

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 19, 2021

Volume 14 Issue 201

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- The rising VIX with SPX at a 10-day high under similar circumstances has shown a downside tendency the next day.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish, but I don't consider the signal terribly strong.

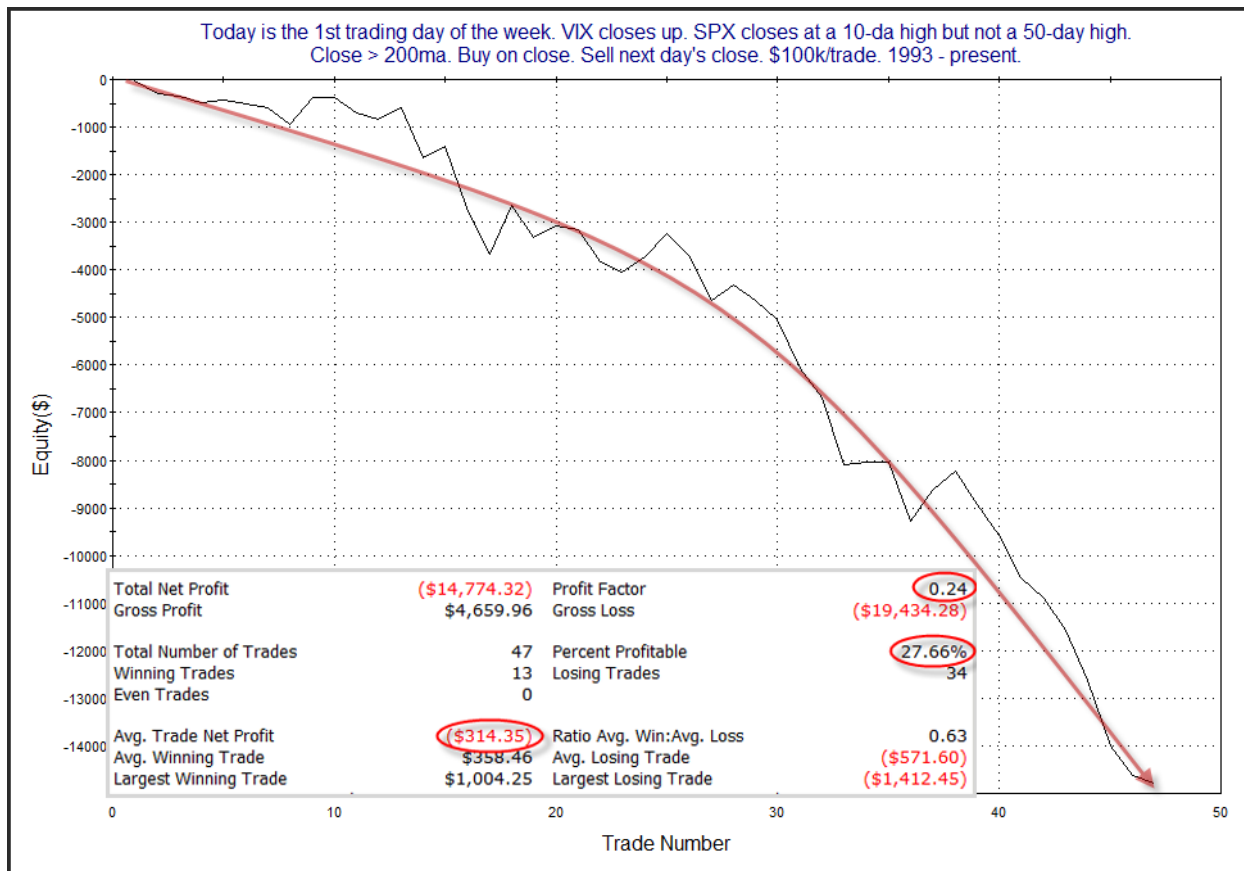
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
October 19, 2021	1st of week. SPX 10-hi. VIX up.	1 day	Bearish			
<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			

***The Evidence***

Monday saw mostly moderate gains for the indices. The SPX finished up 0.3%, the NASDAQ rose 0.8%, and the Russell 2000 gained 0.1%. Breadth was mixed with the NYSE Up Issues % coming in at 48% and the Up Volume % at 58%. NYSE total volume declined as it often does following Opex Friday.

While the SPX closed higher, so did the VIX. This is against the norm as they will most often close in the opposite direction. But the VIX has a natural tendency to decline on Friday afternoons ahead of the weekend and then rise on Mondays after the weekend. So occurrences of the both rising are more common on Monday than on any other day of the week. In a strong bull market with SPX closing at 50-day or greater highs, the fact that they both close higher on a Monday has not mattered a whole heck of a lot. But when the SPX has been short-term overbought without making intermediate-term closing highs as it is now, the inclination has appeared bearish for the next day. This can be seen in the study below, which is updated from the 11/10/20 letter.



The strong, persistent downslope is impressive, and the curve is continuing to make new lows. There have been more than 2x as many losers as winners and the losers were larger on average. Both the curve and the numbers support the idea of a bearish tendency. I have included this study on the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line fell below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line remained below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

The lone bearish short-term study on the Active List is set to expire on Tuesday. So expectations beyond Tuesday will be largely dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be 4453.51 on Tuesday. That is 0.7% below Monday's close. Therefore, SPX would need to close down 0.7% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now bearish. Negative expectations and an overbought SPX suggest reward/risk favors the bears. But visibility beyond just Tuesday is not good, and Tuesday's action could easily change the outlook dramatically either way. So without much time to potentially benefit from a move lower, and the current setup fairly weak, I am not inclined to put money at risk with a short index trade. I'll continue to wait for a more favorable opportunity before putting new positions on.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/18 – neutral***

The intermediate-term outlook was last updated in the 10/18 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***

**None**

***Broad Market Large Cap CBI – 0***

**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
AMGN(1/3)	10/13/2021	\$202.82	\$206.36	1.75%		<i>sold on open</i>

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