

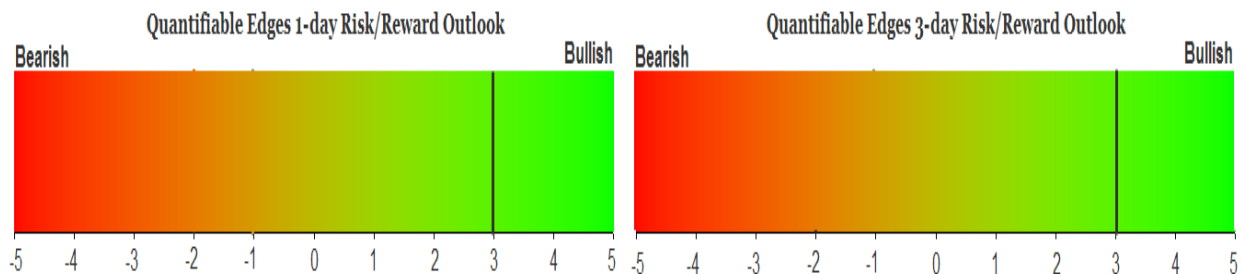
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 4, 2024

Volume 17 Issue 170

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- SPX's extra large drop from a 5-day high to a 5-day low suggests more short-term selling is likely.
- A big drop to a short-term low to start the week is normally followed by a bounce.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator formation is bullish. I like the long side, but with evidence mixed I do not plan to get very aggressive.

**Summary of Recent 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
<b>Active - Short Term</b>						
September 4, 2024	Big drop to 10-low. 1st day of week.	1-5 days	Bullish	2.40%	-1.20%	-3.20%
September 4, 2024	5-high yest. 2% drop to 5-low today. > 200	1-2 days	Bearish			
August 30, 2024	SPX down. Up Issue % > 65%.	1-3 days	Bullish	1.30%	-0.75%	-1.60%
<b>Active - Long Term</b>						
August 20, 2024	RSI(2) crosses over 99.	1-15 days	Bullish	2.25%	-1.55%	-3.00%
August 19, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.00%	-2.10%	-4.40%
August 15, 2024	5 up > 3% above 200ma < 50-high	1-15 days	Bullish	3.30%	-1.65%	-3.00%
August 12, 2024	SPX dn 4 weeks in a row > 40-week ma	1-10 weeks	Bullish	8.70%	-3.10%	-7.10%
July 22, 2024	NASDAQ Lagging	int term	Neutral			
July 15, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
July 8, 2024	NDX 18% above 200ma	1-90 days	Bullish	14.50%	-9.40%	-18.90%
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
April 29, 2024	May-October selloff potential when 5% dn	1-6 months	Bearish			
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
<b>Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)</b>						
September 3, 2024	20-day high on 20-high volume	1 day	Bullish			
<b>September 3, 2024</b>	<b>20 day leadup to Labor Day is positive</b>	<b>1-4 days</b>	<b>Bearish</b>	<b>-1.60%</b>	<b>0.90%</b>	<b>2.00%</b>

**The Evidence**

The market got slammed on Tuesday. The SPX fell 2.1%, the NASDAQ tumbled 3.3%, and the Russell 2000 lost 3.1%. Breadth was weak as the NYSE Up Issues % was 27% and the Up Volume % came in at 22%. NYSE total volume declined a good bit from Friday’s high level.

This evening the Quantifinder showed a mix of evidence. Below are the most compelling studies. Strong selling days will often trigger bullish short-term evidence. But one thing that often needs to be taken into consideration when looking at days like Tuesday is where the selling originated from. A simple filter I have used in the past was to see whether the day before closed at a short-term high or low level. The studies below look at 2%+ selloffs that left SPX at a 5-day low. The 1<sup>st</sup> one shows results if the day before was also a 5-day low (unlike Tuesday). The 2<sup>nd</sup> one look at times like Tuesday where the previous day SPX had closed at a 5-day high.

After closing at a 5-day low yesterday, SPX closes down > 2% today . Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - 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	14,472.19	22	12	10	54.55	5,460.84	-5,132.88	2,687.22	-1,777.44	1.51	1.81	657.83
4	13,812.20	23	14	9	60.87	5,187.49	-8,150.10	2,688.62	-2,647.61	1.02	1.58	600.53
3	9,723.69	23	14	9	60.87	5,339.18	-7,413.90	2,108.95	-2,200.18	0.96	1.49	422.77
2	7,229.01	23	18	5	78.26	3,591.28	-7,559.56	1,175.92	-2,787.51	0.42	1.52	314.30
1	1,278.12	26	15	11	57.69	2,671.02	-4,074.84	1,160.07	-1,465.72	0.79	1.08	49.16

After closing at a 5-day high yesterday, SPX closes down > 2% today and at a 5-day low.  
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - 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	-14,325.62	13	3	10	23.08	3,216.85	-3,337.95	2,563.03	-2,201.47	1.16	0.35	-1,101.97
4	-6,303.90	13	5	8	38.46	3,016.44	-3,351.72	1,464.52	-1,703.31	0.86	0.54	-484.92
3	-4,397.79	13	7	6	53.85	1,640.03	-2,576.01	719.89	-1,572.84	0.46	0.53	-338.29
2	-11,359.28	13	2	11	15.38	1,884.48	-3,450.16	1,458.12	-1,297.77	1.12	0.20	-873.79
1	-5,114.28	13	5	8	38.46	1,069.76	-1,801.24	456.72	-924.73	0.49	0.31	-393.41

There is a stark difference in the results. The current situation suggests there may be some bulls that got stuck at a high level. And the market may have a little further to drop in order to wash the weak ones out. I also took a detailed look at the instances.

After closing at a 5-day high yesterday, SPX closes down > 2% today and at a 5-day low. Close > 200ma. Buy on close.  
Sell 2 days later. \$100k/trade. 1999 - present.

Date	Signal	Price	% Chg	Runup/Ddn
5/14/1999	Buy	\$1,337.80	-0.33%	\$566.84
5/18/1999	Sell	\$1,333.32		(\$1,229.88)
2/9/2000	Buy	\$1,411.71	-1.74%	\$725.90
2/11/2000	Sell	\$1,387.12		(\$2,297.40)
3/13/2007	Buy	\$1,377.95	1.04%	\$1,280.16
3/15/2007	Sell	\$1,392.28		(\$1,005.84)
11/1/2007	Buy	\$1,508.45	-0.42%	\$310.20
11/5/2007	Sell	\$1,502.17		(\$1,221.00)
6/15/2009	Buy	\$923.72	-1.41%	\$462.24
6/17/2009	Sell	\$910.71		(\$2,153.52)
2/22/2011	Buy	\$1,315.44	-0.71%	\$187.72
2/24/2011	Sell	\$1,306.10		(\$1,609.68)
6/1/2011	Buy	\$1,314.55	-1.09%	\$264.48
6/3/2011	Sell	\$1,300.16		(\$1,265.40)
11/7/2012	Buy	\$1,394.53	-1.05%	\$475.70
11/9/2012	Sell	\$1,379.85		(\$1,526.50)
10/9/2014	Buy	\$1,928.21	-2.77%	\$447.27
0/13/2014	Sell	\$1,874.74		(\$2,757.57)
6/24/2016	Buy	\$2,037.30	-0.06%	\$0.00
6/28/2016	Sell	\$2,036.09		(\$2,235.38)
6/24/2020	Buy	\$3,050.33	-1.35%	\$1,149.44
6/26/2020	Sell	\$3,009.05		(\$1,462.40)
9/3/2020	Buy	\$3,455.06	-3.57%	\$674.52
9/8/2020	Sell	\$3,331.84		(\$3,522.12)
2/25/2021	Buy	\$3,829.34	1.89%	\$2,214.16
3/1/2021	Sell	\$3,901.82		(\$1,034.80)

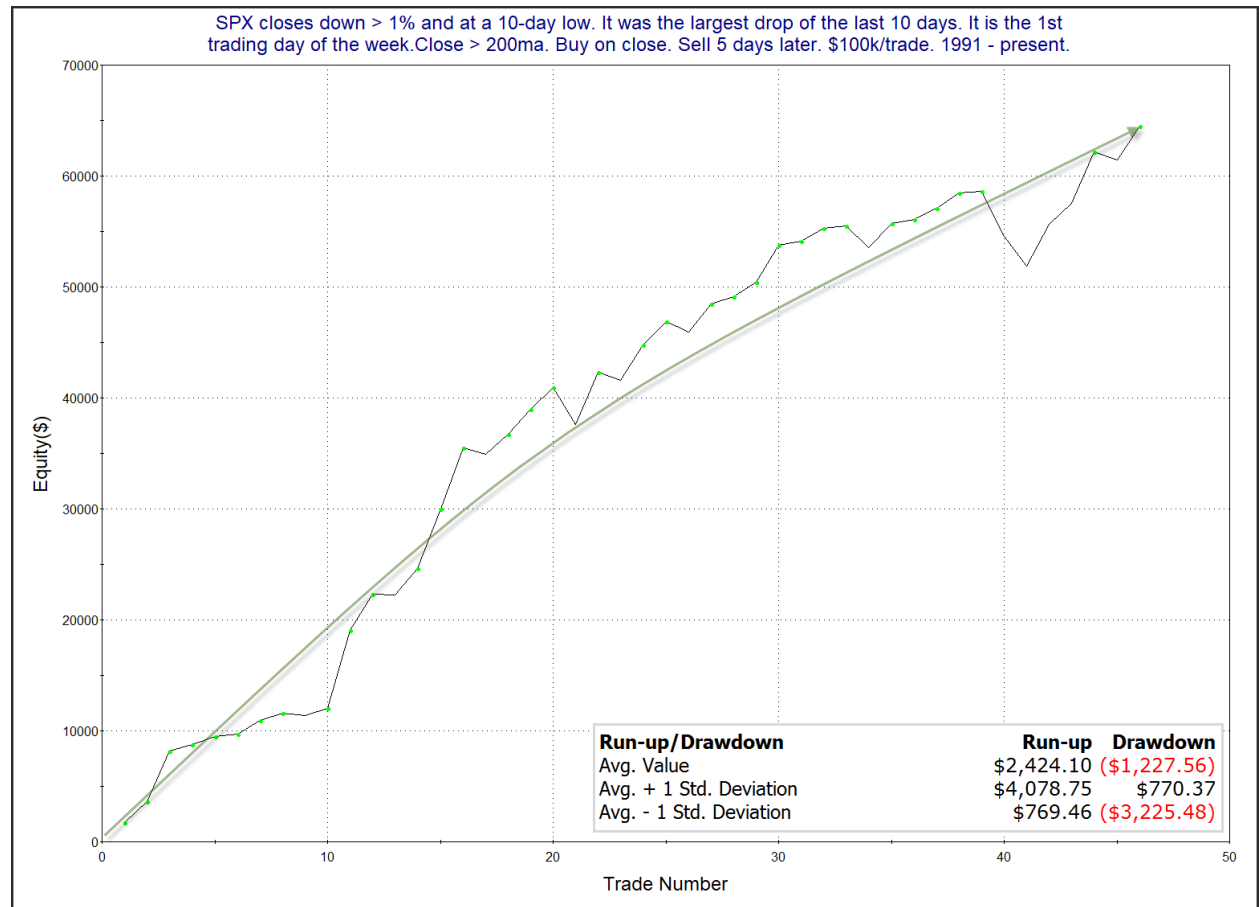
What is most interesting to me here is that every single instance saw a drawdown of greater than 1% over the next two days – even the two instances that finished the 2-day period higher. This seems worth consideration to me and I have included it on the active list tonight.

Big drops to short-term lows during a long-term uptrend are often buying opportunities. And the day after the 1<sup>st</sup> day of the week are often good days to look for an oversold bounce. The study below, from the 10/27/20 letter, combines these concepts.

SPX closes down > 1% and at a 10-day low. It was the largest drop of the last 10 days. It is the 1<sup>st</sup> trading day of the week. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1991 - present.

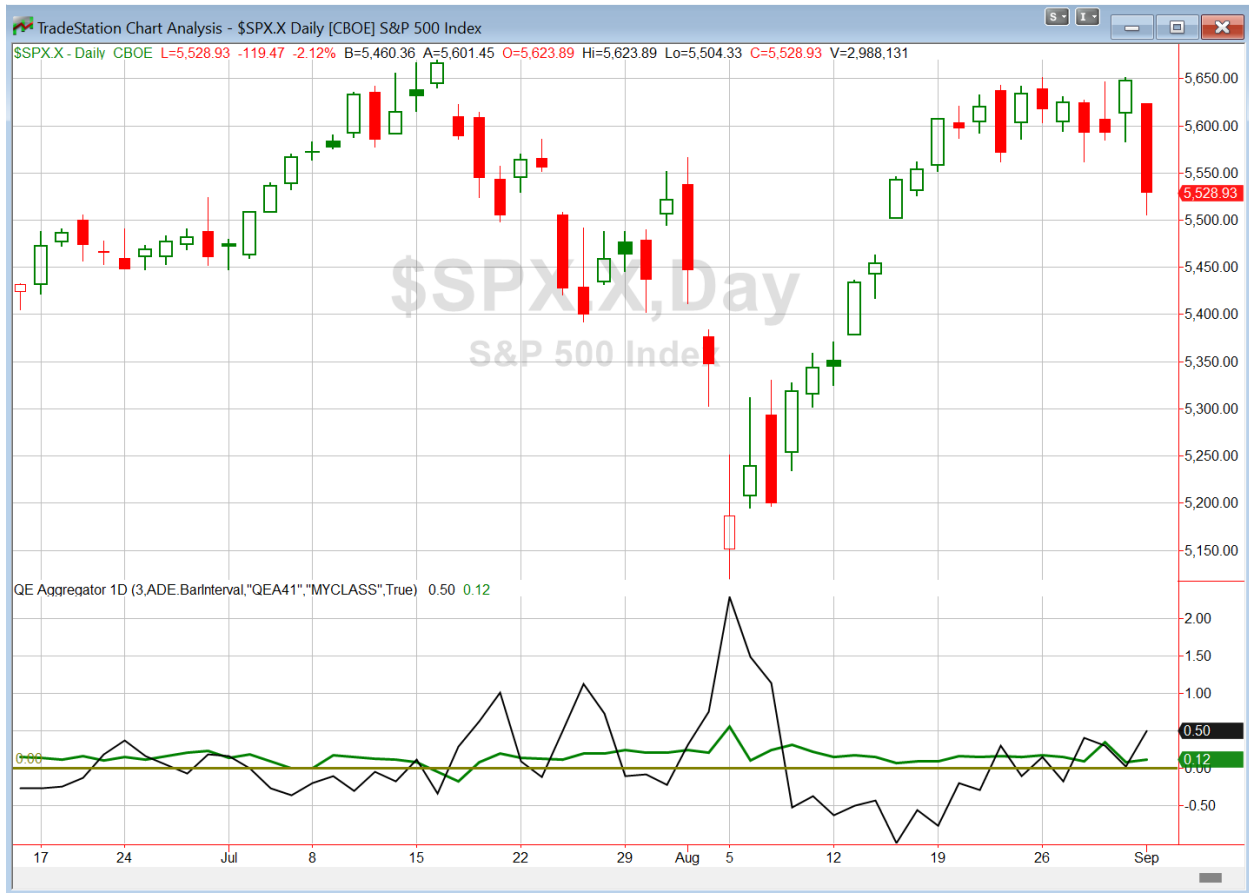
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	64,466.74	46	36	10	78.26	7,070.28	-4,069.80	2,211.44	-1,514.50	1.46	5.26	1,401.45
4	47,705.13	46	35	11	76.09	5,187.49	-8,150.10	2,048.20	-2,180.18	0.94	2.99	1,037.07
3	45,504.56	46	34	12	73.91	5,339.18	-7,413.90	1,940.68	-1,706.53	1.14	3.22	989.23
2	34,957.62	46	33	13	71.74	4,809.66	-3,768.26	1,489.22	-1,091.27	1.36	3.46	759.95
1	24,272.93	46	32	14	69.57	5,117.46	-2,930.40	1,034.60	-631.03	1.64	3.75	527.67

The numbers here all suggest a probable bounce. Below is a look at the 5-day profit curve.



The strong upward persistence serves as some confirmation of the bullish edge. I have also added this study to the Active List tonight.

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 set to remain positive on Wednesday. Of course this could change if compelling new bearish evidence were to emerge. Meanwhile, the Differential Pivot will be 5621.53. That is 1.7% above Tuesday's close. Therefore, SPX will need

to close up at least 1.7% on Wednesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is again bullish. I was looking to take profits on my SPY position on Tuesday, but the gap down and continued selloff ruined those plans. There is plenty of room to the upside before SPX will turn overbought, so that helps potential reward. But evidence is mixed, so I am not overly excited about ramping up my exposure. I will look to take on another lot of SPY at the close on Wednesday if it suffers another down day.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 9/3 – **bullish***

### **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.*

**SPY – But ¼ index position @ \$552.07 LIMIT ON CLOSE.** From the short-term section above, I will add a 2<sup>nd</sup> lot on any down close on Wednesday.

### **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
SPY(1/4)	8/30/2024	\$557.50	\$552.08	-0.97%	Aggregator

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