

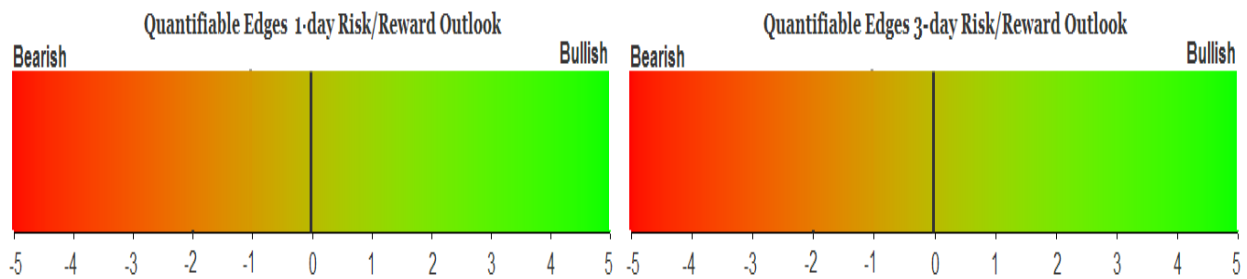
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 18, 2024

Volume 17 Issue 202

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPX made a 20-day intraday high and closed in the bottom 10% of its intraday range. This has historically been a bullish setup.
- During uptrends, the market often sees intraday selling on opex Friday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

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 18, 2024	20-high then close btm 10% intraday rng	1-2 days	Bullish			
October 17, 2024	SPX goes 28 days w/out 2 straight down	1-4 days	Bearish			
Active - Long Term						
October 18, 2024	20-high then close btm 10% intraday rng	1-10 days	Bullish	2.20%	-1.40%	-2.80%
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

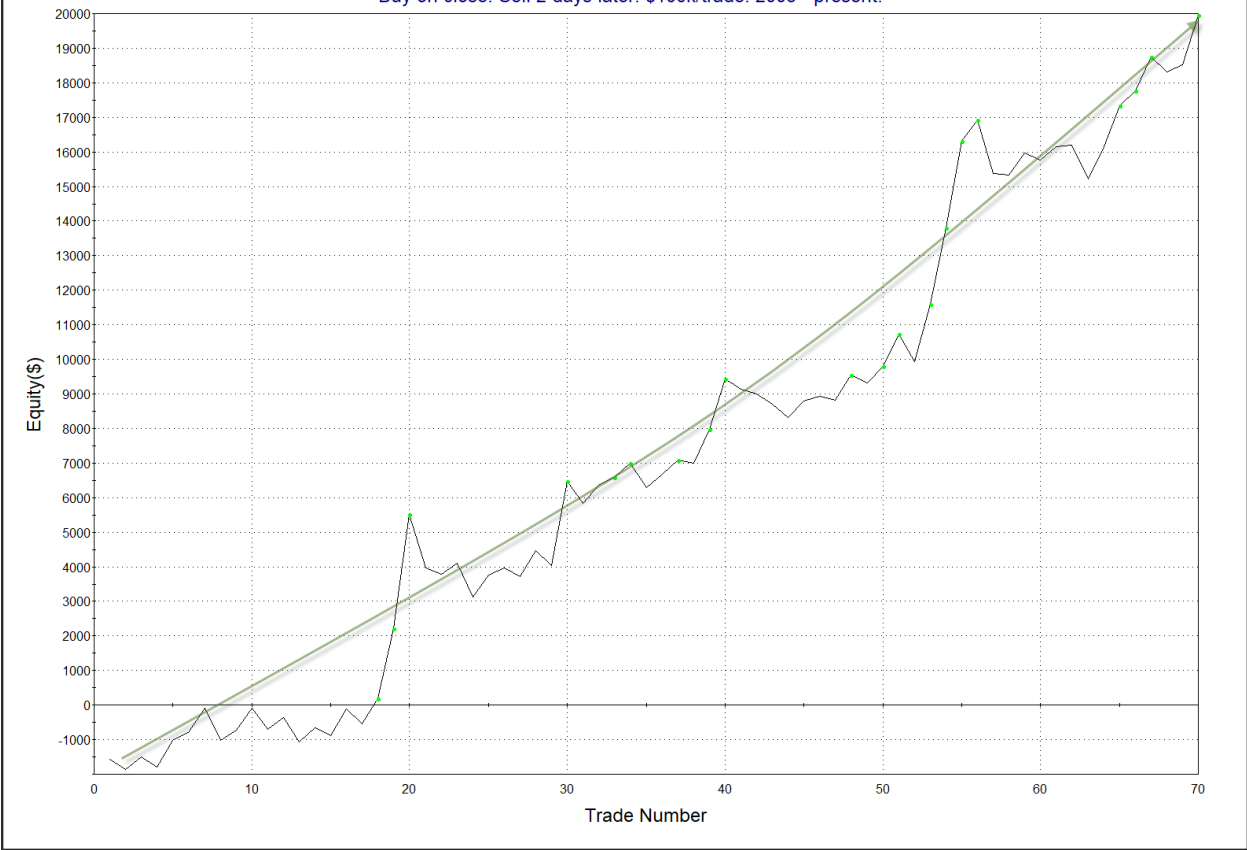
Thursday started strong but finished near its lows. The SPX dipped 0.02%, the NASDAQ rose 0.04%, and the Russell 2000 declined 0.25%. Breadth was weak as the NYSE Up Issues % was 45% and the Up Volume % came in at 43%. NYSE total volume declined some from Wednesday's level.

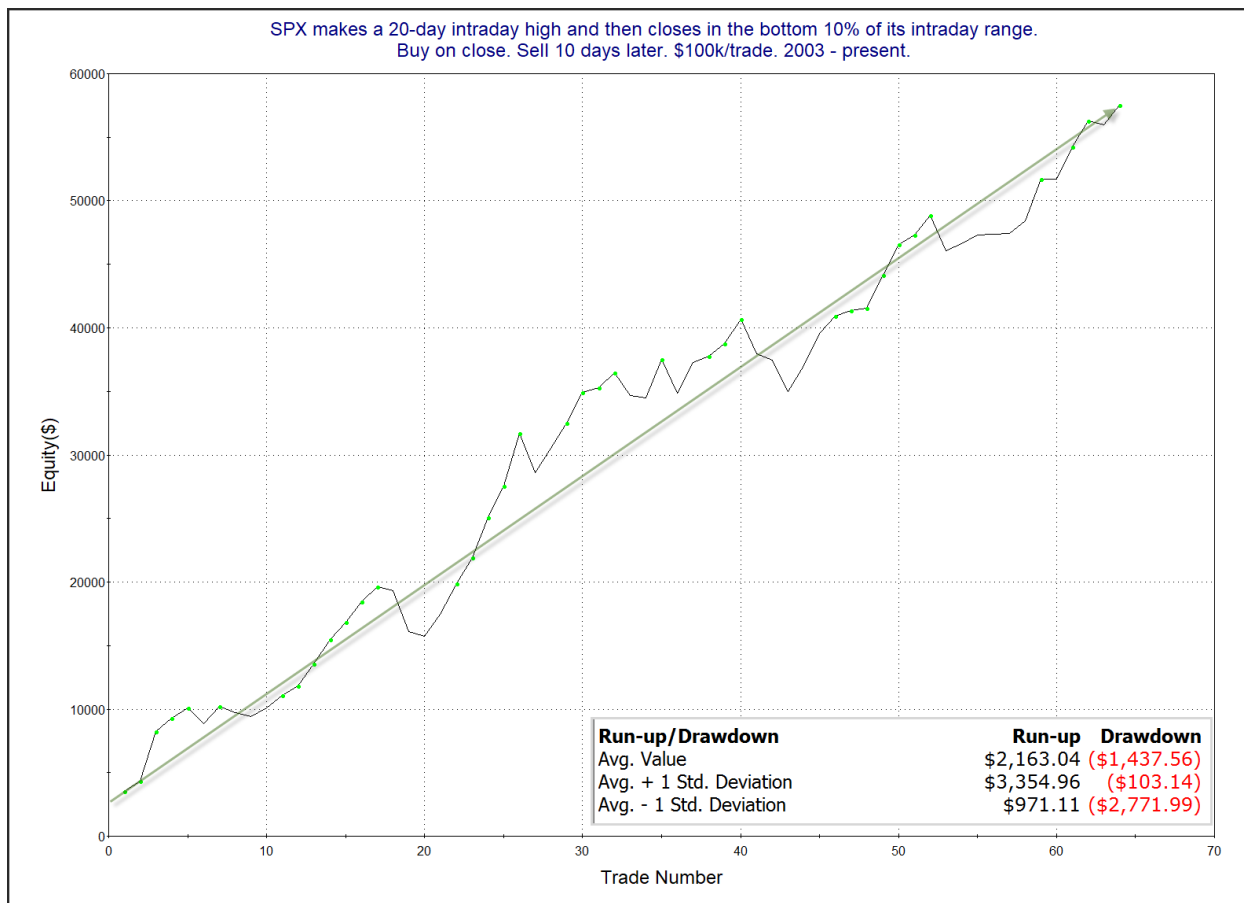
Early in the day the SPX managed to make a new intermediate-term intraday high. The new high followed by a poor and close triggered the study below, which was last seen recently in the 5/17/24 subscriber letter. Results are updated.

SPX makes a 20-day intraday high and then closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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
10	57,512.34	64	48	16	75.00	4,119.18	-3,210.80	1,664.54	-1,399.09	1.19	3.57	898.63
9	50,820.65	65	47	18	72.31	3,613.36	-3,775.10	1,624.28	-1,417.80	1.15	2.99	781.86
8	50,391.91	66	49	17	74.24	4,483.84	-3,803.24	1,587.08	-1,610.29	0.99	2.84	763.51
7	41,584.81	67	49	18	73.13	3,761.94	-4,159.32	1,431.96	-1,587.85	0.90	2.45	620.67
6	38,842.98	68	50	18	73.53	3,703.30	-3,567.90	1,249.08	-1,311.72	0.95	2.65	571.22
5	22,495.35	68	42	26	61.76	4,377.84	-3,566.84	1,095.32	-904.16	1.21	1.96	330.81
4	19,477.96	70	46	24	65.71	5,024.25	-2,435.84	978.65	-1,064.16	0.92	1.76	278.26
3	16,732.90	70	43	27	61.43	3,368.93	-3,384.50	913.00	-834.30	1.09	1.74	239.04
2	19,945.16	70	42	28	60.00	3,288.48	-1,575.22	840.91	-549.04	1.53	2.30	284.93
1	14,591.33	71	47	24	66.20	2,588.08	-2,471.25	575.65	-519.35	1.11	2.17	205.51

Results here seem to suggest an upside edge. Below are looks at both the 2-day and 10-day curves.

SPX makes a 20-day intraday high and then closes in the bottom 10% of its intraday range.
Buy on close. Sell 2 days later. \$100k/trade. 2003 - present.





The persistent upslopes appear to confirm the upside edge suggested by the statistics. I have included this study on the short and intermediate-term active lists.

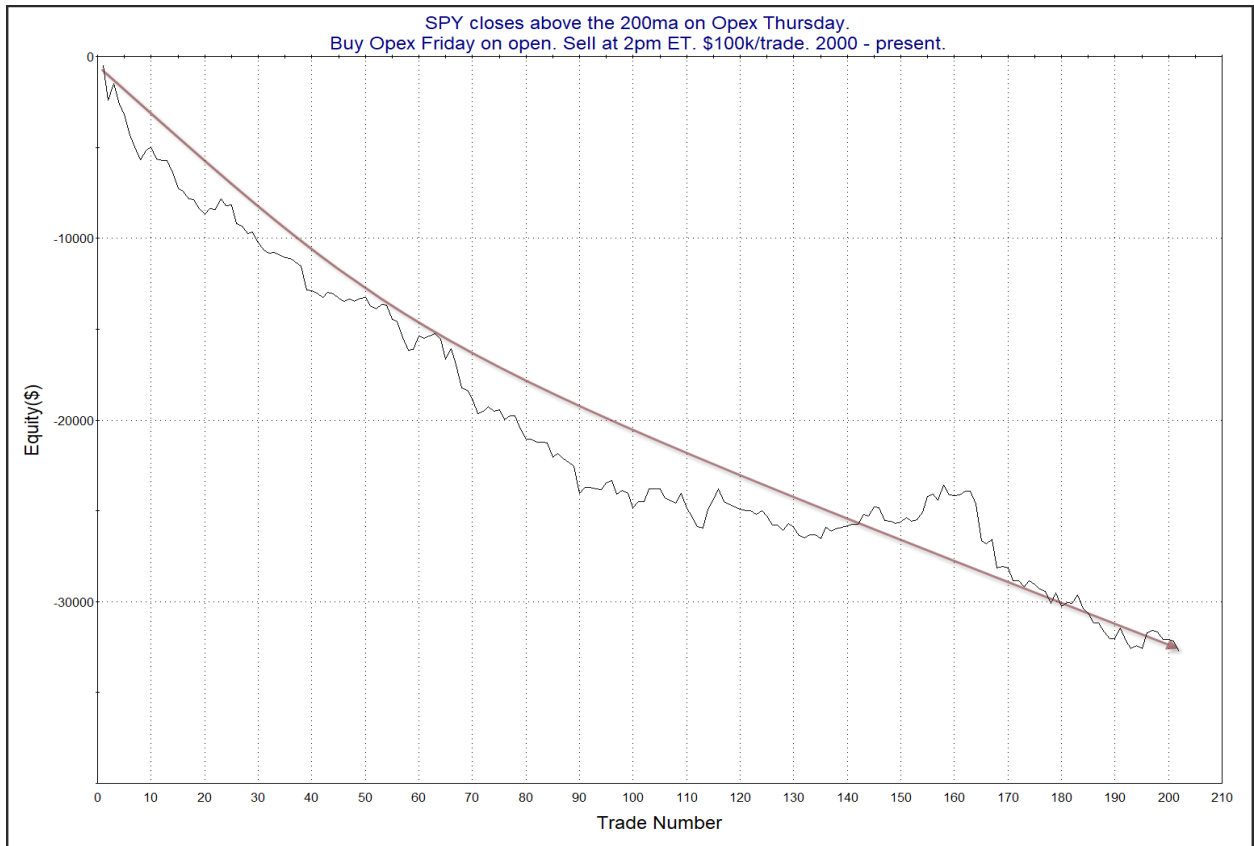
Friday is options expiration (opex). Options expiration has long been a day that has seen weakness after the opening bell. The studies below are some that I have shown several times over the years. The stats and commentary is copied from the 8/16/24 letter (not updated tonight).

This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

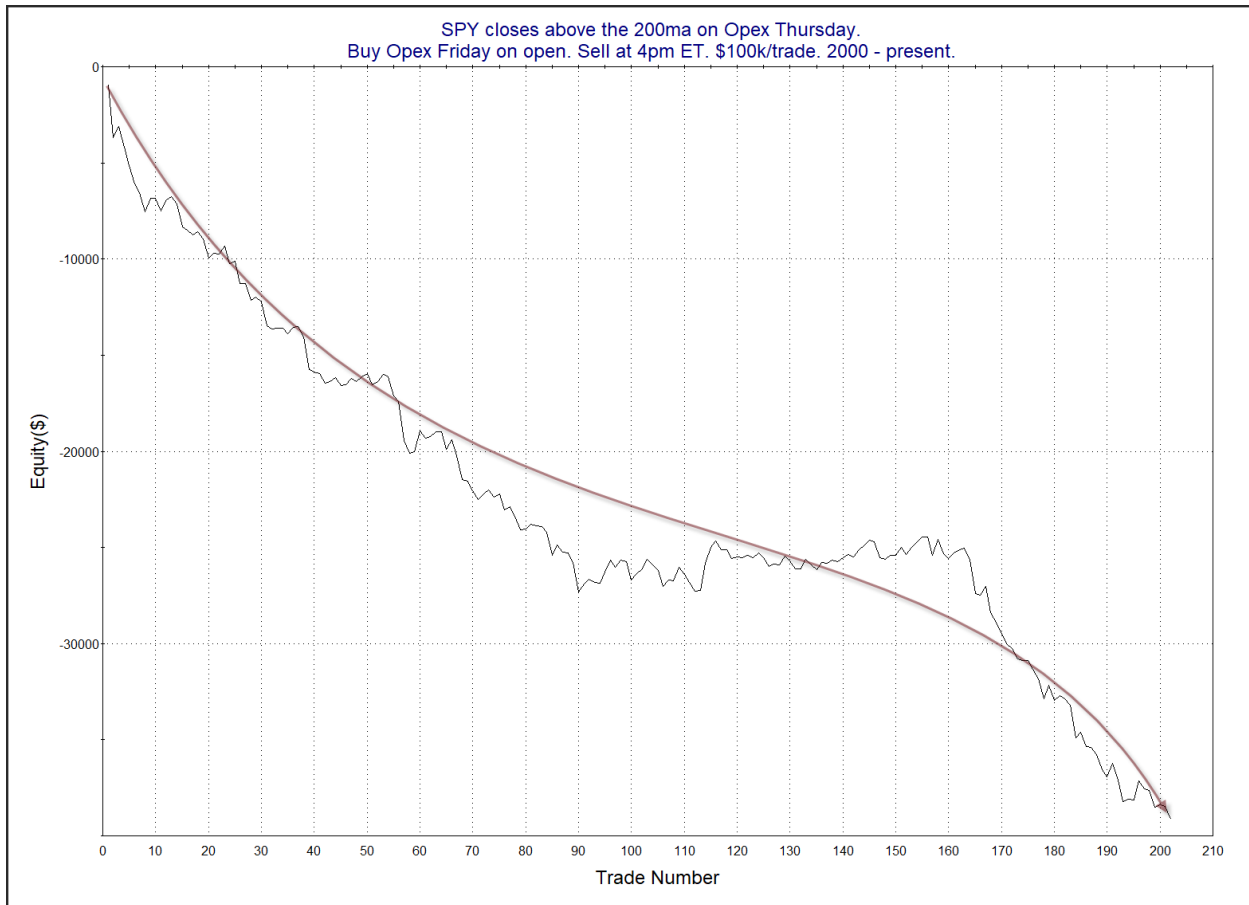
SPY closes above the 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-39,109.67	202	80	122	39.60	1,400.58	-2,746.58	323.87	-532.94	0.61	0.40	-193.61
1,500	-33,293.03	202	81	120	40.10	983.92	-2,315.18	297.70	-478.39	0.62	0.42	-164.82
1,400	-32,749.96	202	68	134	33.66	993.96	-2,000.00	294.56	-393.88	0.75	0.38	-162.13
1,300	-29,616.48	202	71	130	35.15	968.86	-1,324.62	274.16	-377.55	0.73	0.40	-146.62
1,200	-27,413.27	202	71	131	35.15	1,243.06	-1,318.40	259.43	-349.87	0.74	0.40	-135.71
1,100	-21,629.83	202	76	125	37.62	1,020.18	-968.50	215.95	-304.34	0.71	0.43	-107.08
1,000	-18,015.18	202	58	144	28.71	365.47	-629.00	133.12	-178.72	0.74	0.30	-89.18

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

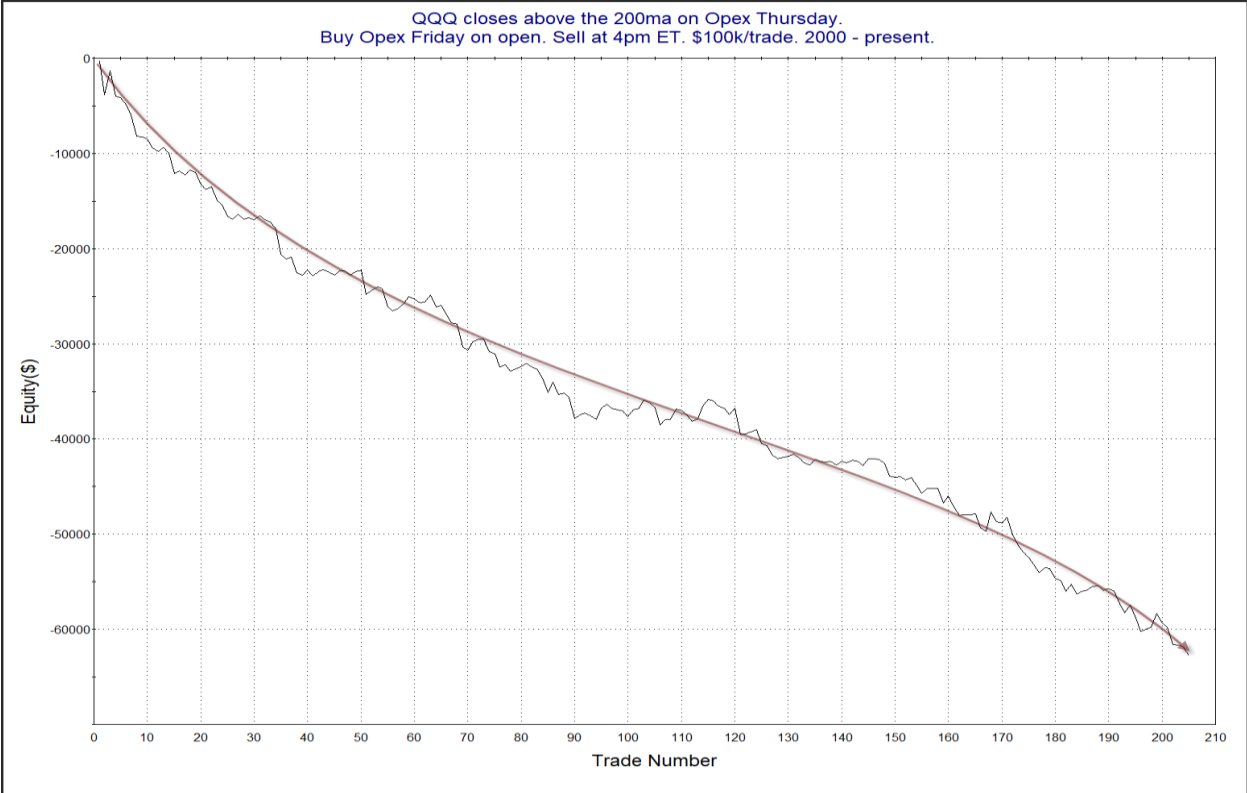
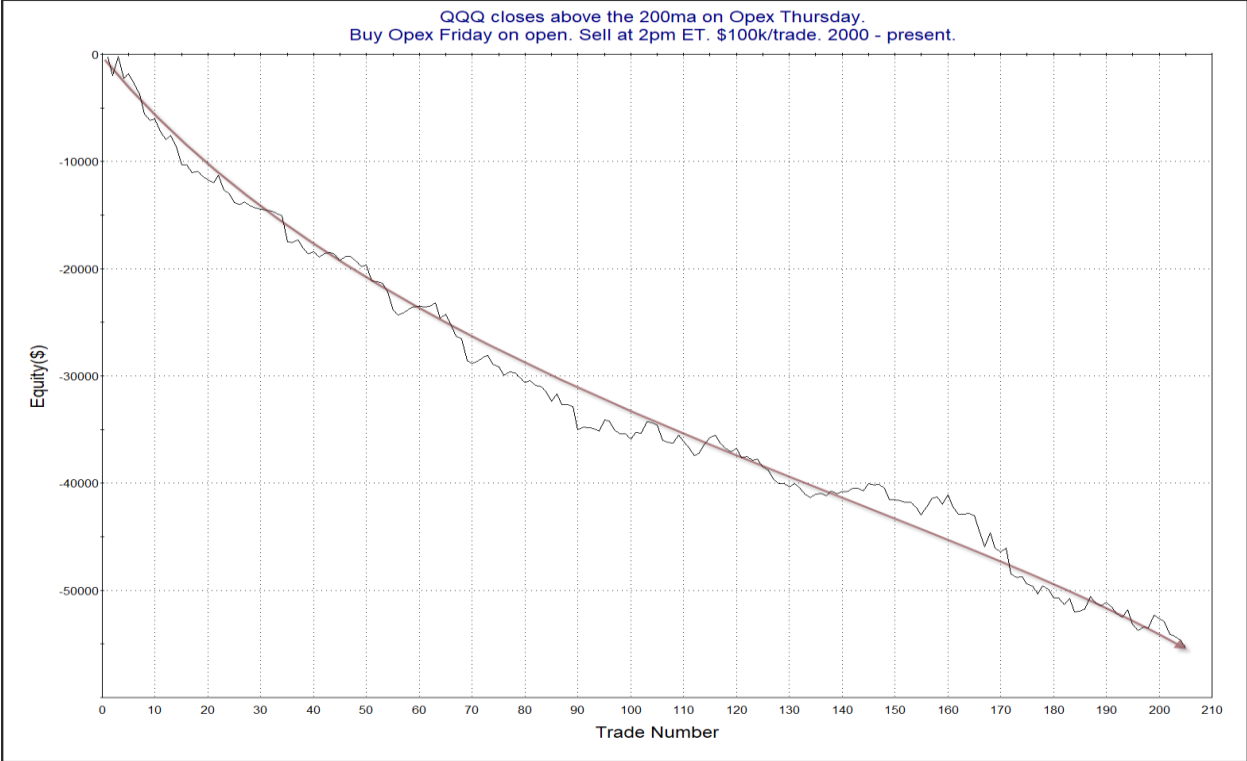


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

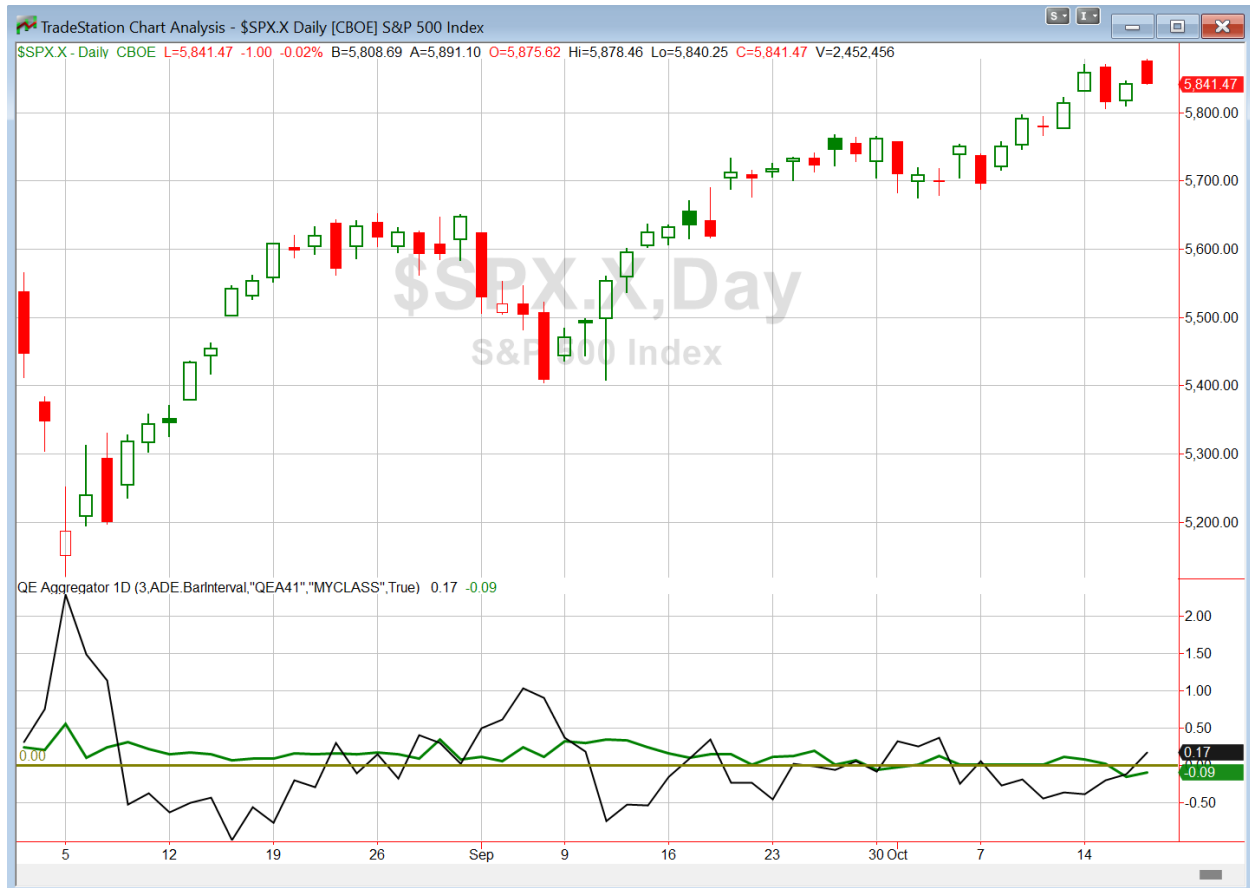
QQQ closes above the 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-62,713.32	205	78	127	38.05	2,516.00	-3,525.88	449.62	-769.95	0.58	0.36	-305.92
1,500	-56,351.09	205	73	130	35.61	1,739.00	-2,590.84	422.40	-670.66	0.63	0.35	-274.88
1,400	-55,327.38	205	65	137	31.71	1,822.25	-2,431.68	404.32	-595.68	0.68	0.32	-269.89
1,300	-48,697.56	205	69	135	33.66	1,655.75	-2,382.80	368.56	-549.10	0.67	0.34	-237.55
1,200	-46,763.19	205	73	131	35.61	2,488.25	-1,843.43	340.12	-546.50	0.62	0.35	-228.11
1,100	-38,453.43	205	69	135	33.66	1,998.00	-1,936.40	356.86	-467.23	0.76	0.39	-187.58
1,000	-29,877.99	205	64	140	31.22	1,332.00	-1,198.29	215.81	-312.07	0.69	0.32	-145.75



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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



Even with tonight's evidence considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line moved 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.

Based on the current active studies, expectations are slated to remain negative on Friday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be inverted at 5827.15 on Friday. That is 0.25% *below* Thursday'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 0.25% in order to remain oversold. Anything other than that and it will change to "overbought" versus recent expectations as of Friday's close.

So the Aggregator is now neutral. Evidence is mixed and the Differential Pivot is inverted. In other words, there is uncertainty all around. That does not make for a high probability setup. I'll continue to exercise patience until the next favorable reward/risk opportunity arrives.

*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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