

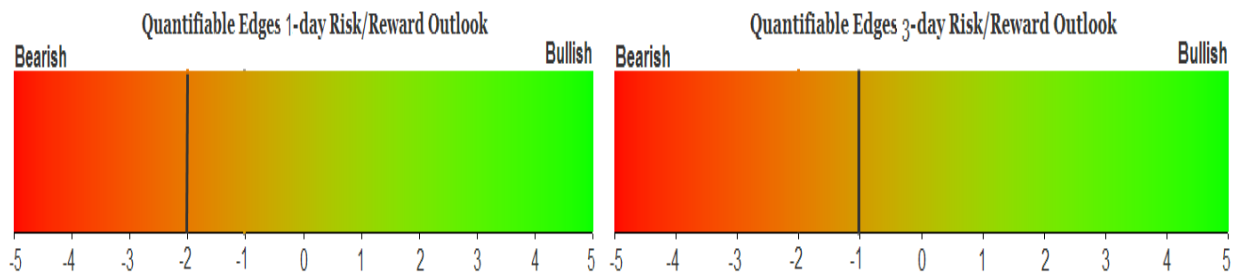
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 13, 2020

Volume 13 Issue 199

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- The rising VIX with SPX at a 10-day high under similar circumstances has shown a downside tendency the next day.

Short-term Outlook

The Bottom Line

There appears to be a short-term downside edge. But current bearish evidence only lasts through Tuesday. After that, expectations could easily flip back to bullish.

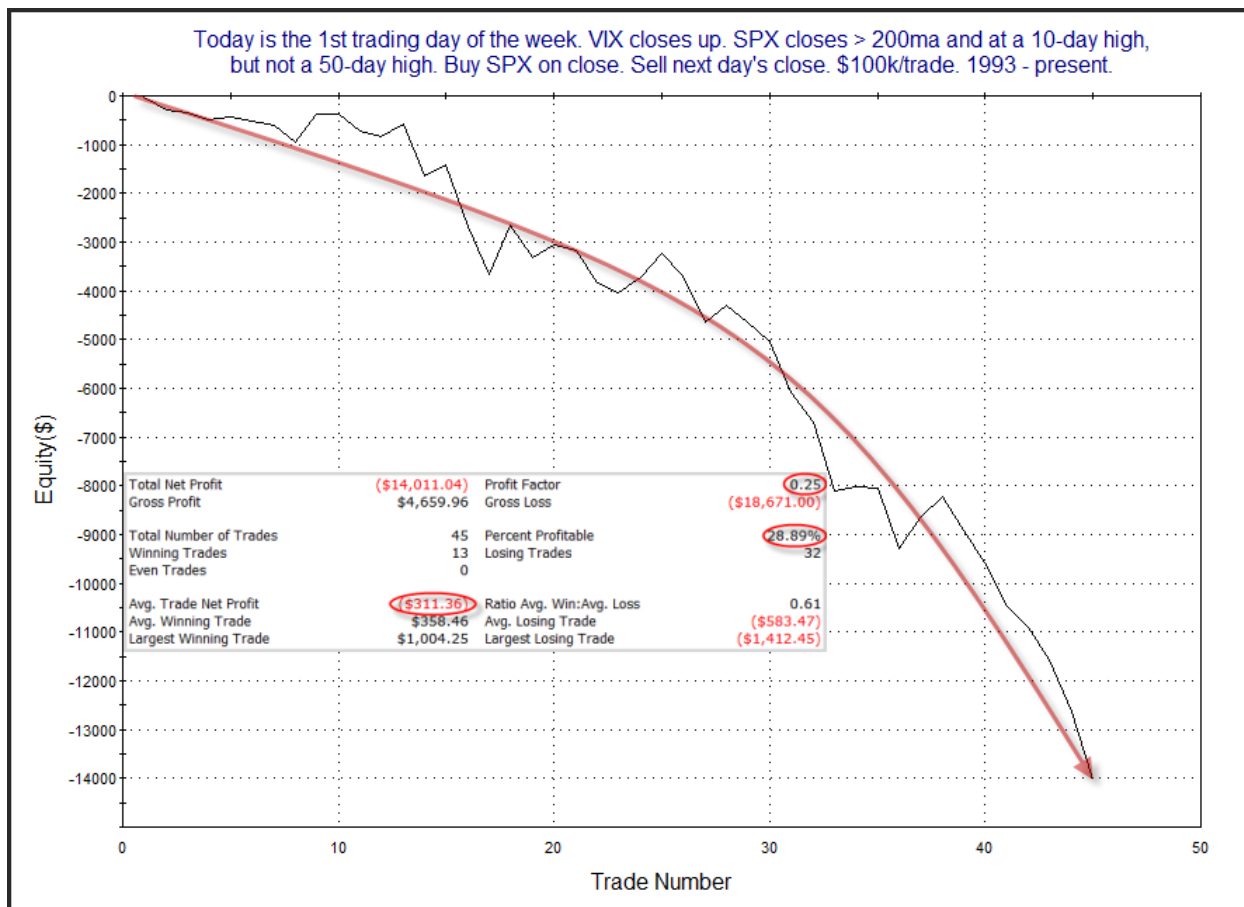
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 13, 2020	SPX 10-high < 50-high. VIX up. Monday	1 day	Bearish			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
October 12, 2020	Columbus Day bullish	1 day	Bullish			
October 12, 2020	October Opex week bullish	1-4 days	Bullish	1.70%	-1.20%	-2.65%
October 12, 2020	90%NDX Issues > 20ma	1-4 days	Bullish	1.30%		

The Evidence

Monday was a big rally day. The market gapped up and added to those gains for the 4th day in a row. SPX closed up 1.6%, the NASDAQ rose 2.6%, and the Russell 2000 climbed 0.7%. Breadth was positive. The NYSE Up Issues % came in at 61% and the Up Volume % was 64%. NYSE total volume declined some from Friday's level.

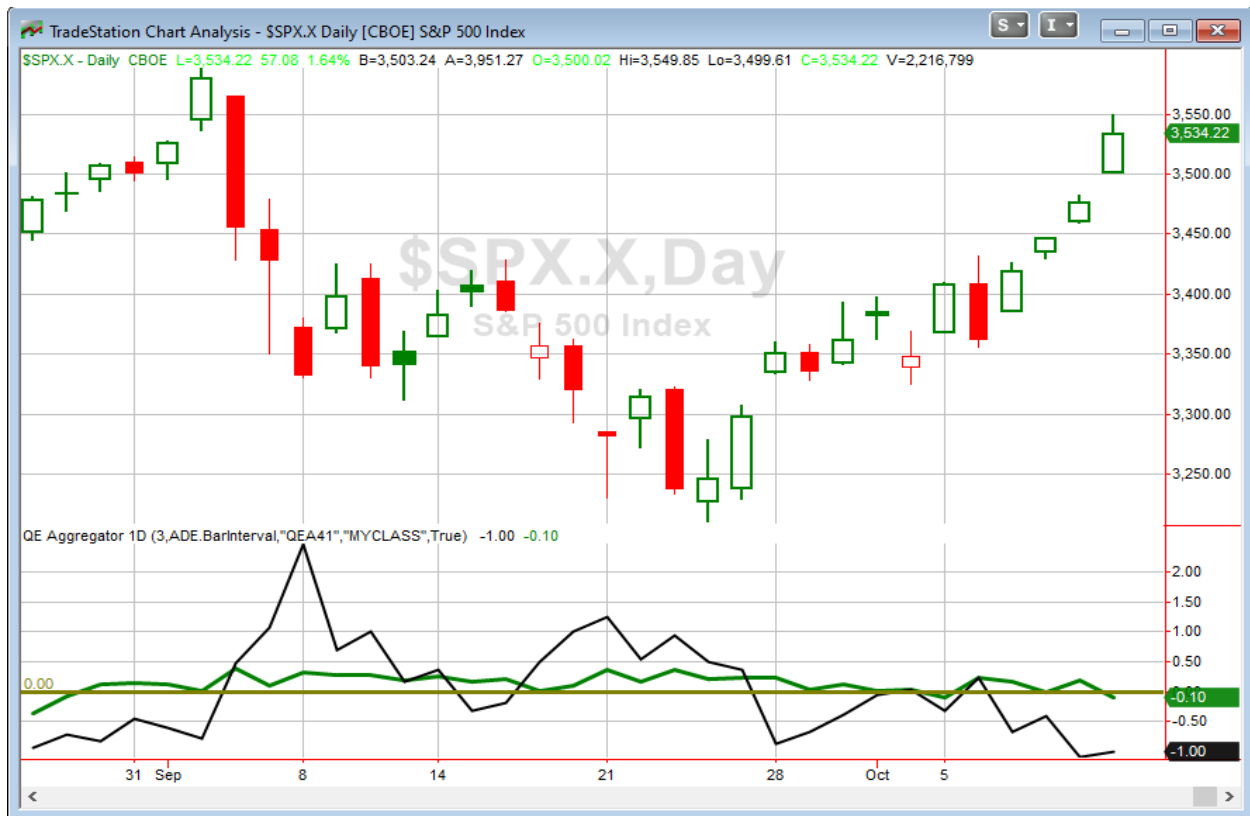
While the SPX closed higher, so did the VIX. This is against the norm as they will most often close in the opposite direction. But the VIX has a natural tendency to decline on Friday afternoons ahead of the weekend and then rise on Mondays after the weekend. So occurrences of the both rising are more common on Monday than on any other day of the week. In a strong bull market with SPX hitting 50-day or greater highs, the fact that they both close higher on a Monday has not mattered a whole heck of a lot. But when the SPX has been short-term overbought without making intermediate-term highs as it is now, the inclination has appeared bearish for the next day. This can be seen in the study below, which is updated from just last week in the 10/6/20 letter.



The strong, persistent downslope is impressive, and the curve is continuing to make new lows. There have been more than 2x as many losers as winners and the losers were larger on average. Both the curve and the numbers support the idea of a bearish tendency. I have included this study on the Active List tonight.

I will also note that all 3 bullish studies from over the weekend have been removed from the short-term active list, since they all quickly reached their upside objectives.

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



With tonight's evidence considered, the green Aggregator Line fell below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line is still far below 0. The negative Differential Line reading means that SPX is substantially overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

Based on the current active list, expectations are set to turn back to positive on Tuesday. Of course, this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3459.50 on Tuesday. That is 2.1% below Monday's close. Therefore, SPX will need to close down a very sizable 2.1% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is suggesting a downside edge. And the market is strongly overbought, so there is plenty of room for it to drop. But the edge is really only for Tuesday. After that we'd need to see more bearish evidence in order for the short setup to remain in place. Nimble traders could look to take advantage of this with a quick short trade. With the slowness of a nightly letter, I'd like to see a more substantial opportunity – especially considering this would be a counter-trend trade. So while it appears the bears may have an edge on Tuesday, I'll continue to wait for a more compelling setup before initiating my next index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/12– slightly bullish

The intermediate-term outlook was last updated in the 10/12/20 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.

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Hanna Capital Management, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

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 © 2020 Quantifiable Edges, LLC.