

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 6, 2022

Volume 15 Issue 191

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- SPY's big gap down, reversal, and then down close is a pattern that has often been followed by short-term gains.

Short-term Outlook

The Bottom Line

The Aggregator is flat. Evidence is mixed but pointing slightly higher. Meanwhile SPX is overbought. Reward/risk does not appear strongly favorable.

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 6, 2022	Opn Gap Dn 1%. Fill gap & close dn < 200	1-2 days	Bullish			
October 5, 2022	Up 1% 2 days. 10-high < 200ma	1-4 days	Bearish	-3.20%	1.20%	2.20%
October 5, 2022	3% rally on low volume	1-3 days	Bearish	-4.80%	1.40%	2.60%
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			

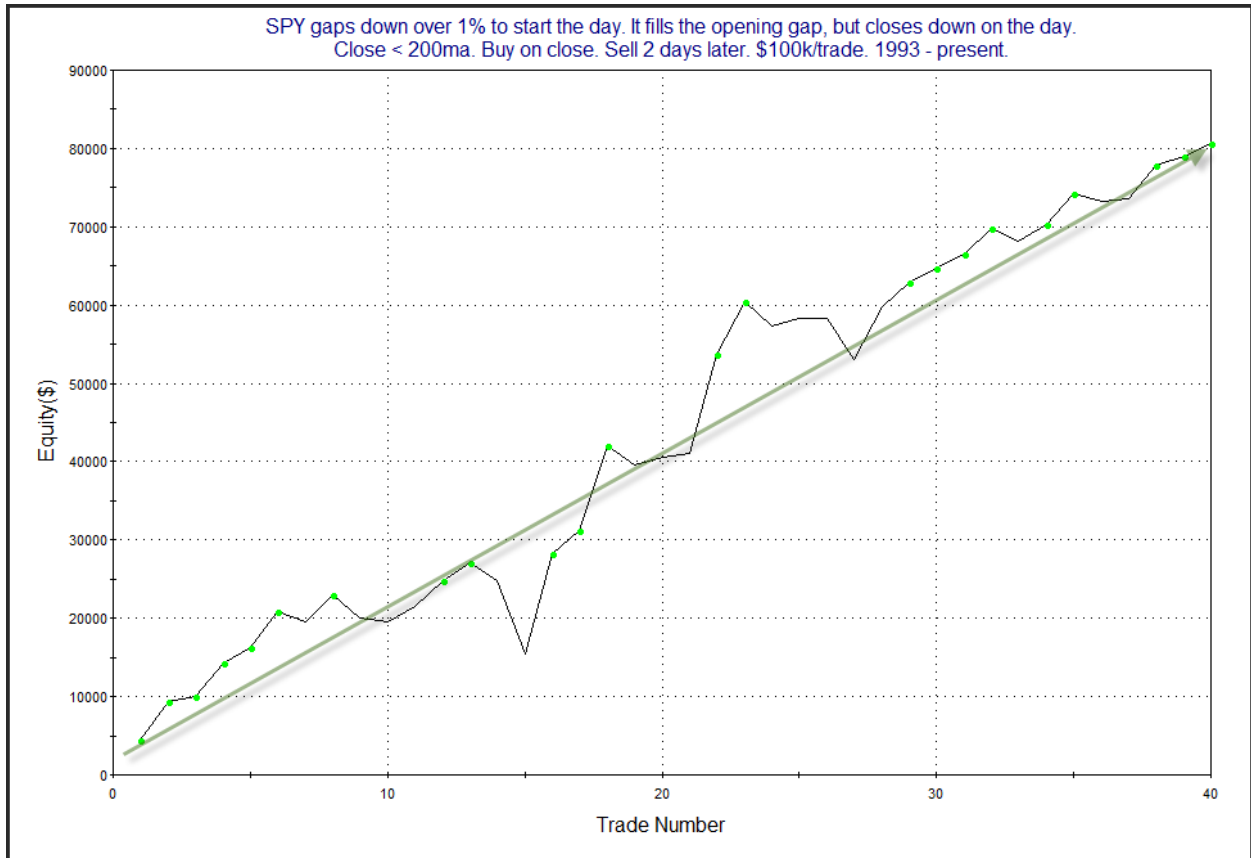
The Evidence

Wednesday started with a big gap down. The gap filled, but the market could not stay positive through the close. When the day was over, the SPX finished down 0.2%. the NASDAQ lost 0.25%, and the Russell 2000 fell 0.7%. Breadth was negative with the NYSE Up Issues % coming in at 31% and the Up Volume % at 37%. NYSE total volume declined for the 3rd day in a row.

The pattern I mentioned above with SPY gapping down, then filling the gap but failing to close positive, is one that has been followed by short-term gains on a fairly consistent basis. This can be seen in the study below.

SPY gaps down over 1% to start the day. It fills the opening gap, but closes down on the day. Close < 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
5	30,877.99	37	21	16	56.76	19,398.00	-11,713.44	5,052.86	-4,702.01	1.07	1.41	834.54
4	55,921.26	38	24	14	63.16	17,914.00	-9,229.44	4,398.99	-3,546.75	1.24	2.13	1,471.61
3	61,765.98	38	25	13	65.79	14,708.85	-6,458.40	3,762.83	-2,484.98	1.51	2.91	1,625.42
2	80,680.45	40	30	10	75.00	12,814.15	-9,235.25	3,678.35	-2,967.00	1.24	3.72	2,017.01
1	47,097.18	42	25	17	59.52	14,507.65	-6,980.25	3,326.10	-2,120.90	1.57	2.31	1,121.36

Results here are very strong over the next 1-2 days. Below is a look at the 2-day profit curve.



That is a nice, steady move higher from lower left to upper right. This study seems worth consideration and I have added it to the active list tonight.

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



With tonight's evidence considered, the green Aggregator line crossed above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line held 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 neural 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 set to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3682.11 on Thursday. That is 2.7% below Wednesday's close. While that could happen in one day, it will more likely take a multi-day decline or consolidation to work off the overbought condition.

So the Aggregator is now flat. Evidence is mixed and the market is volatile. This does not have the makings of a high-probability setup with favorable reward/risk. I do not feel compelled to get involved in a new trade here. I will stand aside until a better opportunity avails itself.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

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

Broad Market Large Cap CBI – 1(CMCSA)

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
CHTR(1/3)	9/22/2022	\$352.03	\$324.42	-7.84%	<i>sold on open</i>
CHTR(1/3)	9/23/2022	\$330.98	\$324.42	-1.98%	<i>sold on open</i>
SPY(1/4)	9/26/2022	\$364.31	\$373.39	2.49%	<i>sold on open</i>
CHTR(1/3)	9/26/2022	\$321.44	\$324.42	0.93%	<i>sold on open</i>
INTC(1/3)	9/27/2022	\$26.97	\$27.36	1.45%	<i>sold on open</i>
INTC(1/3)	9/28/2022	\$26.89	\$27.36	1.75%	<i>sold on open</i>
CMCSA(1/3)	10/3/2022	\$29.84	\$30.74	3.02%	Catapult

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