

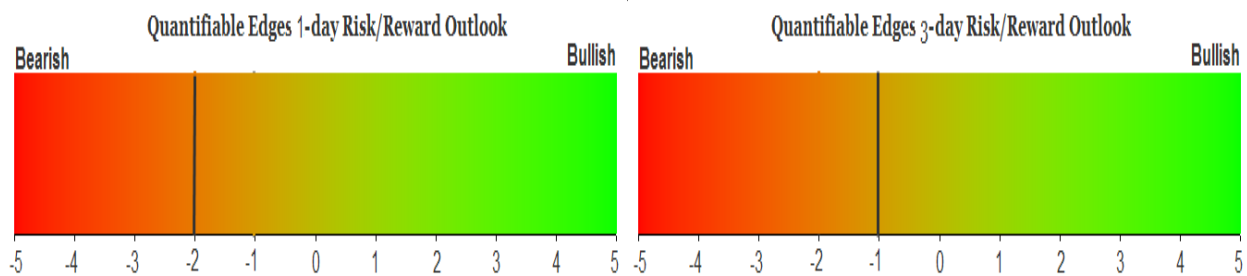
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 1, 2024

Volume 17 Issue 189

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- High-volume outside days that close at a 50-day high also often lead to selling.
- A strong close on the last day of the month tends to eliminate the turn-of-month bullish tendency during uptrends.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish. But with the market primed to turn back to oversold, I don't love reward/risk for the shorts.

**Summary of Recent 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
<b>Active - Short Term</b>						
September 27, 2024	Outside day 50-high. No 50-hi yest. Vol up	1-4 days	Bearish			
September 30, 2024	SPX 5-high then down close on 60% breadth	1-3 days	Bullish			
September 27, 2024	SPX & VXX close at 5-day highs	1-4 days	Bearish	-2.20%	0.70%	2.00%
<b>Active - Long Term</b>						
September 30, 2024	NASDAQ Leading	int term	Bullish			
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
September 19, 2024	20-day intraday high. Close btm 10% intra	1-10 days	Bullish	2.20%	-1.30%	-2.50%
September 18, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.00%	-2.10%	-4.40%
September 16, 2024	SPX up 5 < 50-high. 5-day ROR > 3%	1-15 days	Bullish	3.35%	-1.60%	-2.90%
August 12, 2024	SPX dn 4 weeks in a row > 40-week ma	1-10 weeks	Bullish	8.70%	-3.10%	-7.10%
July 15, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
July 8, 2024	NDX 18% above 200ma	1-90 days	Bullish	14.50%	-9.40%	-18.90%
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
April 29, 2024	May-October selloff potential when 5% dn	1-6 months	Bearish			
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			
<b>Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)</b>						
September 24, 2024	High vol down day then NR7	1-5 days	Bullish	2.60%	-1.30%	-3.20%

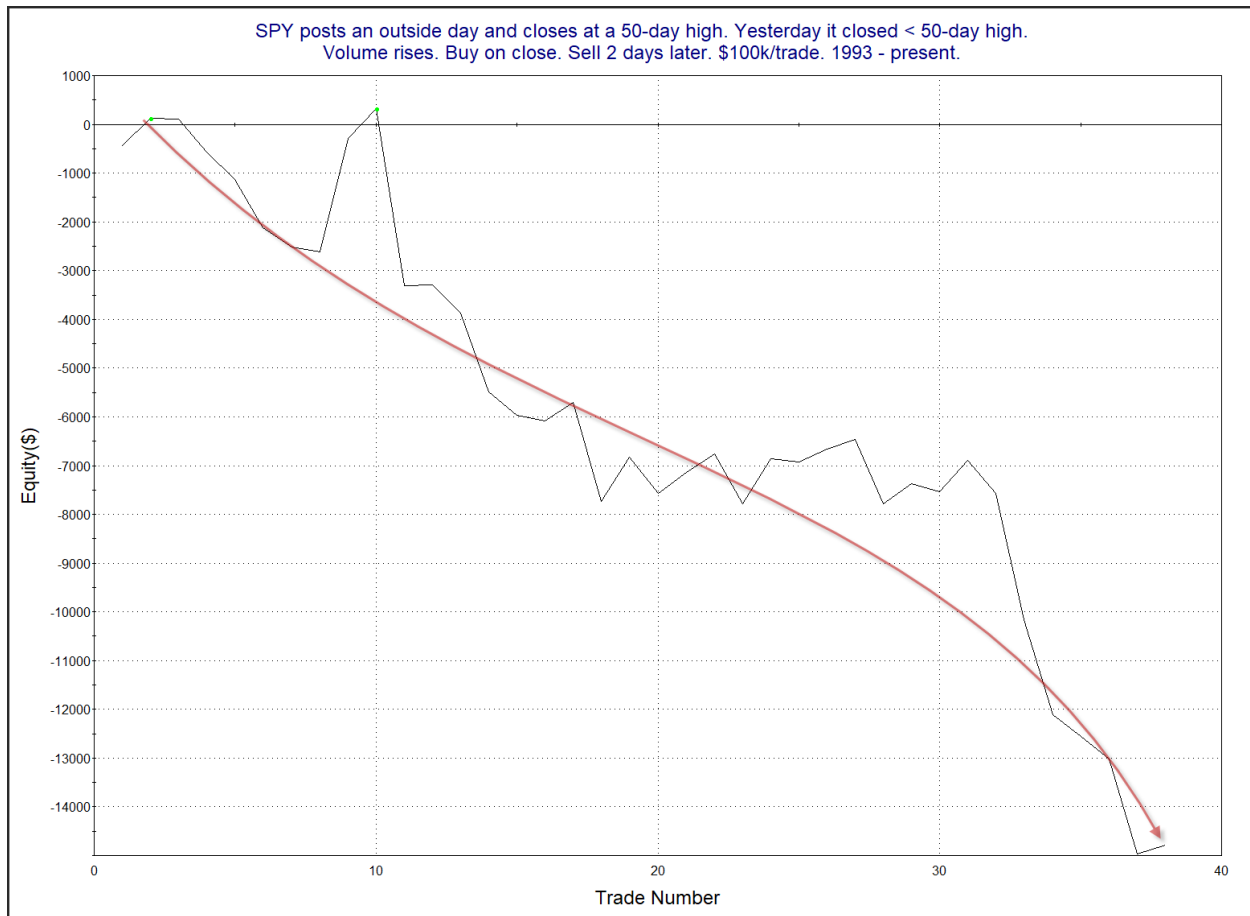
**The Evidence**

Monday saw gains across the board and new highs for SPX. The SPX gained 0.42%, the NASDAQ rose 0.38%, and the Russell 2000 climbed 0.24%. Breadth was flat as the NYSE Up Issues % was 52% and the Up Volume % came in at 49.8%. NYSE total volume rose some from Friday’s level.

The study below is one that just triggered a few days ago and was featured in the 9/25/24 letter. It takes into consideration a number of observations that many would consider bullish. This includes an outside day and a 50-day high on rising volume. All stats below are updated.

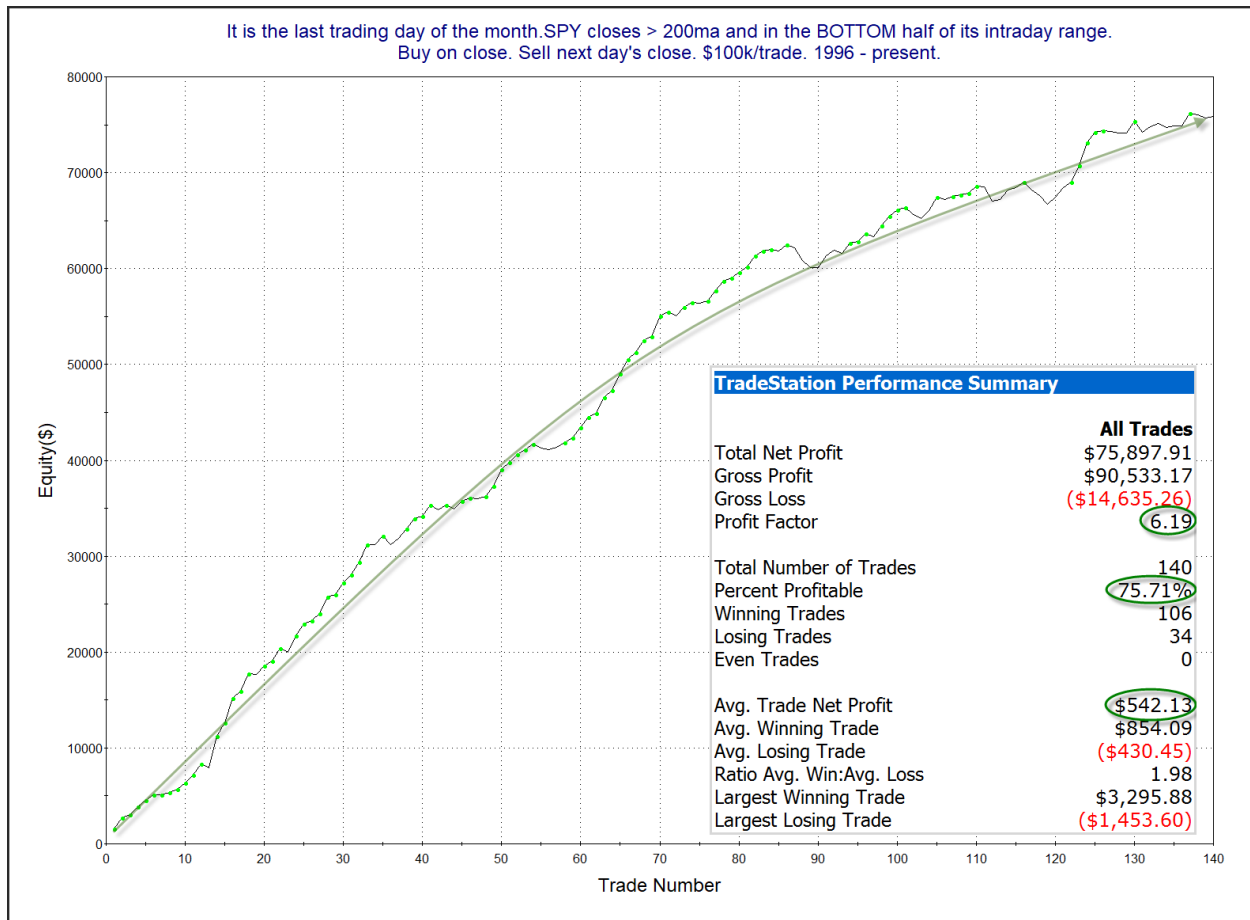
SPY posts an outside day and closes at a 50-day high. Yesterday it closed < 50-day high. Volume rises. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-18,393.81	36	17	19	47.22	2,590.50	-4,473.36	938.24	-1,807.57	0.52	0.46	-510.94
4	-10,655.42	37	19	18	51.35	2,371.65	-4,518.34	896.14	-1,537.89	0.58	0.62	-287.98
3	-12,670.92	38	16	22	42.11	2,927.90	-5,133.72	906.09	-1,234.93	0.73	0.53	-333.45
2	-14,788.49	38	14	24	36.84	2,324.90	-3,640.86	590.74	-960.79	0.61	0.36	-389.17
1	-8,663.00	38	14	24	36.84	918.96	-2,448.72	416.00	-603.63	0.69	0.40	-227.97

Rather than combining for a bullish edge it appears the scenario above has often been followed by brief downside. The most consistently bearish results occurred in the 2-day timeframe. Below is a profit curve for a 2-day exit strategy.



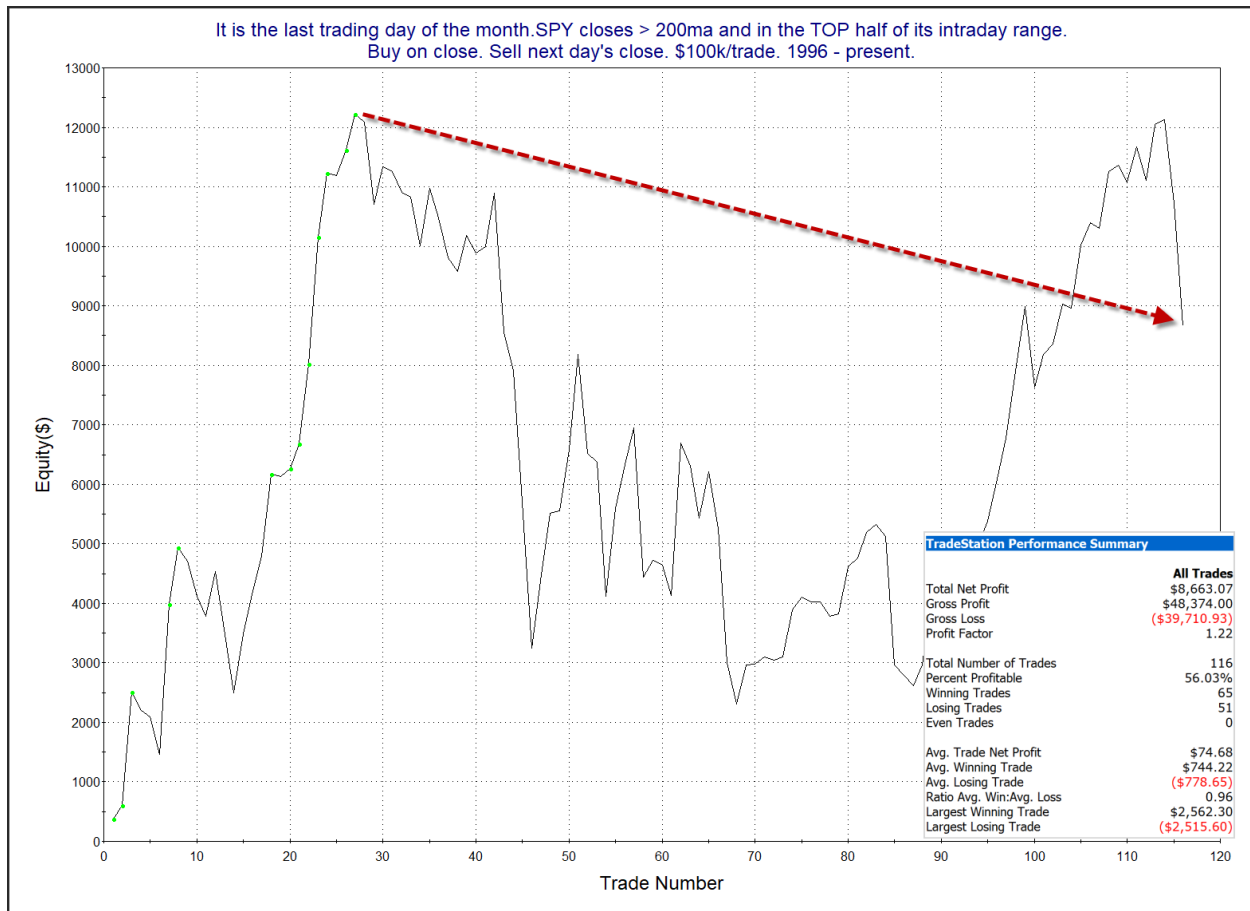
Choppy but downward sloping, this study seems worth consideration.

Last night I discussed that the 1<sup>st</sup> day of a new month has typically been bullish when the market has closed poorly the day before, but the edge has not held true when there has been a strong close. Monday we got a strong close. The two studies below are copied from last night.



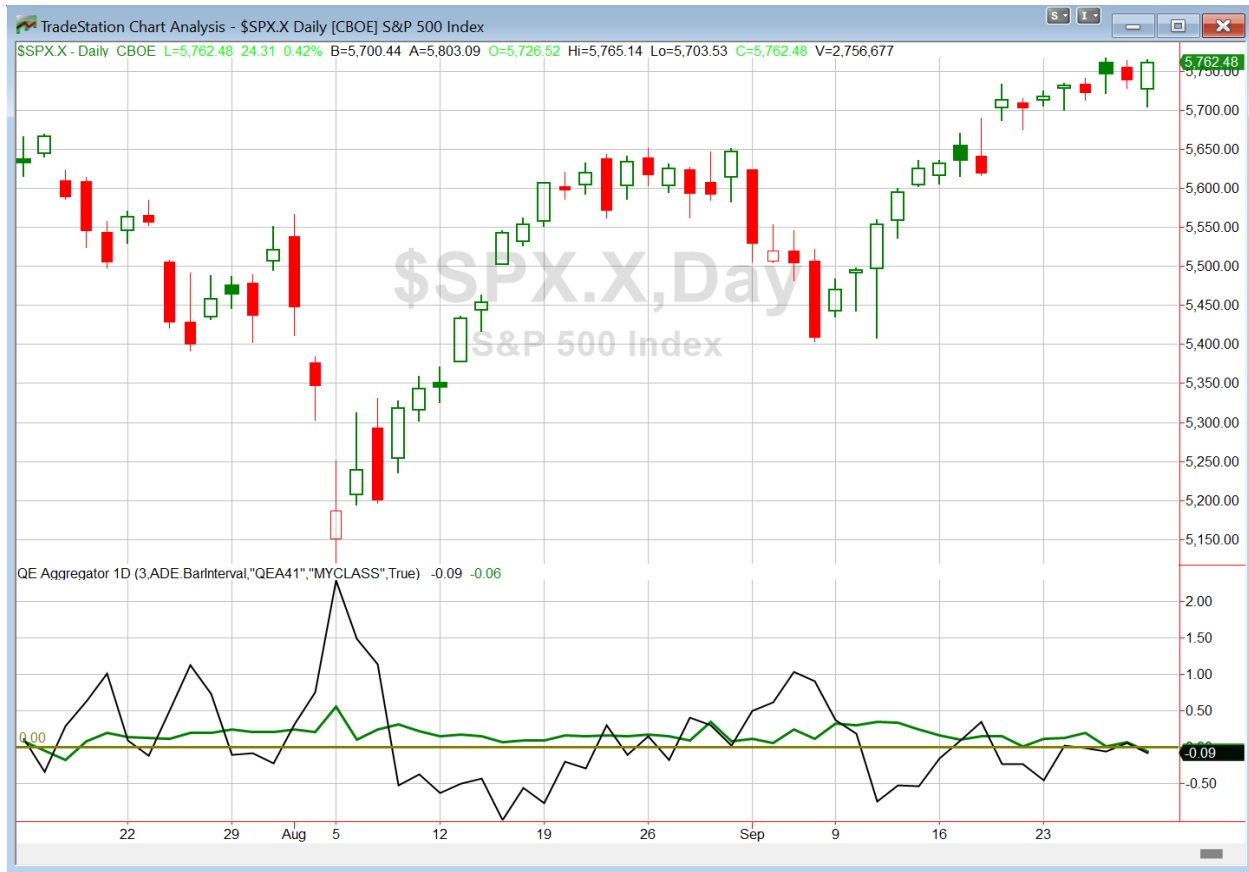
The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 6x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 140 instances. And despite a few recent failures, the curve has shown progress over a long period of time. This setup certainly appears to provide a 1-day bullish edge.

But what about times where SPY closed in the top half of its intraday range?



We see here huge inconsistency. And since 2004 there has been a net loss. The 1<sup>st</sup> day of the month has performed much better with some afternoon selling leading up to the day. Unfortunately for those hoping for a rally on Tuesday, Monday's strong close put the market in the category of the 2<sup>nd</sup> chart.

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



With tonight's evidence considered, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also fell below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

Based on the current list of active studies, expectations are set to remain negative on Monday. That could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 5764.23 on Tuesday. That is less than 0.1% above Monday'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 up a little over 2 points in order to remain overbought. Anything else and it will change to "oversold" versus recent expectations.

So the Aggregator has flipped to bearish. But as I have said many times before, I don't view inverted pivots as opportune times for new entries. This is because potential reward is limited to just one day. Any down close (or even a slight up close) on Tuesday would mean the end of the short Aggregator formation. Therefore, I will continue to exercise patience and wait for the next strongly favorable reward/risk opportunity to arrive.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 9/30 – **bullish***

## **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**

**None**

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter from QE at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2024 Quantifiable Edges, LLC.