

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 26, 2023

Volume 16 Issue 183

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- The gap down and reversal in SPY on Monday suggests a decent chance of some follow through on Tuesday.
- We have seen a persistent move to a new low, and now a reversal day up. That has often led to a move higher over the new few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side, but SPX could soon flip back to overbought.

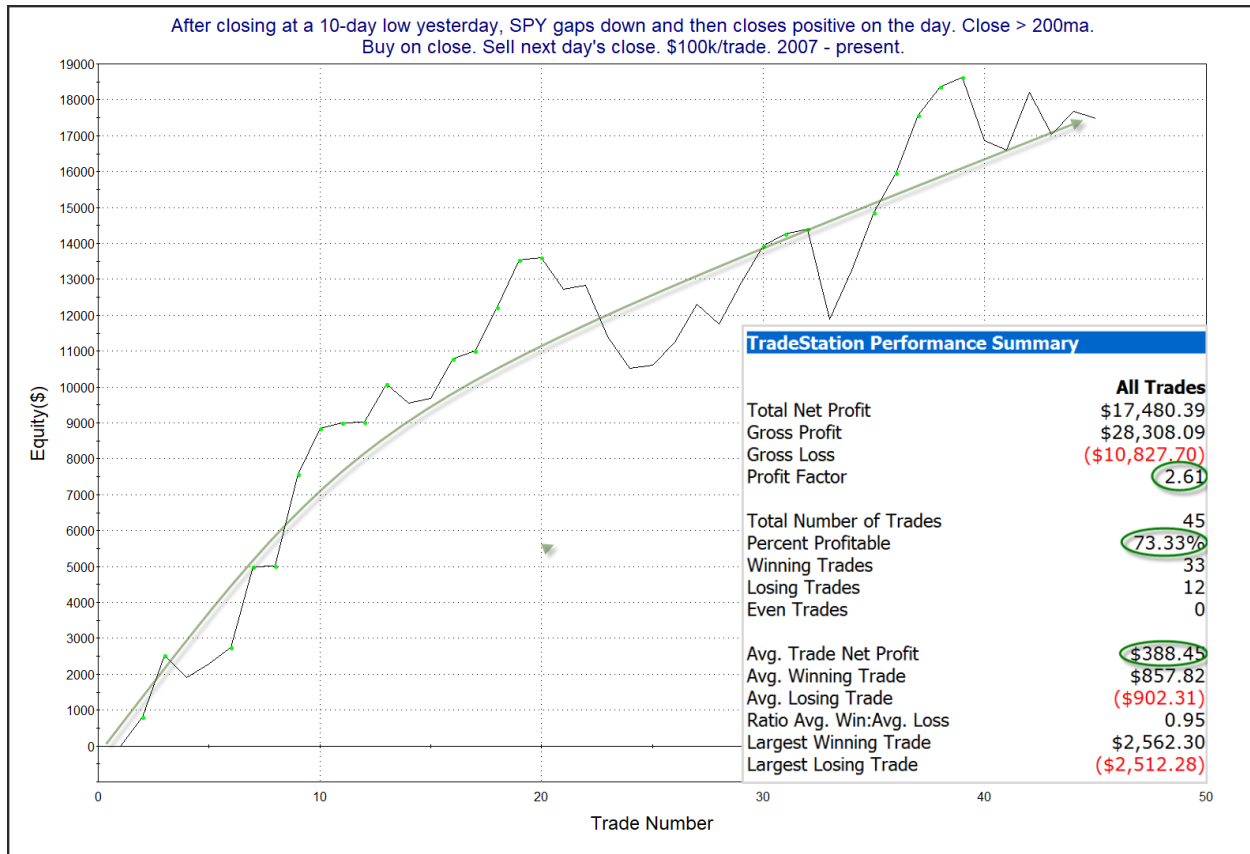
Summary of Current Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 26, 2023	50 Low close. 5th lower low and up close	1-4 days	Bullish	3.80%	-2.30%	-5.45%
September 26, 2023	Gap down and close up from a 10-day low	1 day	Bullish			
September 25, 2023	RSI2 < 2 and 50-low close 2 days in a row	1-5 days	Bullish			
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	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%
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			

The Evidence

Monday started weak, but finished near its highs of the day. The SPX closed up 0.40%, the NASDAQ rose 0.45%, and the Russell 2000 climbed 0.44%. Breadth was mixed with the NYSE Up Issues % coming in at 48% and the Up Volume % at 57%. NYSE total volume declined some from Friday's level.

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 moderately higher. The study below looks at similar setups. It was seen just recently in the 9/19/23 letter, and has been updated.



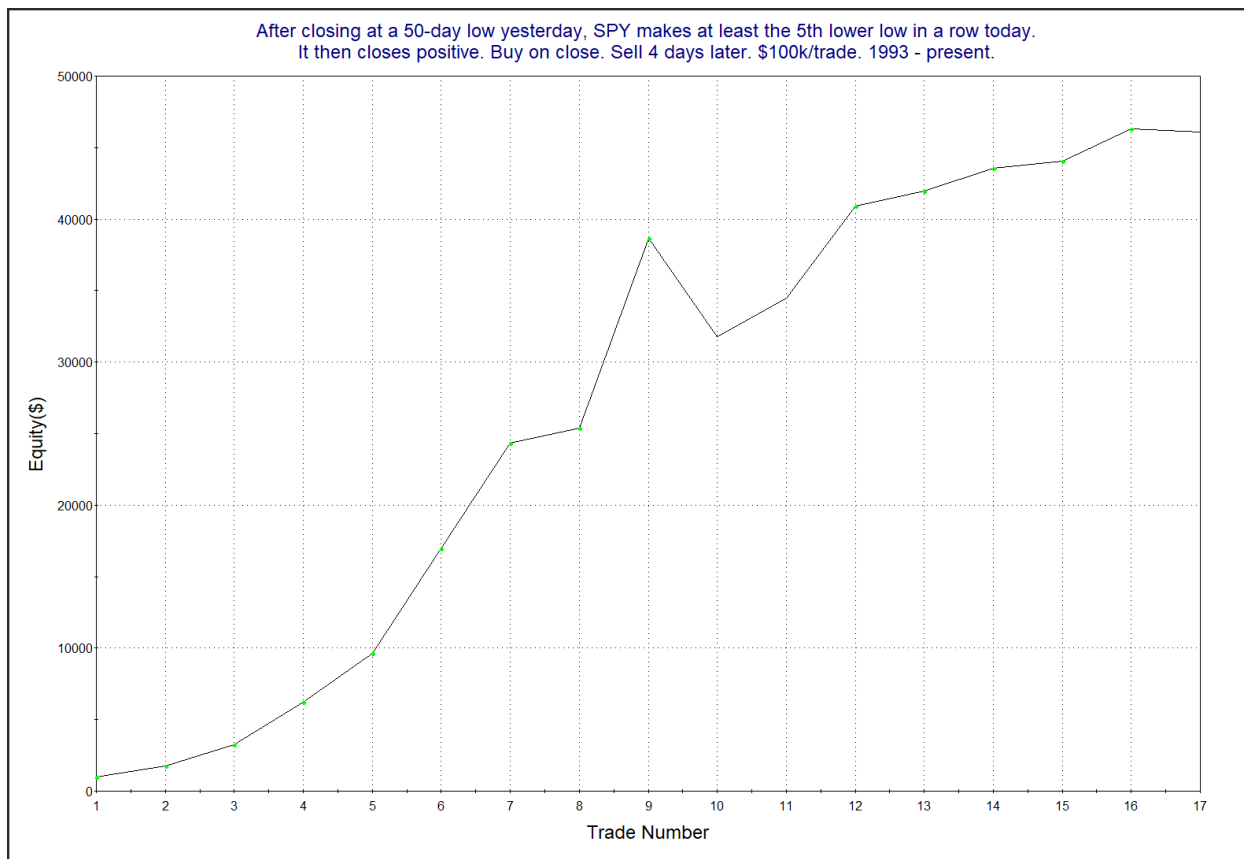
Strong stats and a decent-looking profit curve suggest that this study might be worth some consideration. I have added it to the active list tonight.

One important aspect of Monday's turnaround is that it occurred off of a long-term low. It wasn't just some intraday dip that occurred in the middle of a trading range and saw the market finish strongly. The study below takes this into account and also considers the streak of lower lows that is in place, along with the reversal. Results are updated from the 2/25/22 letter.

After closing at a 50-day low yesterday, SPY makes at least the 5th lower low in a row today.
It then closes positive. 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	27,984.13	16	12	4	75.00	9,473.60	-10,992.96	3,386.50	-3,163.47	1.07	3.21	1,749.01
4	46,073.43	17	15	2	88.24	13,286.49	-6,882.48	3,544.57	-3,547.59	1.00	7.49	2,710.20
3	24,054.71	17	12	5	70.59	11,878.65	-11,016.72	3,337.80	-3,199.77	1.04	2.50	1,414.98
2	19,045.45	17	12	5	70.59	7,717.98	-4,823.28	2,351.74	-1,835.08	1.28	3.08	1,120.32
1	9,696.28	17	11	6	64.71	6,926.07	-4,680.72	2,102.59	-2,238.71	0.94	1.72	570.37

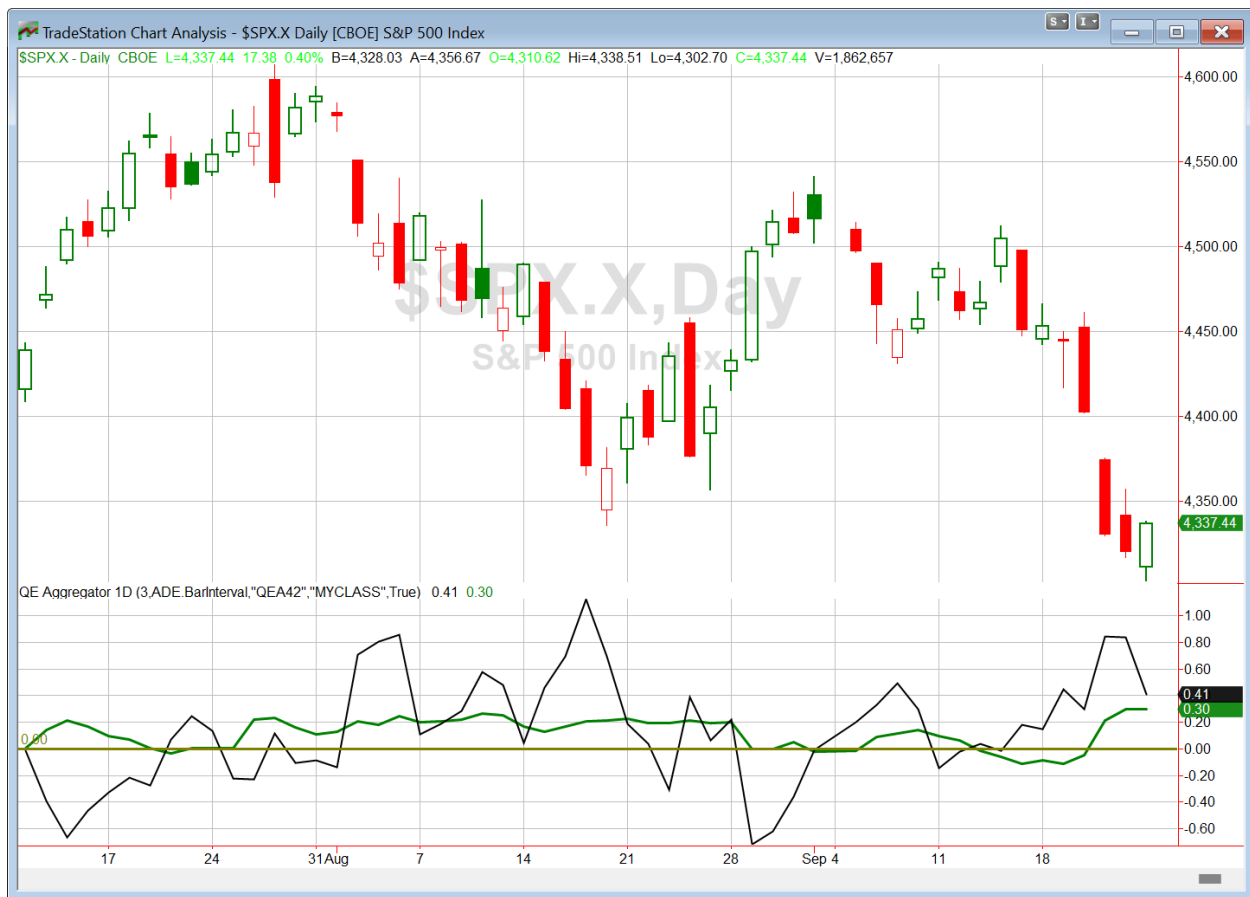
Instances here are low but the results are quite strong. Below is a look at the 4-day profit curve.



That is a strong looking curve. I have added this study to the active list tonight.

It is also notable that the CBI inched up from 6 to 7 on Monday. Despite Monday's bounce, we still have some extremely oversold stocks in the market that remain primed for a short-term move higher. I'll continue to monitor the CBI as always. If it rises much more, that should generate some strongly bullish evidence.

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



With tonight'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 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 Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be *slightly inverted* at 4332.62 on Tuesday. That is 0.1% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down slightly more than 0.1% in order to remain oversold. Any flat or up close will cause SPX to flip to overbought vs recent expectations.

So the Aggregator formation is bullish. But that won't last if SPX closes higher on Tuesday. I often view inverted pivots as opportune times to take profit. This is because potential reward is muted. I will therefore be looking to sell half of my SPY position on Tuesday, and let the other half ride.

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

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)

BA – 1/3 @ \$197.71 (bought at limit)

UPS – 1/3 @ \$153.78 (bought at limit)

RTX – 1/3 @ \$71.58 (bought at limit)

New

NKE – 1/3 @ \$90.60 (buy at limit)

Broad Market Large Cap CBI – 7(BA-2, CSCO, RTX-2, UPS, NKE)

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.

NKE – Buy 1/3 Catapult position @ \$90.60 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of NKE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	9/21/2023	\$431.39	\$432.23	0.19%	<i>sell @ \$432.23 limit</i>
BA(1/3)	9/22/2023	\$199.95	\$198.78	-0.59%	Catapult
CSCO(1/3)	9/22/2023	\$53.34	\$53.48	0.26%	Catapult
RTX(1/3)	9/22/2023	\$72.61	\$72.05	-0.77%	Catapult
SPY(1/4)	9/25/2023	\$429.17	\$432.23	0.71%	Aggregator
BA(1/3)	9/25/2023	\$196.84	\$198.78	0.99%	Catapult
UPS(1/3)	9/25/2023	\$152.93	\$154.31	0.90%	Catapult
RTX(1/3)	9/25/2023	\$71.30	\$72.05	1.05%	Catapult

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