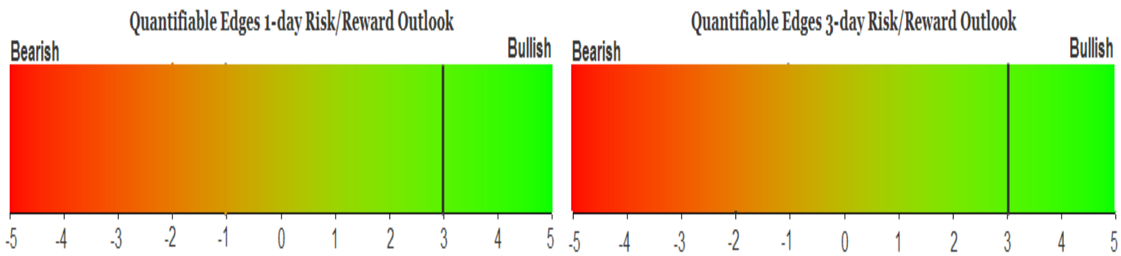
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 15, 2018 Volume 11 Issue 199

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- Friday's big VXO drop suggests Monday the SPX could see a dip.
- Friday's narrow-range inside day suggests more short-term selling could be on the way.
- October op-ex week has historically shown bullish seasonal tendencies.
- The close higher but below Friday's open after 2 strong down days suggest a short-term bullish edge.
- Fridays have been the #1 day for a sustainable bounce to begin.
- SOMA could see an expansion again this week, but QT will kick in strong again soon.

Short-term Outlook

The Bottom Line

Evidence is now a little mixed, but still favoring the bulls. Even with Friday's bounce, the market remains oversold and should have further to rise in the coming days.

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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						
October 15, 2018	VXO 20% drop	1 day	Bearish			
October 15, 2018	Inside day low range 3 < 200	1-6 days	Bearish			
October 15, 2018	Friday bounce from 50-low	1-2 days	Bullish			
October 15, 2018	October Opex	1-4 days	Bullish			
October 15, 2018	1.5% Down 2x then close up but < open	1-2 days	Bullish			
October 12, 2018	Up Issue % < 33.3% 2x below 200ma	1-2 days	Bullish			
October 12, 2018	RSI<2, SPX 50-low. 2 Days in row,	1-3 days	Bullish			
October 12, 2018	2% dn < 200 2x	1-6 days	Bullish			
October 11, 2018	20-low, then gap down & close<open	1-5 days	Bullish			
October 11, 2018	50-day low & Mc Osc bottom 2% reading	1-5 days	Bullish			
October 10, 2018	SPX down 4 days on Tuesday	1-6 days	Bullish			
Active - Long Term						
October 1, 2018	Quantitative Tightening $50billion/mo	int term	Bearish			
September 14, 2018	8 days of split New Highs and Lows	1-25 days	Bearish			
September 10, 2018	4+ Hindenburg Omen signals	1-35 days	Bearish	-6.50%	2.50%	4.50%
August 30, 2018	SPX crosses over 50-day Bollinger Band	1-50 days	Bullish	4.90%	-4.10%	-7.80%
January 8, 2018	1st 4 days of year close higher	1-250 days	Bullish	15.90%	-5.70%	-11.10%
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

Oversold finally had a bit of a bounce on Friday. The SPX rose 1.4%, and the NASDAQ rallied 2.3%, but the Russell 2000 only managed a 0.1% gain. Breadth was moderately positive as the NYSE Up Issues % was 55% and the Up Volume % came in at 63%. NYSE volume declined some from Thursday's level.

The last few days I have not seen anything but short-term bullish edges. But this weekend there is a mix of evidence that is worth considering. I'll first take a look at the studies suggesting a short-term bearish inclination, then I'll cover the bullish ones.

The VIX, which is a measure of options pricing and is often referred to as a "fear index" saw a 15% drop on Friday. Meanwhile, the VXO, which is the old calculation of the VIX, declined 21%. Such big declines often suggest short-term over-optimism on the part of traders and are followed by a dip the next day. This can be seen in the study below, which was last seen in the 2/7/18 letter. All stats are updated.

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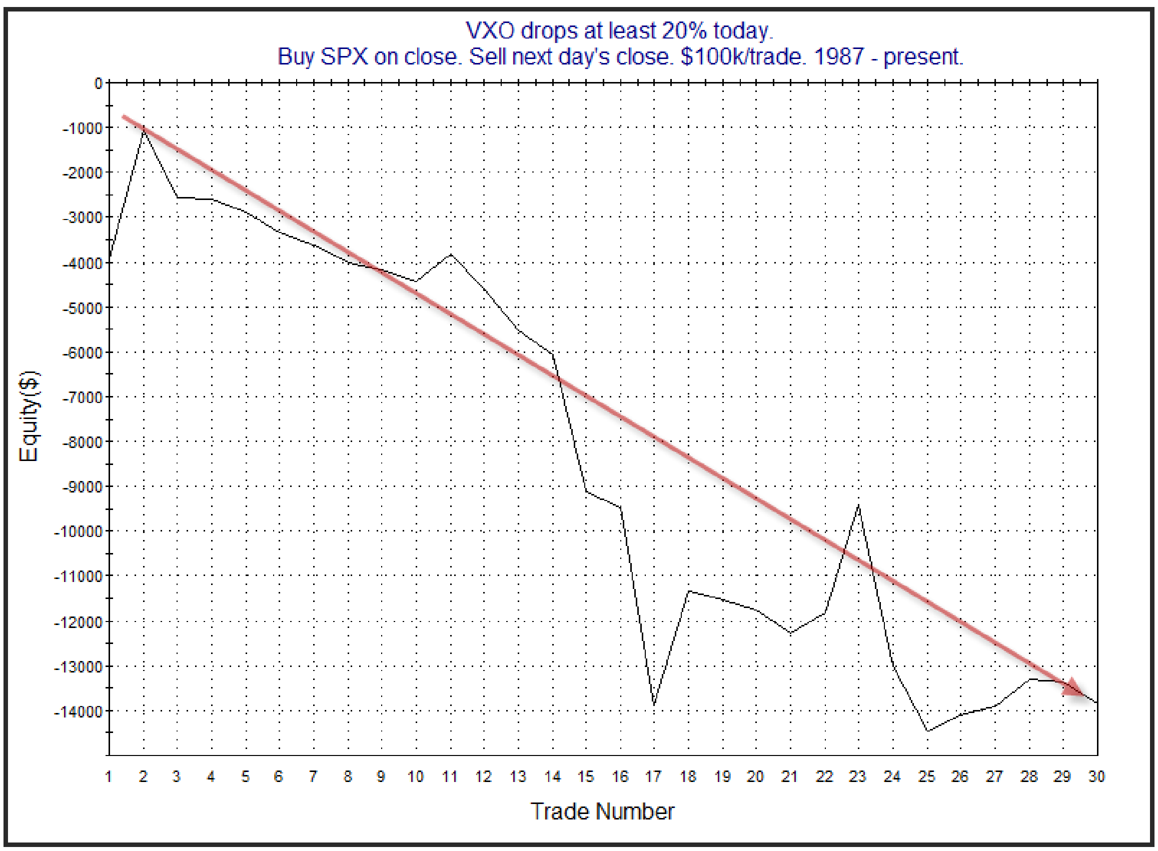
VXO drops at least 20% today.
Buy SPX on close. Sell next day's close. $100k/trade. 1987 - present.

TradeStation Performance Summary Expand

All Trades

Total Net Profit	($13,847.34)	Profit Factor	0.42
Gross Profit	$10,011.43	Gross Loss	($23,858.77)
Total Number of Trades	30	Percent Profitable	26.67%
Winning Trades	8	Losing Trades	22
Even Trades	0		
Avg. Trade Net Profit	($461.58)	Ratio Avg. Win:Avg. Loss	1.15
Avg. Winning Trade	$1,251.43	Avg. Losing Trade	($1,084.49)
Largest Winning Trade	$2,860.08	Largest Losing Trade	($4,400.45)

Numbers here suggest a downside edge. Below is a profit curve to see how it has played out over time.



Quite choppy but it appears the big VXO drops don't often bode well for the next day.

Friday being an inside day on the bounce was not terribly encouraging. (An inside day is a day where the market trades entirely within the range of the previous day's prices.) The study below looked at times like Friday when the inside day had low range, but not very low volume and occurred under the 200ma. It was last seen in the 12/11/15 letter. Results are updated.

SPY posts an inside day and closes < 200ma. Today is the smallest range in 3 days. It is NOT the lowest volume in 5 days. Buy on close. Sell X days later. $100k/trade. 1993 - present.

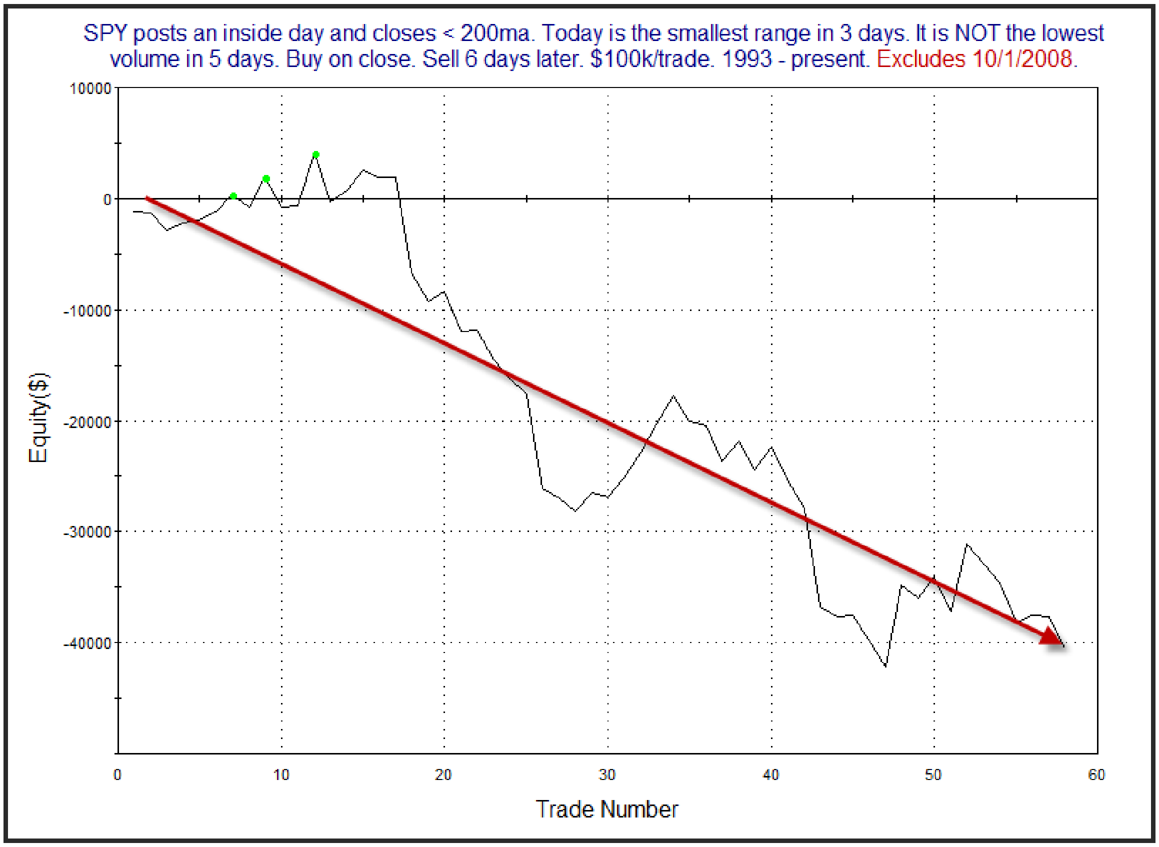
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-55,103.36	52	24	28	46.15	2,546.64	6,523.20	-4,150.81	-22,420.44	0.61	0.53	-1,059.68
9	-51,427.97	53	27	25	50.94	2,041.09	6,293.68	-4,261.50	-19,606.65	0.48	0.52	-970.34
8	-43,939.73	54	25	29	46.30	2,002.14	7,315.44	-3,241.14	-13,163.40	0.62	0.53	-813.70
7	-47,768.55	57	22	34	38.60	2,189.93	7,286.10	-2,821.97	-23,729.16	0.78	0.50	-838.04
6	-62,380.24	59	23	36	38.98	1,970.44	7,295.88	-2,991.68	-21,834.96	0.66	0.42	-1,057.29
5	-50,883.66	61	24	37	39.34	1,882.62	6,568.20	-2,596.39	-15,971.55	0.73	0.47	-834.16
4	-43,366.61	61	26	35	42.62	1,880.71	6,497.00	-2,636.15	-13,801.83	0.71	0.53	-710.93
3	-33,386.24	63	31	32	49.21	1,828.41	7,413.70	-2,814.60	-9,763.74	0.65	0.63	-529.94
2	-18,828.65	63	30	32	47.62	1,393.66	5,188.70	-1,894.95	-5,131.74	0.74	0.69	-298.87
1	-20,920.23	64	28	36	43.75	979.52	4,485.60	-1,342.96	-5,444.46	0.73	0.57	-326.88

Results here suggest a downside edge. Not evident in the above table is that there was a very large outlier in October of 2008. To perhaps better estimate the potential negative influence I eliminated that instance and reran the test.

SPY posts an inside day and closes < 200ma. Today is the smallest range in 3 days. It is NOT the lowest volume in 5 days. Buy on close. Sell X days later. $100k/trade. 1993 - present. Excludes 10/1/2008.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-32,682.91	51	24	27	47.06	2,546.64	6,523.20	-3,474.16	-15,272.10	0.73	0.65	-640.84
9	-37,471.16	52	27	24	51.92	2,041.09	6,293.68	-3,857.52	-19,606.65	0.53	0.60	-720.60
8	-31,274.42	53	25	28	47.17	2,002.14	7,315.44	-2,904.56	-13,163.40	0.69	0.62	-590.08
7	-24,039.40	56	22	33	39.29	2,189.93	7,286.10	-2,188.42	-8,847.60	1.00	0.67	-429.27
6	-40,545.28	58	23	35	39.66	1,970.44	7,295.88	-2,453.30	-8,935.35	0.80	0.53	-699.06
5	-34,912.11	60	24	36	40.00	1,882.62	6,568.20	-2,224.86	-7,710.60	0.85	0.56	-581.87
4	-29,564.77	60	26	34	43.33	1,880.71	6,497.00	-2,307.74	-12,422.13	0.81	0.62	-492.75
3	-23,622.51	62	31	31	50.00	1,828.41	7,413.70	-2,590.43	-9,199.26	0.71	0.71	-381.01
2	-13,903.73	62	30	31	48.39	1,393.66	5,188.70	-1,797.21	-5,131.74	0.78	0.75	-224.25
1	-17,295.42	63	28	35	44.44	979.52	4,485.60	-1,277.77	-5,444.46	0.77	0.61	-274.53

Even without the large outlier the results appear squarely negative over the next few days. Below is a profit curve using a 6-day holding period.



Definitely choppy, but downsloping. This seems to offer some confirmation of the bearish inclination.

But, like I said earlier, not all evidence was bearish. A study in the 8/23/11 letter looked at what happens after 2 big down days like Wednesday and Thursday are followed by a gap up that fails to spark a further rally but the SPY still manages to close positive. I have updated results for that study below.

After closing down > 1.5% the last 2 days SPY closes up today but below its open. 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: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	5,940.93	6	2	4	33.33	5,166.11	7,654.81	-1,097.82	-2,410.80	4.71	2.35	990.15
4	1,069.80	6	2	4	33.33	4,888.22	5,128.56	-2,176.66	-2,594.40	2.25	1.12	178.30
3	1,820.75	6	3	3	50.00	3,202.42	5,958.18	-2,595.50	-6,342.00	1.23	1.23	303.46
2	13,216.06	6	6	0	100.00	2,202.68	4,914.87	0.00	0.00	100.00	100.00	2,202.68
1	6,908.05	6	4	2	66.67	2,000.39	3,290.77	-546.75	-674.90	3.66	7.32	1,151.34

These results suggest a brief bounce and then possibly seeing the market roll over after said bounce. Below are all the instances along with their 2-day returns.

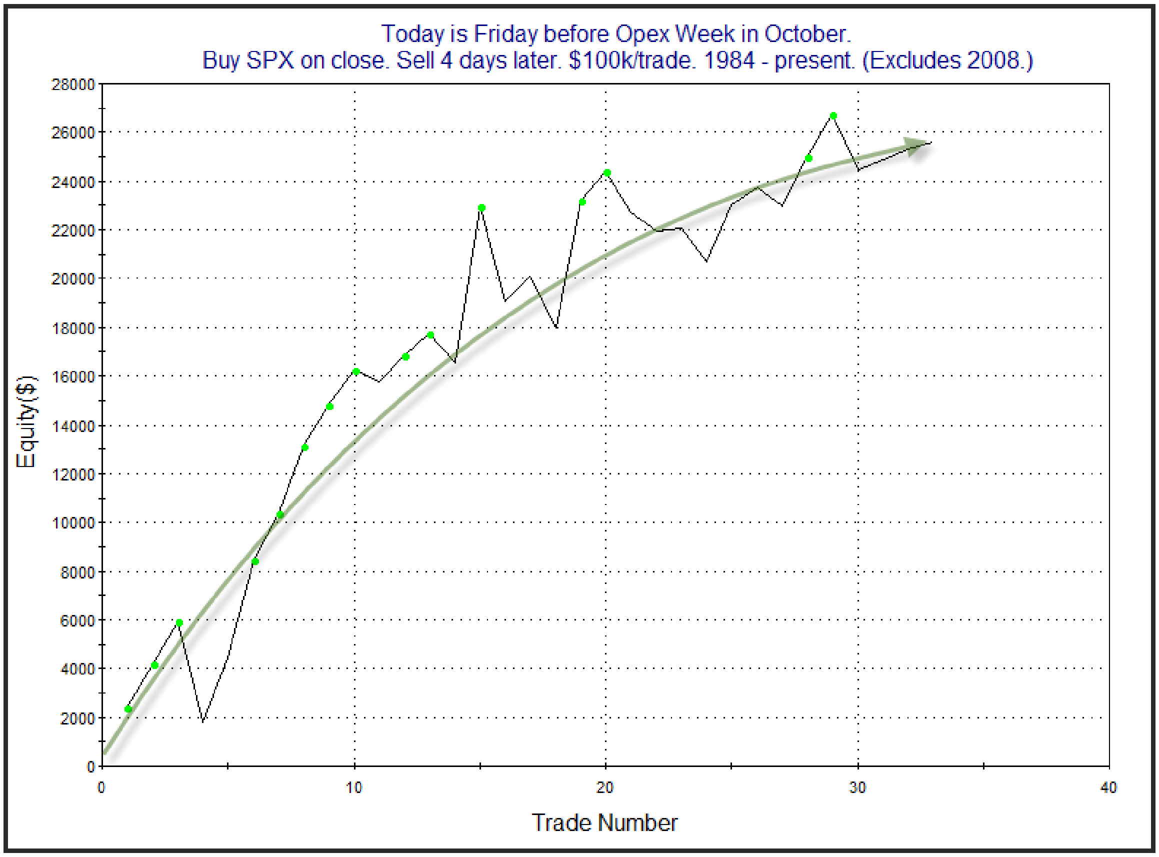
After closing down > 1.5% the last 2 days SPY closes up today but below its open. Buy on close. Sell 2 days later. $100k/trade. 1993 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
5/4/2000	Buy	$141.81	0.45%	$1,543.95
5/8/2000	Sell	$142.45		($613.35)
2/22/2001	Buy	$125.81	1.44%	$1,437.14
2/26/2001	Sell	$127.62		($3,183.94)
9/24/2008	Buy	$118.93	1.61%	$2,503.20
9/26/2008	Sell	$120.85		($411.60)
3/31/2009	Buy	$79.52	4.92%	$6,398.13
4/2/2009	Sell	$83.43		($1,495.83)
1/25/2010	Buy	$109.77	0.05%	$637.00
1/27/2010	Sell	$109.83		($1,310.40)
8/22/2011	Buy	$112.73	4.75%	$4,887.37
8/24/2011	Sell	$118.08		($133.05)

Instances are low here, but we see some examples of powerful buying over the next few days, and it seems this may be worth keeping in mind.

The next few days are also opportune from a seasonality standpoint. Option expiration week is often a pretty good week for the market. October is one of those months where it has been especially good over the years. I last showed the table below in the 10/16/17 Subscriber Letter. It examines performance during October op-ex week.

Today is Friday before Opex Week in October. Buy SPX on close. Sell X days later. $100k/trade. 1984 - present. (Excludes 2008.)												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	21,658.14	33	24	9	72.73	2,040.56	7,282.10	-3,035.03	-9,109.98	0.67	1.79	656.31
4	25,631.26	33	23	10	69.70	1,925.25	6,383.20	-1,864.95	-4,169.79	1.03	2.37	776.70
3	10,095.39	33	21	12	63.64	1,259.79	2,976.32	-1,363.35	-3,734.78	0.92	1.62	305.92
2	13,780.78	33	21	12	63.64	1,076.52	5,468.05	-735.51	-1,737.36	1.46	2.56	417.60
1	9,301.02	33	24	9	72.73	630.52	2,753.79	-647.95	-1,921.32	0.97	2.59	281.85

I decided to exclude 2008 because action that week was such an incredible outlier that it greatly skewed all the stats. (The week started with an 11.5% gain on Monday of 2008.) Results 1-4 days out look pretty solid. I found the profit curve for the 4-day hold the most compelling. It can be found below.



This appears strong enough to include on the Short-Term Active List. So I have.

In Thursday night's letter I mentioned that Friday is not terribly reliable in being a day where the market bounces. It is one of the least popular days for this to occur (along with Wednesday). But a potential positive about a Friday bounce is that they tend to be the most reliable moving forward. The below tables look at performance following a bounce from a 50-day low. The 1st table looks at performance 1 day later, and the 2nd table looks at performance 5 days later.

After closing at a 50-day low yesterday, SPX closes up today. It is the day of week shown. Buy on close. Sell next day's close. $100k/trade. 1985 - present.												
Day of Week	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
Fri	23,137.15	34	26	8	76.47	1,199.93	6,420.72	-1,007.61	-2,311.50	1.19	3.87	680.50
Thurs	6,058.34	38	20	18	52.63	1,307.73	3,982.74	-1,116.46	-3,447.40	1.17	1.30	159.43
Wed	2,400.80	26	14	12	53.85	1,558.66	3,644.16	-1,618.37	-4,761.33	0.96	1.12	92.34
Tues	-1,645.13	49	23	26	46.94	1,351.35	9,089.88	-1,258.70	-4,686.30	1.07	0.95	-33.57
Mon	-2,577.85	38	21	17	55.26	875.70	2,691.92	-1,233.39	-4,893.07	0.71	0.88	-67.84

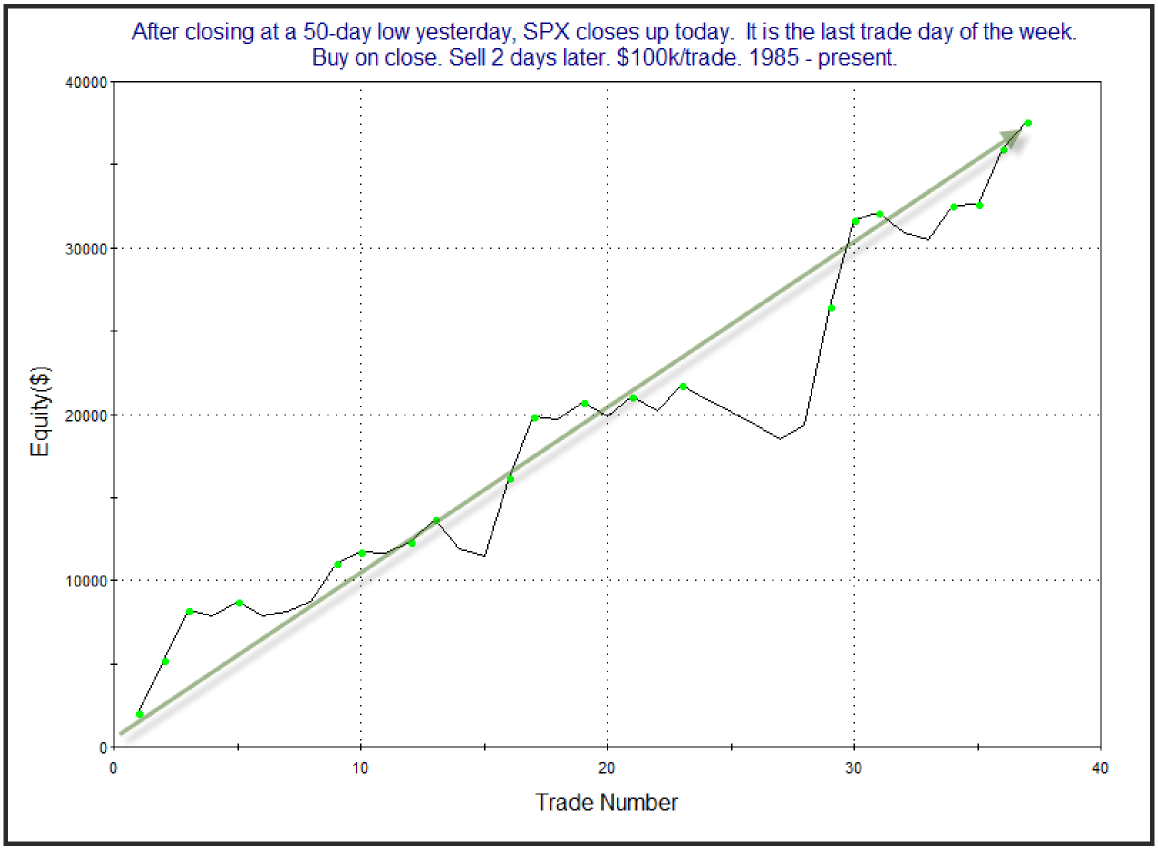
After closing at a 50-day low yesterday, SPX closes up today. It is the day of week shown. Buy on close. Sell 5 days later. $100k/trade. 1985 - present.												
Day of Week	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
Fri	47,154.12	34	25	9	73.53	2,447.32	10,682.82	-1,558.77	-3,611.52	1.57	4.36	1,386.89
Thurs	37,507.65	36	23	13	63.89	2,564.46	9,334.72	-1,651.91	-4,901.67	1.55	2.75	1,041.88
Wed	1,579.96	26	15	11	57.69	2,415.68	8,658.92	-3,150.48	-11,026.82	0.77	1.05	60.77
Tues	7,354.66	48	29	19	60.42	3,020.50	10,340.00	-4,223.14	-24,627.73	0.72	1.09	153.22
Mon	486.83	38	22	16	57.89	1,921.15	5,873.28	-2,611.15	-11,533.34	0.74	1.01	12.81

In both cases we see that Friday is the day of the week that that shows the strongest odds moving forward. This is true whether you are looking at Net Profits, % Profitable, Win/Loss Ratio, Profit Factor, or Avg Trade. So Tuesday is the most likely day to see a bounce occur, but Friday is the day where that bounce is most likely to stick.

The table below is just slightly different. Rather than saying Friday, I required it be the last day of the week. In other words, if it is Thursday, and Friday is a holiday, then that also qualifies for the study below. Here I look at performance over the next few days after the end-of-week bounce has occurred.

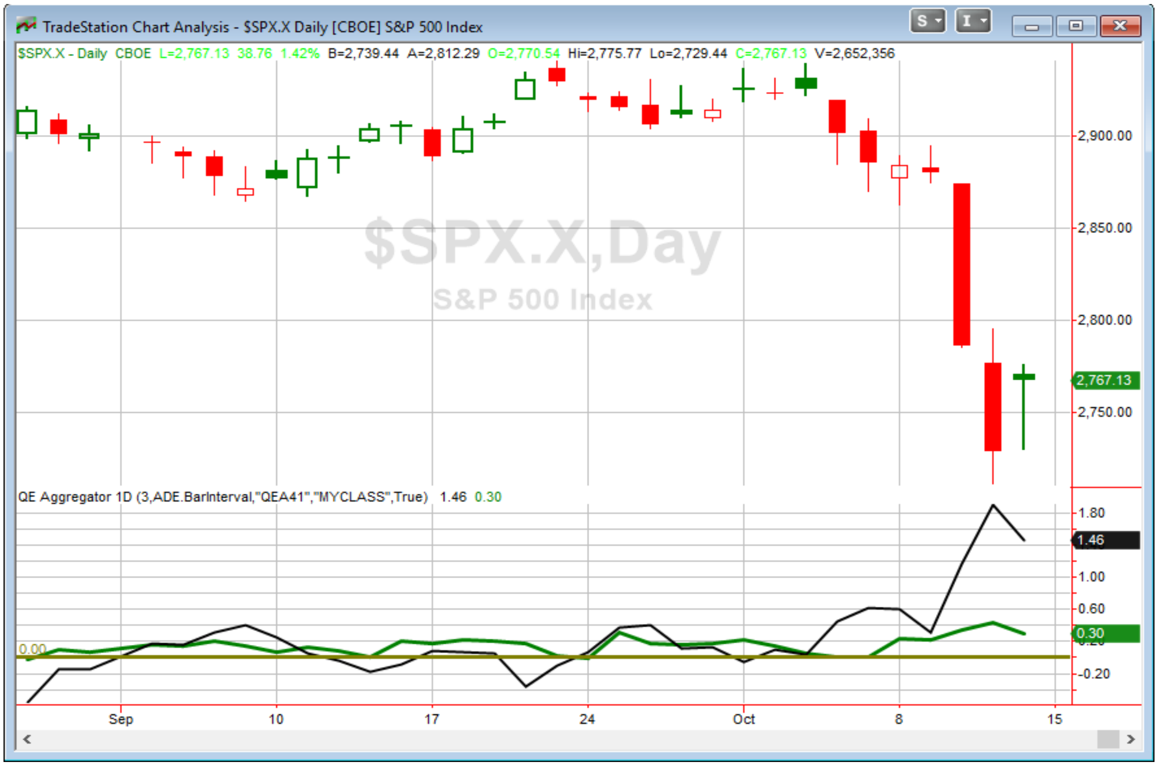
After closing at a 50-day low yesterday, SPX closes up today. It is the last trade day of the week. Buy on close. Sell X days later. $100k/trade. 1985 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	46,676.20	37	27	10	72.97	2,316.75	10,682.82	-1,587.59	-3,611.52	1.46	3.94	1,261.52
4	48,416.50	37	26	11	70.27	2,480.90	11,930.04	-1,462.44	-4,206.40	1.70	4.01	1,308.55
3	35,924.15	37	25	11	67.57	2,072.78	10,868.60	-1,445.04	-2,391.84	1.43	3.26	970.92
2	37,596.36	37	23	14	62.16	2,081.56	7,112.64	-734.25	-1,737.36	2.83	4.66	1,016.12
1	21,207.60	37	27	10	72.97	1,171.81	6,420.72	-1,043.12	-2,311.50	1.12	3.03	573.18

Much of the gains occur in the 1st 2 days. I also produced a profit curve below.



The strong upslope that has persisted for a long time serves as confirmation of the upside edge. This study is also included on the Active List tonight.

I have updated the Aggregator chart below.



With tonight's new 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 also held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are strongly positive and SPX is strongly oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal stayed long at the close.

With the current active studies, expectations are slated to remain bullish on Monday. It would take some very compelling new bearish evidence in order to change this. The Differential Pivot will be 2807.11 on Monday. That is 1.4% above Friday's close. Therefore, SPX would need to close up a little over 1.4% on Monday to flip from oversold to overbought versus recent expectations.

So there are now some suggestions that the market could pull back in the next few days. But there is also plenty of evidence from the last few days saying this bounce should have further to go. And the bounce appears to be happening at a time where bulls are more likely to be able to see the push continue. The Friday bounce is a positive, October Opex has been a favorable week, and as I will discuss in the intermediate-term section below, there is a not a sizable QT expected this week. So I continue to believe there is a short-term upside edge. I am already partially long SPY and I intend to hold my partial position there for the time being, in anticipation of more upside in the coming days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/15– neutral

Combo #1	Combo #2	Combo #3
Flat	Flat	Flat

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in Lesson 8. Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in Lesson 11, Course Downloads. (You must go through the course first in order to access the Downloads.) *This week the Combo Systems all remained "Flat".*

This past week saw some substantial selling. The SPX suffered a 4.1% decline, the NASDAQ dropped 3.7% and the Russell 2000 fell 5.2% on the week. The NASDAQ and Russell are now clearly below their 200ma, and the SPX is barely above it (with SPY barely below it). There were not any new studies that triggered this week with intermediate-term implications.

As I typically do each week, I have updated our Fed SOMA charts below. Below is a description for those who are new to these charts or who may want a refresher.

SOMA stands for System Open Market Account. It is the account at the Fed that contains all of its bond purchase holdings. We have tracked Fed purchases for several years, and as is evident in the charts below, the stock market has consistently reacted positively when the Fed has been buying securities in the open market and increasing the size of its account. When the account has declined, the market has struggled. The obvious takeaway has been "don't fight the Fed". As far as intermediate-term indicators go, this has been as good as anything in recent years.

In October 2017 the Fed began reducing the size of the SOMA by not reinvesting some maturities in MBS and treasuries. That program is expected to continue for the next few years. Below are long and short-term views of SOMA and SPX. First, the long-term view (back to 2003).

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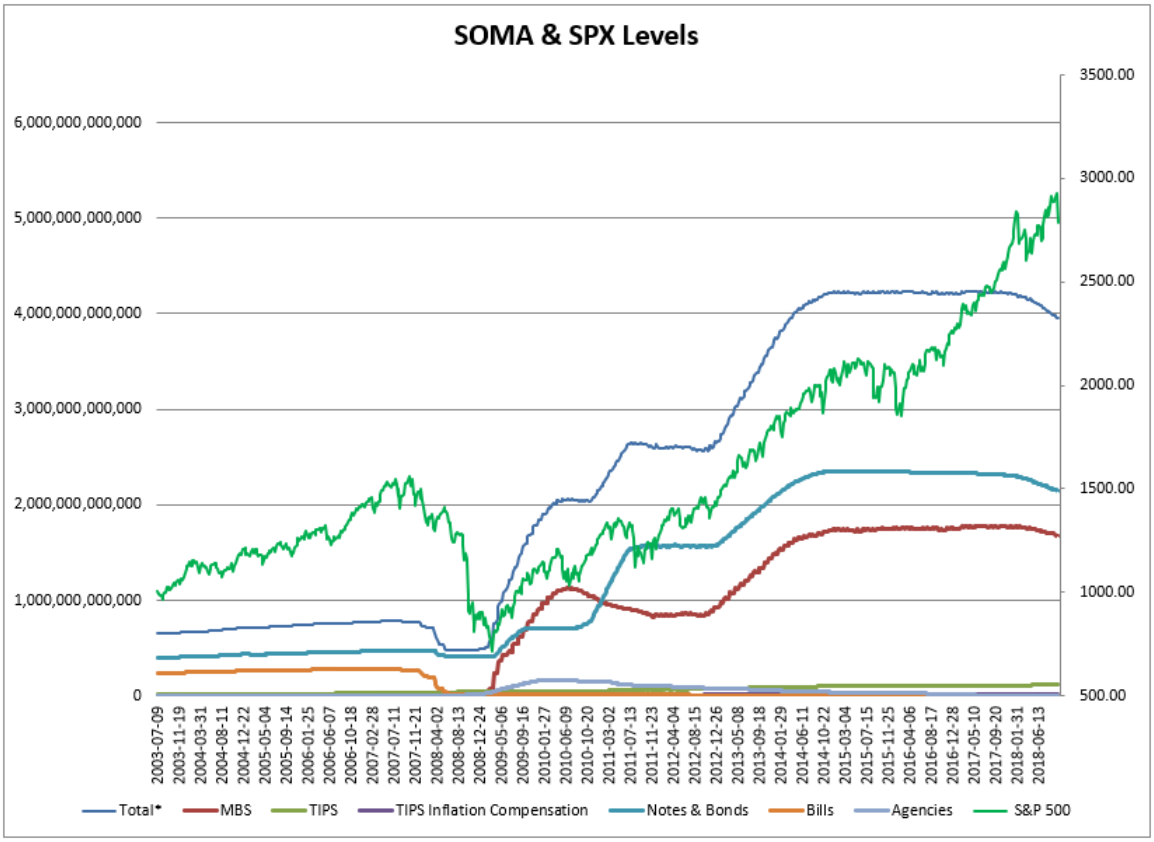


The table below is from the Fed's website and shows the changes this past week.

« As of 10/03/2018

DOMESTIC SECURITIES HOLDINGS AS OF
October 10, 2018

Summary | T-Bills | T-Notes and T-Bonds | FRN | TIPS | Agencies

Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	100,000.0
US Treasury Notes and Bonds (Notes/Bonds)	2,138,443,137.2
US Treasury Floating Rate Notes (FRN)	18,152,012.4
US Treasury Inflation-Protected Securities (TIPS)*	115,578,709.4
Federal Agency Securities**	2,409,000.0
Agency Mortgage-Backed Securities***	1,681,778,242.5
Total SOMA Holdings	3,956,461,101.5
Change From Prior Week	2,999.9

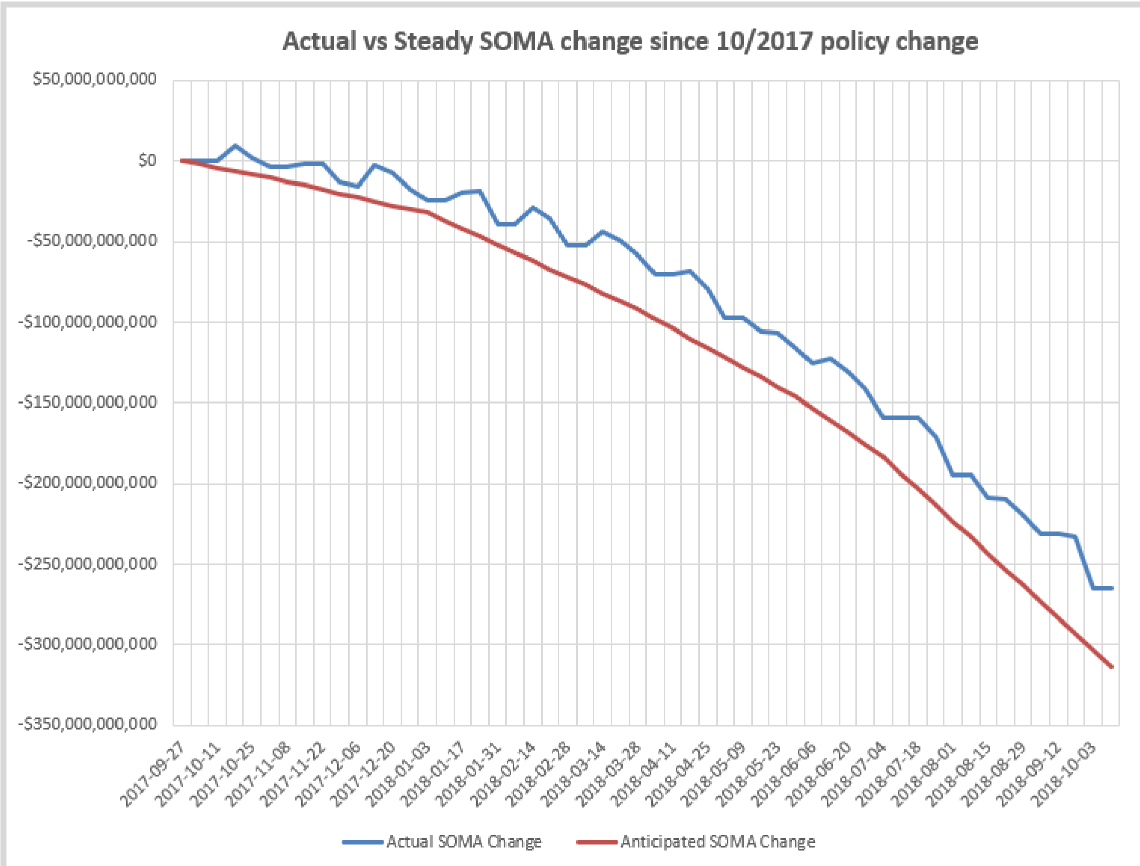
*Does not reflect inflation compensation of 21,953,412.3

**Fannie Mae, Freddie Mac and Federal Home Loan Bank

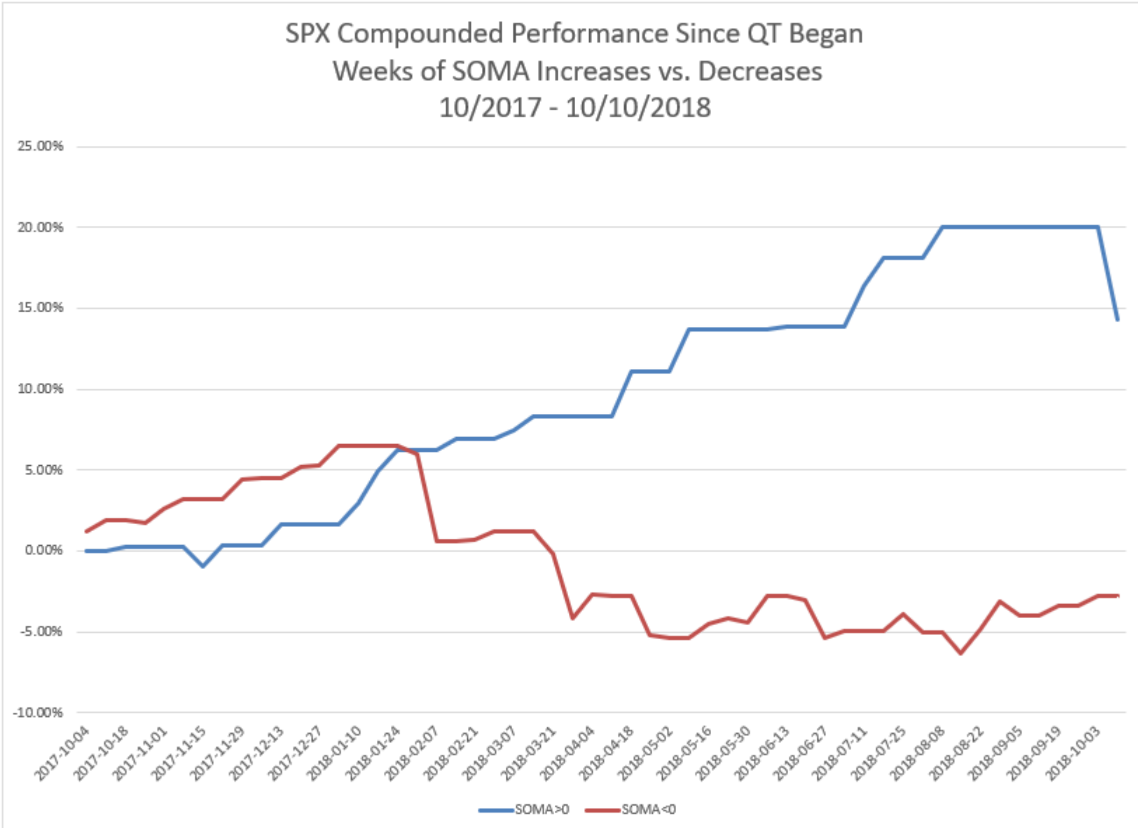
***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

Data posted on 10/11/2018 4:30pm.

And now a zoomed-in view since October comparing steady reductions to actual.



The Fed's SOMA this past week (Wednesday to Wednesday) saw a very slight increase of $3 million. That is in line with expectations that I laid out here the last couple of weeks. Meanwhile, the SPX suffered a 4.8% drop during this week ending Wednesday 10/10. That is a massive drop for a week in which the SOMA saw an increase. In fact, it is the 1st time the SPX has fallen at all during a SOMA expansion week since last November. The "Actual vs Steady" chart shows that the rise in the SOMA balance this past week was opposite of what we see in a "typical" week with the QT rate being $50 billion / month. While it was not the case this past week, the market has typically encountered difficulty during SOMA contractions, and flourished when the SOMA has seen expansions. I discuss this in detail in the Fed-Based Quantifiable Edges for Stock Market Trading Research Paper. This next chart shows compounded results since QT began of being long SPX during SOMA expansion weeks vs SOMA contraction weeks. It is updated from last week.



The blue-line represents weeks where the SOMA balances rose. This "expansion week" strategy has now seen its 15-week winning streak busted up. Still, since last October the blue "expansion week" strategy would have posted a 14.3% gain while the red "contraction week" strategy would have lost 2.8%. So how might the next few weeks of QT play out? Let's first look at the T-Note and T-Bond Maturity Table below, from the Fed's website.

« As of 10/03/2018

DOMESTIC SECURITIES HOLDINGS AS OF

October 10, 2018

Summary | T-Bills | **T-Notes and T-Bonds** | FRN | TIPS | Agencies

Maturity Date	CUSIP	Coupon (%)	Par Value (in Thousands)	% of Total Outstanding [1]	Change in Par from Prior Week [2]	Change in Par from Prior Year [2]
10/31/18	912828T83	0.750	1,571,797.0	5.70%		
10/31/18	912828WD8	1.250	3,542,000.0	10.12%		
10/31/18	912828RP7	1.750	17,812,617.0	59.17%		
11/15/18	912810EB0	9.000	3,842,000.0	53.55%		
11/15/18	912828M64	1.250	122,282.3	0.51%		
11/15/18	912828JR2	3.750	30,339,856.6	52.90%		
11/30/18	912828U40	1.000	2,767,228.7	9.62%		
11/30/18	912828A34	1.250	5,652,000.0	16.15%		
11/30/18	912828RT9	1.375	16,496,968.3	54.42%		

We see here that there are no treasuries set to mature until the last day of the month. So any QT between now and then will be due to AMBS securities rolling off the books. Compared to treasuries, AMBS flows are a little more difficult to anticipate. This is because 1) amounts may vary depending on loan pre-payments, and 2) there is a lag of 1-3 months to settle. For those interested in details, AMBS policies and procedures are described in more detail at the Fed's website: https://www.newyorkfed.org/markets/ambs-treasury-faq. I have found that examining past months will often provide clues as to the flows we can anticipate during similar periods of the current month.

There has only been one other week since QT began that ended on the 17th, and that was January. That month saw a good-sized increase in the SOMA. July, April, and last October all saw weeks end on the 18th, and they all saw increases as well. Meanwhile, the week ending May 16th did see the SOMA decline. So this week, ending on Wednesday, it again appears that a strong amount of QT is unlikely, and another increase could very well be in the works.

The following week, ending on the 24th, is also not entirely clear. At this point I suspect a bit better chance of a small decline rather than a small rise.

Intermediate-term bullish evidence is waning, as most of the bullish studies have now either expired or been taken out with the recent decline. There is still the momentum study from the end of August suggesting further gains. And the Golden Cross formation is still in effect. Another upcoming positive is that seasonality will improve when we enter November as that begins both the "Best 6 Months", and bullish 3rd year of the Presidential Cycle. But right now the concerns remain much the same. Quantitative Tightening is light over the next couple of weeks, but that is continuing to rise. And the split market conditions we identified in September seem to be having an impact as the market decline is pretty much right on schedule with them. I was tempted to turn from intermediate-term neutral to slightly bearish. I may do that next week if nothing new emerges. But going into October opex it seemed a little early. So for now I will keep my intermediate-term outlook neutral. I am willing to take trades in either direction, but will not be very aggressive for short-term trades until a better-defined intermediate-term edge is backing the short-term edges.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

OpenCatapult Triggers

LOW @ $110.78 (bought @ limit)
LOW @ $109.74 (bought @ limit)
DHR @ $105.61 (bought @ limit)
LOW @ $106.29 (bought @ limit)
ABT @ $68.92 (bought @ limit)
ABT @ $68.38 (buy @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 6(LOW-3, DHR, ABT-2)

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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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
LOW(1/3)	10/5/2018	$110.64	$105.36	-4.77%		Catapult
LOW(1/3)	10/8/2018	$109.52	$105.36	-3.80%		Catapult
DHR(1/3)	10/9/2018	$105.61	$103.38	-2.11%		Catapult
SPY(1/4)	10/9/2018	$287.39	$275.95	-3.98%		Aggregator
LOW(1/3)	10/11/2018	$106.29	$105.36	-0.87%		Catapult
ABT(1/3)	10/11/2018	$68.92	$69.33	0.59%		Catapult
SPY(1/4)	10/11/2018	$277.08	$275.95	-0.41%		Aggregator

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found here.