

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 4, 2022

Volume 15 Issue 189

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- A big drop to a long-term low followed by a reversal that makes up for the big-drop day has often been followed by more buying.
- Monday's moderate volume suggests a possible pullback in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is long. Evidence is mixed and SPX is only slightly oversold, but it appears that this bounce may have a little further to go.

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 4, 2022	1% drop to 50-low. Next day ttl reverse	1-5 days	Bullish	3.70%	-2.50%	-5.70%
October 4, 2022	1% up from 100-low. Low volume	1-3 days	Bearish	-3.10%	1.80%	3.60%
Active - Long Term						
September 27, 2022	CBI reaches 10+. SPX 50-low < 200	1-17 days	Bullish	7.30%	-4.10%	-8.20%
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

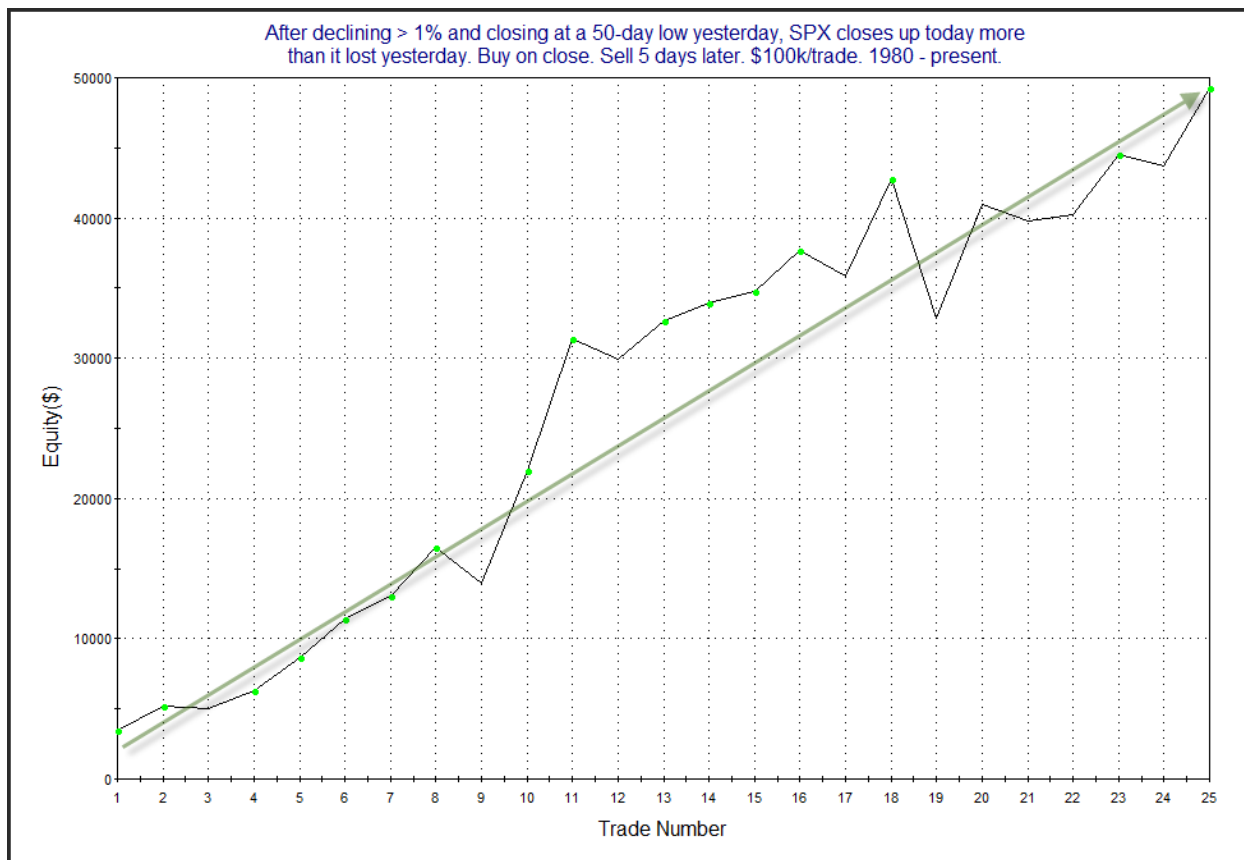
The Evidence

The 4th quarter started with a killer rally day. The SPX rose 2.6%. the NASDAQ climbed 2.3%, and the Russell 2000 jumped 2.65%. Breadth was negative with the NYSE Up Issues % coming in at 82% and the Up Volume % at 89.9%. NYSE total volume declined from Friday's level.

There was a mix of evidence that emerged tonight. The study below was from the 3/25/20 letter. It looked at other times a sizable drop to a 50-day low was reversed the next day and recovered the previous day's entire decline. I have updated the results.

After declining > 1% and closing at a 50-day low yesterday, SPX closes up today more than it lost yesterday. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	49,225.58	25	18	7	72.00	9,334.72	-9,908.49	3,720.46	-2,534.66	1.47	3.77	1,969.02
4	32,955.99	25	18	7	72.00	7,172.80	-9,329.28	3,224.68	-3,584.02	0.90	2.31	1,318.24
3	28,417.57	26	17	9	65.38	9,591.40	-5,635.08	2,775.90	-2,085.87	1.33	2.51	1,092.98
2	16,339.29	26	18	8	69.23	7,309.60	-9,455.49	2,046.90	-2,563.11	0.80	1.80	628.43
1	10,033.78	26	15	11	57.69	3,893.60	-2,311.50	1,266.84	-815.35	1.55	2.12	385.91

Results here appear to suggest a bullish upside edge. Below is a look at the 5-day profit curve.



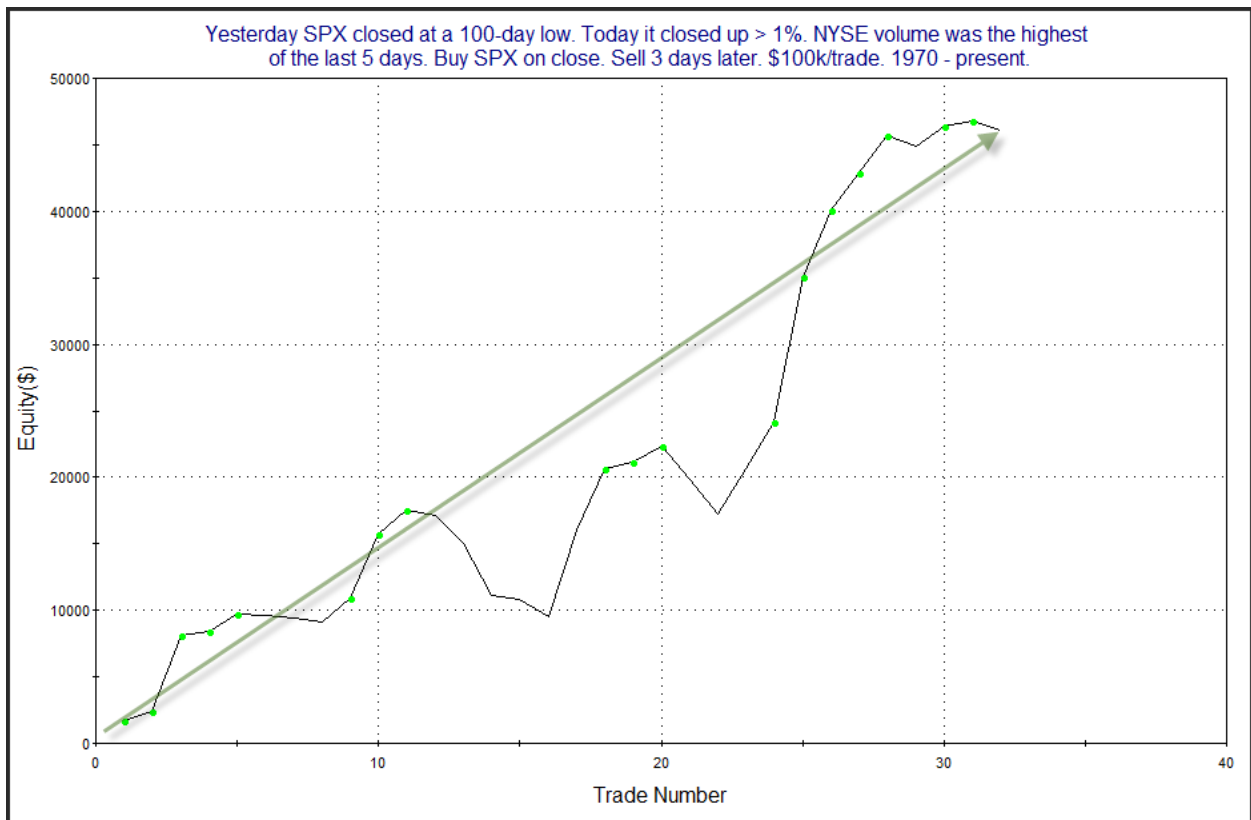
A bit choppy, but certainly upsloping and again making new highs. This study seems to warrant consideration.

A potential issue with the rally on Monday is that it occurred on moderate volume. Just last week in the 9/29/22 letter I looked at strong moves up from 100-day lows, and the impact that volume had on the follow-through potential. I looked at times the move came on strong volume (highest is 5 days) versus times it did not. I have updated the results of those studies below. Let's first look at times (UNlike now) where the rally came on the highest volume in 5 days.

Yesterday SPX closed at a 100-day low. Today it closed up > 1%. NYSE volume was the highest of the last 5 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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	57,042.56	28	17	11	60.71	13,599.08	-4,104.48	4,699.02	-2,076.43	2.26	3.50	2,037.23
9	58,876.68	30	19	11	63.33	14,258.16	-8,786.30	4,684.90	-2,739.68	1.71	2.95	1,962.56
8	53,536.84	30	20	10	66.67	10,740.40	-6,902.00	4,058.15	-2,762.62	1.47	2.94	1,784.56
7	53,184.26	30	18	12	60.00	10,081.25	-6,696.44	4,259.40	-1,957.08	2.18	3.26	1,772.81
6	46,266.99	31	21	10	67.74	10,315.50	-6,274.80	3,461.97	-2,643.45	1.31	2.75	1,492.48
5	45,236.55	31	22	9	70.97	10,340.00	-4,585.62	3,134.62	-2,636.12	1.19	2.91	1,459.24
4	44,114.05	31	20	11	64.52	11,930.04	-3,869.74	3,249.08	-1,897.06	1.71	3.11	1,423.03
3	46,102.80	32	20	12	62.50	10,868.60	-3,910.96	3,065.26	-1,266.86	2.42	4.03	1,440.71
2	22,686.10	34	19	15	55.88	7,112.64	-6,510.90	2,422.70	-1,556.35	1.56	1.97	667.24
1	18,154.53	34	21	13	61.76	9,089.88	-4,686.30	2,039.37	-1,897.87	1.07	1.74	533.96

Results here appear to suggest an upside edge. Below is an equity curve to see how the edge has played out over time.

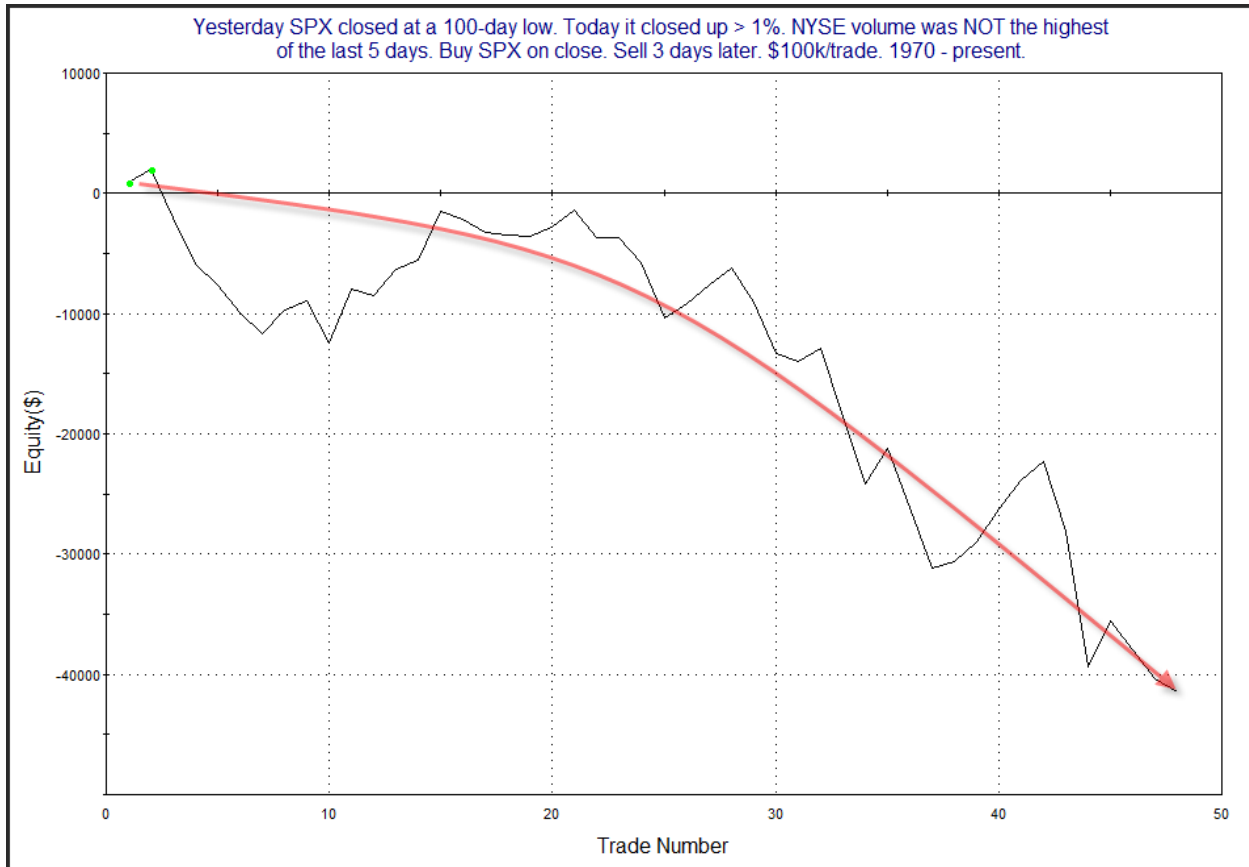


The strong upward slope confirms the edge suggested by the numbers. But volume was not close to a 5-day high on Monday. So here is what it looked like without the 5-day high in volume.

Yesterday SPX closed at a 100-day low. Today it closed up > 1%. NYSE volume was NOT the highest of the last 5 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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	-16,405.09	38	21	17	55.26	9,080.86	-14,786.60	3,200.95	-4,919.12	0.65	0.80	-431.71
9	-25,849.07	40	23	17	57.50	14,141.40	-21,924.22	3,479.76	-6,228.45	0.56	0.76	-646.23
8	-46,754.80	41	20	21	48.78	13,208.26	-22,706.90	3,260.30	-5,331.47	0.61	0.58	-1,140.36
7	-36,602.16	41	21	20	51.22	11,063.00	-21,797.40	3,199.14	-5,189.20	0.62	0.65	-892.74
6	-13,230.92	42	24	18	57.14	11,794.12	-16,460.42	2,600.88	-4,202.89	0.62	0.83	-315.02
5	-7,871.13	43	21	22	48.84	8,821.54	-14,461.05	3,169.43	-3,383.15	0.94	0.89	-183.05
4	-37,191.97	45	23	22	51.11	7,172.80	-16,867.40	2,337.52	-4,134.31	0.57	0.59	-826.49
3	-41,458.50	48	21	26	43.75	4,511.78	-11,265.12	1,878.49	-3,111.80	0.60	0.49	-863.72
2	-37,367.24	49	23	26	46.94	7,309.60	-13,654.06	2,014.28	-3,219.07	0.63	0.55	-762.60
1	-27,938.21	49	20	29	40.82	3,184.32	-11,696.04	1,105.81	-1,726.01	0.64	0.44	-570.17

The results primarily all flipped from positive to negative. A quick look at the equity curve below also shows that also appears to have flipped.



This suggests a possible downside edge for the next 3 days and I have included it on Active List.

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



With tonight's mix of studies factored in, the green Aggregator line closed slightly above zero. Positive readings mean expectations are for upside over the next over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could certainly change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3680.96 on Tuesday. That is just 0.1% above Monday's close. So SPX will only need to close up a small amount on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is back to long. But the signal is somewhat tenuous. Evidence is mixed and it will only take a small rise on Tuesday in order to flip the Differential Line and signal an overbought SPX. I lightened up some on my SPY index position at the close on Monday. I will look to lighten

up some more on Tuesday. I may hold the final lot of my position until the CBI returns to a more neutral reading.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/3 – neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

CHTR – 1/3 @ \$353.03 (bought @ limit)

CHTR – 1/3 @ \$333.96 (bought @ limit)

CHTR – 1/3 @ \$321.66 (bought @ limit)

INTC – 1/3 @ \$26.97 (bought @ limit)

INTC – 1/3 @ \$26.89 (bought @ limit)

CMCSA – 1/3 @ \$30.26 (bought @ limit)

EXC – 1/3 @ \$37.46 (buy @ limit) – *not filled, cancel for now*

Broad Market Large Cap CBI – 7(CHTR-3, INTC-2, CMCSA, EXC)

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	Notes
SPY(1/4)	9/22/2022	\$376.58	\$366.61	-2.65%	<i>sold on close</i>
CHTR(1/3)	9/22/2022	\$352.03	\$320.27	-9.02%	Catapult
SPY(1/4)	9/23/2022	\$367.95	\$366.61	-0.36%	<i>sell @ \$366.62 limit on close</i>
CHTR(1/3)	9/23/2022	\$330.98	\$320.27	-3.24%	Catapult
T(1/3)	9/23/2022	\$16.10	\$15.90	-1.24%	<i>sell on open</i>
SPY(1/4)	9/26/2022	\$364.31	\$366.61	0.63%	Aggregator
CHTR(1/3)	9/26/2022	\$321.44	\$320.27	-0.36%	Catapult
T(1/3)	9/26/2022	\$15.91	\$15.90	-0.06%	<i>sell on open</i>
T(1/3)	9/27/2022	\$15.67	\$15.90	1.47%	<i>sell on open</i>
INTC(1/3)	9/27/2022	\$26.97	\$26.97	0.00%	Catapult
ADBE(1/3)	9/27/2022	\$276.96	\$285.24	2.99%	<i>sell on open</i>
INTC(1/3)	9/28/2022	\$26.89	\$26.97	0.30%	Catapult
CMCSA(1/3)	10/3/2022	\$29.84	\$30.63	2.65%	Catapult

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