

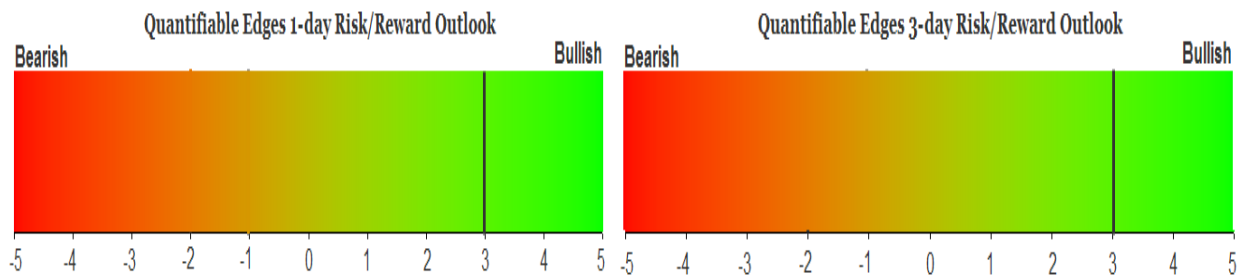
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 30, 2020

Volume 13 Issue 212

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- A 2%+ drop to a 10-day low followed by a 1%+ (but weaker) rally has often led to upside follow through over the next several days.
- The intraday reversal from the 20-day low suggest more of a bounce in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, and there appears to be an upside edge over the next few days.

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 29, 2020	20-low reversal.	1-5 days	Bullish			
October 29, 2020	Down 2% 10-low. up 1% > 200	1-5 days	Bullish			
October 29, 2020	10-Low dn 1%. Mon > 200	1-5 days	Bullish			
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 29, 2020	VIX 30% over 10m and over 30	1 day	Bullish			

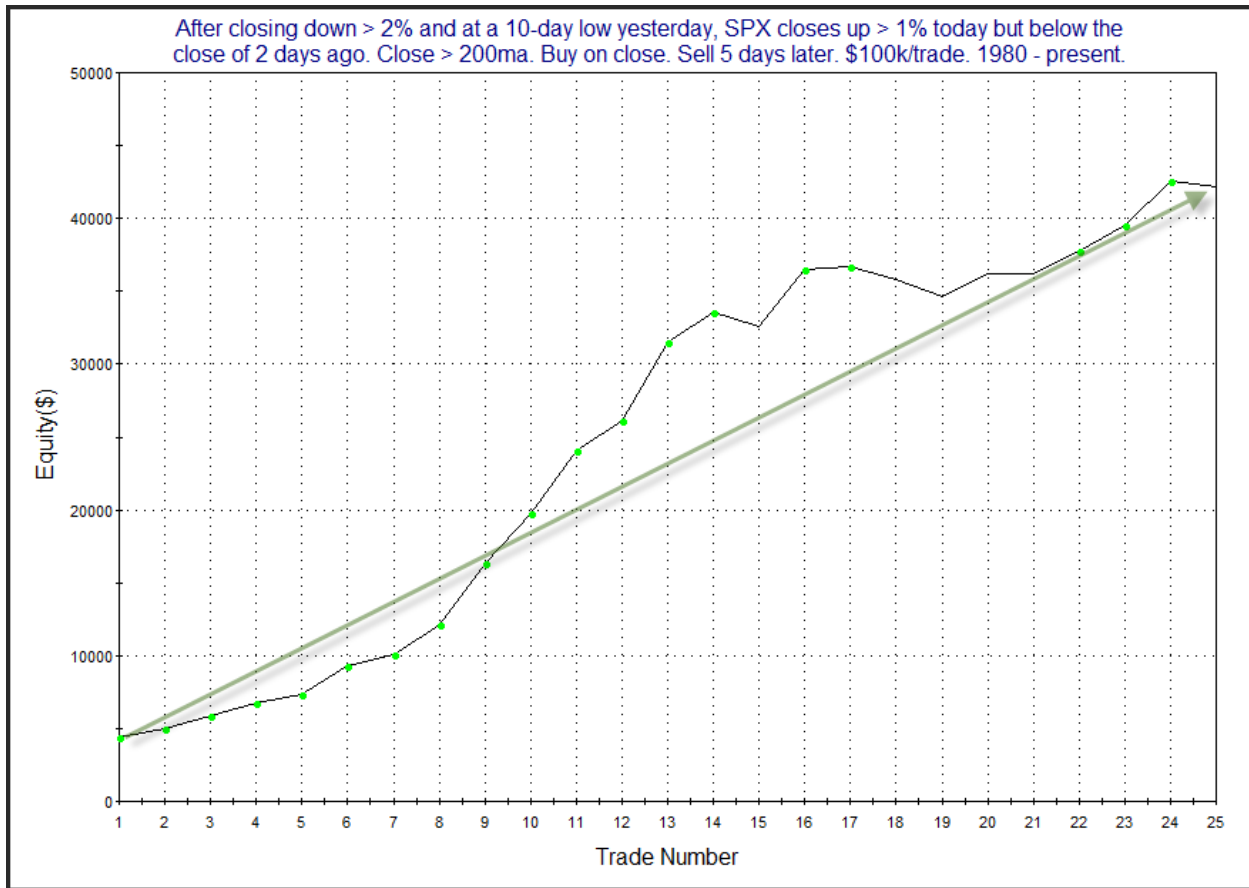
The Evidence

Thursday saw a bit of a bounce, but not nearly enough to make up for Wednesday’s selling. SPX closed up 1.2%, the NASDAQ rallied 1.6%, and the Russell 2000 rose 1.2%. Breadth was positive with the NYSE Up Issues % coming in at 65% and the Up Volume % at 70%. NYSE total volume declined some on the rally.

Thursday’s rebound triggered a study from the 9/10/20 letter that suggested the bounce likely has further to go. It looked at other times a strong decline was followed by a sizable rebound that failed to completely make up for the previous day’s loss. Updated results can be seen below.

After closing down > 2% and at a 10-day low yesterday, SPX closes up > 1% today but below the close of 2 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	42,126.95	25	21	4	84.00	5,396.71	-1,191.40	2,172.78	-875.34	2.48	13.03	1,685.08
4	36,593.04	25	20	5	80.00	4,997.19	-1,448.18	2,035.96	-825.23	2.47	9.87	1,463.72
3	35,396.01	26	19	7	73.08	4,134.33	-2,796.83	2,239.56	-1,022.24	2.19	5.95	1,361.38
2	25,188.96	26	19	7	73.08	4,001.40	-4,223.18	1,958.65	-1,717.91	1.14	3.09	968.81
1	11,291.52	26	16	10	61.54	2,842.84	-1,733.33	1,154.41	-717.91	1.61	2.57	434.29

The numbers here are quite impressive. Below is a look at a 5-day profit curve.



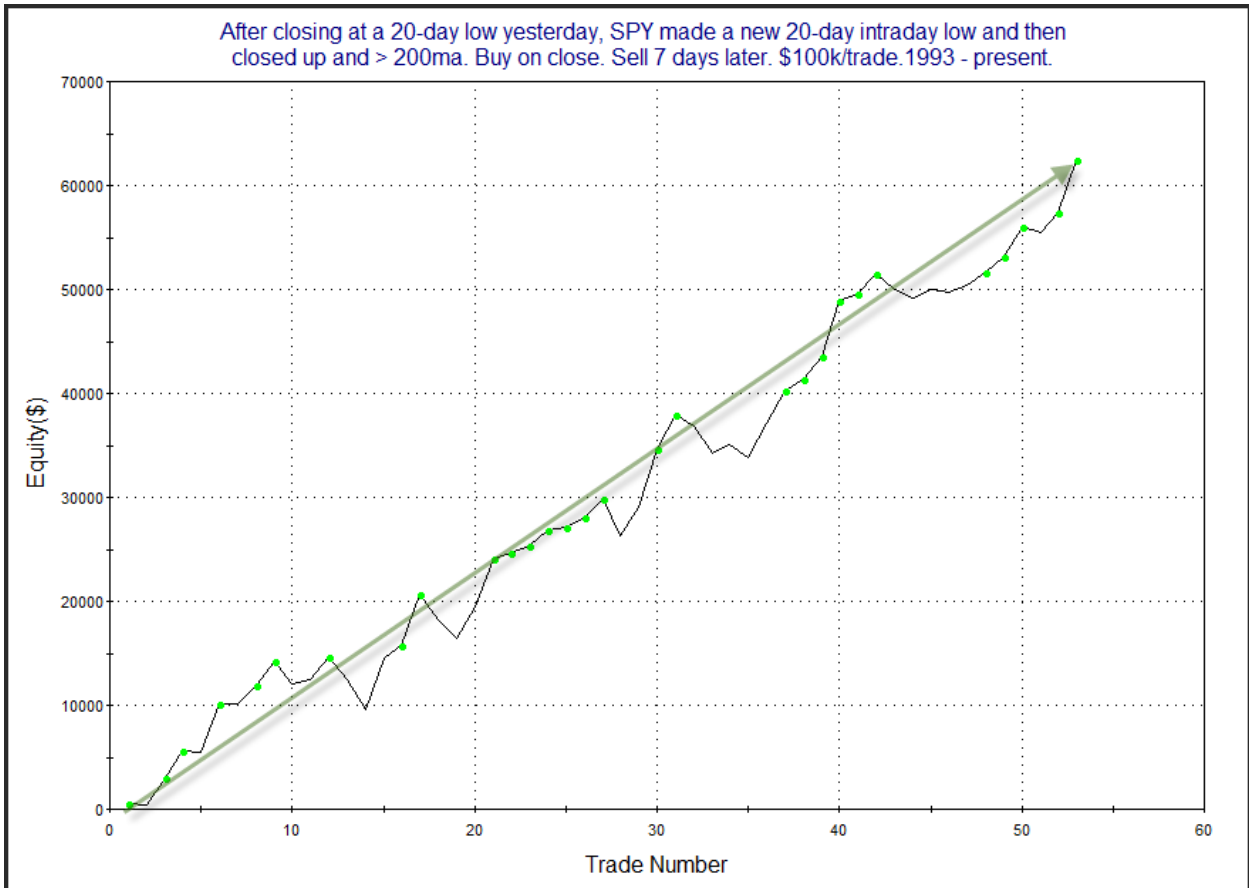
A strong move from lower left to upper right serves as some confirmation of the bullish numbers. I have included this study on the active list tonight.

And while SPY closed up on Thursday, it did first make a new intermediate-term intraday low. The study below was last seen in the 9/25/20 letter. It looks at reversals from intermediate-term lows like we saw on Thursday. All stats are updated.

After closing at a 20-day low yesterday, SPY made a new 20-day intraday low and then closed up and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

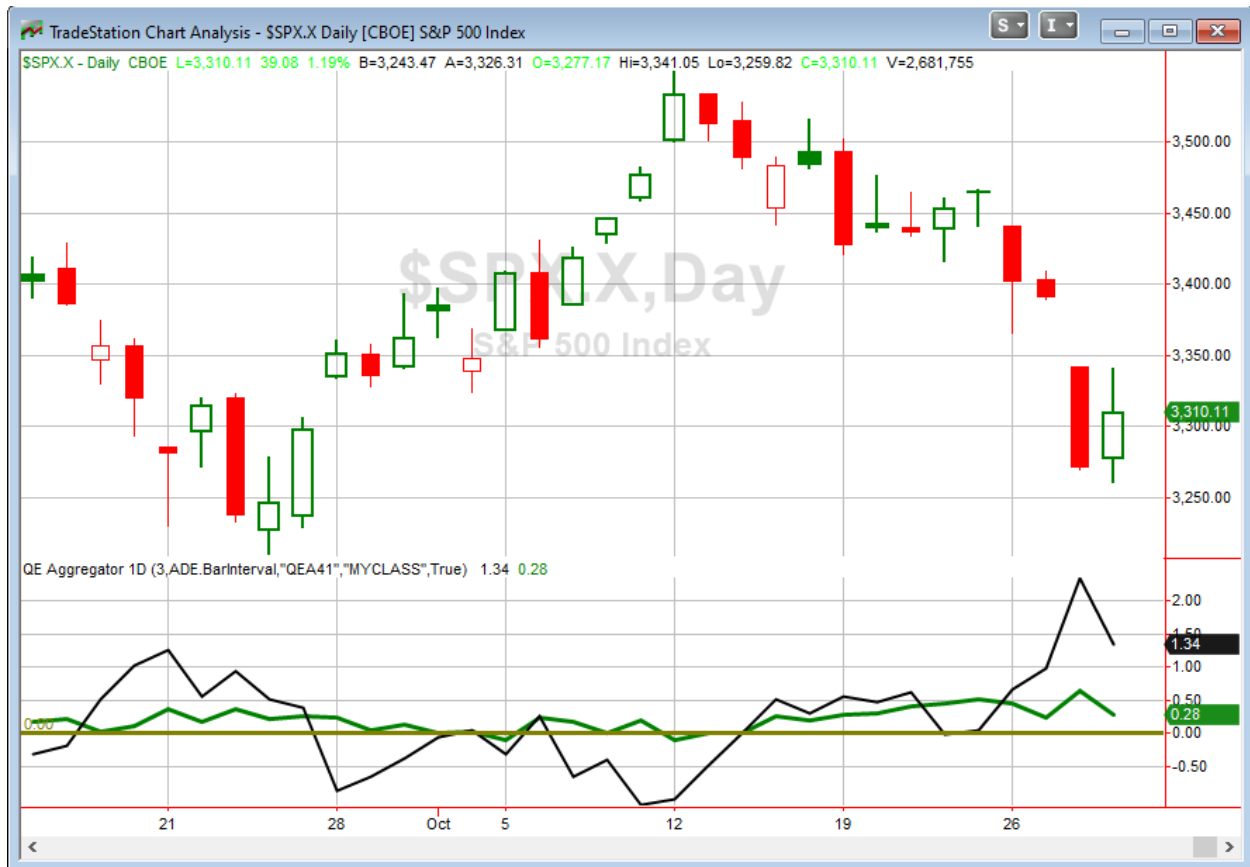
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	70,573.85	50	38	12	76.00	6,600.62	-3,844.83	2,362.40	-1,599.79	1.48	4.68	1,411.48
9	65,529.57	51	36	15	70.59	5,915.43	-4,258.20	2,563.36	-1,783.43	1.44	3.45	1,284.89
8	58,568.84	52	38	14	73.08	5,306.40	-4,268.86	2,304.35	-2,071.19	1.11	3.02	1,126.32
7	62,451.97	53	37	16	69.81	5,585.14	-3,531.11	2,317.84	-1,456.77	1.59	3.68	1,178.34
6	51,399.74	54	39	15	72.22	5,411.67	-3,952.19	2,001.93	-1,778.36	1.13	2.93	951.85
5	46,142.40	54	37	16	68.52	5,029.50	-3,450.35	1,821.17	-1,327.56	1.37	3.17	854.49
4	37,201.62	54	36	18	66.67	3,519.51	-2,284.36	1,543.35	-1,019.95	1.51	3.03	688.92
3	22,130.99	58	34	24	58.62	4,462.50	-3,560.24	1,385.89	-1,041.22	1.33	1.89	381.57
2	22,332.32	60	38	22	63.33	4,105.50	-4,266.50	1,308.26	-1,244.61	1.05	1.82	372.21
1	16,309.92	60	37	23	61.67	2,562.30	-2,512.28	964.72	-842.82	1.14	1.84	271.83

Results here seem to suggest a solid upside edge over the next 2 weeks. Much of the gains occurred in the 1st 7 days. Below is the 7-day profit curve.



The impressive upslope serves as some confirmation of the upside edge.

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



With tonight's evidence considered, the green Aggregator Line remained well above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is still far above 0. The positive Differential Line reading means that SPX is strongly 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 stayed long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Friday. This could change if very compelling new bearish evidence emerged. Meanwhile, the Differential Pivot will be 3426.89 on Friday. That is 3.5% above Thursday's close. That's unlikely to happen in just 1 day. A more likely scenario to work off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is again bullish. There still appears to be an upside edge. But traders are scared and that can make for some very sharp back and forth moves. A load of earnings reports came in after the close, and the reaction to that sent futures tumbling. So there still could be some washout selling here. But evidence continues to point higher and the market is well overdue for a relief bounce. I believe the bulls will have the advantage in the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/26– slightly bullish*

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	10/19/2020	\$347.29	\$329.98	-4.98%		Aggregator
SPY(1/4)	10/21/2020	\$342.73	\$329.98	-3.72%		Aggregator
SPY(1/4)	10/27/2020	\$338.22	\$329.98	-2.44%		Aggregator

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