

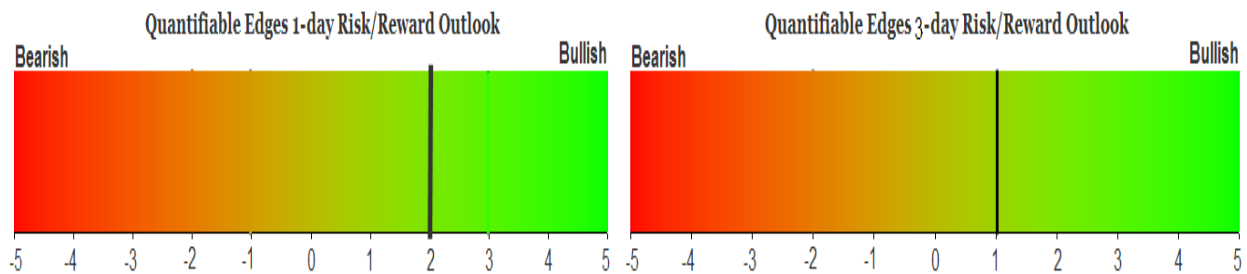
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 25, 2023

Volume 16 Issue 204

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- No compelling new studies emerged on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But another up day will turn it neutral or bearish. So reward/risk is not as strong as last night.

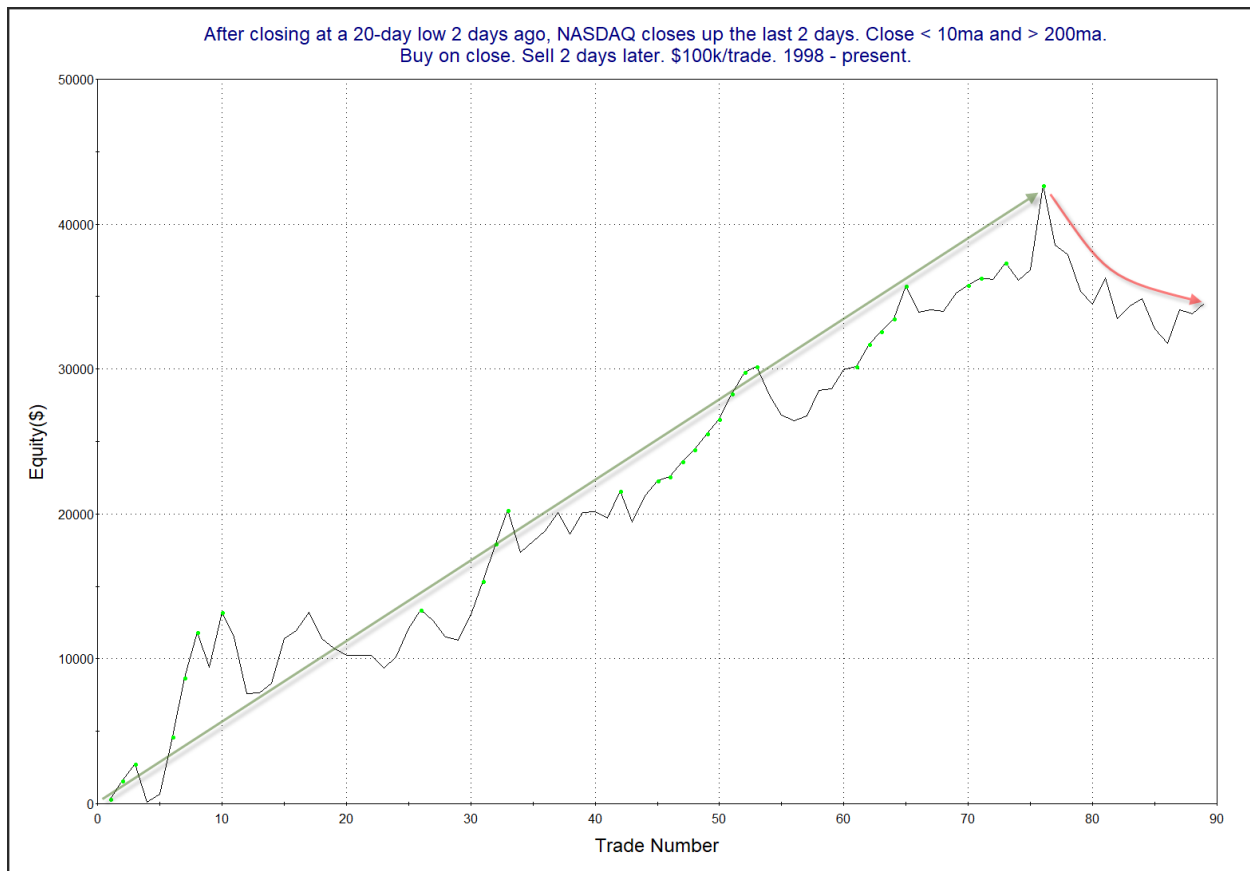
Summary of Current Active Studies (see Letters from listed dates for details)

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			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
October 24, 2023	Turnaround Tuesday studies	1 day	Bullish			

The Evidence

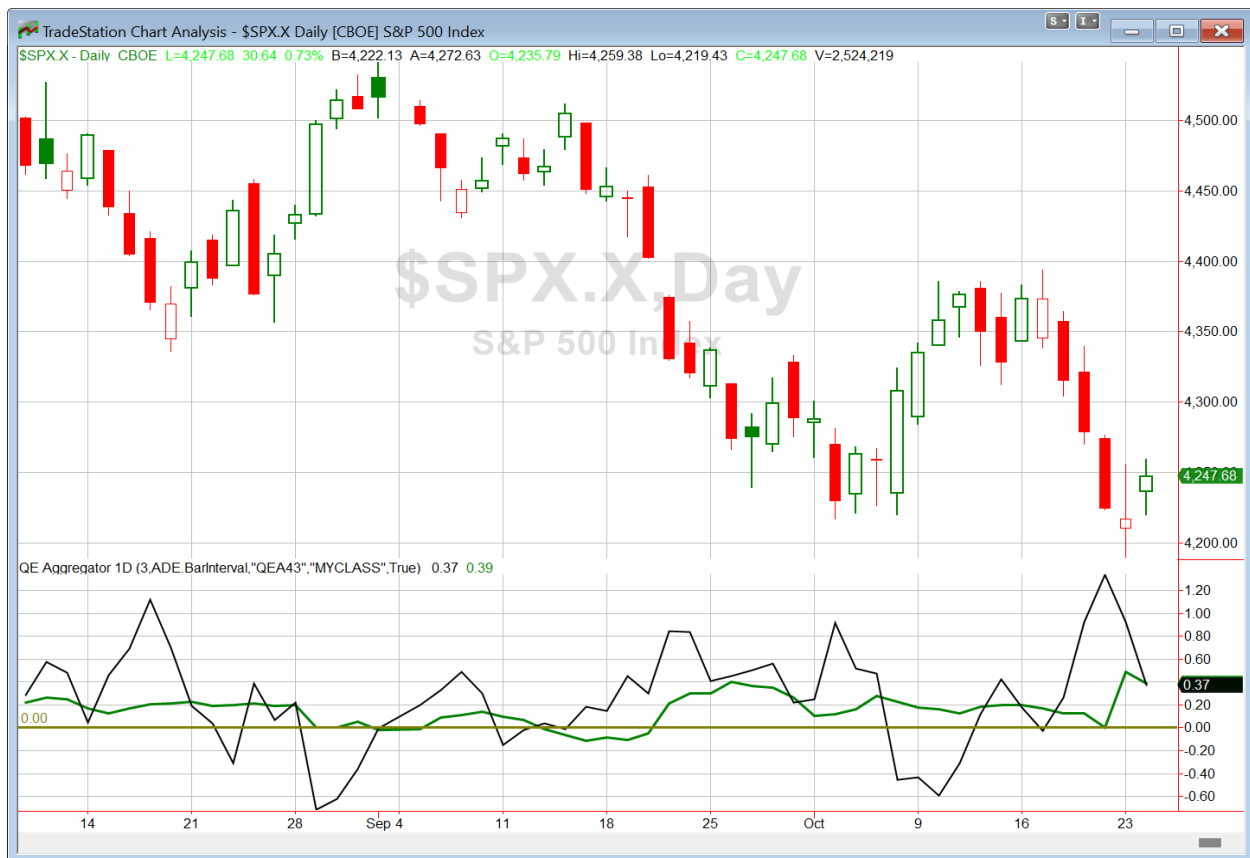
Turnaround Tuesday gave us a decent bounce. The SPX closed up 0.7%, the NASDAQ rose 0.9%, and the Russell 2000 gained 0.8%. Breadth was strong with the NYSE Up Issues % coming in at 69% and the Up Volume % at 67%. NYSE total volume declined some from Monday's level.

The bounce was a bit overdue, and we expected to see it. Often bounces after extended dips will offer clues as to whether it is likely a 1-day rally, or perhaps something more. But the bounce on Tuesday was unremarkable, and it did not generate any studies I felt were worth strong consideration tonight. A few studies did show up in the Quantifinder, but nothing that has played out well – at least recently. An example is below.



From 1998 – 2020 this setup saw upward follow-through on a fairly regular basis. But over the last 3 ½ years, that has not been the case. Looking at SPX returns painted a similar picture. So I won't be adding anything more to the active list tonight.

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



Without any new evidence making the cut tonight, the green Aggregator Line held 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 stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 4234.70 on Wednesday. That is 0.3% *below* Tuesday'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 over 0.3% in order to remain oversold. Anything other than that, and it will flip to "overbought" vs recent expectations at the close on Wednesday.

I often view inverted pivot setups as opportune times to take profits. This is because potential reward is limited to just one day if SPX goes the expected direction (up). I won't be over-eager to sell tomorrow. Tuesday was a fairly minor bounce compared to the recent selloff. So I'd prefer to give the position a chance to run another day. The exception is that I will look to take profits early if we get a sizable gap up to open the day.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

TXN – 1/3 @ \$146.32 (bought @ limit)

New

LOW – 1/3 @ \$186.24 (buy @ limit)

Broad Market Large Cap CBI – 2(TXN, LOW)

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.

LOW – Buy 1/3 Catapult position @ \$186.24 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of LOW.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	10/20/2023	\$421.19	\$423.63	0.58%	<i>see note below</i>
TXN(1/3)	10/24/2023	\$146.32	\$146.92	0.41%	Catapult

I will look to sell my SPY position @ \$427.00 LIMIT ON OPEN. If not filled on open, I will look to sell SPY at \$423.00 LIMIT ON CLOSE.

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