

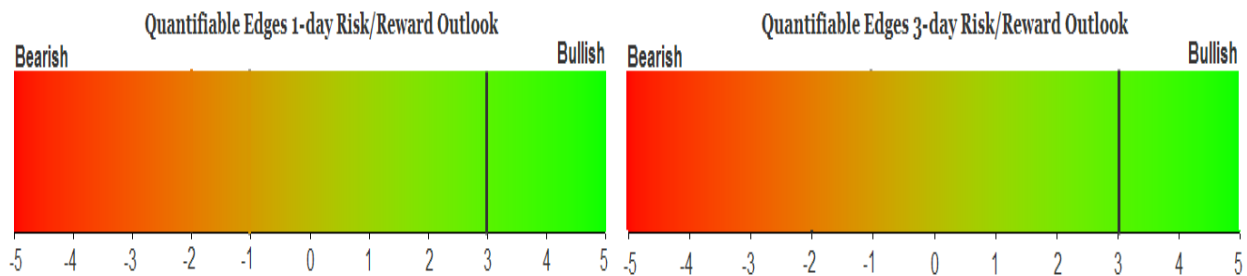
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 22, 2023

Volume 16 Issue 181

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- Several studies are suggested an oversold bounce is now due.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side.

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 22, 2023	Bottom 10% intraday range & 40-low close	1-6 days	Bullish			
September 22, 2023	3 dn closes. Unfilled gap down. 10-intra low	1-2 days	Bullish			
September 22, 2023	5 Lower lows. Biggest drop of bunch	1-3 days	Bullish			
September 21, 2023	Outside day btm 10% 10-day range	1-6 days	Bullish	2.50%	-0.80%	-1.70%
September 21, 2023	Fed Day. SPX down 2+ days.	1-6 days	Bullish	1.80%	-2.65%	-4.95%
September 18, 2023	Weak 1/2 Sep & weakest week	1-6 days	Bearish	-4.00%	1.20%	2.80%
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			
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

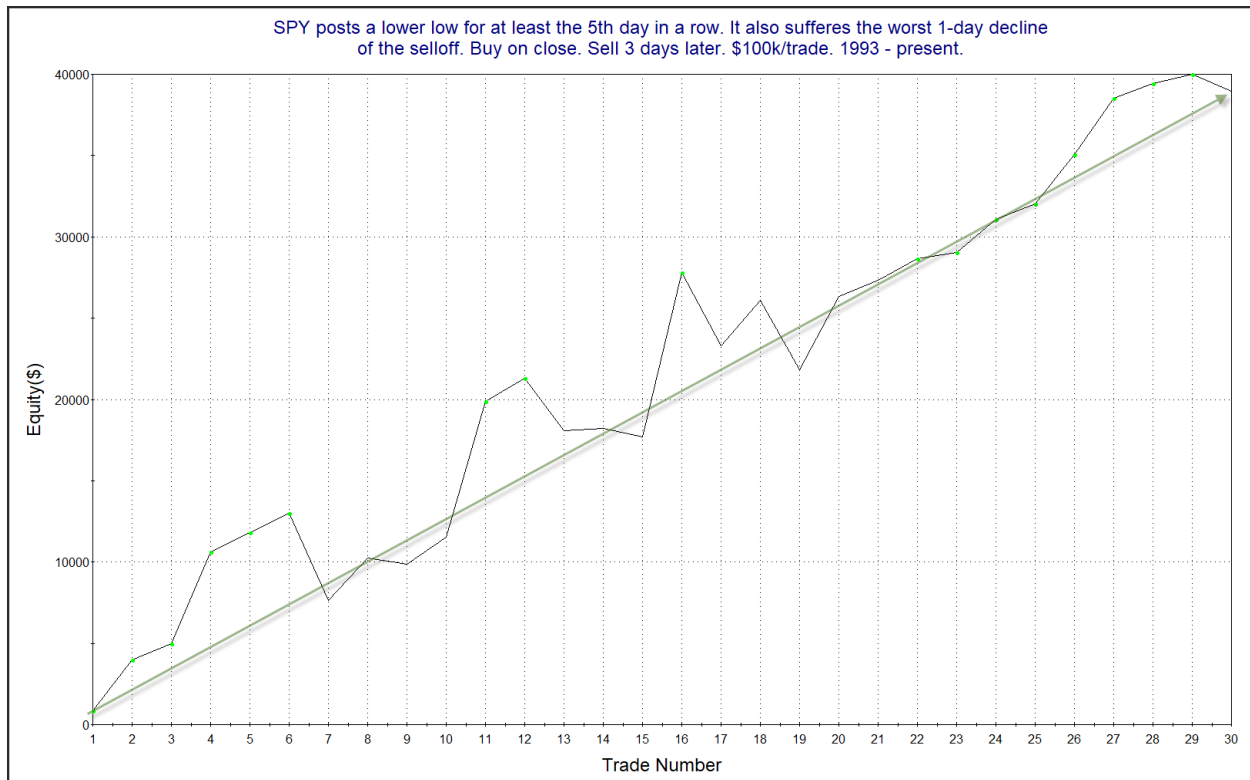
Thursday started bad and finished worse. The SPX closed down 1.6%, the NASDAQ lost 1.8%, and the Russell 2000 dropped 1.6%. Breadth was weak with the NYSE Up Issues % coming in at 15% and the Up Volume % at 11%. NYSE total volume rose some from Wednesday's level.

Last night's evidence suggested another 1-2 days of selling before a bounce. We got additional selling. And now we'll see how soon the bounce comes. Thursday's action did trigger a large number of old studies that all suggest a short-term upside edge. Below I will feature some of the more compelling ones.

One concept I have discussed a number of times in the past is that when short-term moves that are already a bit extended see a quick acceleration, it often leads to a reversal. Both SPY and QQQ made at least their fifth lower low on Thursday. They also suffered their worst decline of the short-term down move. This triggered the study below. Both the SPY and NASDAQ versions were last discussed in the 1/24/22 letter. First let's look at the SPY setup.

SPY posts a lower low for at least the 5th day in a row. It also suffers the worst 1-day decline of the selloff. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	34,593.29	28	21	7	75.00	10,816.00	-6,375.96	2,499.06	-2,555.28	0.98	2.93	1,235.47
4	30,069.59	29	20	9	68.97	13,568.00	-10,531.08	2,805.18	-2,892.68	0.97	2.16	1,036.88
3	38,936.57	30	23	7	76.67	10,083.30	-5,355.22	2,533.16	-2,760.87	0.92	3.01	1,297.89
2	38,788.34	31	23	8	74.19	11,736.30	-6,648.00	2,380.79	-1,996.22	1.19	3.43	1,251.24
1	21,303.87	33	21	12	63.64	5,043.84	-2,639.40	1,583.60	-995.98	1.59	2.78	645.57

The numbers here look very strong. I also produced the profit curve for the 3-day holding period.



I like this curve. Next let's look at the QQQ version.

QQQ posts a lower low for at least the 5th day in a row. It also suffers the worst 1-day decline of the selloff. Buy on close. Sell X days later. \$100k/trade. 2000 - 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	57,403.79	29	19	10	65.52	12,720.30	-5,156.37	3,856.44	-1,586.87	2.43	4.62	1,979.44
4	46,185.79	29	16	13	55.17	14,897.82	-9,761.43	4,594.81	-2,102.40	2.19	2.69	1,592.61
3	33,415.79	29	17	12	58.62	11,520.90	-7,231.89	3,395.75	-2,026.00	1.68	2.37	1,152.27
2	41,125.72	31	21	10	67.74	15,687.50	-6,651.64	2,959.07	-2,101.47	1.41	2.96	1,326.64
1	38,065.26	32	22	10	68.75	12,236.25	-3,528.46	2,274.92	-1,198.29	1.90	4.18	1,189.54

Decent odds of a quick pop here as well.

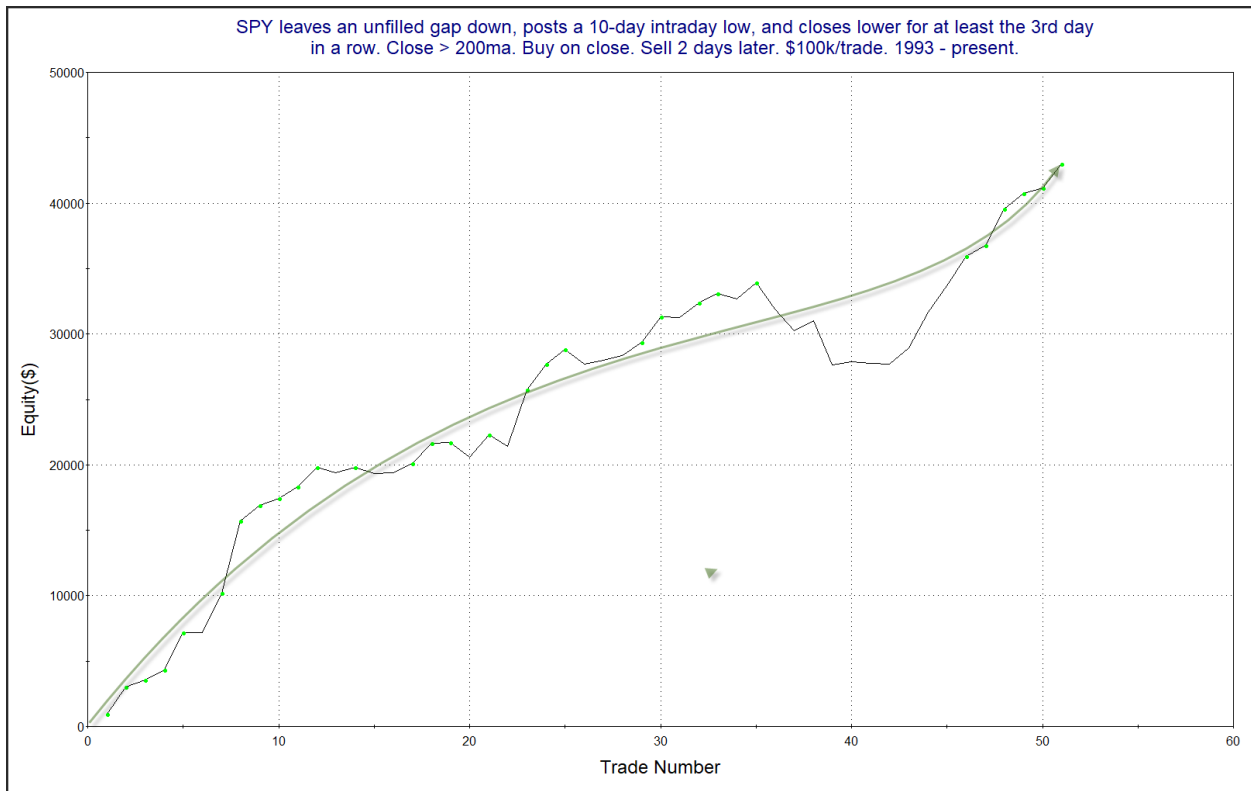
Some other observations that suggest a possible upside edge are 1) SPY has now closed lower 3 days in a row during a long-term uptrend, and 2) SPY left an unfilled gap down and made a short-term low. The study below combined these observations and served as a good description of the current market setup. It looked for multiple down days, short-term lows, and an unfilled gap down. It was last seen in the 5/5/23 letter. I have updated the results.

SPY leaves an unfilled gap down, posts a 10-day intraday low, and closes lower for at least the 3rd day in a row. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	50,095.04	51	36	15	70.59	8,239.74	-4,770.78	1,979.59	-1,411.34	1.40	3.37	982.26
4	35,914.52	51	34	17	66.67	5,581.02	-8,109.60	1,941.36	-1,770.10	1.10	2.19	704.21
3	37,844.16	51	36	15	70.59	4,249.44	-7,722.10	1,648.42	-1,433.27	1.15	2.76	742.04
2	43,022.19	51	38	12	74.51	5,477.88	-3,385.20	1,439.19	-972.24	1.48	4.69	843.57
1	26,349.31	54	40	14	74.07	5,764.38	-3,028.70	980.55	-919.47	1.07	3.05	487.95

92% of instances closed above the entry price at some point in the next week.

The stats suggest a high probability of an almost immediate bounce. Below is a profit curve assuming a 2-day holding period.



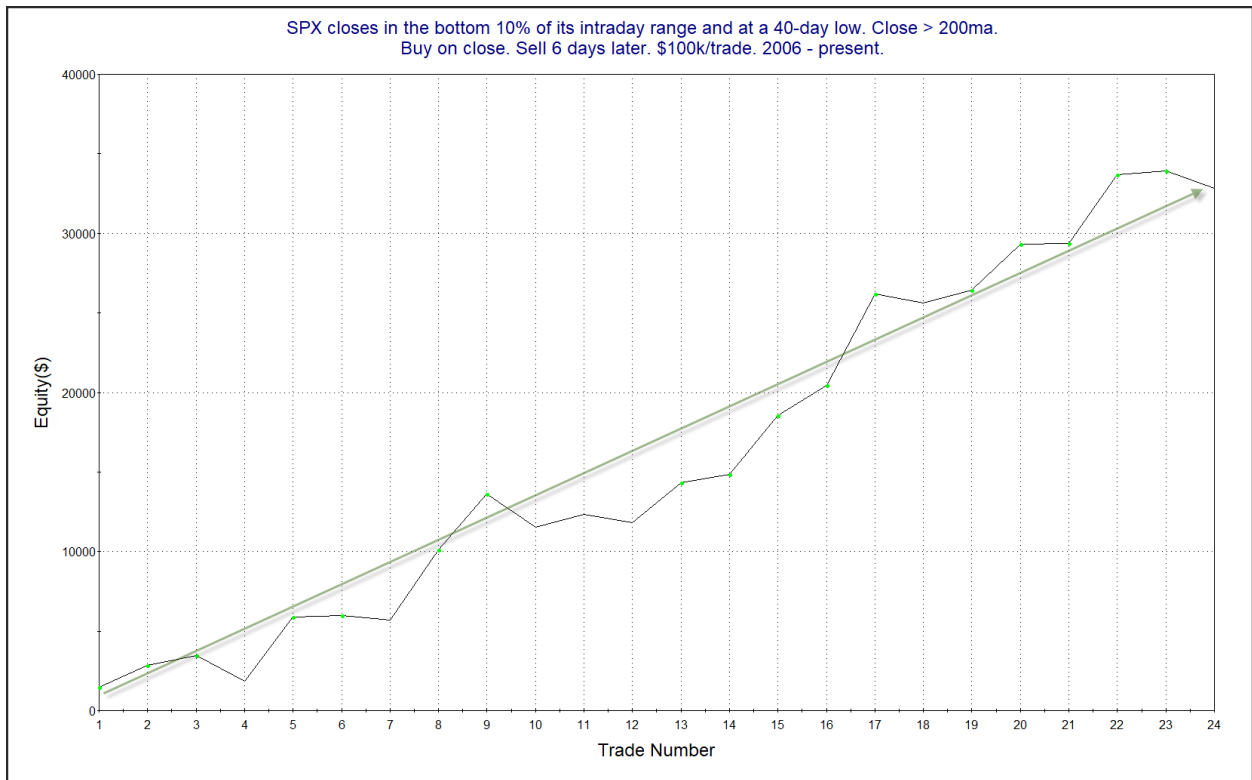
The curve is a little choppy, but it has made its way from lower left to upper right. And the last 9 instances have all turned out winners. The study certainly seems strong enough to include on the Active List tonight.

Of course Thursday did not just post a 10-day low. It was the lowest close for SPX since June. In the 5/29/19 letter I looked at times SPX closed at a 40-day low, and very low in its intraday range. I have updated that study below.

SPX closes in the bottom 10% of its intraday range and at a 40-day low. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 2006 - 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	31,977.80	23	15	8	65.22	6,319.40	-7,625.38	3,090.80	-1,798.02	1.72	3.22	1,390.34
9	27,440.34	23	17	6	73.91	5,514.18	-11,831.15	2,546.55	-2,641.83	0.96	2.73	1,193.06
8	35,223.85	23	18	4	78.26	5,150.40	-4,831.04	2,392.14	-1,958.67	1.22	5.50	1,531.47
7	23,769.63	23	14	9	60.87	5,139.88	-3,232.37	2,315.46	-960.76	2.41	3.75	1,033.46
6	32,827.06	24	18	6	75.00	5,746.36	-2,113.95	2,171.09	-1,042.08	2.08	6.25	1,367.79
5	20,118.17	24	16	8	66.67	5,707.60	-3,870.04	2,183.67	-1,852.58	1.18	2.36	838.26
4	15,139.48	24	15	9	62.50	4,469.94	-3,351.72	1,920.32	-1,518.37	1.26	2.11	630.81
3	10,960.70	24	16	8	66.67	3,669.76	-5,393.69	1,616.19	-1,862.29	0.87	1.74	456.70
2	4,407.54	27	14	13	51.85	2,850.00	-4,632.95	1,379.60	-1,146.68	1.20	1.30	163.24
1	3,166.86	31	19	12	61.29	2,177.98	-2,005.85	858.88	-1,095.99	0.78	1.24	102.16

Odds here appear favorable. Below is a look at the 6-day profit curve.



Nothing wrong with that. I have also added this study to the Active List.

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



With tonight's evidence considered, the green Aggregator Line remained below zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is strongly oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4428.50 on Friday. That is 2.3% above Thursday's close. Therefore, SPX will need to close up at least 2.3% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is bullish as I anticipated it likely would be. Evidence is strong, and SPX is substantially oversold. So there is plenty of room to potentially profit before SPX would flip to overbought. I took a small amount of long exposure at the close on Thursday. I will add more on Friday if we again close down a fair amount.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

BA – 1/3 @ \$199.95 (buy at limit)

CSCO – 1/3 @ \$53.34 (buy at limit)

RTX – 1/3 @ \$72.64 (buy at limit)

Broad Market Large Cap CBI – 3(BA, CSCO, RTX)

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 – Buy ¼ index position @ \$429.50 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to add another lot of SPY if we see another day of substantial selling.

BA – Buy 1/3 Catapult position @ \$199.95 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of BA.

CSCO – Buy 1/3 Catapult position @ \$53.34 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of CSCO.

RTX – Buy 1/3 Catapult position @ \$72.64 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of RTX.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	9/21/2023	\$431.39	\$431.39	0.00%	Aggregator

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter from QE at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2023 Quantifiable Edges, LLC.