

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 10, 2023

Volume 16 Issue 193

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- The rising VIX with SPX at a 10-day high under similar circumstances has shown a downside tendency the next day.
- The strong move over the last 4 days from a 50-day low suggests more upside.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. We could see more of a bounce, but SPX is now short-term overbought.

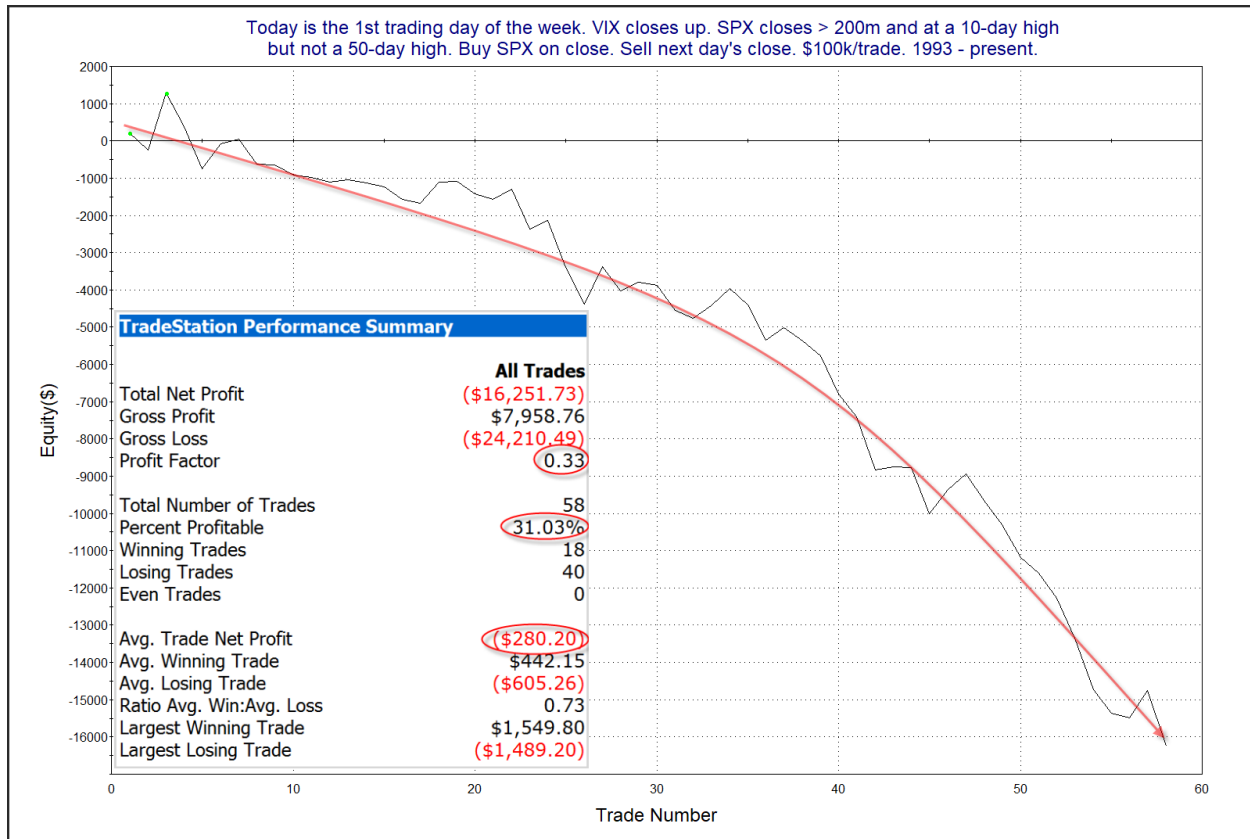
Summary of Current Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 10, 2023	SPX 50-low 4 ago. RSI2 up 85 since.	1-4 days	Bullish			
October 10, 2023	SPX 10-high. VIX up on Monday.	1 day	Bearish			
October 6, 2023	20-low. Up day. Then inside down.	1-3 days	Bullish	2.60%	-1.40%	-3.35%
Active - Long Term						
October 9, 2023	NASDAQ Leading	int term	Bullish			
October 6, 2023	20-low. Up day. Then inside down.	1-10 days	Bullish	4.60%	-2.50%	-6.10%
October 2, 2023	SPX down 4 weeks but above 40-week ma	1-10 weeks	Bullish			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

The market opened with a gap lower, but it managed to turn around and rally during the afternoon. The SPX climbed 0.6%, the NASDAQ gained 0.4%, and the Russell 2000 rose 0.6%. Breadth was strong with the NYSE Up Issues % coming in at 68% and the Up Volume % at 67%. NYSE total volume declined some from Friday's level.

While the SPX closed higher, so did the VIX. This is against the norm as they will most often close in the same direction. But the VIX has a natural tendency to decline on Friday afternoons ahead of the weekend and then rise on Mondays after the weekend. So occurrences are much less abnormal on Monday than on any other day of the week. In a strong bull market with SPX hitting 50-day or greater highs, the fact that they both close higher on a Monday has not mattered a whole heck of a lot. But when the SPX has been short-term overbought without making intermediate-term highs as it is now, the inclination has appeared bearish for the next day. This can be seen in the study below, which was previously featured in the 10/26/20 letter.



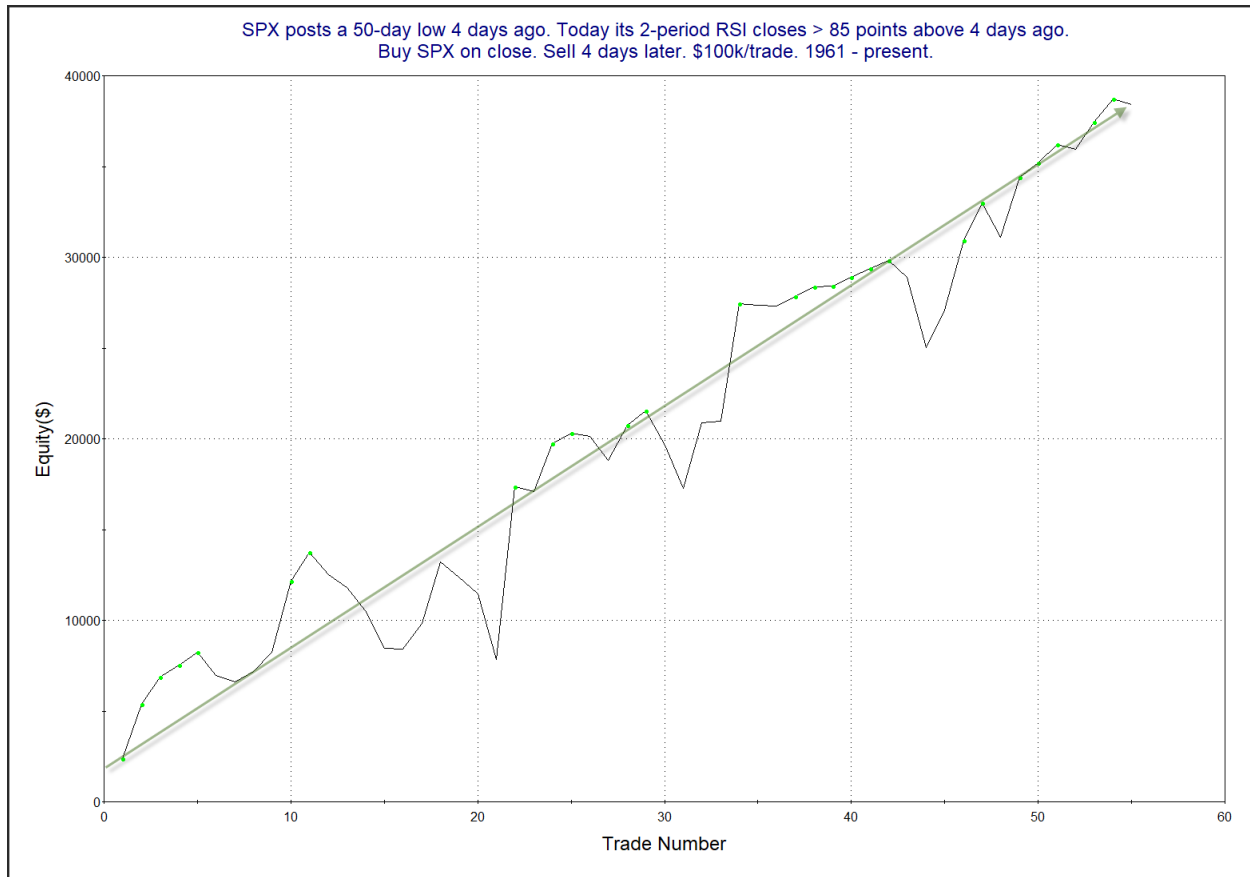
The strong, persistent downslope is impressive and the curve is continuing to make new lows. There have been more than 2x as many losers as winners and the losers were substantially larger on average. Both the curve and the numbers support the idea of a bearish tendency. I have included this study on the Active List tonight.

Another interesting study shown in the Quantifinder was from the 6/7/19 subscriber letter. It looked at other times that the market made a 50-day low, and then 4 days later its 2-day RSI was over 85 points higher. I have updated the results from that study below.

SPX posts a 50-day low 4 days ago. Today its 2-period RSI closes > 85 points above 4 days ago. Buy SPX on close. Sell X days later. \$100k/trade. 1961 - 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	25,207.66	55	31	24	56.36	11,988.81	-7,143.96	2,218.13	-1,814.76	1.22	1.58	458.32
4	38,406.88	55	33	22	60.00	9,526.41	-3,853.92	1,945.61	-1,172.64	1.66	2.49	698.31
3	30,100.96	56	36	20	64.29	7,448.76	-4,353.44	1,386.27	-990.23	1.40	2.52	537.52
2	19,005.92	61	41	20	67.21	4,893.68	-8,004.64	1,137.42	-1,381.42	0.82	1.69	311.57
1	16,111.46	78	46	31	58.97	2,903.78	-2,350.74	792.81	-656.70	1.21	1.79	206.56

Numbers here appear bullish. Below is an equity curve using a 4-day holding period.



The strong steady upslope serves as confirmation of the bullish tendency. When strong bounces occur from oversold intermediate-term lows it can often create a short-term overbought condition that becomes even more overbought in the following days. This suggests more upside to come.

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



With tonight's mix of studies, 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 remained 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 slated to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4281.25 on Tuesday. That is 1.25% below Monday's close. Therefore, SPX will need to close down at least 1.25% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator formation is neutral. Tonight's evidence is mixed, and the overbought SPX reduces reward/risk for longs. I am neutral. I don't have index exposure at the moment, and will not be looking to take on any on Tuesday. I will now be waiting for the next favorable reward/risk opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/9– bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MMM – 1/3 @ \$88.02 (bought @ limit)

MMM – 1/3 @ \$87.83 (buy @ limit)

BMY – 1/3 @ \$56.42 (buy @ limit)

Broad Market Large Cap CBI – 3(MMM-2, BMY)

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
BA(1/3)	9/22/2023	\$199.95	\$188.49	-5.73%	<i>sell on open</i>
BA(1/3)	9/25/2023	\$196.84	\$188.49	-4.24%	<i>sell on open</i>
SPY(1/4)	10/4/2023	\$421.00	\$428.50	1.78%	<i>sold at limit</i>
MMM(1/3)	10/5/2023	\$88.00	\$89.05	1.19%	Catapult
MMM(1/3)	10/6/2023	\$87.40	\$89.05	1.89%	Catapult
BMY(1/3)	10/6/2023	\$56.25	\$56.61	0.64%	Catapult
LMT(1/3)	10/6/2023	\$395.40	\$436.53	10.40%	<i>sell on open</i>
RTX(1/3)	10/6/2023	\$69.10	\$72.99	5.63%	<i>sell on open</i>

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