

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 3, 2023

Volume 16 Issue 188

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- The weak breadth on Monday is sending a somewhat mixed message.
- SPY's 2-day pattern suggests it could be set up to bounce further.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side.

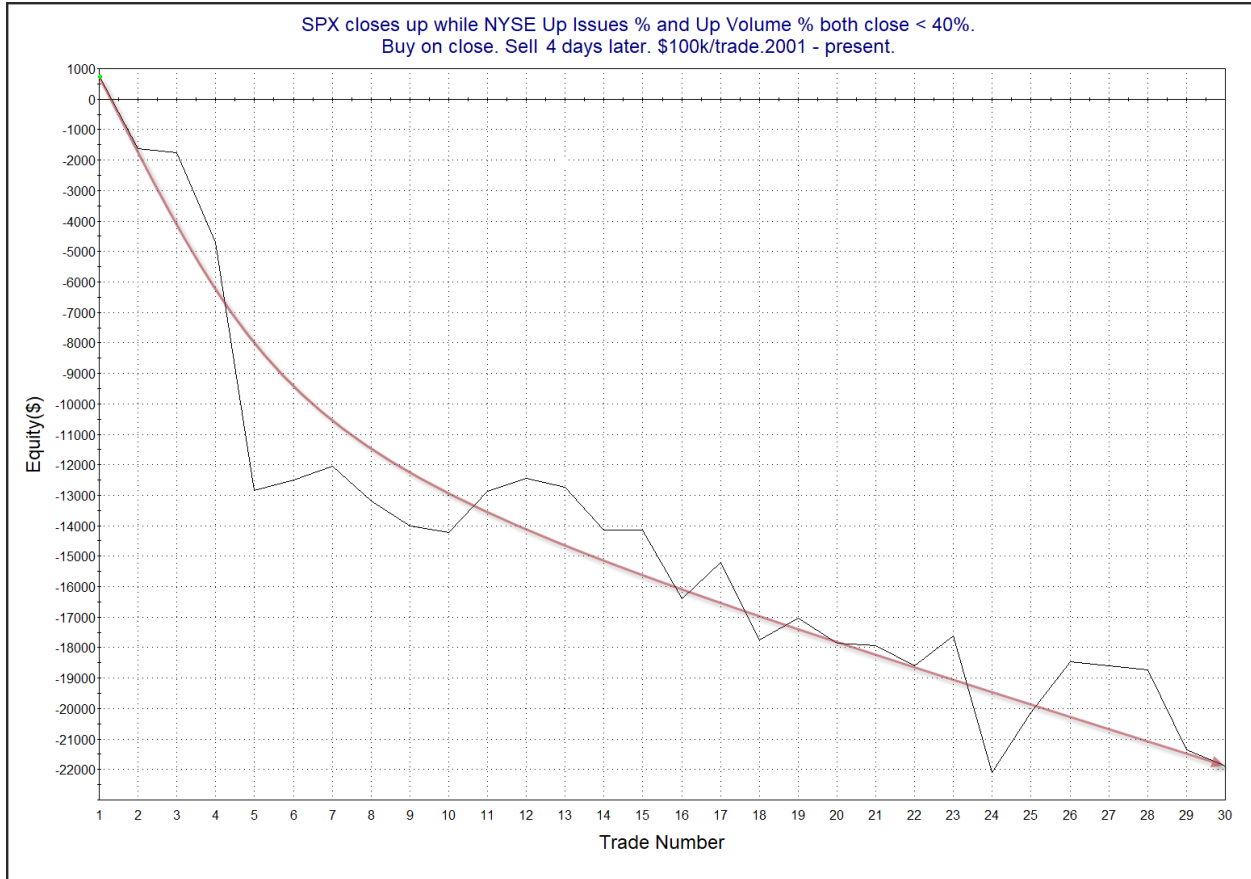
The Evidence

Monday was another mixed day. The SPX closed up less than 0.1%, the NASDAQ gained 0.7%, and the Russell 2000 declined 1.6%. Breadth was weak with the NYSE Up Issues % coming in at 19% and the Up Volume % at 20%. NYSE total volume declined some from Friday's level.

Especially notable about the action was the substantially weak breadth on a day that the SPX closed higher. This triggered a few studies. You may recognize them because they both triggered recently in the 6/23/23 letter. Interestingly, they did not agree with each other. The 1st looked at times both the Up Volume % and Up Issues % were both below 40% on an up day. Updated results are below.

SPX closes up while NYSE Up Issues % and Up Volume % both close < 40%. Buy 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	-15,011.91	30	15	15	50.00	3,146.16	-9,372.60	1,203.33	-2,204.13	0.55	0.55	-500.40
4	-21,878.06	30	10	20	33.33	1,977.25	-8,138.50	990.73	-1,589.27	0.62	0.31	-729.27
3	-13,960.03	32	16	16	50.00	2,365.53	-4,302.54	698.64	-1,571.14	0.44	0.44	-436.25
2	-9,670.81	32	16	16	50.00	2,505.37	-3,867.94	841.13	-1,445.55	0.58	0.58	-302.21
1	-8,373.57	34	15	19	44.12	2,625.35	-8,783.02	889.83	-1,143.21	0.78	0.61	-246.28

Numbers here look quite negative. Below is a look at the curve for the 4-day holding period.



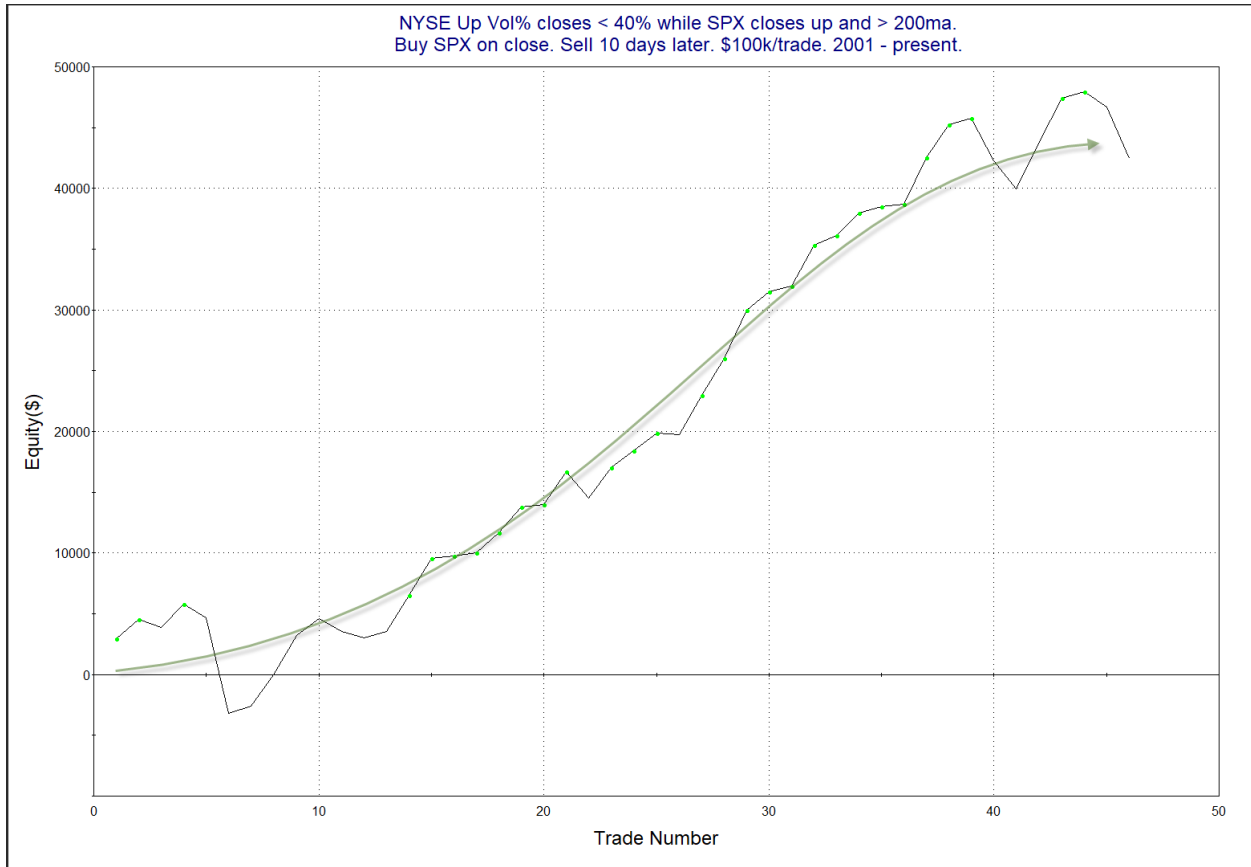
That is a persistent drop. This study appears to be worth some consideration.

But the next study viewed weak breadth as an “oversold” type condition suggesting a short-term upside edge. It simply focused on Up Volume % coming in under 40% while SPX closed higher during a long-term uptrend. It is also updated from the 6/23/23 letter.

NYSE Up Vol% closes < 40% while SPX closes up and > 200ma.
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
10	42,446.96	46	35	11	76.09	3,969.23	-7,891.63	1,921.86	-2,256.18	0.85	2.71	922.76
9	37,895.27	47	35	12	74.47	3,793.00	-7,594.37	1,782.62	-2,041.37	0.87	2.55	806.28
8	38,973.07	48	37	11	77.08	4,666.56	-6,657.20	1,579.87	-1,771.11	0.89	3.00	811.94
7	34,278.75	50	38	12	76.00	5,211.84	-3,755.76	1,449.09	-1,732.24	0.84	2.65	685.57
6	31,593.90	50	35	15	70.00	6,018.56	-3,495.92	1,506.40	-1,408.67	1.07	2.50	631.88
5	25,157.08	54	40	14	74.07	4,787.84	-4,623.84	1,189.13	-1,600.59	0.74	2.12	465.87
4	10,763.27	55	33	22	60.00	2,689.05	-4,483.92	1,087.50	-1,142.00	0.95	1.43	195.70
3	9,665.38	58	36	22	62.07	2,513.92	-3,122.40	883.43	-1,006.28	0.88	1.44	166.64
2	11,556.95	62	40	22	64.52	2,661.75	-2,848.17	748.58	-835.74	0.90	1.63	186.40
1	7,344.26	67	40	27	59.70	1,790.64	-1,489.20	548.98	-541.30	1.01	1.50	109.62

Results have been surprisingly strong over the last 22 years. But many of the curves have had recent weakness. The 10-day appears the best, and I have pasted that below..



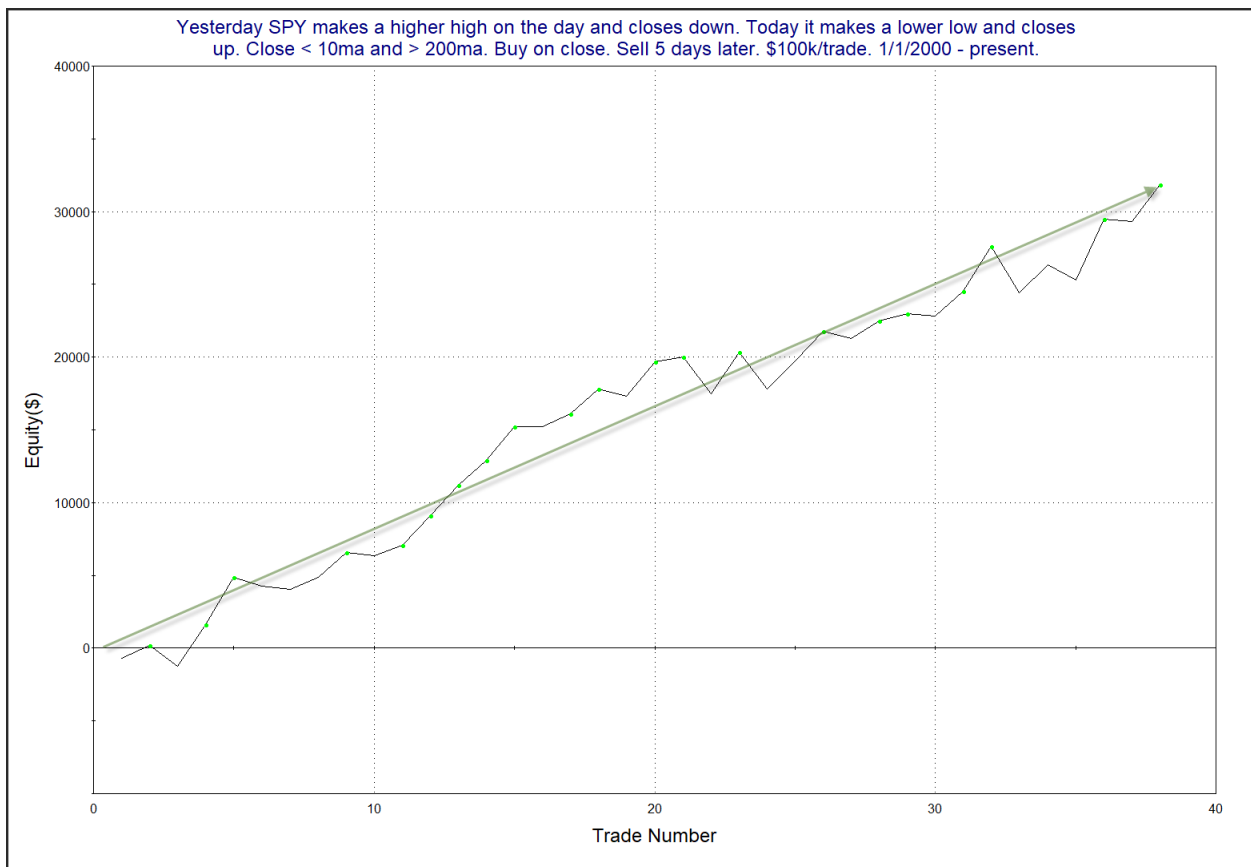
The curve has shown strong upside persistence. Despite the dip the last 2 instances, I find these results intriguing and have placed this study on the intermediate-term Active List. So breadth is giving mixed signals.

On Friday the bulls tried to make a move higher and failed, making for a higher high and a lower close. On Monday the opposite happened. The bears failed in their attempt at a move lower. In the 7/11/23 Subscriber Letter I looked at two-day moves like this. I found results to be substantially different based on whether the market is near the top or the bottom of its short-term range. When the pattern occurs in the lower end of the short-term range it has been bullish over the next 4-5 days. This can be seen in the below test.

Yesterday SPY makes a higher high on the day and closes down. Today it makes a lower low and closes up. Close < 10ma and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1/1/2000 - present.

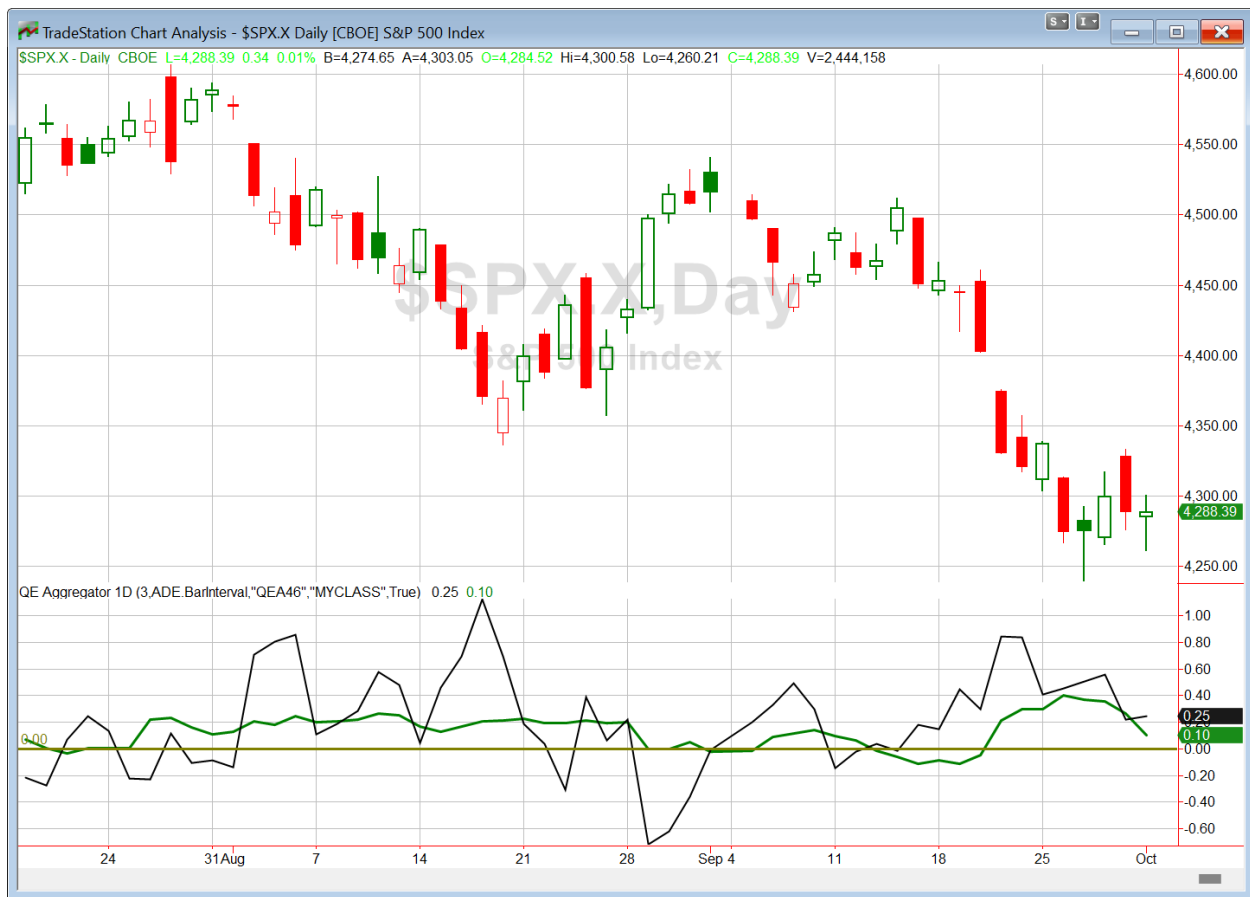
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	31,658.72	36	23	12	63.89	4,183.86	-3,202.60	1,943.74	-1,087.28	1.79	3.43	879.41
4	25,955.48	38	29	9	76.32	3,519.51	-2,597.76	1,283.09	-1,250.46	1.03	3.31	683.04
3	19,494.31	38	26	12	68.42	2,740.83	-2,682.24	1,113.68	-788.45	1.41	3.06	513.01
2	10,505.03	38	22	16	57.89	3,303.21	-2,271.36	1,125.26	-890.67	1.26	1.74	276.45
1	5,017.92	38	21	17	55.26	1,722.12	-1,972.23	799.56	-692.52	1.15	1.43	132.05

Odds favor a move higher and the stats are impressive over the next 4-5 days. Here is a look at the 5-day profit curve.



That is a steady move from lower left to upper right. This serves as some confirmation of the upside edge suggested by the results table. I have added this study to the Active List.

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



With tonight's evidence considered, the green Aggregator Line is again above zero. Positive readings mean net 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 slated to remain positive on Tuesday. It would take some very compelling bearish evidence to change this. Meanwhile, the Differential Pivot will be 4347.77 on Tuesday. That is 1.4% above Monday's close. Therefore, SPX will need to close up at least 1.4% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is again bullish. And there is ample room to the upside before SPX will turn overbought. I already have some long index exposure. With evidence mixed tonight, I am not inclined to take on any more exposure right now. I will maintain my current position for a little longer since I still expect to see a short-term rally.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

BA – 1/3 @ \$199.95 (bought at limit)

BA – 1/3 @ \$197.71 (bought at limit)

UNP - 1/3 @ \$202.40 (bought at limit)

LLY – 1/3 @ \$537.13 (bought @ limit)

Broad Market Large Cap CBI – 4(BA-2, UNP, LLY)

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)	9/21/2023	\$431.39	\$427.31	-0.95%	Aggregator
BA(1/3)	9/22/2023	\$199.95	\$187.83	-6.06%	Catapult
SPY(1/4)	9/25/2023	\$429.17	\$427.31	-0.43%	Aggregator
BA(1/3)	9/25/2023	\$196.84	\$187.83	-4.58%	Catapult
<i>NKE(1/3)</i>	<i>9/26/2023</i>	<i>\$90.00</i>	<i>\$96.20</i>	<i>6.89%</i>	<i>sold on open</i>
<i>NKE(1/3)</i>	<i>9/27/2023</i>	<i>\$90.17</i>	<i>\$96.20</i>	<i>6.69%</i>	<i>sold on open</i>
<i>NKE(1/3)</i>	<i>9/28/2023</i>	<i>\$89.10</i>	<i>\$96.20</i>	<i>7.97%</i>	<i>sold on open</i>
UNP(1/3)	9/28/2023	\$202.40	\$202.64	0.12%	Catapult
LLY(1/3)	10/2/2023	\$536.01	\$538.29	0.43%	Catapult

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