

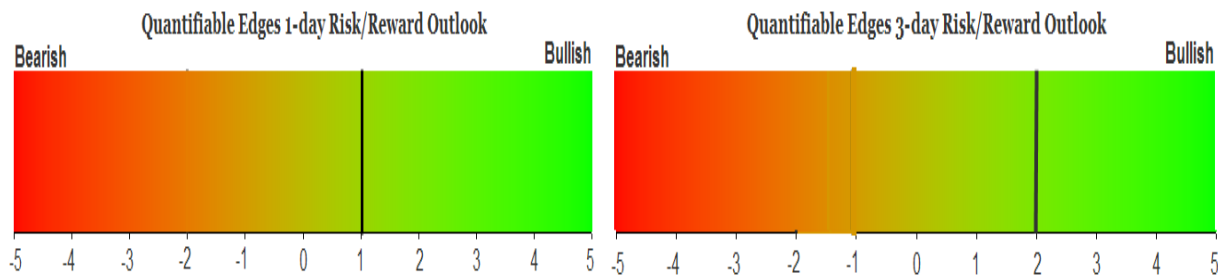
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 6, 2021

Volume 14 Issue 192

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	5

## Tonight's Research Points

- Daily moves have been much stronger than you typically see in a market above its 200ma. That typically means a bounce is likely, but times when the bounce has not arrived in the next few days, there were some massive selloffs.

## *Short-term Outlook*

### *The Bottom Line*

Turnaround Tuesday provided a bounce. It appears likely that we should see some additional upside 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
<b>Active - Short Term</b>						
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%
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
October 5, 2021	20-low then up day. Then new low	1 day	Bullish			

**The Evidence**

Though there was a late fade, Tuesday put in some solid gains. The SPX rose 1.05%, the NASDAQ jumped 1.25%, and the Russell 2000 climbed 0.5%. Breadth was positive with the NYSE Up Issues % coming in at 57.8% and the Up Volume % at 58.2%. NYSE total volume rose some from Monday's level.

Action lately has been quite volatile, especially for a time when the SPX is above its 200ma. More commonly you will see high volatility during long-term downtrends. Tuesday marked the 4<sup>th</sup> day in a row that SPX 1) reversed direction from the day before and 2) closed either up or down by at least 1%. I decided to look back at other similar instances over the years, though I loosened the requirement to just 3 reversal days to get more instances.

SPX closes up > 1% and above the 200ma. Yesterday it closed down > 1%. The day before it closed up > 1%. Buy on close. Sell X days later. \$100k/trade. 1960 - 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	7,804.23	12	10	2	83.33	7,207.80	-12,050.94	2,338.52	-7,790.46	0.30	1.50	650.35
4	5,908.22	12	9	3	75.00	5,976.00	-7,684.59	2,358.49	-5,106.05	0.46	1.39	492.35
3	-2,238.57	12	7	5	58.33	6,006.30	-11,890.36	2,439.72	-3,863.32	0.63	0.88	-186.55
2	5,518.13	13	8	5	61.54	3,996.00	-4,890.25	1,870.76	-1,889.60	0.99	1.58	424.47
1	1,392.84	13	9	4	69.23	1,986.09	-3,291.58	1,064.11	-2,046.03	0.52	1.17	107.14

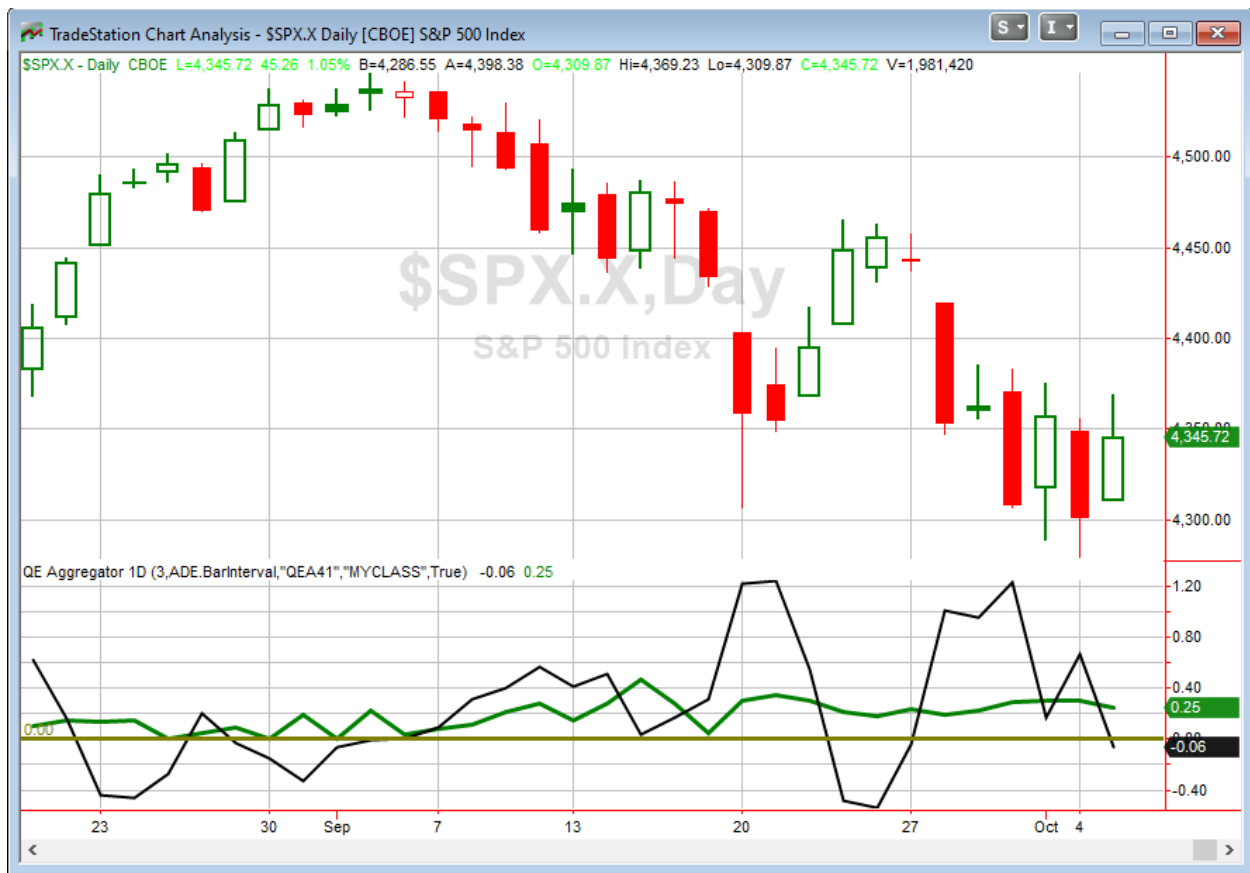
Results here do not appear to be terribly compelling, especially over the 1<sup>st</sup> 1-3 days. In most cases, I would not waste any time discussing results like these. But a closer look at the 5-day results led to some interesting observations.

SPX closes up > 1% and above the 200ma. Yesterday it closed down > 1%. The day before it closed up > 1%. Buy on close. Sell X days later. \$100k/trade. 1960 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/31/1975	Buy	\$76.98	2.14%	\$4,858.26
2/7/1975	Sell	\$78.63		(\$1,273.02)
9/2/1982	Buy	\$120.29	0.57%	\$2,783.85
9/10/1982	Sell	\$120.97		(\$16.62)
2/20/1986	Buy	\$222.22	2.05%	\$2,097.00
2/27/1986	Sell	\$226.77		\$0.00
2/16/1999	Buy	\$1,248.27	1.84%	\$2,572.80
2/23/1999	Sell	\$1,271.18		(\$2,219.20)
5/28/1999	Buy	\$1,301.82	2.51%	\$2,630.36
6/7/1999	Sell	\$1,334.52		(\$1,847.56)
5/3/2010	<b>Flash Crash</b> Buy	\$1,202.26	-3.54%	\$0.00
5/10/2010	Sell	\$1,159.73		(\$11,327.01)
2/5/2013	Buy	\$1,511.29	0.54%	\$726.00
2/12/2013	Sell	\$1,519.43		(\$844.80)
4/3/2018	Buy	\$2,614.45	1.62%	\$2,189.94
4/10/2018	Sell	\$2,656.87		(\$1,551.92)
3/4/2020	<b>COVID Crash</b> Buy	\$3,130.12	-12.42%	\$0.00
3/11/2020	Sell	\$2,741.38		(\$13,109.90)
6/29/2020	Buy	\$3,053.24	3.02%	\$4,189.12
7/7/2020	Sell	\$3,145.32		(\$173.12)
10/7/2020	Buy	\$3,419.44	2.02%	\$3,781.89
10/14/2020	Sell	\$3,488.67		\$0.00
11/2/2020	Buy	\$3,310.24	7.26%	\$10,072.50
11/9/2020	Sell	\$3,550.50		\$0.00

Looking out 5 days there were 10 winners and just 2 losers. Interesting to me is that both losers were notorious. While the results are not of the kind that would be included in the Aggregator, there may be a message here. It appears that the most likely direction over the next few days would be up. We have seen that with other studies as well. The high volatility is likely shaking out some weak hands and the uptrend will reassert itself quickly in most cases. But there is a chance that the wild action is a precursor to even more wild action. This is what we saw for the 2010 Flash Crash and the 2020 COVID Crash. So while the odds of a rally are high, the consequences of being wrong could be severe. Seems like it might be a reasonable time to lighten up on the exposure a little bit.

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



Without any new studies making the active list tonight, 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 dipped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is now overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4392.42 on Wednesday. That is 1.1% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 1.1% in order to remain "overbought" vs expectations. Anything less than that and it will be considered "oversold" as of Wednesday's close.

So the Aggregator is again neutral. But the bullish expectations and the inverted pivot mean it is likely to flip back to "long" on Wednesday. Both bulls and bears have made attempts to gain control over the last several days, and neither have fully succeeded. As oversold as the SPX was (closing at a multi-month low on Monday) I still expect to see a sharp 2-3 day rally that will force

some short covering. There is always the possibility that this gets real bad like we saw with the Flash Crash and COVID Crash instances in the earlier study. So I will look to lighten up on Wednesday if I can get a decent fill during the day. I will only sell my 2<sup>nd</sup> lot if we see a strong rally day that puts SPX above its Differential Pivot.

***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.*

**None tonight.**

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
FDX(1/3)	9/20/2021	\$252.11	\$224.27	-11.04%		Catapult
FDX(1/3)	9/29/2021	\$222.40	\$224.27	0.84%		Catapult
<b>DUK(1/3)</b>	<b>9/29/2021</b>	<b>\$97.05</b>	<b>\$100.88</b>	<b>3.95%</b>		<b><i>sold on open</i></b>
FDX(1/3)	9/30/2021	\$221.09	\$224.27	1.44%		Catapult
ADBE(1/3)	9/30/2021	\$577.70	\$566.70	-1.90%		Catapult
SPY(1/4)	9/30/2021	\$433.72	\$433.10	-0.14%		<i>Sell if SPX closes &gt; 4392.42</i>
SPY(1/4)	9/30/2021	\$429.14	\$433.10	0.92%		<i>Sell at \$434.00 LIMIT</i>
ADBE(1/3)	10/1/2021	\$575.72	\$566.70	-1.57%		Catapult

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