

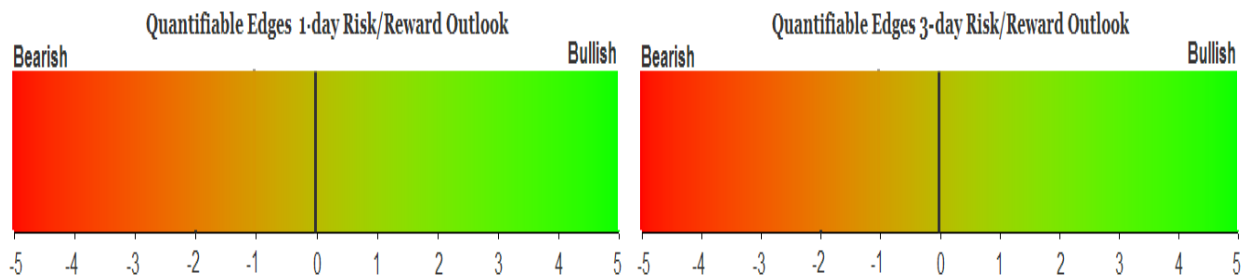
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 15, 2021

Volume 14 Issue 199

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- During uptrends, opex Friday has often seen selling after the open.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral. I am as well, and I am looking to flatten out after Thursday's big rally.

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						
None						
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 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%

The Evidence

Thursday showed strong gains across the board. The SPX finished up 1.71%, the NASDAQ rose 1.73%, and the Russell 2000 climbed 1.44%. Breadth was positive with the NYSE Up Issues % coming in at 75% and the Up Volume % at 78%. NYSE total volume rose some from Wednesday's level.

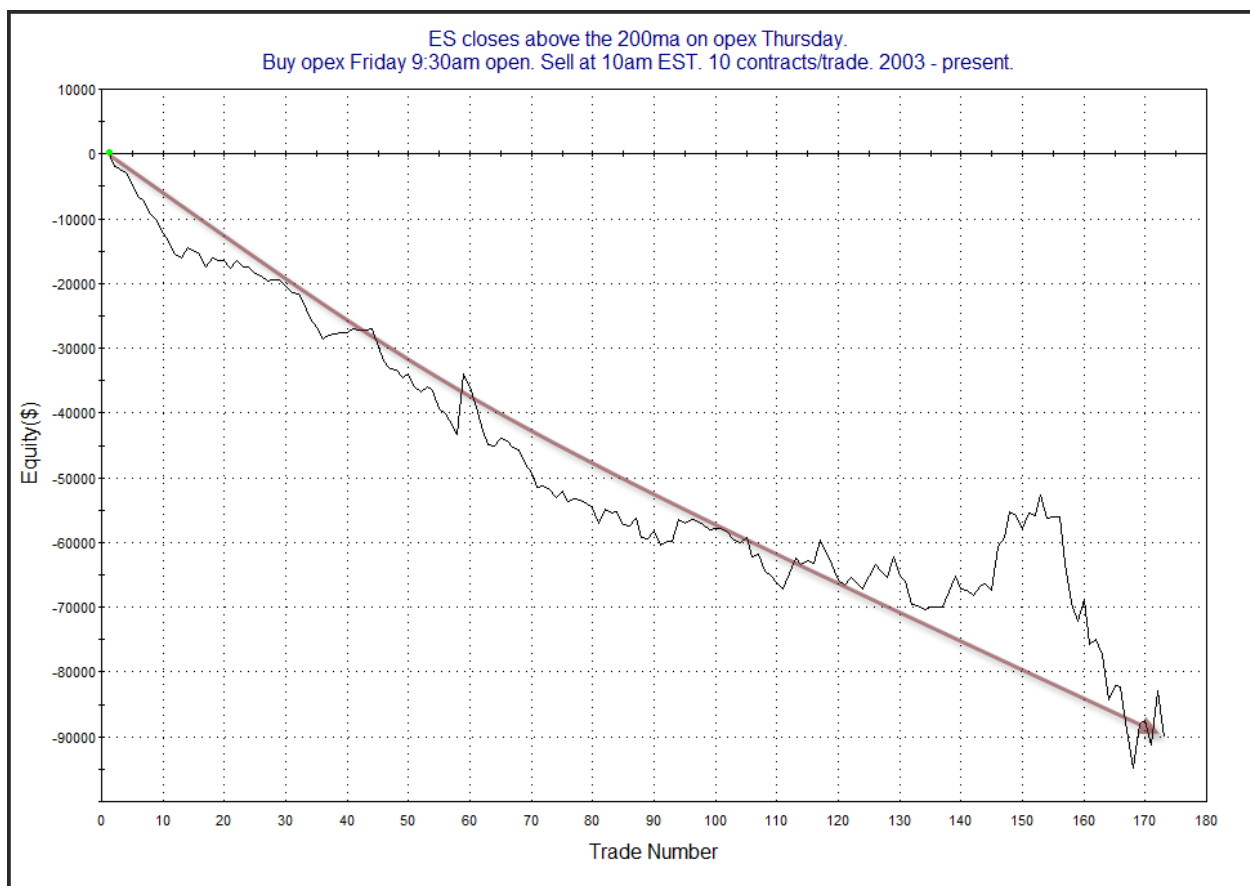
Thursday was the biggest 1-day gain for the SPX since March 5th. Interestingly, it was not some big short-covering reversal off a major low, nor was it was a big breakout to a new high. It was just a big up day in the middle of a range. And looking at it within those terms, I did not find a reliable edge over the next few days and weeks. So perhaps it is an initiation of a new rally. Or perhaps it is just a big bar that will quickly chop back the other way. I don't see compelling evidence either way, but I was thankful for the 1-day boost.

It is notable that Friday is options expiration. Options expiration has long been a day that has seen weakness after the opening bell (and strength the night before it). Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. The tables and charts are updated from the 9/17/21 letter.

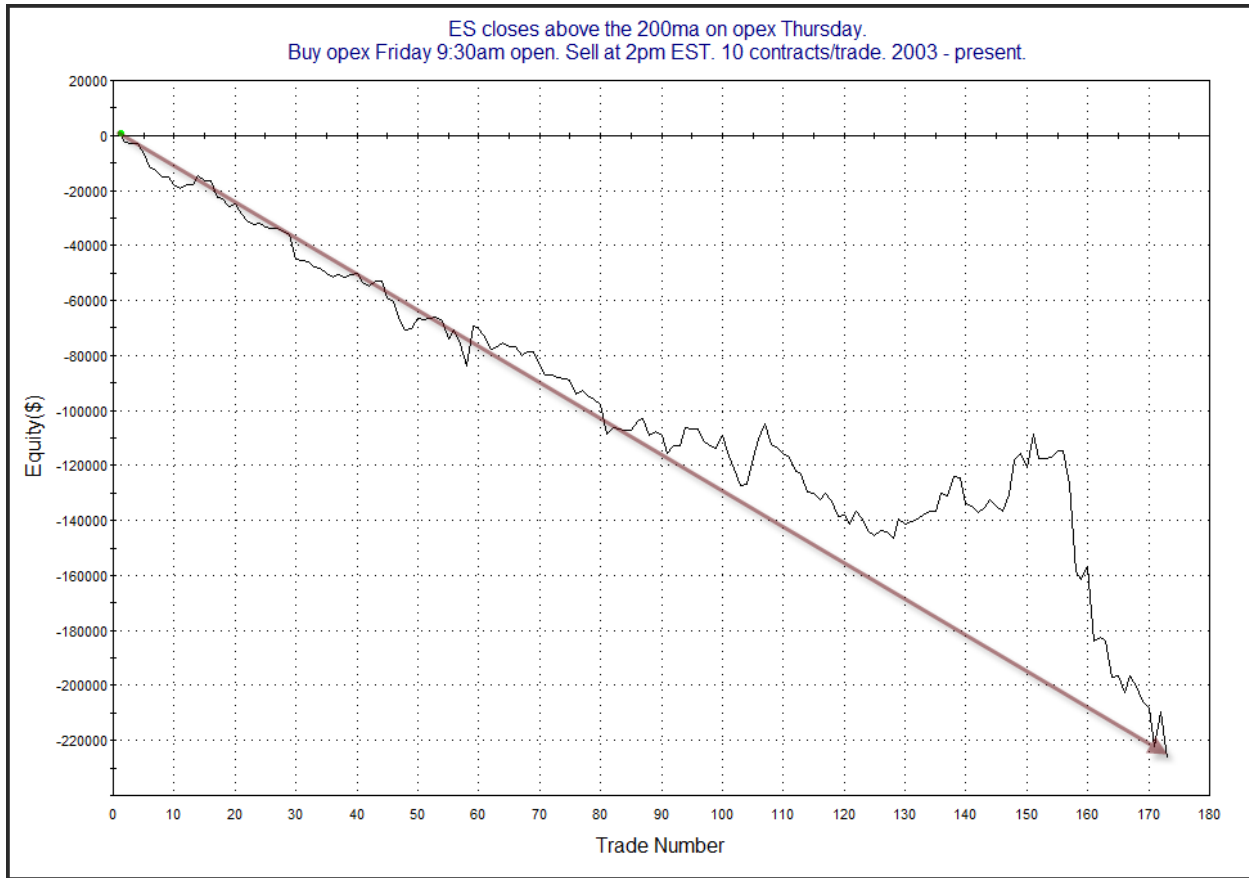
ES closes above the 200ma on opex Thursday.
Buy opex Friday 9:30am open. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-282,375.00	173	71	99	41.04	16,125.00	-28,500.00	3,202.46	-5,148.99	0.62	0.45	-1,632.23
1,500	-204,625.00	173	67	101	38.73	13,250.00	-24,250.00	3,402.99	-4,283.42	0.79	0.53	-1,182.80
1,400	-226,375.00	173	57	109	32.95	14,250.00	-31,625.00	3,254.39	-3,778.67	0.86	0.45	-1,308.53
1,300	-190,000.00	173	59	113	34.10	15,250.00	-22,125.00	3,203.39	-3,353.98	0.96	0.50	-1,098.27
1,200	-153,875.00	173	61	112	35.26	15,875.00	-13,375.00	2,940.57	-2,975.45	0.99	0.54	-889.45
1,100	-128,750.00	173	65	106	37.57	14,625.00	-12,625.00	2,398.08	-2,685.14	0.89	0.55	-744.22
1,000	-90,125.00	173	55	114	31.79	9,250.00	-7,250.00	1,736.36	-1,628.29	1.07	0.51	-520.95

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve for the 1st half-hour.



The strong move from upper left to lower right supports the bearish case. Next is the 2pm exit.



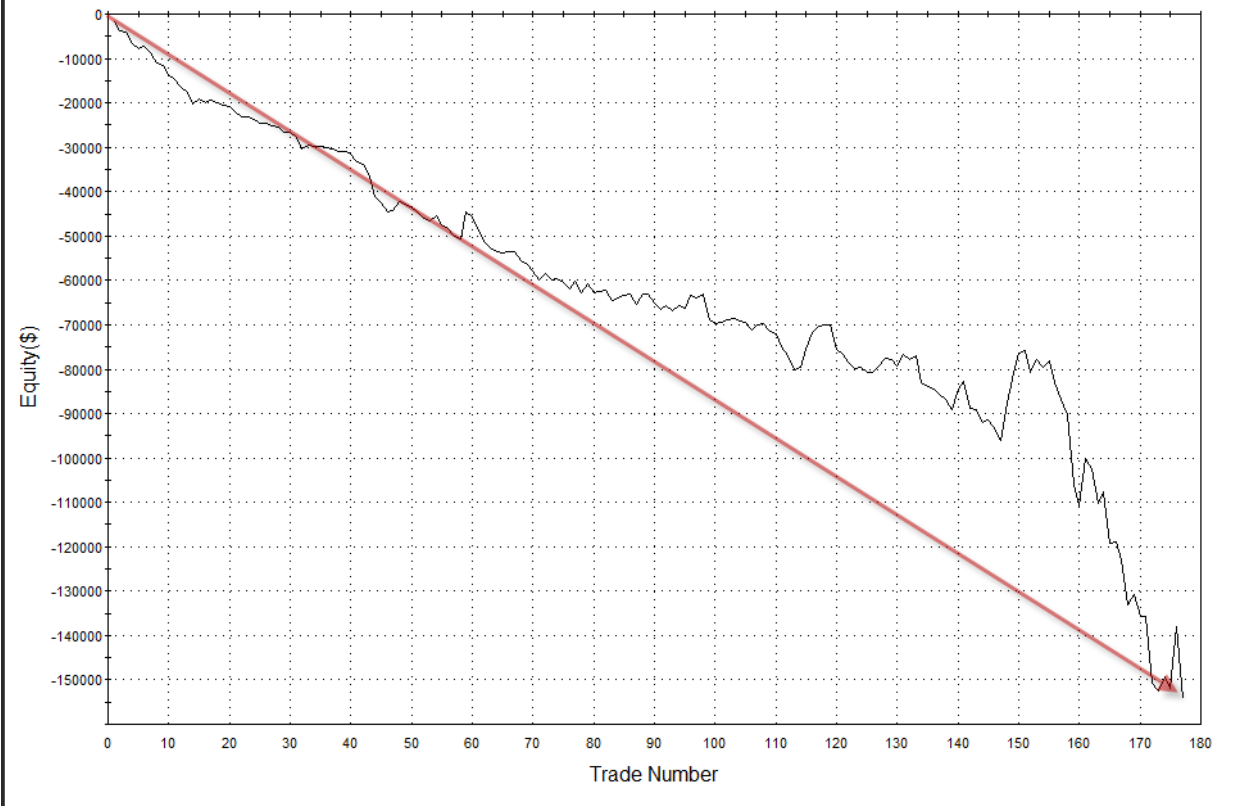
This is also impressive.

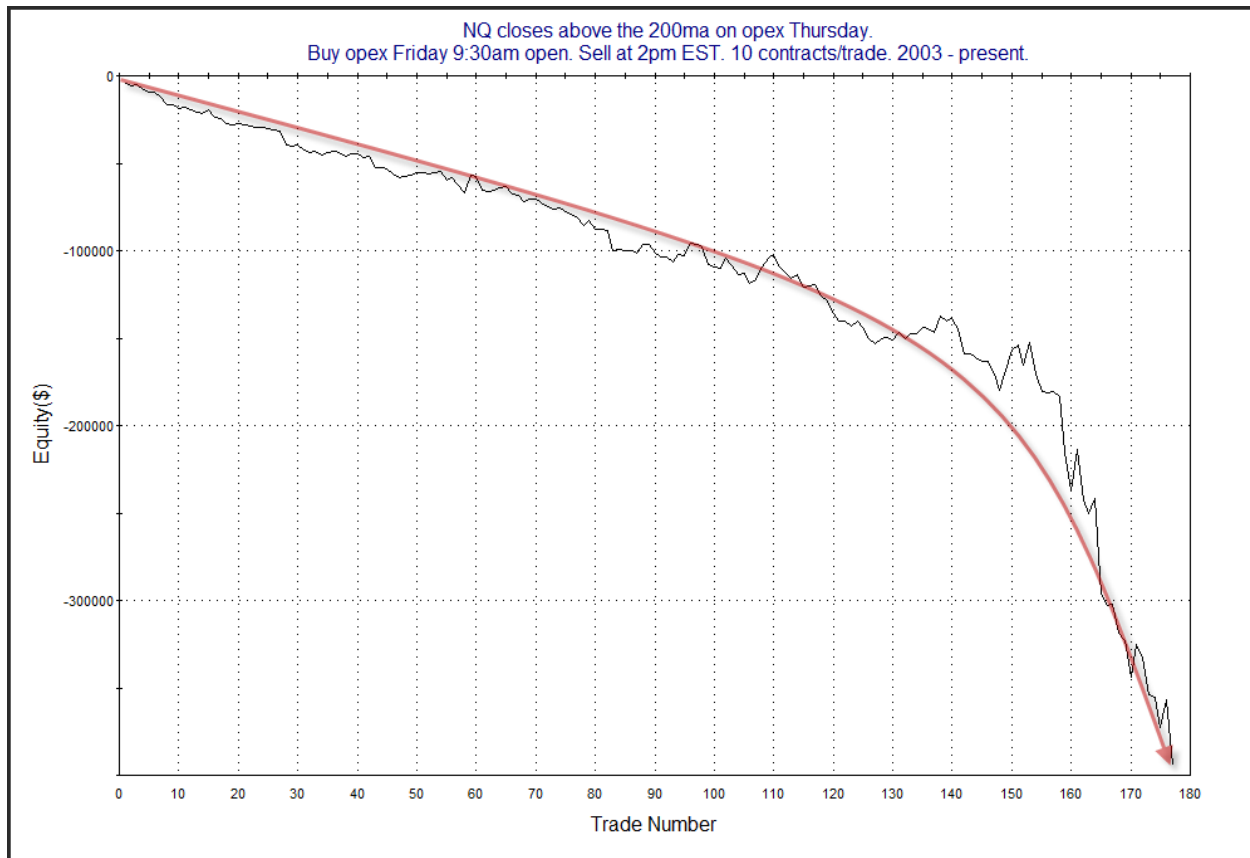
NQ (the NASDAQ 100 future) has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

ES closes above the 200ma on opex Thursday.
Buy opex Friday 9:30am open. Sell at time shown on left. 10 contracts/trade. 2003 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-452,900.00	177	67	110	37.85	36,850.00	-39,500.00	3,853.73	-6,464.55	0.60	0.36	-2,558.76
1,500	-379,700.00	177	65	111	36.72	22,850.00	-44,750.00	3,861.54	-5,681.98	0.68	0.40	-2,145.20
1,400	-394,350.00	177	58	119	32.77	23,550.00	-54,100.00	3,675.86	-5,105.46	0.72	0.35	-2,227.97
1,300	-319,200.00	177	64	111	36.16	20,750.00	-53,400.00	3,567.19	-4,932.43	0.72	0.42	-1,803.39
1,200	-322,950.00	177	64	112	36.16	13,750.00	-34,600.00	2,963.28	-4,576.79	0.65	0.37	-1,824.58
1,100	-218,500.00	177	62	115	35.03	18,900.00	-31,300.00	3,253.23	-3,653.91	0.89	0.48	-1,234.46
1,000	-154,300.00	177	54	119	30.51	13,700.00	-16,200.00	2,069.44	-2,235.71	0.93	0.42	-871.75

NQ closes above the 200ma on opex Thursday.
Buy opex Friday 9:30am open. Sell at 10am EST. 10 contracts/trade. 2003 - present.





The bearish edge appears alive and well here.

This study does not get on the active list, simply because it is an intraday edge, and I don't incorporate them into the Aggregator. But it could be worth keeping in mind. And I will use the information to get out of several positions near the open.

I will also note that the Short-Term Active List is now blank. One study from last night expired, and the other one reached its target, and is therefore being removed a day early.

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



With the last of the short-term studies now off the active list, the green Aggregator Line finished dead even at 0. Flat readings mean net expectations are neutral. Meanwhile the black Differential Line also dropped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are flat and SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of zero. Therefore, the Aggregator formation turned flat at the close.

With the short-term active list bare, and the intermediate-term outlook neutral, expectations over the next few days will be heavily dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be 4371.60 on Friday. That is 1.5% below Thursday's close. Therefore, SPX would need to close down over 1.5% on Friday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Thursday's outsized up move was a gift, and I will take it, and look to flatten out most of my positions, including the SPY index position. I generally do not like to sell near the close on opex Thursday, because there is an overnight tendency for the market to gap up on opex Friday. I discussed this in some detail in [the 9/16/21 letter](#). So my plan is to exit, and then wait for the next favorable setup to emerge before taking on new index exposure.

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

AMGN – 1/3 @ \$206.70 (bought @ limit)

AMGN – 1/3 @ \$201.89 (buy @ limit) – *not filled, cancel for now*

Broad Market Large Cap CBI – 2(AMGN-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
TMUS(1/3)	10/8/2021	\$123.18	\$119.26	-3.18%		sell on open
TMUS(1/3)	10/11/2021	\$120.98	\$119.26	-1.42%		sell on open
TMUS(1/3)	10/12/2021	\$117.19	\$119.26	1.77%		sell on open
SPY(1/4)	10/12/2021	\$433.62	\$442.50	2.05%		sell on open
AMGN(1/3)	10/13/2021	\$202.82	\$206.78	1.95%		Catapult

Note: AMGN is very close to an exit as well. It won't take much of an intraday rally or a close higher in order for AMGN to trigger an exit signal for Monday morning.

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