

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 28, 2023

Volume 16 Issue 185

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

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 27, 2023	20-low. Up day. Another 20-low.	1 day	Bullish			
September 27, 2023	Gap < 20-low close. Close < open > 200ma	1-5 days	Bullish			
September 27, 2023	CBI 8 or 9 SPX 20-low	1-4 days	Bullish			
September 26, 2023	50 Low close. 5th lower low and up close	1-4 days	Bullish	3.80%	-2.30%	-5.45%
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 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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 26, 2023	Gap down and close up from a 10-day low	1 day	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%

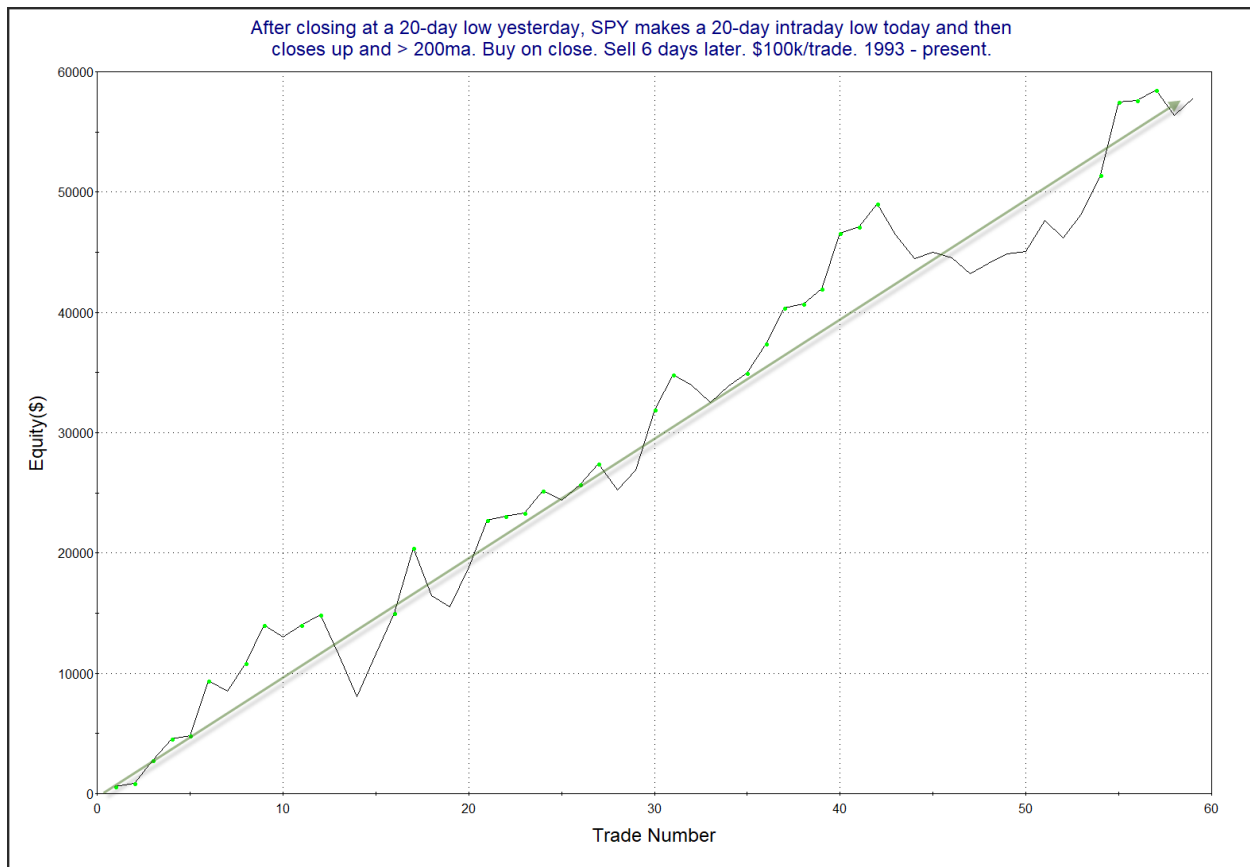
The Evidence

Wednesday was mostly moderately higher. The SPX closed up 0.02%, the NASDAQ gained 0.2%, and the Russell 2000 rallied 1.0%. Breadth was positive with the NYSE Up Issues % coming in at 54% and the Up Volume % at 53%. NYSE total volume rose some from Tuesday's level.

SPY did post a higher close, but not before making a new intermediate-term intraday low. This was actually the 9th lower low in a row for SPY – a feat that has only been seen 3 other times since its inception in 1993. So the selling has been persistent to an extreme. The study below was last seen in the 8/22/17 letter. It looks at similar reversals from intermediate-term lows. All stats are updated.

After closing at a 20-day low yesterday, SPY makes a 20-day intraday low today and then closes up and > 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
10	76,001.05	54	40	14	74.07	7,038.69	-3,844.83	2,487.12	-1,677.42	1.48	4.24	1,407.43
9	74,438.06	55	38	17	69.09	8,087.07	-4,258.20	2,691.26	-1,637.05	1.64	3.67	1,353.42
8	63,741.87	56	40	16	71.43	7,290.18	-4,268.86	2,376.80	-1,958.12	1.21	3.03	1,138.25
7	69,234.12	57	39	18	68.42	7,447.74	-3,531.11	2,414.27	-1,384.59	1.74	3.78	1,214.63
6	57,822.45	59	43	16	72.88	6,114.54	-3,952.19	2,014.08	-1,798.95	1.12	3.01	980.04
5	49,475.14	60	40	19	66.67	6,138.78	-3,450.35	1,878.73	-1,351.28	1.39	2.93	824.59
4	39,816.26	60	40	20	66.67	4,108.68	-2,284.36	1,526.35	-1,061.88	1.44	2.87	663.60
3	23,954.70	64	38	26	59.38	4,462.50	-3,560.24	1,334.63	-1,029.28	1.30	1.90	374.29
2	23,949.53	66	42	24	63.64	4,105.50	-4,266.50	1,245.78	-1,182.21	1.05	1.84	362.87
1	13,640.52	67	39	28	58.21	2,562.30	-2,512.28	972.99	-868.07	1.12	1.56	203.59

Results here seem to suggest a solid upside edge. Below is the profit curve for the 6-day exit strategy.



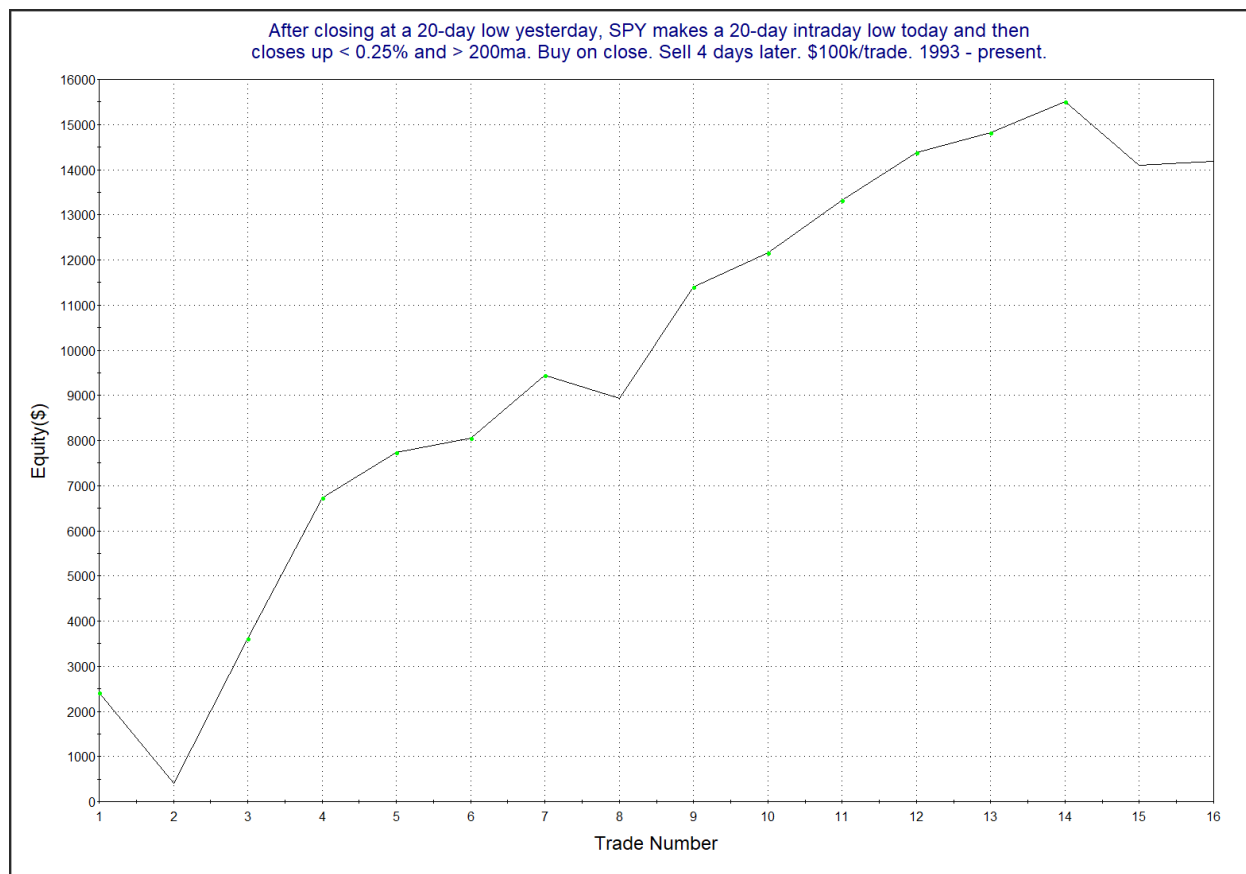
The impressive upslope serves as some confirmation of the upside edge.

But on Wednesday SPY only closed up a small amount. In the 8/22/17 letter I decided to further filter the results above to examine instances that only closed up a small amount. I chose 0.25% as my limit. Those results are updated below.

After closing at a 20-day low yesterday, SPY makes a 20-day intraday low today and then closes up < 0.25% and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

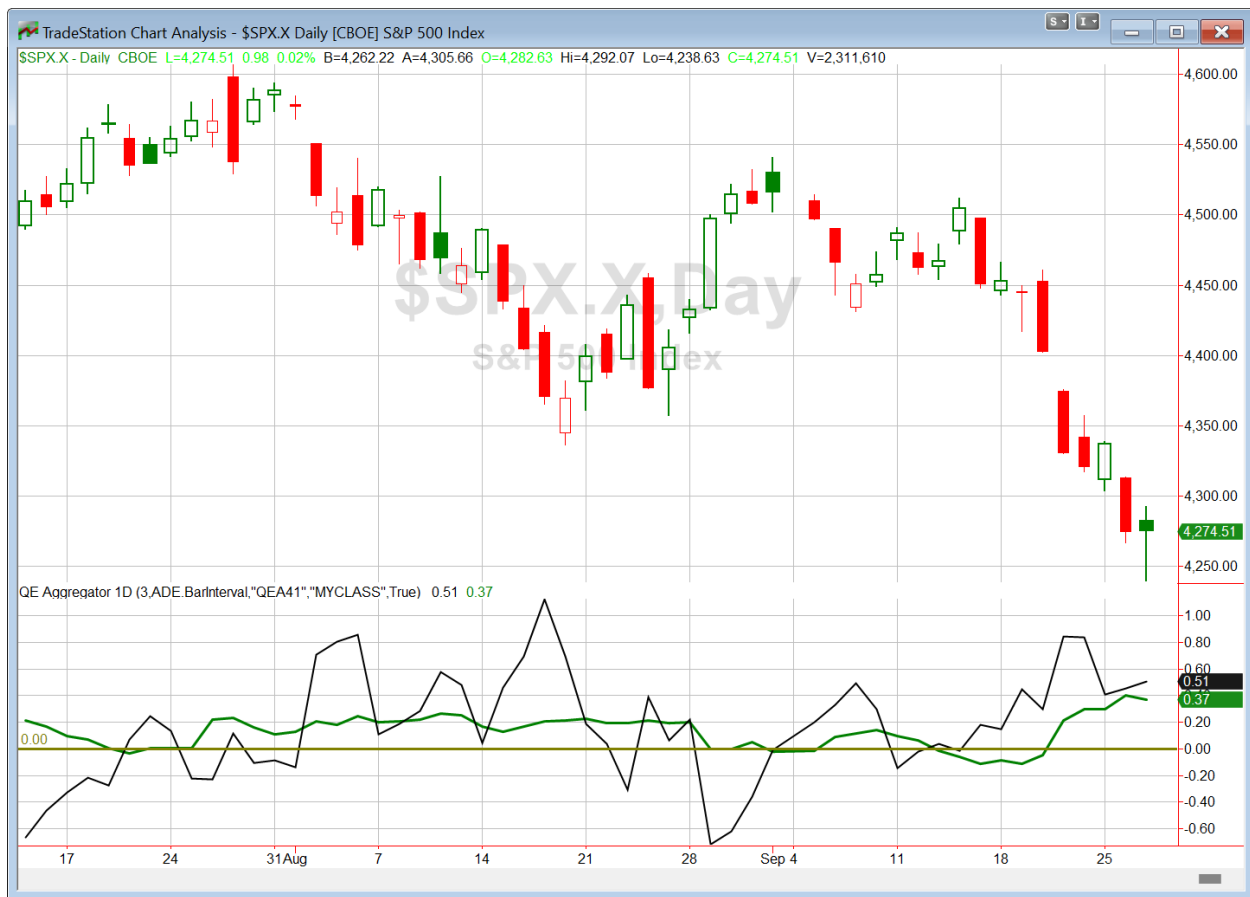
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	26,594.97	15	13	2	86.67	5,408.91	-4,168.54	2,521.85	-3,094.51	0.81	5.30	1,773.00
9	30,020.38	15	12	3	80.00	5,915.43	-4,086.30	2,954.06	-1,809.43	1.63	6.53	2,001.36
8	24,950.51	15	12	3	80.00	5,306.40	-3,433.52	2,692.93	-2,454.89	1.10	4.39	1,663.37
7	20,240.54	15	12	3	80.00	5,300.37	-3,582.58	2,285.64	-2,395.70	0.95	3.82	1,349.37
6	15,927.62	16	12	4	75.00	4,594.86	-3,304.40	1,981.20	-1,961.69	1.01	3.03	995.48
5	12,373.98	16	11	4	68.75	3,901.41	-2,230.47	1,658.41	-1,467.13	1.13	3.11	773.37
4	14,184.34	16	13	3	81.25	3,213.00	-2,012.68	1,393.11	-1,308.70	1.06	4.61	886.52
3	12,860.57	17	11	6	64.71	4,462.50	-938.75	1,458.84	-531.11	2.75	5.04	756.50
2	10,763.04	17	13	4	76.47	4,105.50	-1,824.93	1,060.80	-756.83	1.40	4.56	633.12
1	6,541.74	17	10	7	58.82	2,152.71	-1,023.00	965.36	-444.56	2.17	3.10	384.81

A bit low on instances, but the results with the extra filter are very strong. They suggest at the very least that the mild gains on Wednesday do not reduce the apparent edge. Here is the 4-day profit curve.



I like this study and have added it to the active list.

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



With tonight's evidence considered, the green Aggregator Line is again far 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 Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4371.38 on Thursday. That is 2.3% above Wednesday's close. Therefore, SPX will need to close up a sizable 2.3% or more in order to flip from oversold to overbought vs recent expectations on Thursday.

So the Aggregator formation is bullish. Thursday was not much of a bounce. It looks like we should see more upside in the next few days. I'm still long two lots of SPY. I may take a 3rd if we get a sizable decline on Thursday. Otherwise, I will look to maintain my current position.

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)

BA – 1/3 @ \$197.71 (bought at limit)

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

NKE – 1/3 @ \$90.60 (bought at limit)

NKE – 1/3 @ \$90.17 (bought at limit)

New

NKE – 1/3 @ \$89.42 (buy at limit)

UNP - 1/3 @ \$202.40 (buy at limit)

Broad Market Large Cap CBI – 8(BA-2, CSCO, RTX-2, UPS, NKE-3, UNP)

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 @ \$424.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to add a 3rd lot of SPY with a sizable close lower on Thursday.

NKE – Buy 1/3 Catapult position @ \$89.42 LIMIT. From the Catapult section above, this is the 3rd and final lot of NKE.

UNP – Buy 1/3 Catapult position @ \$202.40 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of UNP.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	9/21/2023	\$431.39	\$426.05	-1.24%	Aggregator
BA(1/3)	9/22/2023	\$199.95	\$195.46	-2.25%	Catapult
CSCO(1/3)	9/22/2023	\$53.34	\$53.20	-0.26%	Catapult
RTX(1/3)	9/22/2023	\$72.61	\$72.88	0.37%	<i>sell on open</i>
SPY(1/4)	9/25/2023	\$429.17	\$426.05	-0.73%	Aggregator
BA(1/3)	9/25/2023	\$196.84	\$195.46	-0.70%	Catapult
UPS(1/3)	9/25/2023	\$152.93	\$152.41	-0.34%	Catapult
RTX(1/3)	9/25/2023	\$71.30	\$72.88	2.22%	<i>sell on open</i>
NKE(1/3)	9/26/2023	\$90.00	\$89.42	-0.64%	Catapult
NKE(1/3)	9/26/2023	\$90.17	\$89.42	-0.83%	Catapult

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