

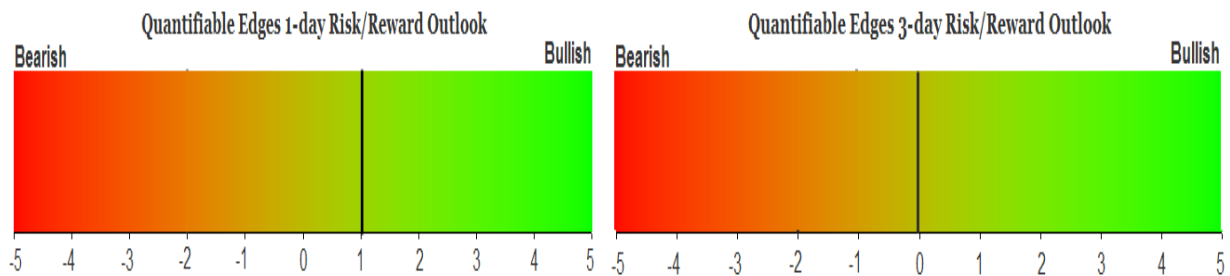
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 8, 2021

Volume 14 Issue 194

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- Friday's Employment Report could provide a boost to the market.

Short-term Outlook

The Bottom Line

The Aggregator is now flat, and I am looking to get flat as well. Friday appears to have a bit of an upside edge, but I don't have great visibility beyond that.

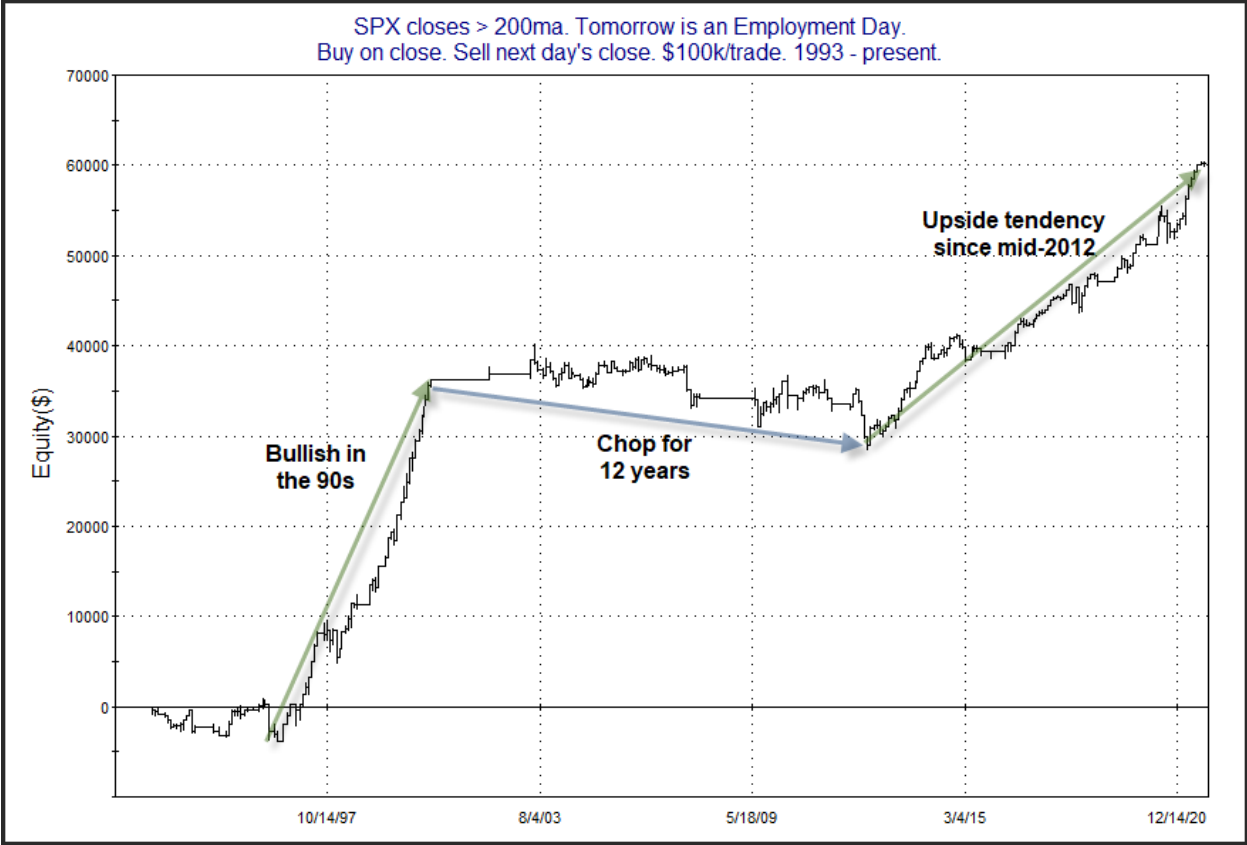
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 8, 2021	Employment Day Hot Streak	1 day	Bullish			
October 7, 2021	SPX up & > 200. NYSE Up vol % < 40.	1-7 days	Bullish	1.70%	-1.20%	-2.30%
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%
October 5, 2021	Yest 20-low & close 1% above. Dn 20	1-4 days	Bullish	2.50%	-0.90%	-2.10%
October 7, 2021	SPX up 2 days from 10-lo < 10ma	1-2 days	Bullish			
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%

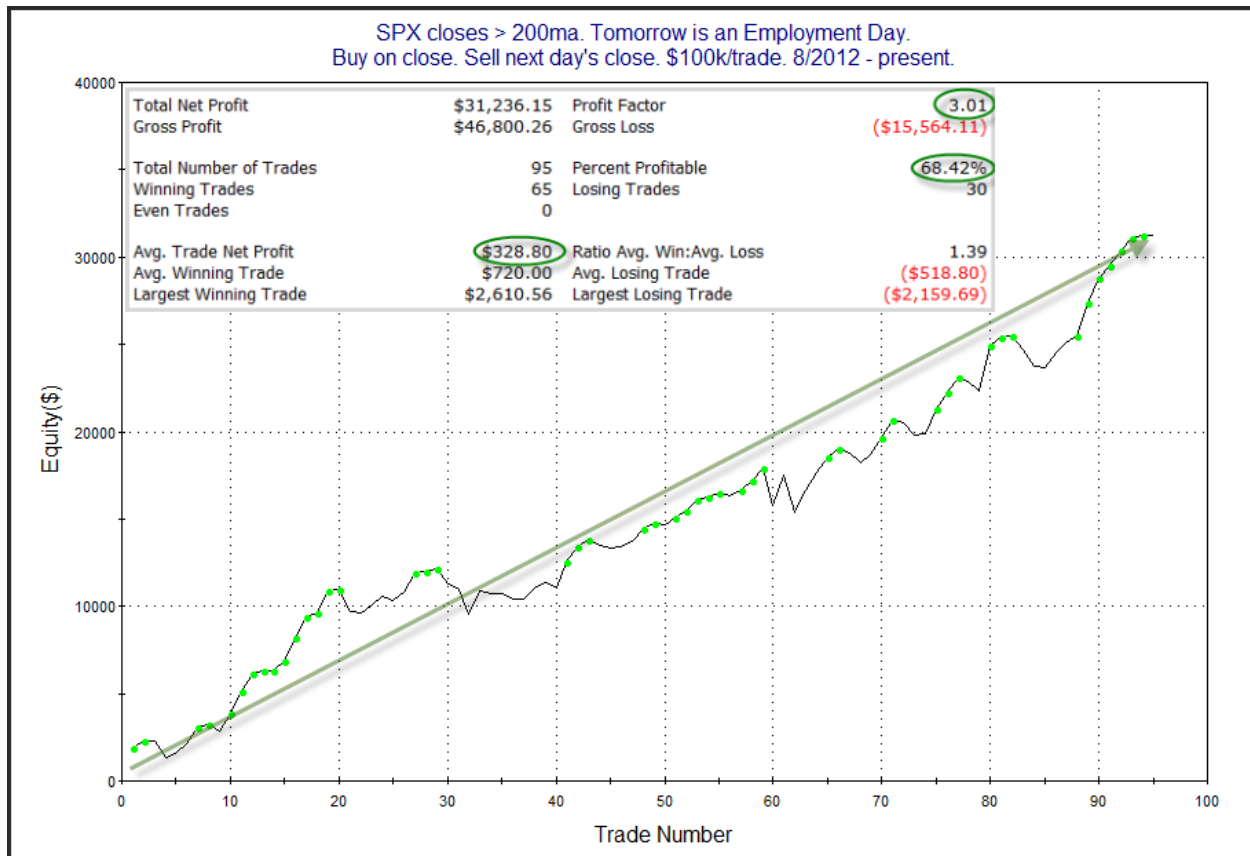
The Evidence

Thursday saw some solid gains, though a late fade made the numbers more modest than they were earlier in the day. The SPX finished up 0.8%, the NASDAQ gained 1.05%, and the Russell 2000 rallied 1.6%. Breadth was positive with the NYSE Up Issues % coming in at 70% and the Up Volume % at 80%. NYSE total volume rose some from Wednesday's level.

Friday is an employment day (a day in which the BLS releases their monthly employment report). Employment days have an interesting history and they have contributed to some worthwhile studies over the years. Below is a chart of SPX performance on Employment Days. I last posted this chart in the 9/3/21 subscriber letter. For this equity curve, which is updated, I filtered to only include days where SPX was > its 200ma. Each trade was a fictional \$100k.

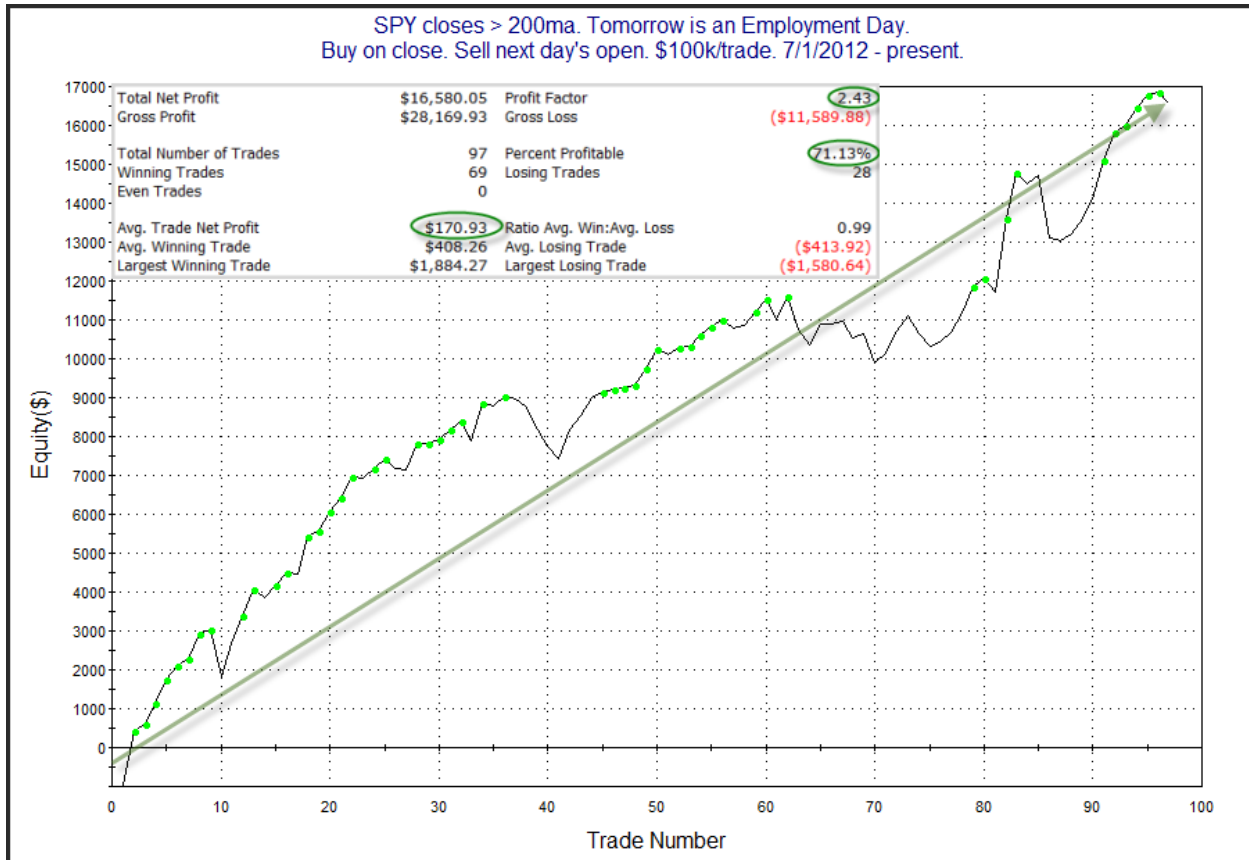


What I find interesting about the chart is that Employment Days in uptrends have shown such streaky performance – and the streaks lasted a long time. Here is a zoomed in look at performance since mid-2012 when the recent bullish tendency began.



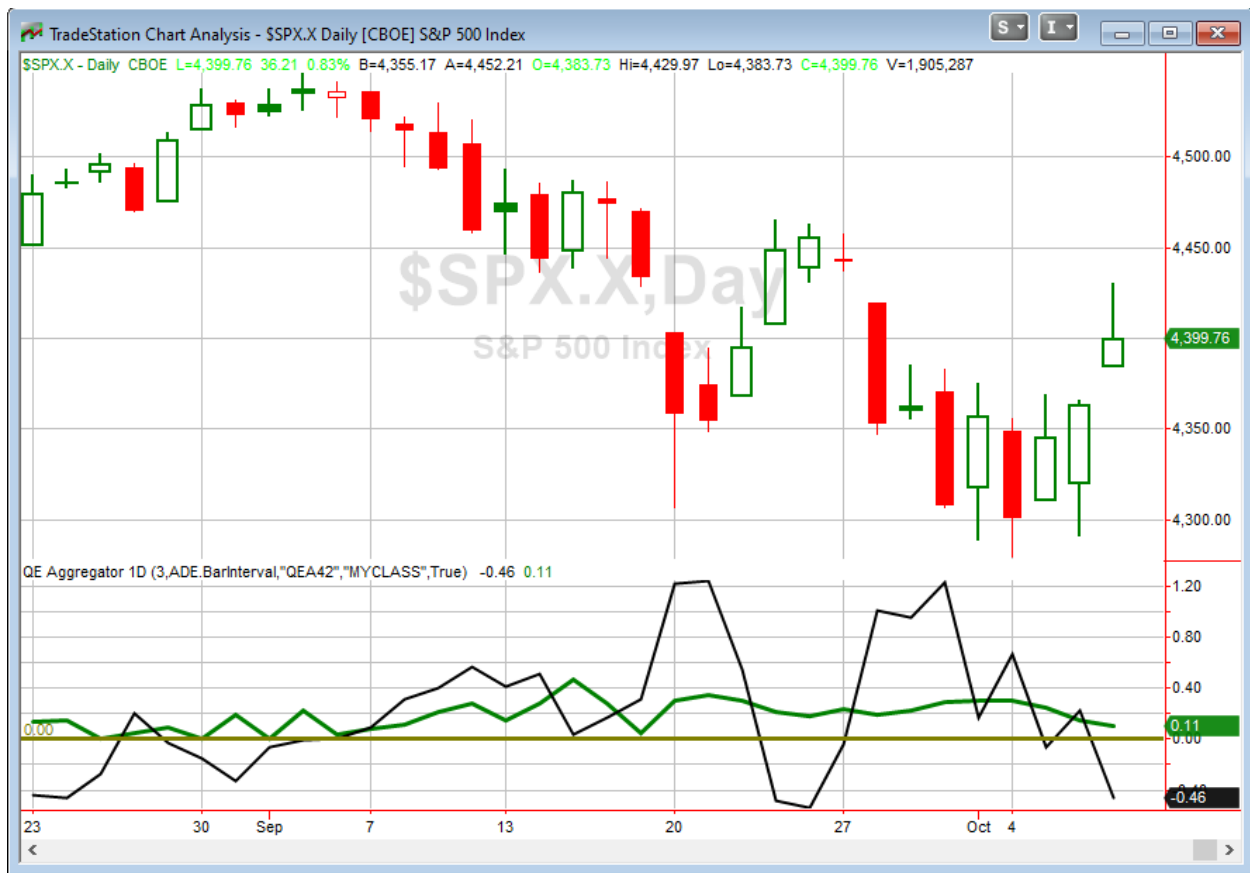
Based on what we know of history, I would not expect this edge to last forever. But it may be worth factoring in for as long as the current behavior seems to persist. The broader study is also a nice reminder that market dynamics change over time. But in recent times, Employment Days have seen good results. In fact, the last two Employment Days to finish lower were September 2021 and November 2020, and neither of them lost as much as even 0.05%. So I'll view Employment Days as bullish until the curve appears to turn.

I'll also note that more than half the upside edge has come in the overnight, prior to the NYSE open. The study below is one I showed in last night's letter.



The average trade for the overnight is about \$171, and the average trade for the close to close is \$329. So if the reaction to the report is initially positive and the market gaps up strongly, then there may not be a lot more upside between the open and the close.

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 fell below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is 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 Friday. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4382.51 on Friday. That is 0.4% below Thursday's close. Therefore, SPX would need to close down 0.4% or more on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is now neutral. Expectations remain positive but reward/risk is not great with the market already overbought. I still have some long index exposure. I'll be looking to exit it on Friday and then wait for the next favorable setup before getting back into the market.

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

New

TMUS – 1/3 @ \$123.18 (buy @ limit)

Broad Market Large Cap CBI – 1(TMUS)

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.

TMUS – Buy 1/3 Catapult position @ \$123.18 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for TMUS.

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%		<i>sell on open</i>
FDX(1/3)	9/29/2021	\$222.40	\$224.20	0.81%		<i>sell on open</i>
FDX(1/3)	9/30/2021	\$221.09	\$224.20	1.41%		<i>sell on open</i>
ADBE(1/3)	9/30/2021	\$577.70	\$570.31	-1.28%		<i>sell on open</i>
SPY(1/4)	9/30/2021	\$433.72	\$438.66	1.14%		<i>see note below</i>
ADBE(1/3)	10/1/2021	\$575.72	\$570.31	-0.94%		<i>sell on open</i>

Note: I will look to sell my SPY position at a limit order of \$438.00. So if it gaps down on Friday, it will not need to get all the way back to breakeven in order for me to get a fill. If the target is not reached in the first 30 minutes of trading, then I will place a stop below the low of the 1st 30 minutes. If neither exit it reached by the close, I will sell at the close on Friday.

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