

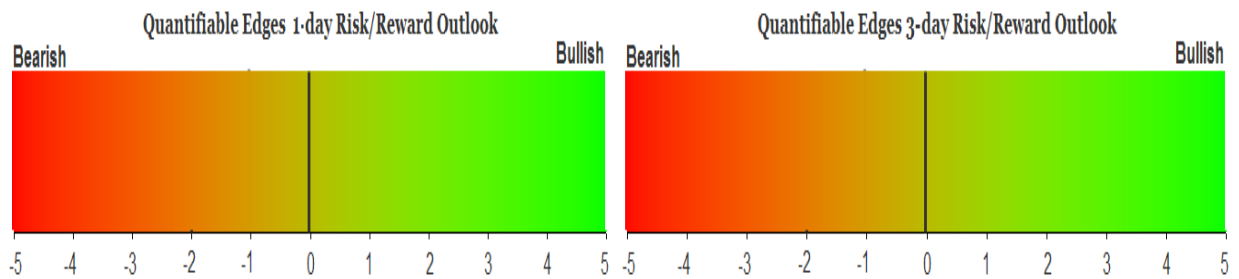
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 27, 2021

Volume 14 Issue 207

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- The intraday high, unfilled gap, and weak close imply short-term strength.

### *Short-term Outlook*

#### *The Bottom Line*

Same as yesterday. 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
<b>Active - Short Term</b>						
October 27, 2021	Unfil gap up. 20-high. Close < open.	1-2 days	Bullish			
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%
<b>Active - Long Term</b>						
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			

**The Evidence**

Tuesday was mixed, and it finished well below the morning highs. The SPX closed up 0.2%, the NASDAQ rose 0.1%, and the Russell 2000 dipped 0.7%. Breadth was negative with the NYSE Up Issues % coming in at 45% and the Up Volume % at 37%. NYSE total volume declined some from Monday's level.

Back in the 9/3/21 Letter, I ran a test of performance following unfilled upside gaps that make a 20-day high. I broke out the results by times the SPY closed above the open versus times where it closed below the open. I updated those studies below.

First let's look at times (unlike Tuesday) where the finish was relatively strong:

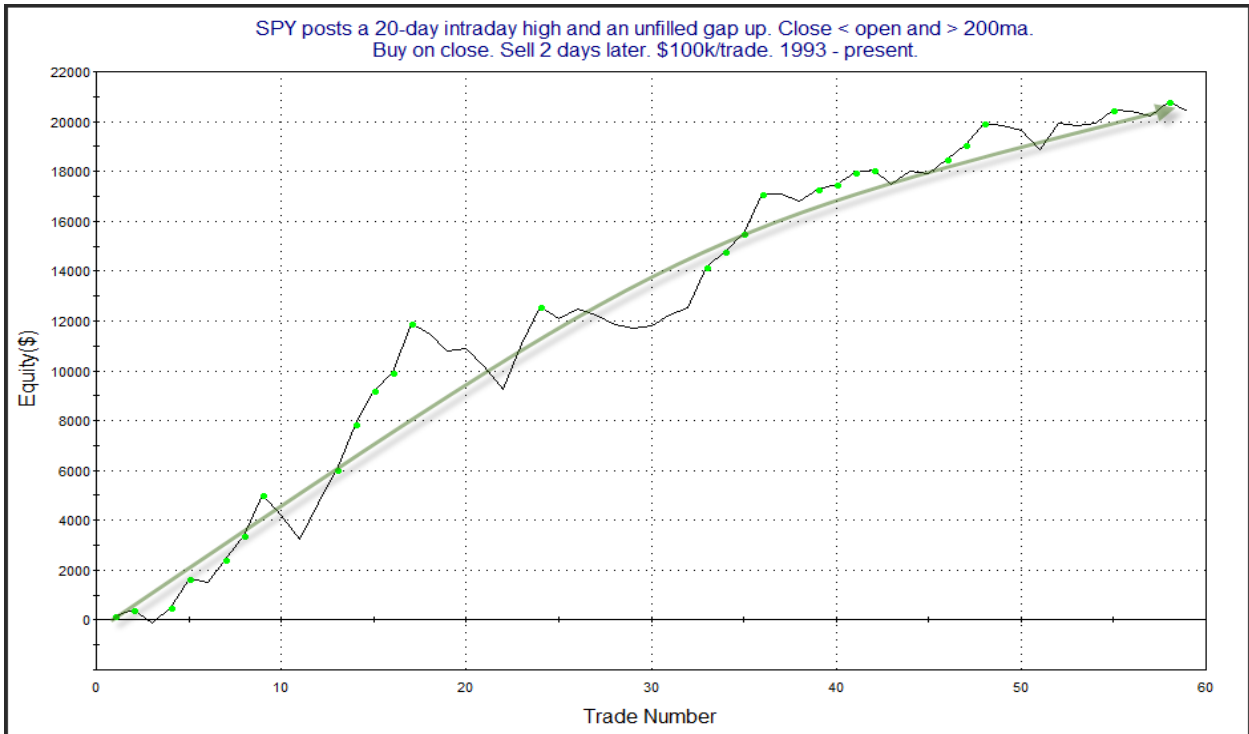
SPY posts a 20-day intraday high and an unfilled gap up. Close > open and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	27,851.30	198	121	75	61.11	6,056.96	-8,727.84	1,430.03	-1,935.76	0.74	1.19	140.66
9	18,260.16	207	127	79	61.35	5,404.74	-11,239.50	1,318.94	-1,889.18	0.70	1.12	88.21
8	10,881.55	217	129	86	59.45	5,456.48	-8,628.75	1,224.37	-1,710.03	0.72	1.07	50.15
7	6,067.22	226	136	88	60.18	5,145.60	-12,413.60	1,176.96	-1,749.99	0.67	1.04	26.85
6	3,471.72	243	138	103	56.79	4,931.26	-12,044.85	1,025.77	-1,340.62	0.77	1.03	14.29
5	17,961.32	255	141	112	55.29	4,539.48	-6,642.99	958.13	-1,045.85	0.92	1.15	70.44
4	22,179.50	279	161	117	57.71	4,627.26	-7,578.55	864.09	-999.48	0.86	1.19	79.50
3	-12,799.66	297	168	127	56.57	3,526.40	-6,980.31	664.77	-980.17	0.68	0.90	-43.10
2	-40.39	330	179	148	54.24	2,545.92	-4,221.27	527.94	-638.79	0.83	1.00	-0.12
1	4,438.23	358	182	175	50.84	2,380.38	-3,434.49	369.62	-359.04	1.03	1.07	12.40

There doesn't appear to be any edge in either direction here. Now let's examine times like the present where SPY closed below the open.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

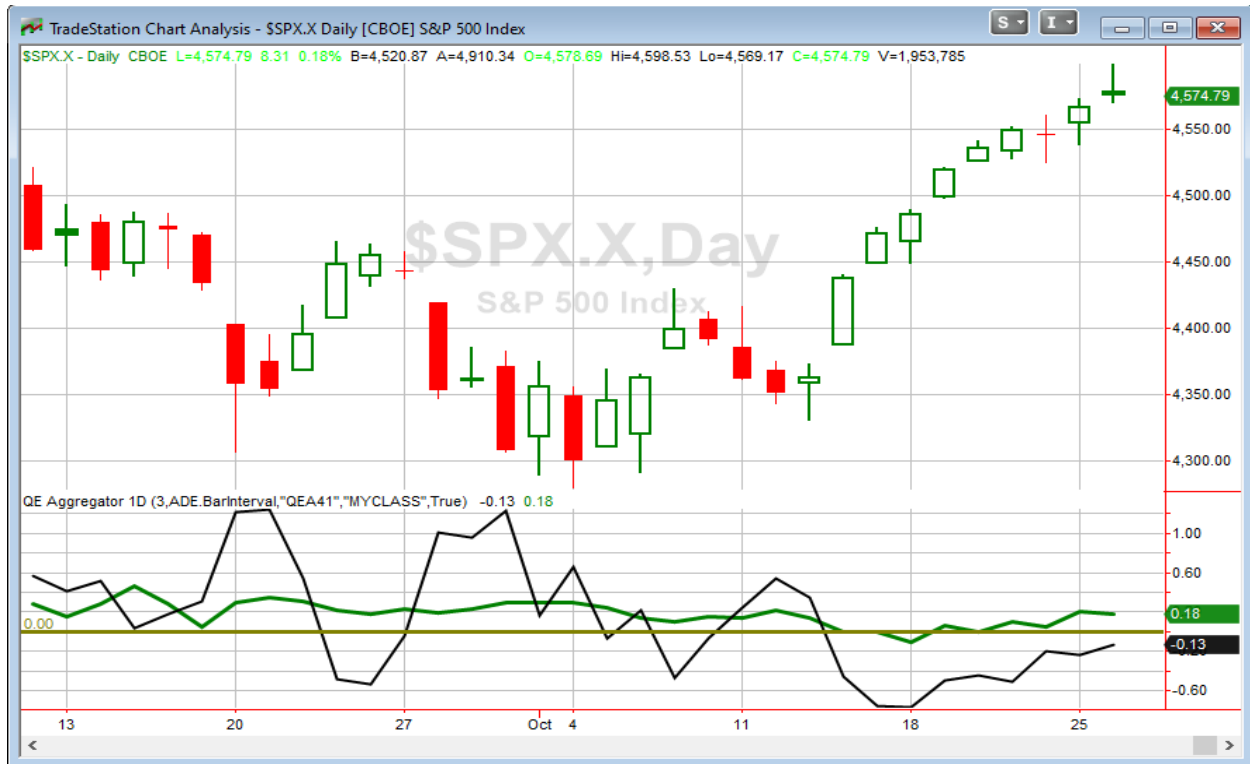
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	43,898.54	50	34	16	68.00	4,838.35	-4,810.68	1,854.02	-1,196.12	1.55	3.29	877.97
9	37,119.52	51	38	13	74.51	3,741.10	-5,564.16	1,442.49	-1,361.17	1.06	3.10	727.83
8	32,739.39	51	36	14	70.59	3,352.48	-6,021.40	1,417.32	-1,306.00	1.09	2.79	641.95
7	27,188.56	53	33	20	62.26	3,751.55	-4,952.36	1,471.90	-1,069.21	1.38	2.27	512.99
6	27,471.48	53	34	19	64.15	4,159.10	-6,414.24	1,429.58	-1,112.32	1.29	2.30	518.33
5	21,184.25	53	31	22	58.49	3,754.17	-4,540.20	1,218.88	-754.59	1.62	2.28	399.70
4	21,123.75	54	38	16	70.37	3,436.02	-2,228.24	862.09	-727.24	1.19	2.82	391.18
3	25,337.08	58	41	16	70.69	2,362.10	-2,427.88	850.33	-595.41	1.43	3.66	436.85
2	20,417.76	59	36	23	61.02	1,998.70	-926.12	821.08	-397.44	2.07	3.23	346.06
1	7,998.47	60	37	23	61.67	1,708.92	-1,015.84	424.98	-335.90	1.27	2.04	133.31

These results are substantially better than earlier where the finish was above the open. The somewhat weak finish should not concern bulls, in fact it appears they should be excited by it. Below is a 2-day equity curve that shows how the edge has played out over time.



The upslope here is persistent and rather impressive.

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. It has been flat for a while now with this recent push higher.

Based on the current list of active studies, expectations are slated to remain positive on Wednesday. There is a small chance this could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4552.12 on Wednesday. That is 0.5% below Tuesday's close. Therefore, SPX would need to close down 0.5% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is still neutral. And nothing has really changed from last night. We have a persistent push higher that has the market in an overbought position with no evidence that short trade would be a high probability play. So I wait, and remain alert for the next favorable trading opportunity.

**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	\$271.12	1.81%		Catapult

*Note: BIIB is close to triggering an exit. It won't take much of a move higher on Wednesday for it trigger an exit for Thursday's open.*

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