

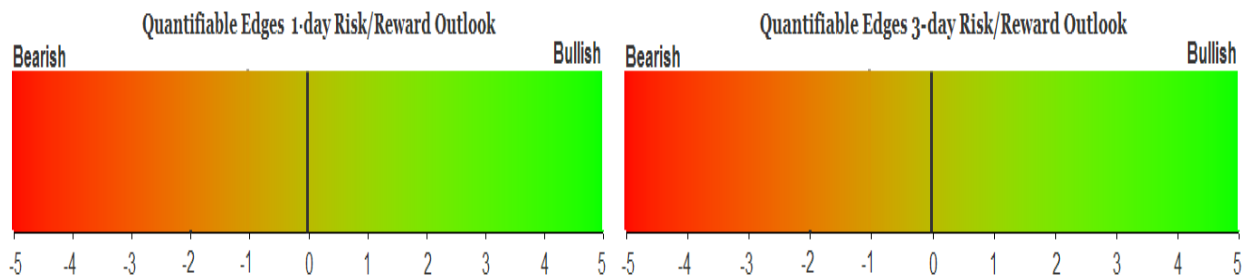
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 27, 2024

Volume 17 Issue 187

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 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 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 27, 2024	SPX & VXX close at 5-day highs	1-4 days	Bearish	-2.20%	0.70%	2.00%
September 25, 2024	Outside 50 & 50-high. Yest < 50-high.	1-2 days	Bearish			
September 24, 2024	High vol down day then NR7	1-5 days	Bullish	2.60%	-1.30%	-3.20%
September 20, 2024	Breakaway gap	1-5 days	Bullish	1.40%	-0.90%	-1.90%
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			

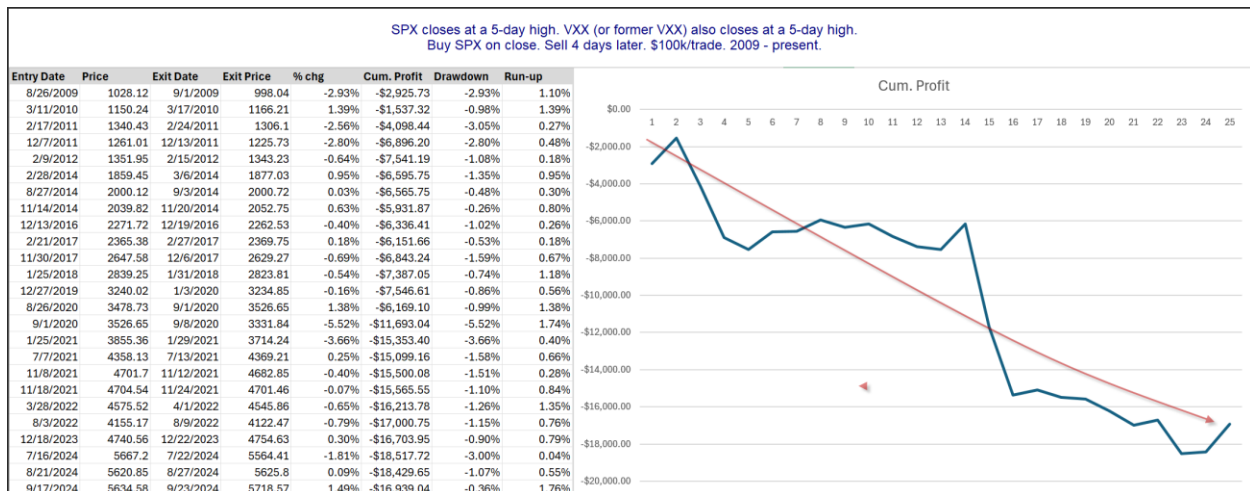
The Evidence

Thursday was an up day for the major indices. The SPX gained 0.4%, the NASDAQ rose 0.6%, and the Russell 2000 also climbed 0.6%. Breadth was strong as the NYSE Up Issues % was 63% and the Up Volume % came in at 68%. NYSE total volume rose some from Wednesday’s level.

What stood out Thursday was that the VXX rose alongside the SPX. It is unusual that they are not only rising together 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 9/18/24 letter.

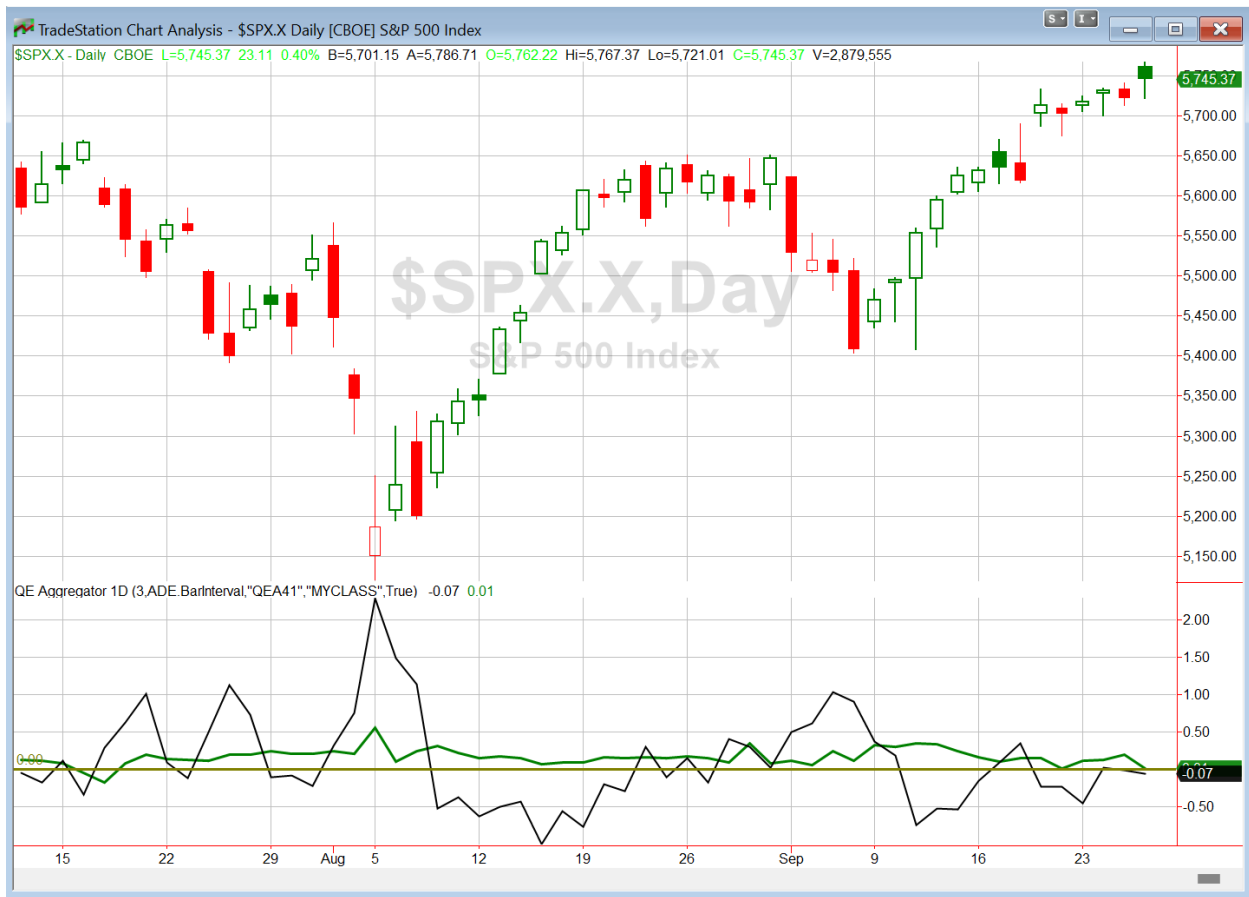
SPX closes at a 5-day high. VXX (or the former VXX) also closes at a 5-day high. Buy SPX on close. Sell "Days In" days later. \$100k/trade. 2009 - present.									
DaysIn	# Trades	# of winners	# of losers	% of Winners W.	Avg % Profit	L. Avg % Loss	Profit Factor	Avg Profit/Loss	
5	24	10	14	41.67	0.97	-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 that assumes a 4-day exit strategy.



Choppy, but it has generally headed lower for a long time and is again near new lows. The average drawdown has also been over 2x times the average run-up. The rise in VXX (and VIX and VIX futures) could simply be due to the fact that far-dated SPX options that are used for calculating the VIX are now beginning to include options that contain the election. Over the next week or so as more SPX options get included that are past the election, we could easily see the VIX rise further. Whatever the reason, 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.

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



Even with tonight's evidence considered, the green Aggregator Line remained slightly 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 flip negative on Friday. That could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 5747.46 on Friday. That is just 2 points above Thursday'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 over 2 points in order to remain overbought. Anything shy of that and it will flip to oversold versus expectations as of Thursday's close.

So the Aggregator is neutral. Evidence remains mixed. SPX is not far from expectations. Friday's action could easily leave the Aggregator bullish, neutral, or bearish. We are still not at a point where I feel there is a compelling setup to put money to work. So I will stay sidelined but ready.

*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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