

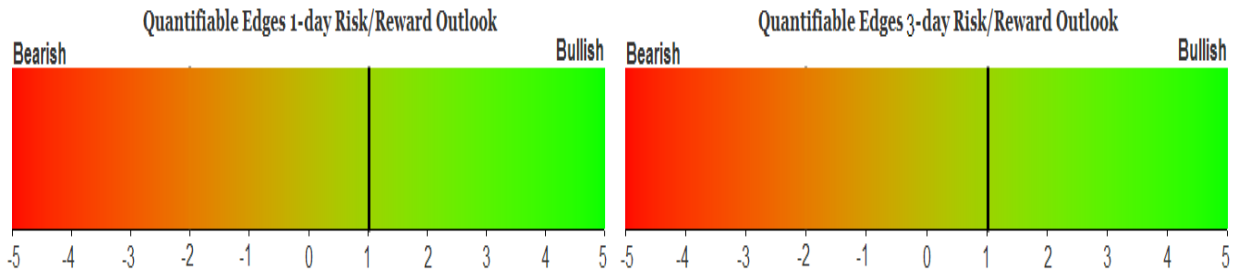
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 18, 2024

Volume 17 Issue 180

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- SPX is up for the 7th day in a row. That has often been followed by more gains over the next few weeks.
- Up 5+ days heading into a Fed Day has been rare, and not shown a Fed Day edge.
- VXX hitting a 5-day high at the same time as SPX has been followed by SPX pullbacks in the following days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence I is mixed and I am not enthusiastic ahead of the Fed announcement.

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

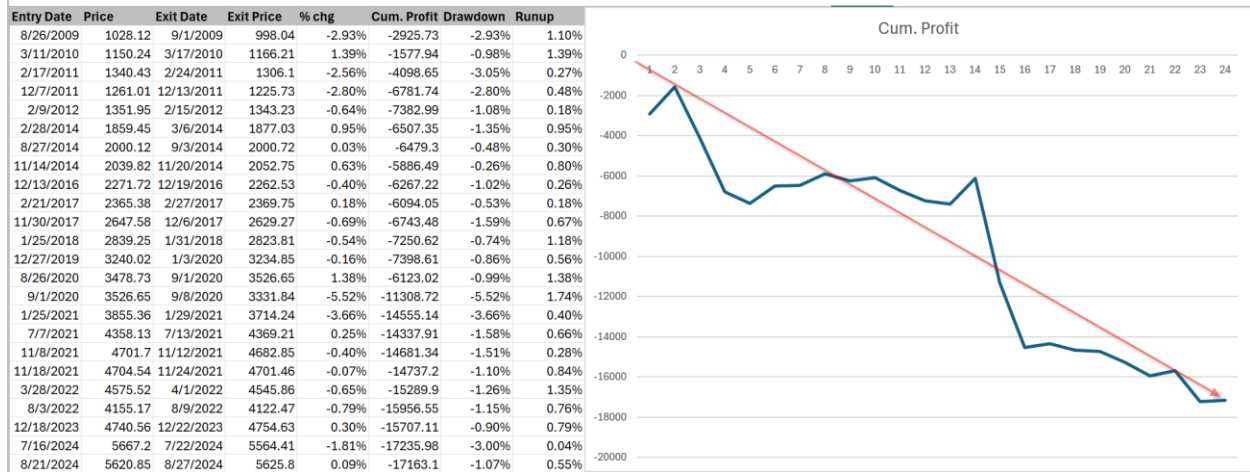
Tuesday was mostly higher. The SPX gained 0.03%, the NASDAQ climbed 0.2%, and the Russell 2000 rose 0.7%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 60%. NYSE total volume rose some from Monday's level.

What stood out to me was that the VIX and VIX futures rose alongside the SPX. It is unusual that they are not only rising but both making short-term highs at the same time. I noticed this action could be a warning sign years ago when looking at the old XIV and SPX moving in opposite directions. The study below looks at VXX (and the old VXX which expired in 2019) vs SPX. It is updated from the 8/22/24 letter.

SPX closes at a 5-day high. VXX (or the former VXX) also closes at a 5-day high. Buy SPX on close. Sell "Days In" days later. \$100k/trade. 2009 - present.									
DaysIn	# Trades	# of winners	# of losers	% of Winners W.	Avg % Profit	L. Avg % Loss	Profit Factor	Avg Profit/Loss	
5	24	10	14	41.67	0.97	-1.71	0.39	-\$575.74	
4	24	9	15	37.5	0.58	-1.58	0.22	-\$715.13	
3	24	9	15	37.5	0.46	-1.16	0.24	-\$525.18	
2	24	10	14	41.67	0.41	-0.94	0.31	-\$364.16	
1	29	9	20	31.03	0.66	-0.85	0.34	-\$366.93	

The numbers seem to point lower. Below is the list of instances along with a profit curve for assuming a 4-day exit strategy.

SPX closes at a 5-day high. VXX (or the former VXX) also closes at a 5-day high.
Buy SPX on close. Sell 4 days later. \$100k/trade. 2009 - present.



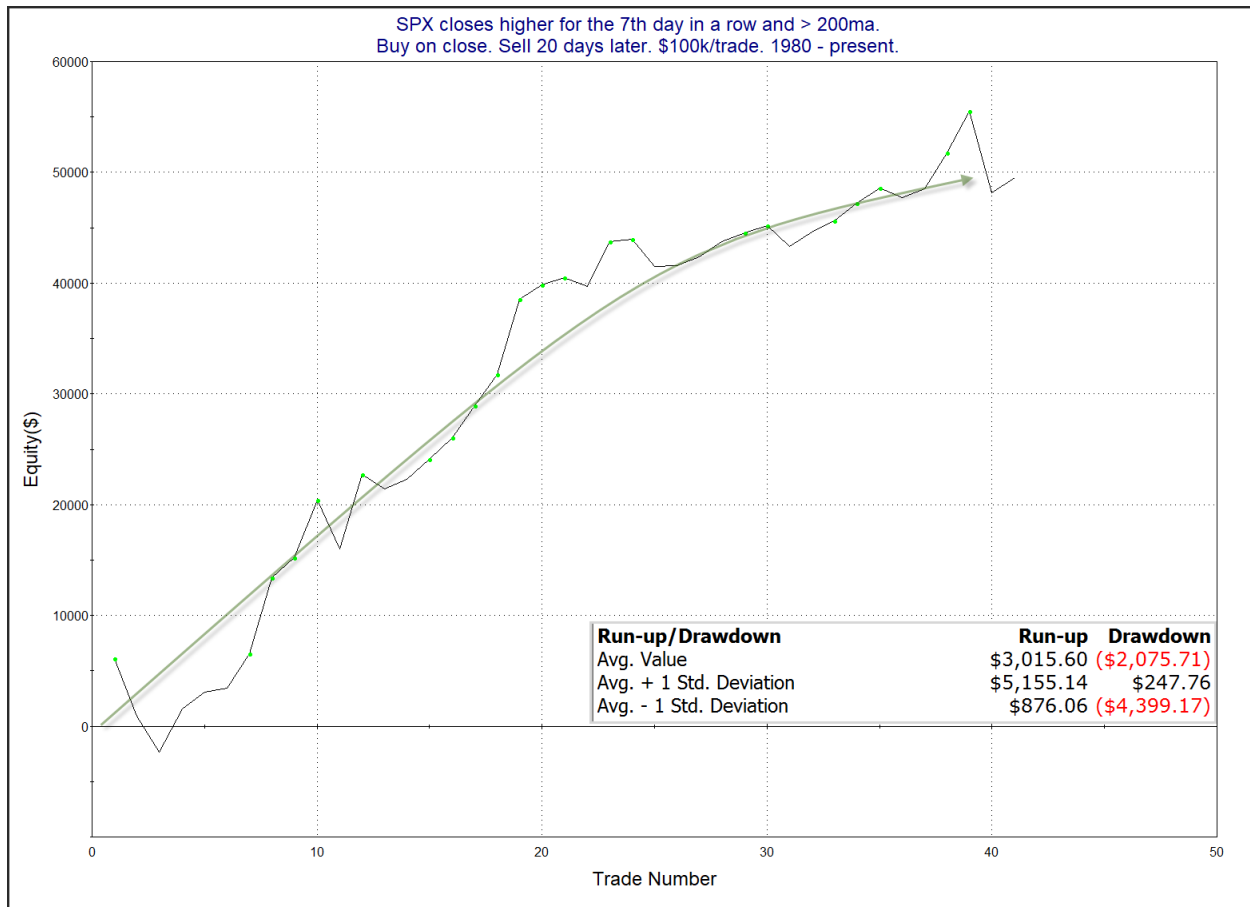
Choppy, but it has generally headed lower for a long time and is again near new lows. The average drawdown has also been about 2 ½ times the average run-up. The rise in VXX (and VIX and VIX futures) could simply be due to anxiety over the Fed meeting. It could also be that someone “in the know” anticipates some kind of shock, and they are buying volatility and pushing these securities higher ahead of the coming shock. That sounds far-fetched, but the setup has occurred ahead of some fairly sizable market drawdowns. So the study certainly seems worth consideration when estimating risk/reward over the next few days. I have included this study on the active list tonight.

Wednesday also marked the 7th day in a row in which SPX closed higher. Looking back to 1980, there have been 44 previous streaks of 7-day rallies where SPX closed above the 200ma. The study below was last seen in the 7/11/24 letter. I have updated the stats table.

SPX closes higher for the 7th day in a row and > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1980 - 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
20	49,545.94	41	32	9	78.05	6,854.40	-7,384.97	2,408.97	-3,060.11	0.79	2.80	1,208.44
19	50,560.96	41	31	10	75.61	7,580.16	-6,695.96	2,638.44	-3,123.06	0.84	2.62	1,233.19
18	45,702.65	41	29	12	70.73	8,006.40	-7,608.86	2,535.93	-2,319.93	1.09	2.64	1,114.70
17	46,165.46	42	30	12	71.43	7,422.72	-7,532.75	2,504.28	-2,413.57	1.04	2.59	1,099.18
16	40,460.50	42	27	15	64.29	6,021.12	-6,880.25	2,538.61	-1,872.13	1.36	2.44	963.35
15	39,671.85	42	29	13	69.05	6,197.76	-5,270.75	2,291.90	-2,061.02	1.11	2.48	944.57
14	28,554.89	43	32	11	74.42	5,439.96	-5,279.12	1,981.28	-3,167.82	0.63	1.82	664.07
13	28,683.91	43	28	15	65.12	5,349.12	-4,228.00	1,938.29	-1,705.88	1.14	2.12	667.07
12	33,342.26	43	29	14	67.44	5,794.56	-4,104.27	1,907.46	-1,569.58	1.22	2.52	775.40
11	28,094.44	44	26	18	59.09	5,750.00	-3,989.73	2,082.25	-1,446.90	1.44	2.08	638.51
10	23,222.61	44	27	17	61.36	5,076.56	-4,247.60	1,877.56	-1,615.97	1.16	1.85	527.79
9	27,234.81	44	31	13	70.45	4,669.08	-4,677.12	1,557.72	-1,619.57	0.96	2.29	618.97
8	20,551.90	44	29	15	65.91	5,222.40	-4,726.96	1,451.15	-1,435.42	1.01	1.95	467.09
7	16,227.26	44	32	12	72.73	3,635.40	-6,521.20	1,254.74	-1,993.71	0.63	1.68	368.80
6	14,577.36	44	29	15	65.91	3,501.08	-4,932.76	1,165.34	-1,281.18	0.91	1.76	331.30
5	20,702.51	44	33	11	75.00	3,582.84	-2,665.71	1,001.23	-1,121.64	0.89	2.68	470.51
4	13,106.35	44	30	14	68.18	3,720.08	-3,022.92	819.31	-819.49	1.00	2.14	297.87
3	14,420.36	44	28	16	63.64	2,917.08	-2,626.02	915.77	-701.32	1.31	2.29	327.74
2	3,281.16	44	22	22	50.00	1,998.39	-1,508.17	584.44	-435.29	1.34	1.34	74.57
1	-1,740.15	44	21	23	47.73	1,606.89	-840.84	363.91	-407.92	0.89	0.81	-39.55

No apparent edge over the 1st few days, but the market has typically pressed higher over the intermediate term. Momentum this strong often sees follow through. Below is a look at the 20-day profit curve.



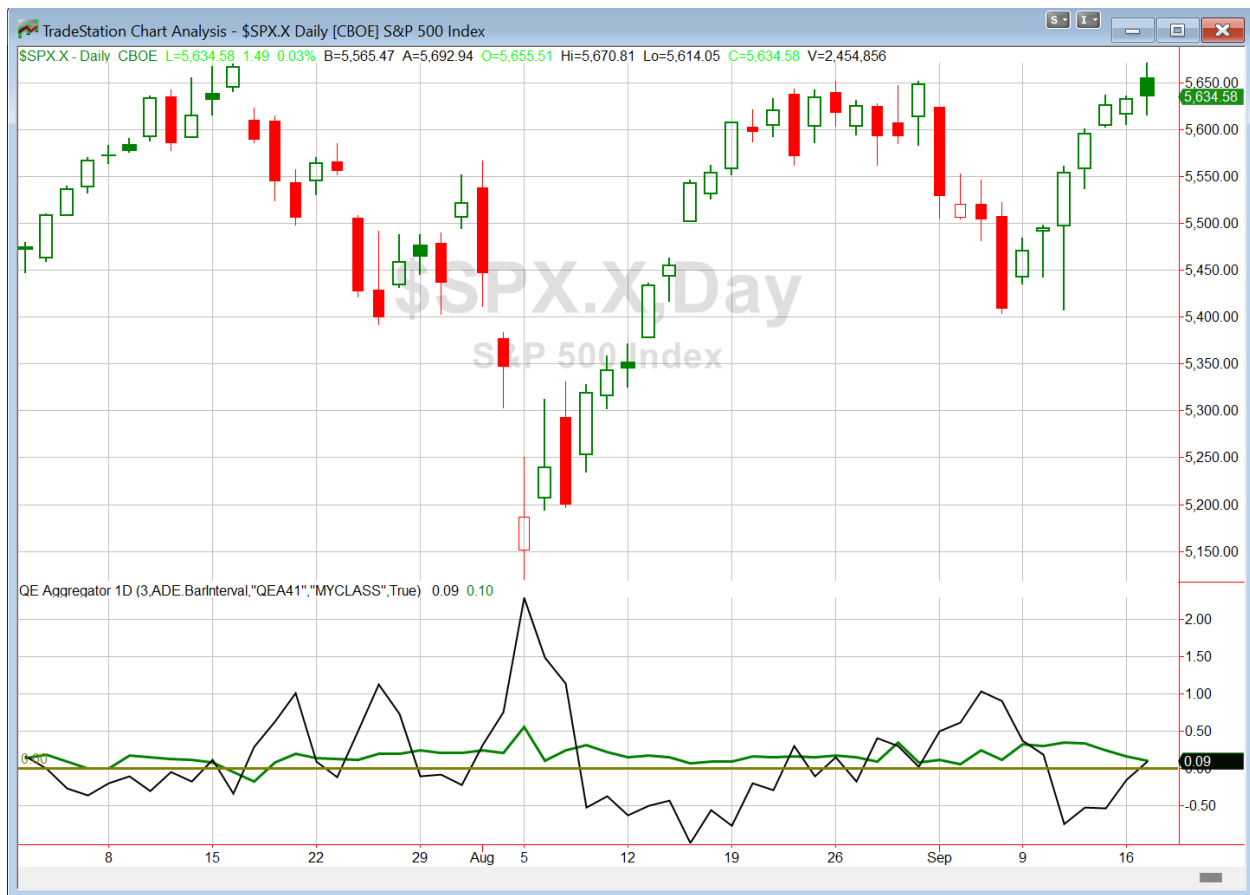
More confirmation that suggests the strong momentum is a positive sign for the intermediate-term.

I mentioned last night that Fed Days have typically done better when there has been selling prior to the Fed Day. That does not seem to be the current case. Seven consecutive higher closes heading into a Fed Day is quite rare, with the most recent incident occurring back in 1990. I looked at back at other times SPX closed up at least 5 days in a row right before a Fed Day. Results are below.

SPX closes up for at least the 5th day in a row. Tomorrow is a Fed Day. Buy on close. Sell Fed Day close. \$100k/trade. 1982 - present.				
Date	Signal	Price	% Chg	Runup/Ddn
12/16/1985	Buy	\$212.02	\$0.00	-0.65%
12/17/1985	Sell	\$210.64		
8/18/1986	Buy	\$247.38	\$0.00	-0.36%
8/19/1986	Sell	\$246.50		
11/4/1986	Buy	\$246.19	\$0.00	0.16%
11/5/1986	Sell	\$246.58		
11/2/1987	Buy	\$255.75	\$0.00	-1.93%
11/3/1987	Sell	\$250.82		
10/2/1989	Buy	\$350.87	\$0.00	1.09%
10/3/1989	Sell	\$354.70		
5/14/1990	Buy	\$354.75	\$0.00	-0.13%
5/15/1990	Sell	\$354.28		
2/4/1997	Buy	\$789.28	\$0.00	-1.41%
2/5/1997	Sell	\$778.18		
10/24/2006	Buy	\$1,377.38	\$0.00	0.35%
10/25/2006	Sell	\$1,382.22		
12/13/2010	Buy	\$1,240.46	\$0.00	0.09%
12/14/2010	Sell	\$1,241.59		
12/11/2012	Buy	\$1,427.84	\$0.00	0.04%
12/12/2012	Sell	\$1,428.48		

A 5-5 record with small net losses. Not surprisingly, such an overbought condition does not generate a favorable Fed Day edge.

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 inched 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5677.17 on Wednesday. That is 0.8% above Tuesday's close. Therefore, SPX will need to close up at least 0.8% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. But I am not enthused. Overall evidence is mixed. Tonight's evidence is bearish. And despite being oversold vs the Differential, SPX is overbought as measured by basically any other short-term indicator. The Fed announcement is also a volatility event. I don't know which way the market will go, and evidence is not strong enough to guess. But we could see compelling setups emerge after we see the reaction to the announcement. I'll be ready for that.

*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.

None tonight.

Current Open Trade Ideas

None

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