

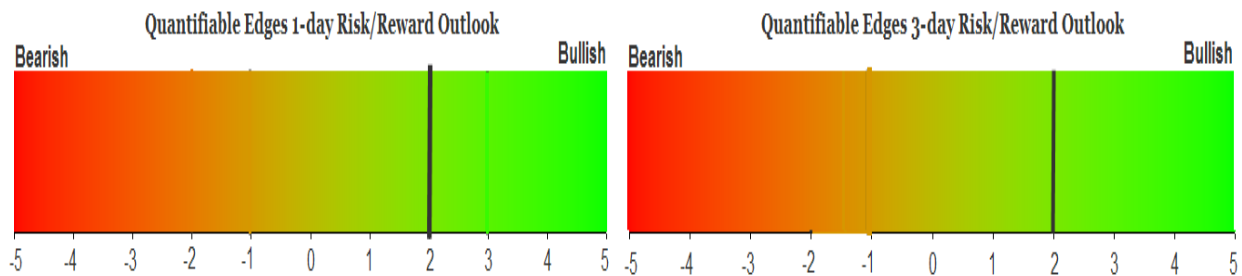
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 31, 2023

Volume 16 Issue 208

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	6

Tonight's Research Points

- The gap and go action on Monday suggests a possible pullback Thursday.
- Monday's low volume suggests a possible pullback in the next few days.
- The failure of SOX to rally while NDX moved strongly higher suggests the market could struggle over the next several days.
- Seasonality looks favorable for the bulls over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But evidence is split and the market is not nearly as oversold as it was the last few days. So I'm a little more neutral than I am bearish.

The Evidence

Monday saw a decent rally for stocks. The SPX gained 1.20%, the NASDAQ rose 1.16%, and the Russell 2000 climbed 0.63%. Breadth was strong with the NYSE Up Issues % coming in at 69% and the Up Volume % at 69%. NYSE total volume declined for the 2nd day in a row.

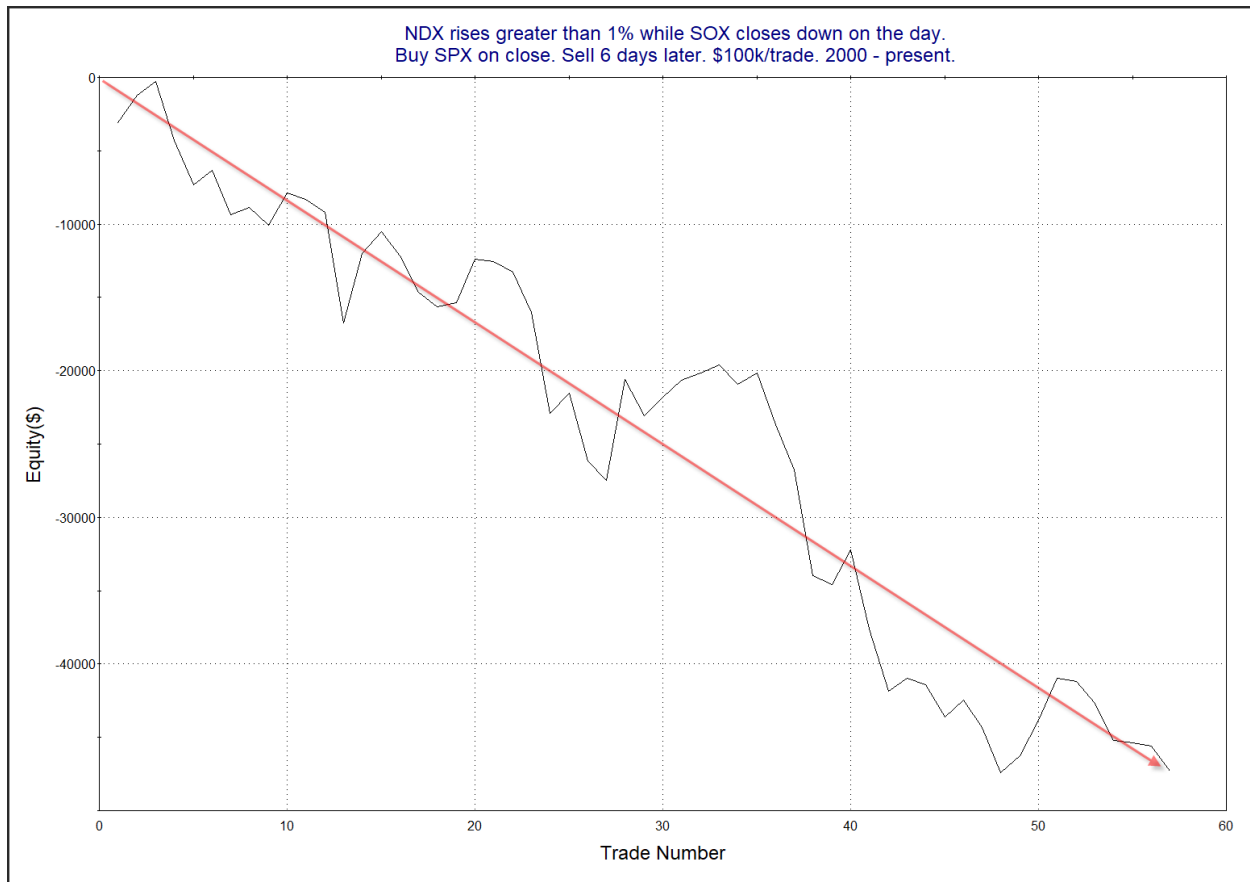
An interesting aspect of Monday's action was the discrepancy between the NDX and the SOX. While the NDX rose 1.1% on Wednesday, the SOX declined 1.3%. This is somewhat unusual action. It brought about a study last seen in the 8/21/20 Letter, which I have updated below.

NDX rises greater than 1% while SOX closes down on the day. Buy NDX on close. Sell X days later. \$100k/trade. 2000 - 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	-85,883.53	53	22	31	41.51	18,826.33	-13,954.56	4,114.04	-5,690.08	0.72	0.51	-1,620.44
9	-75,385.47	53	20	33	37.74	22,154.89	-15,780.45	4,564.88	-5,051.00	0.90	0.55	-1,422.37
8	-76,187.42	54	18	36	33.33	30,307.45	-13,288.50	5,078.53	-4,655.58	1.09	0.55	-1,410.88
7	-99,722.13	56	15	41	26.79	31,628.02	-17,436.00	5,755.32	-4,537.85	1.27	0.46	-1,780.75
6	-129,311.52	56	13	43	23.21	23,421.19	-21,090.48	6,049.40	-4,836.13	1.25	0.38	-2,309.13
5	-91,000.77	57	18	39	31.58	12,749.43	-12,790.08	4,022.44	-4,189.86	0.96	0.44	-1,596.50
4	-51,847.48	58	24	34	41.38	11,322.33	-12,796.24	3,046.85	-3,675.64	0.83	0.59	-893.92
3	-31,394.48	59	25	34	42.37	15,615.69	-15,779.50	3,447.44	-3,458.25	1.00	0.73	-532.11
2	-1,166.35	61	30	31	49.18	16,624.43	-9,160.50	2,783.34	-2,731.18	1.02	0.99	-19.12
1	223.13	63	30	33	47.62	9,397.52	-6,256.64	2,236.52	-2,026.43	1.10	1.00	3.54

Six days later 77% of the instances were losers and the average occurrence was a 2.3% loss. That seems to be a fairly substantial edge. I also updated how the SPX performed while this was all going on.

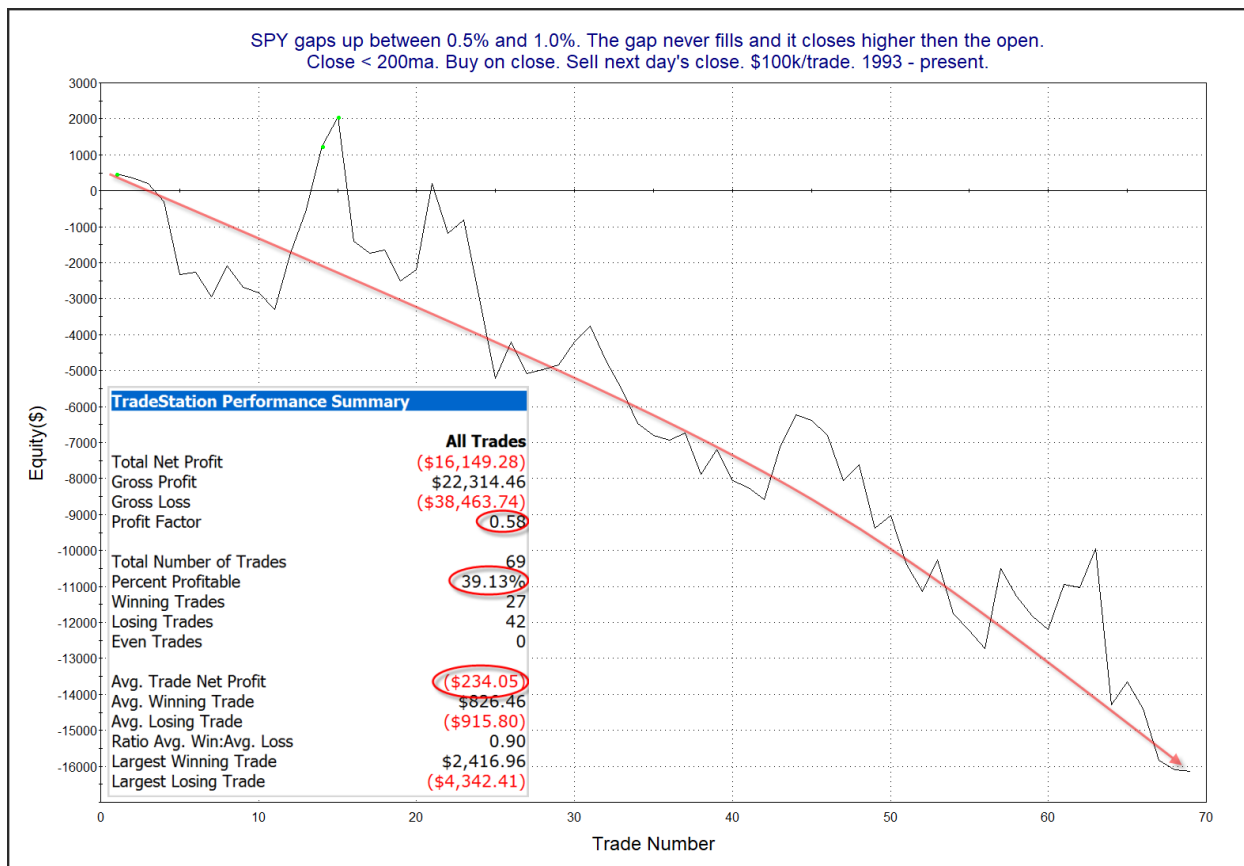
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10	-16,352.76	53	24	29	45.28	9,774.70	-8,478.02	2,600.70	-2,716.20	0.96	0.79	-308.54
9	-19,041.29	53	24	29	45.28	9,278.30	-8,963.07	2,723.87	-2,910.84	0.94	0.77	-359.27
8	-30,736.04	54	26	28	48.15	9,165.45	-7,574.41	2,209.52	-3,149.41	0.70	0.65	-569.19
7	-47,775.41	56	25	31	44.64	10,101.57	-11,391.59	1,992.84	-3,148.27	0.63	0.51	-853.13
6	-51,385.78	56	19	37	33.93	8,753.07	-9,589.14	2,460.14	-2,652.12	0.93	0.48	-917.60
5	-47,325.71	57	22	35	38.60	6,877.04	-7,519.22	1,777.29	-2,469.32	0.72	0.45	-830.28
4	-24,262.70	58	28	30	48.28	5,068.10	-11,917.40	1,594.33	-2,296.80	0.69	0.65	-418.32
3	-10,827.21	59	28	31	47.46	6,877.26	-9,480.90	1,605.52	-1,799.41	0.89	0.81	-183.51
2	-192.82	61	27	34	44.26	5,842.98	-6,411.90	1,578.42	-1,259.12	1.25	1.00	-3.16
1	7,720.78	63	32	31	50.79	5,396.04	-2,692.80	1,176.16	-965.04	1.22	1.26	122.55

The pullbacks haven't been quite as reliable or as strong as the NDX but there still appears to be a decent downside edge. Below is an equity curve that assumes a 6-day holding period.



That is a fairly steady downslope. This study appears worthy of consideration.

The next study considered SPY price action on Monday, including the unfilled up-gap and the fact that SPY is still below its 200ma. It was last seen in the 11/23/22 letter, and is updated.



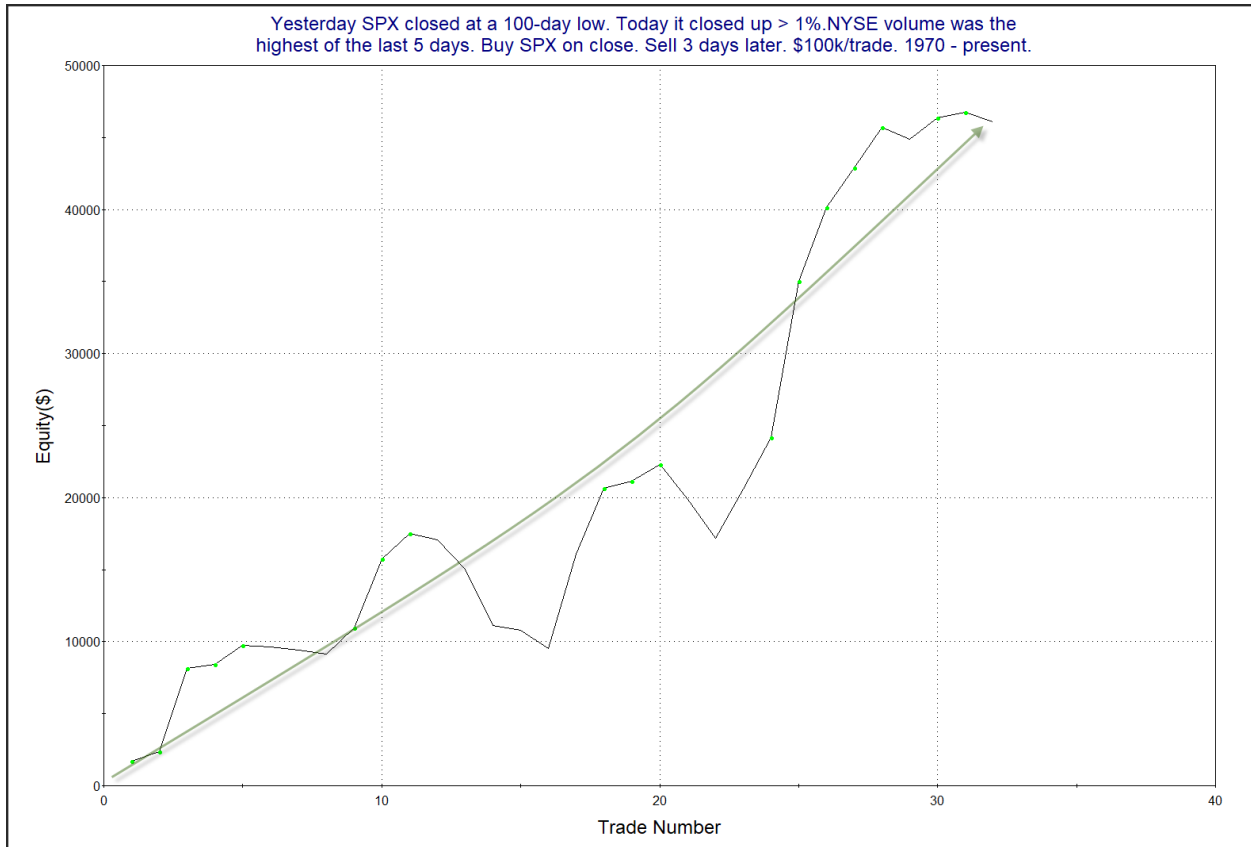
Stats are moderately negative, but the curve makes the study more compelling. I have included this study on the active list tonight.

Another potential issue with the rally on Monday is that it occurred on low volume. In the 11/27/18 letter I looked at strong moves up from 100-day lows, and the impact that volume had on the follow-through potential. I looked at times the move came on strong volume (highest is 5 days) versus times it did not. I have updated the results of those studies below. Let's first look at times (UNlike now) where the rally came on the highest volume in 5 days.

Yesterday SPX closed at a 100-day low. Today it closed up > 1%. NYSE volume was the highest of the last 5 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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	45,236.55	31	22	9	70.97	10,340.00	-4,585.62	3,134.62	-2,636.12	1.19	2.91	1,459.24
4	44,114.05	31	20	11	64.52	11,930.04	-3,869.74	3,249.08	-1,897.06	1.71	3.11	1,423.03
3	46,102.80	32	20	12	62.50	10,868.60	-3,910.96	3,065.26	-1,266.86	2.42	4.03	1,440.71
2	22,686.10	34	19	15	55.88	7,112.64	-6,510.90	2,422.70	-1,556.35	1.56	1.97	667.24
1	18,154.53	34	21	13	61.76	9,089.88	-4,686.30	2,039.37	-1,897.87	1.07	1.74	533.96

Results here appear to suggest an upside edge. Below is an equity curve to see how the edge has played out over time.

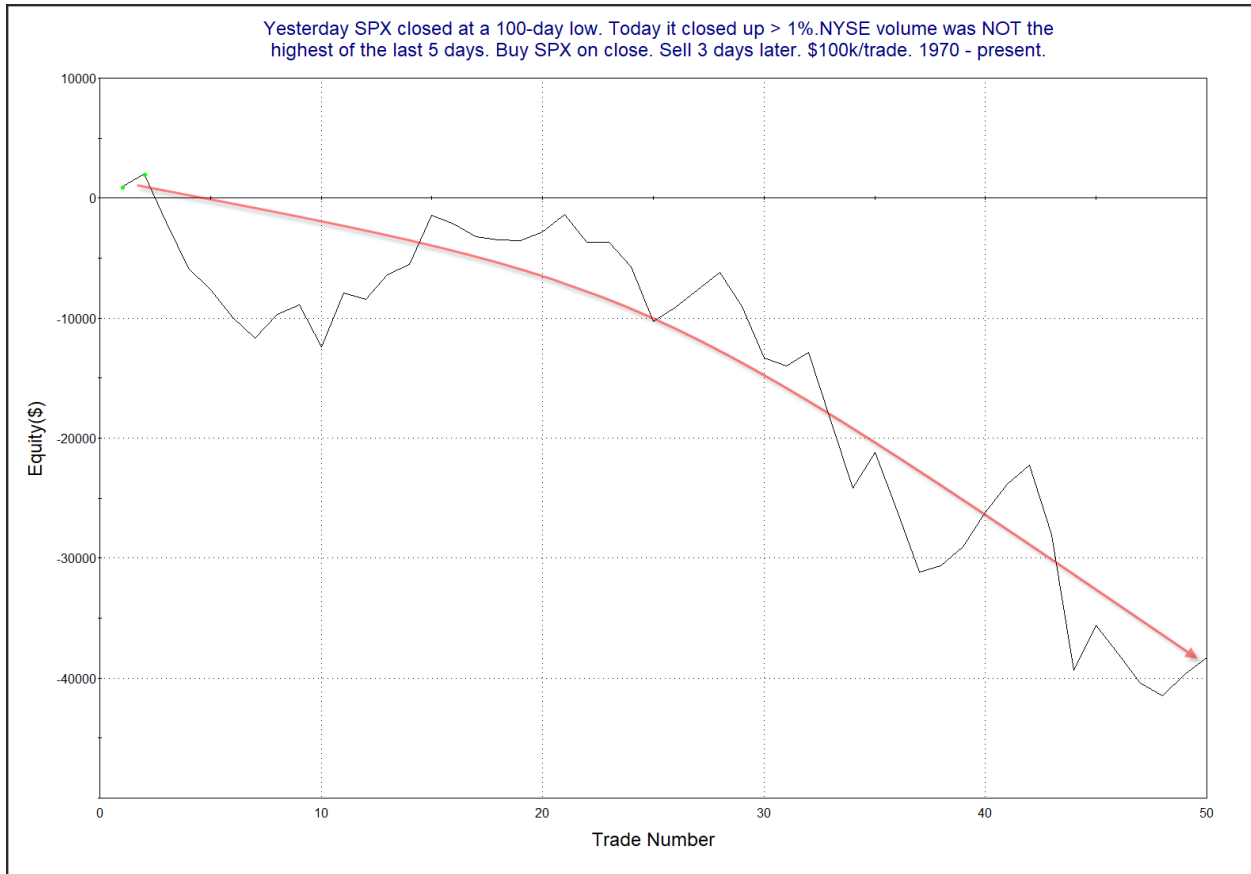


The strong upward slope confirms the edge suggested by the numbers. But volume was not close to a 5-day high on Monday. So here is what it looked like without the 5-day high in volume.

Yesterday SPX closed at a 100-day low. Today it closed up > 1%. NYSE volume was NOT the highest of the last 5 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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	-6,312.40	45	22	23	48.89	8,821.54	-14,461.05	3,101.29	-3,240.90	0.96	0.92	-140.28
4	-34,641.08	47	25	22	53.19	7,172.80	-16,867.40	2,252.55	-4,134.31	0.54	0.62	-737.04
3	-38,322.18	50	23	26	46.00	4,511.78	-11,265.12	1,851.51	-3,111.80	0.59	0.53	-766.44
2	-34,319.21	51	25	26	49.02	7,309.60	-13,654.06	1,975.06	-3,219.07	0.61	0.59	-672.93
1	-27,245.39	51	21	30	41.18	3,184.32	-11,696.04	1,197.79	-1,746.63	0.69	0.48	-534.22

The results primarily all flipped from positive to negative. A quick look at the equity curve below also shows that also appears to have flipped.



This suggests a possible downside edge for the next 3 days and I have included it on Active List.

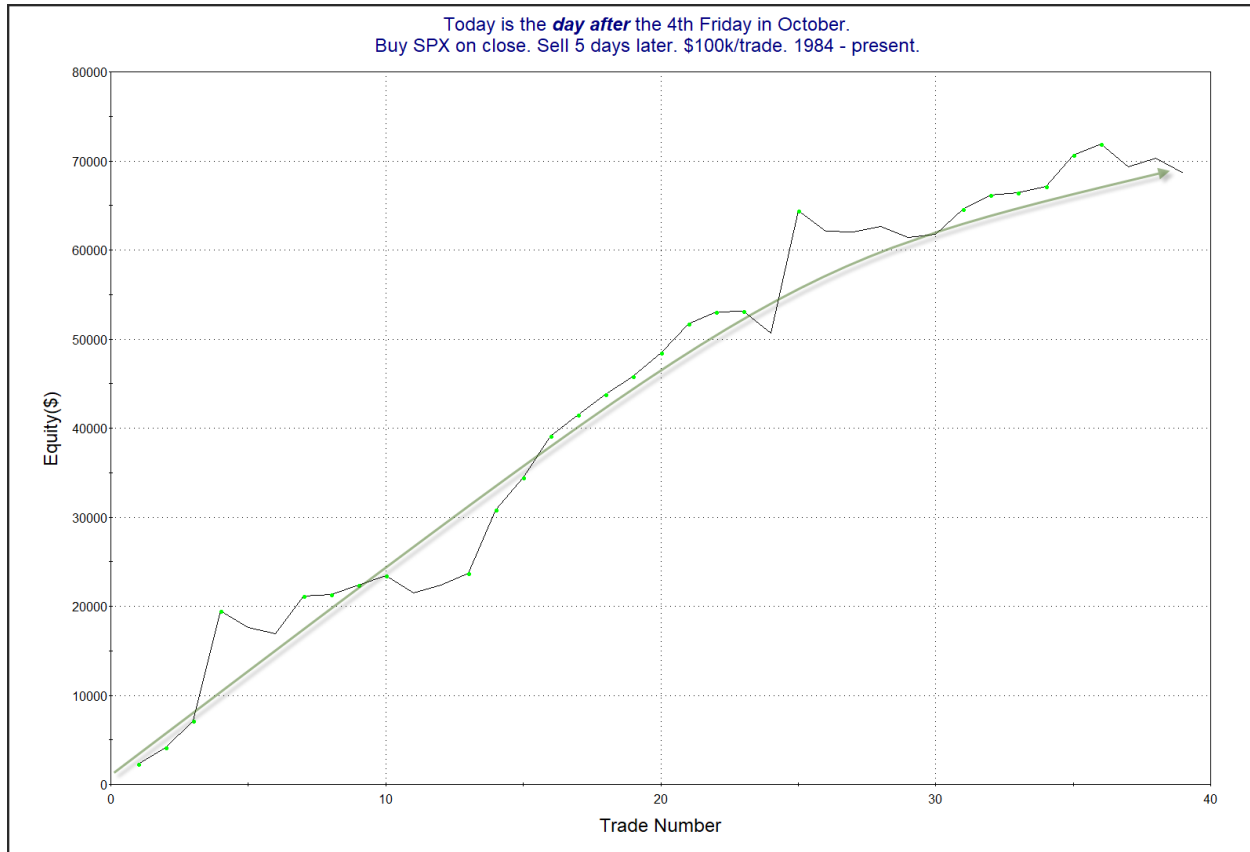
In Sunday's letter I shared a positive seasonal study. I have copied that below.

Tuesday through the following Monday have shown very positive seasonality. This can be seen below.

Today is the **day after** the 4th Friday in October.
Buy SPX on close. Sell X days later. \$100k/trade. 1984 - present.

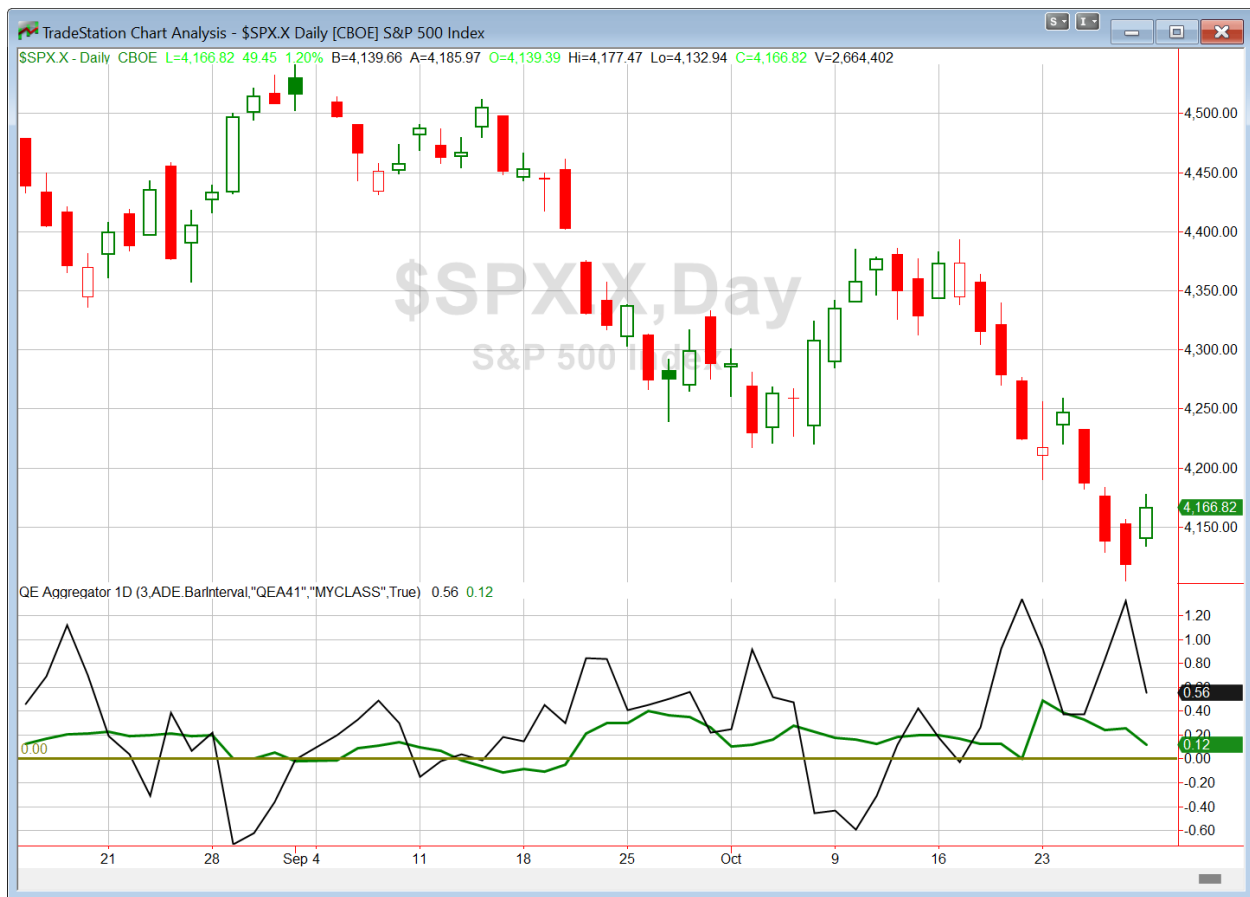
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	68,662.80	39	30	9	76.92	13,733.46	-2,631.17	2,782.70	-1,646.47	1.69	5.63	1,760.58
4	52,500.89	39	28	11	71.79	14,020.11	-3,799.29	2,496.82	-1,582.73	1.58	4.02	1,346.18
3	43,077.24	39	28	11	71.79	12,304.89	-3,802.25	2,005.74	-1,189.41	1.69	4.29	1,104.54
2	21,113.78	39	28	11	71.79	9,496.89	-3,768.26	1,325.93	-1,455.65	0.91	2.32	541.38
1	22,732.05	39	24	15	61.54	10,716.03	-2,766.58	1,408.54	-738.20	1.91	3.05	582.87

The stats here are very strong across the board and suggestive of an upside edge. Below is a look at the 5-day profit curve.



The curve has headed upwards for a long time. This short-term look at seasonality suggests the market could have some wind at its back after Monday.

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



Even with most of tonight's evidence leaning bearish, 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 Tuesday. This could change if more compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 4176.77 on Tuesday. That is 0.2% above Monday's close. Therefore, SPX will need to close up over 0.2% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again bullish. But evidence is quite mixed, and Monday's rally eliminated a good chunk of the oversold reading. I have some long exposure already. I will look to maintain my current index position for another day, and then re-evaluate my next move tomorrow night.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/30– neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

TXN – 1/3 @ \$146.32 (bought @ limit)

HD – 1/3 @ \$280.93 (bought @ limit)

TMO – 1/3 @ \$433.18 (bought @ limit)

HD – 1/3 @ \$278.00 (bought @ limit)

BLK – 1/3 @ \$598.08 (buy @ limit) – not filled - cancel for now

HD – 1/3 @ \$276.46 (buy @ limit) - not filled - cancel for now

Broad Market Large Cap CBI – 6(TXN, HD-3, TMO, BLK)

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
SPY(1/4)	10/20/2023	\$421.19	\$415.59	-1.33%	Aggregator
TXN(1/3)	10/24/2023	\$146.32	\$140.50	-3.98%	Catapult
LOW(1/3)	10/25/2023	\$185.55	\$187.72	1.17%	<i>sell on open</i>
LOW(1/3)	10/26/2023	\$186.09	\$187.72	0.88%	<i>sell on open</i>
HD(1/3)	10/26/2023	\$280.27	\$281.48	0.43%	Catapult
TMO(1/3)	10/26/2023	\$431.13	\$434.11	0.69%	Catapult
SPY(1/4)	10/27/2023	\$410.68	\$415.59	1.20%	Aggregator
LOW(1/3)	10/27/2023	\$184.73	\$187.72	1.62%	<i>sell on open</i>
HD(1/3)	10/27/2023	\$278.00	\$281.48	1.25%	Catapult

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