

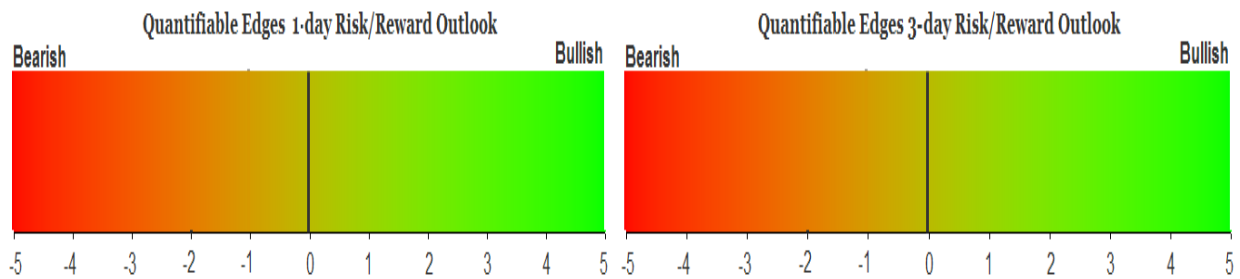
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 20, 2023

Volume 16 Issue 179

Market Overview



Signals Overview

| | |
|-------------------|--------------------|
| Aggregator | CBI Reading |
| Flat | 0 |

Tonight's Research Points

- The Fed Day setup does not appear as bullish as normal.

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 18, 2023 | Weak 1/2 Sep & weakest week | 1-6 days | Bearish | -4.00% | 1.20% | 2.80% |
| 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 | | | |

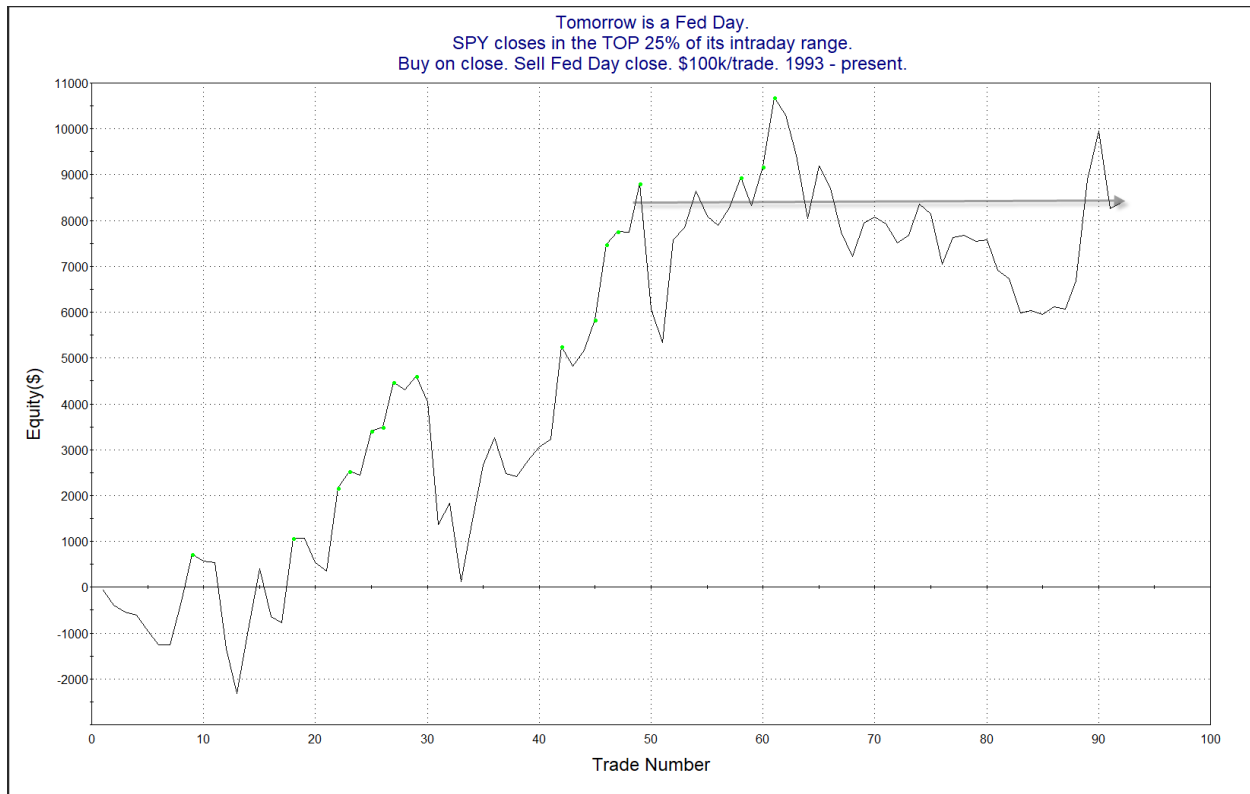
The Evidence

Tuesday saw some morning selling, followed by an afternoon rally that could not get the market back to positive on the day. The SPX closed down 0.22%, the NASDAQ lost 0.23%, and the Russell 2000 dropped 0.42%. Breadth was weak with the NYSE Up Issues % coming in at 42% and the Up Volume % at 39%. NYSE total volume rose some from Monday's level.

Last night I showed how the worse the market has closed on the day before a Fed Day, the better the Fed Day has performed. And days that finish near the high just before the Fed Day have had the weakest overall stats, with the upside edge basically eliminated. The table below is from last night. It shows performance following closes in the top 25% of the intraday range list we saw on Tuesday.

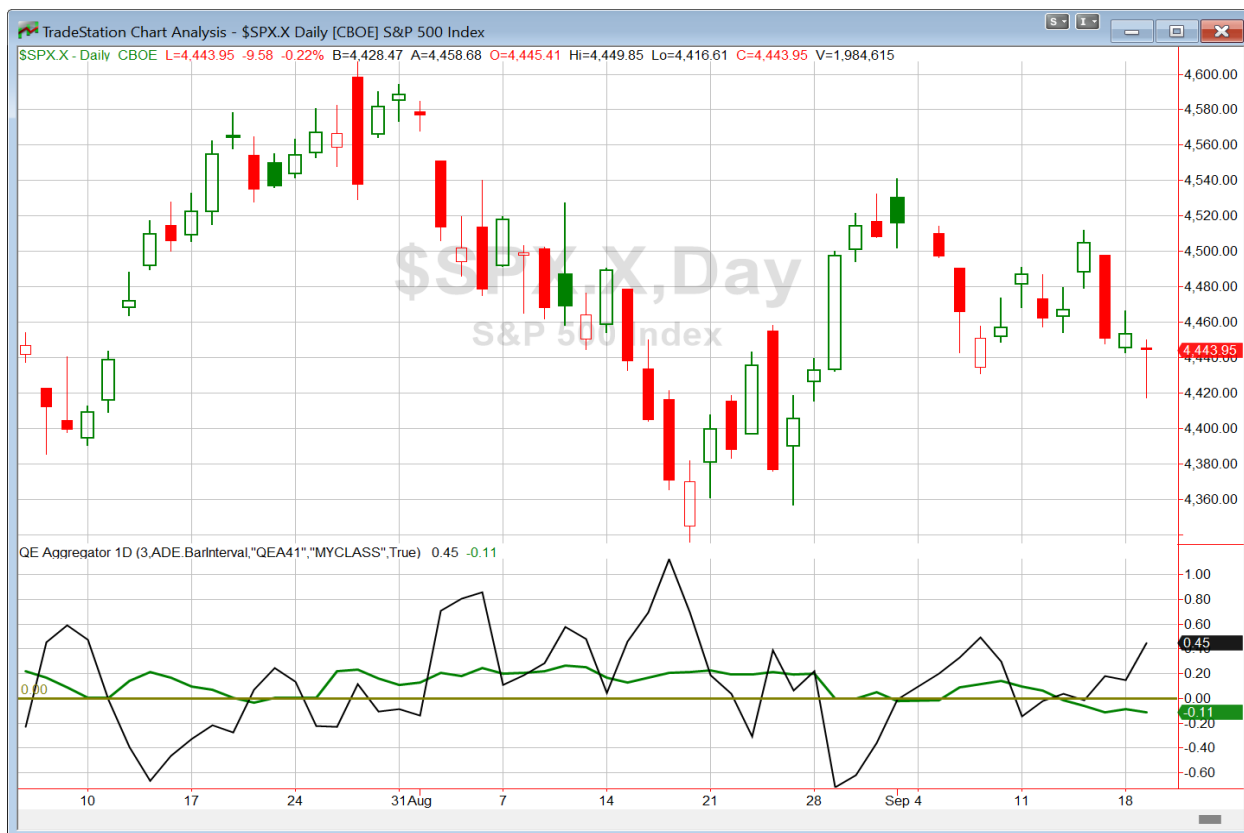
| | |
|---|-------------------|
| Tomorrow is a Fed Day. SPY closes in the TOP 25% of its intraday range. Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present. | |
| TradeStation Performance Summary | |
| | All Trades |
| Total Net Profit | \$8,372.10 |
| Gross Profit | \$35,926.51 |
| Gross 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) |

Stats are not much better than breakeven. Below is a look at the profit curve.



Breakeven stats, and no progress for a long time. I do not believe this provides a bullish setup for Wednesday's Fed Day. I am not adding any new studies to the active list tonight.

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 Wednesday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 4442.18 on Wednesday. That is less than 0.1% below Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX will need to close down about 2 points in order to remain oversold. Anything less than that and it will flip to "overbought" vs recent expectations as of Wednesday's close.

So the Aggregator formation is again neutral. Evidence is leaning lower, and we could see volatile swings after the Fed announcement on Wednesday. Without a strong edge to play, I'm happy to watch Wednesday's excitement from afar. If there is a strong reaction, then we could see some compelling evidence emerge in the next few days. I'll keep my capital ready to allocate when the next favorable reward/risk opportunity arises.

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(I/3) | 9/12/2023 | \$157.37 | \$158.30 | 0.59% | <i>sold on open</i> |
| UPS(I/3) | 9/13/2023 | \$156.56 | \$158.30 | 1.11% | <i>sold on open</i> |
| | | | | | |
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