

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 6, 2023

Volume 16 Issue 191

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- Several studies tonight suggest an upside edge.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But with SPX nearing overbought territory, the Aggregator could easily change to neutral on Friday.

The Evidence

Thursday saw mild changes to the indices. The SPX lost 0.13%, the NASDAQ dipped 0.12%, and the Russell 2000 rose 0.14%. Breadth was mixed with the NYSE Up Issues % coming in at 45% and the Up Volume % at 50.4%. NYSE total volume declined some from Wednesday's level.

After closing at an intermediate-term low on Tuesday, the market put in a bounce attempt on Wednesday. Thursday's decline left that attempt looking like a possible failure. But it also triggered a study that suggested an upside edge moving forward. Last seen in the 1/26/22 Letter, I have updated the results below.

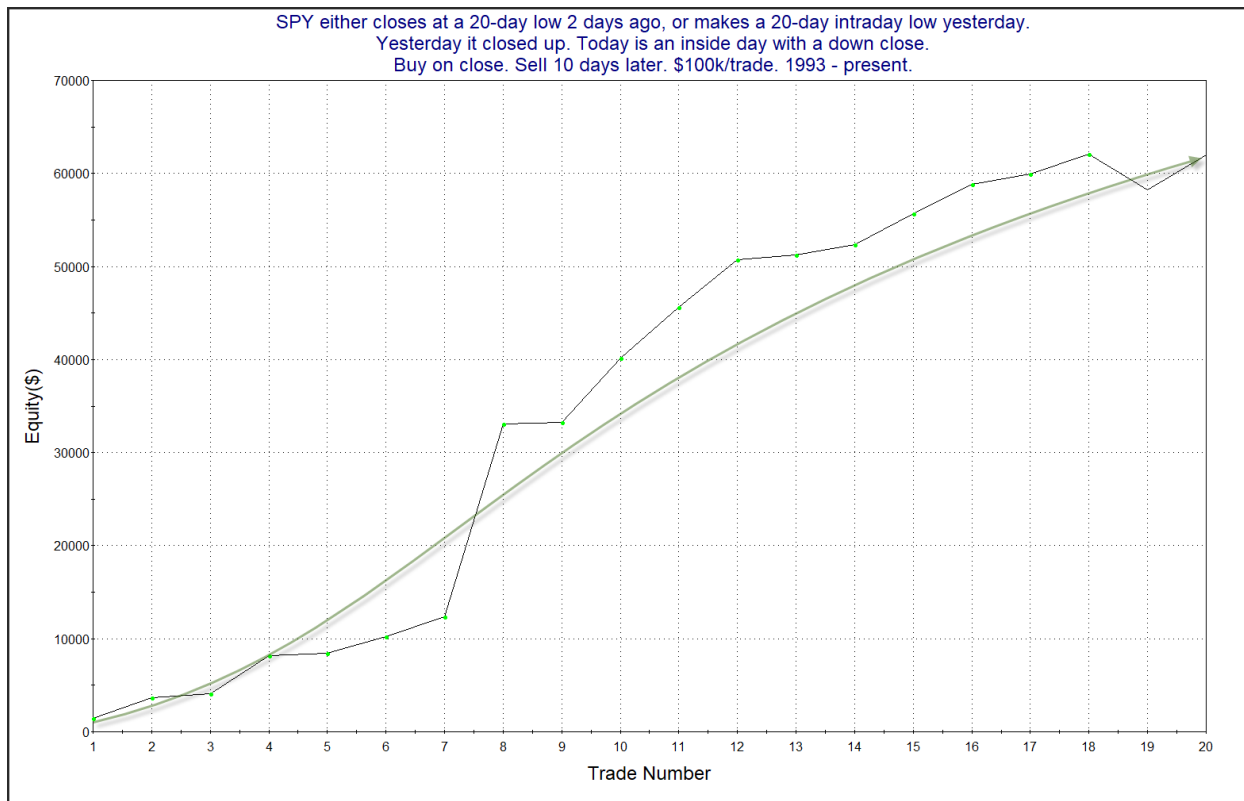
SPY either closes at a 20-day low 2 days ago, or makes a 20-day intraday low yesterday. Yesterday it closed up. Today is an inside day with a down close. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing 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
10	62,000.86	20	19	1	95.00	20,713.48	-3,836.56	3,465.13	-3,836.56	0.90	17.16	3,100.04
9	45,289.37	20	16	4	80.00	12,624.80	-3,301.48	3,273.18	-1,770.39	1.85	7.40	2,264.47
8	36,279.64	20	16	4	80.00	15,898.44	-5,475.84	2,908.94	-2,565.85	1.13	4.53	1,813.98
7	27,914.83	20	14	6	70.00	17,351.76	-7,242.24	3,341.64	-3,144.69	1.06	2.48	1,395.74
6	27,794.58	20	14	6	70.00	14,782.76	-6,447.36	3,134.99	-2,682.55	1.17	2.73	1,389.73
5	15,636.98	20	14	6	70.00	11,377.00	-11,713.44	3,011.23	-4,420.03	0.68	1.59	781.85
4	28,447.19	20	15	5	75.00	11,714.64	-9,229.44	3,168.70	-3,816.66	0.83	2.49	1,422.36
3	23,918.94	20	16	4	80.00	10,848.52	-6,458.40	2,422.88	-3,711.79	0.65	2.61	1,195.95
2	17,382.83	20	15	5	75.00	6,650.04	-3,047.04	1,907.83	-2,246.92	0.85	2.55	869.14
1	9,512.04	20	11	8	55.00	5,960.08	-1,883.84	1,532.15	-917.70	1.67	2.30	475.60

The stats certainly appear bullish and the edge seems to occur both right off the bat and after a couple of weeks. Below are the list of instances with their 3-day results.

SPY either closes at a 20-day low 2 days ago, or makes a 20-day intraday low yesterday
 Yesterday it closed up. Today is an inside day with a down close.
 Buy on close. Sell 3 days later. \$100k/trade. 1993 - present.

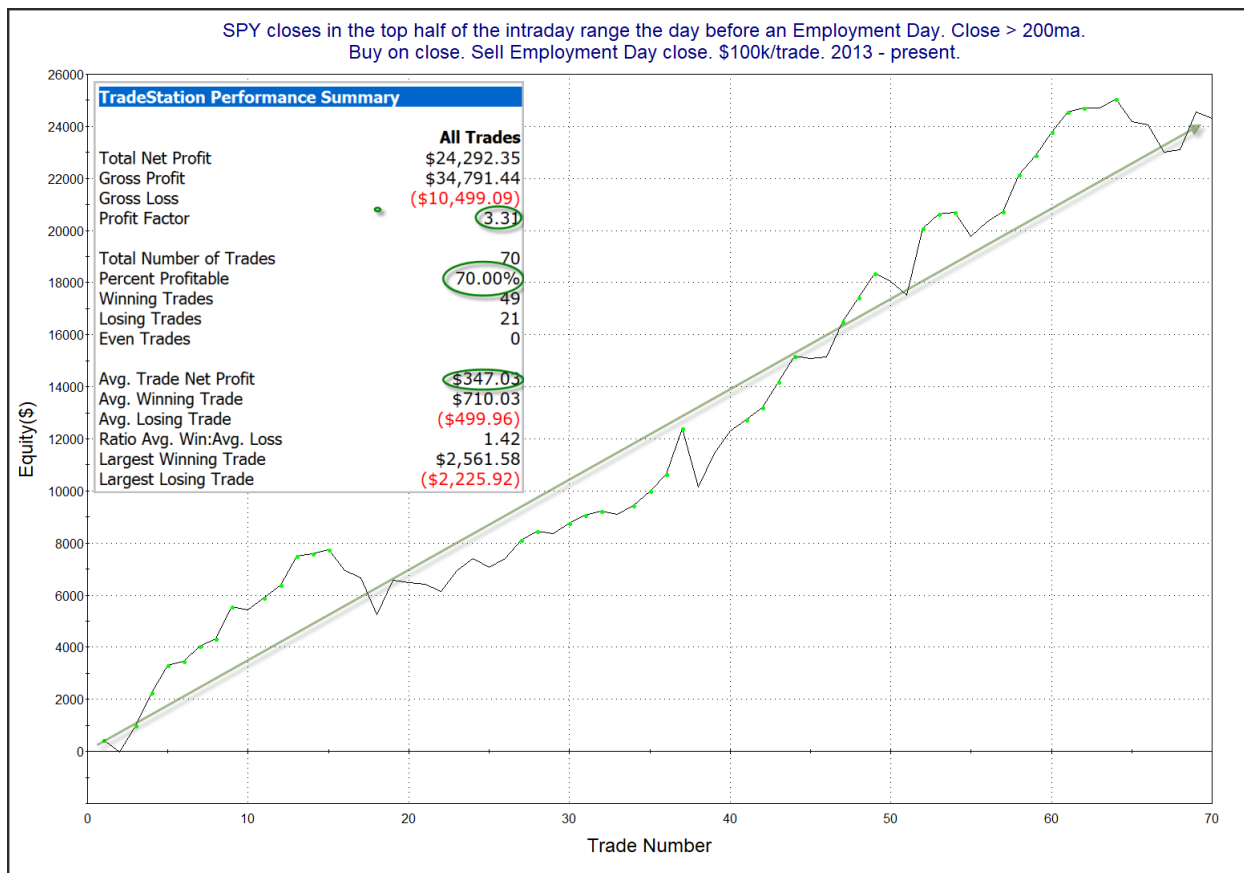
Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/3/1994	Buy	\$46.56	0.41%	\$944.68
3/8/1994	Sell	\$46.75		(\$300.58)
5/9/2002	Buy	\$107.75	2.29%	\$2,431.36
5/14/2002	Sell	\$110.22		(\$1,995.20)
7/16/2002	Buy	\$90.56	-6.46%	\$3,024.96
7/19/2002	Sell	\$84.71		(\$6,911.04)
10/2/2002	Buy	\$83.15	-4.83%	\$1,742.90
10/7/2002	Sell	\$79.13		(\$5,529.20)
12/17/2002	Buy	\$90.85	-0.95%	\$0.00
12/20/2002	Sell	\$89.99		(\$2,475.00)
8/30/2005	Buy	\$121.05	1.01%	\$1,734.60
9/2/2005	Sell	\$122.27		(\$256.06)
1/22/2009	Buy	\$82.75	2.15%	\$3,152.88
1/27/2009	Sell	\$84.53		(\$2,633.44)
3/9/2009	Buy	\$68.11	10.85%	\$11,215.52
3/12/2009	Sell	\$75.50		\$0.00
5/28/2010	Buy	\$109.37	1.23%	\$1,544.66
6/3/2010	Sell	\$110.71		(\$1,828.00)
8/30/2010	Buy	\$105.31	3.95%	\$3,966.82
9/2/2010	Sell	\$109.47		(\$778.18)
6/17/2011	Buy	\$127.05	1.28%	\$2,172.12
6/22/2011	Sell	\$128.67		(\$369.89)
8/10/2011	Buy	\$112.29	7.42%	\$7,520.50
8/15/2011	Sell	\$120.62		\$0.00
12/19/2013	Buy	\$181.49	0.81%	\$841.50
12/24/2013	Sell	\$182.96		(\$506.00)
10/9/2014	Buy	\$192.74	-2.61%	\$471.38
10/14/2014	Sell	\$187.70		(\$2,952.60)
7/8/2015	Buy	\$204.53	2.56%	\$2,620.56
7/13/2015	Sell	\$209.77		\$0.00
5/23/2016	Buy	\$205.21	2.01%	\$2,220.72
5/26/2016	Sell	\$209.34		\$0.00
9/13/2016	Buy	\$213.23	0.07%	\$1,170.00
9/16/2016	Sell	\$213.37		(\$341.64)
4/18/2017	Buy	\$233.87	0.31%	\$845.46
4/21/2017	Sell	\$234.59		(\$294.63)
10/15/2018	Buy	\$274.40	0.73%	\$2,457.00
10/18/2018	Sell	\$276.40		\$0.00

Since 2003, the results have been near perfect. Of course, 19 of the total 20 instances were positive 10-days out. Here is a look at that profit curve.



This all appears impressive. I believe this study is worth consideration. I have added it to the short and intermediate-term active lists.

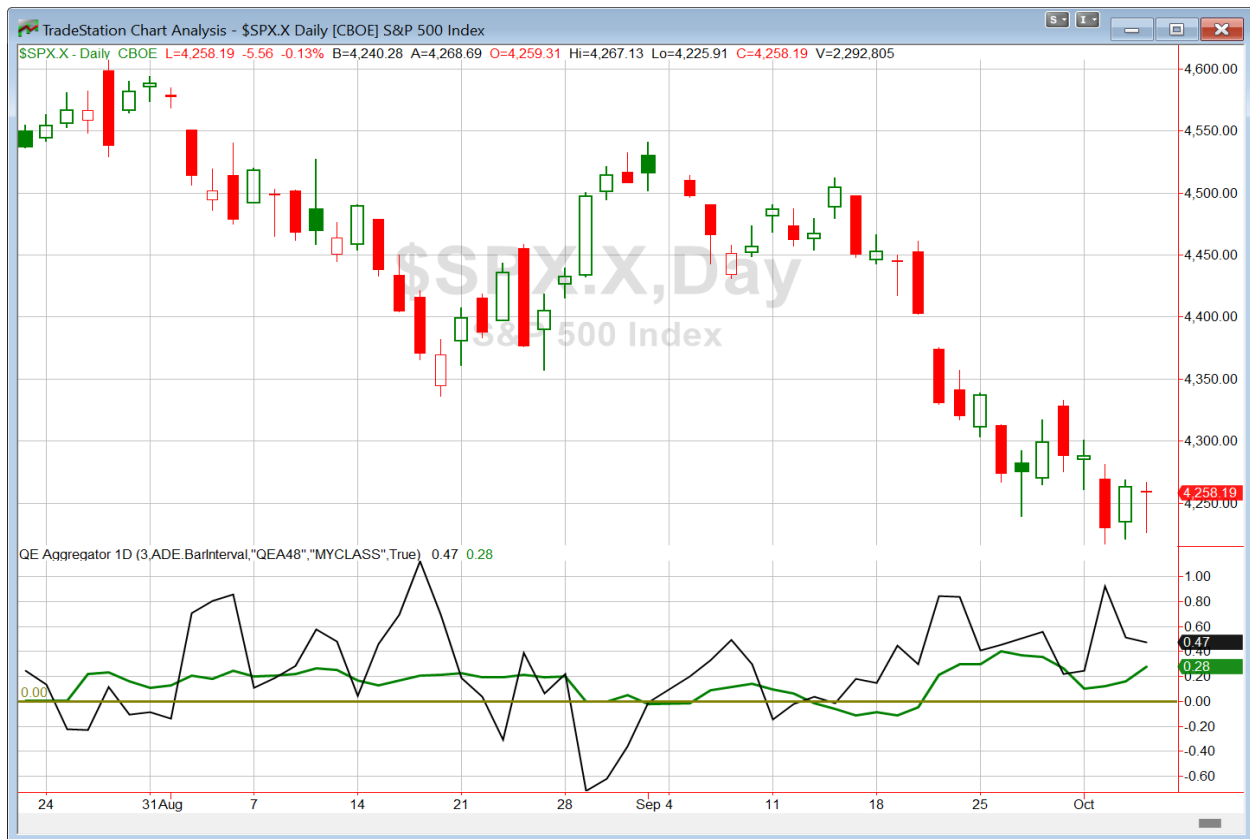
Notable about Friday morning is that we will see the release of BLS employment report. Employment days have often seen the market rally in recent years. Interestingly, this tendency has been stronger when there has been some optimism the day before. The study below, last seen in the 7/7/23 letter, looks back to 2013 at all other times SPY closed above the 200ma and in the top half of its intraday range on the day before an employment day. Results are updated.



While the curve has struggled some in recent instances, it has shown persistent upwards action for a substantial amount of time. Overall evidence appears compelling enough to include this on the active list as a 1-day study.

It is also notable that the CBI moved up to 7 on Thursday. If Friday sees much selling, it could easily reach the strongly bullish “10” level. But even just at 7 there has been a moderate positive influence.

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 Friday. It would take compelling bearish evidence to change this. Meanwhile, the Differential Pivot will be *inverted* at 4250.06 on Friday. That is 0.2% *below* Thursday'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 down at least 0.2% in order to remain oversold. Anything other than that, and it will flip to overbought vs recent expectations as of Friday's close.

So the Aggregator formation is again bullish. But now we have an inverted pivot. I often view inverted pivots as opportune times to start scaling out of positions. This is because upside is limited to just 1 day. I have a decent amount of long exposure. I decided to look to sell 1 lot at a fairly high limit price and another lot at a conservative "limit on close" level. I'm not rushing out of anything because I find the new evidence we are seeing as quite appealing, and I would like to give SPY a little room to run.

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)

MMM – 1/3 @ \$88.02 (bought @ limit)

New

MMM – 1/3 @ \$87.83 (buy @ limit)

BMV – 1/3 @ \$56.42 (buy @ limit)

LMT – 1/3 @ \$397.35 (buy @ limit)

RTX – 1/3 @ \$69.38 (buy @ limit)

Broad Market Large Cap CBI – 7(BA-2, MMM-2, BMV, LMT, RTX)

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.

MMM – Buy 1/3 Catapult position @ \$87.83 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of MMM.

BMV – Buy 1/3 Catapult position @ \$56.42 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of BMV.

LMT – Buy 1/3 Catapult position @ \$397.35 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of LMT.

RTX – Buy 1/3 Catapult position @ \$69.38 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of RTX.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	9/21/2023	\$431.39	\$424.50	-1.60%	<i>sell @ \$424.50 LIMIT ON CLOSE</i>
BA(1/3)	9/22/2023	\$199.95	\$186.29	-6.83%	Catapult
SPY(1/4)	9/25/2023	\$429.17	\$424.50	-1.09%	<i>sell @ \$430 LIMIT</i>
BA(1/3)	9/25/2023	\$196.84	\$186.29	-5.36%	Catapult
<i>UNP(1/3)</i>	<i>9/28/2023</i>	<i>\$202.40</i>	<i>\$202.17</i>	<i>-0.11%</i>	<i>sold on open</i>
LLY(1/3)	10/2/2023	\$536.01	\$541.48	1.02%	<i>sell on open</i>
SPY(1/4)	10/4/2023	\$421.00	\$424.50	0.83%	Aggregator
MMM(1/3)	10/5/2023	\$88.00	\$87.83	-0.19%	Catapult

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