

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 15, 2020

Volume 13 Issue 201

Market Overview



Signals Overview

| | |
|-------------------|--------------------|
| Aggregator | CBI Reading |
| Long | 0 |

Tonight's Research Points

- No new evidence emerged tonight.

Short-term Outlook

The Bottom Line

The Aggregator is showing a very weak bullish setup. I am not excited by it, and am basically neutral.

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

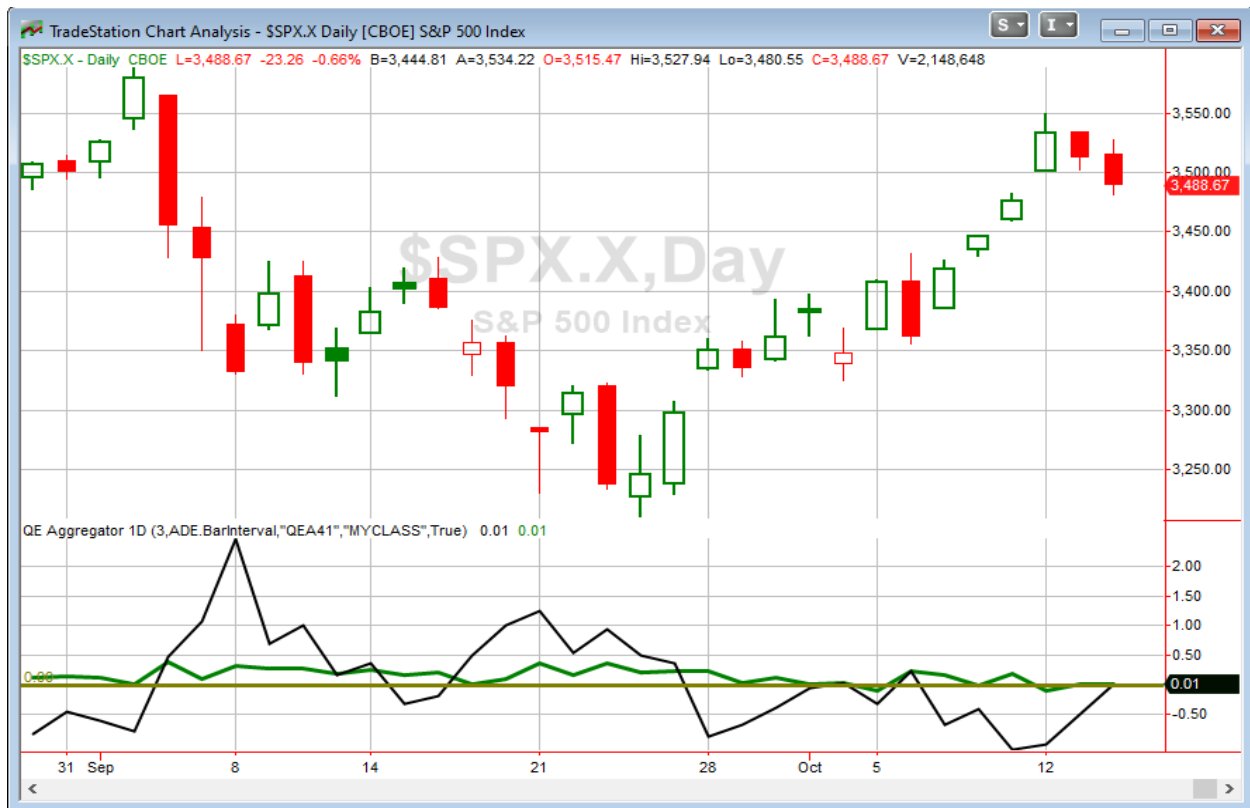
| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|----------------------------|-----------------------------------|------------|---------|------------|------------|------------------------|
| Active - Short Term | | | | | | |
| None | | | | | | |
| Active - 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

Wednesday was a down day for the market. SPX closed down 0.7%, the NASDAQ lost 0.8%, and the Russell 2000 dropped 0.9%. Breadth was negative with the NYSE Up Issues % coming in at 37% and the Up Volume % at 48%. NYSE total volume rose some from Tuesday's level.

This was the 2nd day in a row where SPY closed lower by at least 0.5%, and yet it failed to fill the opening gap from Monday morning. Friday's closing price was \$346.85 and the low on Tuesday was \$347.14. That's unusual. It has only happened 14 other times. Unfortunately, it does not appear predictive. And nothing else really stood out tonight. The Quantifinder came up with a rare blank. And the market really does not appear to be clearly overbought or oversold right now. SPX has pulled back the last 2 days and is 1.3% below Monday's close. But it is still in the top 30% of its 10-day range. So rather than try and draw blood from a stone, I'll keep it short tonight. Nothing new will be added to the Active List.

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



Without anything new making the active list tonight, the green Aggregator Line stayed just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line inched above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal turned long at the close. I should note, though, that this is about as weak of a bullish formation as you will see, since both lines are just barely above zero, and short-term evidence is completely lacking.

With the lack of short-term studies, expectations are set to remain slightly positive on Thursday. Of course any new evidence that emerges will have a sizable impact on expectations for the next few days. Meanwhile, the Differential Pivot will be 3537.24 on Thursday. That is 1.4% above Wednesday's close. Therefore, SPX will need to close up at least 1.4% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is in a weak bullish formation. I am not intrigued. Not only is evidence lacking, but "oversold" is highly relative. As I mentioned before, SPX is still in the top 30% of its 10-day range. If we somehow get another down day on Thursday, then I believe we'll see a more pronounced bullish setup. Three down days often triggers bullish studies. And if the close is below the 10ma, I'd like that even more. Tonight...I still can't get excited about reward/risk.

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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