

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 17, 2024

Volume 17 Issue 201

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- It has been 28 days since SPX closed down 2 consecutive days. Historically, streaks this longer have soon been followed by a multi-day pullback.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. There appears to be a small downside edge, but reward/risk is not great.

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						
October 17, 2024	SPX goes 28 days w/out 2 straight down	1-4 days	Bearish			
October 14, 2024	October Opex bullish	1-4 days	Bullish	3.00%	-2.50%	-7.30%
Active - Long Term						
September 30, 2024	NASDAQ Leading	int term	Bullish			
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
September 18, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.00%	-2.10%	-4.40%
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			

The Evidence

Tuesday’s selling was partially reversed as the market moved back up on Wednesday. The SPX gained 0.5%, the NASDAQ rose 0.3%, and the Russell 2000 jumped 1.6%. Breadth was strong as the NYSE Up Issues % was 76% and the Up Volume % came in at 77%. NYSE total volume declined some from Tuesday’s low level.

The market has just been grinding higher or sideways since early September. In fact, Wednesday marked the 28th trading day in a row in which we have not seen 2 consecutive down days. That is a remarkable streak. I decided to look back at other times this has happened. There have not been many. I show them all below along with their forward performance.

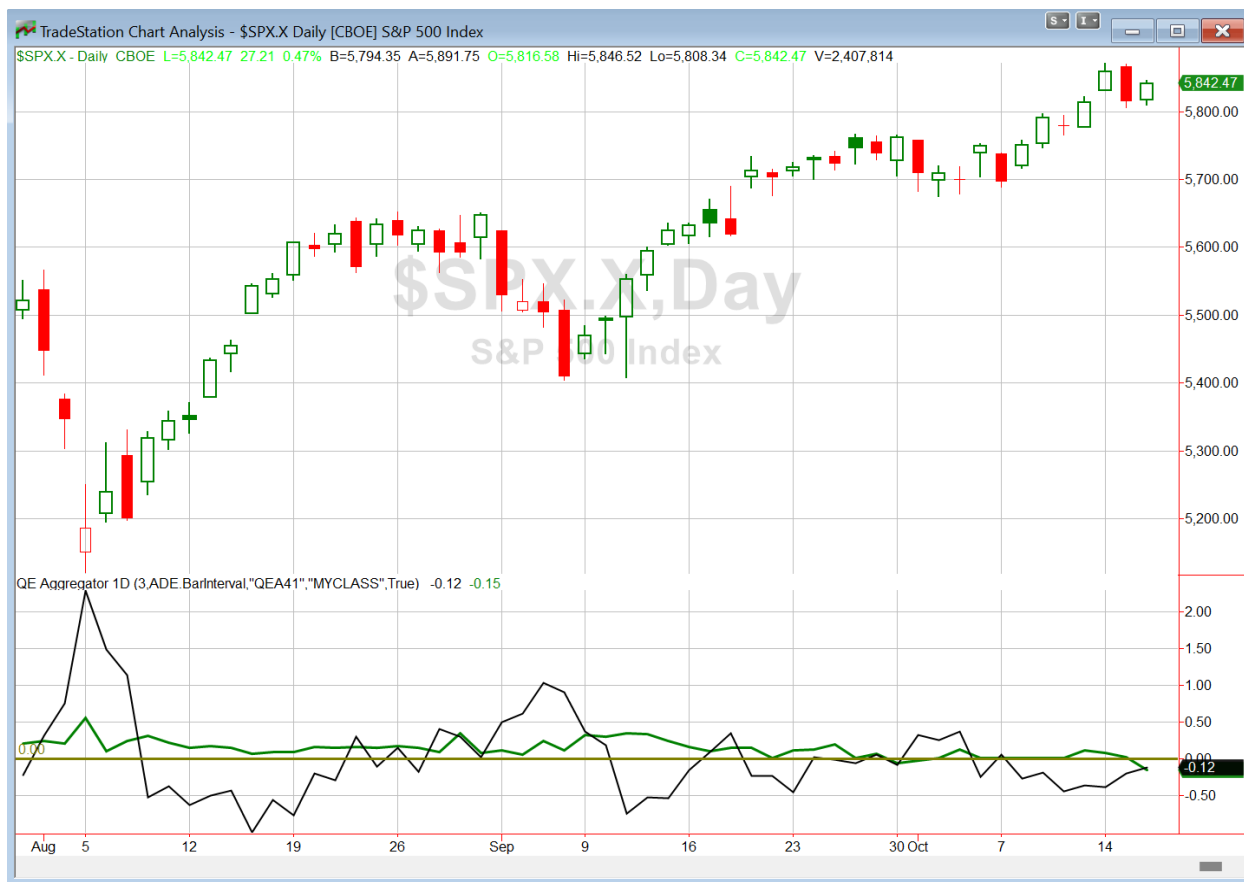
Today is the 28th day in a row that SPX has gone without closing down 2 consecutive days. Forward returns shown. 1928 - present.						
Ticker	Date/Time	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg
\$SPX	4/22/1955	0.26	0.79	0.26	-0.87	-0.13
\$SPX	1/31/1961	0.19	0.84	0.71	-0.03	-0.21
\$SPX	2/13/1985	-0.51	-0.95	-1.1	-1.18	-1.72
\$SPX	9/9/2003	-1.2	-0.66	-0.44	-0.82	0.6
\$SPX	1/22/2004	-0.21	1	0.01	-1.35	-0.86
\$SPX	9/22/2004	-0.47	-0.31	-0.9	-0.31	0.11
\$SPX	3/4/2005	0.26	-0.22	-1.24	-1.05	-1.8
\$SPX	1/20/2010	-1.89	-4.07	-3.63	-4.03	-3.56
\$SPX	1/26/2012	-0.16	-0.41	-0.46	0.43	0.54
\$SPX	11/15/2019	0.05	-0.01	-0.38	-0.54	-0.33
\$SPX	1/22/2020	0.11	-0.79	-2.35	-1.37	-1.46
\$SPX	7/22/2020	-1.23	-1.84	-1.12	-1.76	-0.54
	Winners	5	3	3	1	3
	Losers	7	9	9	11	9
	Win %	41.7%	25.0%	25.0%	8.3%	25.0%
	Average	-0.40	-0.55	-0.89	-1.07	-0.78

Following streaks of the length we are seeing now, the next few days have been rough. Eleven of twelve instances found themselves lower 4 days later, and by more than 1% on average. Another way to look at this is to simply buy on day 28, and then sell at the close when SPX actually makes its 2nd consecutive down day. Results of this “system” can be seen below.

Today is the 28th day in a row that SPX has gone without closing down 2 consecutive days. Buy on close. Sell on close when it does close down for the 2nd day in a row. 1928 - present.							
Symbol	Trade	Entry Date	Entry Price	Exit Date	Exit Price	Days In Trade	% chg
\$SPX	Long	4/22/1955	38.01	4/28/1955	37.68	4	-0.87%
\$SPX	Long	1/31/1961	61.78	2/6/1961	61.76	4	-0.03%
\$SPX	Long	2/13/1985	183.35	2/15/1985	181.6	2	-0.95%
\$SPX	Long	9/9/2003	1023.17	9/10/2003	1010.92	1	-1.20%
\$SPX	Long	1/22/2004	1143.94	1/23/2004	1141.55	1	-0.21%
\$SPX	Long	9/22/2004	1113.56	9/23/2004	1108.36	1	-0.47%
\$SPX	Long	3/4/2005	1222.12	3/9/2005	1207.01	3	-1.24%
\$SPX	Long	1/20/2010	1138.04	1/21/2010	1116.48	1	-1.89%
\$SPX	Long	1/26/2012	1318.43	1/27/2012	1316.33	1	-0.16%
\$SPX	Long	11/15/2019	3120.46	11/20/2019	3108.46	3	-0.38%
\$SPX	Long	1/22/2020	3321.75	1/27/2020	3243.63	3	-2.35%
\$SPX	Long	7/22/2020	3276.02	7/24/2020	3215.63	2	-1.84%
						Win %	0%
						Average	-0.97%

All losers. You can see by the “days in trade” column that the longest any of these trades lasted was 4 days. So the longest streak without 2 consecutive down days topped out at 32 days, and those were in 1955 and 1961. Slicing this a few different ways, it seems to suggest a short-term downside edge. I have added it to the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line dropped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line held 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 active studies, expectations are slated to remain negative on Thursday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be inverted at 5870.87 on Thursday. That is 0.5% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross zero if SPX closes flat. In this case, SPX will need to close up 0.5% in order to remain overbought. Anything other than that and it will change to "oversold" versus recent expectations as of Thursday's close.

So the Aggregator is now bearish. Tonight's evidence suggests a multi-day pullback seems likely to occur sometime soon. And the market is overbought. But I generally do not look to take on new positions when the Differential Pivot is inverted – especially a counter-trend trade like this. The reason is that reward/risk is poor. So I'll wait another day and see if we get a signal without an inverted pivot before taking on a new trade.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 10/14 – **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

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