

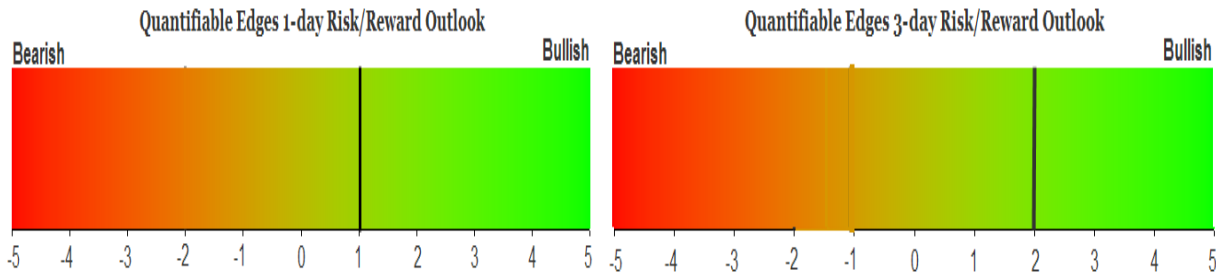
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 7, 2021

Volume 14 Issue 193

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- Breadth was weak, but that could be a positive based on tonight's study.
- The bounce over the last two days appears like it has more to go in the short-term.

Short-term Outlook

The Bottom Line

The Aggregator is long. Expectations are positive and the market is oversold. But it could easily turn overbought on Thursday unless SPX sells off a fair amount. Still, with the employment report due out on Friday, there may be an upside edge worth riding until at least Friday morning.

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 7, 2021	SPX up 2 days from 10-lo < 10ma	1-2 days	Bullish			
October 7, 2021	SPX up & > 200. NYSE Up vol % < 40.	1-7 days	Bullish	1.70%	-1.20%	-2.30%
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%
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)						
September 29, 2021	Btm 10% daily range and 40-day low	1-6 days	Bullish	2.50%	-1.70%	-3.70%

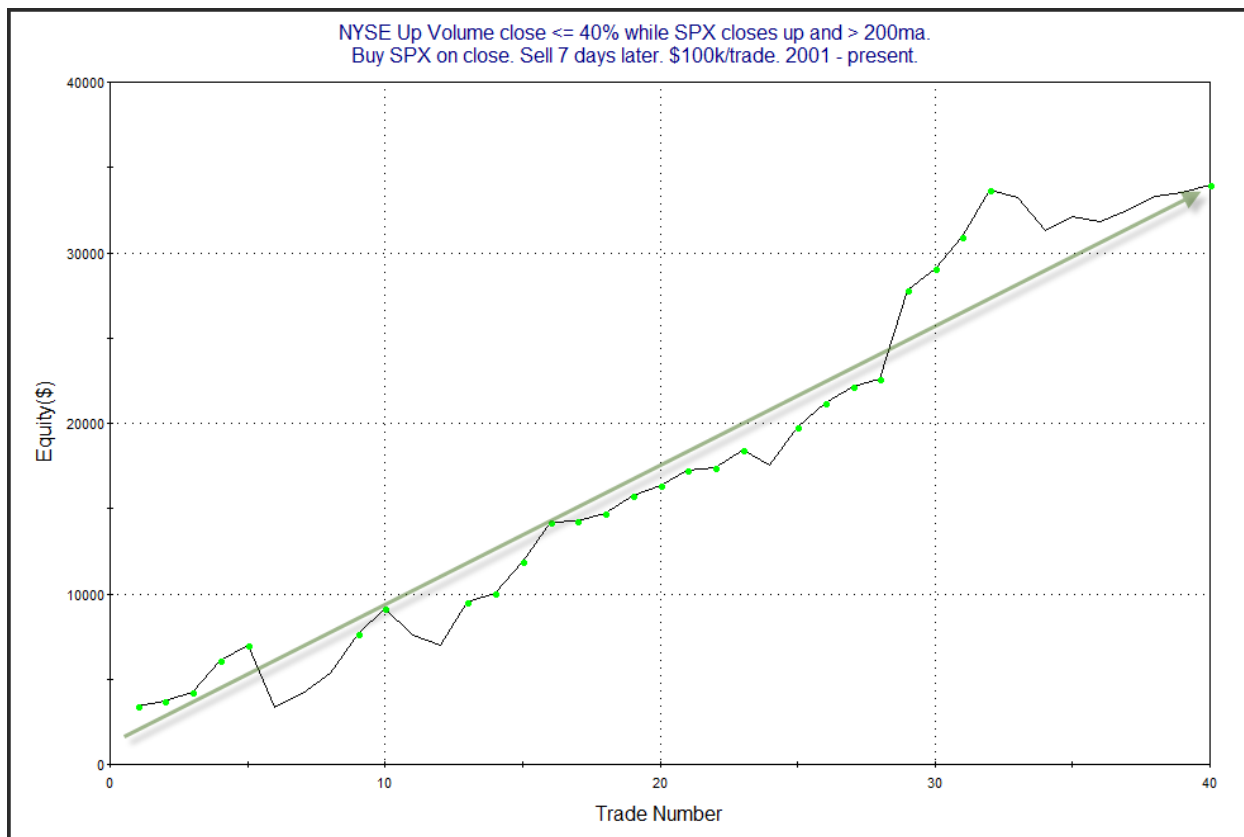
The Evidence

Wednesday had a tough start but a strong finish. The SPX rose 0.4%, the NASDAQ gained 0.5%, and the Russell 2000 declined 0.6%. Breadth was weak with the NYSE Up Issues % coming in at 46.2% and the Up Volume % at 39.6%. NYSE total volume declined some from Tuesday's level.

Weak breadth is generally regarded as a negative for the market. But we have seen some studies recently that saw weak breadth as an "oversold" type condition suggesting a short-term upside edge. And that is what tonight's study suggests. With SPX closing up and the Up Volume % coming in under 40% it triggered the study below, which has been featured a few times in recent months. It is updated from the 8/13/21 letter.

NYSE Up Volume close <= 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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	38,723.00	36	29	7	80.56	3,969.23	-7,891.63	1,801.48	-1,931.40	0.93	3.86	1,075.64
9	36,848.27	37	29	8	78.38	3,793.00	-7,594.37	1,703.16	-1,567.91	1.09	3.94	995.90
8	35,188.39	38	31	7	81.58	4,666.56	-6,657.20	1,491.68	-1,579.09	0.94	4.18	926.01
7	33,972.13	40	33	7	82.50	5,211.84	-3,690.83	1,314.68	-1,344.61	0.98	4.61	849.30
6	28,666.99	40	29	11	72.50	6,018.56	-3,495.92	1,411.15	-1,114.21	1.27	3.34	716.67
5	24,265.60	43	33	10	76.74	4,787.84	-3,769.15	1,164.29	-1,415.61	0.82	2.71	564.32
4	14,768.77	43	29	14	67.44	2,689.05	-2,557.50	1,056.14	-1,132.81	0.93	1.93	343.46
3	14,588.43	44	29	15	65.91	2,513.92	-2,547.82	957.39	-878.39	1.09	2.11	331.56
2	11,564.93	46	30	16	65.22	2,661.75	-2,848.17	786.39	-751.67	1.05	1.96	251.41
1	6,083.51	51	32	19	62.75	1,790.64	-1,371.49	504.27	-529.11	0.95	1.61	119.28

Results have been surprisingly strong over the last 20 years. Below is a look at a 7-day profit curve.



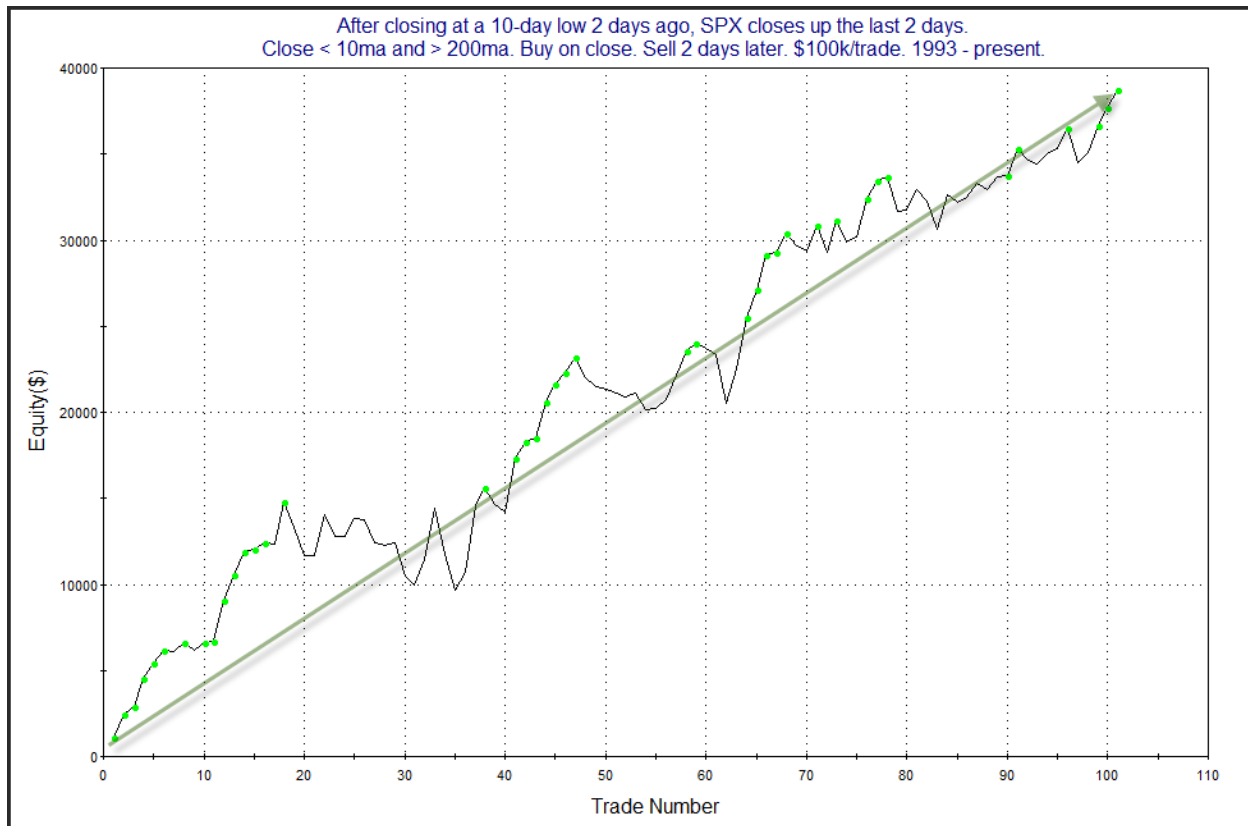
The curve has shown strong upside persistence, including the recent instances. I'll also note that the setup has become more common in recent years. Wednesday was the 38th instance since the start of 2016. Prior to 2016, there were only 11 instances in 15 years. Overall, I find these results intriguing and have added this study to the short-term Active List.

While SPX has risen fairly strongly the last couple of days, it still did not manage to close above its 10-day moving average. In the 8/23/21 letter I looked at other 2-day bounces from 10-day lows that failed to exceed the 10ma. I have updated that study below.

After closing at a 10-day low 2 days ago, SPX closes up the last 2 days.
Close < 10ma and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

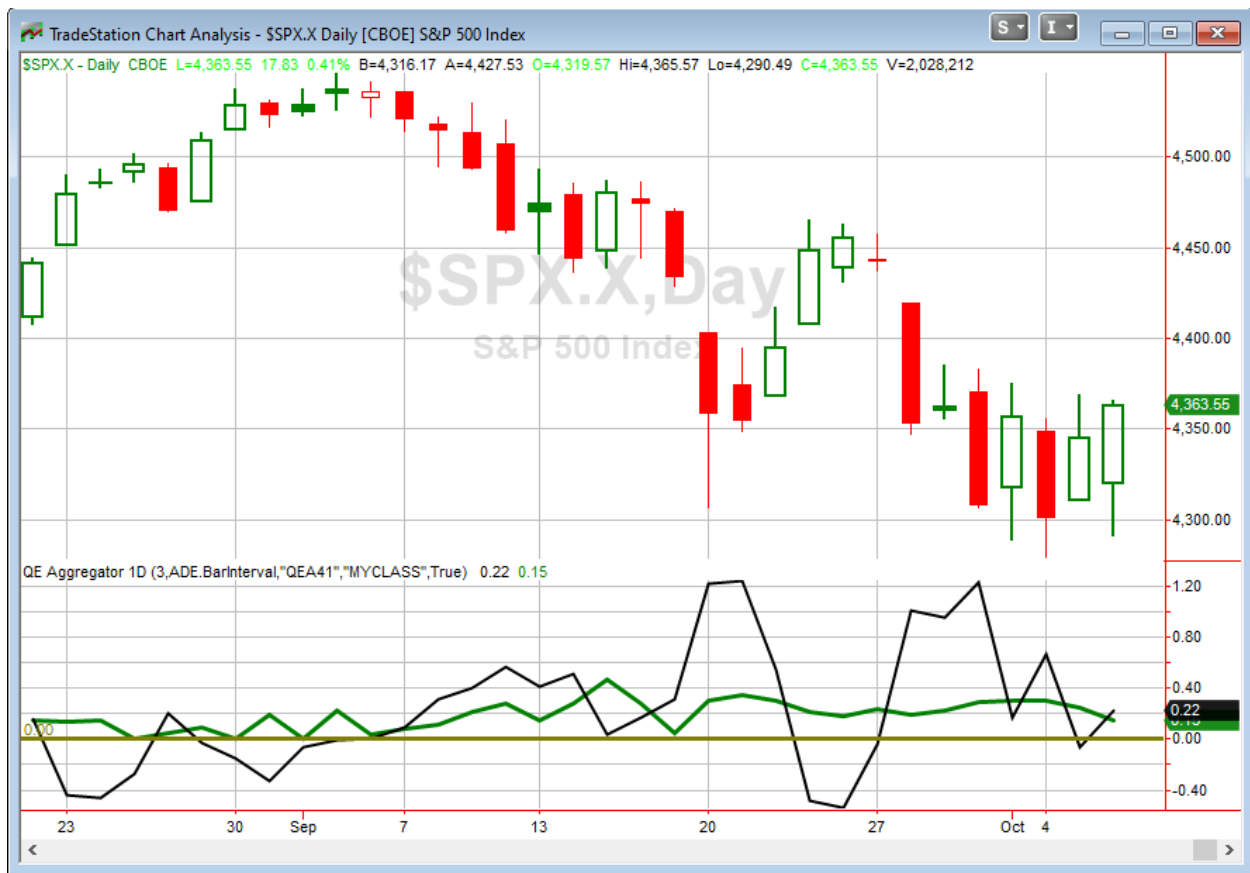
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	33,859.44	98	61	37	62.24	4,522.00	-4,385.11	1,568.24	-1,670.35	0.94	1.55	345.50
4	41,217.47	99	63	36	63.64	4,528.65	-4,255.02	1,492.39	-1,466.75	1.02	1.78	416.34
3	39,947.32	101	69	32	68.32	3,167.68	-3,993.04	1,215.68	-1,372.95	0.89	1.91	395.52
2	38,710.91	101	64	37	63.37	3,844.65	-2,822.04	1,134.97	-916.95	1.24	2.14	383.28
1	20,518.23	101	62	39	61.39	2,699.42	-3,044.52	752.56	-670.28	1.12	1.78	203.15

Stats here seem to suggest a bit of an upside edge, especially over the 1st couple of days. Below is a look at a profit curve that assumes a 2-day holding period.



It has moved from lower left to upper right on a fairly steady basis for a very long time. This serves as some confirmation of the potential bullish edge.

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

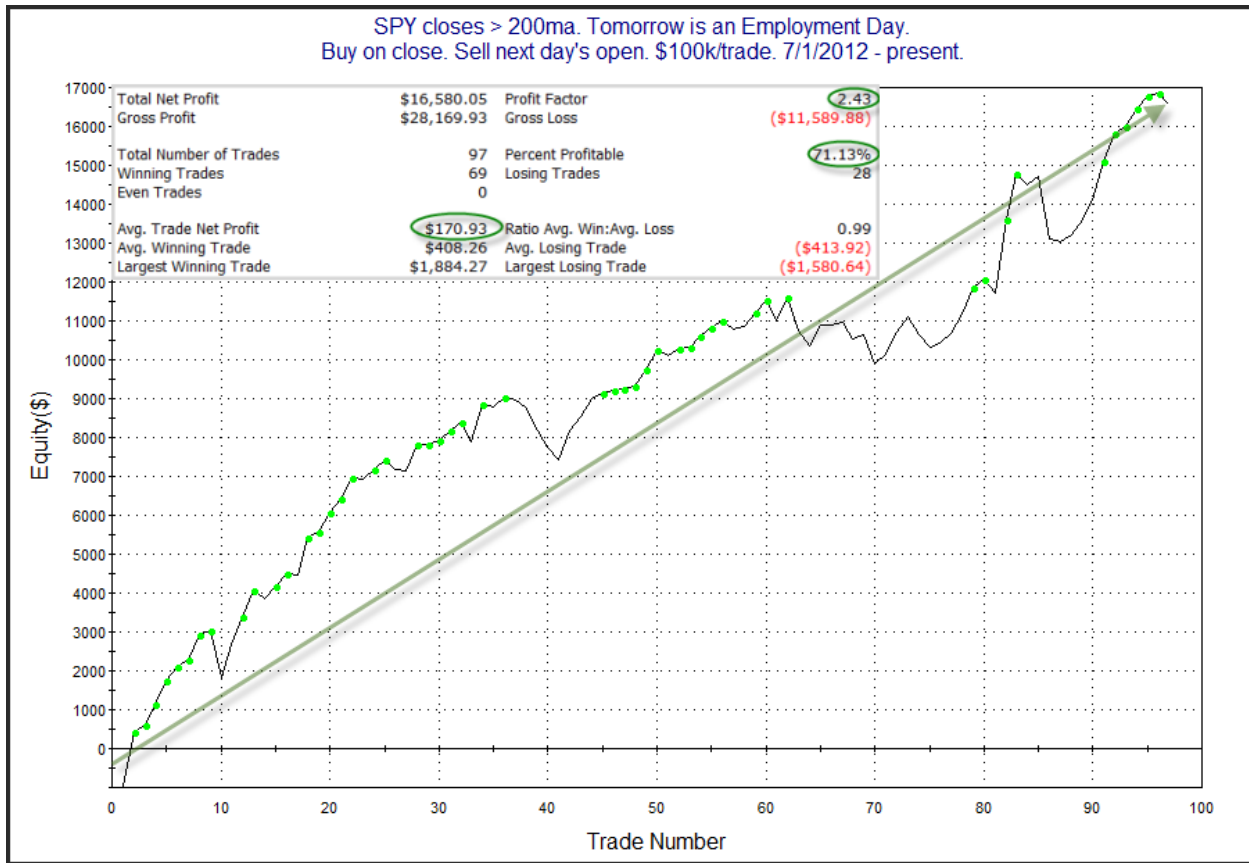


With tonight's evidence considered, the green Aggregator Line again remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also closed above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is now oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4338.93 on Thursday. That is 0.6% *below* Wednesday'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 down at least 0.6% in order to remain "oversold" vs expectations. Anything less than that and it will be considered "overbought" as of Thursday's close.

So the Aggregator is back to bullish. But the inverted pivot means it is likely to flip back to "neutral" on Thursday. So I am hoping to take profits soon on my long SPY position. The question is, "how quickly do I want to do that?". Coming off an intermediate-term bottom as the market has done the last couple of days, I am more inclined to let market run a little. So I don't favor exiting before the Aggregator signal expires. And that would not be until the close on Thursday,

assuming SPX does *not* close down 0.6% or more. But Friday is the Employment Report. I've discussed here over the last few months that Employment Days have been on a nice hot streak over the last few years. Holding overnight Thursday would introduce extra risk, but it could also increase potential reward. To help evaluate whether it would be worth it, I ran the study below.



Employment Days in up trends have gapped up over 70% of the time since mid-2012. And the winners have been as large as the losers. So I like those odds. Therefore, I will NOT look to exit my last SPY lot on Thursday. I intend to hold it at least until Friday morning. There is a good chance I will look to exit on Friday, but I will determine my strategy for that tomorrow night.

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	\$224.20	-11.07%		Catapult
FDX(1/3)	9/29/2021	\$222.40	\$224.20	0.81%		Catapult
FDX(1/3)	9/30/2021	\$221.09	\$224.20	1.41%		Catapult
ADBE(1/3)	9/30/2021	\$577.70	\$570.31	-1.28%		Catapult
SPY(1/4)	9/30/2021	\$433.72	\$434.90	0.27%		Aggregator
SPY(1/4)	9/30/2021	\$429.14	\$434.00	1.13%		sold at limit
ADBE(1/3)	10/1/2021	\$575.72	\$570.31	-0.94%		Catapult

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