

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 14, 2020

Volume 13 Issue 200

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The unfilled gap from Monday could attract some more selling on Wednesday, but the setup I examined has not been reliable.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral and evidence is light. I don't see a strong edge at this point.

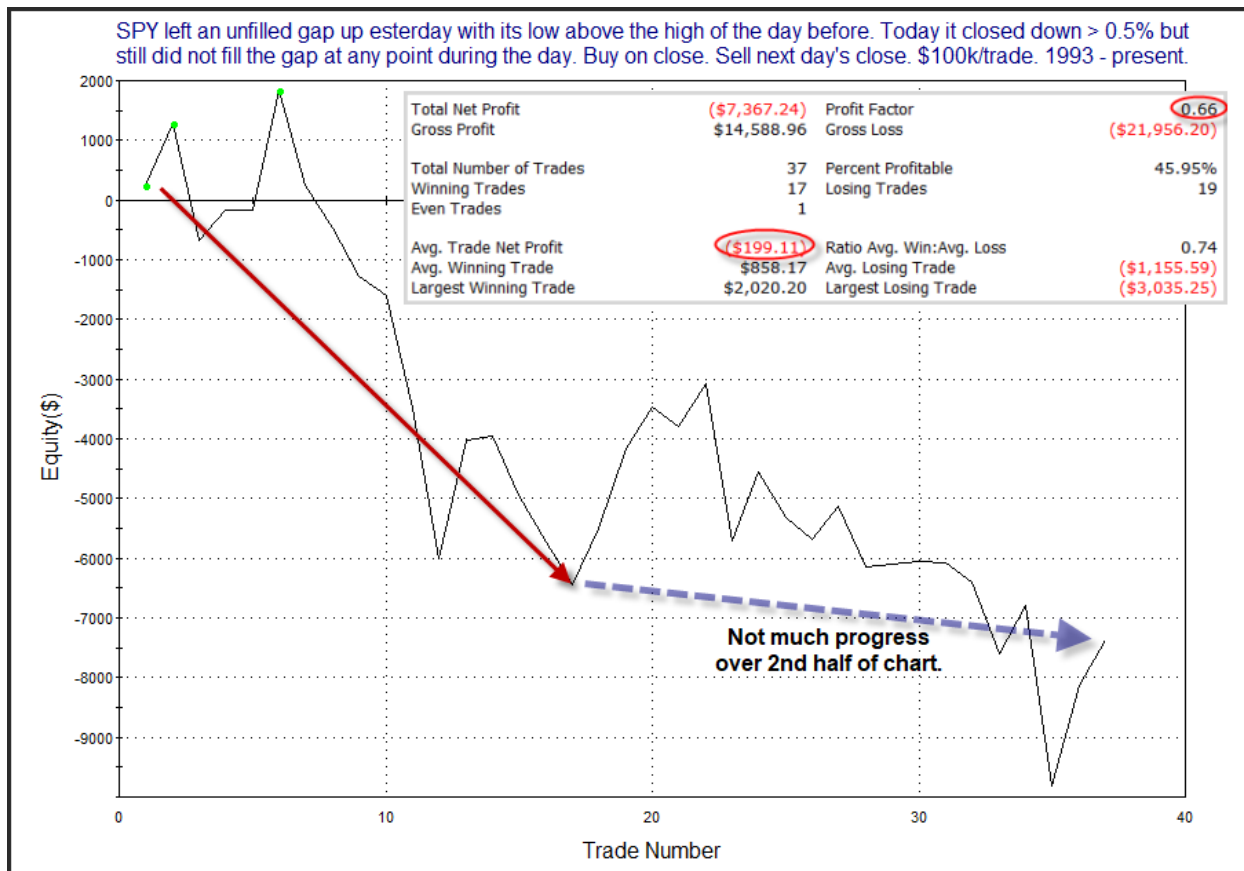
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
None						
<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 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>						
October 13, 2020	SPX 10-high < 50-high. VIX up. Monday	1 day	Bearish			

***The Evidence***

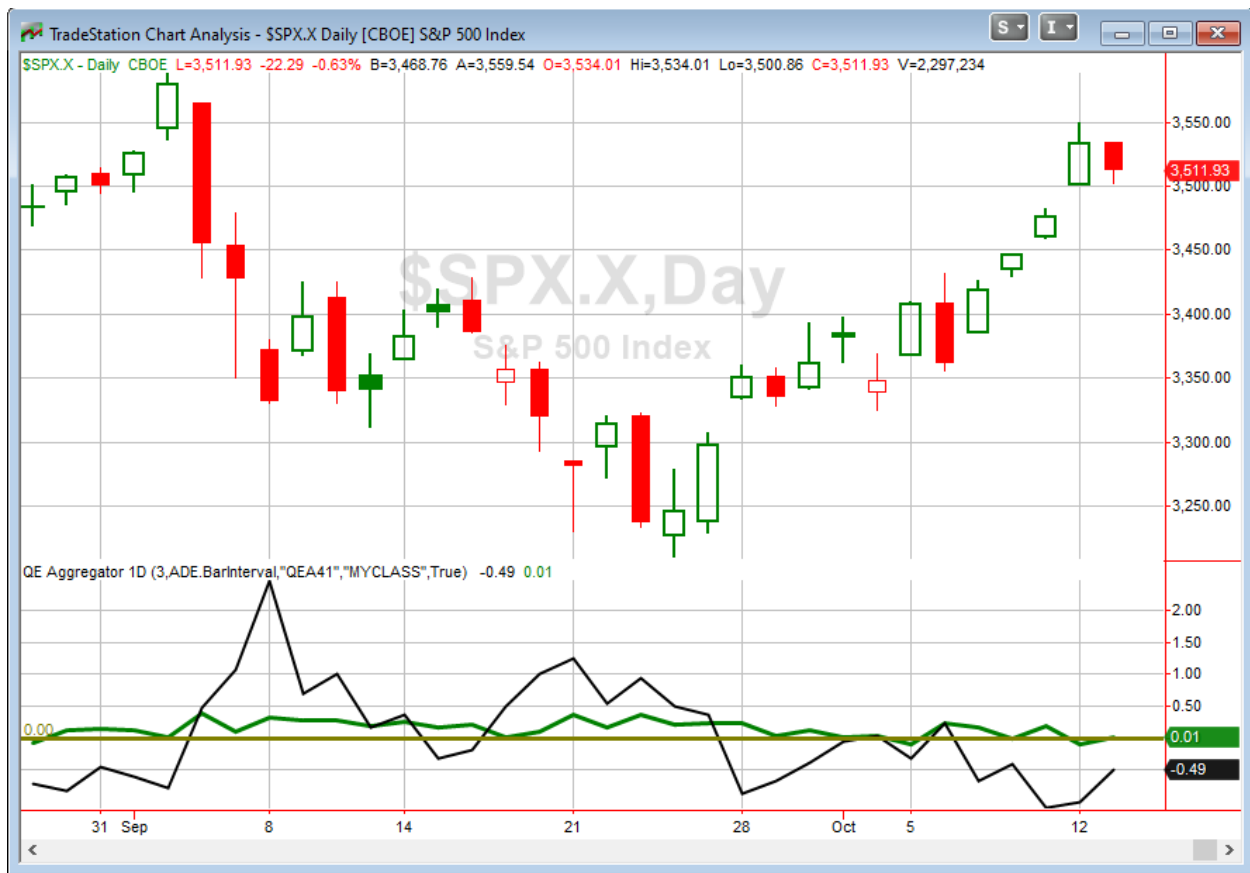
Tuesday saw the market dip a little for the 1<sup>st</sup> time in a while. SPX closed down 0.6%, the NASDAQ lost 0.1%, and the Russell 2000 dropped 0.7%. Breadth was negative with the NYSE Up Issues % coming in at 32% and the Up Volume % at 25%. NYSE total volume declined some from Monday's level.

Despite the selloff, SPY still did not fill the large upside gap it left on the chart on Monday. The study below was last seen in the 8/21/19 letter. It looks at other instances where a pullback of over 0.5% could not fill the gap left the day before while the market was in a long-term uptrend.



The numbers still lean bearish, but there has been very little downward progress over the 2<sup>nd</sup> half of the chart. With all the chop and little progress for the last 20 trades, I decided I would not be including this study on the active list tonight. No new studies are being added to the list.

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



Without anything new making the active list tonight, the green Aggregator Line inched above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is still 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 signs of zero. Therefore, the Aggregator signal turned flat at the close.

Based on the current active list, expectations are set to remain slightly positive on Wednesday. Of course the short-term list is bare. So any new evidence that emerges will have a sizable impact on expectations for the next few days. Meanwhile, the Differential Pivot will be 3489.75 on Wednesday. That is 0.6% below Tuesday's close. Therefore, SPX will need to close down at least 0.6% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral, and evidence is very light. The market pulled back a little on Tuesday. Further selling in the next few days could certainly generate a long setup. But we'll have to see if the market is willing to allow for more than 1 down day. We have not seen two consecutive lower closes in over three weeks. I'm again sidelined and awaiting a more favorable reward/risk setup before looking to take on a new index position.

***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.**

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