

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 1, 2023

Volume 16 Issue 209

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- Neither Fed Days nor 1<sup>st</sup> of Month bullish seasonality has typically played out under circumstances like we are currently seeing.

## *Short-term Outlook*

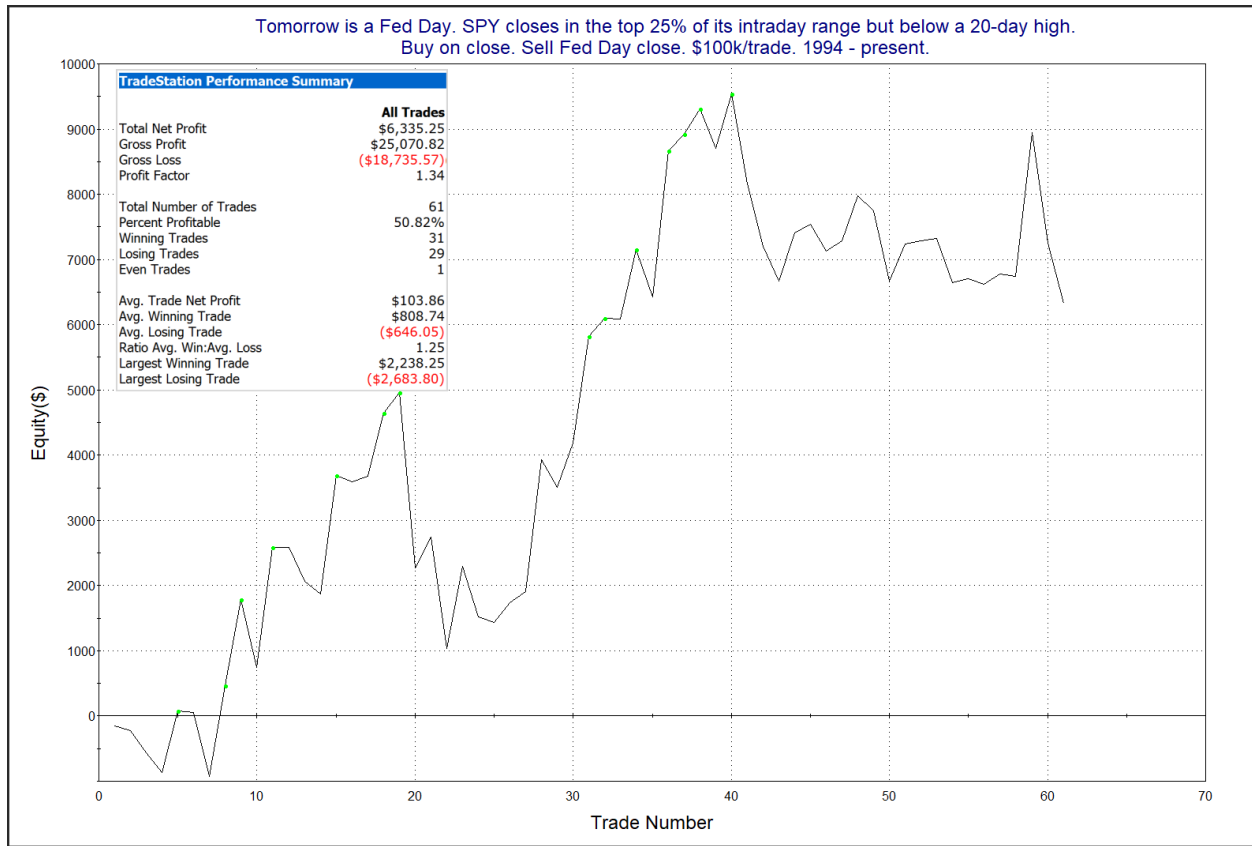
### *The Bottom Line*

The Aggregator is neutral. While evidence suggests there could be more of a bounce, already being short-term overbought greatly reduces reward/risk potential.

### The Evidence

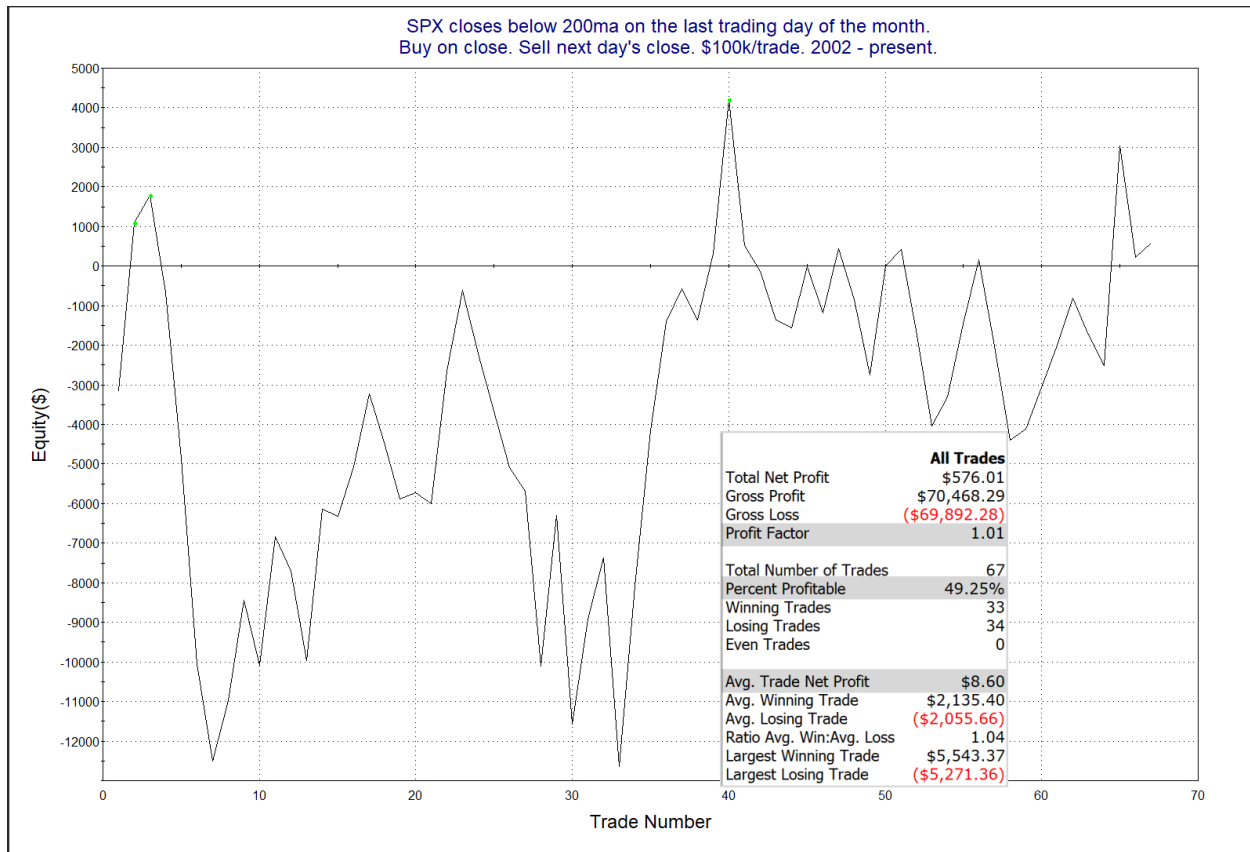
The bounce continued on Tuesday. The SPX gained 0.65%, the NASDAQ rose 0.5%, and the Russell 2000 climbed 0.9%. Breadth was strong with the NYSE Up Issues % coming in at 70% and the Up Volume % at 70%. NYSE total volume rose some from Monday's level.

As I'm sure everyone reading this knows, Fed Days have generally had a bullish tendency over the years. But this tendency has not persisted when we have seen either short-term or intermediate-term strength leading up to the Fed Day. So when the market has closed at a 20-day high on the day before a Fed Day, the Fed Day has not been bullish. That was not a problem on Tuesday. With the recent pullback, SPX is well below its 20-day high. But SPY closed in the top 25% of its intraday range. And this has been a negative historically. The study below was last seen in the 9/18/19 letter. It looked at other times SPY closed in the top 25% of its intraday range but below a 20-day high.



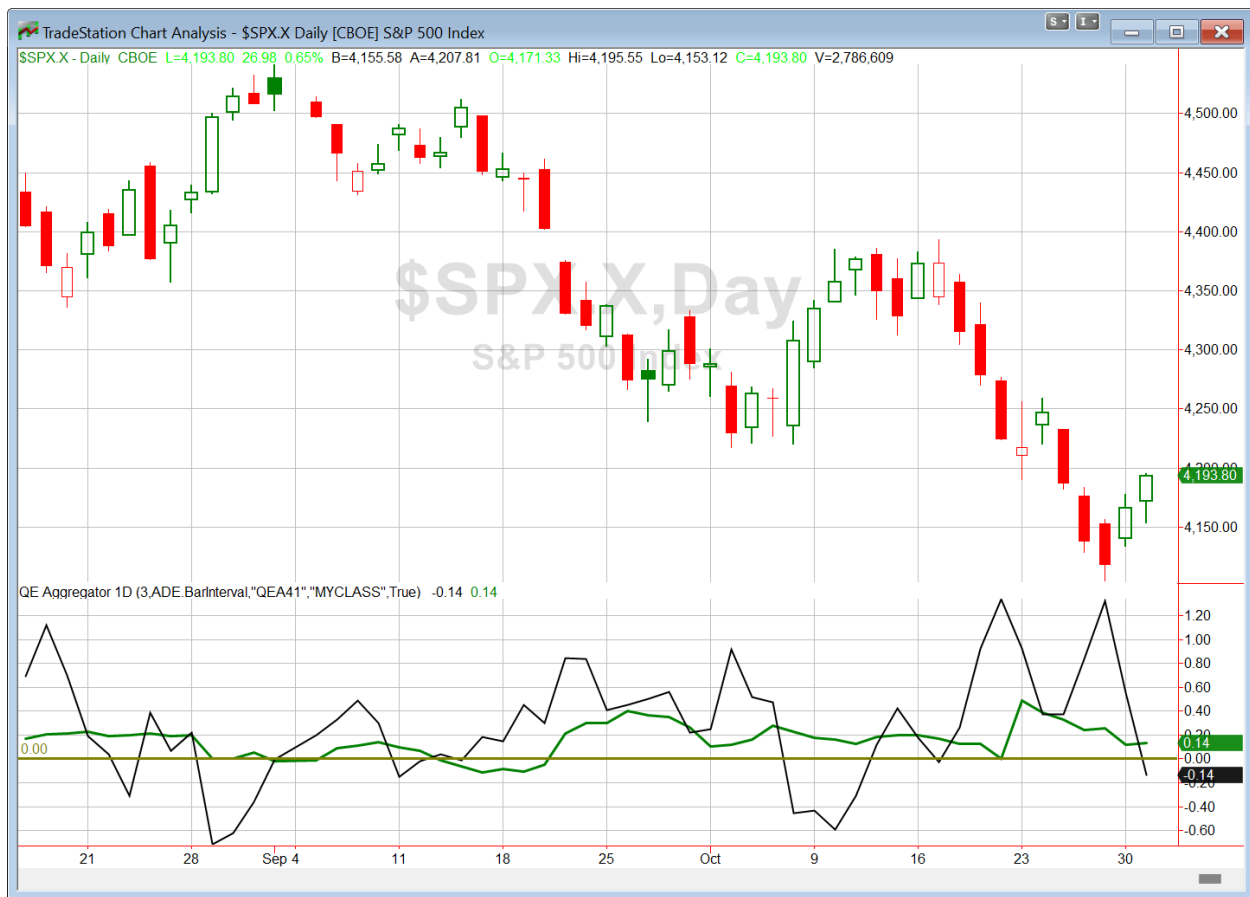
Fifty-percent win % and choppy sideways action for a long time suggest no substantial Fed Day edge under these circumstances.

But what about 1<sup>st</sup> of the month? Isn't that normally a bullish day? Well, when SPX is above its 200ma, then yes. But below it...



That's 20+ years of going nowhere. Seasonality can be a useful tool. But when price action does not set up properly, the seasonal edge can largely disappear. That seems to be what we are seeing for Wednesday. I won't be adding any new studies to the active list tonight.

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



Without any new studies 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 dropped 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 active studies, expectations are set to remain positive on Wednesday. This could change if more compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 4151.00 on Wednesday. That is 1.0% below Tuesday's close. Therefore, SPX will need to close down over 1.0% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is now neutral. This bounce could have further to go. And evidence is leaning that way. But SPX is already overbought and the reaction to the Fed could be a big one. I do not expect any change in rates, but the market interpretation of Powell's comments could spark a sharp move in either direction. I'm stepping out for now. A big reaction to the Fed could quickly generate another entry opportunity. So I may only be out of the market for just a day or two. But I'll see how tomorrow plays out and what new evidence emerges before making any further plans.

*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)

### ***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.*

**None tonight.**

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	10/20/2023	\$421.19	\$418.20	-0.71%	<i>sell on open</i>
TXN(1/3)	10/24/2023	\$146.32	\$142.01	-2.95%	Catapult
<b>LOW(1/3)</b>	<b>10/25/2023</b>	<b>\$185.55</b>	<b>\$188.47</b>	<b>1.57%</b>	<b>sold on open</b>
<b>LOW(1/3)</b>	<b>10/25/2023</b>	<b>\$185.55</b>	<b>\$188.47</b>	<b>1.57%</b>	<b>sold on open</b>
HD(1/3)	10/26/2023	\$280.27	\$284.69	1.58%	<i>sell on open</i>
TMO(1/3)	10/26/2023	\$431.13	\$444.77	3.16%	<i>sell on open</i>
SPY(1/4)	10/27/2023	\$410.68	\$418.20	1.83%	<i>sell on open</i>
<b>LOW(1/3)</b>	<b>10/25/2023</b>	<b>\$185.55</b>	<b>\$188.47</b>	<b>1.57%</b>	<b>sold on open</b>
HD(1/3)	10/27/2023	\$278.00	\$284.69	2.41%	<i>sell on open</i>

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