

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 18, 2023

Volume 16 Issue 199

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 0 |

Tonight's Research Points

- No compelling new evidence emerged on Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But evidence is light, so I am a bit wary.

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 16, 2023 | October Opex week bullish | 1-4 days | Bullish | 2.15% | -1.25% | -2.70% |
| October 13, 2023 | 3-day hi, 3-day low, 3-day low close. | 1-5 days | Bullish | 1.90% | -1.20% | -2.25% |
| 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 ADT ₅ > 73.66 | 1-12 months | Bullish | | | |
| March 14, 2022 | Fed Hawkish / QE done | int term | Bearish | | | |

The Evidence

The market took a bit of a beating on Wednesday. The SPX closed down 1.3%, the NASDAQ lost 1.6%, and the Russell 2000 tumbled 2.1%. Breadth was negative with the NYSE Up Issues % coming in at 17.3% and the Up Volume % at 16.6%. NYSE total volume declined some from Tuesday's level.

There has been a good bit of chop over the last week. And while SPX closed at the lowest level in 8 days, it was still in the top half of its 10-day range. So it is not a great surprise that very little triggered in the Quantifinder. There was one study that looked at 1% down days that occurred on weak breadth and left the market at 4-day lows. When I looked at it again tonight I noticed that is has been in a slump since December of 2021. I also decided to add an extra filter and say that while SPX closed at a 4-day low, it did not close at a 10-day low. That made results even less compelling. Other ideas I played around with also failed to suggest a substantial edge. So I won't be adding anything new to the active list.

This will leave the short-term active list with just 2 studies on it, and they will both be expiring at the close on Thursday. So evidence is a bit light. The intermediate-term outlook is bullish. And that will be enough to keep expectations positive if no new studies emerge. But it would be nice to have some additional evidence suggesting a short-term bounce before getting too excited about a new long position.

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



Without any new studies being added tonight, 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 rose back 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 turned long at the close.

As I mentioned above, the short-term active list will be bare on Thursday unless new studies emerge. So whether short-term expectations are positive or negative will be largely dependent on new evidence. If nothing emerges, expectations will be slightly positive, based on the intermediate-term outlook. Meanwhile, the Differential Pivot will be 4397.90 on Thursday. That is 1.9% above Wednesday's close. Therefore, SPX will need to close up over 1.9% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator formation is bullish. And there is plenty of room to the upside before SPX will turn overbought. Therefore, reward/risk appears favorable. But the lack of evidence is a bit of a concern. I don't feel compelled to get into a new index position without some new, bullish short-term evidence backing up the trade idea. So I will play this a little bit conservatively, and I will stay flat on Thursday. Should we see some new bullish evidence emerge tomorrow night, then I will almost certainly look to start building a long position on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/16– bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

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

None

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