

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 20, 2021

Volume 14 Issue 202

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 5 up closes that close under a 50-day high but > 200ma suggest further buying.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

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 20, 2021	5 up < 50-high > 200ma	1-10 days	Bullish	2.20%	-1.40%	-2.90%
Active - Long Term						
October 20, 2021	5 up < 50-high > 200ma	1-15 days	Bullish	3.00%	-1.70%	-3.20%
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 19, 2021	1st of week. SPX 10-hi. VIX up.	1 day	Bearish			

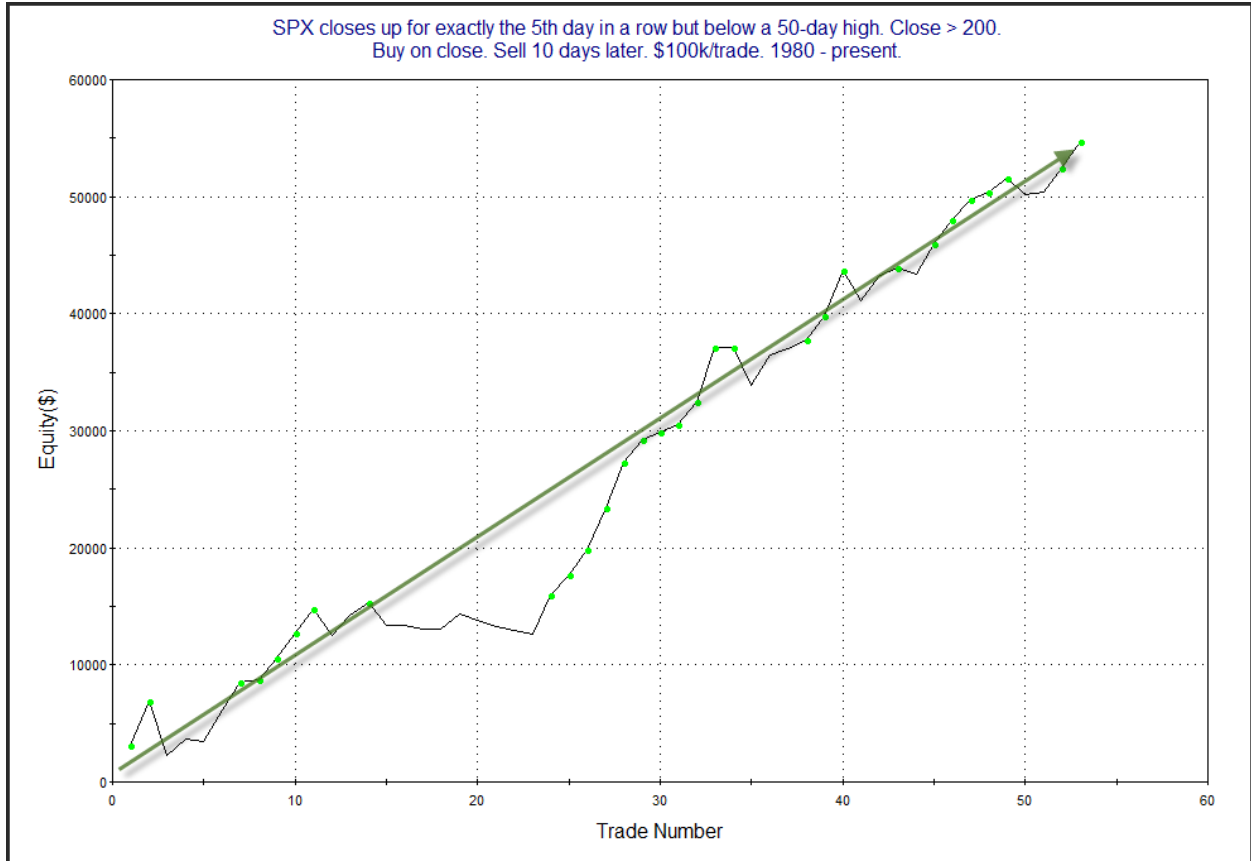
The Evidence

Tuesday saw the bounce continue. The SPX finished up 0.7%, the NASDAQ rose 0.7%, and the Russell 2000 gained 0.4%. Breadth was positive with the NYSE Up Issues % coming in at 57% and the Up Volume % at 65%. NYSE total volume closed lower for the 2nd day in a row.

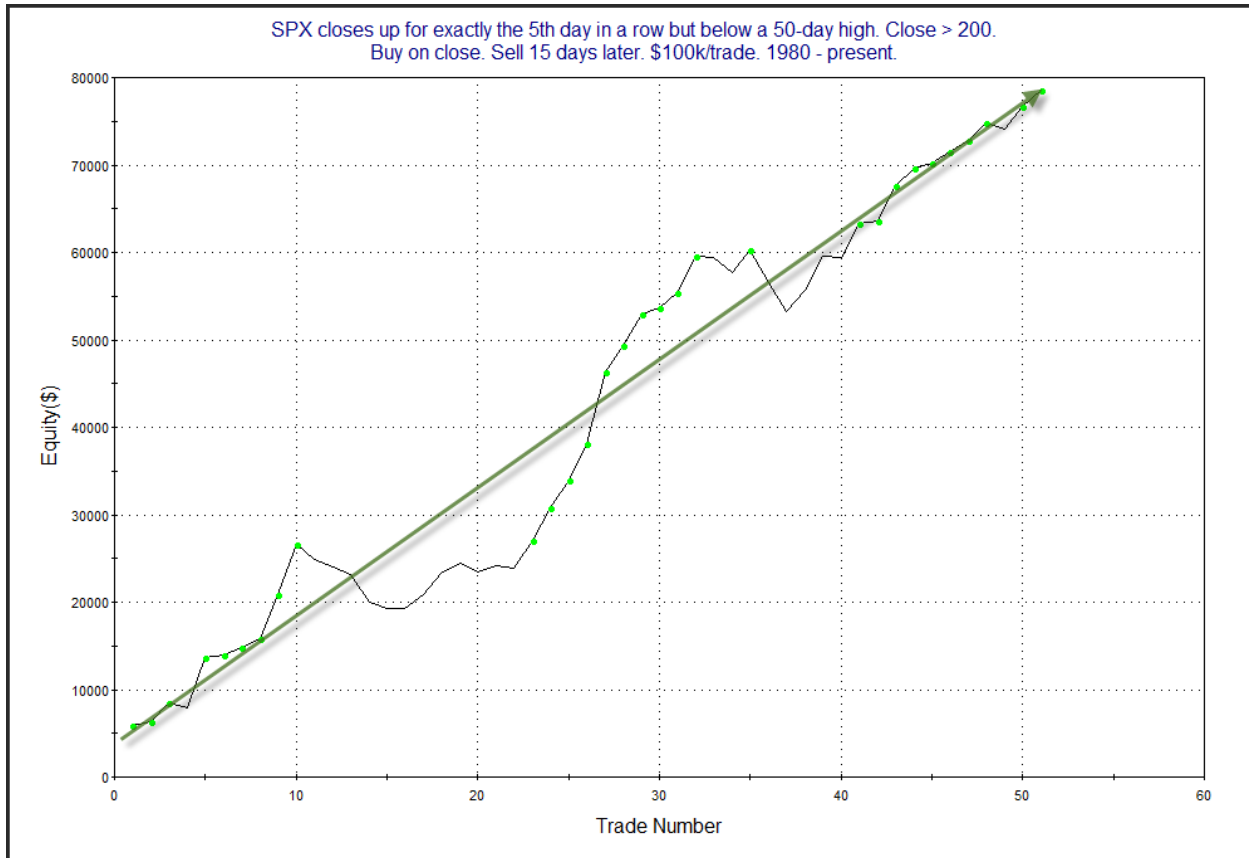
While many measures (including our own Differential tool) will consider the market short-term overbought at this point, that does NOT mean it is primed for a strong or immediate pullback. The study below recognized the move higher over the last few days and suggested the momentum is likely to continue. It was from the 6/11/19 letter, and it looked at 5 up days that closed above the 200ma, but failed to close at a 50-day high. I have updated the results below.

SPX closes up for exactly the 5th day in a row but below a 50-day high. Close > 200. Buy on close. Sell X days later. \$100k/trade. 1980 - 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
15	78,605.40	51	36	15	70.59	8,288.00	-3,766.10	2,712.84	-1,270.46	2.14	5.12	1,541.28
14	69,316.67	51	36	15	70.59	8,272.60	-4,738.50	2,477.42	-1,324.70	1.87	4.49	1,359.15
13	72,347.61	51	38	13	74.51	6,401.50	-3,773.44	2,447.74	-1,589.75	1.54	4.50	1,418.58
12	66,206.16	52	38	14	73.08	5,925.50	-2,944.80	2,246.59	-1,368.86	1.64	4.45	1,273.20
11	50,880.47	53	35	18	66.04	3,952.96	-4,894.24	2,090.46	-1,238.08	1.69	3.28	960.01
10	54,662.45	53	39	14	73.58	4,691.28	-4,684.28	1,883.91	-1,343.57	1.40	3.91	1,031.37
9	48,934.77	53	37	16	69.81	4,722.08	-4,910.55	1,931.71	-1,408.65	1.37	3.17	923.30
8	45,594.26	53	39	14	73.58	3,781.36	-3,376.64	1,663.91	-1,378.45	1.21	3.36	860.27
7	42,108.65	53	38	15	71.70	4,385.01	-3,500.70	1,682.39	-1,454.80	1.16	2.93	794.50
6	32,183.28	53	39	14	73.58	3,770.55	-3,366.60	1,412.48	-1,635.96	0.86	2.41	607.23
5	21,044.06	53	34	19	64.15	3,044.37	-3,496.92	1,310.97	-1,238.37	1.06	1.89	397.06
4	12,787.31	53	31	22	58.49	3,138.08	-3,330.40	1,141.22	-1,026.85	1.11	1.57	241.27
3	10,226.05	53	32	21	60.38	2,742.08	-3,359.36	994.50	-1,028.47	0.97	1.47	192.94
2	3,251.56	53	27	26	50.94	2,205.03	-3,748.50	857.28	-765.19	1.12	1.16	61.35
1	2,870.85	53	30	23	56.60	2,211.54	-2,200.96	618.28	-681.63	0.91	1.18	54.17

These results appear to suggest a pretty consistent upside edge over the next 1-3 weeks. Below is an equity curve using the highlighted 10-day hold that shows how this edge has played out over time.

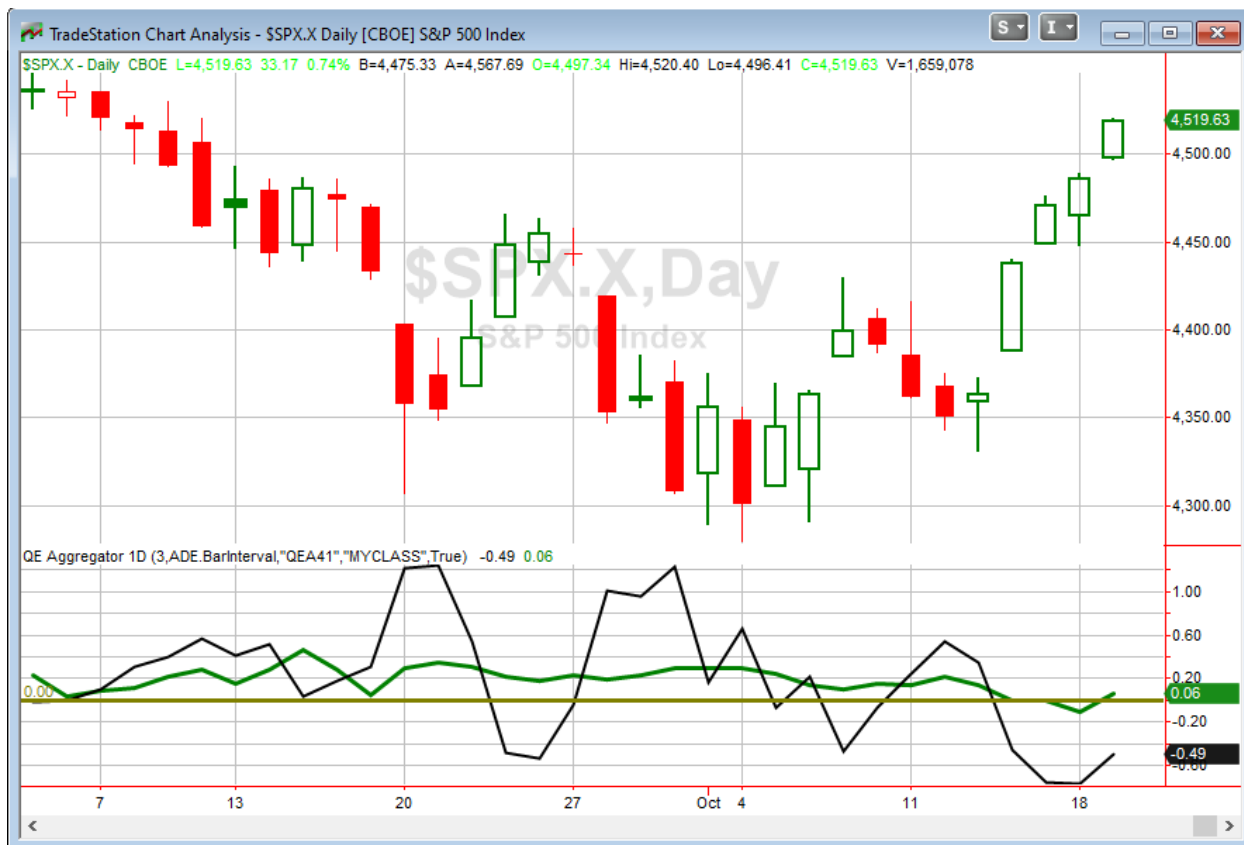


This appears to be quite a consistent curve and makes the study even more compelling. I also ran the 15-day profit curve.



Much like the 10-day curve, the 15-day shows an impressive upslope. In addition to the short-term Active List, I have also added this study to the intermediate-term list since the bullish impact appears to persist for up to 3 weeks.

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



With tonight's evidence considered, the green Aggregator Line inched back above zero. Positive readings mean net expectations are for upside 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 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.

With the current construction of the Active List, expectations are set to remain positive on Wednesday. Of course this could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4477.07 on Wednesday. That is 0.9% below Tuesday's close. Therefore, SPX would need to close down 0.9% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is back to neutral. Evidence is mildly bullish. SPX is overbought, but could stay that way according to tonight's study. Overall, I am not seeing any really strong hints. Sometimes that is how it goes. At times like this, I prefer to keep plenty of cash at the ready, so that when the next strongly favorable reward/risk opportunity arises, I can pounce.

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

None

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