

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 3, 2023

Volume 16 Issue 211

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 0 |

Tonight's Research Points

- Several studies – mostly bullish – triggered on Thursday.

Short-term Outlook

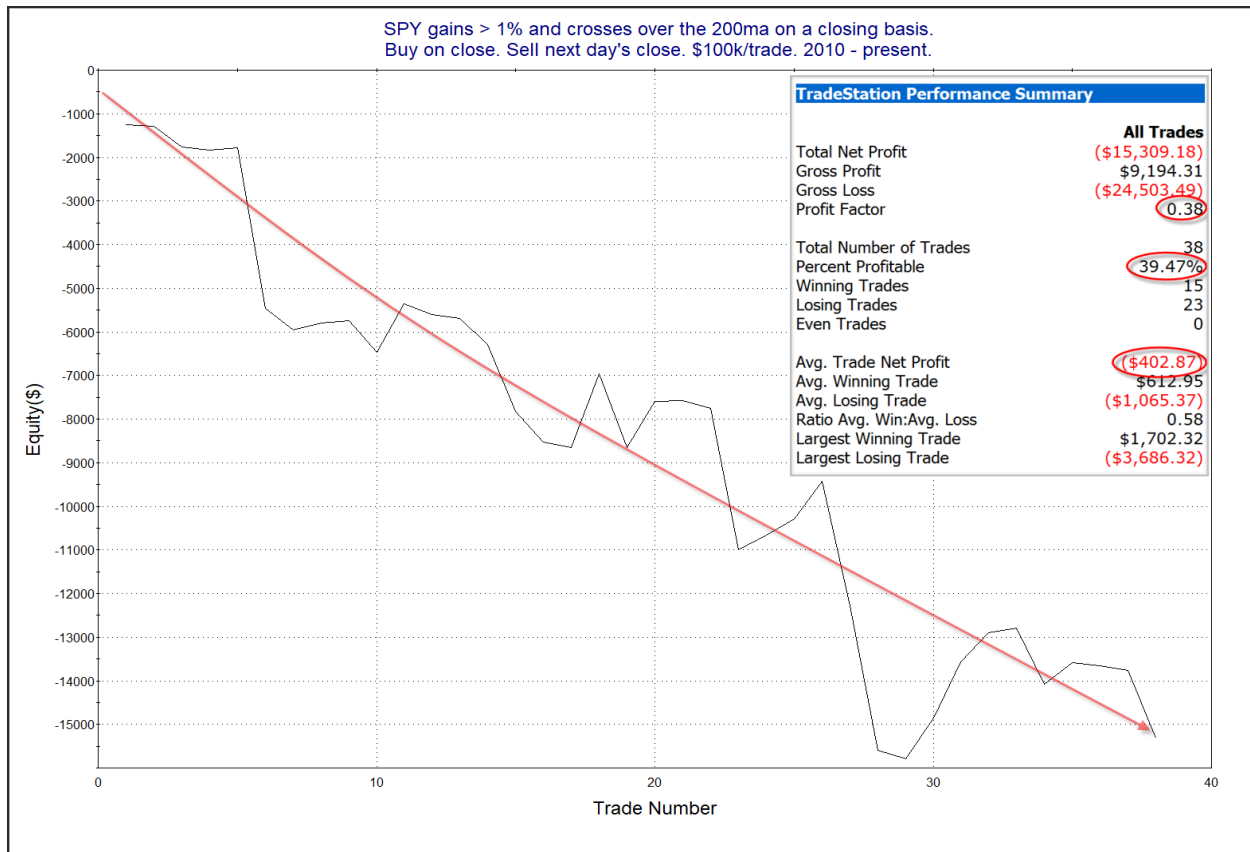
The Bottom Line

The Aggregator is neutral. That is where I am at as well.

The Evidence

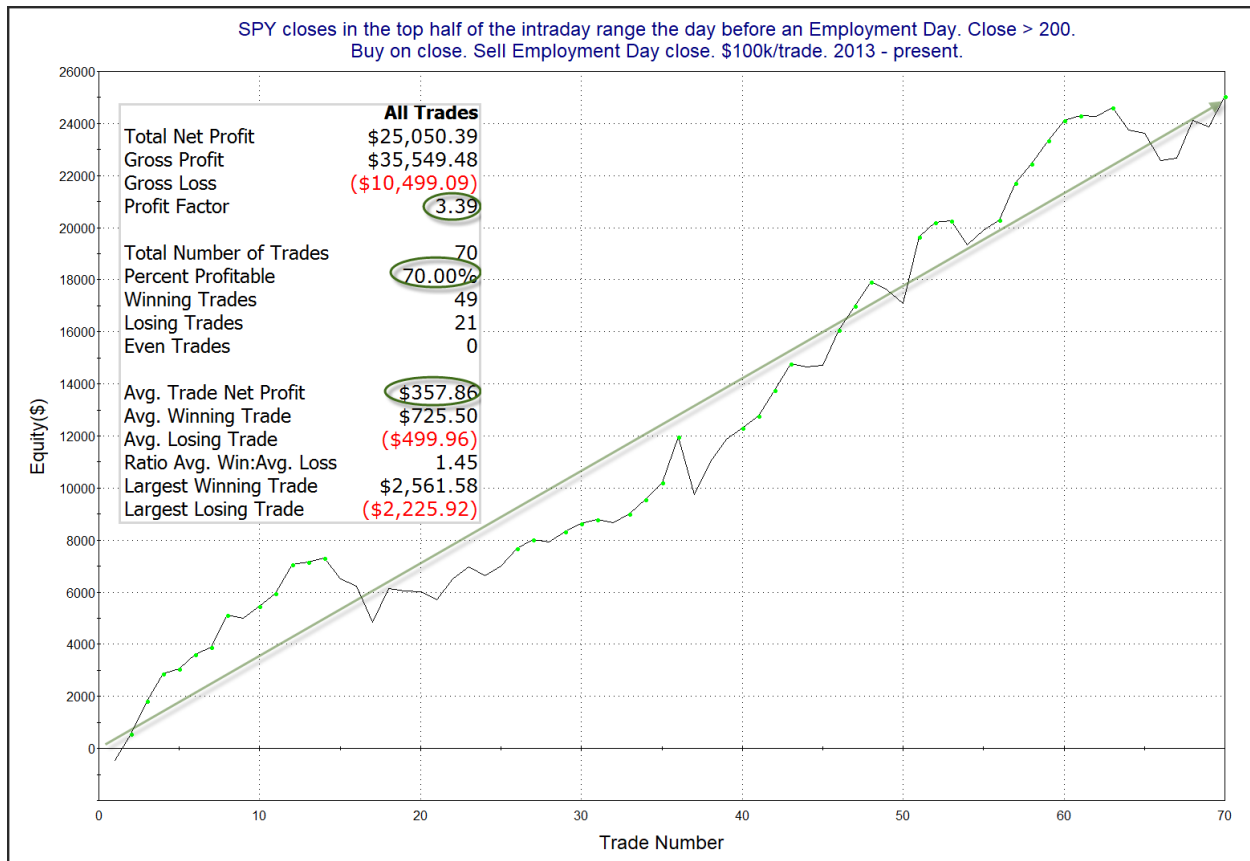
Thursday was a big up day for the market. The SPX gained 1.9%, the NASDAQ rose 1.8%, and the Russell 2000 climbed 2.7%. Breadth was strong with the NYSE Up Issues % coming in at 88% and the Up Volume % at 91%. NYSE total volume rose some from Wednesday's level.

The SPX moved back up above its 200ma with its strong gains. This action triggered the study below, last seen in the 1/23/23 letter.



The persistent move from upper left to lower right is impressive and so are the stats. This would suggest a bearish tendency for the day after such a strong move through the 200ma. I have added this study to the active list for tonight.

Notable about Friday morning is that we will see the release of BLS employment report. Employment days have often seen the market rally in recent years. Interestingly, this tendency has been stronger when there has been some optimism the day before. The study below, last seen in the 10/6/23 letter, looks back to 2013 at all other times SPY closed above the 200ma and in the top half of its intraday range on the day before an employment day. Results are updated.



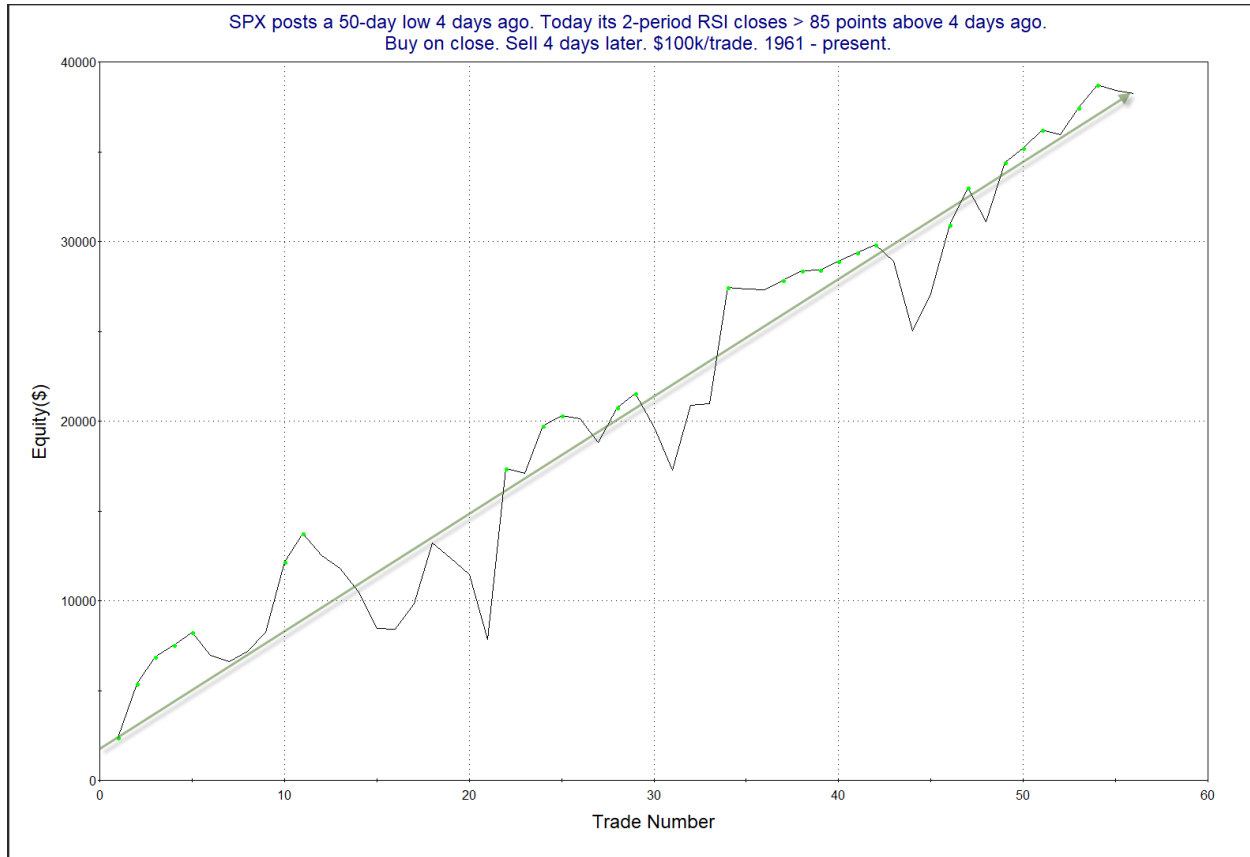
The curve has shown persistent upwards action for a substantial amount of time, and is back at new highs. Overall evidence appears compelling enough to include this on the active list as a 1-day study.

Another interesting study shown in the Quantifinder was from the 6/7/19 subscriber letter. It looked at other times that the market made a 50-day low, and then 4 days later its 2-day RSI was over 85 points higher. I have updated the results from that study below.

SPX posts a 50-day low 4 days ago. Today its 2-period RSI closes > 85 points above 4 days ago.
Buy on close. Sell X days later. \$100k/trade. 1961 - 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 | 26,080.97 | 56 | 32 | 24 | 57.14 | 11,988.81 | -7,143.96 | 2,176.10 | -1,814.76 | 1.20 | 1.60 | 465.73 |
| 4 | 38,225.64 | 56 | 33 | 23 | 58.93 | 9,526.41 | -3,853.92 | 1,945.61 | -1,129.54 | 1.72 | 2.47 | 682.60 |
| 3 | 30,421.81 | 57 | 37 | 20 | 64.91 | 7,448.76 | -4,353.44 | 1,357.47 | -990.23 | 1.37 | 2.54 | 533.72 |
| 2 | 19,955.59 | 62 | 42 | 20 | 67.74 | 4,893.68 | -8,004.64 | 1,132.95 | -1,381.42 | 0.82 | 1.72 | 321.86 |
| 1 | 16,630.79 | 79 | 47 | 31 | 59.49 | 2,903.78 | -2,350.74 | 786.99 | -656.70 | 1.20 | 1.82 | 210.52 |

Numbers here appear bullish. Below is an equity curve using a 4-day holding period.



The strong steady upslope serves as confirmation of the bullish tendency. When strong bounces occur from oversold intermediate-term lows it can often create a short-term overbought condition that becomes even more overbought in the following days.

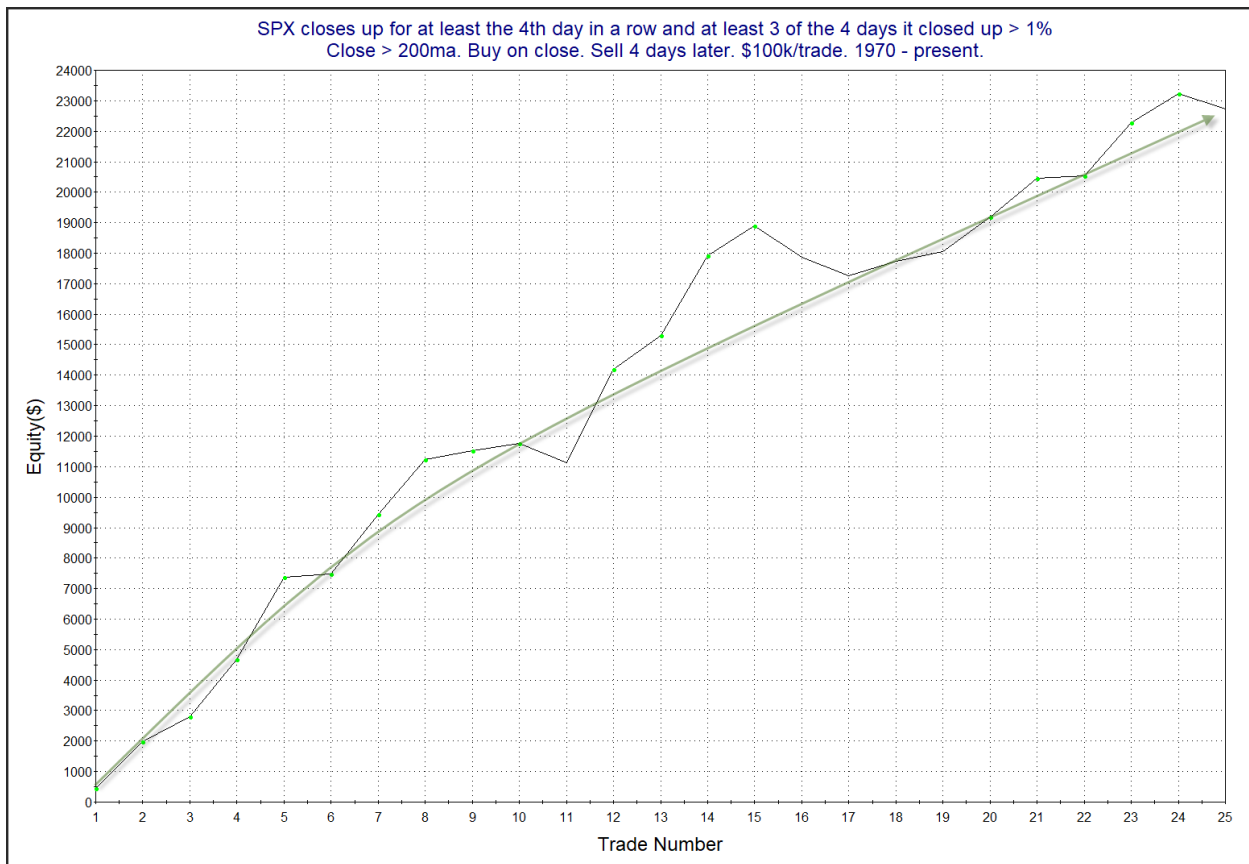
Another study that provided interesting results was last seen in the 12/28/21 letter. It looked a bit differently at strong price thrusts in SPX like we have seen over the last 4 days. Below are updated results.

SPX closes up for at least the 4th day in a row and at least 3 of the 4 days it closed up > 1%
Close > 200ma. Buy 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 | 24,601.35 | 25 | 20 | 5 | 80.00 | 3,581.50 | -1,493.32 | 1,505.86 | -1,103.19 | 1.37 | 5.46 | 984.05 |
| 4 | 22,743.17 | 25 | 21 | 4 | 84.00 | 3,067.74 | -1,043.86 | 1,214.29 | -689.26 | 1.76 | 9.25 | 909.73 |
| 3 | 21,523.40 | 25 | 18 | 7 | 72.00 | 4,318.58 | -1,698.57 | 1,408.33 | -546.64 | 2.58 | 6.62 | 860.94 |
| 2 | 11,322.09 | 25 | 16 | 9 | 64.00 | 2,586.57 | -1,301.14 | 945.00 | -421.99 | 2.24 | 3.98 | 452.88 |
| 1 | 3,098.96 | 29 | 14 | 15 | 48.28 | 2,609.46 | -1,362.90 | 667.88 | -416.75 | 1.60 | 1.50 | 106.86 |

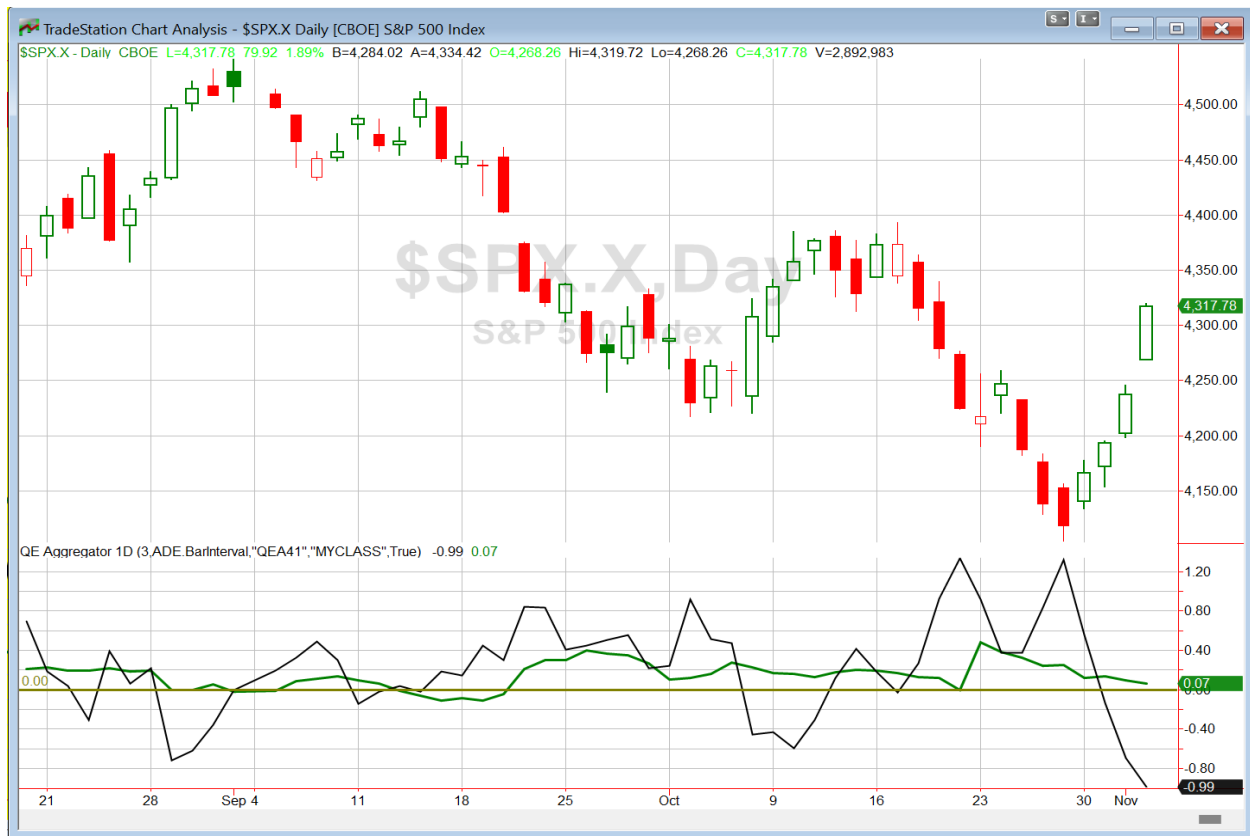
27 of 29 instances (93%) closed above the entry price
at some point in the next week.

The above stats are impressive. Below is a profit curve assuming a 4-day holding period.



I like the curve. It appears this study is worth taking under some consideration. Price thrusts as we have seen over the last few days have led to further upside on a fairly consistent basis. I have included this study on the Short-Term Active List.

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



With tonight's mix of evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for moderate upside for the next few days. Meanwhile the black Differential Line fell further below zero. The negative Differential Line reading means that SPX is strongly 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4213.05 on Friday. That is 2.4% below Thursday's close. Therefore, SPX will need to close down over 2.4% on Friday in order to flip from overbought to oversold vs recent expectations. Being that we have not seen a 2% down day since February, that seems highly unlikely. A more likely scenario for working off the overbought condition would be a multi-day decline or consolidation.

So the Aggregator is still neutral. Short-term evidence suggests this bounce should continue in the next few days. But the market is already so overbought, that reward/risk does not seem very appealing. I will continue to wait for a more favorable opportunity to emerge before getting involved in new index positions.

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

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

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes |
|---------------|-------------------|--------------------|----------------------|--------------------|---------------------|
| TXN(1/3) | 10/24/2023 | \$146.32 | \$147.31 | 0.68% | <i>sell on open</i> |
| | | | | | |
| | | | | | |

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