

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 11, 2019

Volume 12 Issue 197

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Columbus Day and October Opex next week could provide some positive seasonality in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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 10, 2019	SPX up > 0.5%. Lowest volume 20 days	1-3 days	Bearish	-1.40%	0.80%	1.60%
October 4, 2019	SPY 20-low yest. 20 intra today thn up	1-7 days	Bullish			
Active - Long Term						
October 9, 2019	3rd 1% Drop in 10 days > 200ma	1-20 days	Bullish	3.85%	-3.00%	-5.70%
September 20, 2019	RUT down 3. SPX 3-day high.	1-10 days	Bullish	3.60%	-0.90%	-1.95%
September 13, 2019	DJI up 7 days in a row	1-19 days	Bullish			
September 13, 2019	SPX RSI(2) > 99	1-15 days	Bullish			
September 9, 2019	NYSE Advance/Decline Line breakout	1-40 days	Bullish			
August 26, 2019	SPX down 4 weeks but > 40-week ma	1-10 weeks	Bullish	8.65%	-3.30%	-7.70%
August 1, 2019	QT over.	int term	Neutral			
April 2, 2019	Golden Cross	int term	Bullish			
Dropped Tonight						
October 9, 2019	3rd 1% Drop in 10 days	1 day	Bullish			
October 3, 2019	20 LoGapDn and Close < Open	1-5 days	Bullish			

The Evidence

Thursday was an up day. The SPX rose 0.6%, the NASDAQ rallied 0.6%, and the Russell 2000 gained 0.4%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 69%. NYSE volume rose a little from Wednesday's very light level.

The day's action really did nothing to generate compelling new studies. But there are some upcoming seasonal factors to keep in mind.

While the stock market is open on Monday, banks, schools, government offices, and the bond market are closed. In past years with the bond market closed, the stock market has done quite well on Columbus Day. Of course the most famous Columbus Day rally was in 2008 when the market gained over 11% after having crashed the week before. In the 10/8/18 subscriber letter I showed that positive momentum leading up to Columbus Day has generally led to a positive Columbus Day. But there has not been a strong edge when the market stumbled heading into Columbus Day. Columbus Day has been celebrated on the 2nd Monday of October since 1971. Below is an updated breakdown of the study. First, times where there was momentum heading into it.

Today is Friday before Columbus Day and SPX is up over the last week.
Buy on close. Sell Columbus Day close. \$100k/trade. 1971 - present.

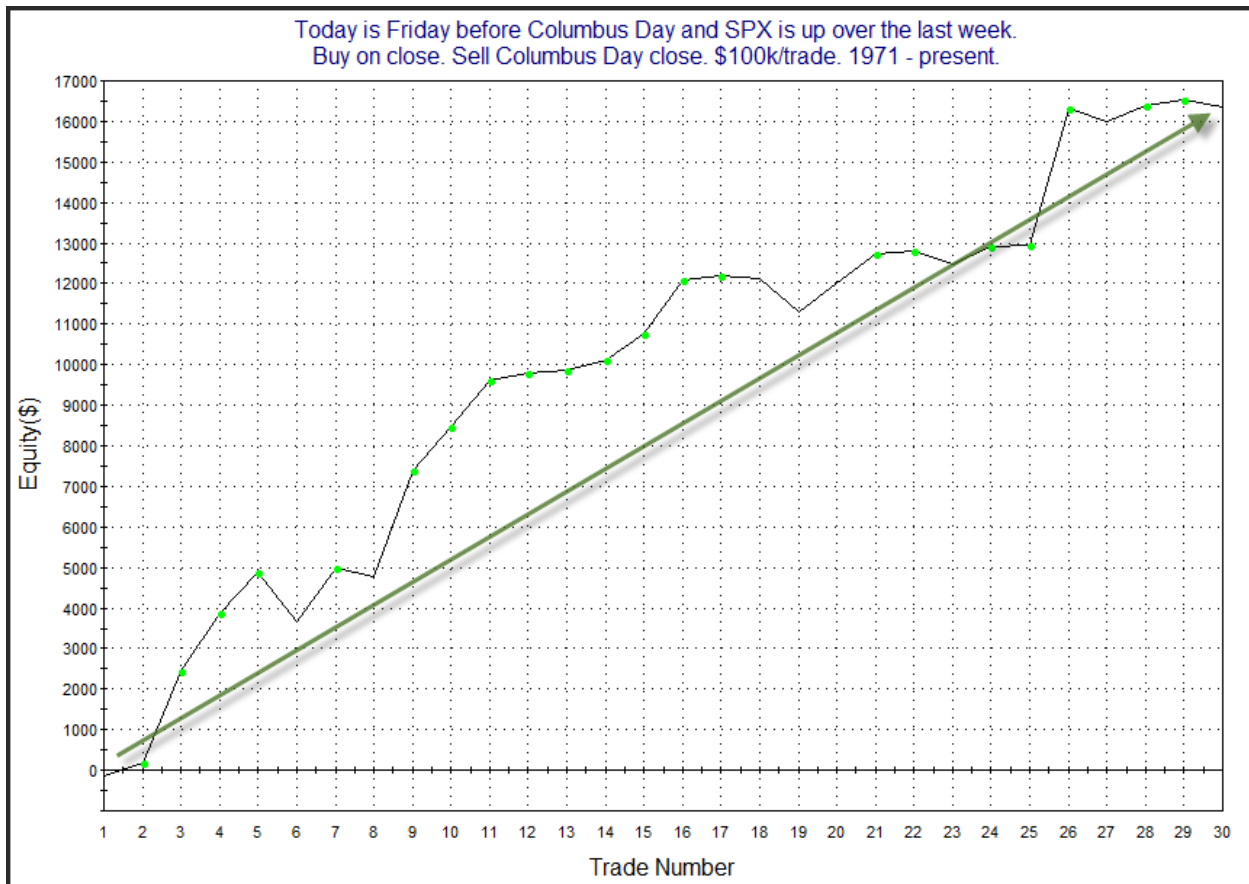
TradeStation Performance Summary

Expand ▾

All Trades

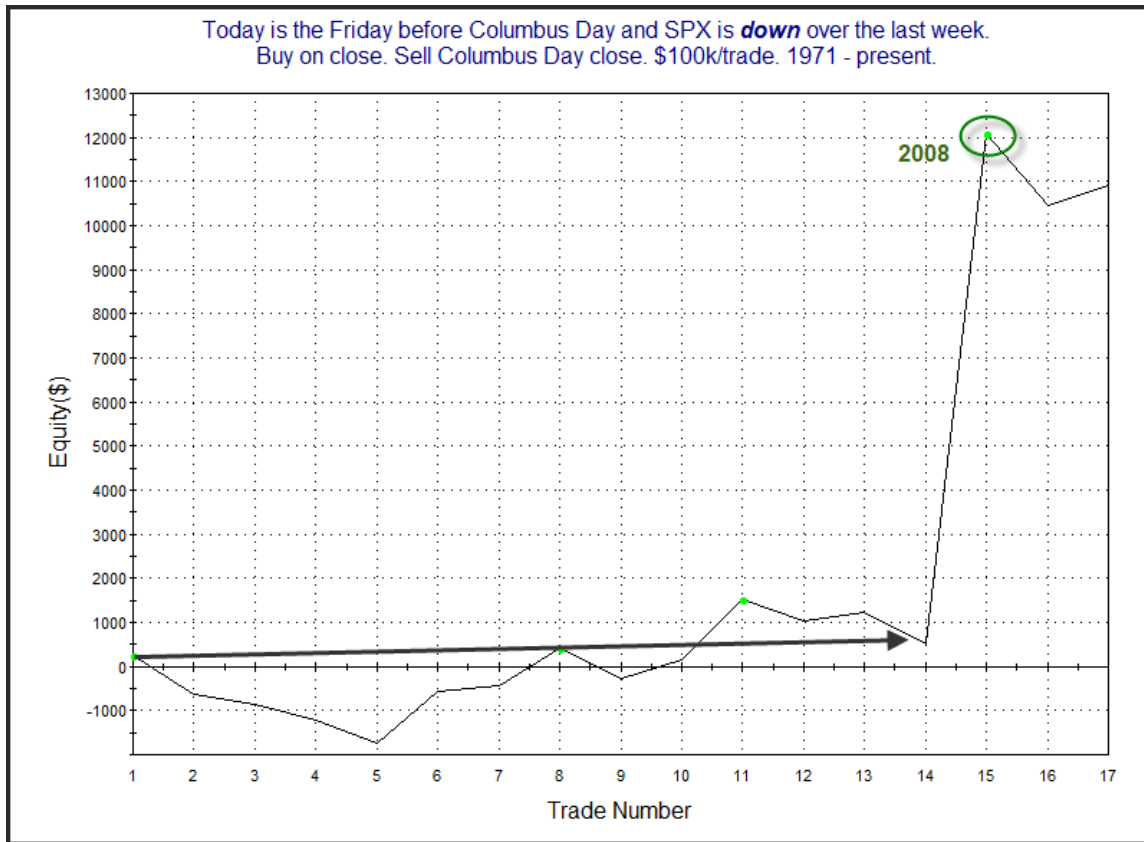
Total Net Profit	\$16,338.93	Profit Factor	5.90
Gross Profit	\$19,670.37	Gross Loss	(\$3,331.44)
Total Number of Trades	30	Percent Profitable	73.33%
Winning Trades	22	Losing Trades	8
Even Trades	0		
Avg. Trade Net Profit	\$544.63	Ratio Avg. Win:Avg. Loss	2.15
Avg. Winning Trade	\$894.11	Avg. Losing Trade	(\$416.43)
Largest Winning Trade	\$3,390.98	Largest Losing Trade	(\$1,248.22)

I've circled some of the more impressive stats here. With 73% of trades profitable and winners over twice the size of losers risk/reward has been very favorable. Below is a look at the profit curve.



The slope is clearly up. It certainly appears Columbus Day with upside momentum appears to provide a solid seasonal edge.

What about times without positive momentum? Below is an equity curve showing results of that setup.



As I mentioned above, 2008 was a huge outlier. Take away that one year and Columbus Day showed a mild negative return when the prior week was down. Overall, it does not appear to be a dependable edge. So this will be something to keep in mind on Friday as we approach the close. As of Thursday's close, SPX was down about 0.5% on the week.

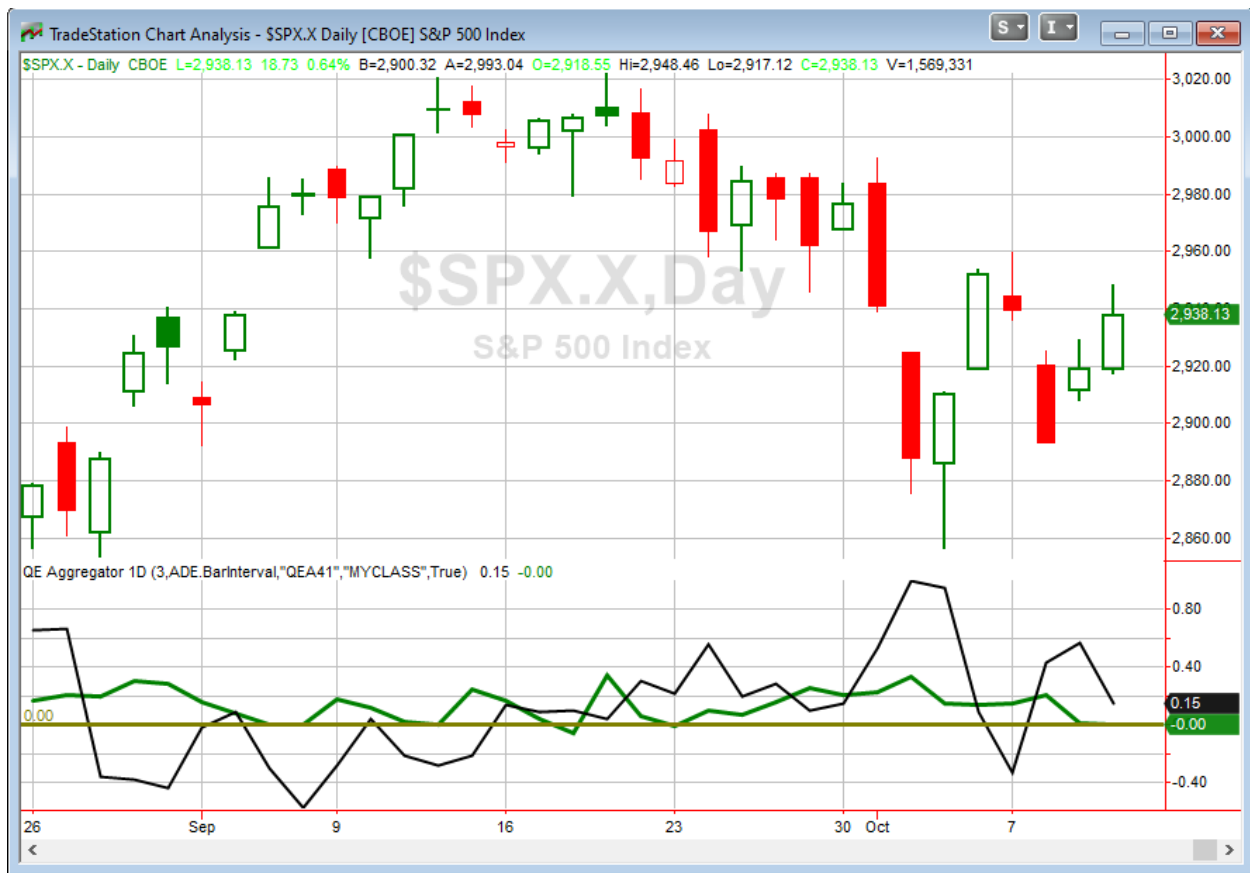
It is also notable that next week is options expiration. October Opex has seen the most gains of any week of the year, looking back to 1988. This can be seen in the chart below, which I copied from the 9/30/19 letter a few weeks ago.

SPX Performance Following the Month and Friday Specified.
\$100k/trade. \$0 commissions. 1988 - present. Top 10 and Bottom 10 Results Shown.

Month of Year	Fri of Month	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	2	30,156.58	31	23	8	74.19	7,282.10	-6,557.14	2,102.69	-2,275.66	0.92	2.66	972.79
10	5	11,672.23	12	9	3	75.00	3,853.85	-3,889.28	1,953.63	-1,970.15	0.99	2.97	972.69
4	2	30,168.20	32	21	11	65.63	5,731.96	-3,580.15	2,210.25	-1,477.00	1.50	2.86	942.76
11	4	28,468.45	31	23	8	74.19	7,362.46	-2,238.87	1,593.73	-1,023.41	1.56	4.48	918.34
3	2	28,873.96	32	23	9	71.88	7,515.60	-6,711.66	1,879.64	-1,595.30	1.18	3.01	902.31
1	4	28,205.23	32	20	12	62.50	4,860.00	-3,765.16	2,269.60	-1,432.22	1.58	2.64	881.41
10	4	25,057.61	31	22	9	70.97	10,485.72	-3,993.72	1,984.98	-2,067.99	0.96	2.35	808.31
3	4	21,343.46	32	22	10	68.75	4,194.44	-3,215.94	1,501.08	-1,168.02	1.29	2.83	666.98
9	2	19,859.74	30	21	9	70.00	5,313.08	-4,975.04	1,531.51	-1,366.90	1.12	2.61	661.99
12	5	10,411.28	17	11	6	64.71	3,714.66	-2,109.86	1,684.09	-1,352.28	1.25	2.28	612.43
2	3	-9,827.50	32	16	16	50.00	2,106.80	-4,509.84	841.94	-1,456.15	0.58	0.58	-307.11
12	1	-10,365.36	31	13	18	41.94	4,131.36	-3,728.04	1,358.92	-1,557.30	0.87	0.63	-334.37
1	3	-10,992.58	32	17	15	53.13	2,505.60	-5,602.80	1,103.51	-1,983.49	0.56	0.63	-343.52
11	5	-3,363.96	9	5	4	55.56	1,717.40	-4,574.88	1,220.49	-2,366.60	0.52	0.64	-373.77
10	1	-15,554.77	31	16	15	51.61	5,944.32	-18,000.90	2,026.24	-3,198.31	0.63	0.68	-501.77
3	3	-17,937.36	32	7	25	21.88	6,162.00	-5,895.00	2,826.00	-1,508.78	1.87	0.52	-560.54
6	3	-18,175.33	32	10	22	31.25	2,928.60	-3,626.75	1,146.73	-1,347.39	0.85	0.39	-567.98
9	3	-26,963.73	31	7	24	22.58	7,739.42	-6,525.56	2,011.18	-1,710.08	1.18	0.34	-869.80
4	5	-8,939.78	9	3	6	33.33	1,247.86	-6,368.04	818.59	-1,899.26	0.43	0.22	-993.31
7	5	-14,714.56	13	4	9	30.77	2,323.00	-7,153.30	1,168.92	-2,154.47	0.54	0.24	-1,131.89

I will take a closer look at October Opex week over the weekend. No new studies are being added tonight, but we do have some bullish seasonality on the way.

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



While it is difficult to decipher tonight, the green Aggregator Line dropped slightly below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line remained above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 signal turned flat at the close.

Based on the current list of active studies, expectations are set to flip back to bullish on Friday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 2907.05 on Friday. That is a 1.1% *below* Thursday's close. An inverted pivot means that the Differential Line would cross through zero if SPX closes flat. In this case, SPX would need to close down at least 1.1% in order to remain oversold. Anything other than that and it will be considered overbought vs recent expectations as of Friday's close.

So the Aggregator is now neutral. I don't see a strong edge here, and I am not inclined to get involved with new positions. We do have some strong seasonality approaching, and if the market gets oversold in the next few days, then that could be an opportunity to buy a dip. But I won't be looking to jump the gun on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/7 – bullish

The intermediate-term outlook was last updated in the 10/7/19 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult 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.

Current Open Trade Ideas

None

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

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2019 Quantifiable Edges, LLC.