

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 29, 2021

Volume 14 Issue 209

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- Friday's action could help determine whether there is much of a new-month edge for Monday.

Short-term Outlook

The Bottom Line

Evidence is leaning bullish. A poor close on Friday could trigger some bullish evidence and an oversold condition for Monday's trading session. No substantial edge for Friday, but it will be interesting to see how it plays out after that.

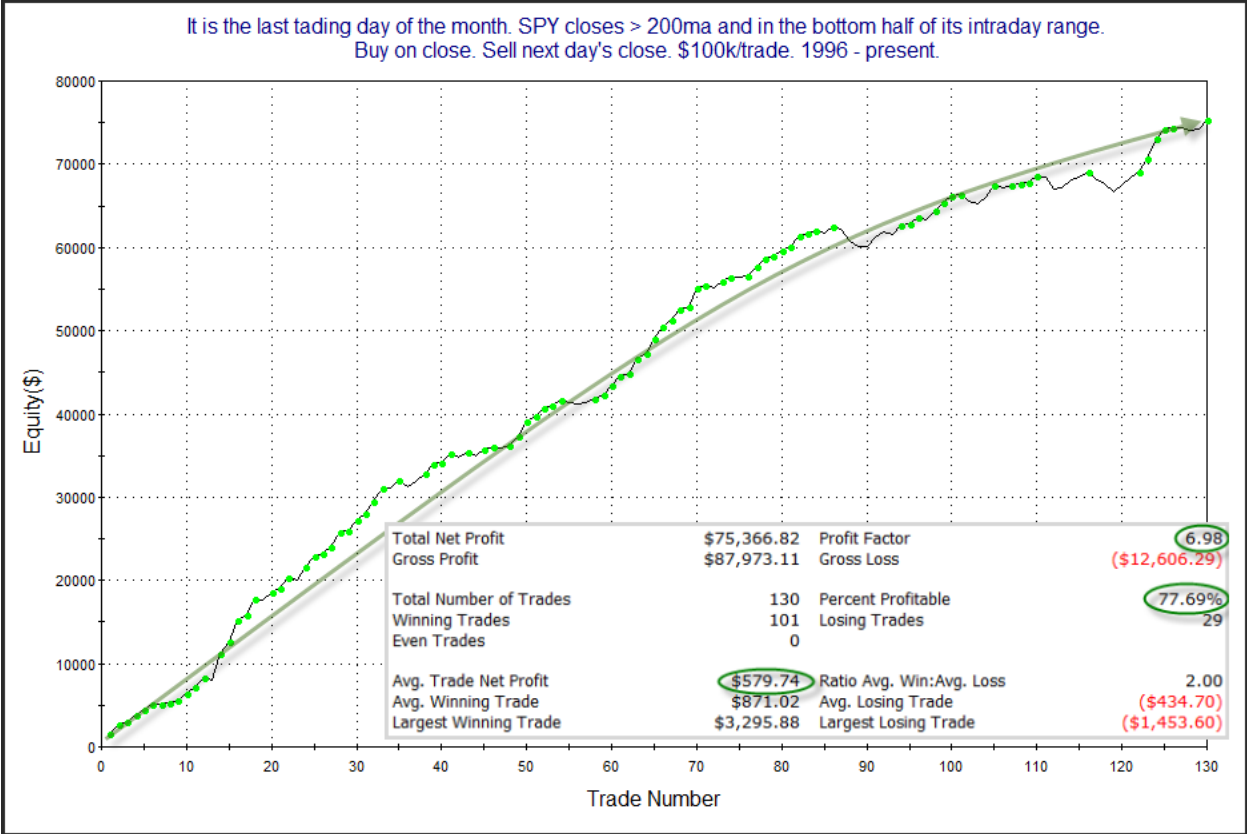
Summary of Recent Active Studies (see Letters from listed dates for details)

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 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 25, 2021	5 up to 50-high then down 1	1-4 days	Bullish	1.10%	-0.80%	-1.60%
October 27, 2021	Unfil gap up. 20-high. Close < open.	1-2 days	Bullish			

The Evidence

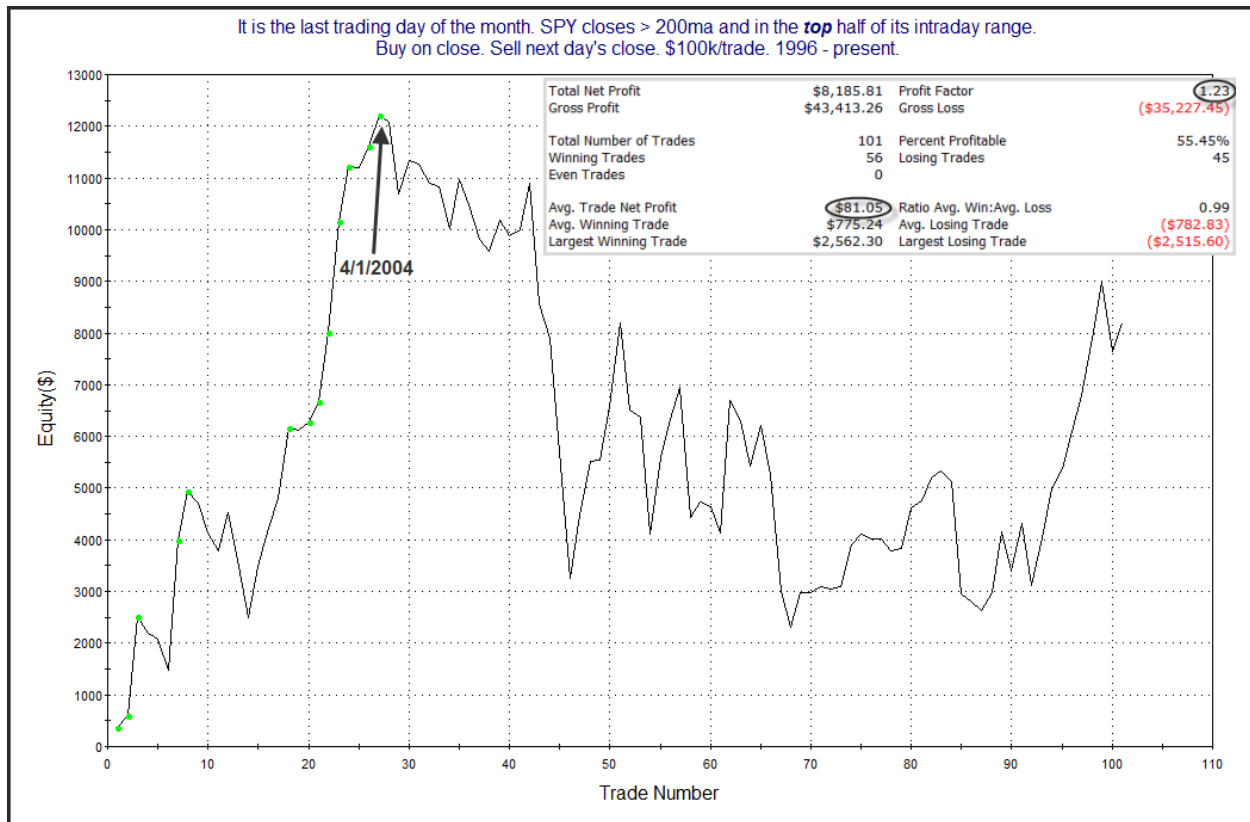
Thursday started strong and posted nice gains during the day as well. The SPX closed up 1.0%, the NASDAQ rallied 1.4%, and the Russell 2000 jumped 2.0%. Breadth was positive with the NYSE Up Issues % coming in at 69% and the Up Volume % at 67%. NYSE total volume declined some from Wednesday's level.

The back and forth the last few days did not help trigger anything new from a price action perspective. So tonight I thought I would prep a little for the weekend/Monday's trading. Monday is November 1st. The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. This can be seen in the studies below, which use a 200ma filter. First let's look at times when the market closed in the bottom half of its range on the last day of the month.



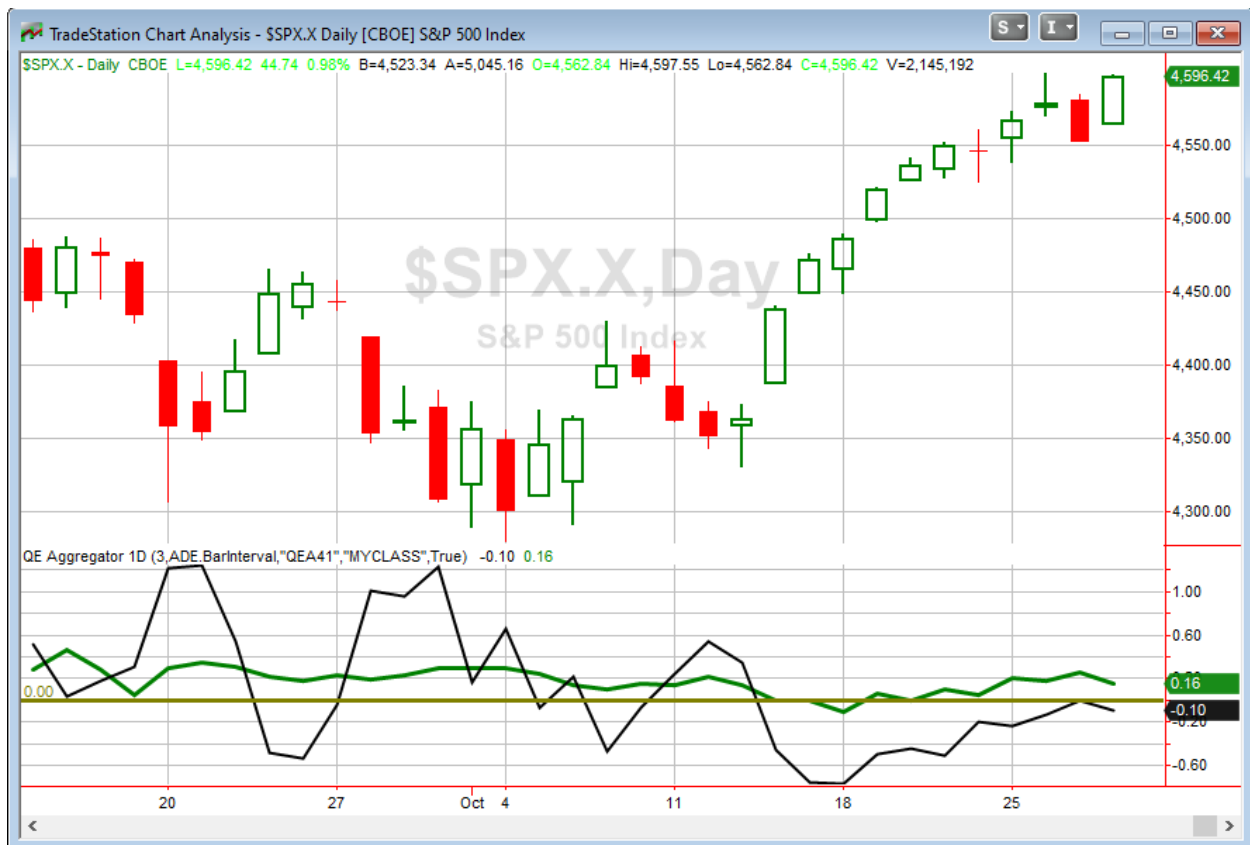
The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are nearly 7x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 130 instances. And the curve has shown progress over a long period of time. This setup certainly appears to provide a 1-day bullish edge.

But what about times where SPY closed in the top half of its intraday range?



We see here the upside edge nearly completely wiped away. And since 2004 there have been (inconsistent) net losses, even with the recent hot streak. The 1st day of the month has performed much better with some afternoon selling leading up to the day. So traders may want to keep that in mind on Friday as we approach the close.

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



Without any new studies triggering, 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 dipped back 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.

Based on the current list of active studies, expectations are slated to remain positive on Friday. There is a small chance this could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4594.67 on Friday. That is less than 0.1% below Thursday's close. So despite SPX being at a new all-time high, it will only take a small decline on Friday in order to turn it short-term "oversold" vs recent expectations.

The Aggregator is back to neutral, but a bullish signal could easily trigger if Friday is a down day. The turn-of-the-month setup I discussed above is worth considering. So I'll be a little bit more aggressive here, and anticipate a bullish Aggregator formation if SPX closes below the Differential Pivot on Friday and in the lower portion of the day's range. If that happens, I'll look to take on some long exposure. I could exit as early as Monday, but I think the edge is strong enough to take a shot at a short-term trade.

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.

SPY – Buy ¼ index position @ \$458.10 LIMIT IF SPY ALSO CLOSES IN THE LOWER HALF OF THE DAY’S RANGE. This is from the short-term section above. The level here is about where the SPX Differential Pivot would be.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BIIB(1/3)	10/21/2021	\$266.30	\$264.87	-0.54%		Catapult

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