

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 20, 2024

Volume 17 Issue 182

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Breakouts to 50-day highs that occur with an unfilled up gap have often led to more short-term buying.
- The intraday high, unfilled gap, and weak close imply short-term strength.
- During uptrends, the market often sees intraday selling on opex Friday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

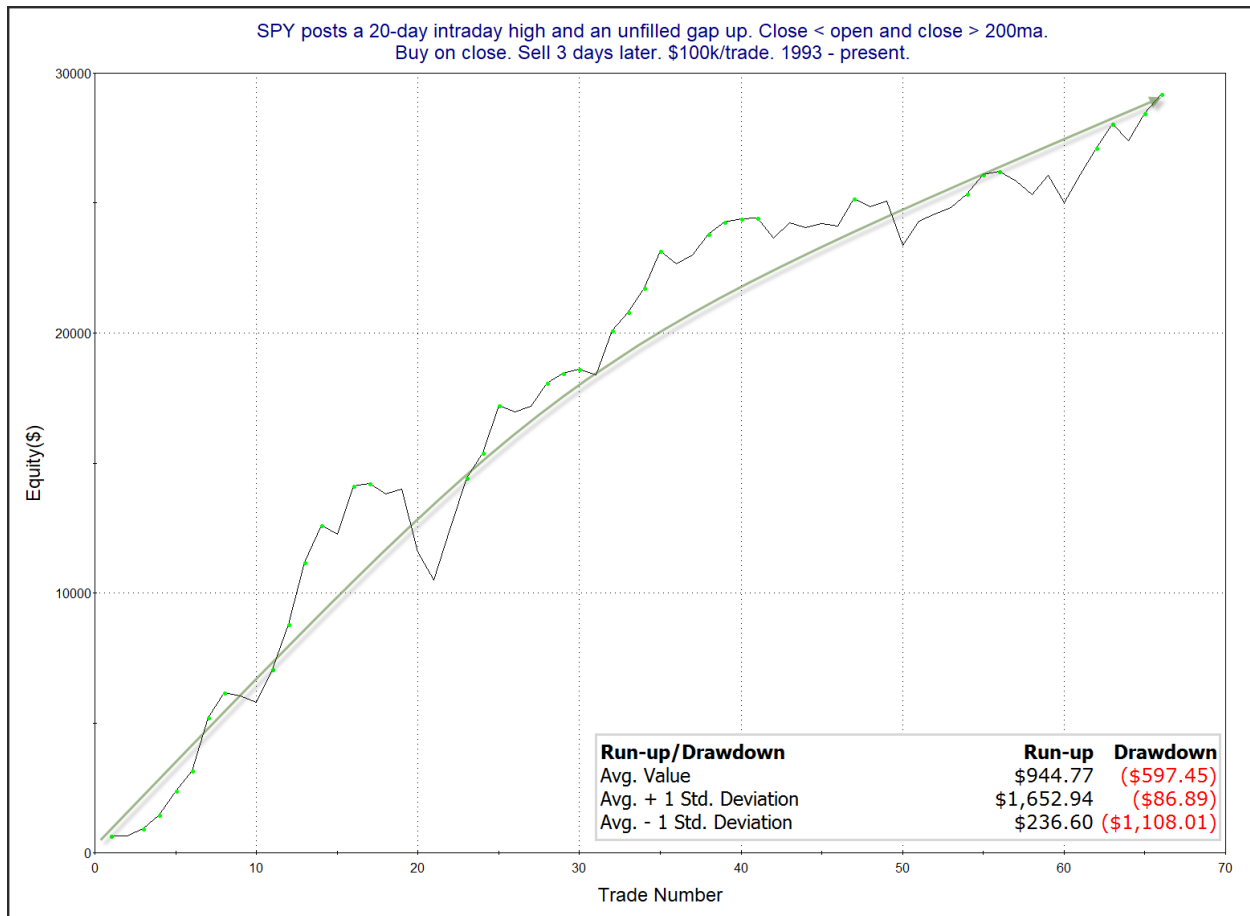
The Evidence

The market put in a huge day on Thursday. The SPX finished up 1.7%, the NASDAQ rallied 2.5%, and the Russell 2000 rose 2.1%. Breadth was weak as the NYSE Up Issues % was 78% and the Up Volume % came in at 73%. NYSE total volume rose for the 3rd day in a row.

There was a study from the 7/10/24 letter that looked at unfilled gaps up that make a 20-day high, but close below the open. Thursday closed just slightly below the open price. The study suggested an upside edge over the next several days. Below is an updated look.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and 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	29,891.54	61	38	23	62.30	3,754.17	-4,540.20	1,230.55	-733.45	1.68	2.77	490.03
4	26,965.49	62	45	17	72.58	3,436.02	-2,228.24	880.34	-744.10	1.18	3.13	434.93
3	29,206.79	66	47	18	71.21	2,362.10	-2,427.88	860.14	-623.33	1.38	3.60	442.53
2	22,397.36	68	43	25	63.24	1,998.70	-926.12	749.94	-394.01	1.90	3.27	329.37
1	10,386.62	69	44	25	63.77	1,708.92	-1,015.84	426.00	-334.29	1.27	2.24	150.53

The numbers here suggest a solid bullish tendency in the days following such setups. Below is a look at a 3-day profit curve.



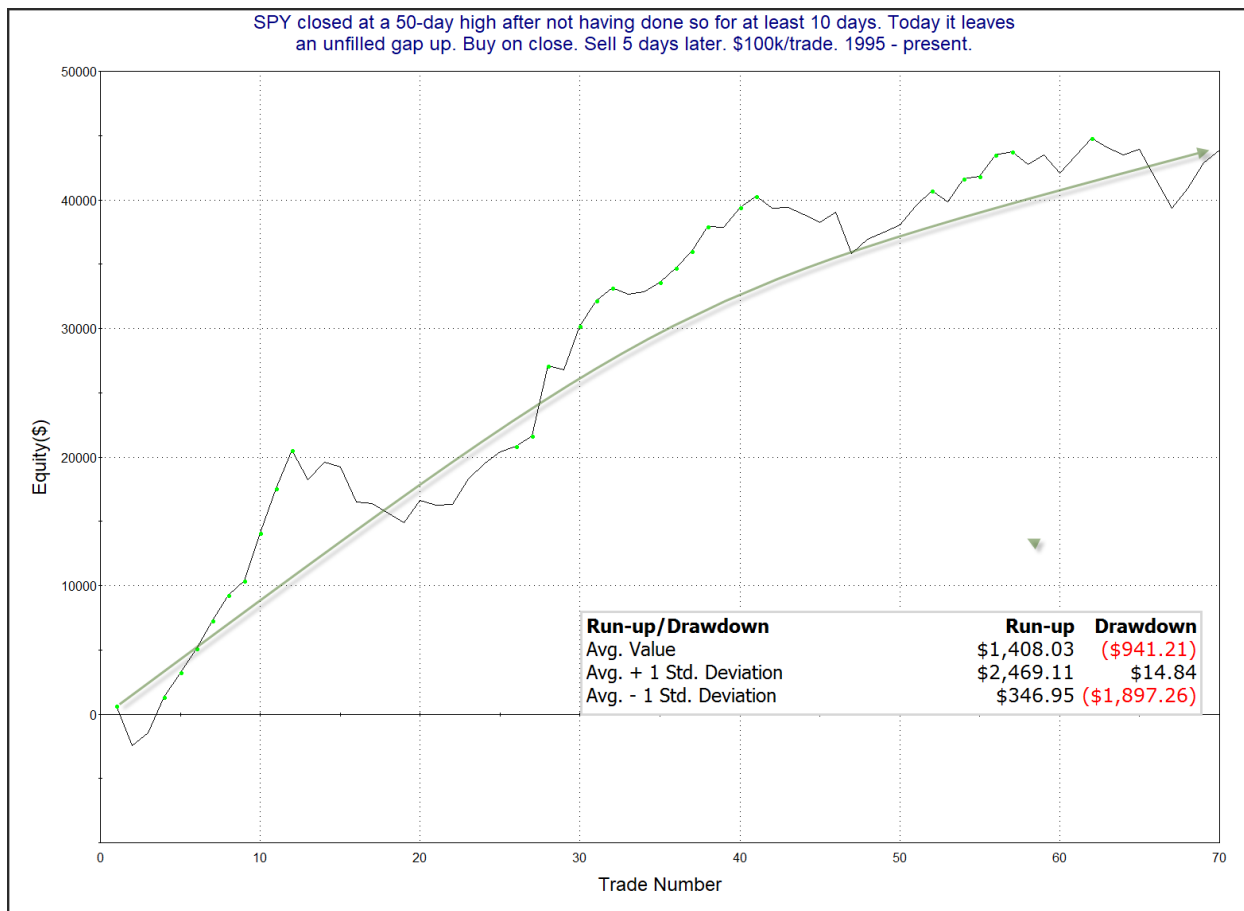
Here we see a persistent move up that also supports the idea of a bullish tendency. I have included this study on the active list.

SPY breakout action to a fresh high also provided some bullish evidence. This is because the breakout came with an unfilled gap up. I last showed the importance of an unfilled gap in the 1/22/24 subscriber letter. I have updated those studies below.

SPY closed at a 50-day high after not having done so for at least 10 days. Today it leaves an unfilled gap up. 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
5	43,897.81	70	48	22	68.57	5,434.00	-3,218.88	1,451.59	-1,171.75	1.24	2.70	627.11
4	30,408.43	70	47	23	67.14	3,637.92	-3,267.84	1,139.92	-1,007.30	1.13	2.31	434.41
3	21,927.88	70	45	25	64.29	3,992.56	-2,538.18	993.74	-911.62	1.09	1.96	313.26
2	18,786.08	70	46	24	65.71	2,545.92	-2,293.20	755.35	-665.00	1.14	2.18	268.37
1	6,771.43	70	47	22	67.14	1,816.10	-2,591.68	456.62	-667.72	0.68	1.46	96.73

Results here are strong across the board. Below is an equity curve using a 5-day holding period.



It has been a bit choppy as of late, but overall the move up is still impressive.

Technicians will often use the term “breakaway gap”. This suggests the gap occurs on the same day as a base breakout. The idea is that the new high causes excitement and the gap leaves a good amount of people sidelined or stuck short. When it doesn’t immediately fill, it leads these people to chase and helps to propel the market even higher.

Now let’s look at instances where the 50-day high breakout was *not* accompanied by an unfilled gap. Interestingly, the number of instances was a good bit lower here. This study also appeared in the 1/22/24 letter.

SPY closed at a 50-day high after not having done so for at least 10 days. Today it does NOT leave an unfilled gap up. 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
5	4,660.77	54	31	23	57.41	2,671.20	-4,285.26	1,045.08	-1,205.94	0.87	1.17	86.31
4	-2,382.20	54	31	23	57.41	2,072.07	-4,518.34	950.42	-1,384.57	0.69	0.93	-44.11
3	3,919.36	54	31	23	57.41	2,927.90	-5,133.72	978.01	-1,147.79	0.85	1.15	72.58
2	157.71	54	29	25	53.70	2,324.90	-3,640.86	636.70	-732.27	0.87	1.01	2.92
1	6,085.69	54	29	24	53.70	1,586.97	-2,448.72	541.16	-400.33	1.35	1.63	112.70

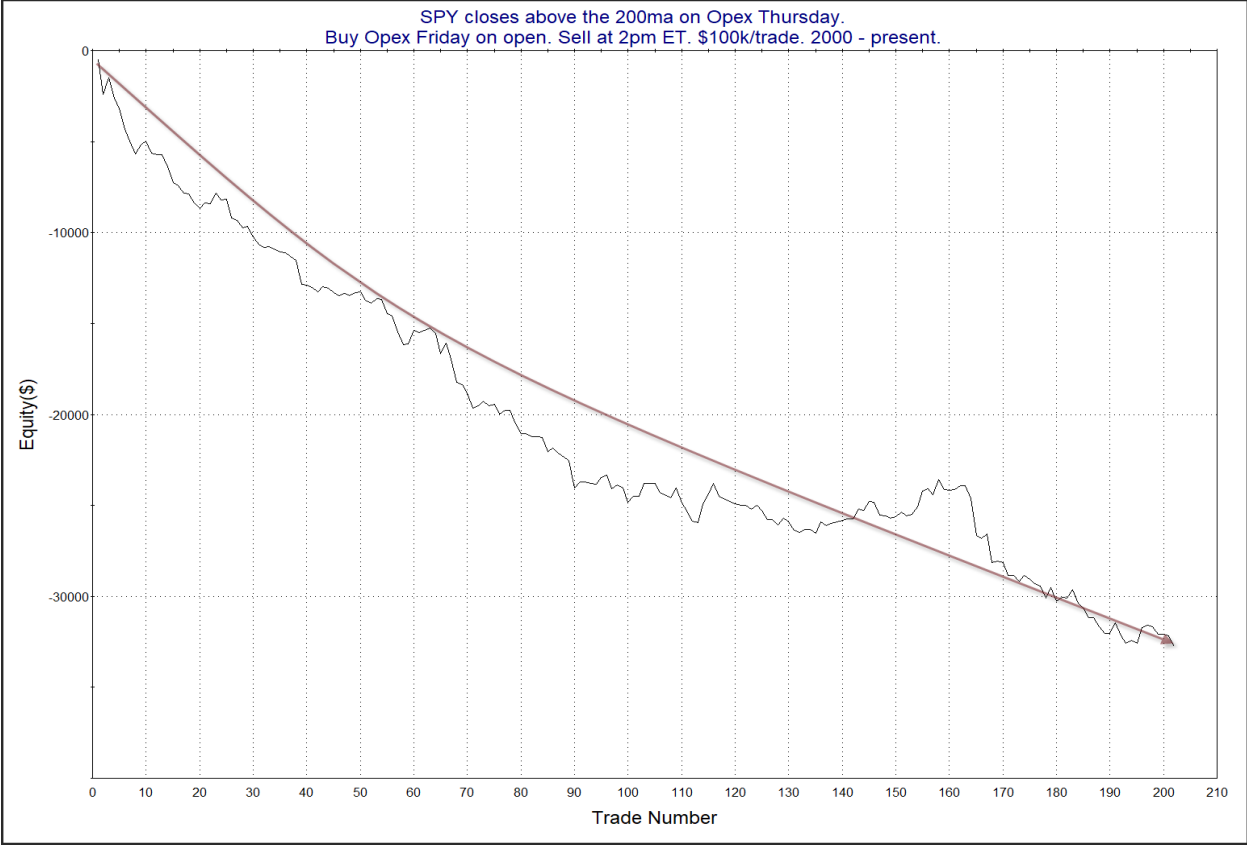
Moves to new highs that don't start with an unfilled gap are much less reliable. I have been showing this study for 16 years or so, and it never fails to amaze me how more breakouts occur with an unfilled gap up than without one.

Friday is options expiration (opex). Options expiration has long been a day that has seen weakness after the opening bell. The studies below are some that I have shown several times over the years. The stats and commentary is copied from the 8/16/24 letter (not updated tonight).

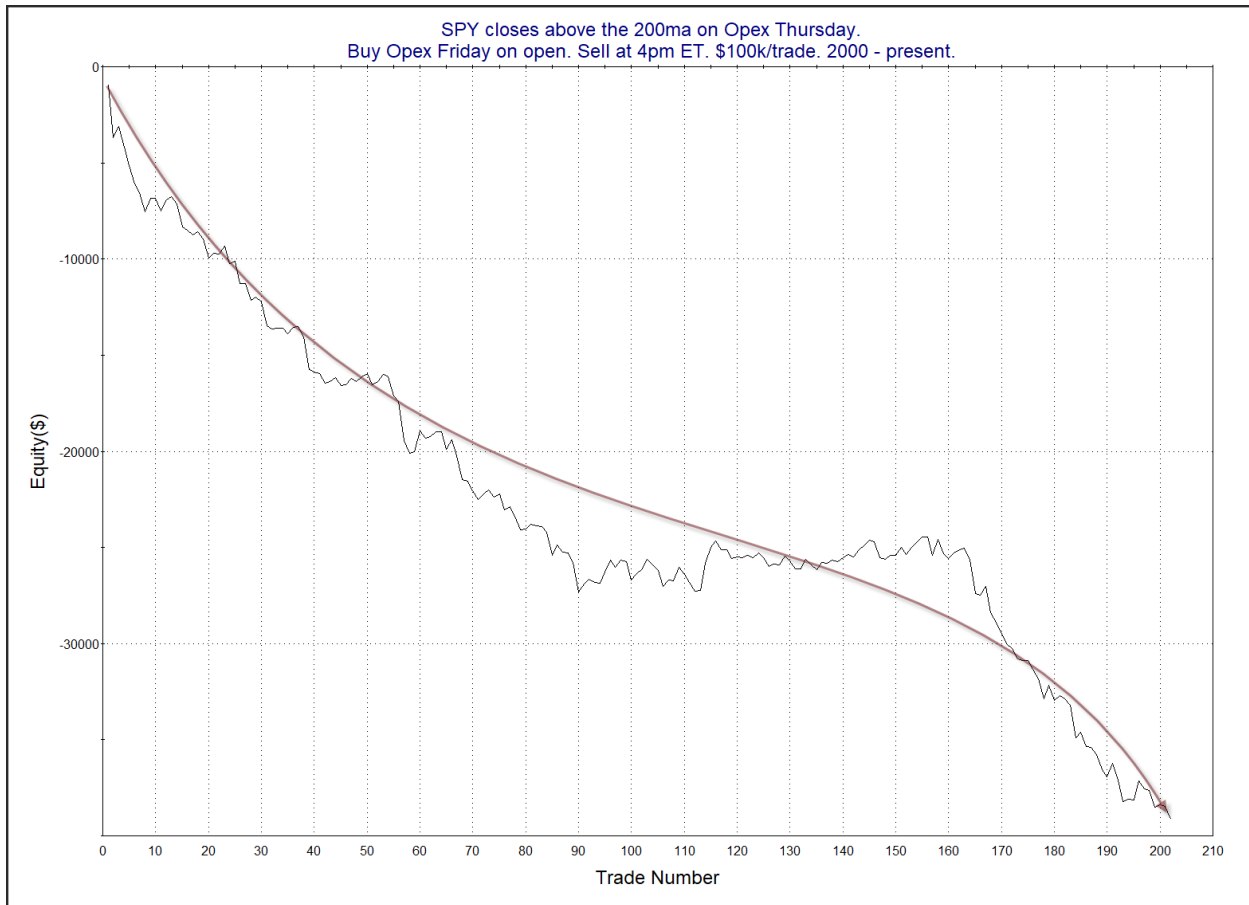
This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

SPY closes above the 200ma on Opex Thursday. Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.												
OE Op-Ex Fri Intra Short: timeofday	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
1,600	-39,109.67	202	80	122	39.60	1,400.58	-2,746.58	323.87	-532.94	0.61	0.40	-193.61
1,500	-33,293.03	202	81	120	40.10	983.92	-2,315.18	297.70	-478.39	0.62	0.42	-164.82
1,400	-32,749.96	202	68	134	33.66	993.96	-2,000.00	294.56	-393.88	0.75	0.38	-162.13
1,300	-29,616.48	202	71	130	35.15	968.86	-1,324.62	274.16	-377.55	0.73	0.40	-146.62
1,200	-27,413.27	202	71	131	35.15	1,243.06	-1,318.40	259.43	-349.87	0.74	0.40	-135.71
1,100	-21,629.83	202	76	125	37.62	1,020.18	-968.50	215.95	-304.34	0.71	0.43	-107.08
1,000	-18,015.18	202	58	144	28.71	365.47	-629.00	133.12	-178.72	0.74	0.30	-89.18

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

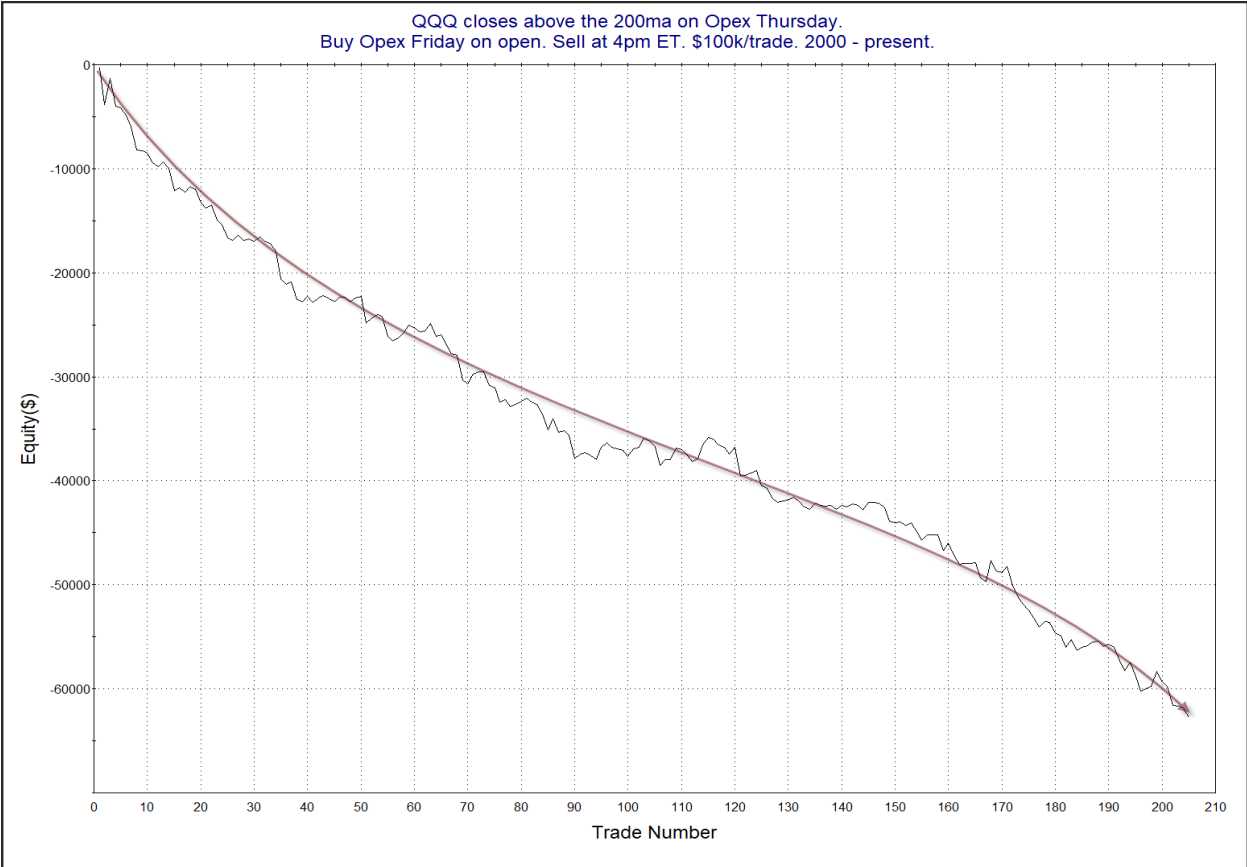
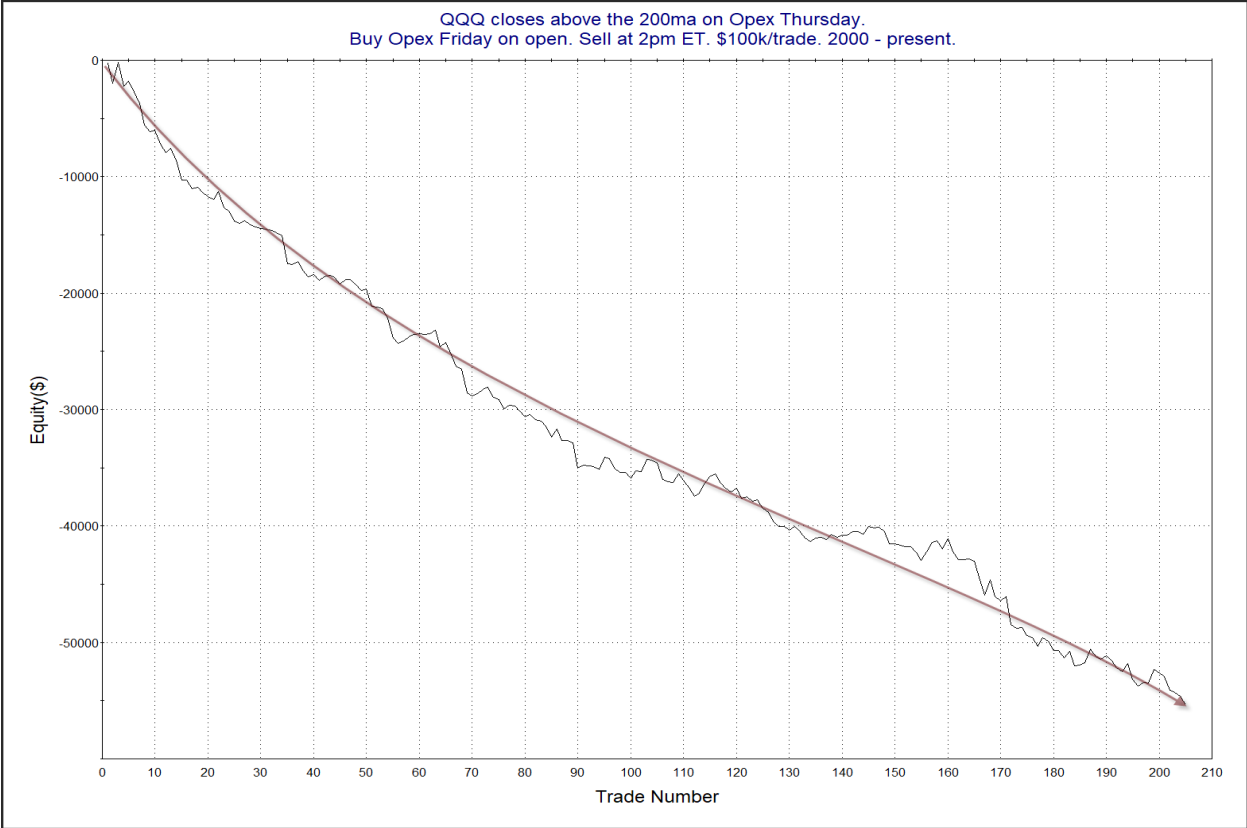


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

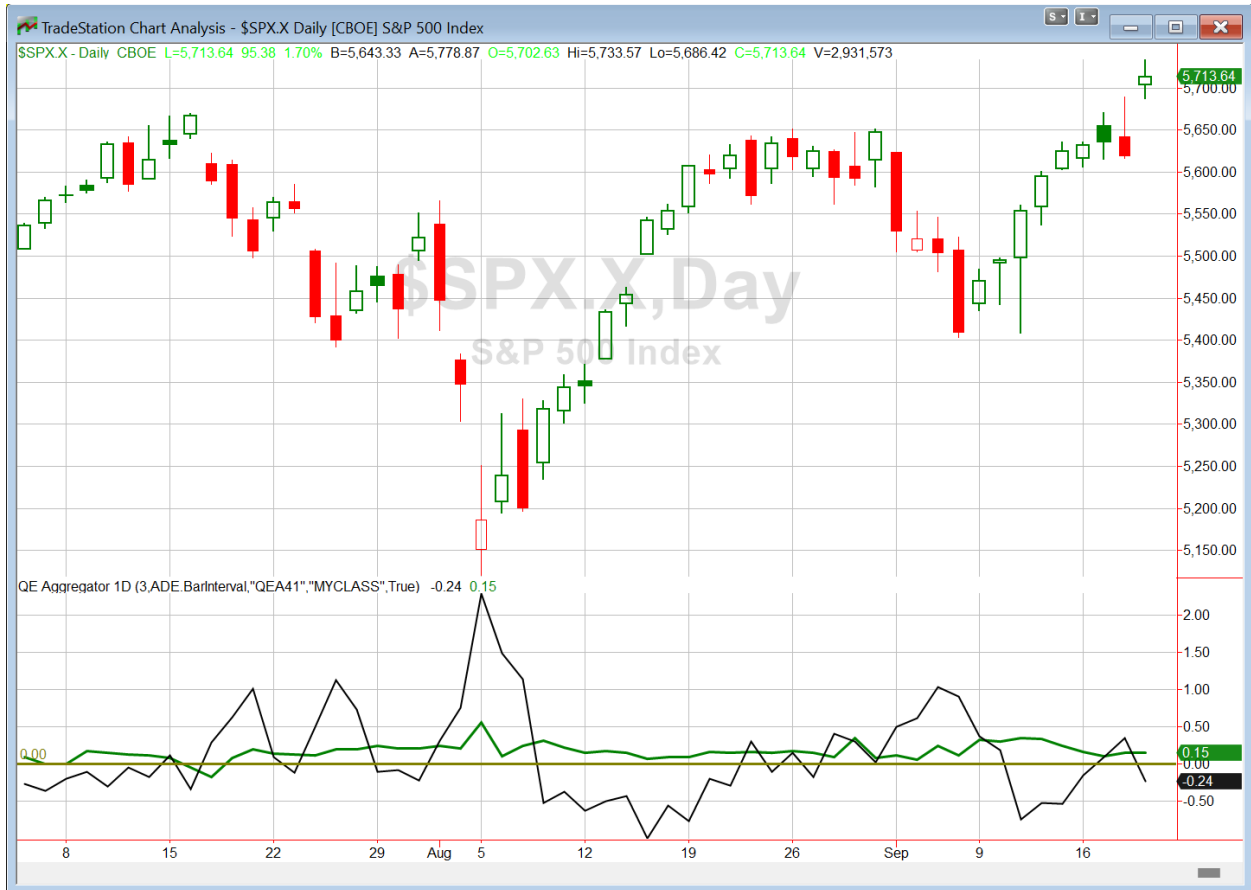
QQQ closes above the 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-62,713.32	205	78	127	38.05	2,516.00	-3,525.88	449.62	-769.95	0.58	0.36	-305.92
1,500	-56,351.09	205	73	130	35.61	1,739.00	-2,590.84	422.40	-670.66	0.63	0.35	-274.88
1,400	-55,327.38	205	65	137	31.71	1,822.25	-2,431.68	404.32	-595.68	0.68	0.32	-269.89
1,300	-48,697.56	205	69	135	33.66	1,655.75	-2,382.80	368.56	-549.10	0.67	0.34	-237.55
1,200	-46,763.19	205	73	131	35.61	2,488.25	-1,843.43	340.12	-546.50	0.62	0.35	-228.11
1,100	-38,453.43	205	69	135	33.66	1,998.00	-1,936.40	356.86	-467.23	0.76	0.39	-187.58
1,000	-29,877.99	205	64	140	31.22	1,332.00	-1,198.29	215.81	-312.07	0.69	0.32	-145.75



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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 and 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 Friday. That is highly unlikely to change. Meanwhile, the Differential Pivot will be 5661.17 on Friday. That is 0.9% below Thursday's close. Therefore, SPX will need to close down at least 0.9% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Plenty of evidence is pointing higher, but Thursday's rally put SPX in a solidly overbought state. So I am not inclined to look for new index exposure. The big gap up Thursday was unfortunate in that I did not receive a fill on last night's trade idea and did not benefit from Thursday's move. That happens sometimes. No sense in chasing. I'll wait for the next strongly favorable opportunity to arrive before taking on my next SPY trade.

*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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