

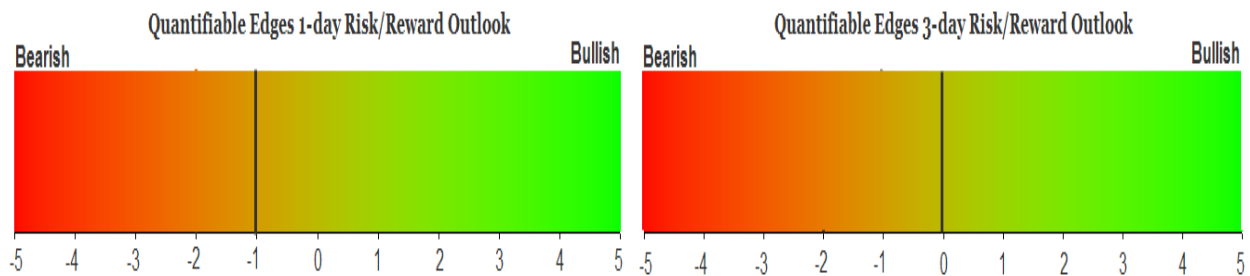
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 8, 2020

Volume 13 Issue 196

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPY's unfilled gap up and move higher happened in a way that suggests a possible dip on Thursday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Thursday could have a bit of a downside edge, but the market is volatile, and the short-term appears more subject to news events than usual.

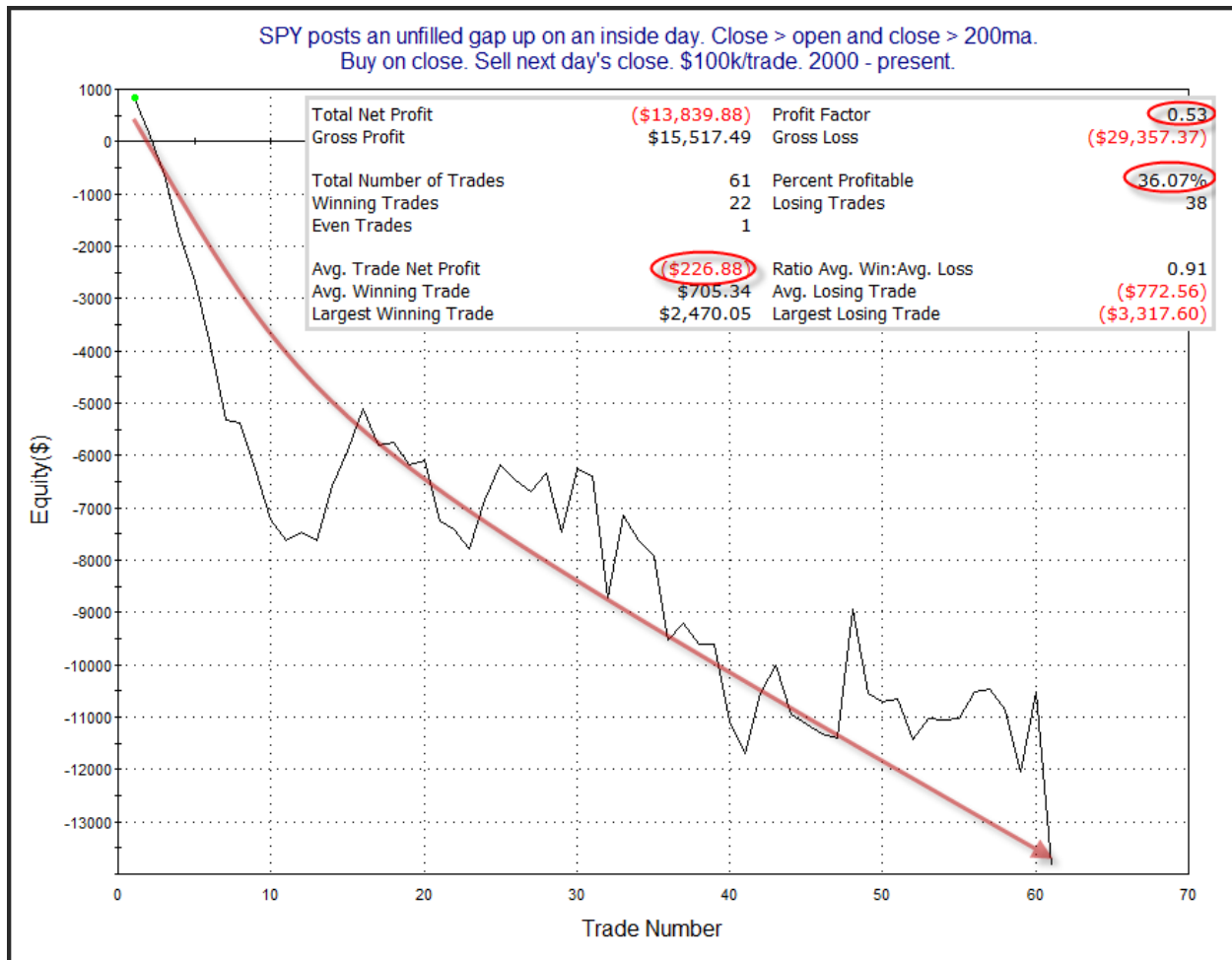
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 8, 2020	SPY unfilled gap up inside day > 200	1 day	Bearish			
October 7, 2020	Up yest. Outside day 1% dn > 200.	1-5 days	Bullish	1.95%	-1.10%	-2.10%
Active - Long Term						
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 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			

The Evidence

The market opened up strong and continued higher on Wednesday. SPX gained 1.7%, the NASDAQ rose 1.9%, and the Russell 2000 rallied 2.1%. Breadth was positive as the NYSE Up Issues % was 73% and the Up Volume % came in at 83%. NYSE total volume declined some from Monday's level.

The back and forth chop the last few days did not inspire much new evidence for tonight. But we did have one study suggesting possible 1-day bearish implications based on Wednesday's action. The study looks at days like Wednesday where the market gaps higher, never fills, and moves higher from open to close without making a higher high. Last seen in the 2/4/20 letter, results below are updated.



Implications here appear somewhat bearish. The profit curve is not ideal, but it still appears to suggest a downside edge. Overall, this study appears to be worth some consideration, and I have included it on the active list tonight.

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



Even with tonight's study 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 dropped 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 turned flat at the close.

Based on the current active list, expectations are set to remain positive on Thursday. Of course, this could change if new bearish evidence emerges. It could also change if the market rises just a little bit more and the bullish study from last night fulfills its target early, and is therefore removed from the Active List. Meanwhile, the Differential Pivot will be 3405.68 on Thursday. That is 0.4% below Wednesday's close. Therefore, SPX will need to close down at least 0.4% on Thursday in order to flip from overbought to oversold vs recent expectations.

Overall, there may be a moderate downside edge for Thursday. But with the news cycle we are in (debate tonight, COVID, stimulus plan, and whatever other wild event the market can latch onto), I would not be inclined to trade such a moderate and short-term edge. Show me a real stretch with evidence pointing at a reversal, and I'll be much more interested in a short-term index trade. We are not there right now.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/5– “temporarily” neutral

The intermediate-term outlook was last updated in the 10/5/20 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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