

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 12, 2024

Volume 17 Issue 176

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The recent pattern of 4 days down followed by a 3-day rally suggests more upside.
- A Hindenburg Omen cluster may be beginning to build.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am as well.

**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 12, 2024	10-high then 4 down and 3 up < 7 ago	1-7 days	Bullish	2.30%	-1.00%	-2.10%
September 11, 2024	2 up from 10-low < 10ma > 200ma	1-2 days	Bullish			
September 9, 2024	Down 1.5% 2x in 10 days. 10-day low.	1-6 days	Bullish	3.40%	-1.80%	-4.20%
<b>Active - Long Term</b>						
August 19, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.00%	-2.10%	-4.40%
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			

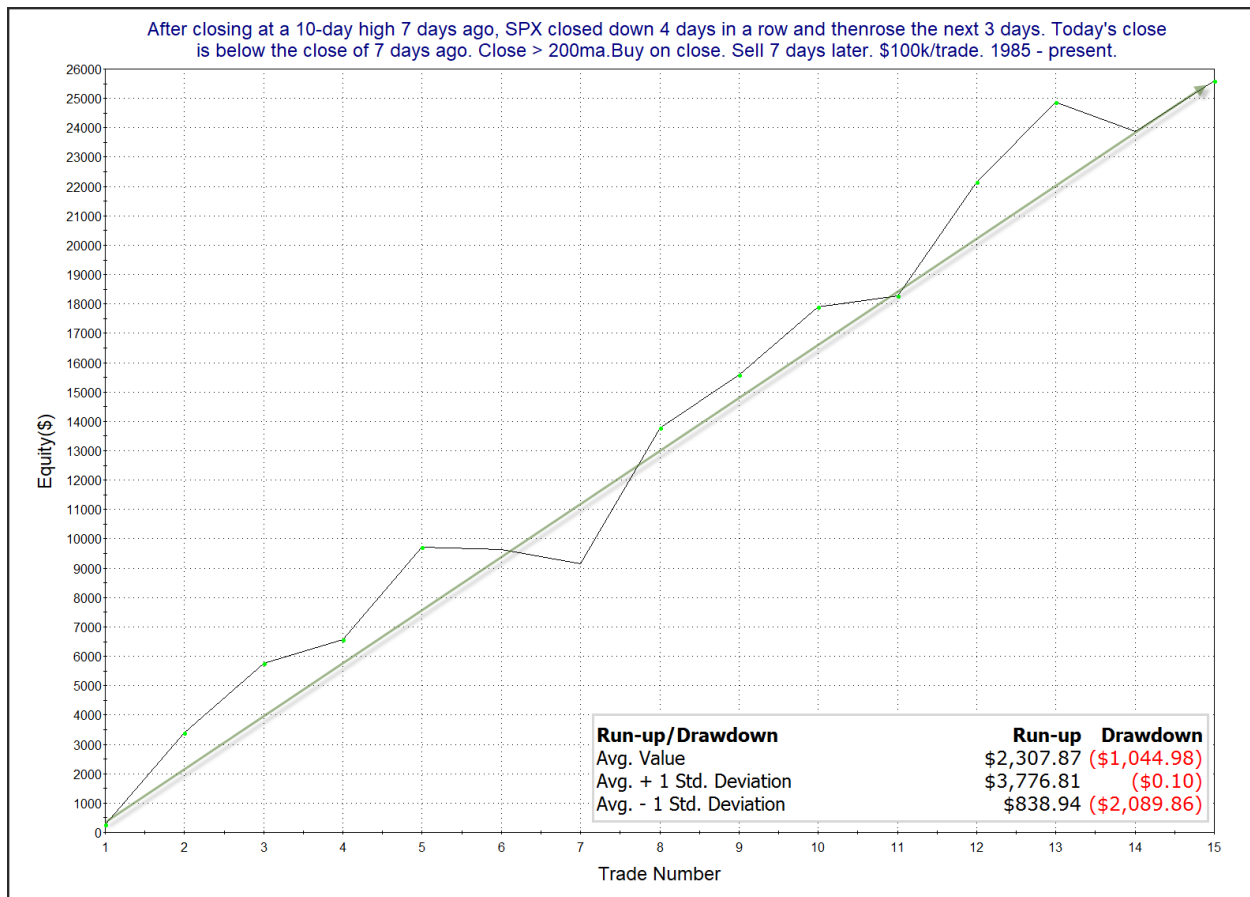
**The Evidence**

Wednesday had a tough start, but the market reversed strongly, and the indices finished nicely higher. The SPX gained 1.1%, the NASDAQ rallied 2.2%, and the Russell 2000 rose 0.3%. Breadth was positive as the NYSE Up Issues % was 57% and the Up Volume % came in at 56%. NYSE total volume rose some from Tuesday's level.

In the 5/11/11 letter I explored the pattern the SPX has carved out over the last several days. What I noted was that after making a new high it then pulled back for 4 days in a row. That 4-day drop has now been followed by a 3-day rally. At this point the market has not managed to overcome the recent highs. So I plugged those observations into a study and found some very compelling results.

After closing at a 10-day high 7 days ago, SPX closed down 4 days in a row and then rose the next 3 days. Today's close is below the close of 7 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1985 - 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	29,621.13	15	13	2	86.67	6,720.00	-2,984.24	2,592.24	-2,039.03	1.27	8.26	1,974.74
9	26,645.08	15	13	2	86.67	5,014.40	-2,904.67	2,298.05	-1,614.76	1.42	9.25	1,776.34
8	26,192.73	15	13	2	86.67	4,162.27	-1,743.97	2,163.76	-968.10	2.24	14.53	1,746.18
7	25,598.74	15	12	3	80.00	4,607.52	-989.88	2,262.84	-518.45	4.36	17.46	1,706.58
6	22,373.00	15	12	3	80.00	4,206.89	-1,280.71	2,074.26	-839.36	2.47	9.88	1,491.53
5	14,082.32	15	12	3	80.00	3,798.42	-2,057.14	1,528.90	-1,421.48	1.08	4.30	938.82
4	11,198.71	15	11	4	73.33	4,252.56	-2,303.32	1,586.40	-1,562.93	1.02	2.79	746.58
3	7,429.93	15	9	6	60.00	2,149.68	-1,788.56	1,505.46	-1,019.87	1.48	2.21	495.33
2	3,214.59	15	8	7	53.33	2,068.56	-2,482.97	1,077.18	-771.84	1.40	1.59	214.31
1	-2,476.13	15	6	9	40.00	1,441.26	-1,695.34	667.39	-720.05	0.93	0.62	-165.08

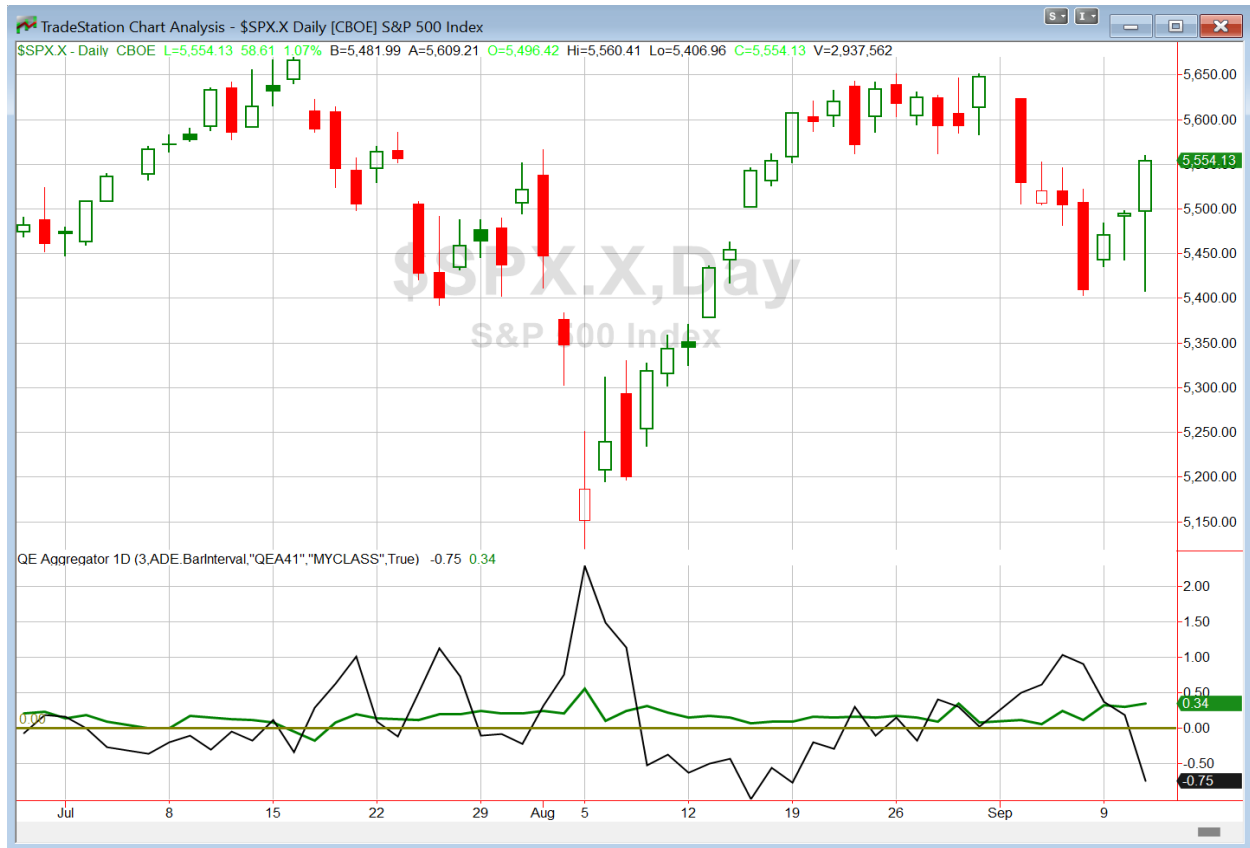
While the number of instances was a little low the statistics appear to heavily favor the bull side. The 7 day numbers appear especially strong. So using a 7-day exit strategy I created the equity curve below.



This curve is especially appealing. I have included this study on the Active List tonight.

The Quantifinder also noted that there were Hindenburg Omen signals on both Tuesday and Wednesday. Hindenburg Omens suggest a split market condition, and have often been followed by a market decline, especially after we see a cluster of signals (at least 3 or 4) in a short period of time (30 trading days). These are the 1<sup>st</sup> two signals in a while. On August 2<sup>nd</sup> we almost had a signal. If you measured the trend by checking to see if the SPX was above its 50ma, the August 2<sup>nd</sup> would qualify. But Hindenburg Omen's typically check the NYSE Composite Index, and that was below its 50ma on August 2<sup>nd</sup>. So we don't yet appear to have a significant cluster. I will discuss Hindenburg Omens in greater detail if we see another signal in the coming days.

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 dropped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5508.06 on Thursday. That is 0.8% below Wednesday's close. Therefore, SPX will need to close down over 0.8% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now neutral. I flattened out my SPX position on Wednesday. While expectations remain positive, the 3-day rally has the market overbought. This negatively impact reward/risk. I will wait for the next compelling setup to emerge before putting short-term capital back to work.

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

**None.**

## **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>
<i>SPY(1/4)</i>	<i>8/30/2024</i>	<i>\$557.50</i>	<i>\$554.42</i>	<i>-0.55%</i>	<i>sold on close</i>
<i>SPY(1/4)</i>	<i>9/4/2024</i>	<i>\$550.95</i>	<i>\$551.00</i>	<i>0.01%</i>	<i>sold @ limit</i>

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