

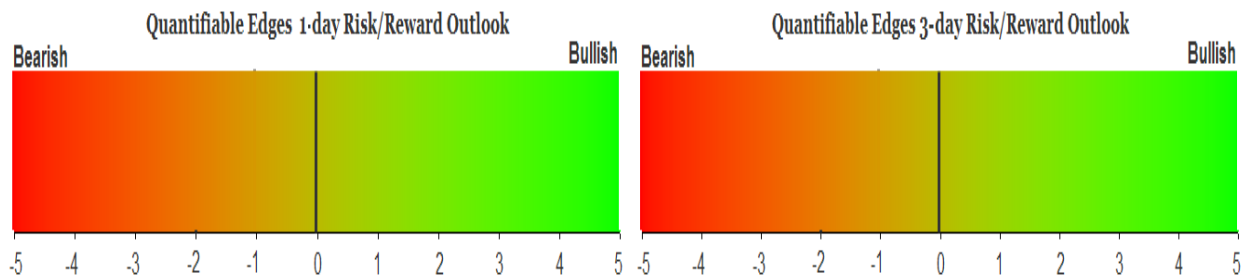
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 18, 2022

Volume 15 Issue 199

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- Monday's narrow-range inside day suggests more short-term selling could be on the way.
- Mild volume on a strong up day is often followed by weakness in the following days.

Short-term Outlook

The Bottom Line

The Aggregator is flat. Lots of mixed signals in a volatile environment does not typically make for a great setup.

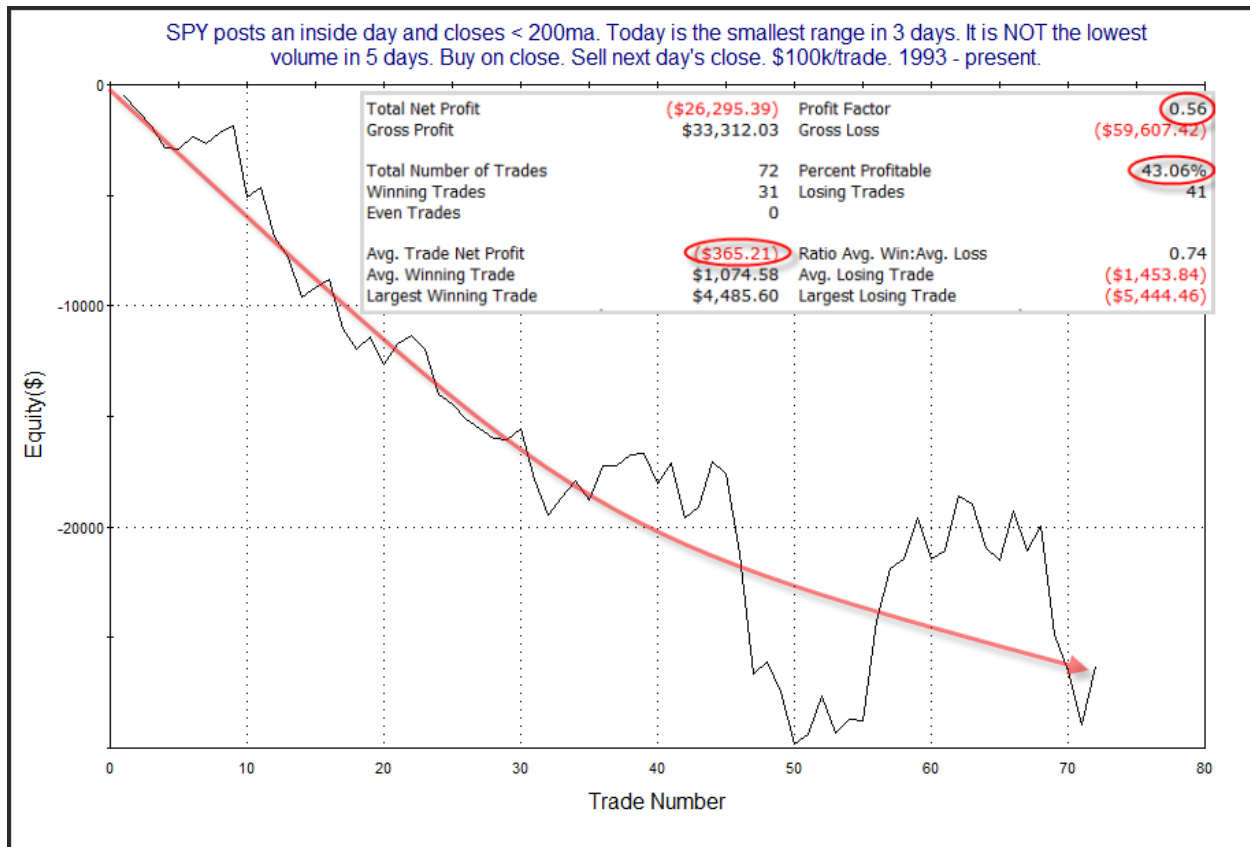
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 18, 2022	SPX up 2.5%-3.5% on vol < 10ma	1-2 days	Bearish			
October 18, 2022	Inside day. Low range 3. Vol < 5hi < 200	1 day	Bearish			
October 17, 2022	Dn2% from 5-high. No 5-low.	1-4 days	Bearish	-3.25%	2.20%	3.80%
October 14, 2022	SPY 20-low. Up 2% on high vol 5.	1-5 days	Bullish	4.50%	-2.20%	-3.80%
October 13, 2022	5 down to a 50-low < 200	1-5 days	Bullish	3.05%	-2.30%	-5.00%
October 12, 2022	NDX down 5 days to 150-day low	1-5 days	Bullish			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
October 17, 2022	Oct opex week bullish	1-4 days	Bullish	2.20%	-1.50%	-2.90%

The Evidence

Monday saw the market start the week with a strong move upwards. SPX rallied 2.65%, the NASDAQ jumped 3.4%, and the Russell 2000 climbed 3.2%. Breadth was positive with the NYSE Up Issues % coming in at 83% and the Up Volume % at 94%. NYSE total volume rose slightly from Friday's level, but was still light.

The action on Monday triggered a couple of studies worth some discussion. The study below looked at times like Monday when there was an inside day with relatively low range, but not very low volume and it occurred under the 200ma. It was last seen in the 10/15/18 letter. Results are updated.



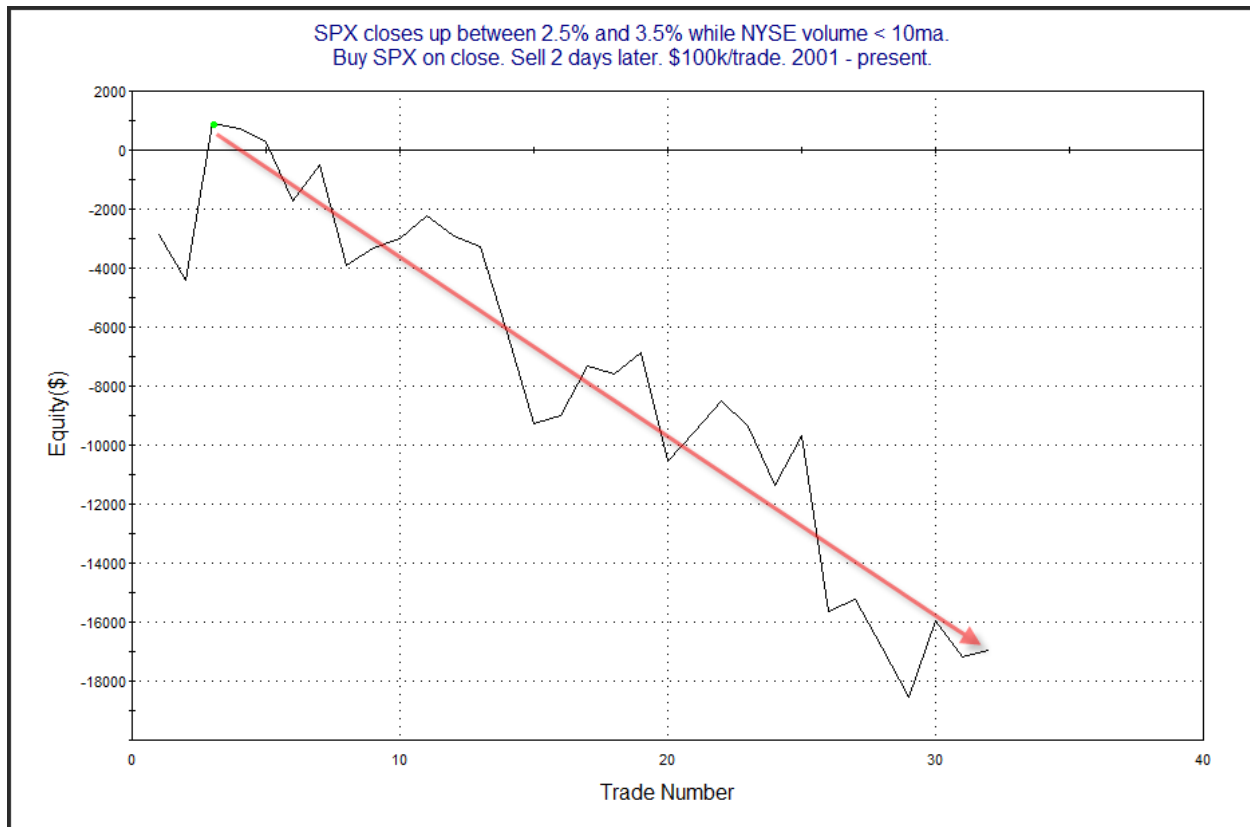
The numbers are compelling. That chart not as much. But it is back near new lows and still seems worth some consideration. So I have included it on the Active List tonight.

The study below was taken from the 1/7/19 letter and it looked at big up days and used an “average” volume filter. Results below are updated.

SPX closes up between 2.5% and 3.5% while NYSE volume < 10ma.
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
5	-7,457.04	27	16	11	59.26	4,349.02	-6,365.52	2,259.22	-3,964.05	0.57	0.83	-276.19
4	-2,967.00	28	12	16	42.86	5,734.40	-5,244.00	3,012.81	-2,445.05	1.23	0.92	-105.96
3	-8,737.82	30	13	17	43.33	5,692.12	-8,419.83	2,577.93	-2,485.35	1.04	0.79	-291.26
2	-16,963.26	32	14	18	43.75	5,323.24	-5,933.70	1,271.77	-1,931.56	0.66	0.51	-530.10
1	-9,360.67	32	15	17	46.88	2,077.44	-2,909.28	860.75	-1,310.12	0.66	0.58	-292.52

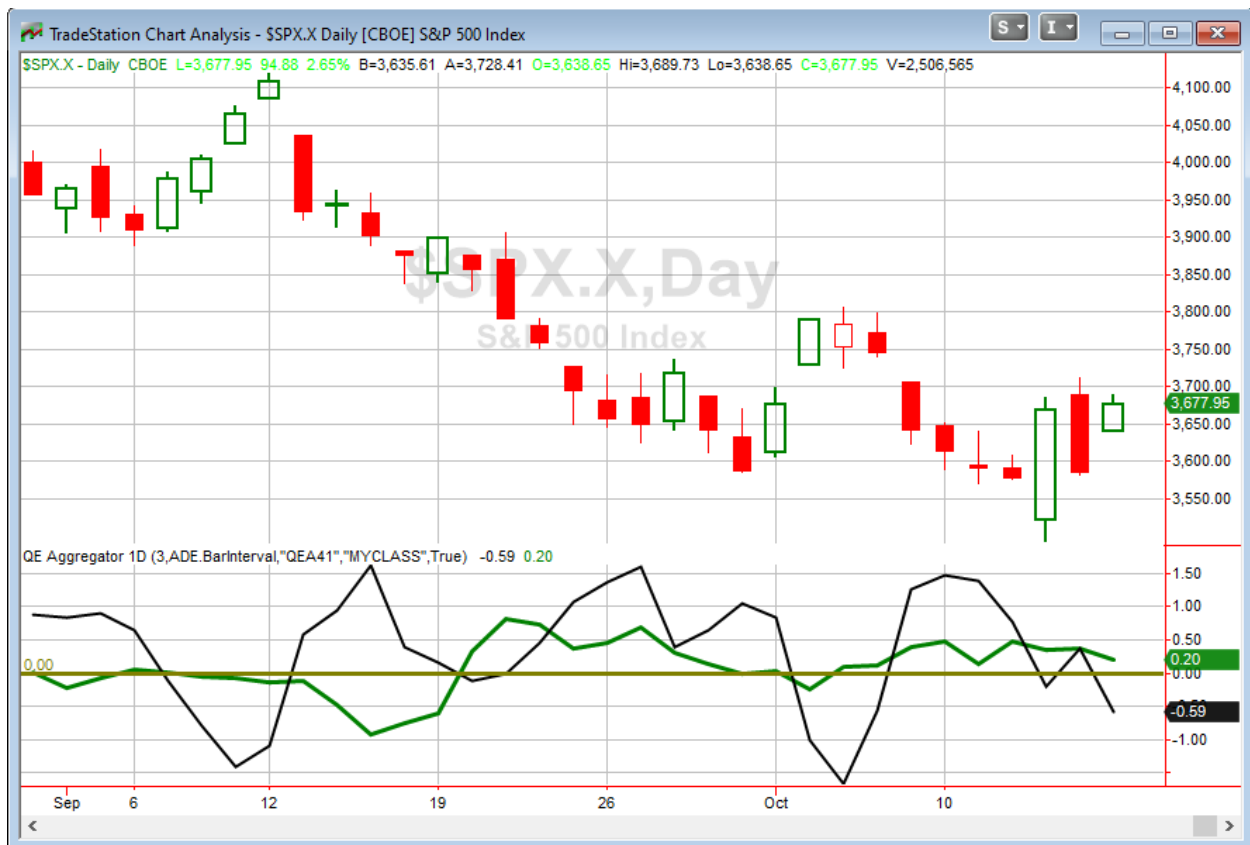
The numbers here suggest a moderate downside edge. Below is a look at a 2-day profit curve.



Again somewhat choppy, but it has made its way from upper left to lower right on a fairly persistent basis. I also added this study to the Active List tonight.

One study I removed from the Active List was the bullish Opex Week study. The reason for this was that Monday reached the max upside that is typically seen this week. So having hit its profit target already, it is no longer considered active.

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



Even with tonight's bearish 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 dropped 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 3703.03* on Tuesday. That is 0.7% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.7% in order to remain overbought. Anything less than that, and it will be considered oversold vs recent expectations as of Tuesday's close.

So the Aggregator is flat. Evidence is mixed, the Differential Pivot is inverted, and the market is making large 1-day swings each day. This is not a great recipe for a strongly favorable reward/risk setup. I will stand aside until a more favorable opportunity presents itself.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/17 – 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

AMT – 1/3 @ \$183.79 (buy @ limit)

NEE – 1/3 @ \$72.75 (buy @ limit)

Broad Market Large Cap CBI – 2(AMT, NEE)

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
AMT(1/3)	10/13/2022	\$179.87	\$192.49	7.02%	Catapult
NEE(1/3)	10/13/2022	\$71.59	\$73.65	2.88%	Catapult
SO(1/3)	10/13/2022	\$60.96	\$64.23	5.36%	<i>sold on open</i>

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