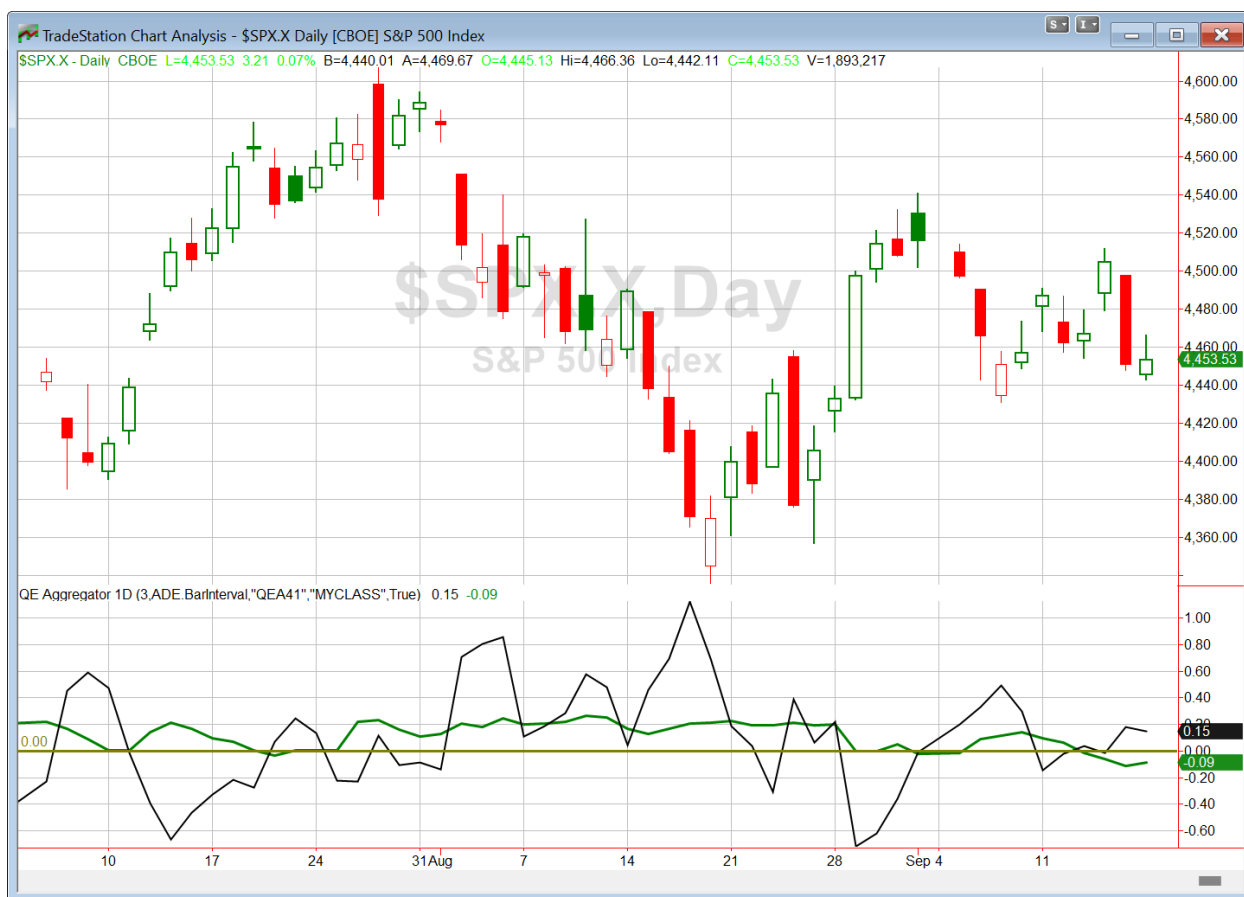
Tomorrow is a Fed Day.
 SPY closes in the BOTTOM 25% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$25,798.46
Gross Profit	\$37,727.36
Gross Loss	(\$11,928.90)
Profit Factor	3.16
Total Number of Trades	45
Percent Profitable	73.33%
Winning Trades	33
Losing Trades	12
Even Trades	0
Avg. Trade Net Profit	\$573.30
Avg. Winning Trade	\$1,143.25
Avg. Losing Trade	(\$994.07)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$4,645.80
Largest Losing Trade	(\$2,945.28)

So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

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



Even with tonight's bullish study considered, 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 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.

Based on the current list of active studies, expectations are slated to remain negative on Tuesday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 4504.14 on Tuesday. That is 1.1% above Monday's close. Therefore, SPX will need to close up at least 1.1% on Tuesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator formation is again neutral. Evidence is mixed, and the Fed announcement Wednesday could be a real wildcard. If not for the fact that overall evidence was pointing lower, I'd be tempted to take a Fed trade on a weak Tuesday close. But there is too much bearish evidence for me to consider such a move. So I'll wait until a more compelling reward/risk setup emerges. If the reaction to the Fed on Wednesday is a strong one, it might not be a long wait.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 9/18 – neutral***

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
UPS(1/3)	9/12/2023	\$157.37	\$158.44	0.68%	<i>sell on open</i>
UPS(1/3)	9/13/2023	\$156.56	\$158.44	1.20%	<i>sell on open</i>

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