

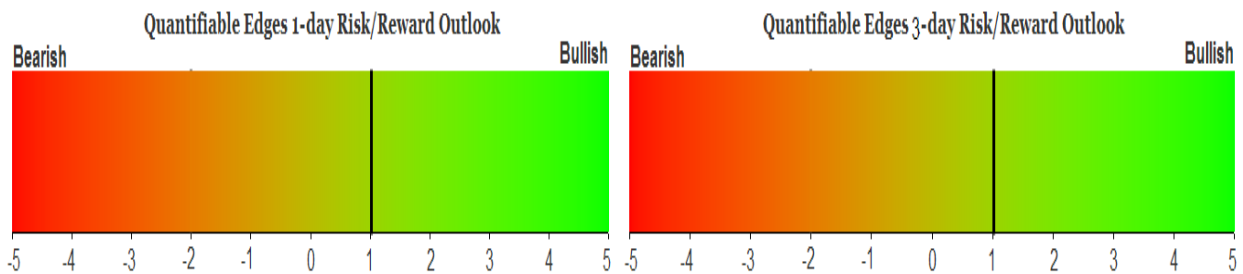
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 3, 2024

Volume 17 Issue 191

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- While the VIX has been rising, realized volatility has been falling.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence is lacking and I am not enthused.

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
Active - Short Term						
None						
Active - Long Term						
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			
Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)						
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%

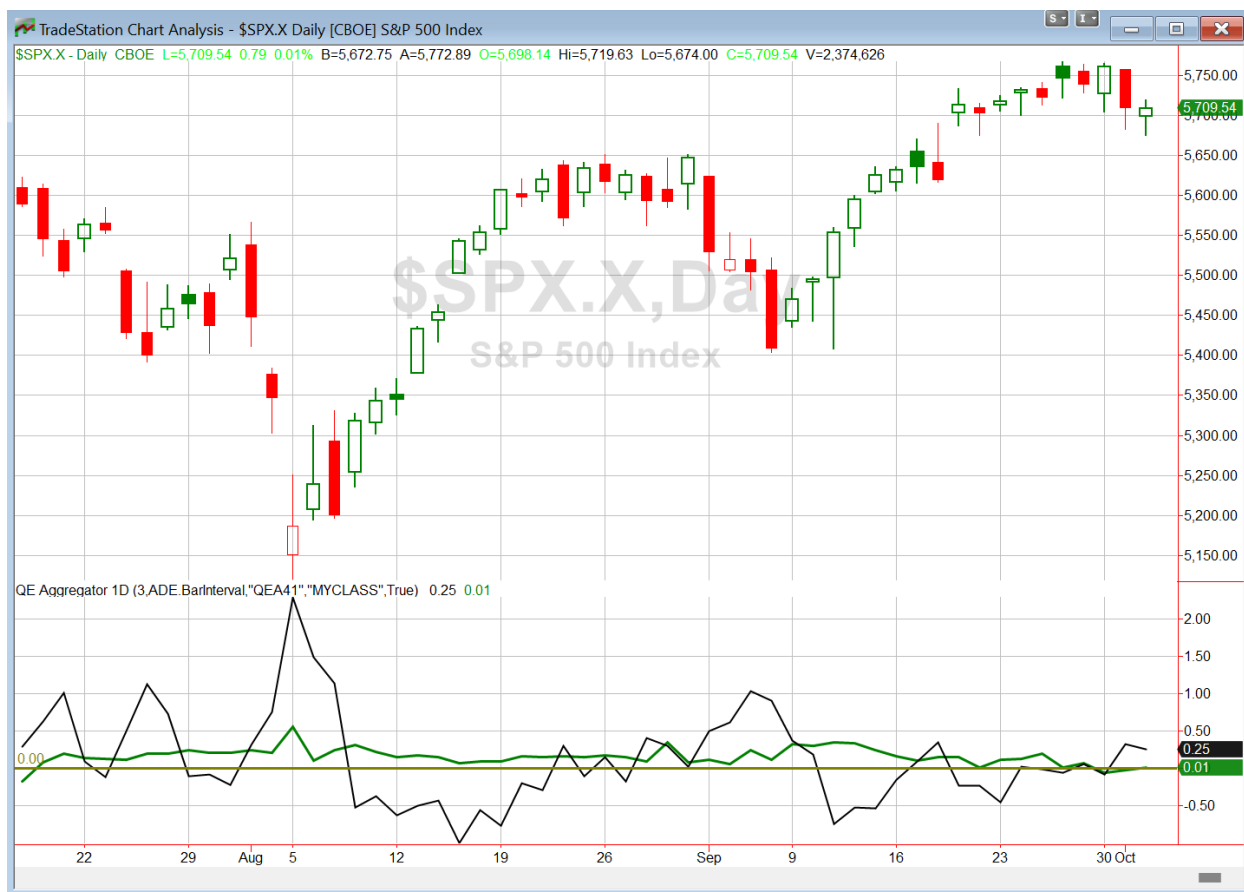
The Evidence

Wednesday did not get much accomplished. The SPX inched up 0.01%, the NASDAQ rose 0.08%, and the Russell 2000 lost 0.09%. Breadth was mixed as the NYSE Up Issues % was 47% and the Up Volume % came in at 52%. NYSE total volume declined some from Tuesday’s level.

With the market little changed, there were no new studies suggested a compelling edge. This is going to leave the Active List bare. That’s unusual, but it does happen on occasion. We are still seeing substantial intermediate-term evidence and that is mostly bullish and keeping the intermediate-term bias bullish.

One notable from a volatility standpoint is that SPX 21-day realized volatility is now down to 11.25%. That is the lowest reading since 7/23/24. Meanwhile, with the upcoming election, strife in the middle east, (and Russia / Ukraine), and bad news everywhere, the VIX is up around 19. The 7.65 point difference between VIX and realized puts it in the 97th percentile of spread readings over the course of the last 12 months. In other words, anticipated volatility is much higher than what is actually occurring. Most often when the spread is large it is at the start of a big move. The market will collapse for a few days. That will cause the VIX to spike, but for the 21-day realized vol to catch up takes a little longer. In this case the VIX is not spiking due to a sharp market move. It is spiking because of a bunch of risks that COULD matter – but don’t yet. Most of the time when you see VIX way above realized, then the VIX is likely to decline. Option traders could be right. And we may see a big move in the next few weeks. After all, October is renowned for that. But if it does not happen, then VIX and VIX futures and VIX ETFs should see a sizable drop.

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



With the short-term active list running dry, the green Aggregator Line inched slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line rose above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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.

With the short-term list bare, expectations over the next few days will be largely dependent on any new evidence that emerges. Meanwhile, the Differential Pivot will be 5761.85 on Thursday. That is 0.9% above Wednesday's close. Therefore, SPX will need to close up at least 0.9% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now bullish. There is decent room to the upside before SPX would turn overbought. But with short-term evidence lacking, I am not inclined to get excited about taking no new positions. I view the current setup as more neutral than bullish. Hence, I will continue to exercise patience as I await a more compelling reward/risk setup.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

MDLZ @ \$72.28 (Buy 1/3 @ limit)

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.

MDLZ – Buy 1/3 Catapult position @ \$72.28 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of MDLZ.

Current Open Trade Ideas

None

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