

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 12, 2022

Volume 15 Issue 195

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- NDX selling is reaching a point where a bounce appears likely in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Expectations are pointing higher and the market is strongly oversold. There appears to be an upside edge. But volatility has been high and it could be higher the next few days, so I am not inclined to get large with my positions.

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 12, 2022	NDX down 5 days to 150-day low	1-5 days	Bullish			
October 10, 2022	Down 3 days to 20 low. 1% dn 2day.	1-3 days	Bullish	2.80%	-1.40%	-2.95%
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

Turnaround Tuesday was looking all right until Bank of England Governor Andrew Bailey made some dumb comments that BOE would halt intervention in the market by the end of the week, so firms have 3 days to get their positions in order. In case you were wondering, it is not just US central bankers that say dumb things. The SPX finished down 0.65% (and made a new bear-market intraday low – not a closing low), the NASDAQ lost 1.1% (and made new bear-market lows), and the Russell 2000 rose 0.06%. Breadth was negative with the NYSE Up Issues % coming in at 43% and the Up Volume % at 42%. NYSE total volume rose from Monday’s low level.

The two big up days to start last week have now been followed by 5 down days in a row. And the 5-day selloff has put the NDX at a new bear-market closing low. The study below looks at other times since 1990 that NDX closed down for the 5th consecutive day and at a 150-day low.

\$NDX closes down for exactly the 5th day in a row and at a 150-day low. Forward results shown. 1990 - 10/11/2022.										
Ticker	Date/Time	Close	5-day % Drop	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	Max Intraday Drawdn	
\$NDX	1/26/1990	203.24	-4.99	-0.59	-2.75	-0.64	-0.1	1.17		-3.23
\$NDX	8/22/1990	185.01	-11.25	-3.63	-0.03	4.84	5.35	4.26		-4.3
\$NDX	9/24/1990	177.60	-6.33	1.75	1.04	-1.92	-0.31	4.01		-4.66
\$NDX	11/10/2000	2,890.26	-12.99	-1.86	5.16	6.45	1.21	1.54		-5.11
\$NDX	9/21/2001	1,126.95	-17.46	5.69	5.4	1.47	1.54	3.68		-2.27
\$NDX	5/7/2002	1,159.25	-9.23	10.62	7	2.55	7.1	12.62		0
\$NDX	6/8/2006	1,561.55	-3.4	-0.68	-2.64	-2.86	-2	0.74		-3.2
\$NDX	10/7/2008	1,329.98	-16.6	0.05	-4.13	-4.52	7.49	2.6		-10.07
\$NDX	8/24/2015	4,038.60	-11.56	-0.55	4.48	7.09	7.19	5.84		-0.56
\$NDX	2/8/2016	3,960.67	-7.6	-0.32	0.14	0.04	1.48	3.63		-1.46
\$NDX	2/23/2022	13,509.43	-7.6	3.44	5.03	5.39	3.68	5.44		-3.29
\$NDX	10/11/2022	10,791.35	-6.83	0	0	0	0	0		0
			Average	1.27	1.70	1.63	2.97	4.14		-3.47
			Median	-0.32	1.04	1.47	1.54	3.68		-3.23
			% Wins	45%	64%	64%	73%	100%		

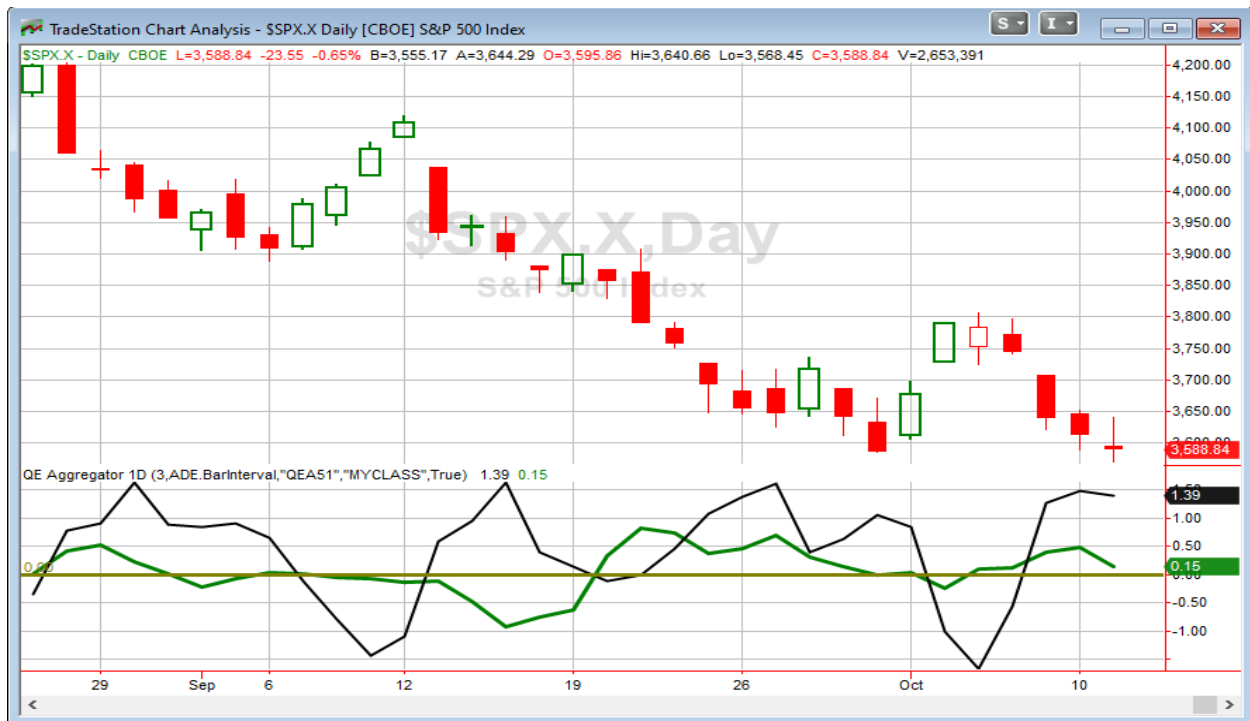
These results suggest an upside tendency. Five days out all 11 instances closed higher, with the average instance up 4.14% and the median up 3.68%. But it is also notable that the gains were not achieved without some short-term pain. The average drawdown of the 11 instances was nearly 3.5%. I also looked at how the SPX performed when NDX was triggering this setup. Below is the same study, but with forward SPX results shown.

\$NDX closes down for exactly the 5th day in a row and at a 150-day low.
 \$SPX forward results shown. 1990 - 10/11/2022.

Date/Time	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg
1/26/1990	-0.18	-0.87	1.01	0.92	1.57
8/22/1990	-3	-1.59	1.54	1.51	2.41
9/24/1990	1.2	0.15	-1.19	0.48	3.4
11/10/2000	-1.08	1.24	1.76	0.46	0.13
9/21/2001	3.9	4.81	4.27	5.47	7.78
5/7/2002	3.75	2.24	0.52	2.39	4.55
6/8/2006	-0.45	-1.71	-2.72	-2.22	-0.14
10/7/2008	-1.13	-8.66	-9.74	0.71	0.18
8/24/2015	-1.35	2.5	4.99	5.05	4.17
2/8/2016	-0.07	-0.09	-1.31	0.61	2.27
2/23/2022	1.5	3.77	3.51	1.91	3.81
10/11/2022	0	0	0	0	0
Average	0.28	0.16	0.24	1.57	2.74
Median	-0.18	0.15	1.01	0.92	2.41
% Wins	36%	55%	64%	91%	91%

Results are not quite as strong here, but SPX has seemed to benefit from the oversold NDX condition. I have included this study on the Active List tonight.

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



With tonight's evidence considered, the green Aggregator line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line also 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 stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3661.13 on Wednesday. That is 2.0% above Tuesday's close. Therefore, SPX would need to close up over 2.0% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. The market is strongly oversold, and we again have evidence pointing to a likely bounce. I believe there is an upside edge. But the market remains highly volatile and I'm still not blown away by the evidence. While tonight's study provides a bullish hint, the Active List remains quite small. Wednesday and Thursday have the potential for added volatility as well, with inflation numbers due out both days before the open. Wednesday will be PPI, and Thursday CPI gets released. Thursday's number has especially high potential for a strong reaction. Since May, CPI release dates have had a 50% greater Average True Range than all other days. So I like the long side, but I will keep my position small for the time being. And if Wednesday is a strong move higher, then I may look to take profits ahead of the Thursday morning CPI release.

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

The intermediate-term outlook was last updated in the 10/10/22 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

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CMCSA(1/3)	10/3/2022	\$29.84	\$28.68	-3.89%	Catapult
SPY(1/3)	10/10/2022	\$360.02	\$357.74	-0.63%	<i>sell @ \$361.50 LIMIT ON CLOSE</i>

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