

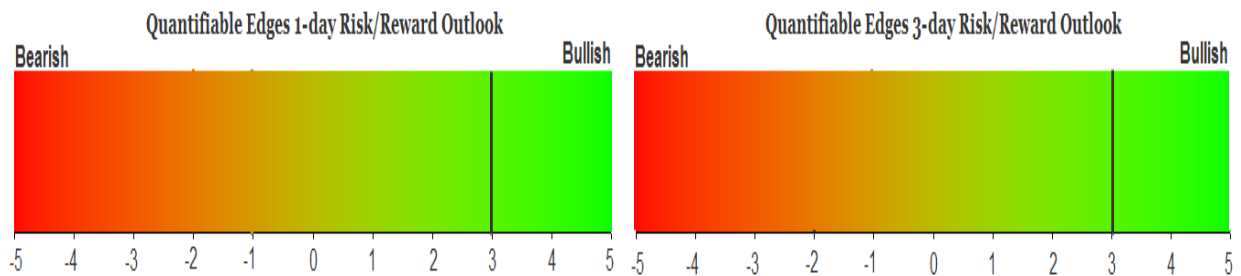
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 5, 2021

Volume 14 Issue 191

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- The “failed” bounce off Monday’s 20-day low appears to be another opportunity to take long exposure.
- 20-day lows have often been followed by bounces when they’ve occurred on Mondays.
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Short-term Outlook

The Bottom Line

While Monday’s action was disappointing, evidence is suggesting it just delayed a short-term rally, rather than outright killing it. The edge still appears to be to the long side.

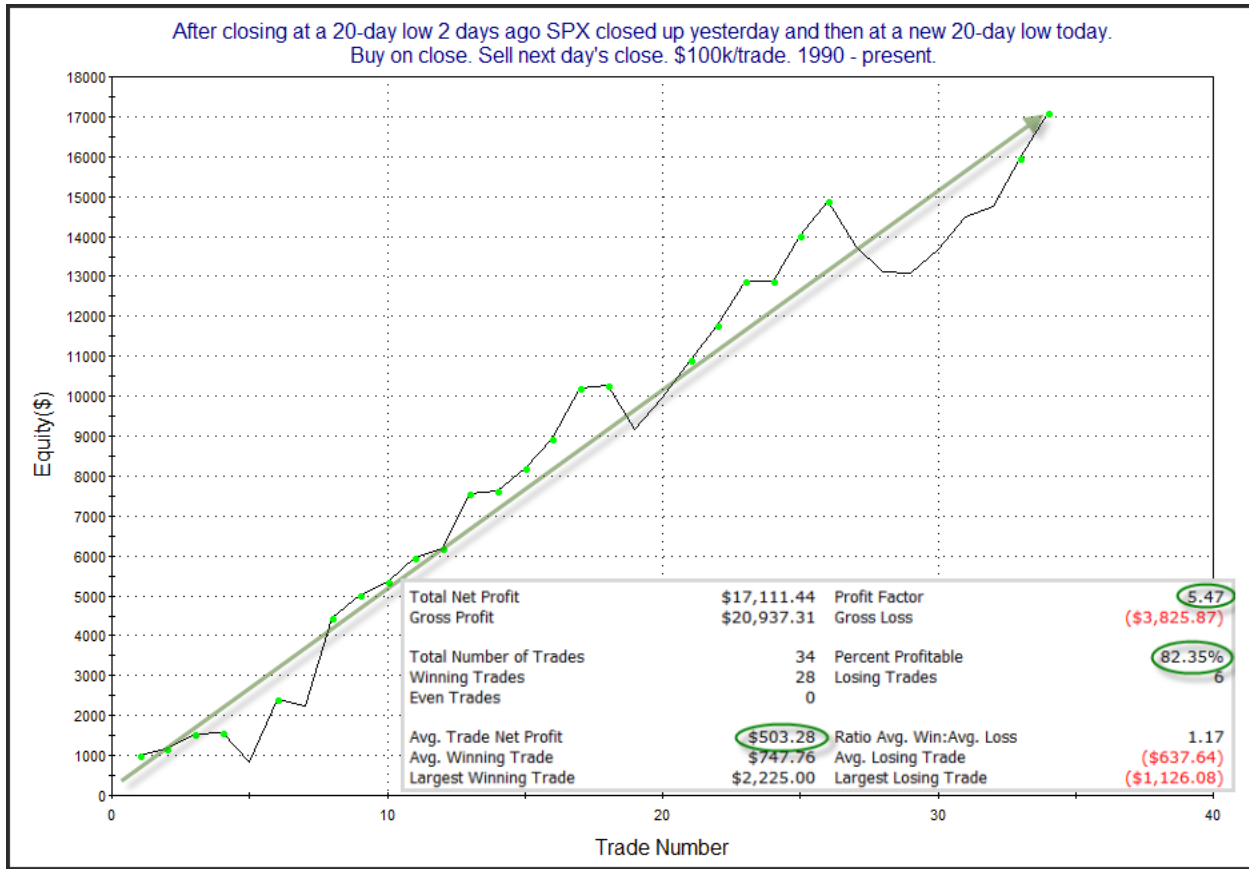
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 5, 2021	20-low then up day. Then new low.	1 day	Bullish			
October 5, 2021	Yest 20-low & close 1% above. Dn 2day.	1-4 days	Bullish	2.50%	-0.90%	-2.10%
October 5, 2021	SPX 20-Low on Monday > 200	1-4 days	Bullish	1.75%	-1.25%	-2.90%
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 4, 2021	21-day low Thursday. Up Friday	1-25 days	Bullish			
October 1, 2021	SPX dn > 1% 3rd day in last 10. > 200ma	1-20-days	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)						
October 4, 2021	50 low Thursday. Up Friday	1-2 days	Bullish			

The Evidence

Monday failed to follow through on the Friday rally, and markets tumbled. The SPX lost 1.3%, the NASDAQ dropped 2.1%, and the Russell 2000 declined 1.1%. Breadth was negative with the NYSE Up Issues % coming in at 35% and the Up Volume % at 42%. NYSE total volume rose some from Friday's level.

After closing at a 20-day low on Thursday, the market put in a bounce attempt on Friday. Monday's decline left that attempt looking like a failure, and also likely frustrated many bulls. Wait...does this sound familiar? If so, that may be because I wrote it last Thursday night. But here we are again triggering the same study, which last week suggested a 1-day upside edge after other failed bounces. Stats are updated below.



Results here remain compelling. I have added this study to the Active List.

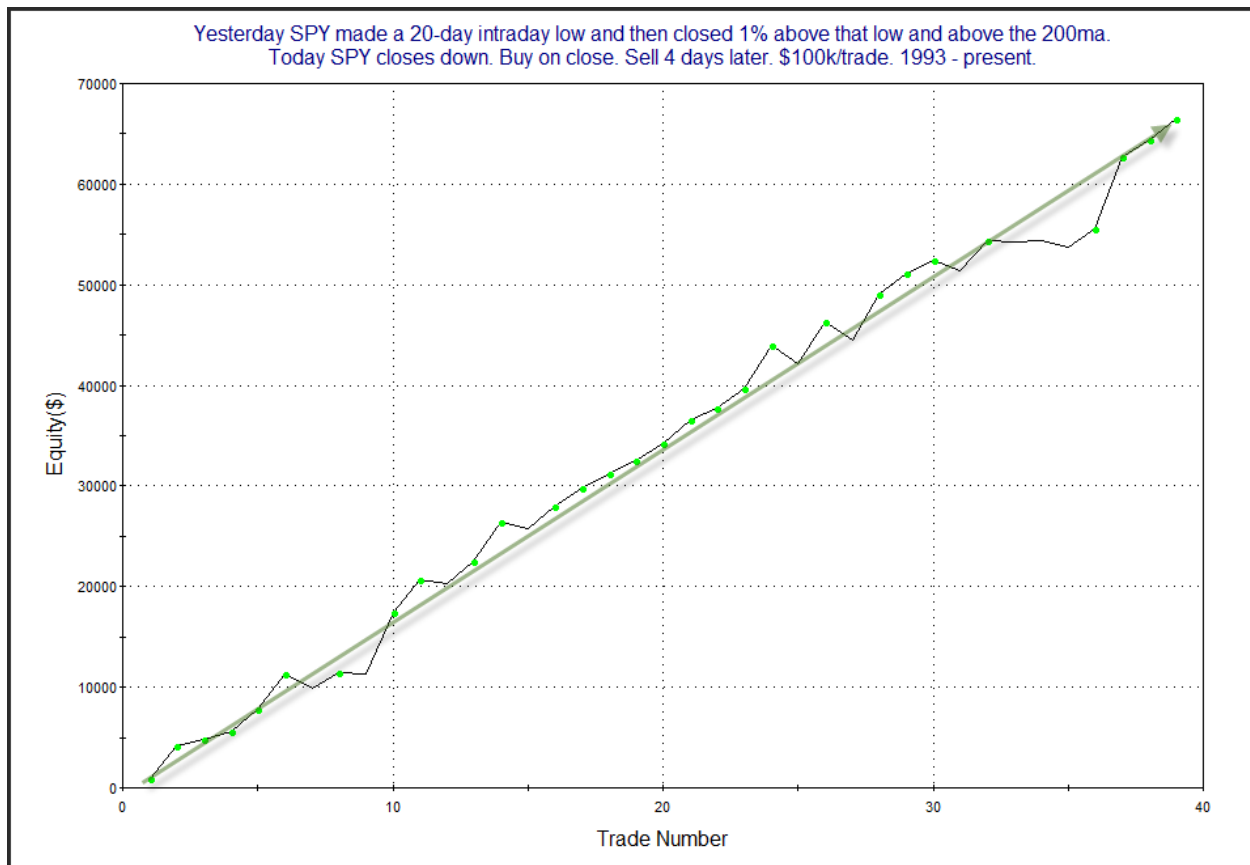
Below is another “failed bounce” study. This one was last seen recently in the 9/22/21 letter, and has also been updated.

Yesterday SPY made a 20-day intraday low and then closed 1% above that low and above the 200ma.
Today SPY closes down. 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
5	56,869.08	39	28	11	71.79	7,227.72	-5,283.45	2,559.45	-1,345.04	1.90	4.84	1,458.18
4	66,447.71	39	30	9	76.92	7,252.20	-1,766.40	2,483.62	-895.65	2.77	9.24	1,703.79
3	57,139.97	39	29	9	74.36	5,630.94	-1,689.60	2,197.23	-731.09	3.01	9.68	1,465.13
2	45,061.71	42	33	9	78.57	6,435.36	-2,972.16	1,674.92	-1,134.50	1.48	5.41	1,072.90
1	20,048.20	42	30	12	71.43	4,400.20	-3,744.92	1,059.26	-977.46	1.08	2.71	477.34

3/4/11 was the only instance NOT to close above the entry price at some point in the next week.

The stats here are suggestive of a bullish edge. Below is the curve for the 4-day holding period.



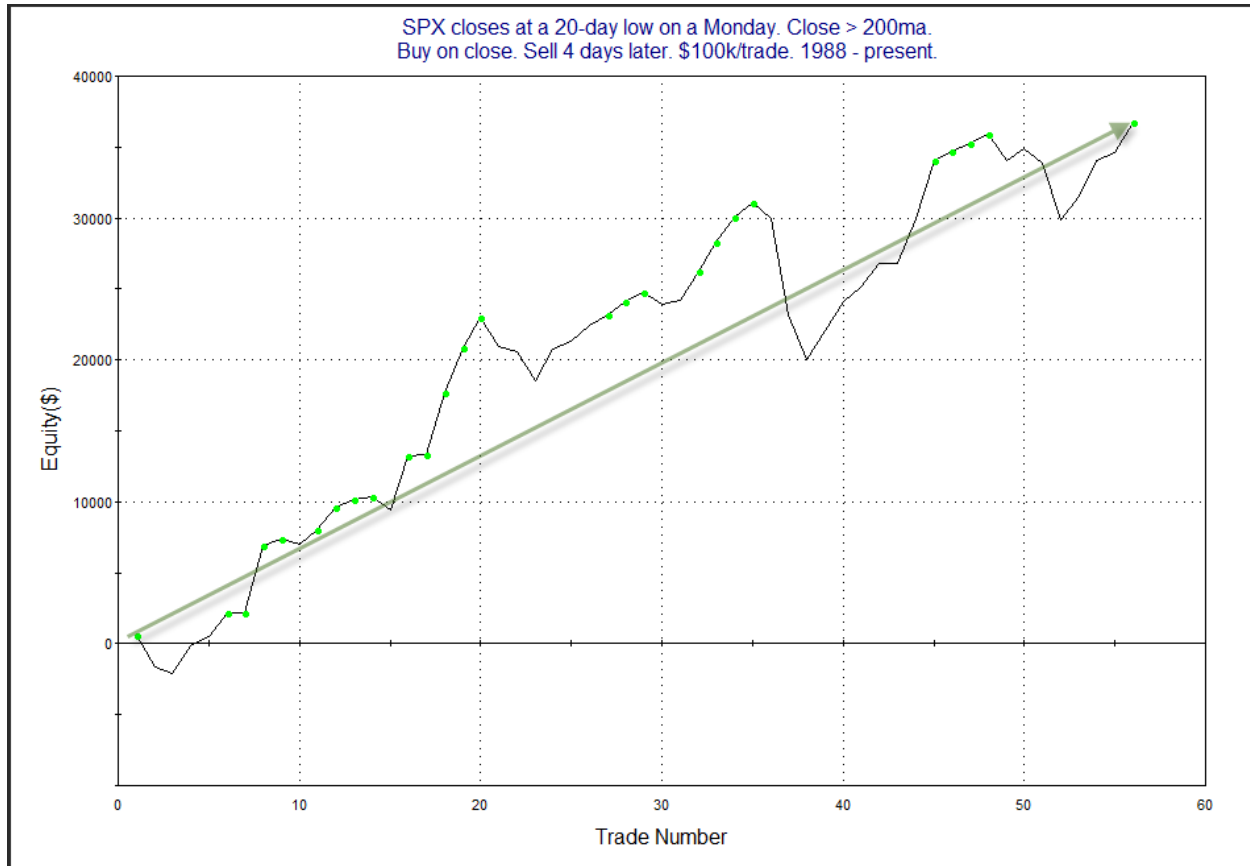
This is also impressive, and supports the idea of a short-term upside edge. I have included this study on the active list tonight.

On another note, Tuesday's have a well-earned reputation for being days where bounces tend to begin. The study below is from the 10/18/16 letter. It examined other times that the SPX closed at a 20-day low on a Monday. Results have been updated.

SPX closes at a 20-day low on a Monday. Close > 200ma.
 Buy on close. Sell X days later. \$100k/trade. 1988 - present.

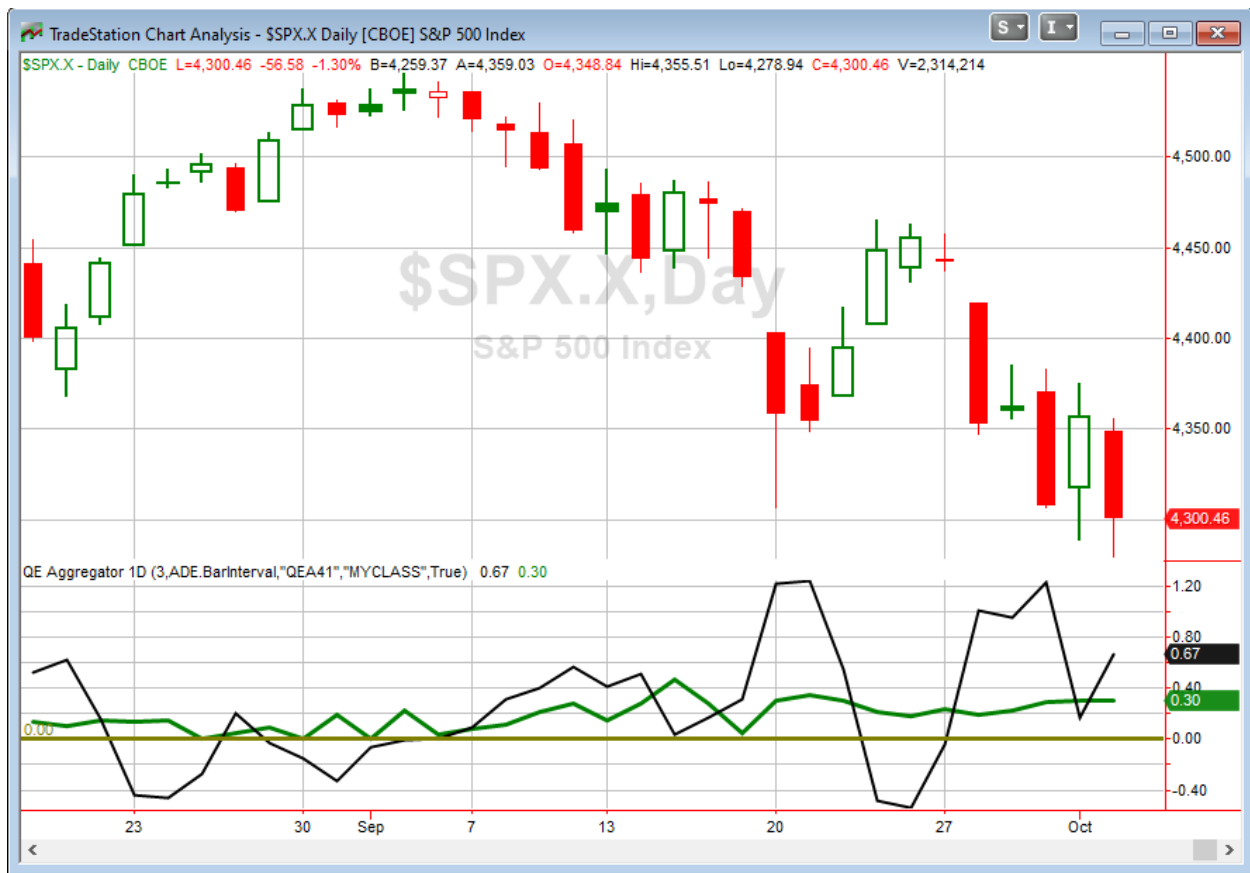
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	39,317.42	56	40	16	71.43	7,070.28	-12,895.96	1,977.87	-2,487.35	0.80	1.99	702.10
4	36,767.24	56	42	14	75.00	4,690.50	-6,742.12	1,527.47	-1,956.19	0.78	2.34	656.56
3	28,756.39	56	40	16	71.43	3,940.55	-6,688.99	1,471.98	-1,882.68	0.78	1.95	513.51
2	22,501.71	56	37	19	66.07	4,809.66	-3,357.50	1,177.16	-1,108.07	1.06	2.07	401.82
1	15,178.42	56	36	20	64.29	5,117.46	-3,588.48	854.45	-779.09	1.10	1.97	271.04

Stats here appear strongly bullish. Below is a profit curve using a 4-day exit strategy.



Not quite as powerful as the “failed bounce” studies, but the solid numbers and strong move from lower left to upper right suggest an edge worth paying some attention to. I have added this study to the active list as well.

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 also above. 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 Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4337.75 on Tuesday. That is 0.9% above Monday's close. Therefore, SPX would need to close up over 0.9% on Tuesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is again bullish. Evidence continues to emerge favoring the bulls, and the SPX is quite oversold. This sets us up with a favorable reward/risk scenario. I would have been well served to be a bit more aggressive in taking profits with my current SPY positions. If I had, I'd be looking to get back in now. Instead, I'll continue to hold those, and may add another lot if I can get a favorable fill on Tuesday. I continue to like the long side for a strong short-term bounce that should put a decent scare into some bears and force some short covering.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/4 – neutral

The intermediate-term outlook was last updated in the 10/4 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)
- FDX – 1/3 @ \$222.40 (bought @ limit)
- ADBE – 1/3 @ \$577.70 (bought @ limit)
- FDX – 1/3 @ \$221.09 (bought @ limit)
- ADBE – 1/3 @ \$575.72 (bought @ limit)

Broad Market Large Cap CBI – 5(FDX-3, ADBE-2)

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.

SPY – Buy ¼ index position @ \$428.00 LIMIT. Based on the short-term section above, I will look to add a 3rd lot of SPY if it pulls back some on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
FDX(1/3)	9/20/2021	\$252.11	\$217.87	-13.58%		Catapult
NEE(1/3)	9/20/2021	\$81.54	\$79.05	-3.05%		sold on open
NEE(1/3)	9/28/2021	\$78.48	\$79.05	0.73%		sold on open
FDX(1/3)	9/29/2021	\$222.40	\$217.87	-2.04%		Catapult
DUK(1/3)	9/29/2021	\$97.05	\$100.76	3.82%		sell on open
FDX(1/3)	9/30/2021	\$221.09	\$217.87	-1.46%		Catapult
ADBE(1/3)	9/30/2021	\$577.70	\$558.49	-3.33%		Catapult
SPY(1/4)	9/30/2021	\$433.72	\$428.64	-1.17%		Aggregator
SPY(1/4)	9/30/2021	\$429.14	\$428.64	-0.12%		Aggregator
ADBE(1/3)	10/1/2021	\$575.72	\$558.49	-2.99%		Catapult

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