

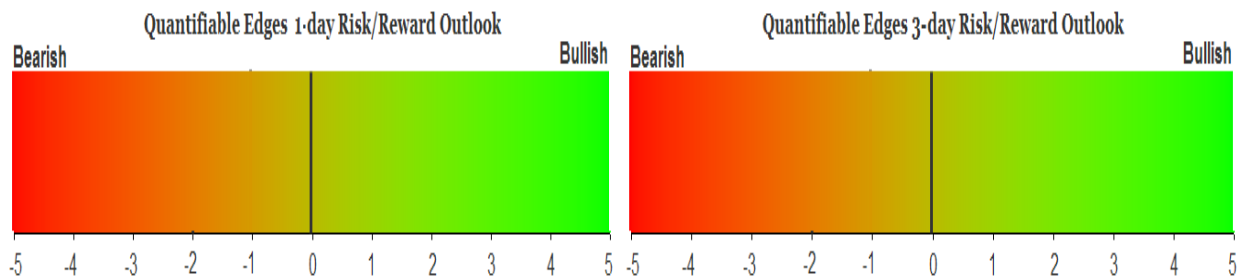
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 18, 2019

Volume 12 Issue 202

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Opex Friday has often seen bearish intraday returns, especially for the NASDAQ 100.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I. Bulls may want to take some caution intraday on Friday.

*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
<b>Active - Short Term</b>						
October 14, 2019	Up 2% in 3 days. 3/10 Ofst HV < 0.25	1-6 days	Bullish			
<b>Active - Long Term</b>						
October 9, 2019	3rd 1% Drop in 10 days > 200ma	1-20 days	Bullish	3.85%	-3.00%	-5.70%
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			
<b>Dropped Tonight</b>						
October 14, 2019	October Opex Week	1-4 days	Bullish			

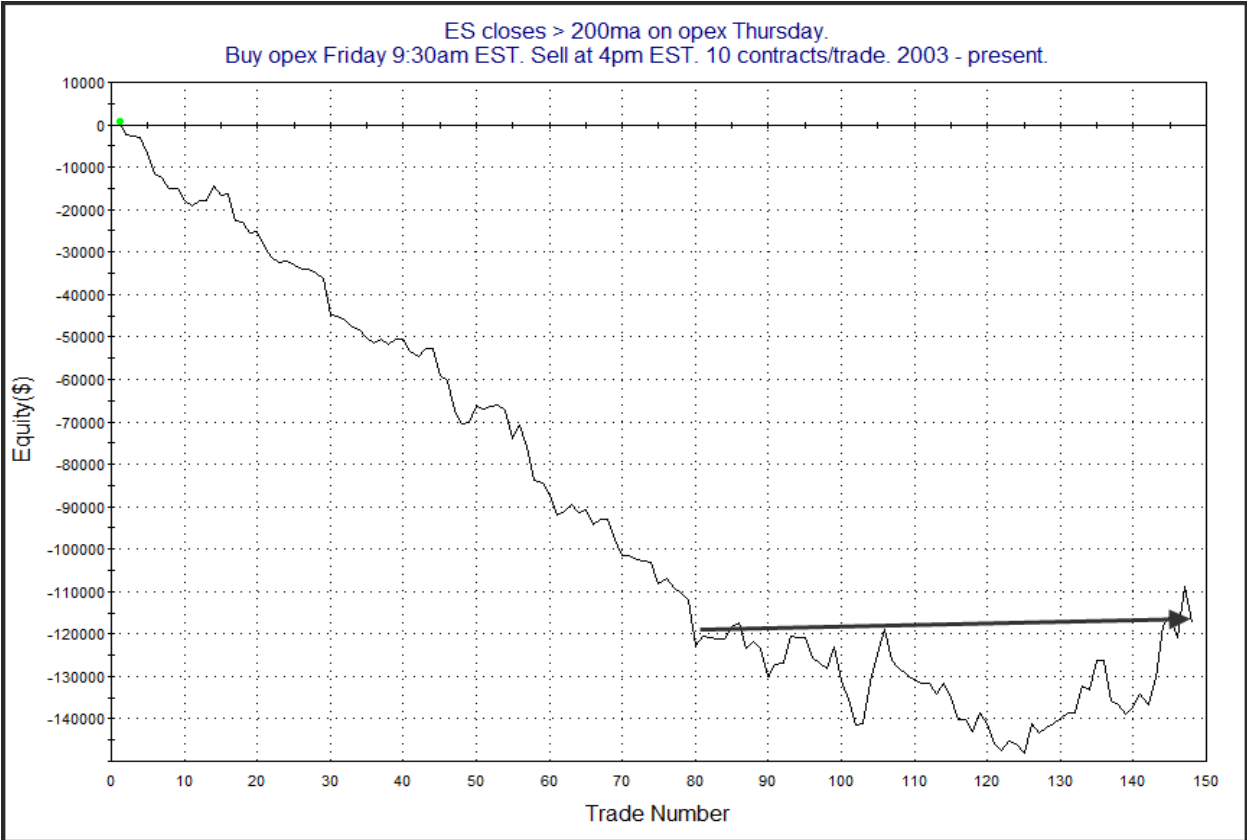
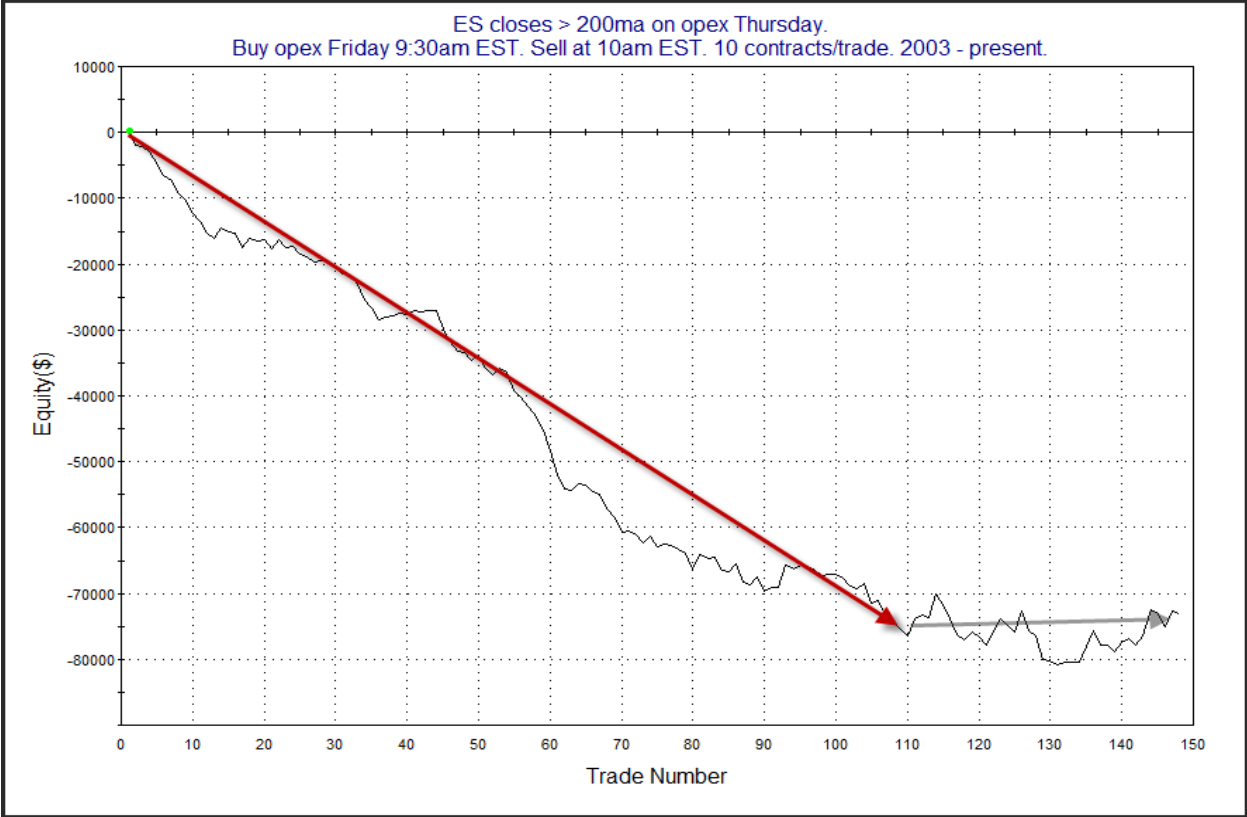
**The Evidence**

Thursday saw the market put in some gains. The SPX rose 0.3%, the NASDAQ climbed 0.4%, and the Russell 2000 rallied 1.1%. Breadth was also positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 67%. NYSE volume declined for the 2<sup>nd</sup> day in a row.

Thursday was the 4<sup>th</sup> day in a row that the market changed direction. This chop near the top end of its range is not generating compelling evidence. There is a seasonal factor that may come into play on Friday. The market has often struggled on opex Friday. Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. This table is updated from the 7/20/18 letter.

ES closes > 200ma on opex Thursday. Buy opex Friday 9:30am EST. Sell at time shown on left (EST). 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: 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	-118,750.00	148	64	81	43.24	13,875.00	-16,125.00	2,824.22	-3,697.53	0.76	0.60	-802.36
1,500	-96,625.00	148	57	86	38.51	11,625.00	-11,625.00	3,087.72	-3,170.06	0.97	0.65	-652.87
1,400	-117,375.00	148	49	92	33.11	12,500.00	-10,750.00	2,903.06	-2,822.01	1.03	0.55	-793.07
1,300	-96,500.00	148	52	95	35.14	11,375.00	-12,375.00	2,822.12	-2,560.53	1.10	0.60	-652.03
1,200	-94,125.00	148	53	95	35.81	12,000.00	-9,750.00	2,594.34	-2,438.16	1.06	0.59	-635.98
1,100	-72,125.00	148	57	89	38.51	14,625.00	-7,625.00	2,067.98	-2,134.83	0.97	0.62	-487.33
1,000	-73,125.00	148	44	101	29.73	3,875.00	-3,625.00	1,181.82	-1,238.86	0.95	0.42	-494.09

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 4pm. But as you can see below, over the last couple of years, the downside tendency has *not* persisted.

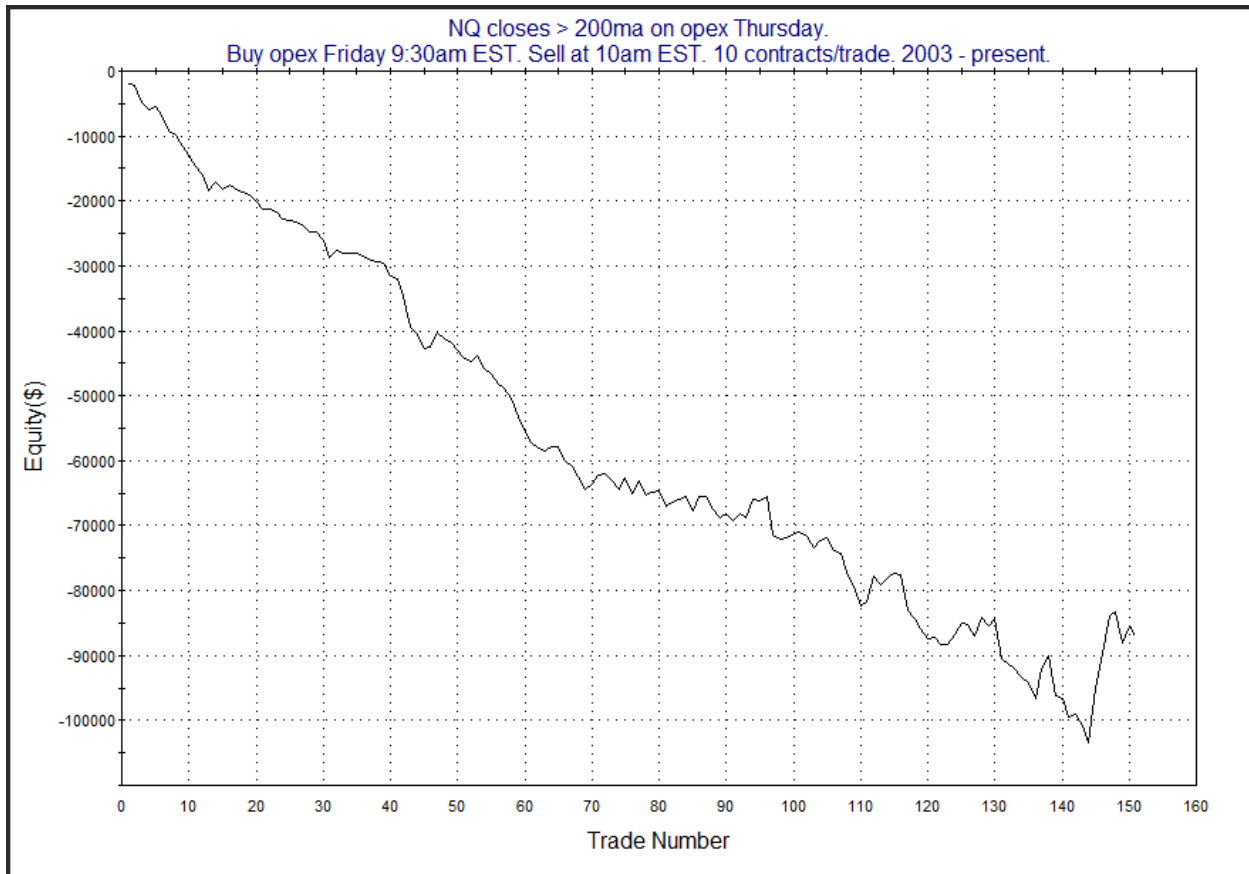


So perhaps this bearish tendency that persisted for a long time is no longer in play. But tonight I also looked at NQ (the NASDAQ 100 future). Results there were interesting. Here is the results table to start.

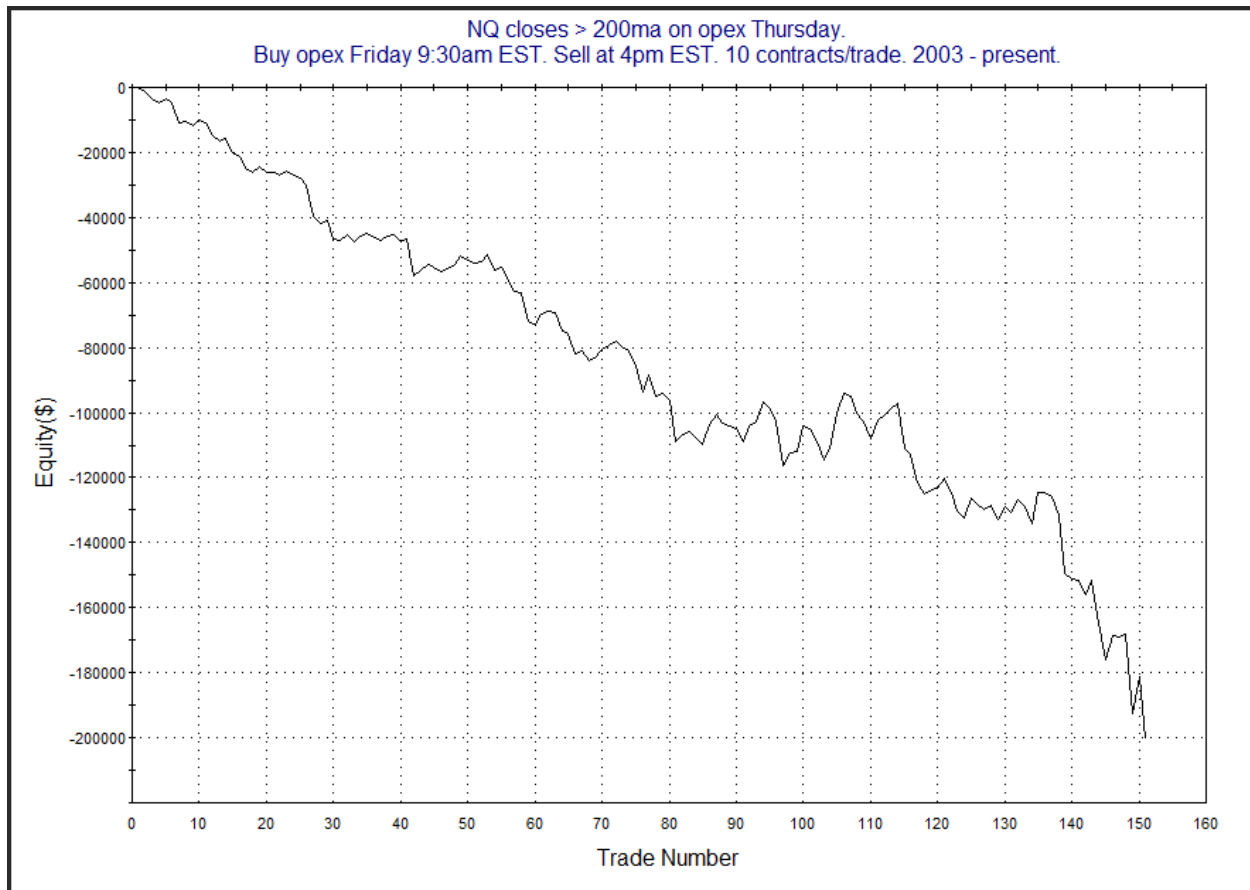
NQ closes > 200ma on opex Thursday.  
Buy opex Friday 9:30am EST. Sell at time shown on left (EST). 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short2: 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	-200,500.00	151	61	90	40.40	11,150.00	-24,200.00	2,700.00	-4,057.78	0.67	0.45	-1,327.81
1,500	-158,400.00	151	58	92	38.41	11,100.00	-17,650.00	2,877.59	-3,535.87	0.81	0.51	-1,049.01
1,400	-169,700.00	151	51	100	33.77	12,800.00	-17,850.00	2,637.25	-3,042.00	0.87	0.44	-1,123.84
1,300	-127,800.00	151	56	93	37.09	11,050.00	-18,850.00	2,583.04	-2,929.57	0.88	0.53	-846.36
1,200	-114,450.00	151	60	90	39.74	11,050.00	-14,900.00	2,416.67	-2,882.78	0.84	0.56	-757.95
1,100	-82,200.00	151	54	97	35.76	17,650.00	-10,200.00	2,644.44	-2,319.59	1.14	0.63	-544.37
1,000	-87,000.00	151	46	101	30.46	8,300.00	-6,150.00	1,490.22	-1,540.10	0.97	0.44	-576.16

Like ES, we see bearish number historically. Next let's look at the curves. First, the 10am exit.

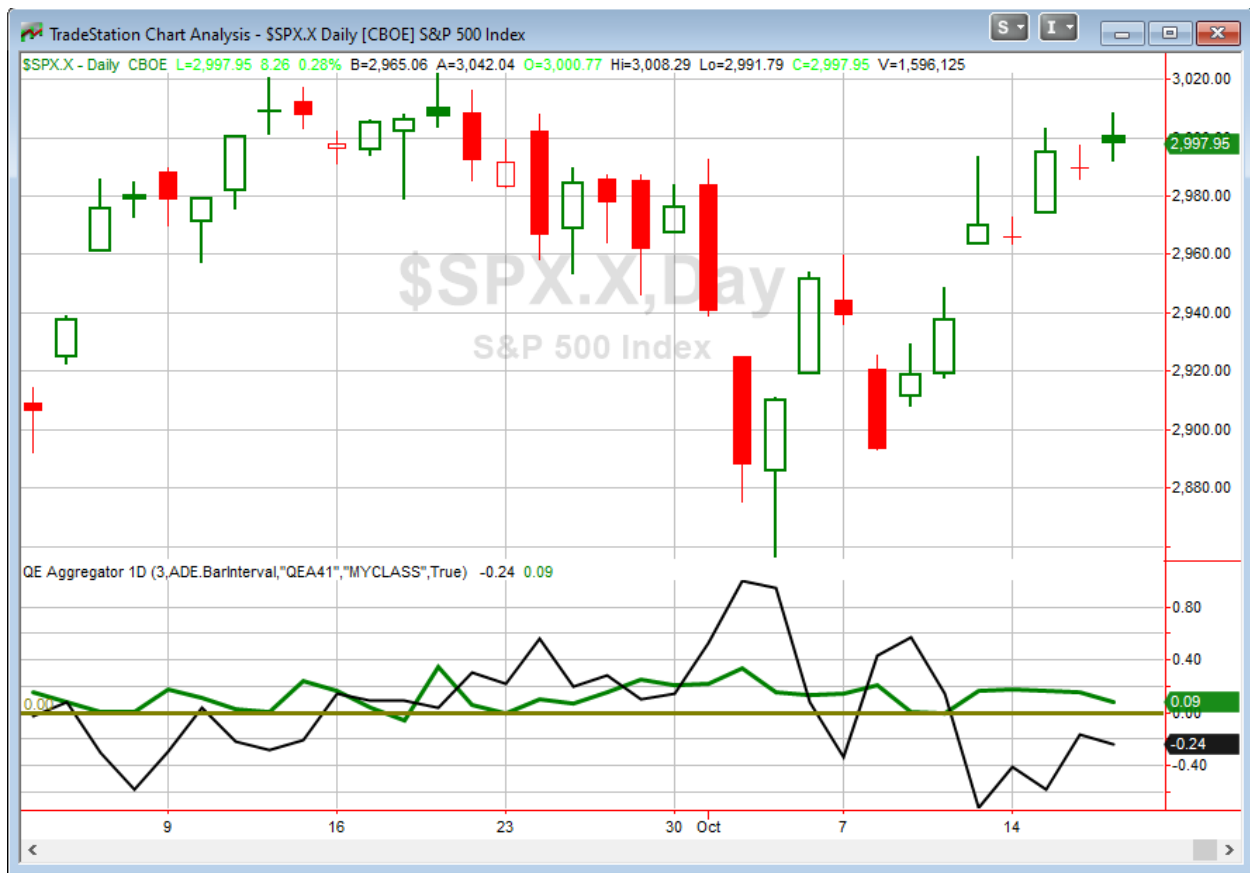


Like ES, recent instances have not shown a bearish tendency. But check out the 4pm exit.



The bearish edge appears alive and well here. I would certainly be more convinced if this downside inclination was confirmed by recent ES action. Still, this may be worth keeping in mind for Friday's trading.

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



Without any new evidence being added tonight, the green Aggregator Line remained squarely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means 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 signal stayed flat at the close.

Based on the current list of active studies, expectations are set to remain bullish on Friday. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3011.03 on Friday. That is 0.4% *above* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.4% on Friday in order to remain overbought. Anything less than that and it will be considered oversold vs recent expectations as of Friday's close.

So the Aggregator is again neutral. Evidence is fading. The Differential Pivot is now inverted, and the market has been chopping each day this week. This is still not a setup I find attractive. Very nimble traders could possibly take advantage of intraday shorting opportunities on Friday. But from my swing perspective, the waiting game continues.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 10/14 – bullish***

## **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.](#)*

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