

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 13, 2021

Volume 14 Issue 197

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 6 |

Tonight's Research Points

- The 3-day pullback is not ideal, but it does suggest we could see some upside on Wednesday.
- With NYSE Up Issue % > 60%, we could see a rebound in SPX on Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is long. Evidence is pointing higher and the market is oversold. Reward/risk favors the bulls, and I like 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 13, 2021 | SPX down. NYSE Up Issue % > 60% | 1 day | Bullish | | | |
| October 13, 2021 | 3-day pullback from < 20-day high | 1 day | Bullish | | | |
| October 11, 2021 | Opex week in October Bullish | 1-4 days | Bullish | 1.70% | -1.20% | -2.60% |
| 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 | | | |

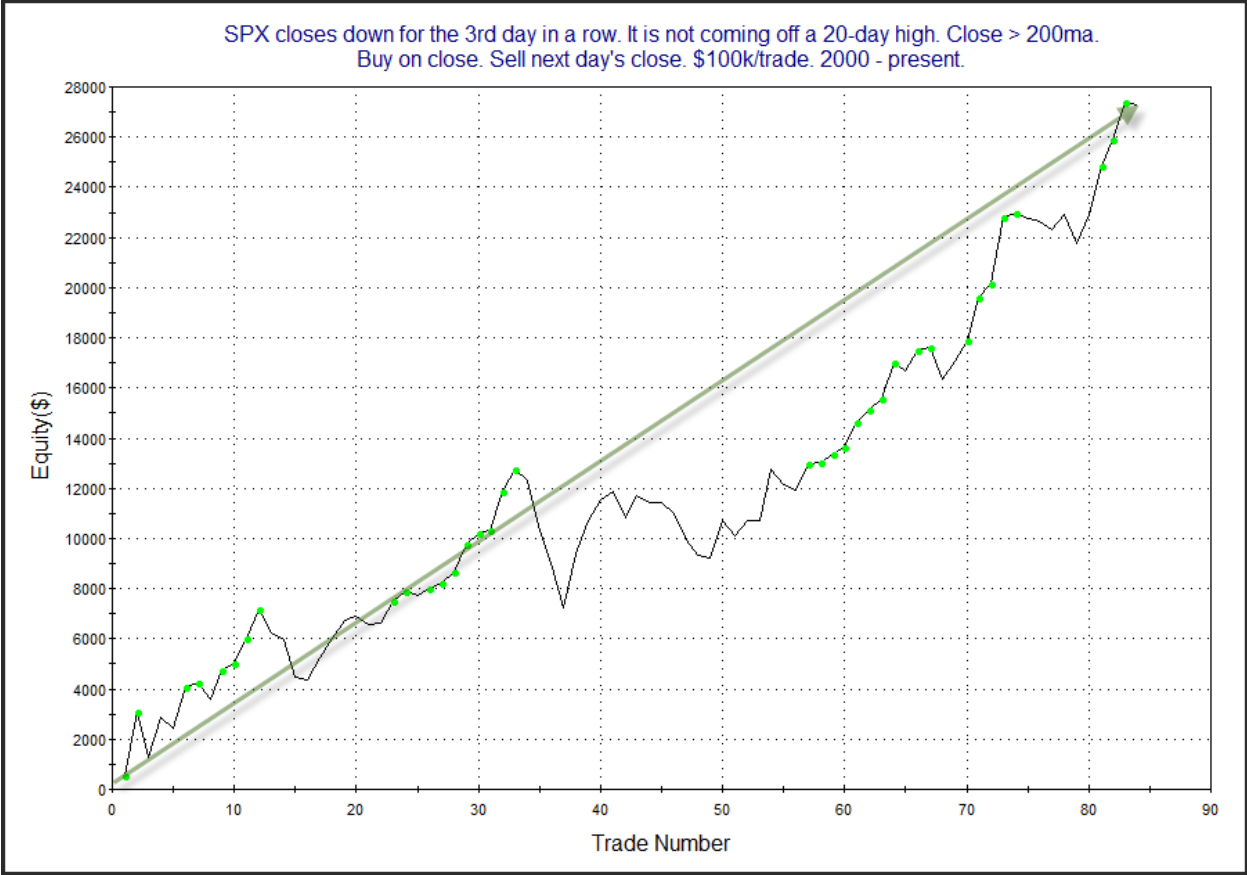
The Evidence

The market was not able to muster a rally on Tuesday, and the indices finished mixed. The SPX finished down 0.2%, and the NASDAQ lost 0.1%, but the Russell 2000 rose 0.6%. Breadth was positive with the NYSE Up Issues % coming in at 60.2% and the Up Volume % at 52.8%. NYSE total volume sank some from Thursday's level.

The main theme of the studies in the Quantifinder is that the SPX is now experiencing a 3-day pullback. A simple 3-day pullback will often suggest a short-term upside edge. And times when the market is in a long-term uptrend that edge is often more consistent. Below is a pullback study that appeared in the 5/9/19 letter. It examined pullbacks during uptrends that did not originate at intermediate-term highs.

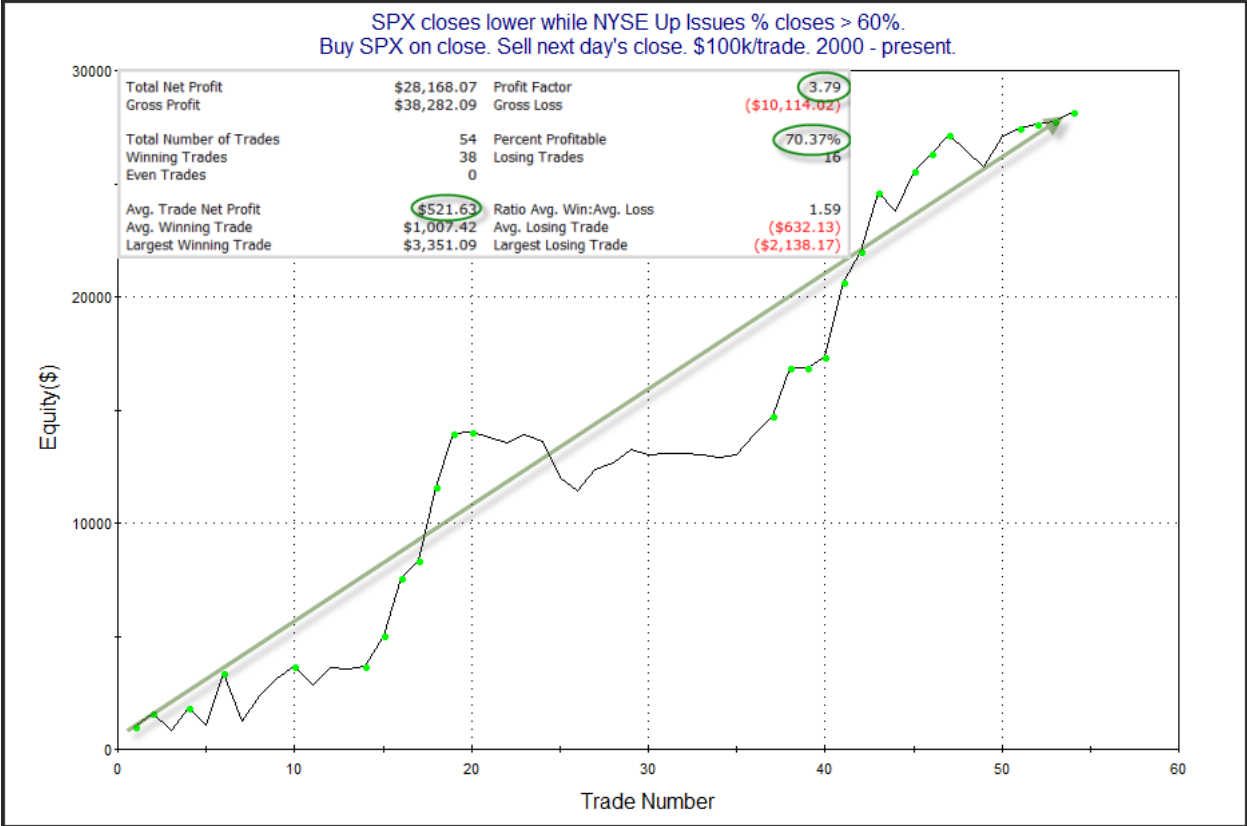
| SPX closes down for the 3rd day in a row. It is not coming off a 20-day high. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present. | | | | | | | | | | | | |
|--|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 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 | 38,159.42 | 80 | 46 | 34 | 57.50 | 5,555.16 | -4,543.76 | 1,705.95 | -1,185.71 | 1.44 | 1.95 | 476.99 |
| 4 | 34,083.83 | 84 | 52 | 32 | 61.90 | 5,290.00 | -3,988.20 | 1,495.40 | -1,364.90 | 1.10 | 1.78 | 405.76 |
| 3 | 26,273.97 | 84 | 50 | 34 | 59.52 | 4,895.50 | -5,306.04 | 1,363.70 | -1,232.67 | 1.11 | 1.63 | 312.79 |
| 2 | 20,584.88 | 84 | 49 | 35 | 58.33 | 4,424.50 | -7,559.56 | 1,080.50 | -924.56 | 1.17 | 1.64 | 245.06 |
| 1 | 27,305.52 | 84 | 55 | 29 | 65.48 | 2,671.02 | -1,953.32 | 864.31 | -697.63 | 1.24 | 2.35 | 325.07 |

Much of the upside edge has been realized on Day 1. And the 1-day hold showed the most impressive looking equity curve as well. It can be seen below.



Not perfect, but not bad as it makes its way from lower left to upper right.

Also notable was the very strong NYSE breadth despite the down day for the SPX. I looked back at other times SPX posted a loss on a day where over 60% of NYSE issues closed higher.



The numbers and curve suggest a bullish tendency in the day following this setup since 2000. I have also included this study on the active list.

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



With today'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 held above zero. 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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4408.72 on Tuesday. That is 1.3% above Tuesday's close. Therefore, SPX would need to close up at least 1.3% on Wednesday to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is decent and there is ample room to the upside before the market would turn overbought. Short-term reward/risk appears bullish. I took a small amount of index exposure at the close on Tuesday. I will let it ride for a day. If we see more selling on Wednesday, there is a good chance I will look to scale in further on Thursday. More aggressive traders could consider taking additional exposure near the close on Wednesday if it is down.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/11 – neutral

The intermediate-term outlook was last updated in the 10/11 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

TMUS – 1/3 @ \$123.18 (bought @ limit)

TMUS – 1/3 @ \$121.22 (bought @ limit)

TMUS – 1/3 @ \$117.19 (bought @ limit)

New

AMGN – 1/3 @ \$206.70 (buy @ limit)

AMGN – 1/3 @ \$201.89 (buy @ limit)

QCOM – 1/3 @ \$122.95 (buy @ limit)

Note: The 1st AMGN trigger actually occurred on Monday afternoon, but I somehow missed it. So I will look to possibly add it on Wednesday.

Broad Market Large Cap CBI – 6(TMUS-3, AMGN-2, QCOM)

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.

AMGN – Buy 1/3 Catapult position @ \$204.00 LIMIT. From the Catapult section above, this is 1st lot of up to 3 lots of AMGN.

AMGN – Buy 1/3 Catapult position @ \$201.89 LIMIT. From the Catapult section above, this is 2nd lot of up to 3 lots of AMGN.

QCOM – Buy 1/3 Catapult position @ \$122.95 LIMIT. From the Catapult section above, this is 1st lot of up to 3 lots of QCOM.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|---------------|-------------------|--------------------|----------------------|--------------------|-------------|--------------|
| TMUS(1/3) | 10/8/2021 | \$123.18 | \$116.28 | -5.60% | | Catapult |
| TMUS(1/3) | 10/11/2021 | \$120.98 | \$116.28 | -3.88% | | Catapult |
| TMUS(1/3) | 10/12/2021 | \$117.19 | \$116.28 | -0.78% | | Catapult |
| SPY(1/4) | 10/12/2021 | \$433.62 | \$433.62 | 0.00% | | Aggregator |
| | | | | | | |

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