

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 4, 2023

Volume 16 Issue 189

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- Gaps below intermediate-term lows that see further selling will often be followed by a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence continues to suggest a bounce. I like the long side.

The Evidence

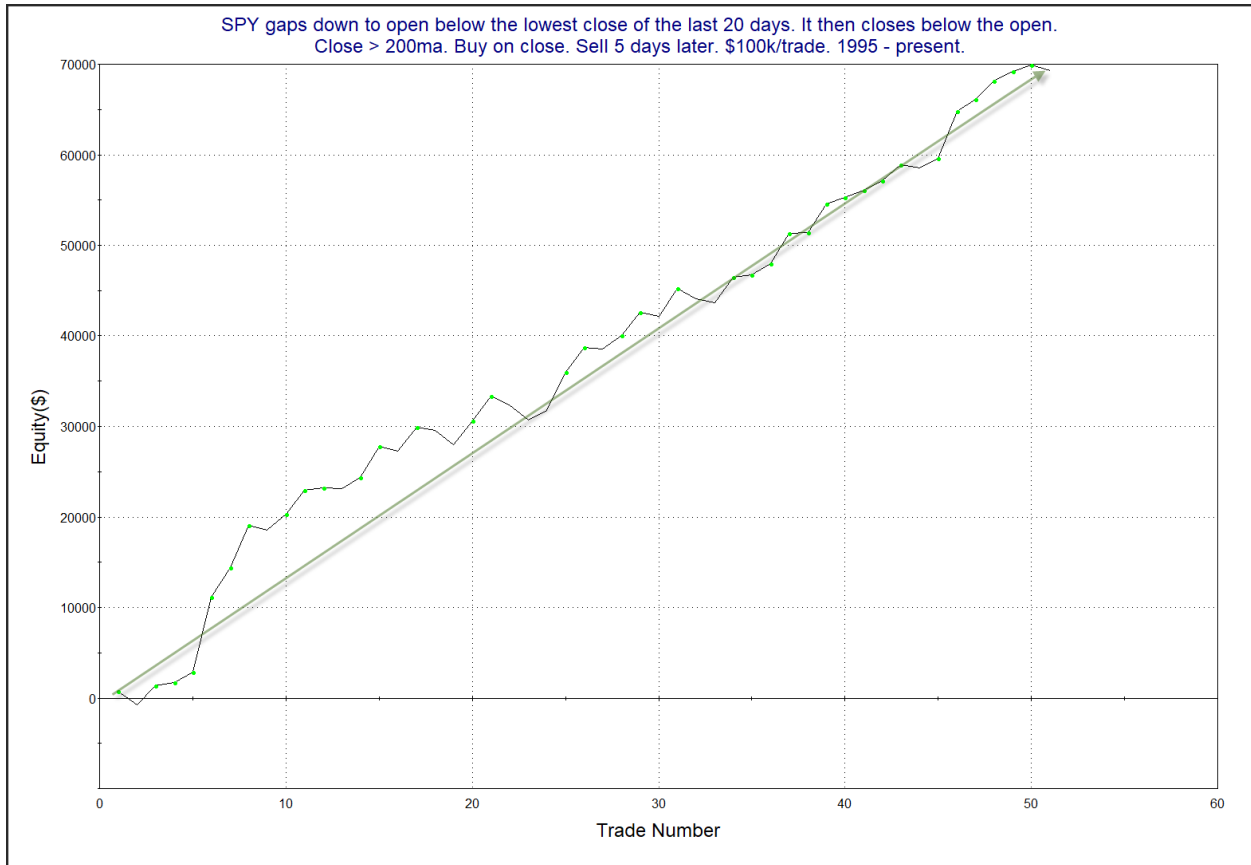
Stocks and bonds got slammed on Tuesday. The SPX lost 1.4%, the NASDAQ dropped 1.9%, and the Russell 2000 declined 1.7%. Breadth was weak with the NYSE Up Issues % coming in at 16% and the Up Volume % at 20%. NYSE total volume declined some from Monday’s level.

There was a study from just last week in the 9/27/23 letter that looked at gaps below 20-day low closes that sold off further during the day. I re-ran the study tonight and updated the results.

SPY gaps down to open below the lowest close of the last 20 days. It then closes below the open.
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

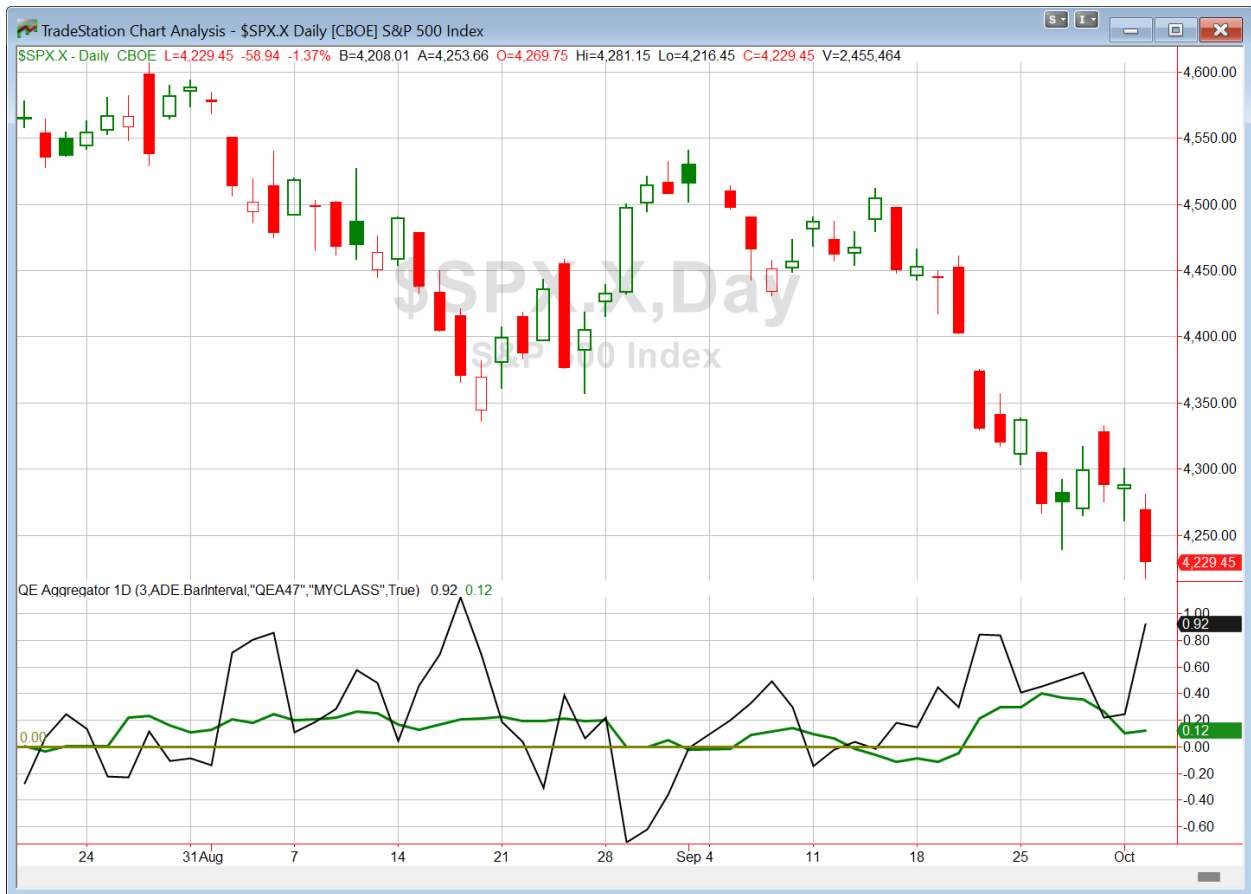
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	69,283.01	51	37	14	72.55	8,239.74	-1,665.30	2,154.21	-744.47	2.89	7.65	1,358.49
4	52,933.45	51	35	16	68.63	5,581.02	-3,255.65	1,932.71	-919.46	2.10	4.60	1,037.91
3	41,127.32	53	33	20	62.26	4,069.80	-2,421.25	1,726.54	-792.43	2.18	3.60	775.99
2	35,281.11	57	36	20	63.16	5,477.88	-1,643.62	1,343.76	-654.70	2.05	3.69	618.97
1	21,129.46	63	38	25	60.32	5,764.38	-3,000.80	1,041.38	-737.71	1.41	2.15	335.39

Stats are suggestive of an upside edge. Below is a look at a profit curve for the 5-day holding period.



Even with last week's instance not working out, the move from lower left to upper right is incredibly strong and steady. This serves as confirmation of the bullish tendency suggested by the stats table. I have added this study to the active list tonight.

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 Wednesday. It would take some very compelling bearish evidence to change this. Meanwhile, the Differential Pivot will be 4329.07 on Tuesday. That is 2.4% above Tuesday's close. Therefore, SPX will need to close up at least 2.4% on Wednesday in order to flip from oversold to overbought vs recent

expectations. That is a tall task. More likely, it will take a multi-day rally or consolidation to work off the oversold condition.

So the Aggregator formation is again bullish. And there is ample room to the upside before SPX will turn overbought. The new evidence is compelling, and we have multiple studies from the last few days suggesting an upside edge. I already have some long index exposure. If I can get a favorable fill on Wednesday I will look to take on a 3rd lot. I will not look to add a 4th unless we get a spike in the CBI.

*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.

SPY – Buy ¼ index position @ \$421.00 LIMIT. Based on the short-term outlook above, I will look to take on a 3rd lot of SPY if it moves down a bit on Wednesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	9/21/2023	\$431.39	\$421.59	-2.27%	Aggregator
BA(1/3)	9/22/2023	\$199.95	\$188.92	-5.52%	Catapult
SPY(1/4)	9/25/2023	\$429.17	\$421.59	-1.77%	Aggregator
BA(1/3)	9/25/2023	\$196.84	\$188.92	-4.02%	Catapult
UNP(1/3)	9/28/2023	\$202.40	\$203.78	0.68%	Catapult
LLY(1/3)	10/2/2023	\$536.01	\$525.19	-2.02%	Catapult

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