

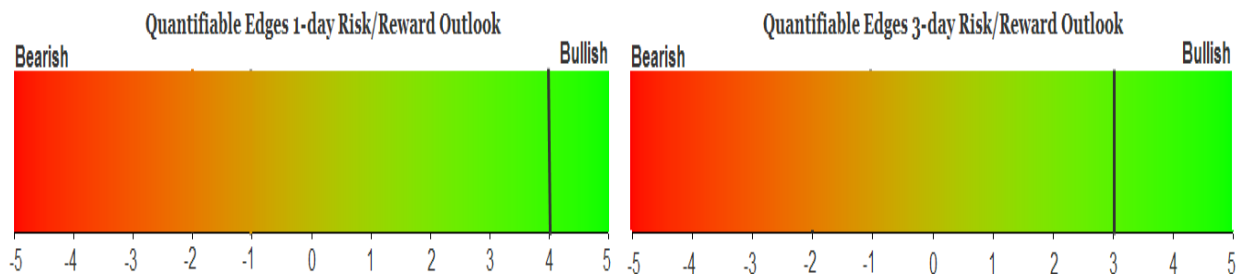
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 24, 2023

Volume 16 Issue 203

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- We are seeing lots of bullish Turnaround Tuesday studies tonight.
- Five days down and a close < 200ma is often about enough for a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Compelling evidence tonight and a strongly oversold market has me optimistic about the next few days.

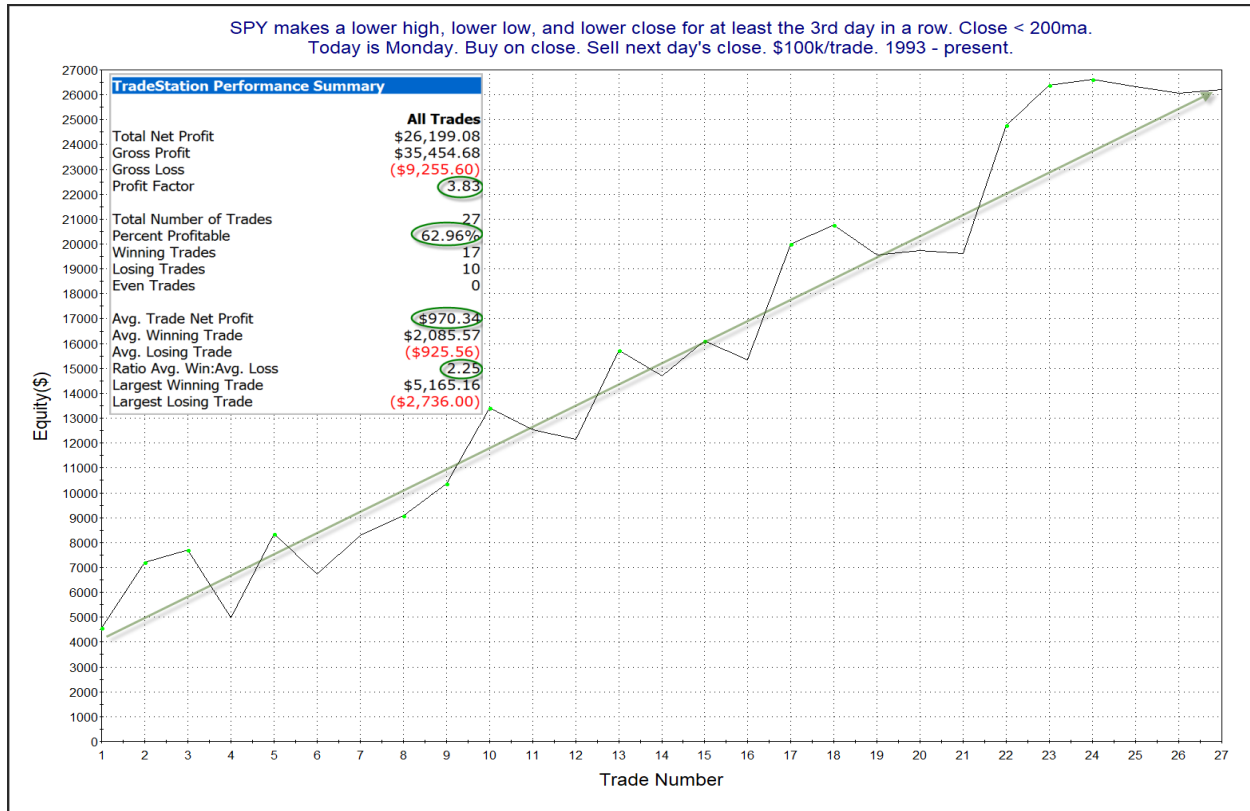
Summary of Current Active Studies (see Letters from listed dates for details)

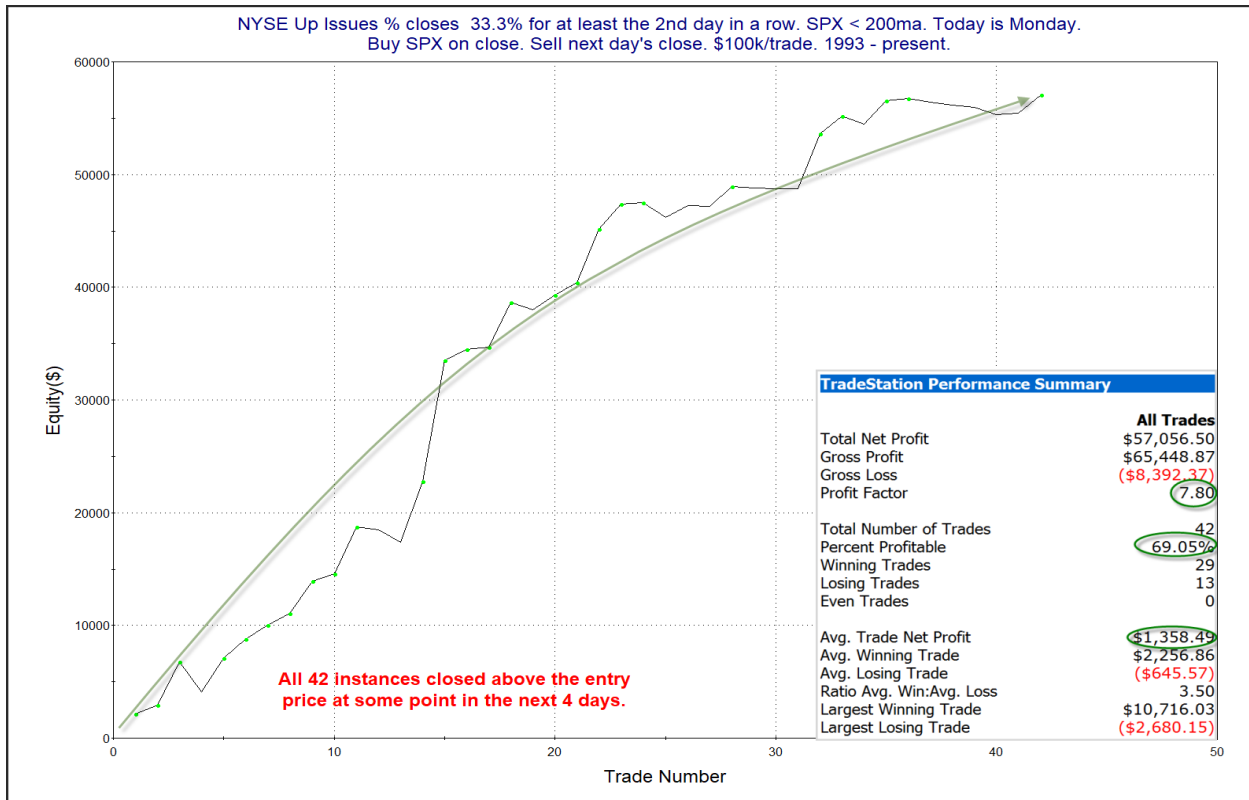
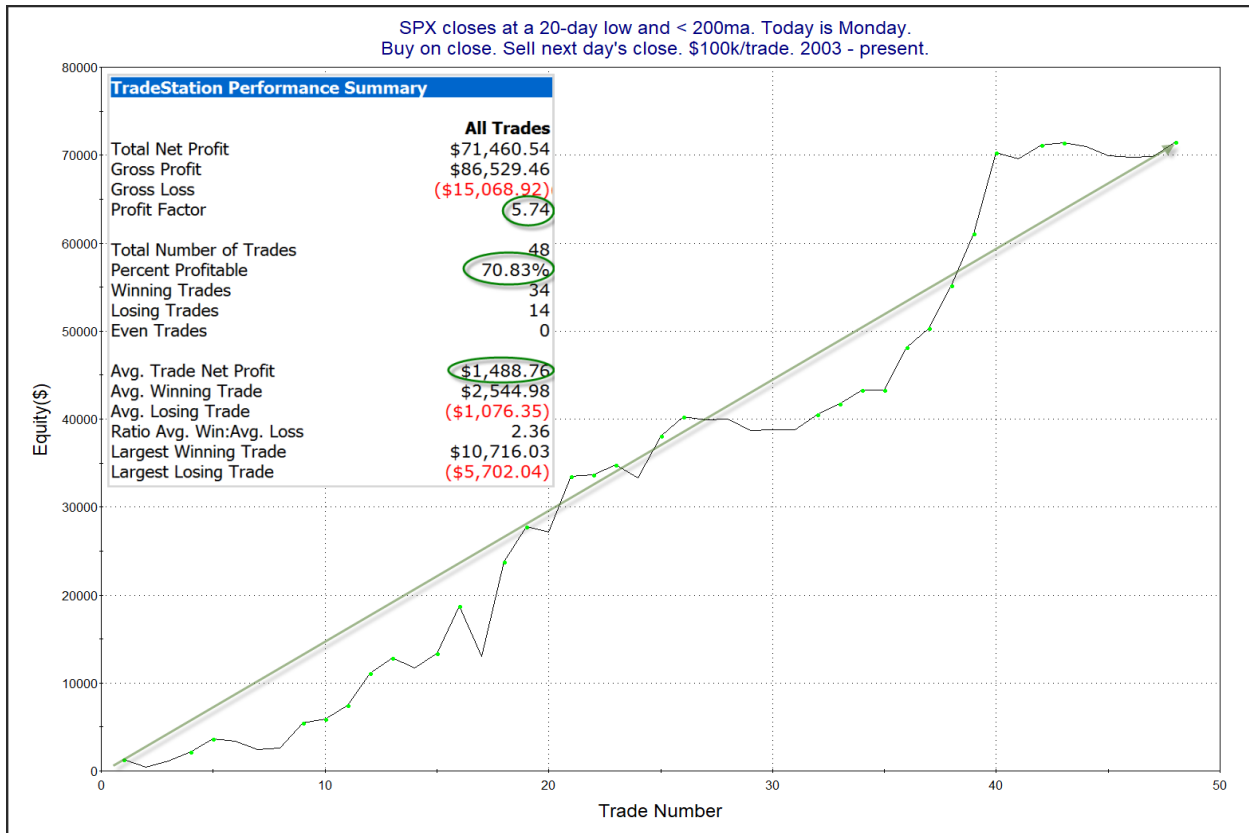
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 24, 2023	5 down days & close < 200ma	1-8 days	Bullish	4.30%	-2.05%	-4.85%
October 24, 2023	5 down days. Turn Tues tomorrow	1-2 days	Bullish			
October 24, 2023	Turnaround Tuesday studies	1 day	Bullish			
Active - Long Term						
October 23, 2023	NASDAQ Lagging	int term	Neutral			
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

Monday started weak, saw a sizable reversal, and then fell back to finish mostly lower. The SPX closed down 0.2%, the NASDAQ gained 0.3%, and the Russell 2000 fell 0.9%. Breadth was weak with the NYSE Up Issues % coming in at 31% and the Up Volume % at 29%. NYSE total volume declined substantially from the elevated opex Friday levels.

There were several “Turnaround Tuesday” studies that suggested an upside edge. Below I have pasted 3 of the most compelling.



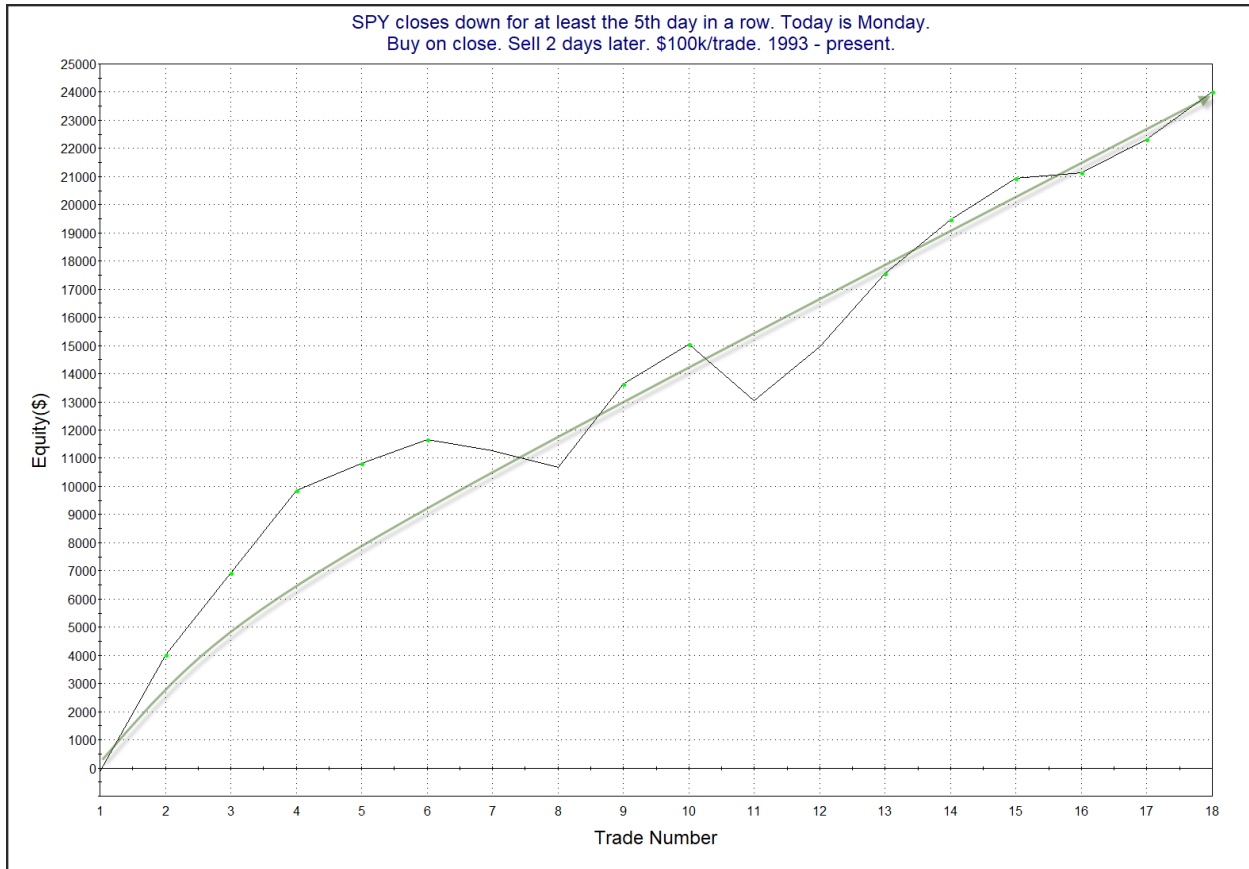


Strongly bullish evidence supporting the idea of a Turnaround Tuesday.

The next “Turnaround Tuesday” study considered the fact that SPX has closed lower for 5 days in a row now. It suggested an edge that has carried through Wednesday.

SPY closes down for at least the 5th day in a row. Today is Monday. 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	-1,617.52	18	10	8	55.56	5,554.26	-12,819.52	2,350.63	-3,140.47	0.75	0.94	-89.86
4	13,516.53	18	11	7	61.11	5,127.71	-6,751.20	2,350.19	-1,762.22	1.33	2.10	750.92
3	24,116.63	18	14	4	77.78	5,141.52	-6,611.52	2,264.65	-1,897.11	1.19	4.18	1,339.81
2	24,020.51	18	14	4	77.78	4,153.36	-2,025.36	1,939.75	-784.01	2.47	8.66	1,334.47
1	6,544.49	18	12	6	66.67	3,789.37	-2,553.04	1,245.17	-1,399.59	0.89	1.78	363.58
8/1/2001 was the only instance that failed to close above the entry price at some point in the next 3 days.												

Instances are a little light, but the stats are impressive. Below is a look at a 2-day profit curve.



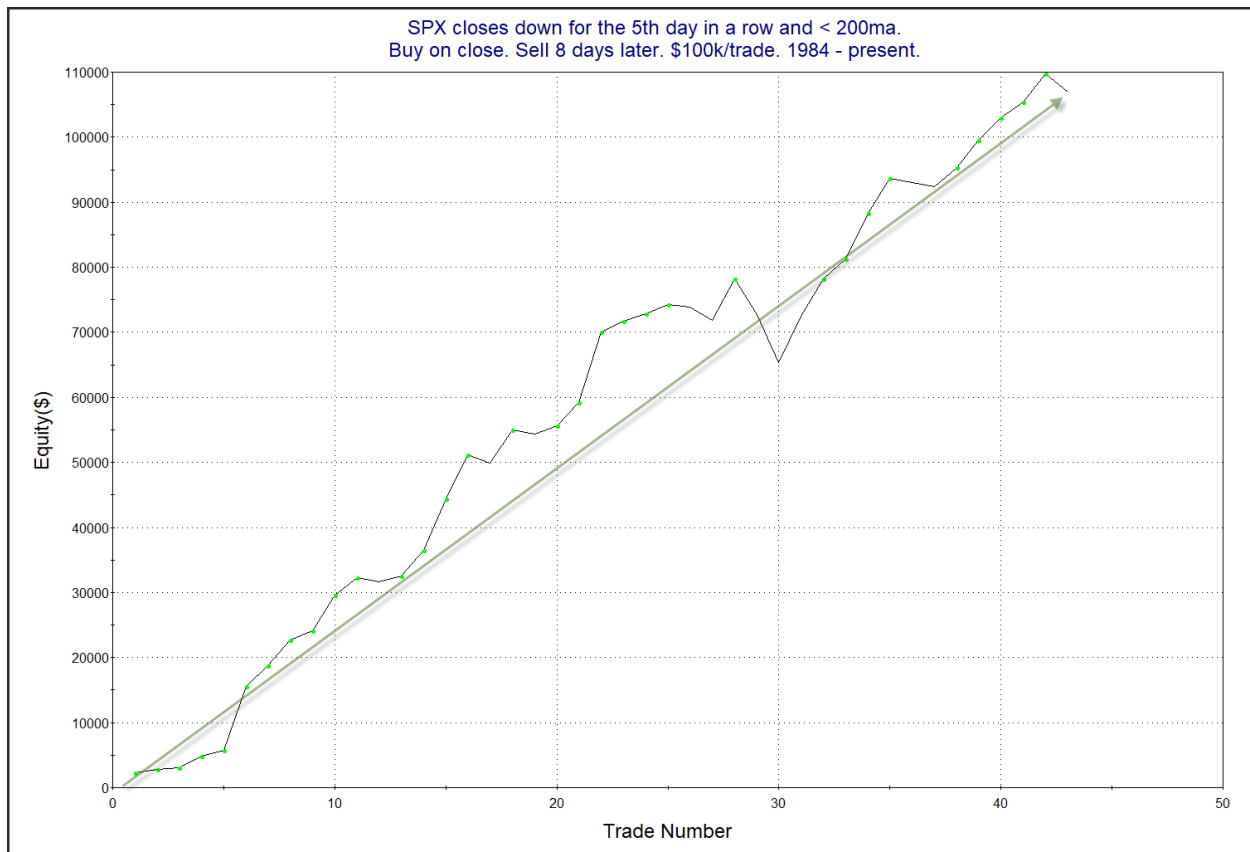
The curve is as impressive as the stats table. I have added this study to the active list tonight.

It is also notable that 5 down days and a close beneath the 200ma suggests a strong upside edge all on its own. Turnaround Tuesday is not a requirement to generate an upside edge under these conditions. This can be seen in the study below, updated from the 12/8/22 letter.

SPX closes down for the 5th day in a row and < 200ma.
Buy on close. Sell X days later. \$100k/trade. 1984 - 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	89,345.56	42	29	13	69.05	10,874.74	-11,180.43	4,249.13	-2,606.10	1.63	3.64	2,127.28
9	99,106.91	42	30	12	71.43	10,693.46	-11,287.50	4,112.38	-2,022.03	2.03	5.08	2,359.69
8	106,900.33	43	33	10	76.74	10,967.44	-7,376.22	3,912.01	-2,219.61	1.76	5.82	2,486.05
7	98,736.29	44	33	11	75.00	8,809.59	-9,509.88	3,795.01	-2,408.99	1.58	4.73	2,244.01
6	75,850.34	44	32	12	72.73	8,870.96	-8,930.67	3,411.55	-2,776.59	1.23	3.28	1,723.87
5	79,837.55	44	29	15	65.91	7,739.42	-4,509.84	3,370.70	-1,194.18	2.82	5.46	1,814.49
4	60,924.39	44	31	13	70.45	5,731.96	-3,579.84	2,647.40	-1,626.54	1.63	3.88	1,384.65
3	41,282.12	44	30	14	68.18	5,277.96	-9,701.00	2,297.67	-1,974.85	1.16	2.49	938.23
2	36,241.70	44	32	12	72.73	6,245.15	-8,631.00	1,903.08	-2,054.73	0.93	2.47	823.67
1	26,242.60	44	29	15	65.91	3,877.95	-3,446.88	1,512.90	-1,175.43	1.29	2.49	596.42

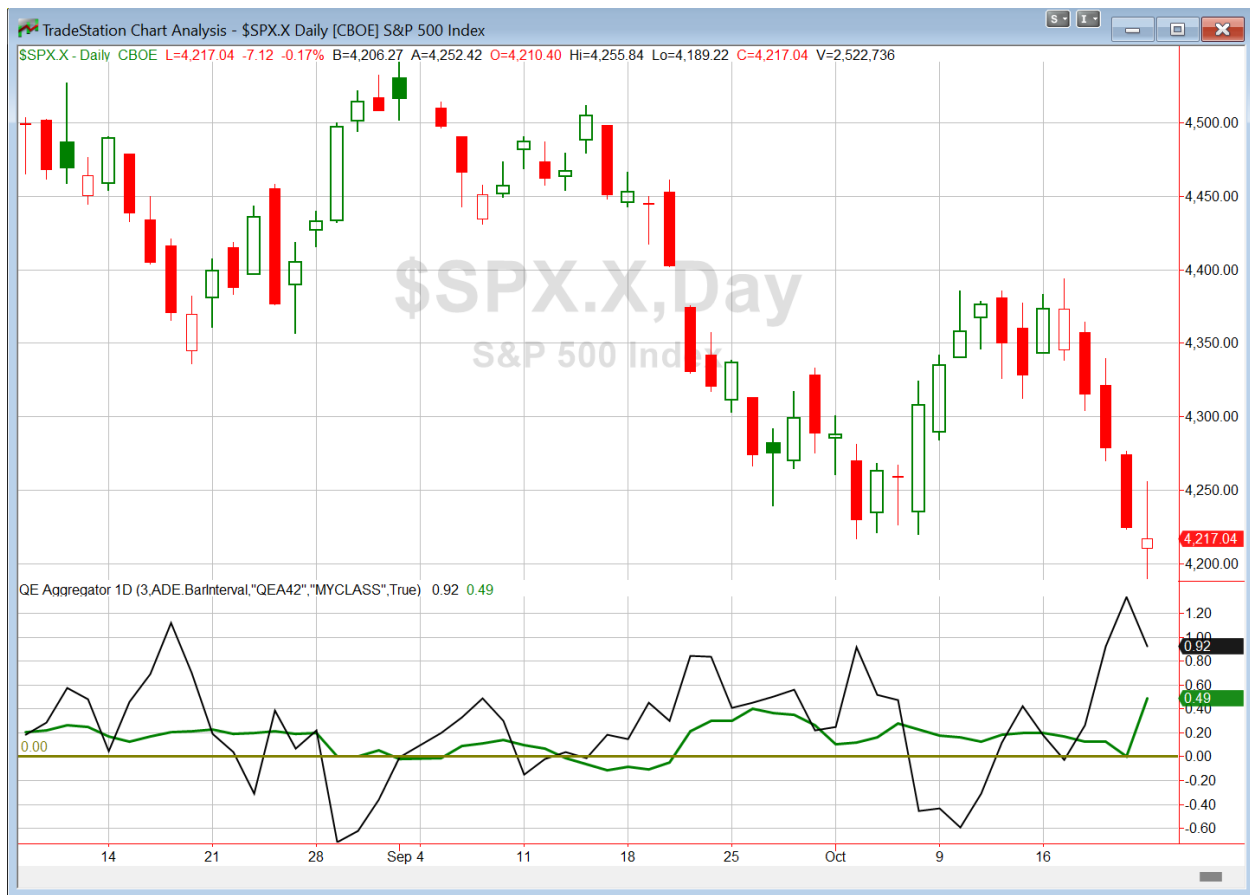
Those are impressive numbers. Below is a look at the 8-day profit curve.



That is a long, steady ramp upwards. Five down days is often about enough to get the market to swing back in the other direction.

So while evidence was lacking the last couple of days, we seem to be seeing a good bit of it tonight.

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



With all the bullish evidence we see tonight, the green Aggregator Line closed well above zero. Positive readings mean net expectations are for upside for the next few days. Meanwhile the black Differential Line remained 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.

Based on the current active studies, expectations are set to remain positive on Tuesday. It would take some very compelling new bearish evidence in order to change this. Meanwhile, the Differential Pivot will be 4294.92 on Tuesday. That is 1.85% above Monday's close. Therefore, SPX will need to close up over 1.85% on Tuesday in order to flip from oversold to overbought vs recent expectations. That's unlikely. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator formation is bullish. Evidence is compelling and there is ample room to the upside before SPX would turn overbought. I like the long side. I have a small amount of long exposure from Friday's close. I will hold onto that for the time being, and look to take advantage of a probable bounce.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/23– neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

TXN – 1/3 @ \$146.32 (buy @ limit)

Broad Market Large Cap CBI – 1(TXN)

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.

TXN – Buy 1/3 Catapult position @ \$146.32 LIMITI. From the Catapult section above, this is the 1st of up to 3 possible lots of TXN.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	10/20/2023	\$421.19	\$420.46	-0.17%	Aggregator

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