

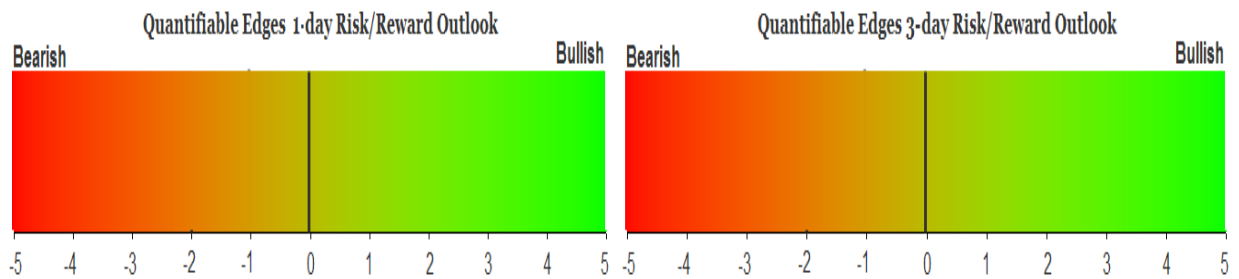
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 26, 2021

Volume 14 Issue 206

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- The next 5 days are seasonally strong, and that appears to hold true even when the market has been overbought heading into this late October period.

Short-term Outlook

The Bottom Line

The Aggregator is still neutral. Me too. Overbought, but no downside edge apparent.

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 25, 2021	Week after day after 4th Fri Oct bullish	1-4 days	Bullish			
October 25, 2021	5 up to 50-high then down 1	1-4 days	Bullish	1.10%	-0.80%	-1.60%
October 22, 2021	SPX up. Up Vol % < 40%	1-7 days	Bullish	1.70%	-1.15%	-2.25%
Active - Long Term						
October 25, 2021	5 up to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
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			
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

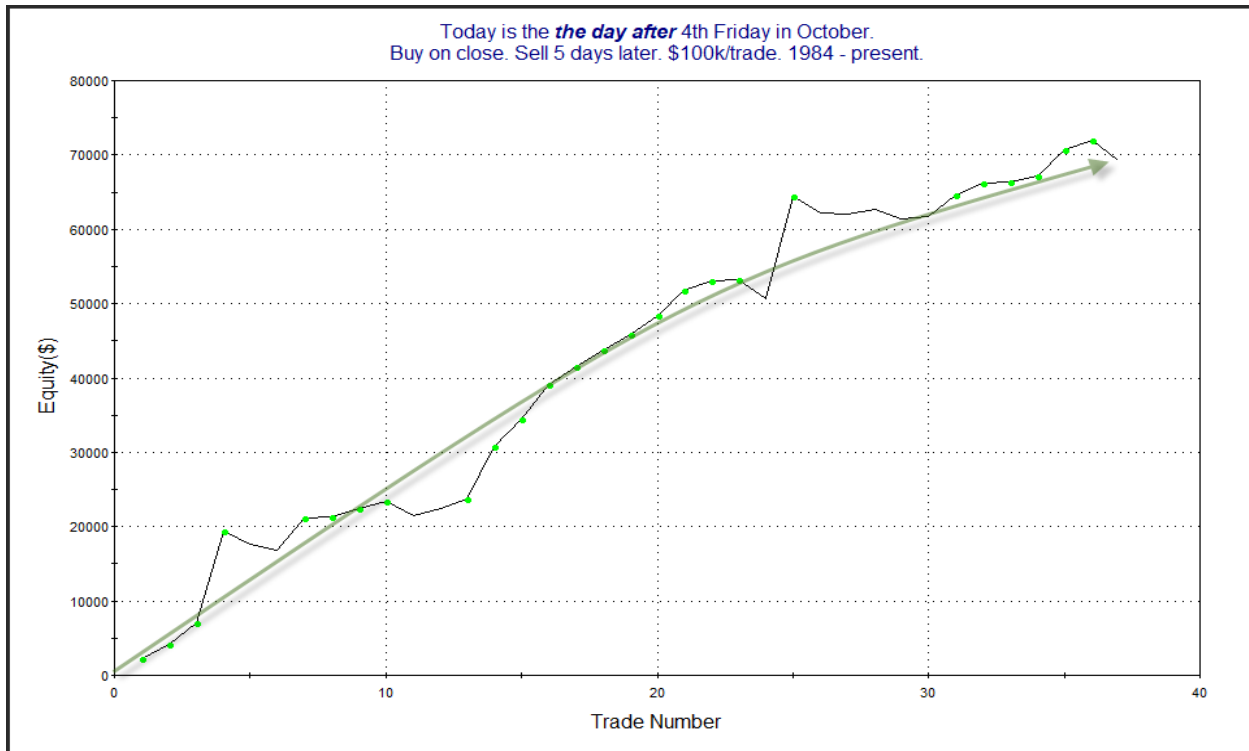
Monday saw the market move higher once again. The SPX gained 0.5%, the NASDAQ rallied 0.9%, and the Russell 2000 also climbed 0.9%. Breadth was positive with the NYSE Up Issues % coming in at 63% and the Up Volume % at 65%. NYSE total volume rose some from Friday's level.

In Sunday's letter I shared a study that showed Tuesday through next Monday have a seasonal edge. I have copied that study below.

... Tuesday through the following Monday have shown very positive seasonality. This can be seen below.

Today is the the day after 4th Friday in October. Buy on close. Sell X days later. \$100k/trade. 1984 - 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	69,301.31	37	29	8	78.38	13,733.46	-2,631.17	2,844.48	-1,648.59	1.73	6.25	1,873.01
4	54,219.74	37	27	10	72.97	14,020.11	-3,799.29	2,559.04	-1,487.43	1.72	4.65	1,465.40
3	46,250.75	37	27	10	72.97	12,304.89	-2,634.94	2,056.74	-928.12	2.22	5.98	1,250.02
2	24,231.83	37	28	9	75.68	9,496.89	-3,768.26	1,325.93	-1,432.68	0.93	2.88	654.91
1	22,954.54	37	23	14	62.16	10,716.03	-2,766.58	1,462.19	-762.57	1.92	3.15	620.39
34 of 37 instances (92%) closed above the entry price at some point in the next week.												

The stats here are very strong across the board and suggestive of an upside edge. Below is a look at the 5-day profit curve.



The curve has headed upwards for a long time. This short-term look at seasonality suggests the market could have some wind at its back after Monday.

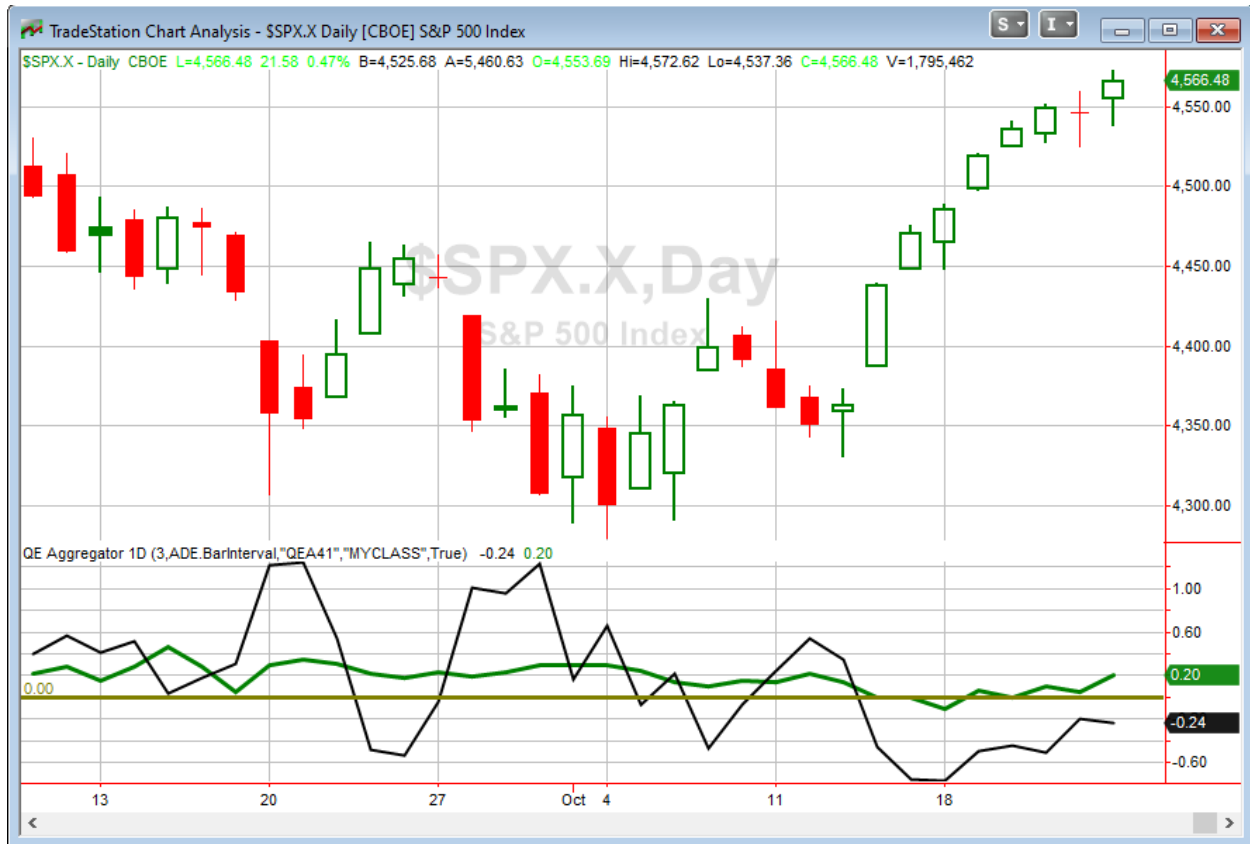
Of course we have seen many times over the years that seasonality tends to help more when the market is oversold heading into a strong seasonal period. That is certainly not the case here. So I decided to filter the above study further to see what has happened when SPX posted a 10-day closing high heading into the bullish period.

Today is the the day after 4th Friday in October. SPX closes at a 10-day high.
Buy on close. Sell X days later. \$100k/trade. 1984 - 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	6,241.37	6	5	1	83.33	2,381.34	-104.16	1,269.11	-104.16	12.18	60.92	1,040.23
4	3,846.97	6	4	2	66.67	1,990.84	-198.24	1,017.88	-112.28	9.07	18.13	641.16
3	3,288.59	6	3	3	50.00	2,106.57	-311.92	1,271.53	-175.33	7.25	7.25	548.10
2	2,744.99	6	5	1	83.33	1,602.47	-266.28	602.25	-266.28	2.26	11.31	457.50
1	2,384.74	6	4	2	66.67	2,182.54	-346.04	702.93	-213.50	3.29	6.58	397.46

Instances are low, but it does not appear the overbought condition has had a big negative impact on the seasonal edge. So I'll leave the original study as-is when setting expectations.

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



With tonight's evidence considered, the green Aggregator Line held 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 stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain positive on Tuesday. Of course, this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4557.53 on Tuesday. That is 0.2% below Monday's close. Therefore, SPX would need to close down just 0.2% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is still neutral. We have been short-term overbought for a while now. Fortunately, the studies have suggested continued strength, so I have avoided establishing a short index position and am glad for that. Of course, with a market like this, it takes patience to wait for a favorable entry point. That's ok. I'll continue to be patient until the next strong opportunity arises.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/25 – somewhat bullish

The intermediate-term outlook was last updated in the 10/25 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

BIIB – 1/3 @\$266.57 (bought @ 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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BIIB(1/3)	10/21/2021	\$266.30	\$269.94	1.37%		Catapult

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