

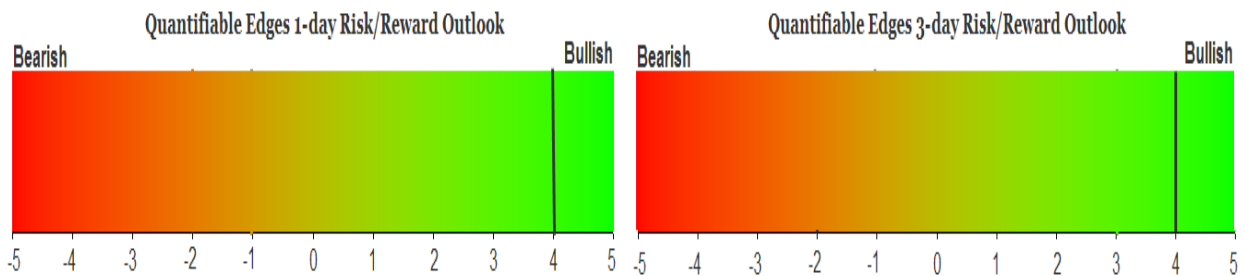
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 25, 2023

Volume 16 Issue 182

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- Selling on and after a Fed meeting does not tend to last much longer than we have seen.
- Multiple days of oversold RSI(2) readings and 50-day lows are suggestive of a bounce.

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 25, 2023	RSI2 < 2 and 50-low close 2 days in a row	1-5 days	Bullish	4.70%	-2.80%	-5.40%
September 25, 2023	Fed 2 ago. Down 3+ days today.	1-3 days	Bullish	1.80%	-1.05%	-2.10%
September 22, 2023	Bottom 10% intraday range & 40-low close	1-6 days	Bullish	2.35%	-1.90%	-3.95%
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 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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 14, 2023	SPX up and > 200ma. Up Vol % < 40%	1-10 days	Bullish	2.10%	-1.50%	-3.30%

The Evidence

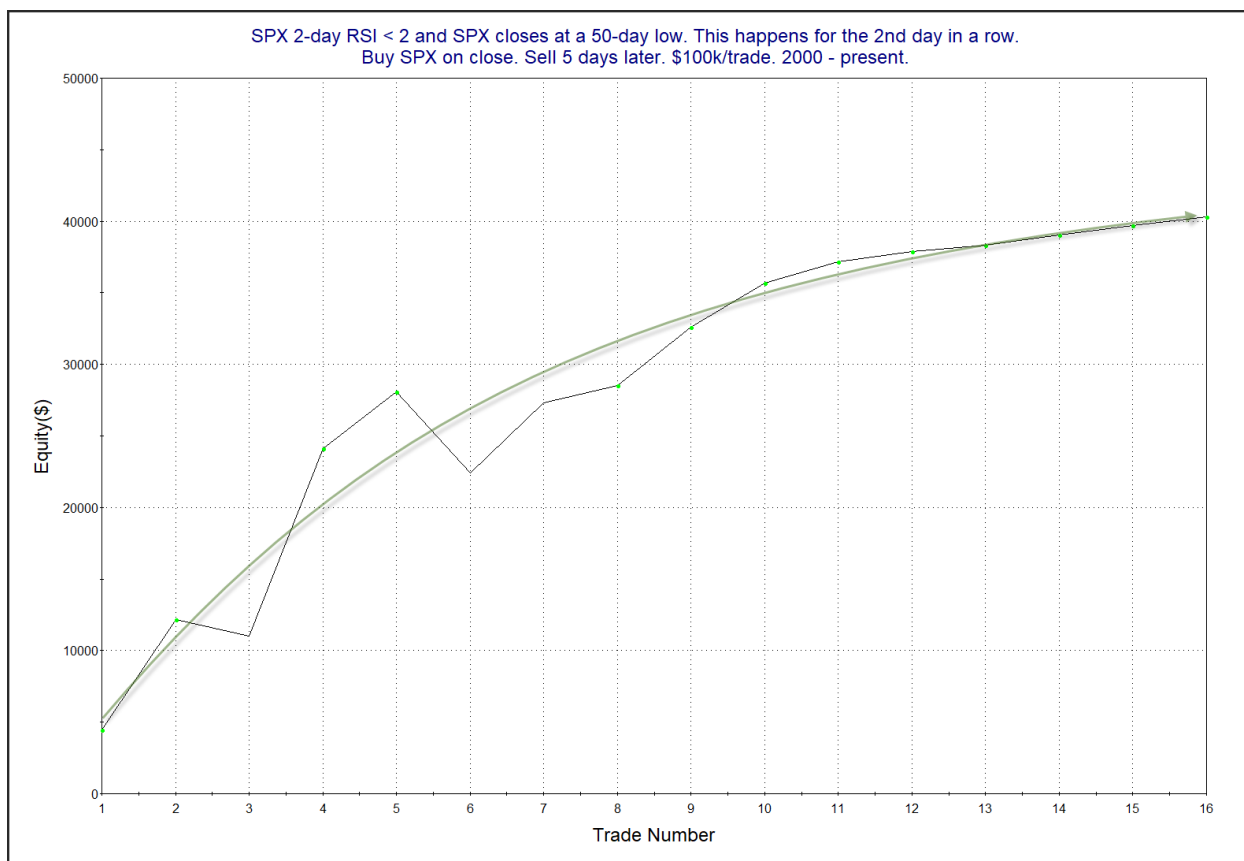
The market rallied early on Friday, but it mostly failed to hold gains. The SPX closed down 0.2%, the NASDAQ rose a scant 0.03%, and the Russell 2000 dropped 0.3%. Breadth was weak with the NYSE Up Issues % coming in at 48% and the Up Volume % at 43%. NYSE total volume rose some from Thursday’s level.

We have now seen 2 days in a row with SPX closing at a 50-day low while the 2-day RSI finished under 2. This triggered the study below, which was last seen in the 2/27/20 subscriber letter. Results are updated.

SPX 2-day RSI < 2 and SPX closes at a 50-day low. This happens for the 2nd day in a row. Buy SPX 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	40,328.82	16	14	2	87.50	13,135.00	-5,696.34	3,372.41	-3,442.44	0.98	6.86	2,520.55
4	28,062.11	16	11	5	68.75	12,657.50	-3,616.64	3,314.13	-1,678.66	1.97	4.34	1,753.88
3	34,976.12	16	12	4	75.00	9,601.81	-1,576.64	3,236.62	-965.84	3.35	10.05	2,186.01
2	21,076.92	16	11	5	68.75	10,183.87	-5,189.44	3,110.74	-2,628.24	1.18	2.60	1,317.31
1	10,293.33	16	8	8	50.00	5,716.25	-4,404.16	2,633.84	-1,347.18	1.96	1.96	643.33

**The 2 instances that did NOT close higher a week later triggered on 4/29/2002 and 2/23/2009.
The 2002 instance saw SPX rise about 2% over the next 2 days before rolling over.
The 2009 instance saw a 4% rally the following day, and then it had another leg lower.**

Instances are a little lower than I typically like, but the numbers are incredibly bullish and seem worthy of consideration. And as I note below the table, every instance has bounced at some point in the next week. Below is a look at the 5-day profit curve.



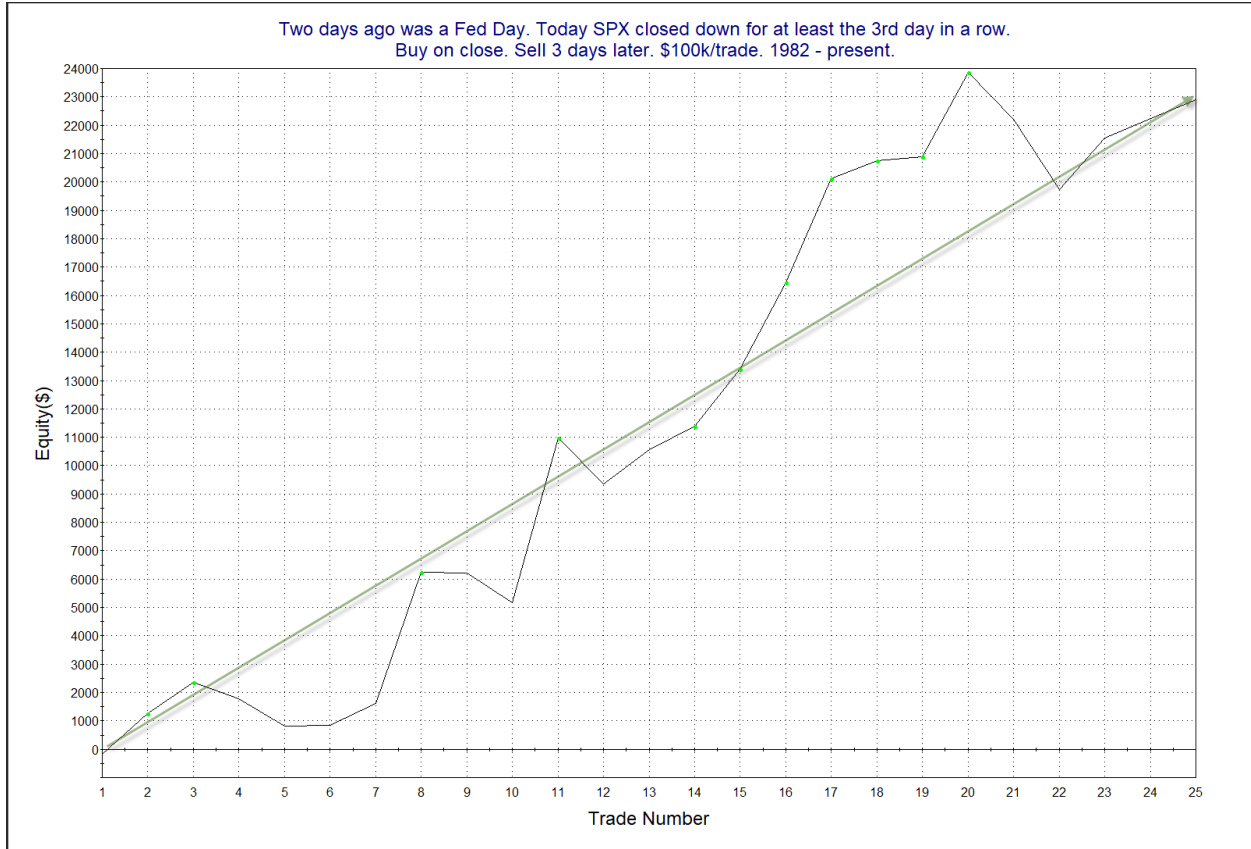
This has shown a strong edge over time. The persistent move higher from lower left to upper right is encouraging.

It's interesting that the selling has continued right through and after a Fed Day. In the 9/26/22 letter I examined other times where the Fed failed to inspire confidence and a selloff of at least 3 days (including the Fed Day) ensued. Results here are updated.

Two days ago was a Fed Day. Today SPX closed down for at least the 3rd day in a row.
Buy on close. Sell X days later. \$100k/trade. 1982 - 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	12,900.90	25	12	13	48.00	5,555.16	-3,477.69	2,650.78	-1,454.50	1.82	1.68	516.04
4	20,576.06	25	15	10	60.00	5,564.00	-2,266.11	2,174.91	-1,204.76	1.81	2.71	823.04
3	22,901.73	25	17	8	68.00	5,801.02	-2,476.50	1,847.07	-1,062.30	1.74	3.69	916.07
2	16,662.87	25	16	9	64.00	4,670.25	-1,709.52	1,464.94	-752.92	1.95	3.46	666.51
1	7,480.88	25	15	10	60.00	2,671.02	-2,968.54	1,129.49	-946.14	1.19	1.79	299.24

The edge looks quite strong over the next few days. Below is a look at a 3-day profit curve.



There was a stumble a few instances ago, but the strong move from lower left towards upper right still serves as some confirmation of the upside edge. I have included this study on the active list.

Below is another look at the September Seasonality Calendar for SPY:

Quantifiable Edges Seasonality Calendar			
§SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
9/1/2023	59.49	1.499	0.125
9/5/2023	49.47	1.040	0.012
9/6/2023	53.92	1.266	0.073
9/7/2023	51.03	1.013	0.002
9/8/2023	55.68	1.249	0.072
9/11/2023	53.42	0.936	-0.030
9/12/2023	51.07	1.065	0.018
9/13/2023	52.50	0.960	-0.015
9/14/2023	54.23	0.955	-0.020
9/15/2023	50.16	0.916	-0.029
9/18/2023	53.01	0.938	-0.033
9/19/2023	49.57	1.195	0.026
9/20/2023	47.56	0.947	-0.031
9/21/2023	48.57	0.835	-0.066
9/22/2023	49.04	0.828	-0.069
9/25/2023	52.58	1.014	0.000
9/26/2023	51.55	1.028	0.006
9/27/2023	52.36	1.117	0.032
9/28/2023	54.64	1.175	0.048
9/29/2023	53.14	0.955	-0.018
Baseline	53.69	1.138	0.047

Numbers this week look a lot better than they did for most of the month. At least the bulls won't be facing a strong seasonality headwind this upcoming week.

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



With this weekend's evidence considered, the green Aggregator Line remained above 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 oversold versus recent expectations. So expectations are positive and SPX is strongly oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Monday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4390.44 on Monday. That is 1.6% above Friday's close. Therefore, SPX will need to close up at least 1.6% on Monday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is bullish for a 2nd day. Evidence continues to build for the bulls, and the CBI is nearing a point where we would see more bullish evidence emerge. With SPX so oversold, reward/risk potential appears quite favorable. I have a small amount of index exposure already. I will look to add more on Monday if we get a bit more of a dip during the day.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/25 – neutral

Combo #1	Combo #2	Combo #3	Combo #4
Long SPY	Long SPY	Flat	Long SPY

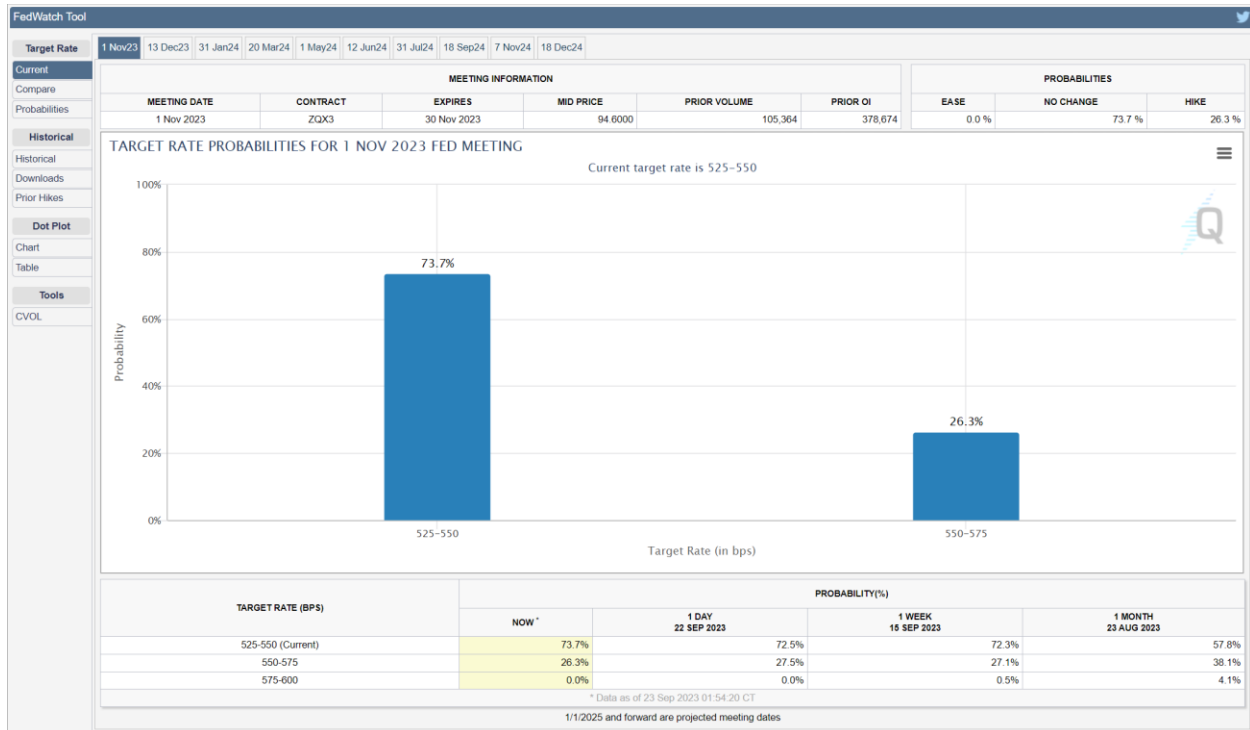
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course – ***Updated and Expanded for 2023!*** Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions.

The Combo Systems did not change this week.

The “Weakest Week” lived up to its reputation this past week. The SPX declined 2.9%, the NASDAQ dropped 3.6%, and the Russell 2000 fell 3.8%. Bonds also continued lower. The US Aggregate Bond ETF (AGG) posted a loss of 0.5%. TLT, the 20-year Treasury Bond ETF, fell 1.65%. Long-term uptrends for the SPX and NASDAQ remain in place. No new studies emerged in the last few days with intermediate-term implications.

Unfortunately, the portion of the Fed’s website where they post SOMA changes is currently down for maintenance. This sometime happens on the weekend. I am sorry I did not grab the data on Thursday night. In any case. I expect the current week to show a mild SOMA decline, and then the week starting this upcoming Thursday and ending Wed, October 4th should see an extra large decline, since there will be substantial bond maturities happening on September 30th.

With regards to rates, odds of additional hike at the November stayed about the same this week. Odds of an increase currently stand at about 26%. This can be seen in the screenshot below of the CME Fedwatch Tool:



The Fed remains “data dependent”. And there is plenty of time between now and November, so these odds will likely change quite a bit over the next several weeks. Bottom line, between hiking rates and QT, the Fed remains a bearish market force.

Nothing happened this past week that has me convinced to move off my neutral intermediate-term outlook. We are again faced with a real mix of evidence. The SPX and NASDAQ remain above their long-term moving averages, so the longer-term trends still appear up. Combined with the fact that we are in a favorable part of the Presidential Cycle, this has 3 of the 4 Combo Models from the Market Timing Course leaning long SPY. The CBI has now climbed to 6. That is not significant, but between 7-10 could give us some short-term bullish evidence, and readings above 10 will likely trigger some studies suggesting an intermediate-term bottom would be near. So the CBI could be worth watching over the next few days. There is still quite a bit the bulls have to contend with. The Fed remains hawkish. We are also in the May-October period that is susceptible to selling when we have already seen weakness sometime in Jan – April. Rising interest rates, a potential government shutdown, and recession worries are all possible hurdles for the market. So I am going to keep the intermediate-term bias neutral. This means I will be willing to take trades in either direction, but I will be a bit more conservative with my entries and exits.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

BA – 1/3 @ \$199.95 (bought at limit)

CSCO – 1/3 @ \$53.34 (bought at limit)

RTX – 1/3 @ \$72.64 (bought at limit)

New

BA – 1/3 @ \$197.71 (buy at limit)

UPS – 1/3 @ \$153.78 (buy at limit)

RTX – 1/3 @ \$71.58 (buy at limit)

Broad Market Large Cap CBI – 6(BA-2, CSCO, RTX-2, UPS)

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. Based on the short-term outlook above, I will look to add another lot of SPY if we see it dip a bit on Monday.

BA – Buy 1/3 Catapult position @ \$197.71 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of BA.

UPS – Buy 1/3 Catapult position @ \$153.78 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of UPS.

RTX – Buy 1/3 Catapult position @ \$71.58 LIMIT. From the Catapult section above, this is the 2nd 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	\$430.42	-0.22%	Aggregator
BA(1/3)	9/22/2023	\$199.95	\$197.71	-1.12%	Catapult
CSCO(1/3)	9/22/2023	\$53.34	\$53.57	0.43%	Catapult
RTX(1/3)	9/22/2023	\$72.61	\$71.58	-1.42%	Catapult

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