

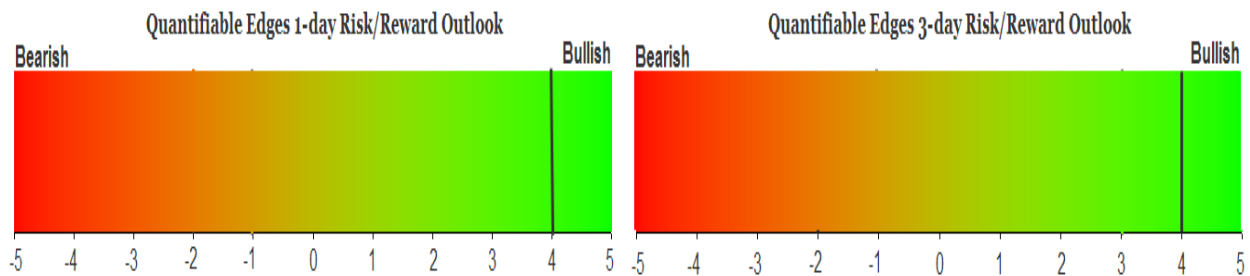
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 1, 2021

Volume 14 Issue 189

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	9

Tonight's Research Points

- The poor finish to the month has often meant a good start for the next month.
- The “failed” bounce off Friday’s 20-day low appears to be another opportunity to take long exposure.
- SPX closed down > 1% for the 3rd time recently. Other bouts of similar volatility above the 200ma have typically been followed by short and intermediate-term gains.

Short-term Outlook

The Bottom Line

Evidence is pointing higher, and SPX is strongly oversold on a short-term basis. There appears to be a solid upside edge.

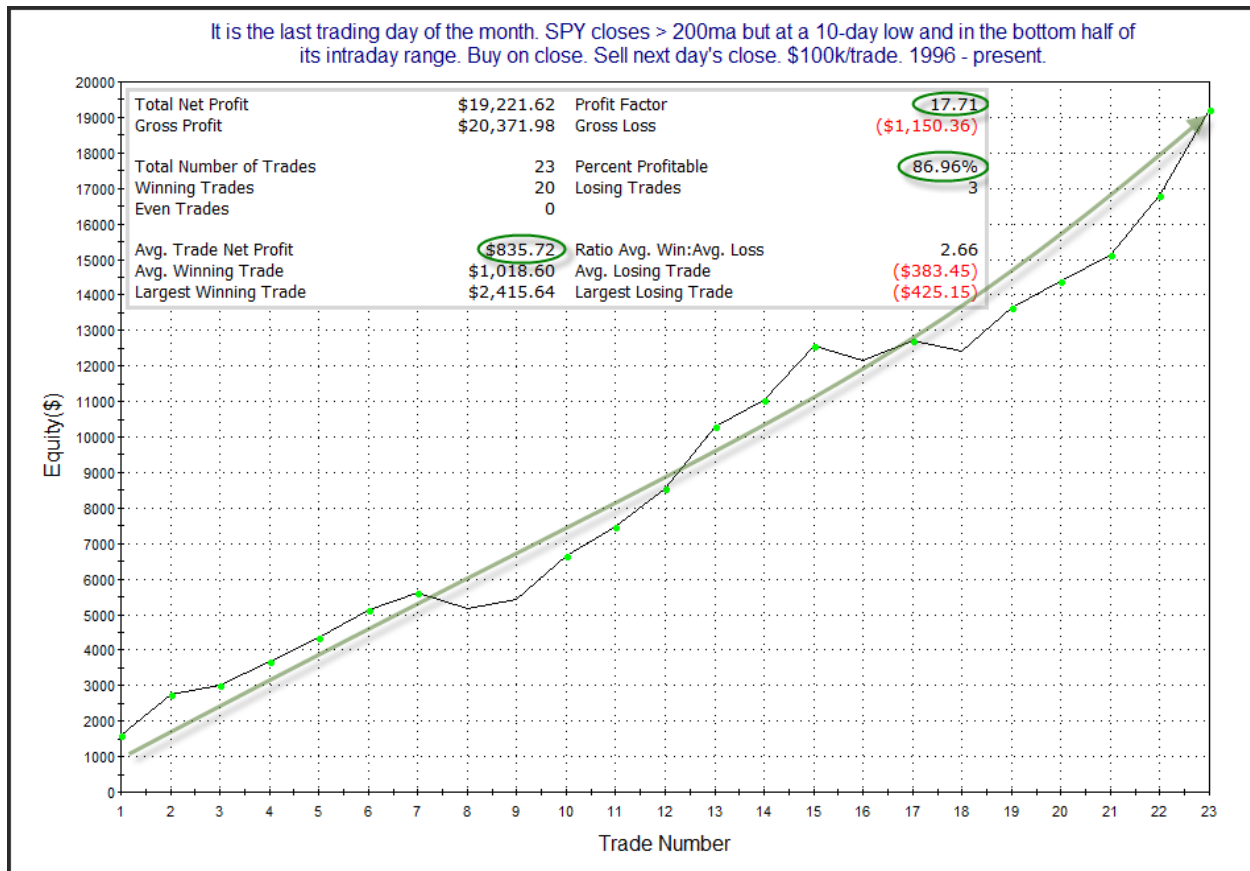
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 1, 2021	SPX dn > 1% 3rd day in last 10. > 200ma	1 day	Bullish			
October 1, 2021	End of month. 10-low. Cls btm 1/2 rng	1 day	Bullish			
October 1, 2021	20-low. Bounce 1 day. New 20-low.	1 day	Bullish			
September 29, 2021	20-low. Biggest drop in 10.	1-7 days	Bullish	2.40%	-1.60%	-3.40%
September 29, 2021	Btm 10% daily range and 40-day low	1-6 days	Bullish	2.50%	-1.70%	-3.70%
Active - Long Term						
October 1, 2021	SPX dn > 1% 3rd day in last 10. > 200ma	1-20-days	Bullish			
August 30, 2021	NASDAQ Leading	int term	Bullish			
May 3, 2021	Worst 6 Months	1-6 months	Bearish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
September 24, 2021	VIX 10% above 10ma to 10% below	1-8 days	Bullish	2.05%	-1.20%	-2.50%
September 27, 2021	Dn 4 days then up 3 < 7 ago	1-7 days	Bullish	2.15%	-1.20%	-2.40%

The Evidence

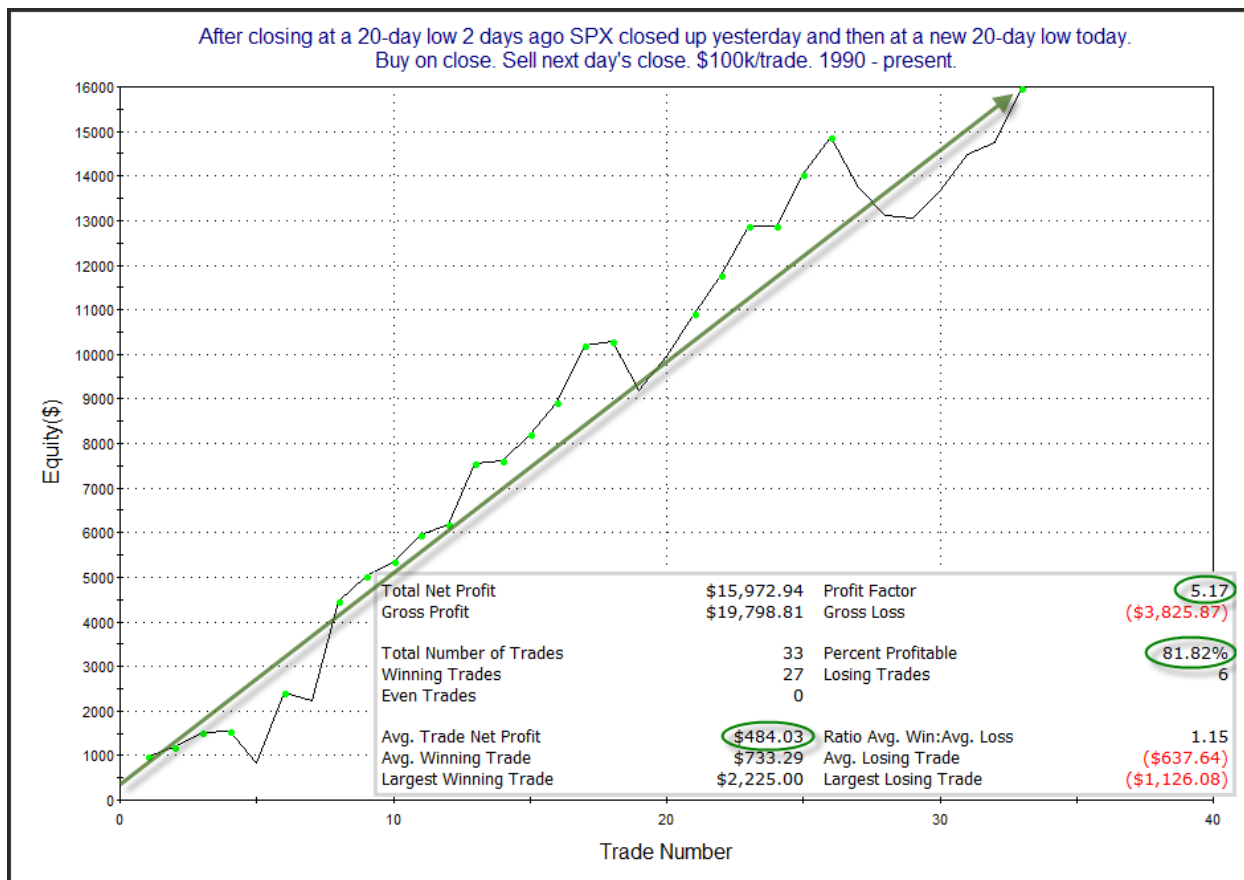
Thursday was a tough finish to the quarter for the bulls. The SPX fell 1.2%, the NASDAQ lost 0.4%, and the Russell 2000 dropped 0.9%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 33%. NYSE total volume rose some from Wednesday's level.

There were several studies that triggered on Thursday that considered the fact that Friday is the 1st day of a new month. Turn of the month is often a bullish day. Over the years we have found that it tends to be more bullish under certain circumstances. These include 1) being in an uptrend, 2) closing low in the day's range, 3) and closing at a short-term low. The study below was last seen in the 3/1/21 letter. It combined these themes.



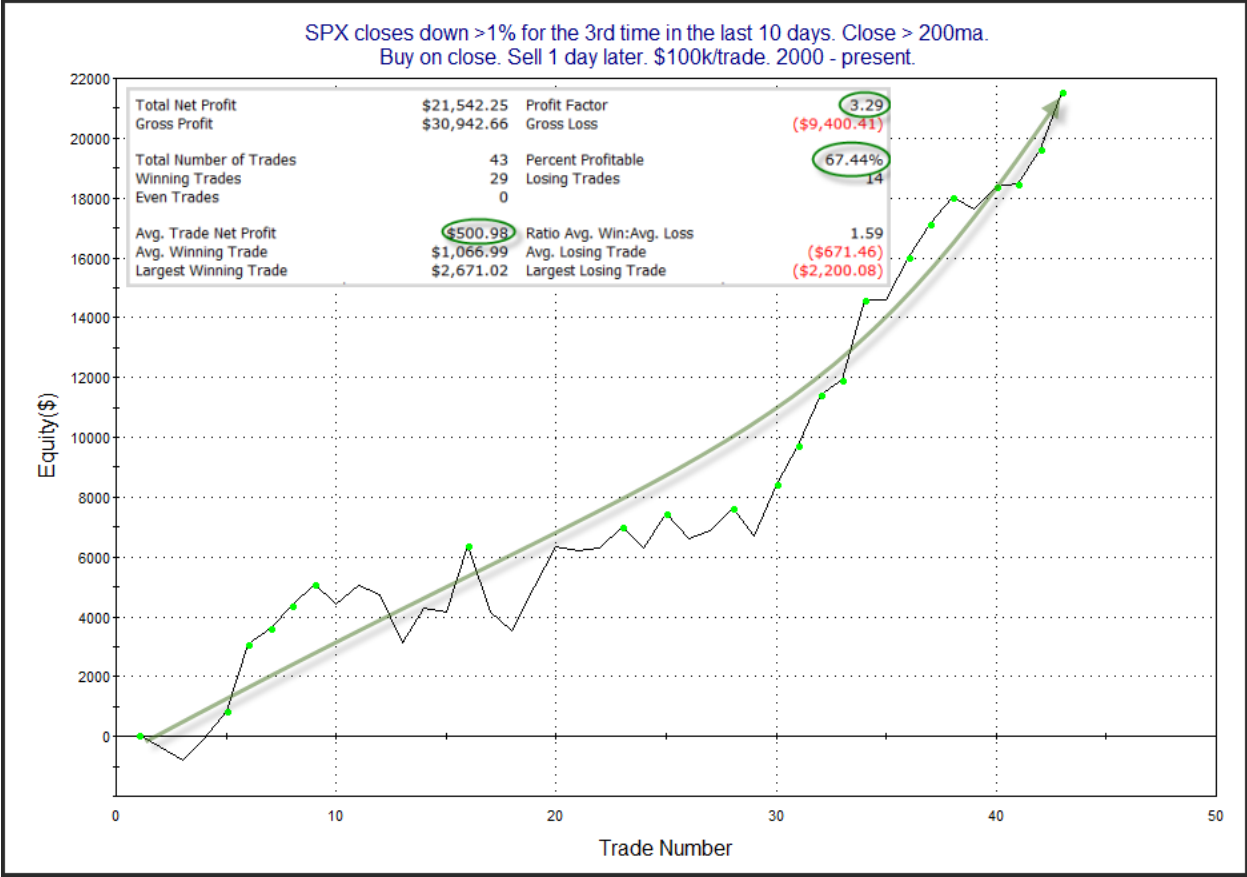
The strong numbers and impressive equity curve suggest a substantial upside edge.

After closing at a 20-day low on Tuesday, the market put in a bounce attempt on Wednesday. Thursday's decline left that attempt looking like a failure, and also likely frustrated many bulls. But it also triggered a number of studies that still suggested an upside edge. The study below looked at similar failed bounces. It was last seen in the 11/2/20 Letter.

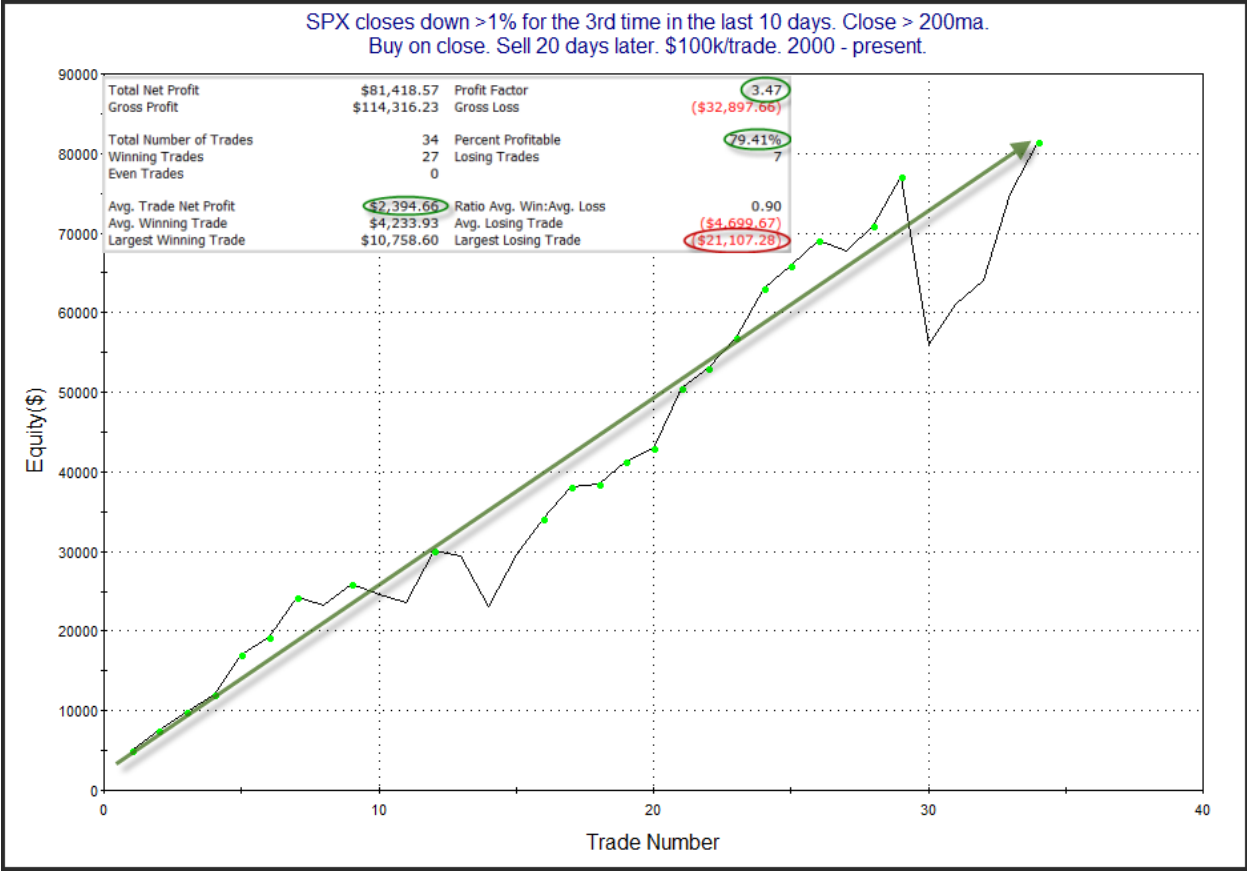


Results here are compelling, and suggest a 1-day upside edge. I have added this study to the Active List

The SPX has made some sizable moves over the last couple of weeks as volatility has been high. It is unusual to see such high volatility when the SPX is trading above its 200ma. Thursday marked the 3rd day in the last 9 in which SPX closed down over 1%. In the 10/9/19 letter I decided to look back at other times where SPX closed down more than 1% for the 3rd time in the last 10 days, but above its 200ma. Results appeared compelling both short and intermediate-term. Below are updated curves for both the 1-day and 20-day holding periods. First, the 1-day.

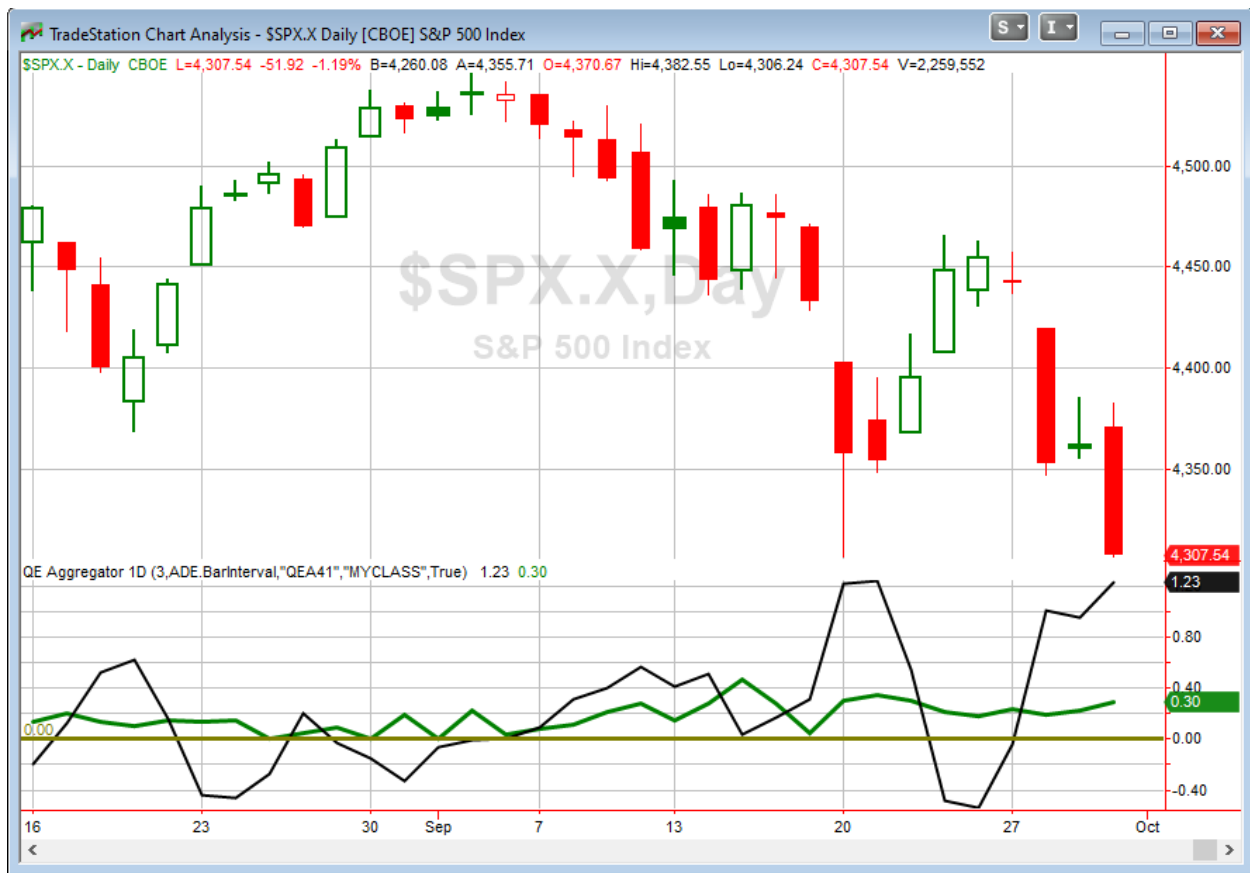


This certainly appears to be worth consideration. Now here is the 20-day results.



The 21% loser you see triggered on 2/25/20 at the very beginning of the COVID Crash. Other than that, it has been a strong and steady move higher. This also seems worth taking into account for the intermediate-term.

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



With tonight's evidence considered, the green Aggregator Line again remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is as far above 0 as it has been in a long time. 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 formation stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. It would take some compelling bearish evidence to change this. Meanwhile, the Differential Pivot will be 4378.37 on Friday. That is 1.6% above Thursday's close. Therefore, SPX would need to close up over 1.6% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is again bullish. Evidence points upwards and the market is oversold. There are several indications that a bounce should be forthcoming very soon. I believe there is an upside edge. But that is not an upside guarantee. I took on a couple of lots of SPY on Thursday, including one lot right at the close. I'll let that ride for a day here. I'll then re-evaluate over the weekend based on Friday's action and the new evidence it triggers.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/27 – somewhat bullish

The intermediate-term outlook was last updated in the 9/27 Letter. It can be found [in the most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

FDX – 1/3 @ \$257.55 (bought @ limit)

NEE – 1/3 @ \$81.64 (bought @ limit)

NEE – 1/3 @ \$78.76 (bought @ limit)

NEE – 1/3 @ \$77.27 (buy @ limit) – not filled, cancel for now

FDX – 1/3 @ \$222.40 (bought @ limit)

DUK – 1/3 @ \$97.05 (bought @ limit)

ADBE – 1/3 @ \$577.70 (bought @ limit)

FDX – 1/3 @ \$221.09 (bought @ limit)

New

ADBE – 1/3 @ \$575.72 (buy @ limit)

Broad Market Large Cap CBI – 8(FDX-3, NEE-3, DUK, ADBE)

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.

ADBE – Buy 1/3 Catapult position @ \$575.72 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of ADBE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
FDX(1/3)	9/20/2021	\$252.11	\$219.29	-13.02%		Catapult
NEE(1/3)	9/20/2021	\$81.54	\$78.52	-3.70%		Catapult
NEE(1/3)	9/28/2021	\$78.48	\$78.52	0.05%		Catapult
FDX(1/3)	9/29/2021	\$222.40	\$219.29	-1.40%		Catapult
DUK(1/3)	9/29/2021	\$97.05	\$97.59	0.56%		Catapult
FDX(1/3)	9/30/2021	\$221.09	\$219.29	-0.81%		Catapult
ADBE(1/3)	9/30/2021	\$577.70	\$575.72	-0.34%		Catapult
SPY(1/4)	9/30/2021	\$433.72	\$429.14	-1.06%		Aggregator
SPY(1/4)	9/30/2021	\$429.14	\$429.14	0.00%		Aggregator

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