

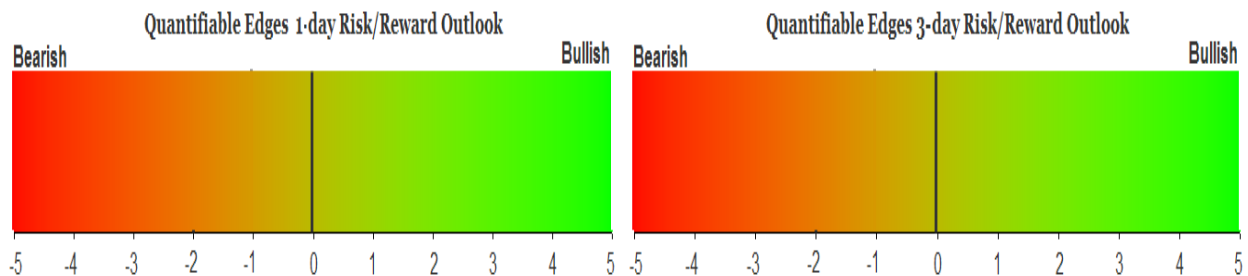
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 3, 2021

Volume 14 Issue 212

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Breadth was weak, but that could be a positive based on tonight's study.
- The strong close on a day prior to the Fed announcement basically eliminates the typical bullish tendency.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well. And I'm eager to learn what the Fed has to say on Wednesday.

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						
November 3, 2021	SPX up. Up Vol % < 40%	1-7 days	Bullish	1.70%	-1.15%	-2.25%
November 2, 2021	VIX up. SPX 50-high on Monday.	1-2 days	Bearish			
November 1, 2021	End of month on high of month	1-5 days	Bullish			
Active - Long Term						
November 1, 2021	NASDAQ Leading	int term	Bullish			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
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			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

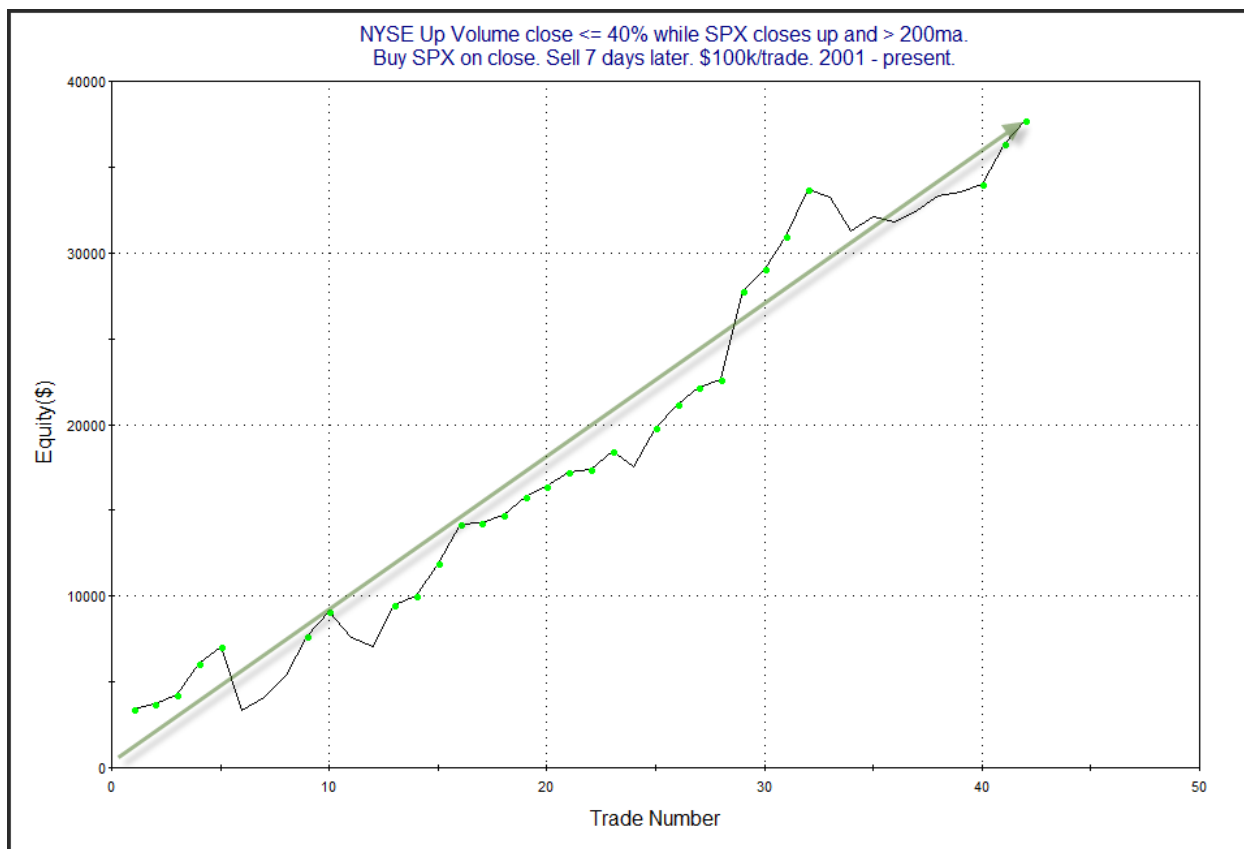
The Evidence

Tuesday was another day of gains. The SPX closed up 0.4%, the NASDAQ rose 0.3%, and the Russell 2000 climbed 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 46% and the Up Volume % at just under 40%. NYSE total volume declined some from Monday's level.

Weak breadth is generally regarded as a negative for the market. But weak breadth can also signal an "oversold" type condition suggesting a short-term upside edge. And that is what tonight's study suggests. With SPX closing up and the Up Volume % coming in under 40% it triggered the study below, which has been featured quite a few times in recent months. It is updated from the 10/22/21 letter.

NYSE Up Volume close <= 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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	42,521.08	37	30	7	81.08	3,969.23	-7,891.63	1,868.03	-1,931.40	0.97	4.15	1,149.22
9	40,282.03	38	30	8	78.95	3,793.00	-7,594.37	1,760.84	-1,567.91	1.12	4.21	1,060.05
8	37,892.41	39	32	7	82.05	4,666.56	-6,657.20	1,529.56	-1,579.09	0.97	4.43	971.60
7	37,685.86	42	35	7	83.33	5,211.84	-3,690.83	1,345.66	-1,344.61	1.00	5.00	897.28
6	31,478.21	42	31	11	73.81	6,018.56	-3,495.92	1,410.79	-1,114.21	1.27	3.57	749.48
5	25,250.54	45	35	10	77.78	4,787.84	-3,769.15	1,125.90	-1,415.61	0.80	2.78	561.12
4	14,524.87	45	30	15	66.67	2,689.05	-2,557.50	1,022.27	-1,076.21	0.95	1.90	322.77
3	15,704.11	47	31	16	65.96	2,513.92	-2,547.82	933.29	-826.74	1.13	2.19	334.13
2	12,981.24	49	33	16	67.35	2,661.75	-2,848.17	757.82	-751.67	1.01	2.08	264.92
1	6,466.43	55	34	21	61.82	1,790.64	-1,371.49	503.15	-506.70	0.99	1.61	117.57

Results have been quite strong over the last 20 years. Below is a look at a 7-day profit curve.



The curve has shown strong upside persistence, including the recent instances. I'll also note that the setup has become more common in recent years. Thursday was the 32nd instance since the start of 2016. Prior to 2016, there were only 11 instances in 15 years. Overall, I find these results intriguing and have added this study to the short-term Active List.

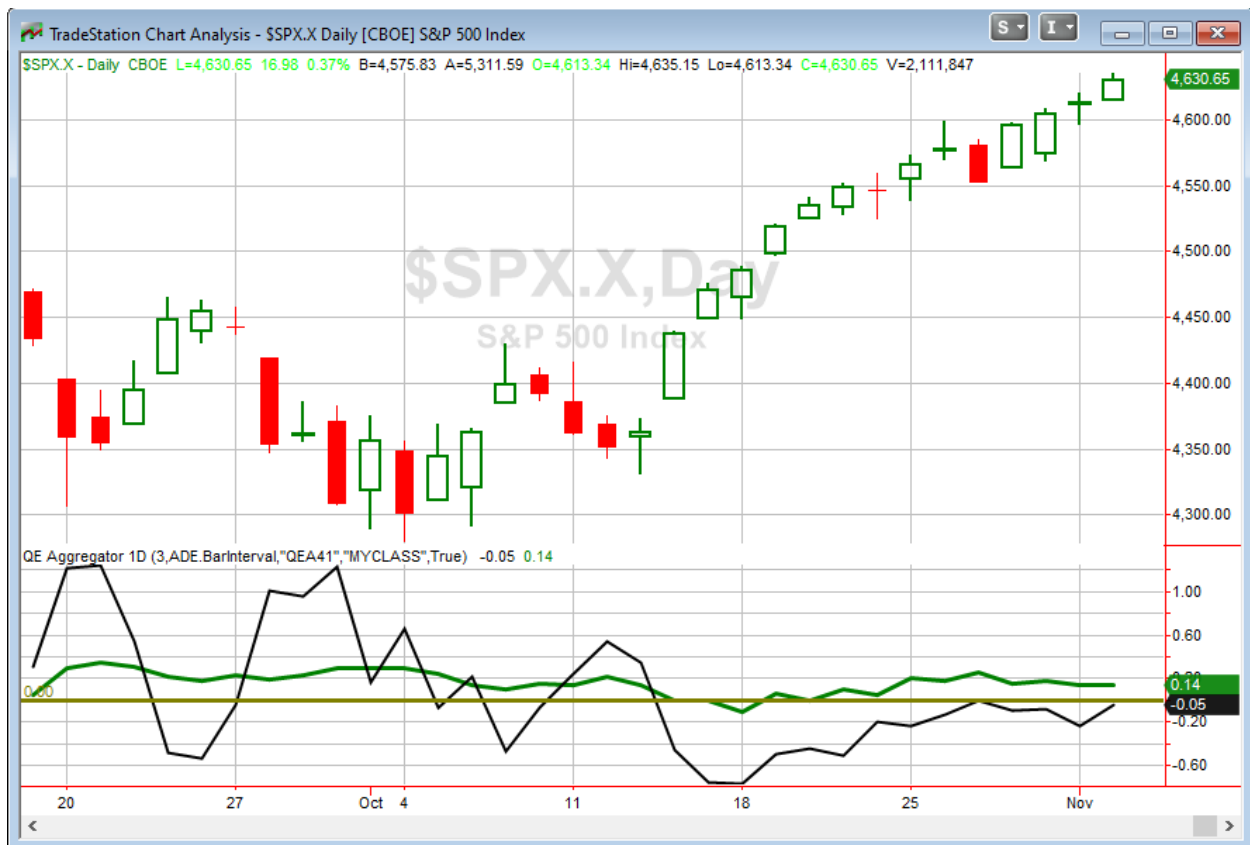
Of course tomorrow is a Fed Day. The Fed will make a policy announcement at 2pm where we will learn if they will begin tapering QE this month or perhaps next. As I discussed last night, Fed Days are often bullish. But the market finished high in its range on Tuesday. In the past, that has turned the bullish edge to neutral. Below is a copy of this setup from last night.

Tomorrow is a Fed Day. SPY closes in the top 25% of the intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary		Expand ▾	
All Trades			
Total Net Profit	\$6,069.88	Profit Factor	1.23
Gross Profit	\$31,924.29	Gross Loss	(\$25,854.41)
Total Number of Trades	87	Percent Profitable	47.13%
Winning Trades	41	Losing Trades	44
Even Trades	2		
Avg. Trade Net Profit	\$69.77	Ratio Avg. Win:Avg. Loss	1.33
Avg. Winning Trade	\$778.64	Avg. Losing Trade	(\$587.60)
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,739.69)

So I don't see a big directional edge with the current Fed Day setup. I will note that there could certainly be a strong market reaction following the announcement – either up or down. So that adds risk to any short-term trade.

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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4633.32 on Wednesday. That is 0.1% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross zero if SPX closes flat. In this case, SPX is going to need to close up about 0.1% in order to remain overbought. Anything less than that, and it will be considered "oversold" vs expectations as of Wednesday's close.

So the Aggregator is neutral, and afternoon performance Wednesday will be some kind of Fed announcement reaction which appears to be a tossup thanks to the strong close on Tuesday. I don't see a good reason to get in ahead of the announcement. But we could see strong evidence and a more favorable trading opportunity after the announcement. So I'll remain sidelined for the time being and alert to new evidence that emerges on Wednesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/1 – somewhat bullish

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>BIIB(1/3)</i>	<i>10/21/2021</i>	<i>\$266.30</i>	<i>\$272.27</i>	<i>2.24%</i>		<i>sold on open</i>

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