

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 1, 2020

Volume 13 Issue 191

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The afternoon selling on the last day of the month set up Thursday with a bullish turn-of-month edge.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral and so am I.

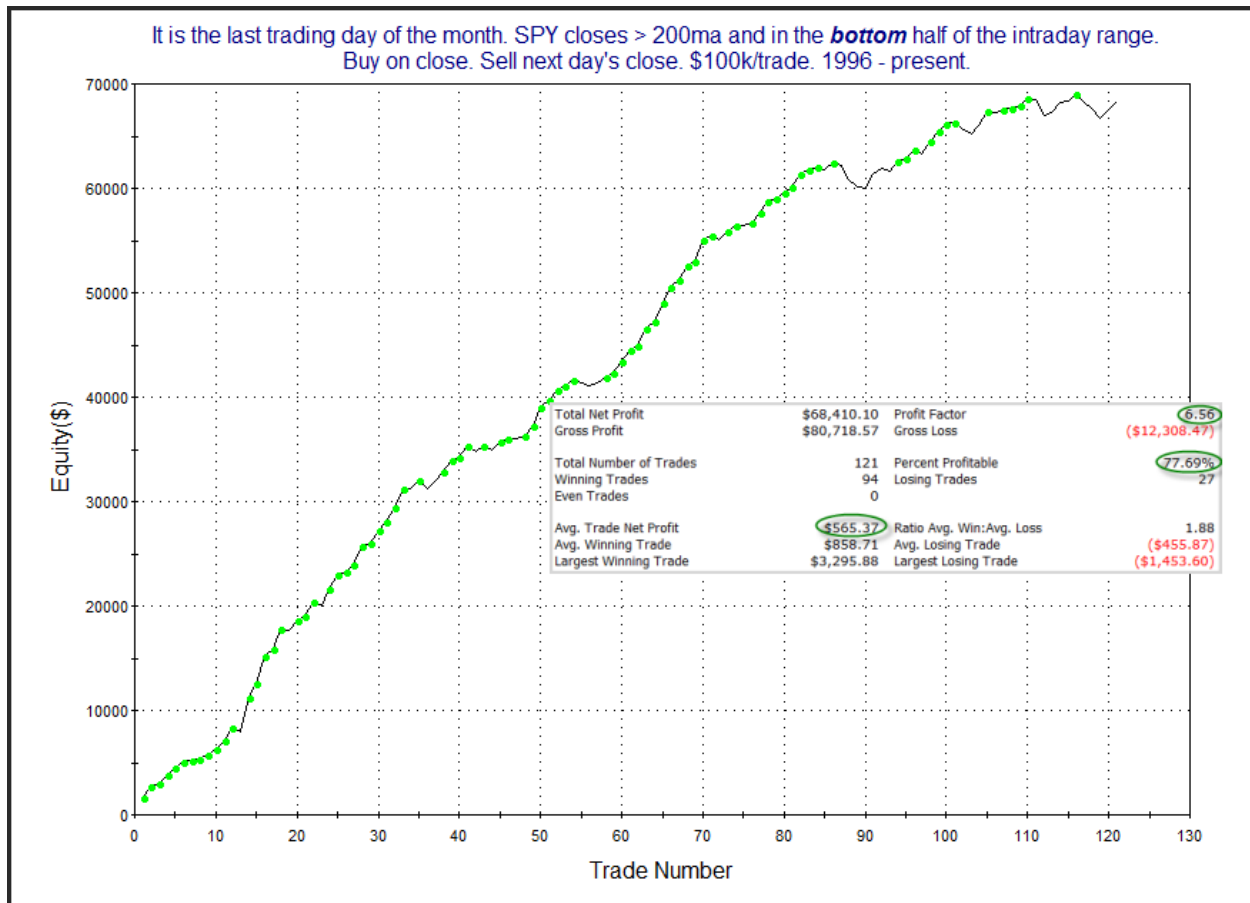
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
October 1, 2020	Weak close to finish month	1 day	Bullish			
September 28, 2020	2 Days up < 3 ago studies	1-4 days	Bullish	2.00%	-1.00%	-2.05%
<b>Active - Long Term</b>						
September 28, 2020	NASDAQ Leading	int term	Bullish			
September 28, 2020	4 weeks down > 40-week ma	1-10 weeks	Bullish	8.60%	-3.10%	-7.40%
August 27, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
July 24, 2020	NDX big dn day. SPX new high.	1-50 days	Bullish	6.00%	-2.85%	-5.50%
July 9, 2020	Golden Cross	int term	Bullish			
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
September 30, 2020	SPY down > 0.5%. No fill yest gap.	1 day	Bearish			

***The Evidence***

Wednesday saw the market rise some, making the month-end numbers a little better (but still pretty bad). The SPX rallied 0.8%, the NASDAQ climbed 0.7%, and the Russell 2000 rose 0.2%. Breadth was positive as the NYSE Up Issues % was 53% and the Up Volume % came in at 65%. NYSE total volume rose some from Tuesday's level.

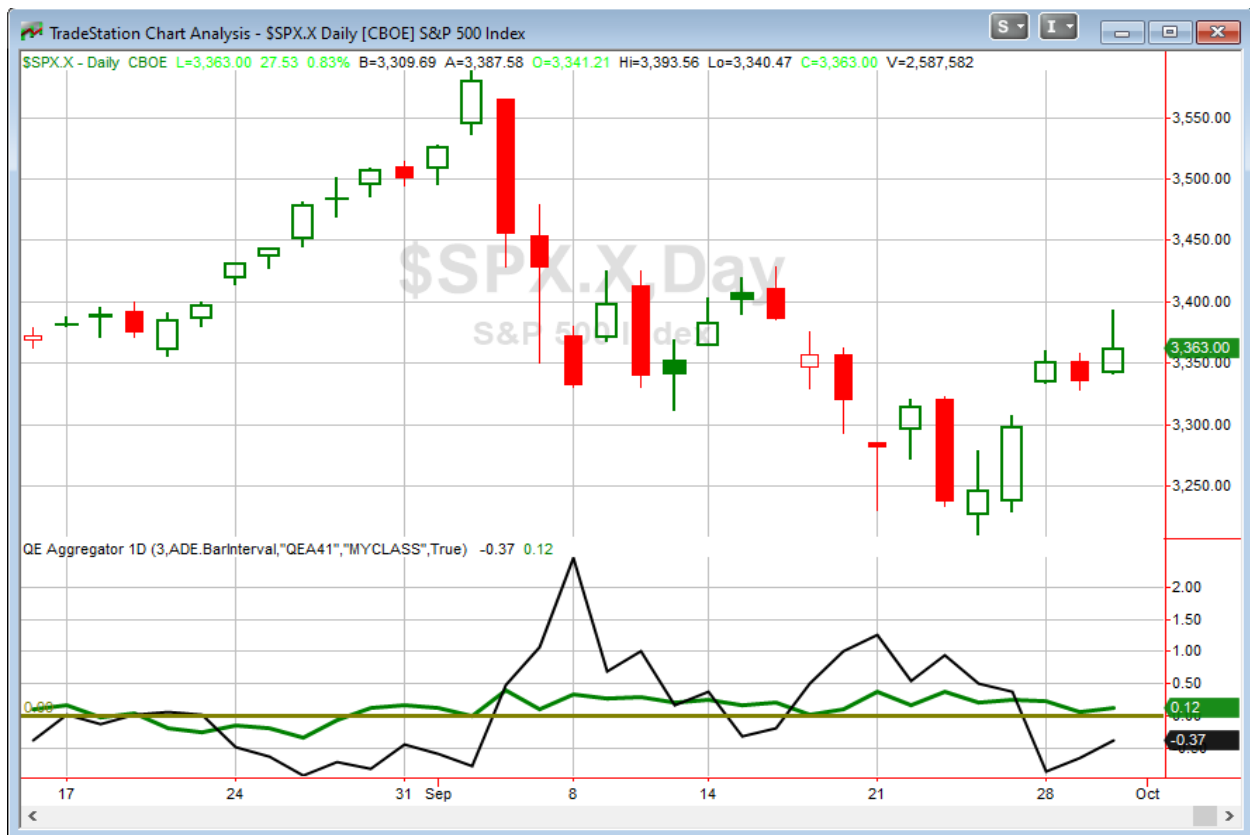
Last night I showed some studies regarding the turn-of-the-month edge, and how it has been substantially stronger when the last day of the month closes in the bottom half of the day's range, as opposed to the top half. On Wednesday, afternoon selling led to the kind of weak close that has long suggested an upside edge for the next day. Below again is the study I showed last night.



As I said last night...*The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 6.5x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 121 instances. And despite a few recent failures, the curve has shown progress over a long period of time. This setup certainly appears to provide a 1-day bullish edge.*

Price action on Wednesday did not generate any other studies that suggested a compelling short-term edge.

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



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained below 0. 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 signal stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. With the last remaining short-term studies expiring, the positive expectations would be entirely thanks to the intermediate-term bias. Of course any new short-term evidence that emerges could have a strong impact on expectations over the next few days. Meanwhile, the Differential Pivot will be *inverted at 3374.96* on Thursday. That is about 0.4% *above* Wednesday'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 about 0.4% in order to remain "overbought" vs recent expectations. Anything less than that and it will flip to "oversold" as of Thursday's close.

So the Aggregator is again neutral. With the inverted pivot, things could be setting up for a bullish Aggregator. But evidence beyond Thursday is weak, and there is no telling what new evidence might emerge on Thursday. I'll wait until more compelling directional evidence emerges before considering a new index position.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/28 – slightly bullish***

The intermediate-term outlook was last updated in the 9/28/20 Letter. It can be found in the [most recent weekly letter](#) on the website.

**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 tonight.**

**Current Open Trade Ideas**

**None.**

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