

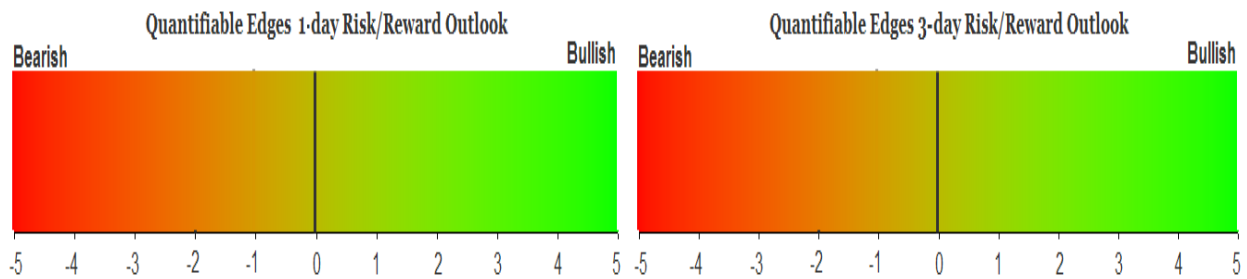
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 17, 2024

Volume 17 Issue 179

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The rising VIX with SPX at a 10-day high under similar circumstances has shown a downside tendency the next day.
- Tuesday's action could set up Wednesday's Fed Day edge

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well. But we could see if a substantial long-side edge on Wednesday if Tuesday struggles.

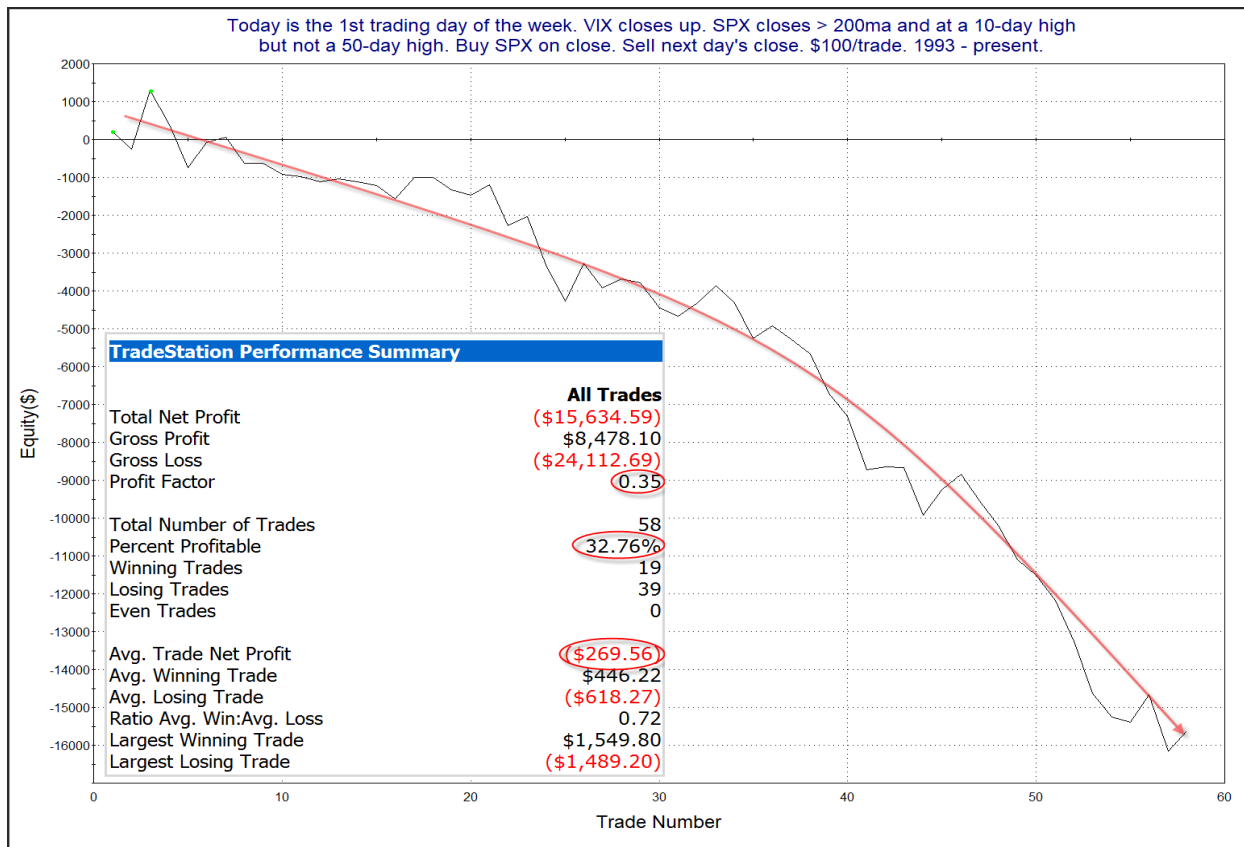
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 17, 2024	VIX up. SPX 10-high < 50 high on Mon	1 day	Bearish			
September 16, 2024	SPX up 5 < 50-high. 5-day ROR > 3%	1-10 days	Bullish	2.50%	-1.40%	-2.70%
September 13, 2024	4 days up. Close < 10-high.	1-4 days	Bullish	1.85%	-0.65%	-1.40%
September 12, 2024	10-high then 4 down and 3 up < 7 ago	1-7 days	Bullish	2.30%	-1.00%	-2.10%
Active - Long Term						
September 16, 2024	SPX up 5 < 50-high. 5-day ROR > 3%	1-15 days	Bullish	3.35%	-1.60%	-2.90%
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

Monday was mixed. The SPX gained 0.1%, the NASDAQ declined 0.5%, and the Russell 2000 rose 0.3%. Breadth was positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 74%. NYSE total volume declined for the 3rd day in a row.

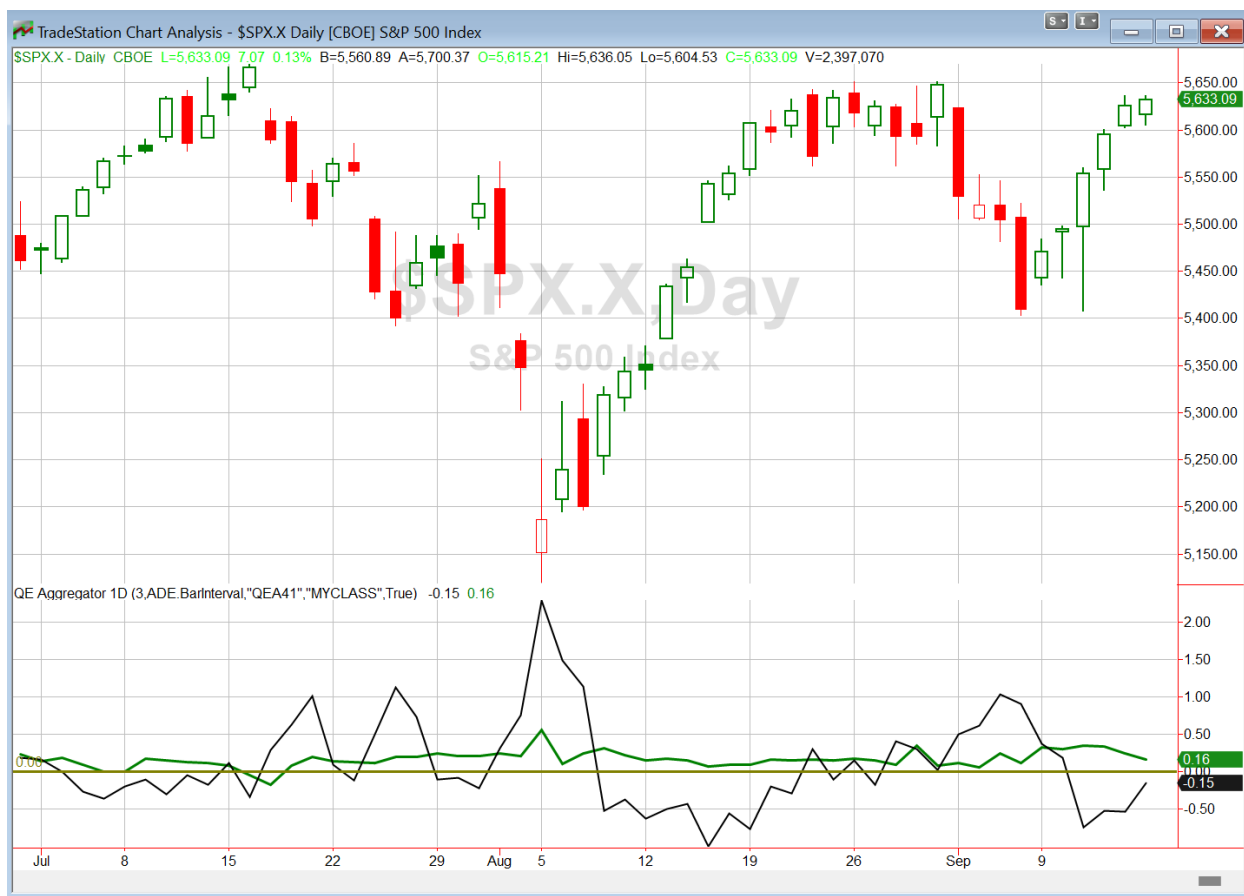
While the SPX closed higher, so did the VIX. This is against the norm as they will most often close in the same direction. But the VIX has a natural tendency to decline on Friday afternoons ahead of the weekend and then rise on Mondays after the weekend. So occurrences are much less abnormal on Monday than on any other day of the week. In a strong bull market with SPX hitting 50-day or greater highs, the fact that they both close higher on a Monday has not mattered a whole heck of a lot. But when the SPX has been short-term overbought without making intermediate-term highs as it is now, the inclination has appeared bearish for the next day. This can be seen in the study below, which was previously featured in the 10/10/23 letter.



The strong, persistent downslope is impressive and the curve is continuing to make new lows. There have been more than 2x as many losers as winners and the losers were substantially larger on average. Both the curve and the numbers support the idea of a bearish tendency. I have included this study on the Active List tonight.

Of course the market may be holding its breath some on Tuesday, with the big Fed announcement due on Wednesday. This is the 1st Fed announcement I can recall in years that carried a whole lot of suspense about what they are going to do. (Will they cut 25 or 50 basis points?) Fed Days tend to be bullish for the market, but that tendency evaporates if the market closes at a new intermediate-term high heading into the Fed Day. [This study from the blog a few months back](#) shows this. And even if it doesn't manage a new high, the edge has been more pronounced when SPY closes in the bottom portion of the intraday range vs the top portion. So bulls may want to root for a down Tuesday with a poor close to set up a big Wednesday. But really I think Wednesday's action will be more dependent on the announcement than on Tuesday's setup. So any buying on Tuesday, I would be looking to get out of before 2pm ET on Wednesday.

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



Even with tonight's bearish 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 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be *inverted* at 5650.26 on Tuesday. That is 0.3% *above* 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 up at least 0.3% in order to remain overbought versus recent expectations. Anything other than that and SPX will flip to oversold as of Tuesday's close.

So the Aggregator is again neutral. We could easily see it turn bullish if SPX closes lower (or up slightly). Fed Day edges are stronger with weak closes. If we get a weak (and lower) close on Tuesday, I may look to take on a small SPY position. But with much uncertainty surrounding

Wednesday's Fed Day, I will be looking to exit this trade idea before 2pm on Wednesday. The Fed Day edge [typically plays out before the announcement anyway](#).

*Intermediate-term Outlook (2 weeks – 2 months) – updated 9/16 – **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 – Buy ¼ index position @ \$562.75 LIMIT ON CLOSE IF SPY ALSO CLOSSES IN THE BOTTOM HALF OF ITS INTRADAY TRADING RANGE. From the short-term section above, I will look for a Fed Day trade if Tuesday is rough. I'll be exiting this before 2pm on Wednesday, so it for agile traders only.

Current Open Trade Ideas

None

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter from QE at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2024 Quantifiable Edges, LLC.