

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 5, 2021

Volume 14 Issue 214

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Friday's Employment Report could provide a boost to the market.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am as well.

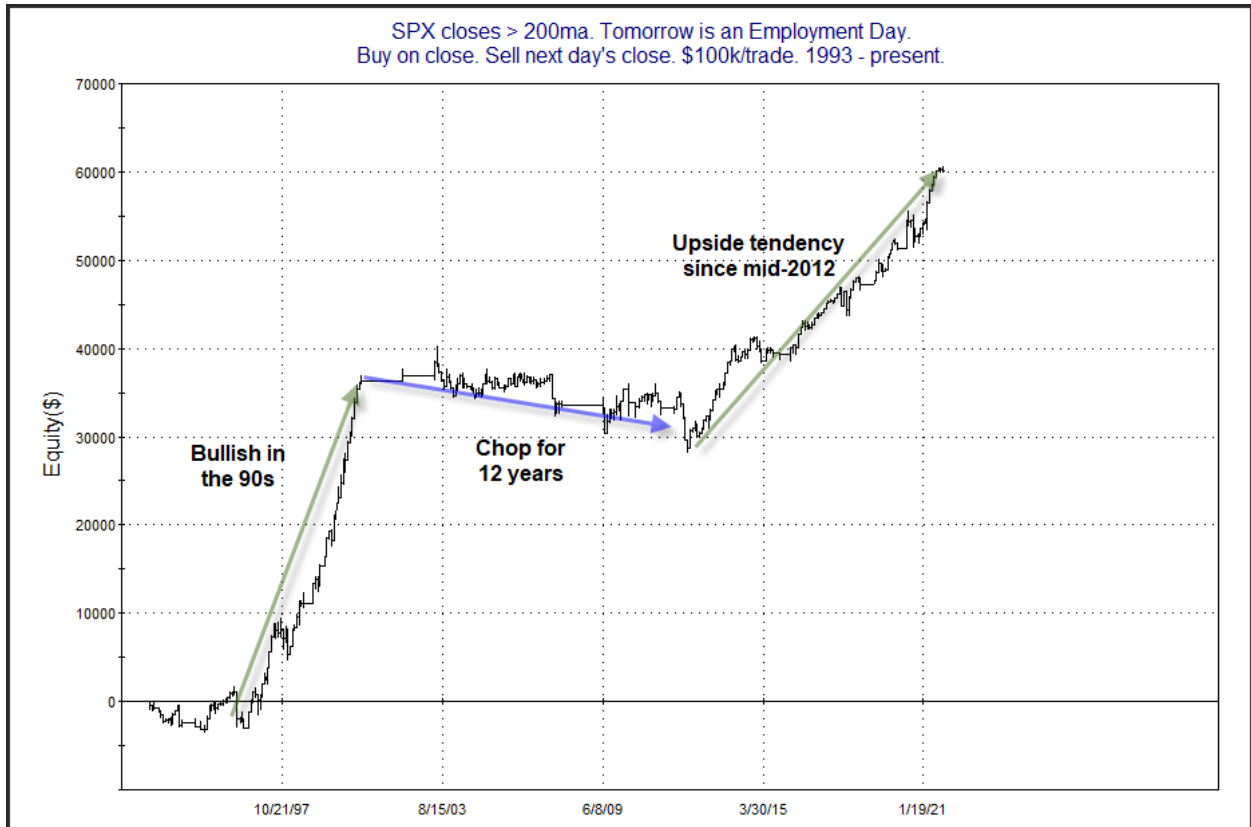
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 5, 2021	Employment day bullish	1 day	Bullish			
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			
<b>Active - Long Term</b>						
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	1-15 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			

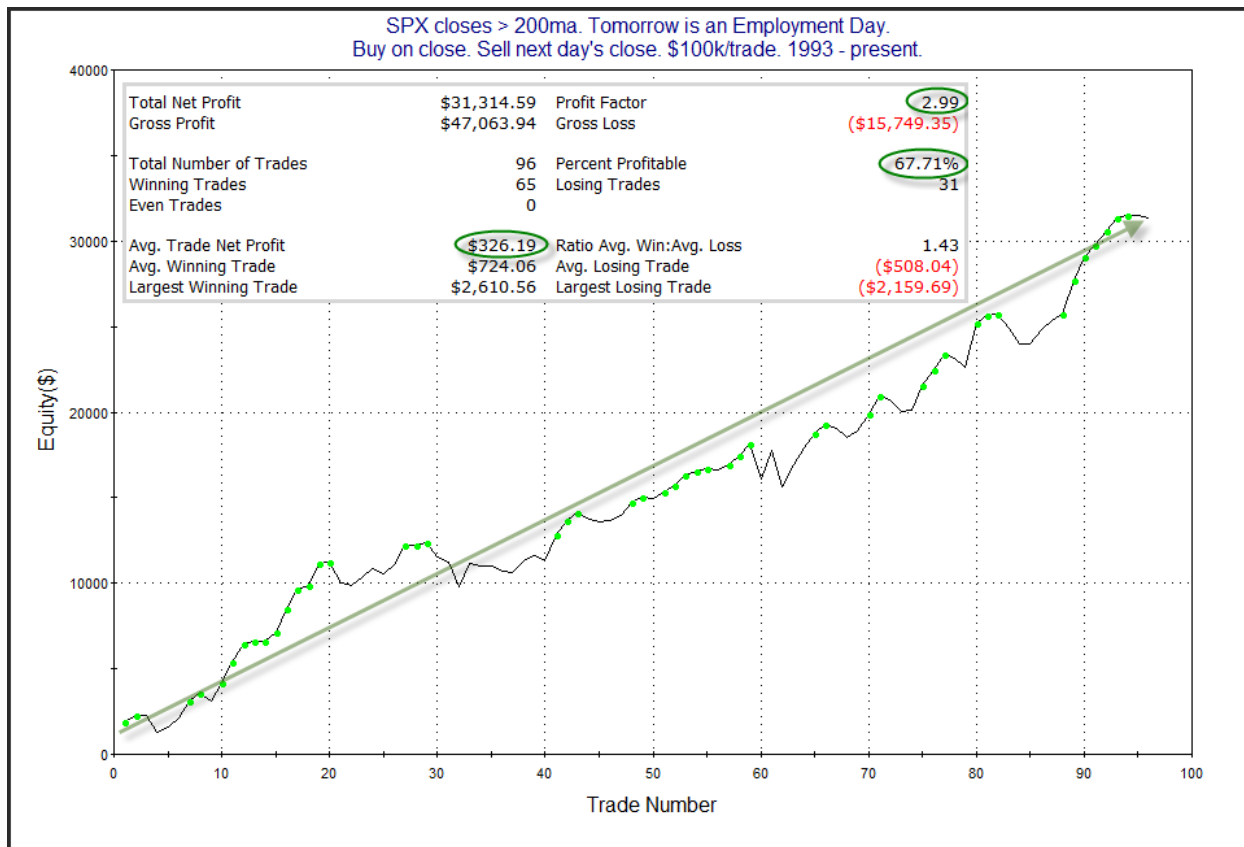
***The Evidence***

The market was mixed on Thursday. The SPX closed up 0.4%, the NASDAQ rose 0.8%, and the Russell 2000 fell 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 44% and the Up Volume % at 35%. NYSE total volume rose some from Wednesday's level.

Friday is an employment day (a day in which the BLS releases their monthly employment report). Employment days have an interesting history and they have contributed to some worthwhile studies over the years. Below is a chart of SPX performance on Employment Days. I last posted this chart in the 10/8/21 subscriber letter. For this equity curve, which is updated, I filtered to only include days where SPX was > its 200ma. Each trade was a fictional \$100k.

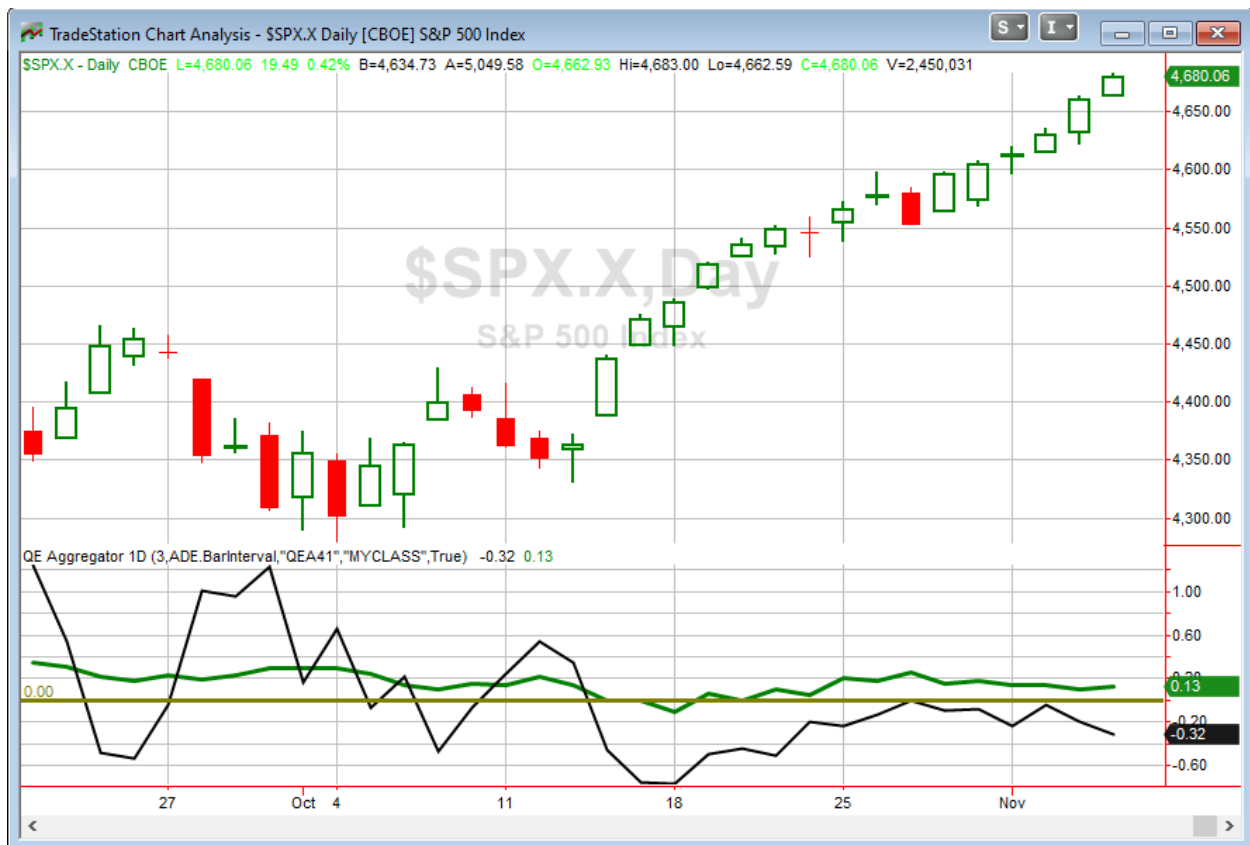


What I find interesting about the chart is that Employment Days in uptrends have shown such streaky performance – and the streaks lasted a long time. Here is a zoomed in look at performance since mid-2012 when the recent bullish tendency began.



Based on what we know of history, I would not expect this edge to last forever. But it may be worth factoring in for as long as the current behavior seems to persist. The broader study is also a nice reminder that market dynamics change over time. But in recent times, Employment Days have seen good results. So I'll view Employment Days as bullish until the curve appears to turn.

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 Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4651.91 on Friday. That is 0.6% below Thursday's close. So SPX will need to close down at least 0.6% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. And Thursday's action did not change anything. Momentum is strong and we are seeing evidence suggesting a continued move higher is more likely than a decline over the next few weeks. But with the market so overbought, potential reward/risk is not great. So I will remain sidelined until the next strongly favorable opportunity arrives.

*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**

**None**

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