

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 21, 2021

Volume 14 Issue 203

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- RSI(2) crossing above 99 bodes well for the intermediate-term.

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						
None						
Active - Long Term						
October 21, 2021	RSI2 > 99	1-10 days	Bullish			
October 20, 2021	5 up over 3% < 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			

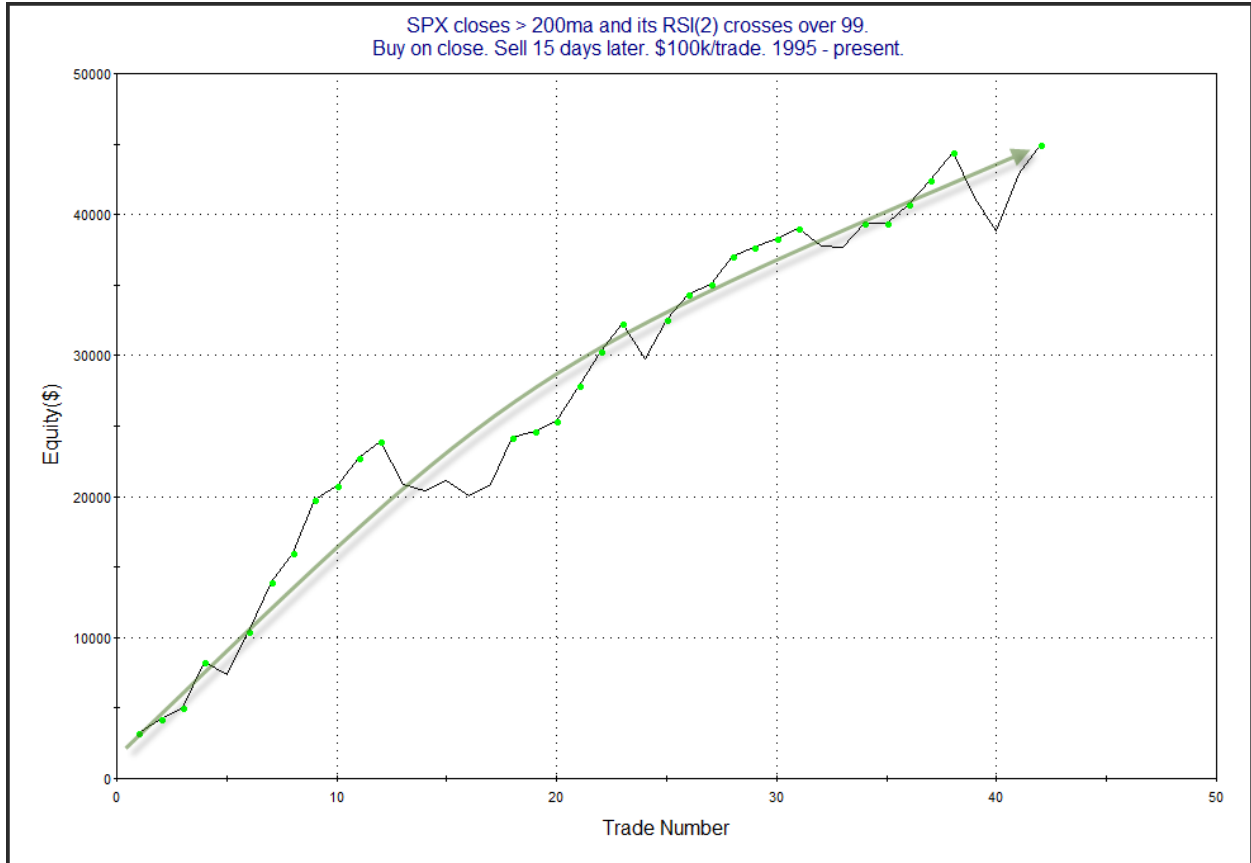
The Evidence

The S&P 500 rally kept going on Wednesday, but not everything closed higher. The SPX finished up 0.4%, the NASDAQ declined 0.1%, and the Russell 2000 gained 0.6%. Breadth was positive with the NYSE Up Issues % coming in at 67% and the Up Volume % at 75%. NYSE total volume rose some from Tuesday's level.

The recent rally has left the market short-term overbought by most measures. And short-term overbought often triggers some studies that suggest a downside edge. But when the overbought condition gets very strongly overbought, then those downside edges often disappear. And rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we are seeing this scenario begin to unfold. We saw it last night, and it is also exemplified in the study below from the 6/4/20 Letter, which uses RSI(2).

SPX closes > 200ma and its RSI(2) crosses over 99. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	44,997.68	42	33	9	78.57	4,055.36	-3,265.02	1,814.47	-1,653.30	1.10	4.02	1,071.37
14	39,771.58	42	33	9	78.57	4,461.36	-4,024.68	1,669.71	-1,703.22	0.98	3.59	946.94
13	40,802.33	44	35	9	79.55	3,989.82	-3,320.01	1,557.00	-1,521.42	1.02	3.98	927.33
12	34,969.08	45	34	11	75.56	4,058.61	-3,175.53	1,454.68	-1,317.29	1.10	3.41	777.09
11	34,009.40	45	33	12	73.33	4,106.40	-3,857.28	1,554.77	-1,441.51	1.08	2.97	755.76
10	28,115.44	46	34	12	73.91	3,770.55	-3,907.12	1,343.74	-1,464.31	0.92	2.60	611.21
9	26,289.87	46	34	12	73.91	3,453.27	-3,440.07	1,214.88	-1,251.34	0.97	2.75	571.52
8	21,669.61	46	31	15	67.39	3,547.80	-4,112.92	1,280.84	-1,202.42	1.07	2.20	471.08
7	16,853.47	47	30	17	63.83	3,564.39	-4,153.62	1,124.16	-992.42	1.13	2.00	358.58
6	7,847.57	47	28	19	59.57	2,634.36	-5,296.92	1,048.43	-1,132.03	0.93	1.36	166.97
5	13,437.76	47	32	15	68.09	2,859.08	-3,596.40	922.27	-1,071.65	0.86	1.84	285.91
4	8,040.57	47	31	16	65.96	2,697.92	-3,039.18	834.85	-1,114.98	0.75	1.45	171.08
3	3,008.12	48	28	20	58.33	3,504.64	-2,880.45	787.00	-951.39	0.83	1.16	62.67
2	4,729.50	48	28	20	58.33	2,273.92	-2,348.76	692.39	-732.87	0.94	1.32	98.53
1	1,111.86	48	24	24	50.00	2,096.10	-3,515.37	509.50	-463.18	1.10	1.10	23.16

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.



The upside edge has been apparent for a while and still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.

I also decided to add/amend a bit to my research from last night. Last night I showed the study 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

But today I realized there was another similar study that I also could have utilized. It was the same as the one above, but also required the 5-day gain was at least 3%. It was last seen in the 7/7/20 letter, and I have updated that below.

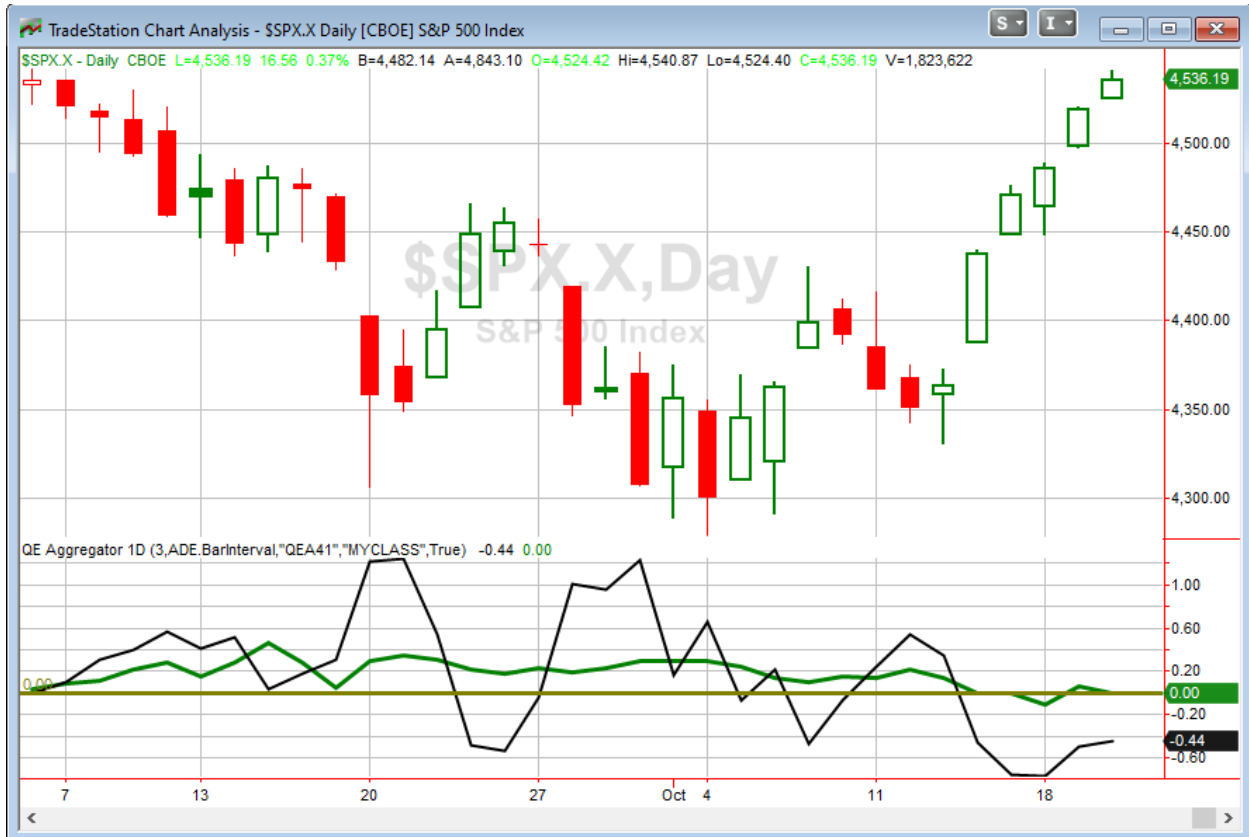
SPX closes up for exactly the 5th day in a row but below a 50-day high. Close > 200.
The 5-day % gain is > 3%. Buy on close. Sell X days later. \$100k/trade. 1980 - present.

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	39,111.52	22	17	5	77.27	8,288.00	-3,282.90	2,733.95	-1,473.14	1.86	6.31	1,777.80
14	34,859.01	22	18	4	81.82	8,272.60	-3,691.52	2,270.66	-1,503.19	1.51	6.80	1,584.50
13	34,081.85	22	17	5	77.27	6,401.50	-3,773.44	2,490.17	-1,650.22	1.51	5.13	1,549.17
12	33,704.93	22	16	6	72.73	5,925.50	-2,877.44	2,460.63	-944.20	2.61	6.95	1,532.04
11	29,331.54	22	14	8	63.64	3,952.96	-2,485.76	2,545.17	-787.60	3.23	5.66	1,333.25
10	31,392.28	22	18	4	81.82	4,691.28	-2,533.02	2,089.74	-1,555.77	1.34	6.04	1,426.92
9	27,590.92	22	17	5	77.27	4,722.08	-3,125.76	2,102.66	-1,630.86	1.29	4.38	1,254.13
8	15,593.90	22	15	7	68.18	3,781.36	-3,376.64	1,774.95	-1,575.76	1.13	2.41	708.81
7	12,657.84	22	15	7	68.18	3,814.86	-3,500.70	1,657.50	-1,743.52	0.95	2.04	575.36
6	11,129.04	22	15	7	68.18	3,720.00	-2,882.56	1,493.10	-1,609.64	0.93	1.99	505.87
5	5,902.61	22	13	9	59.09	3,025.44	-2,664.96	1,339.68	-1,279.24	1.05	1.51	268.30
4	5,816.77	22	13	9	59.09	3,138.08	-2,002.44	1,182.46	-1,061.70	1.11	1.61	264.40
3	5,869.47	22	12	10	54.55	2,742.08	-2,971.50	1,325.58	-1,003.75	1.32	1.58	266.79
2	499.08	22	8	14	36.36	2,205.03	-3,748.50	1,213.76	-657.93	1.84	1.05	22.69
1	1,596.28	22	11	11	50.00	2,211.54	-1,252.30	658.19	-513.08	1.28	1.28	72.56

Numbers here are stronger, but the 1st week really does not show much of an edge. If I had looked at this closely last night, I likely would only have included it on the intermediate-term Active List, and not the short-term list. Between this and the RSI2 study from above, I really do not see a compelling 1-5 day edge. So I have removed last night's study from the short-term list, and just

kept these as intermediate-term studies. It does not really matter at this point. The Aggregator is neutral either way. But there does not seem to be compelling evidence over the next 1-5 days.

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



With tonight's evidence considered, the green Aggregator Line closed right at zero. Zero readings mean net expectations are flat 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 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 stayed flat at the close.

Expectations over the next few days will be largely dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be 4481.28 on Thursday. That is 1.2% below Wednesday's close. Therefore, SPX would need to close down 1.2% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is still neutral. Evidence is not compelling over the next few days. The market is overbought enough that we are likely to see some follow through in the next few weeks, but shorter-term it appears the market could easily head in either direction. I am not looking to take on any new index exposure at the moment. That could quickly change as new evidence emerges.

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

New

BIIB – 1/3 @\$266.57 (buy @ limit)

Broad Market Large Cap CBI – 1 (BIIB)

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.

BIIB – Buy 1/3 Catapult position @ \$266.57 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for BIIB..

Current Open Trade Ideas

None

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