

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 19, 2024

Volume 17 Issue 181

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The series of higher highs, lows, and closes, suggests more upside is to come after Wednesday's down close.
- After 7 days higher the market pulled back Wednesday. When the market has been in a similar position in the past, the next week has been strong.
- SPX made a 20-day intraday high and closed in the bottom 10% of its intraday range. This has historically been a bullish setup.
- The afternoon drop after a strong run-up is something that has often been followed by gains.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Lots of evidence is now pointing higher. I like the long side.

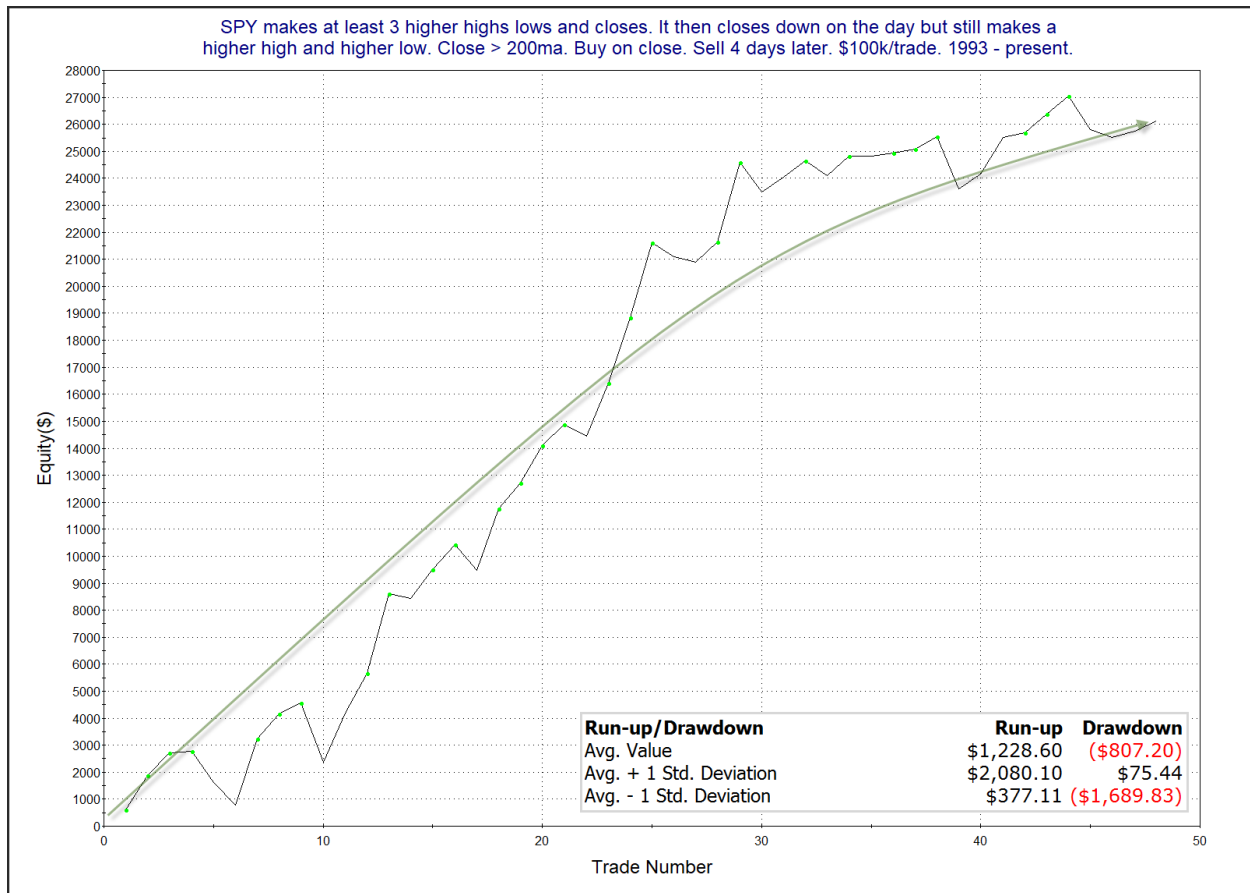
The Evidence

The Fed cut rates by 50 basis points, and the market loved it for a few minutes. But by the end of the day most indices were lower. The SPX finished down 0.3%, the NASDAQ also lost 0.3%, and the Russell 2000 rose 0.04%. Breadth was weak as the NYSE Up Issues % was 47% and the Up Volume % came in at 46%. NYSE total volume rose some from Tuesday's level.

SPY finished lower, but it did manage to register a higher high and a higher low. The study below was last seen in the 8/21/24 letter and it examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs lows and closes. It then closes down on the day but still makes a higher high and higher low. Close > 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
5	19,109.76	48	30	18	62.50	3,602.64	-4,604.60	1,232.53	-992.56	1.24	2.07	398.12
4	26,112.99	48	34	14	70.83	2,962.96	-2,191.22	1,108.21	-826.15	1.34	3.26	544.02
3	19,057.12	48	32	16	66.67	2,762.41	-2,640.33	918.27	-645.47	1.42	2.85	397.02
2	13,685.03	48	33	14	68.75	2,399.54	-2,291.63	720.43	-720.65	1.00	2.36	285.10
1	7,721.24	48	31	17	64.58	1,395.93	-1,576.28	478.59	-418.53	1.14	2.09	160.86

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



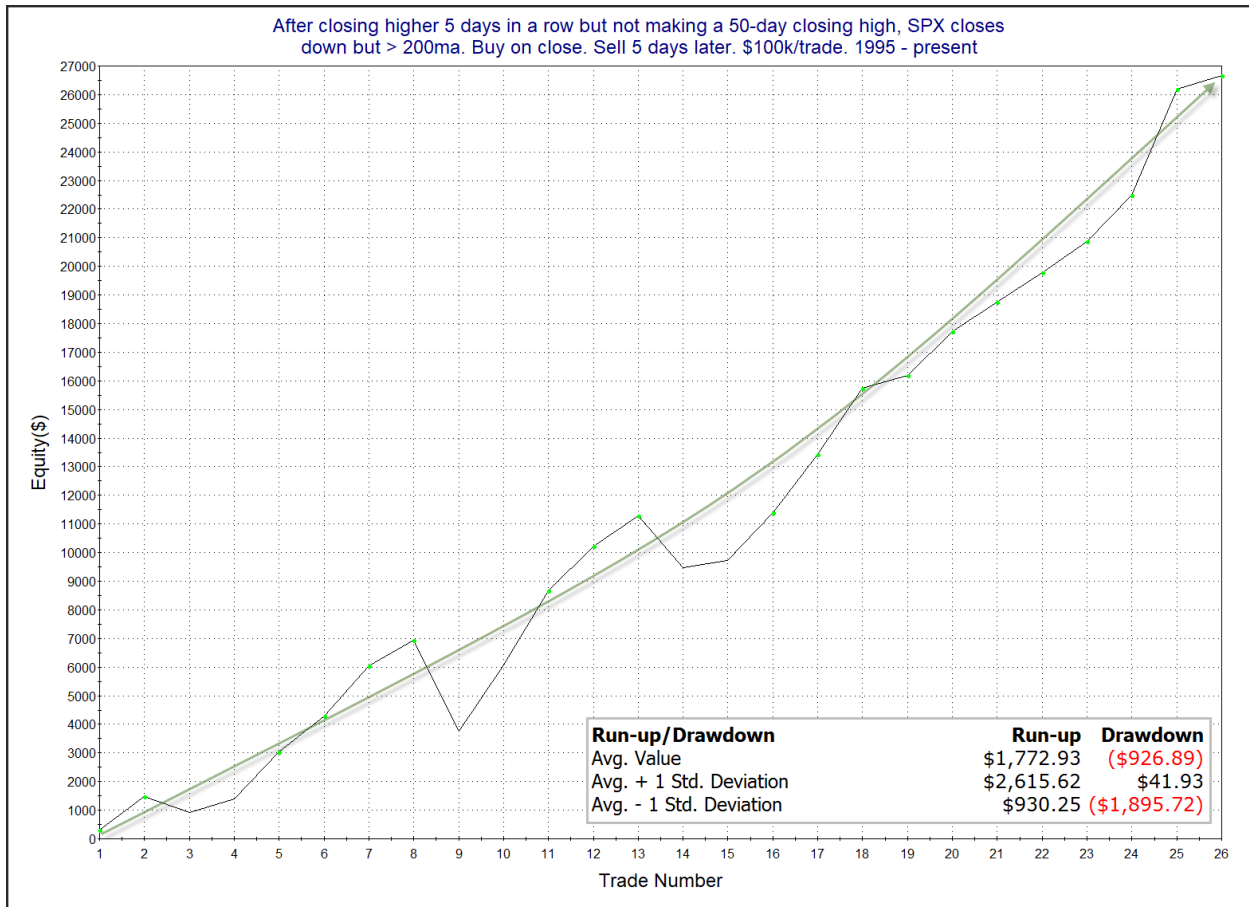
The persistent move higher is impressive. This study seems worth consideration. I have added it to the Active List tonight.

Tuesday's decline triggered some bullish studies that looked at pullbacks after at least 5 consecutive up days. The study below was also last seen in the 8/21/24 Subscriber Letter. I have updated the results.

After closing higher 5 days in a row but not making a 50-day closing high, SPX closes down but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	37,753.26	26	21	5	80.77	4,875.77	-2,964.60	2,112.98	-1,323.85	1.60	6.70	1,452.05
9	35,737.66	26	21	5	80.77	5,196.49	-3,251.34	2,050.02	-1,462.57	1.40	5.89	1,374.53
8	36,010.18	26	22	4	84.62	4,770.49	-4,038.66	1,941.20	-1,674.03	1.16	6.38	1,385.01
7	27,697.60	26	22	4	84.62	4,600.69	-3,970.62	1,604.18	-1,898.58	0.84	4.65	1,065.29
6	27,195.16	26	21	5	80.77	3,833.41	-3,388.23	1,644.15	-1,466.41	1.12	4.71	1,045.97
5	26,674.04	26	23	3	88.46	3,700.47	-3,188.16	1,399.99	-1,841.93	0.76	5.83	1,025.92
4	22,572.79	26	22	4	84.62	3,577.19	-2,494.80	1,218.61	-1,059.13	1.15	6.33	868.18
3	16,265.22	26	20	6	76.92	3,412.05	-2,852.01	1,146.61	-1,111.18	1.03	3.44	625.59
2	2,737.08	26	16	10	61.54	2,480.28	-2,455.11	770.02	-958.33	0.80	1.29	105.27
1	1,413.46	26	17	9	65.38	1,561.47	-2,531.86	466.37	-723.86	0.64	1.22	54.36

The stats here are impressive. I also generated a profit curve for the 5-day holding period.



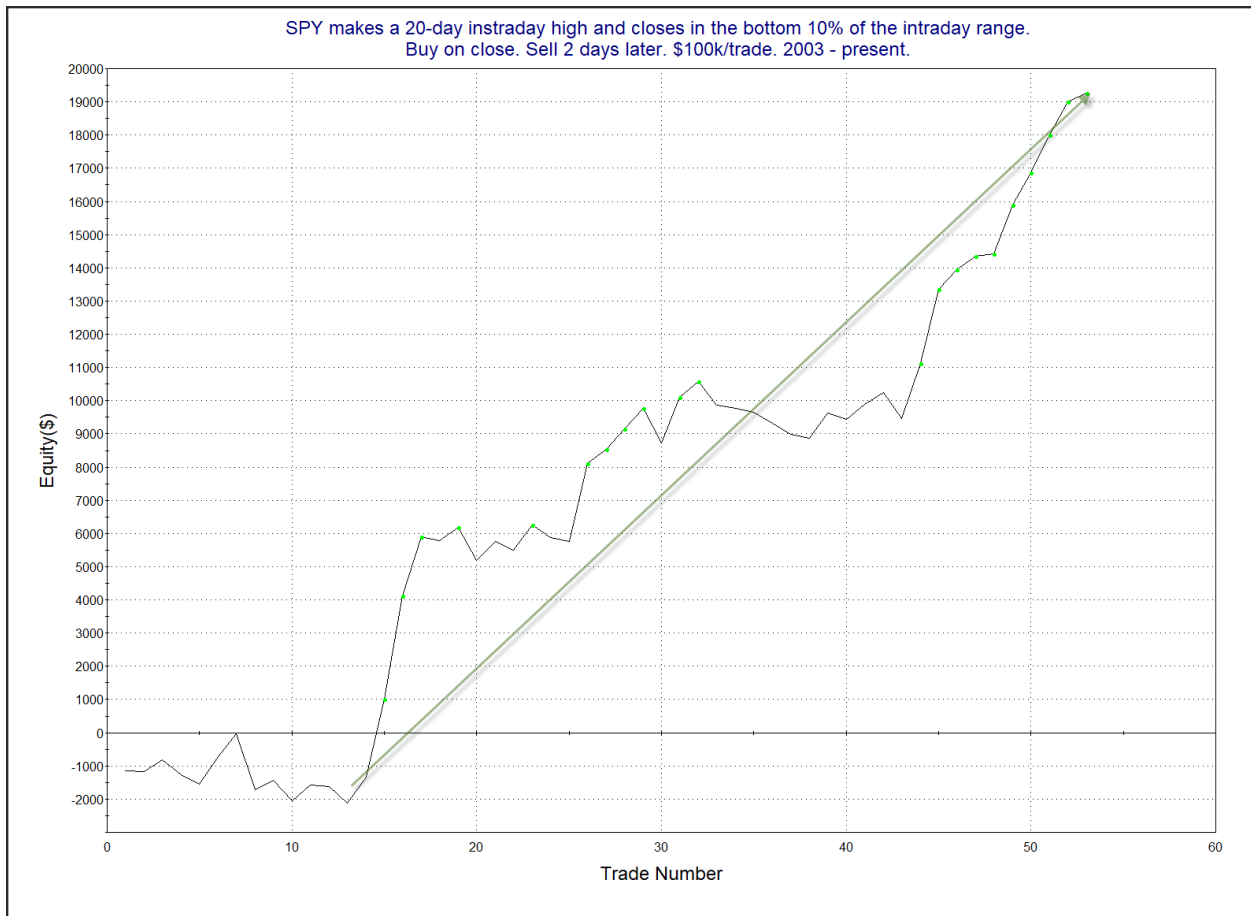
That is a strong, persistent move from lower left to upper right. This serves as some nice confirmation of the upside edge suggested by the numbers. I have added this study to the Active List tonight.

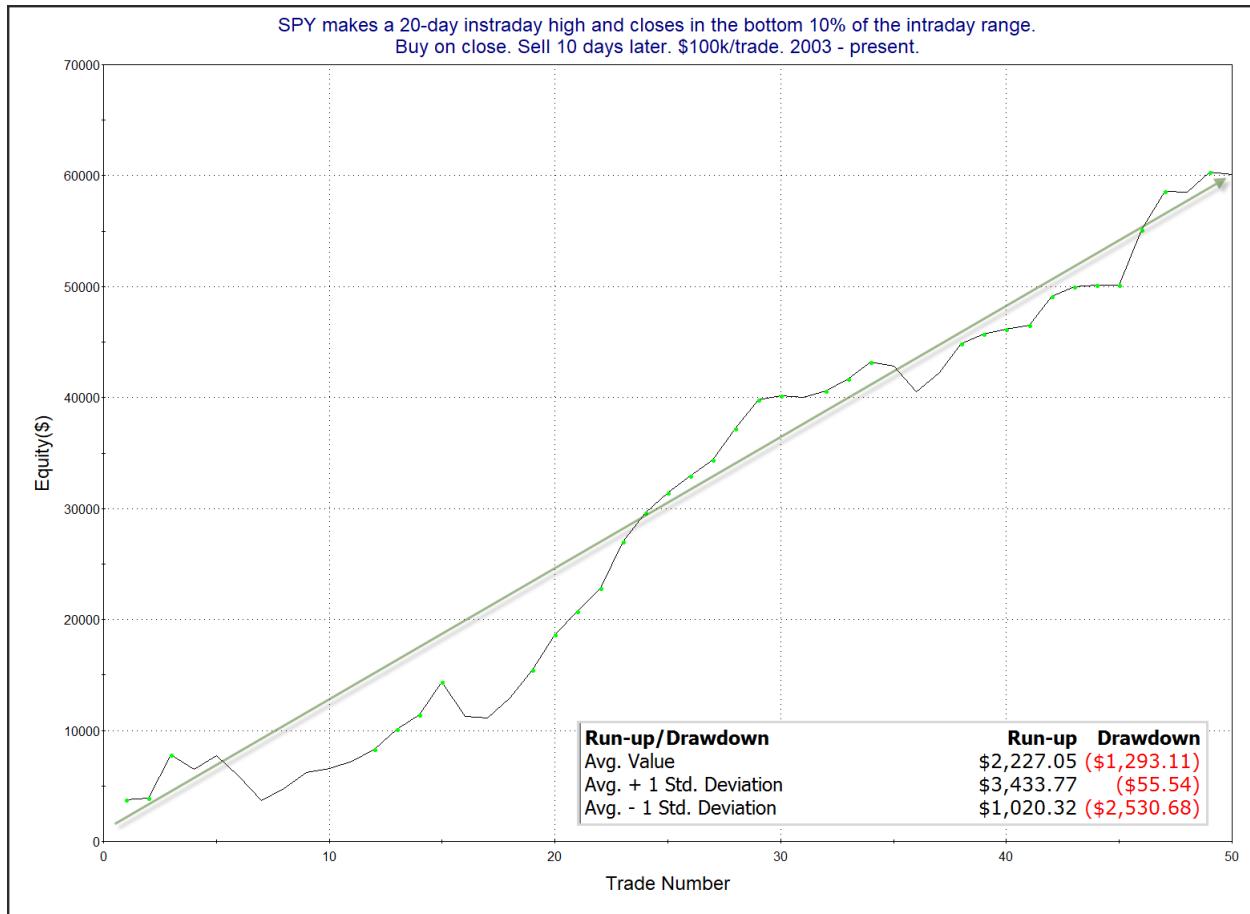
Early in the day the SPY managed to make a new intermediate-term intraday high. The new high followed by a poor and close triggered the study below, which was last seen in the 5/17/24 subscriber letter. Instead of running it with SPX as I had in the past, I ran it with SPY today. Results are updated.

SPY makes a 20-day intraday high and closes in the bottom 10% of the intraday range.
Buy on close. Sell X days later. \$100k/trade. 2003 - 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	60,094.17	50	40	10	80.00	4,935.80	-3,055.13	1,796.80	-1,177.77	1.53	6.10	1,201.88
9	46,389.08	50	38	12	76.00	4,871.40	-3,304.34	1,723.26	-1,591.23	1.08	3.43	927.78
8	46,709.74	51	41	10	80.39	4,538.40	-3,744.90	1,635.33	-2,033.89	0.80	3.30	915.88
7	40,174.93	51	40	11	78.43	4,696.60	-4,310.41	1,518.64	-1,870.07	0.81	2.95	787.74
6	35,029.60	51	38	13	74.51	3,898.50	-3,635.91	1,401.60	-1,402.39	1.00	2.92	686.85
5	18,421.85	51	32	19	62.75	3,769.70	-3,525.86	1,233.26	-1,107.50	1.11	1.88	361.21
4	16,102.69	52	34	18	65.38	3,643.20	-2,244.40	1,066.95	-1,120.75	0.95	1.80	309.67
3	17,458.78	52	34	18	65.38	3,424.70	-2,365.22	955.98	-835.80	1.14	2.16	335.75
2	19,261.71	53	31	22	58.49	3,112.40	-1,687.08	955.83	-471.32	2.03	2.86	363.43
1	15,174.03	53	35	18	66.04	2,610.52	-1,104.16	599.82	-323.31	1.86	3.61	286.30

Results here seem to suggest an upside edge. Below are looks at both the 2-day and 10-day curves.





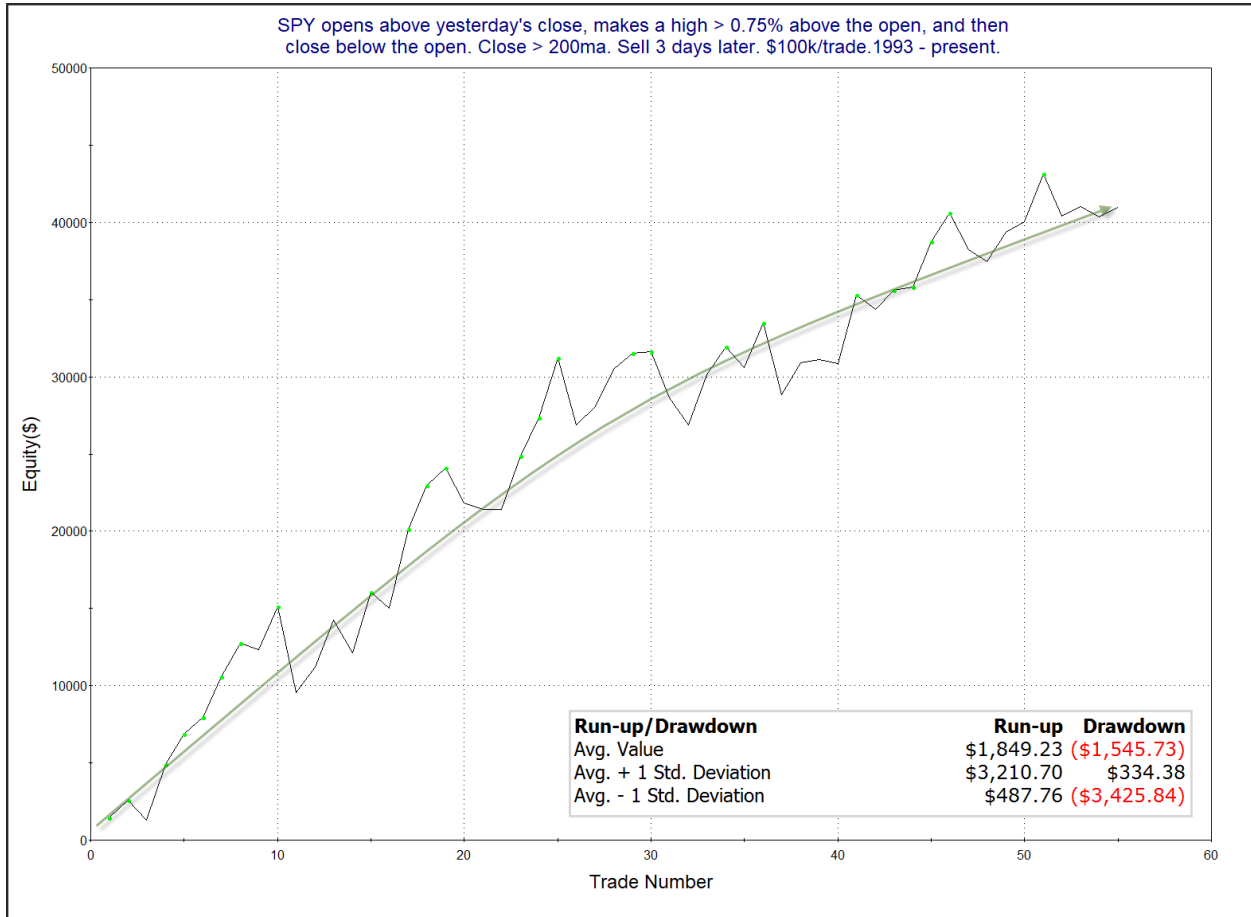
The persistent upslopes appear to confirm the upside edge suggested by the statistics. I have included this study on the short and intermediate-term active lists.

The action in SPY triggered an interesting study from the 7/26/24 letter. It found evidence suggesting the afternoon swoon was potentially bullish for the next few days. Stats have been updated below.

SPY opens above yesterday's close, makes a high > 0.75% above the open, and then close below the open. Close > 200ma. Sell X days later. \$100k/trade. 1993 - present.

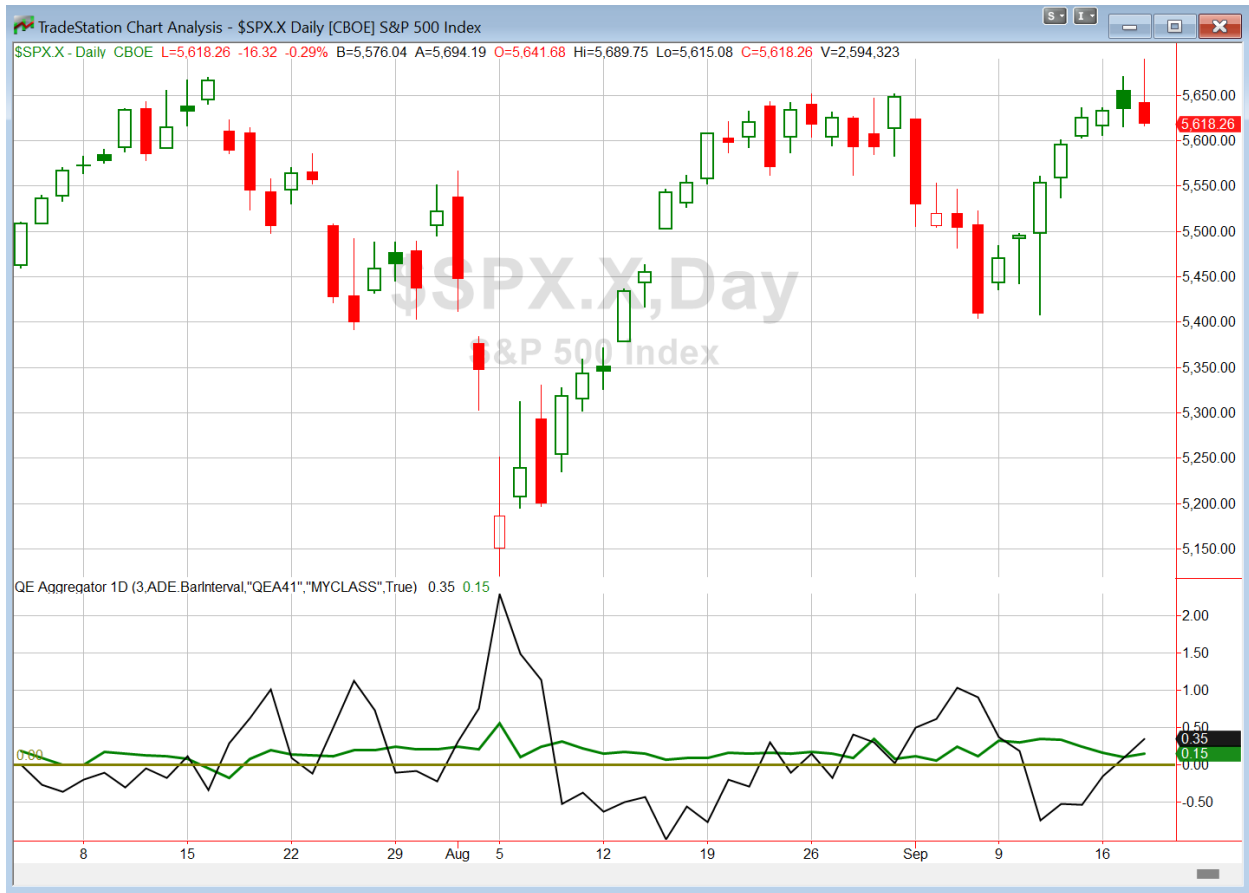
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	41,559.49	52	37	15	71.15	5,473.48	-8,618.72	2,108.96	-2,431.48	0.87	2.14	799.22
4	20,795.43	54	34	20	62.96	4,871.32	-12,608.53	2,310.33	-2,887.79	0.80	1.36	385.10
3	40,992.42	55	37	18	67.27	5,141.52	-5,587.56	2,080.46	-1,999.15	1.04	2.14	745.32
2	17,000.97	56	36	20	64.29	4,153.36	-5,249.75	1,422.24	-1,709.98	0.83	1.50	303.59
1	4,898.64	56	31	25	55.36	2,359.84	-4,490.79	962.00	-996.93	0.96	1.20	87.48

Evidence appears to point higher over the next few days. Below is a look at the 3-day profit curve.



While it has chopped a bit, the upslope has been fairly steady. This study seems worth consideration, and I have added it to the active list.

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 Thursday. That is unlikely to change. Meanwhile, the Differential Pivot will be 5673.45 on Thursday. That is 1.0% above Wednesday's close. Therefore, SPX will need to close up at least 1.0% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Plenty of evidence is suddenly pointing to a bounce. And there is a decent amount of room to the upside before SPX would turn overbought. It is only the 1st day of a pullback, so perhaps it will get deeper. But current evidence is strong enough that I will look to start building a long position if I can get a favorable entry on Thursday.

*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 @ \$561.39 LIMIT. Based on the short-term outlook above, I will look to start scaling into a SPY position if I can get filled anywhere below Wednesday’s close.

Current Open Trade Ideas

None

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