

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 24, 2024

Volume 17 Issue 184

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Monday's narrow range day following high-volume selling on Friday suggests an upside edge over the next few days.

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
Active - Short Term						
September 24, 2024	High vol down day then NR7	1-5 days	Bullish	2.60%	-1.30%	-3.20%
September 23, 2024	Weakest Week	1-4 days	Bearish	-2.20%	0.70%	2.00%
September 20, 2024	Breakaway gap	1-5 days	Bullish	1.40%	-0.90%	-1.90%
September 20, 2024	20-high, unfilled gap. Close < open	1-3 days	Bullish	0.90%	-0.60%	-1.10%
September 16, 2024	SPX up 5 < 50-high. 5-day ROR > 3%	1-10 days	Bullish	2.50%	-1.40%	-2.70%
Active - Long Term						
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
September 19, 2024	20-day intraday high. Close btm 10% intra	1-10 days	Bullish	2.20%	-1.30%	-2.50%
September 18, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.00%	-2.10%	-4.40%
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			

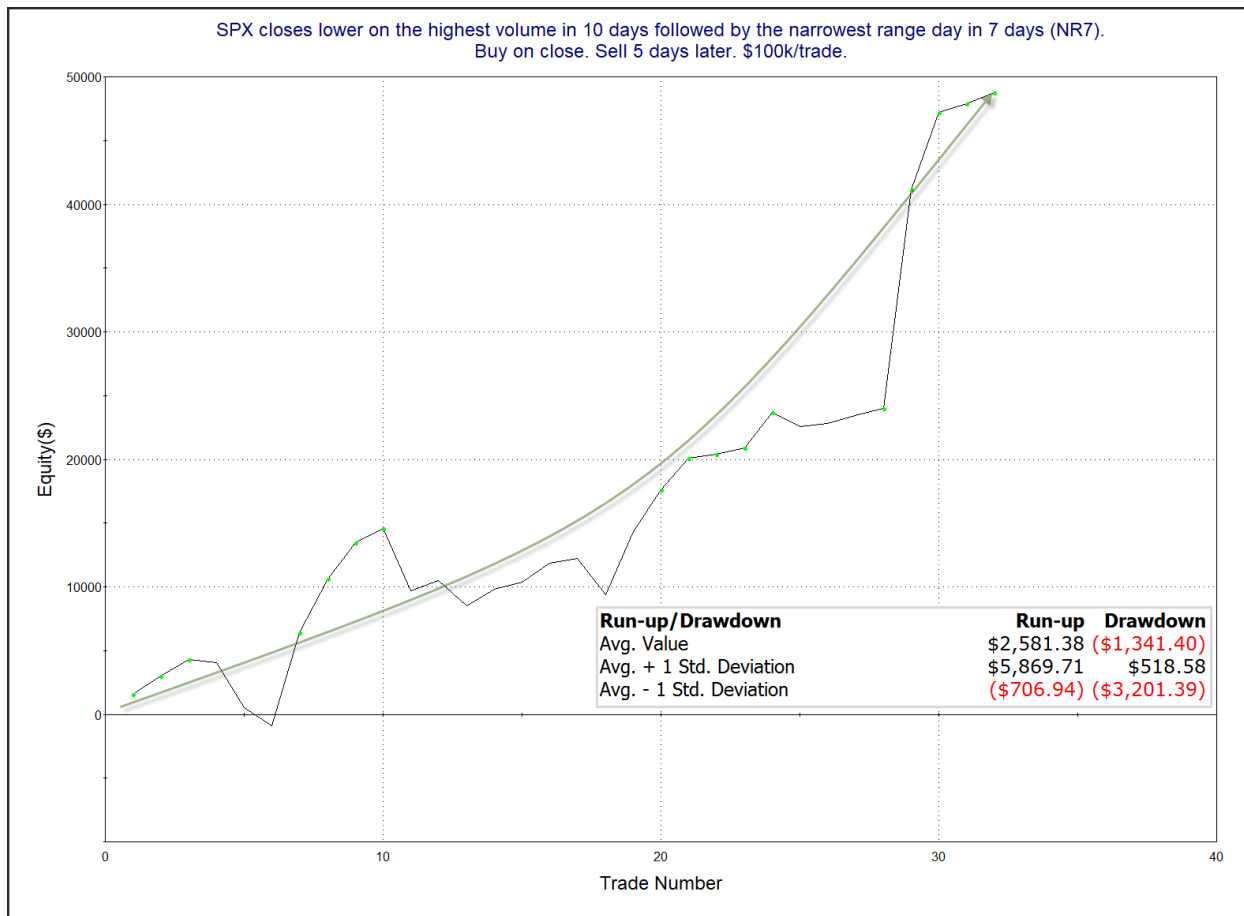
The Evidence

Monday saw mixed results. The SPX finished up 0.3%, the NASDAQ rose 0.1%, and the Russell 2000 declined 0.3%. Breadth was positive as the NYSE Up Issues % was 55% and the Up Volume % came in at 60%. NYSE total volume declined substantially from Friday high level.

The study below was last discussed in the 3/21/23 letter. It looked at times SPX fell on relatively high volume (like Friday) and then posted the narrowest range day in 7 days (commonly referred to as an NR7 day). I have updated the results below.

SPX closes lower on the highest volume in 10 days followed by the narrowest range day in 7 days (NR7). Buy on close. Sell X days later. \$100k/trade.												
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	48,732.30	32	25	7	78.13	17,127.00	-4,887.20	2,591.82	-2,294.75	1.13	4.03	1,522.88
4	42,567.31	32	24	8	75.00	13,379.08	-3,325.56	2,310.28	-1,609.91	1.44	4.31	1,330.23
3	29,358.89	32	18	14	56.25	17,277.48	-6,426.24	2,598.09	-1,243.34	2.09	2.69	917.47
2	19,029.50	32	20	12	62.50	10,479.04	-4,627.20	1,539.11	-979.39	1.57	2.62	594.67
1	15,200.90	32	21	11	65.63	9,236.92	-2,214.00	1,161.01	-834.58	1.39	2.66	475.03

The numbers all lean bullish, and the upside edge appears to persist for the next week. Below is a look at a profit curve assuming a 5-day hold.



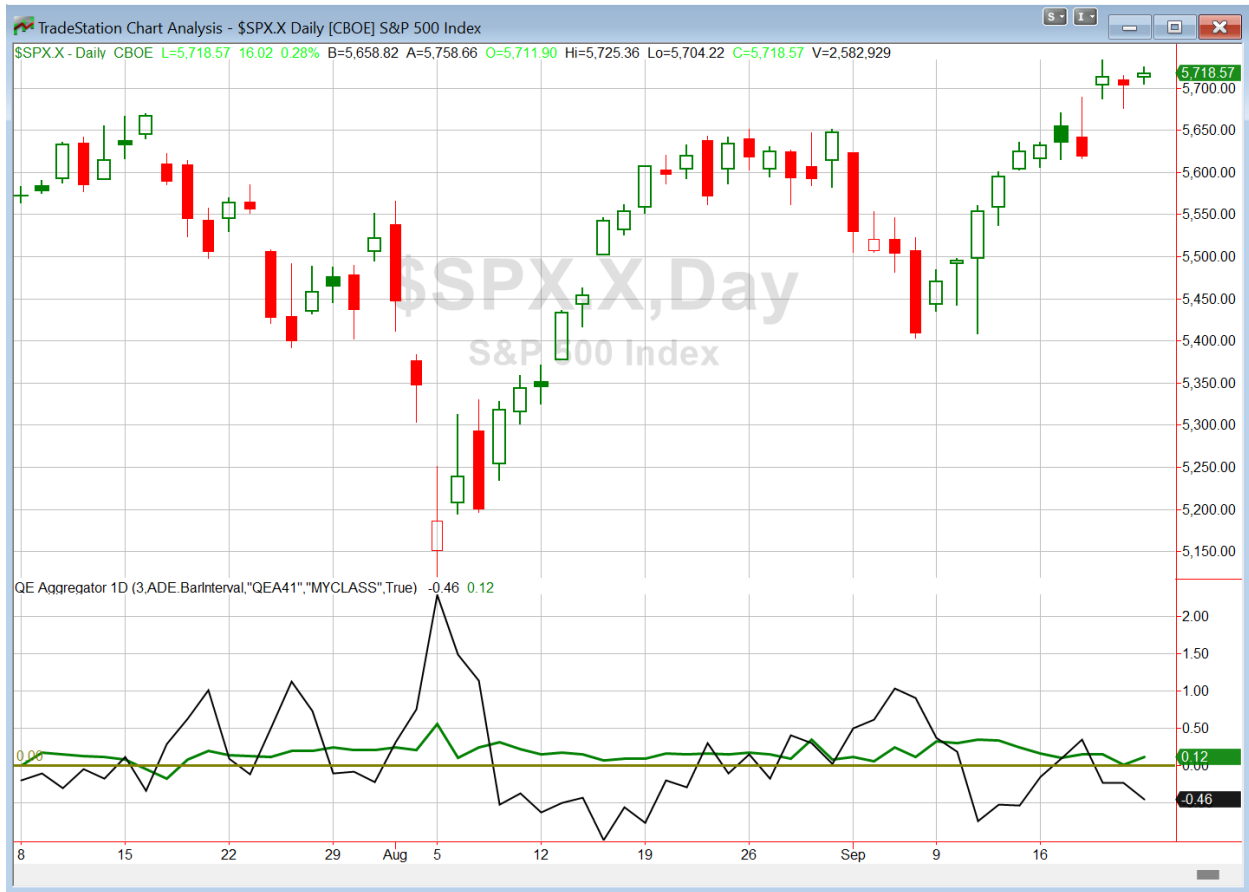
It is a bit choppy, but the curve has persisted from lower left to upper right. This serves as some confirmation of the upside edge. One concern I had when considering this study within the context of the current market is that Monday's setup followed opex Friday. Opex Friday often has high volume. So I wondered if I should disqualify the study on this basis. I ran the study again and added opex Friday as a filter to see results for times like now.

SPX closes lower on the highest volume in 10 days followed by the narrowest range day in 7 days (NR7).
Yesterday was opex Friday. Buy on close. Sell X days later. \$100k/trade.

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	20,782.43	9	7	2	77.78	17,127.00	-2,851.50	3,541.74	-2,004.89	1.77	6.18	2,309.16
4	13,323.48	9	6	3	66.67	13,379.08	-2,964.75	2,911.24	-1,381.32	2.11	4.22	1,480.39
3	16,901.93	9	4	5	44.44	17,277.48	-2,610.00	5,547.43	-1,057.55	5.25	4.20	1,877.99
2	13,257.45	9	6	3	66.67	10,479.04	-599.90	2,461.63	-504.10	4.88	9.77	1,473.05
1	11,568.67	9	6	3	66.67	9,236.92	-478.10	2,117.06	-377.89	5.60	11.20	1,285.41

There are only 9 instances, but results are stronger than without the filter. So I see no good reason not to include the original study on 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 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. That could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 5736.11* 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 will need to

close up at least 0.3% in order to remain overbought. Anything shy of that and it will flip to oversold versus expectations as of Tuesday's close.

So the Aggregator is neutral. Evidence is leaning bullish, but SPX is overbought. This is not a strong setup. I will wait until a more favorable reward/risk opportunity arrives before I look to take on my next index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/23 – 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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