

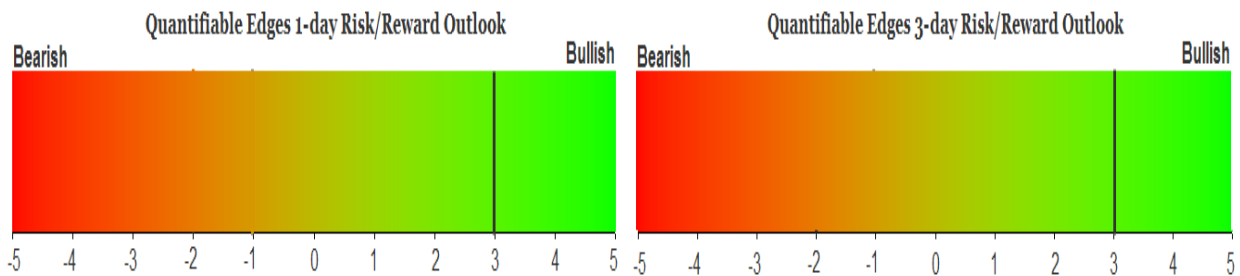
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 24, 2024

Volume 17 Issue 206

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- A gap below a short-term low and further selling in a long-term uptrend is often followed by a move up over the next few days.
- 3 down days from a 50-day high that closes < 10ma but above 10-day low suggest an upside edge.
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## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. I like the long side.

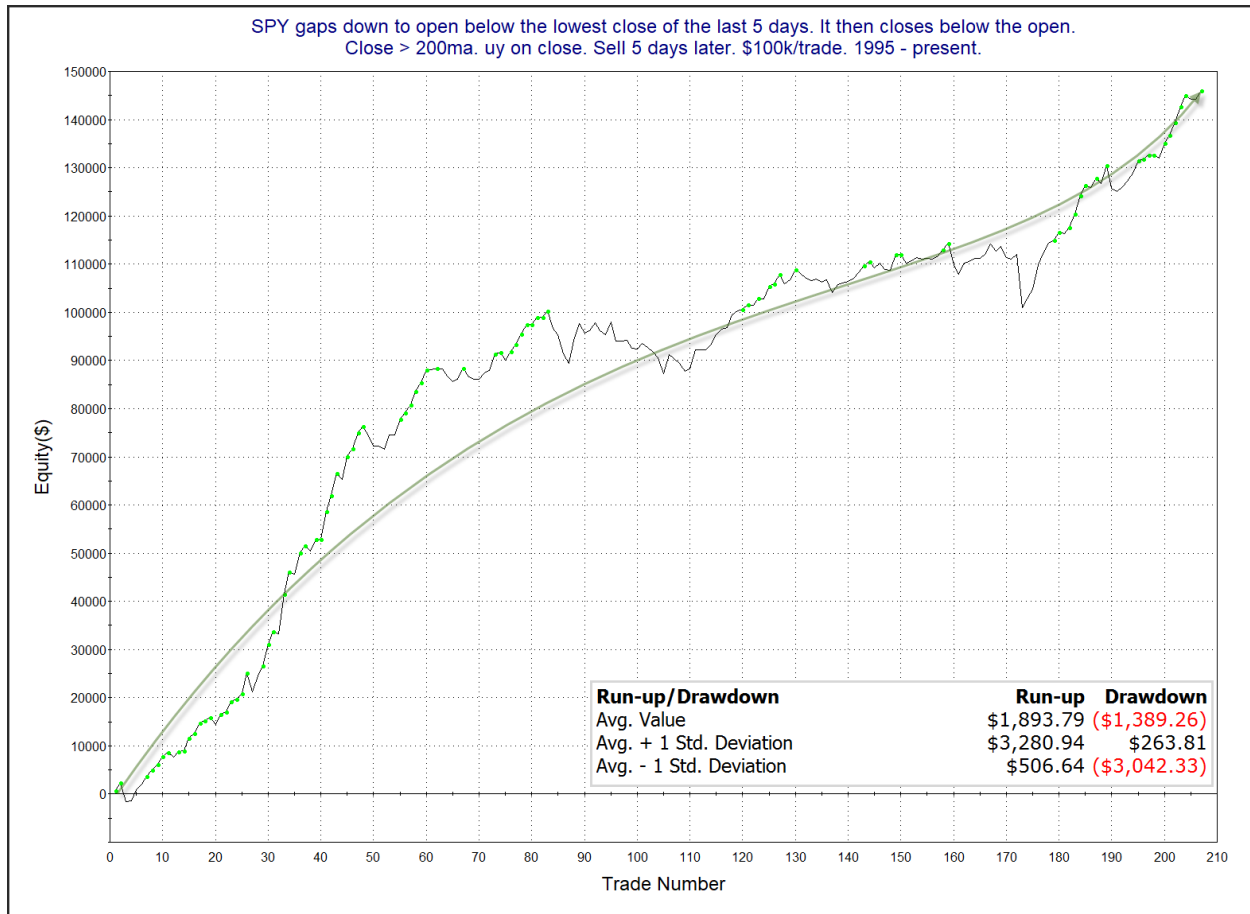
### *The Evidence*

Wednesday saw the market sell off. The SPX fell 0.9%, the NASDAQ dropped 1.6%, and the Russell 2000 lost 0.9%. Breadth was weak as the NYSE Up Issues % was 26% and the Up Volume % came in at 33%. NYSE total volume declined some from Tuesday's level.

There were several studies that triggered on Wednesday with bullish short-term implications. The one below was last seen in the 5/31/24 letter. It looked at times that SPY gapped down to a short-term low, and then sold off further during the day, while in a long-term uptrend. I have updated the results.

SPY gaps down to open below the lowest close of the last 5 days. It then closes below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	145,968.27	207	142	64	68.60	8,239.74	-11,128.78	1,729.88	-1,557.41	1.11	2.46	705.16
4	126,752.75	216	145	71	67.13	5,581.02	-10,755.03	1,624.88	-1,533.17	1.06	2.16	586.82
3	108,221.55	228	141	86	61.84	5,117.85	-6,572.02	1,507.87	-1,213.81	1.24	2.04	474.66
2	102,254.73	241	154	84	63.90	5,477.88	-6,228.17	1,165.90	-920.16	1.27	2.32	424.29
1	59,680.73	261	167	94	63.98	5,764.38	-4,181.76	814.85	-812.76	1.00	1.78	228.66

The numbers here look fairly bullish. Here is the 5-day profit curve.



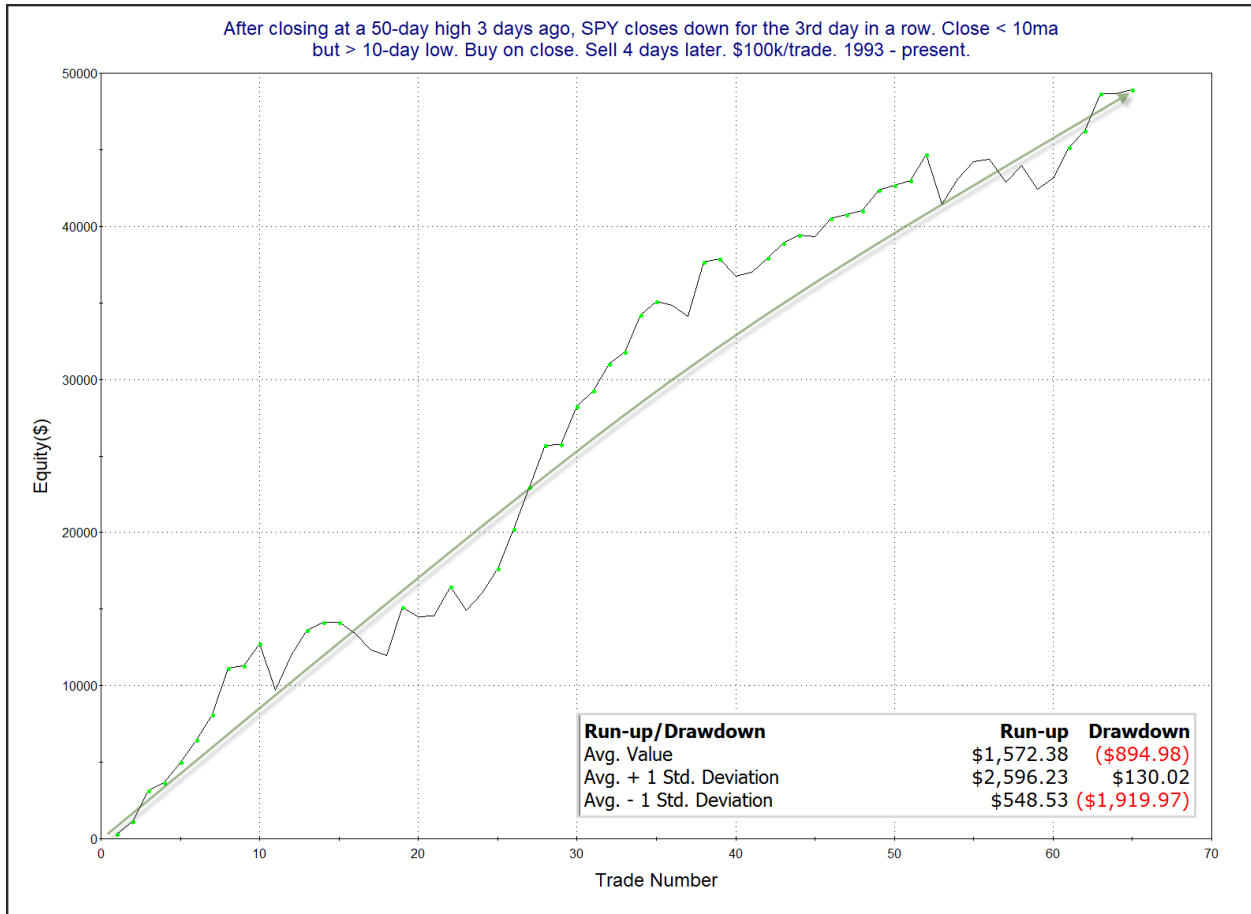
Not the straightest line, but it has made it way from lower left to upper right and is again at new highs.

This next study considered the fact that the 3-day pullback was occurring right after a high was hit. Additionally, it required that the pullback was deep enough to put it below the 10ma, but *not* deep enough to see it at a 10-day closing low. It was last seen in the 3/18/24 subscriber letter, and I have updated the stats.

After closing at a 50-day high 3 days ago, SPY closes down for the 3rd day in a row. Close < 10ma but > 10-day low. 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	47,223.36	64	45	19	70.31	3,522.94	-3,453.71	1,524.76	-1,125.82	1.35	3.21	737.87
4	48,916.47	65	51	14	78.46	3,543.50	-3,235.68	1,272.83	-1,142.70	1.11	4.06	752.56
3	34,878.79	65	44	21	67.69	3,543.50	-4,572.96	1,266.95	-993.68	1.28	2.67	536.60
2	17,656.55	65	43	22	66.15	3,073.95	-2,781.35	917.16	-990.07	0.93	1.81	271.64
1	9,523.57	65	39	26	60.00	3,149.85	-2,031.09	733.17	-733.46	1.00	1.50	146.52

Under these circumstances, it appears bounces have been both reliable and powerful. The 1<sup>st</sup> four days show some very impressive stats. Below is a look at the profit curve assuming a 4-day exit technique.



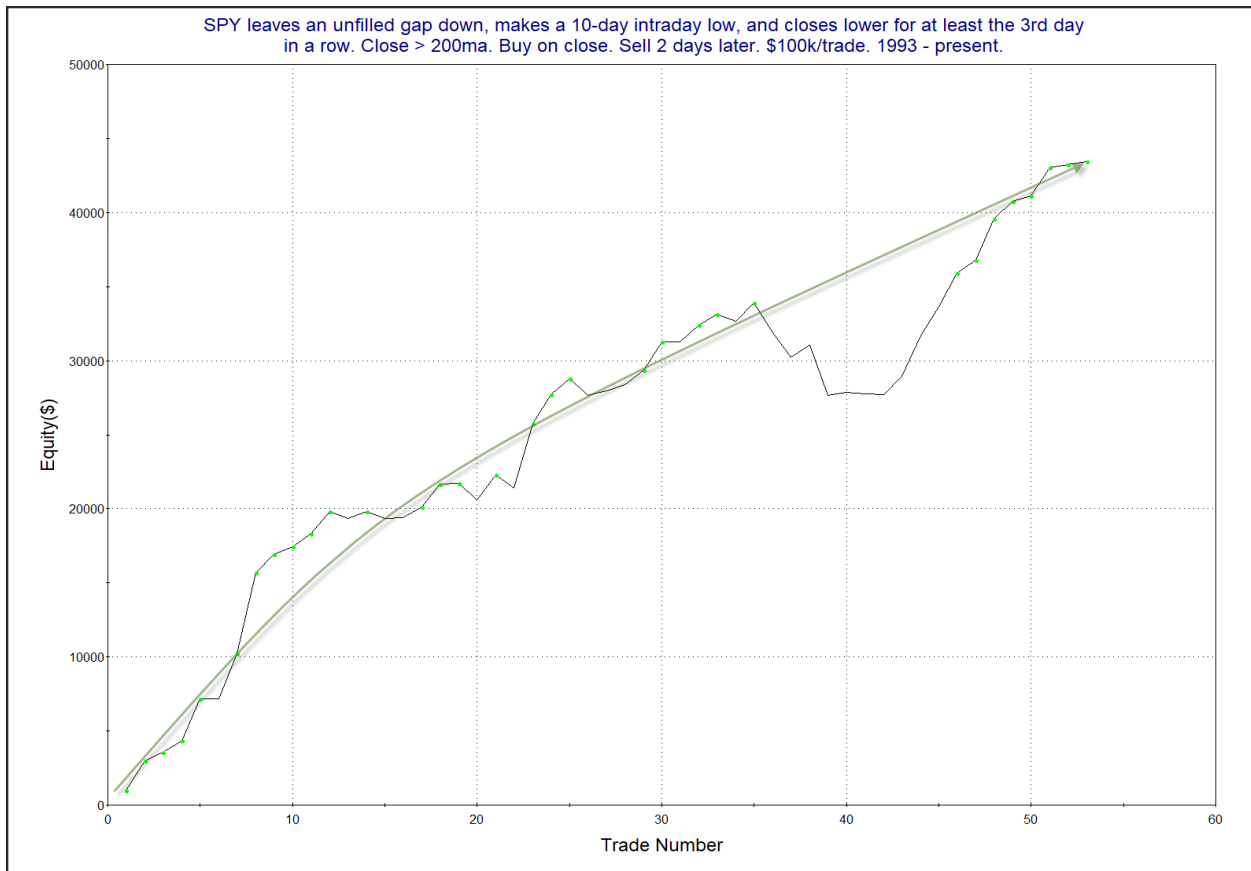
Despite a few bumps, the curve is back at a new high and appears to provide confirmation of the bullish tendency suggested by the stats table.

The study below combined a few observations and served as a good description of the current market setup. It looked for multiple down days, short-term lows, and an unfilled gap down. It was last seen in the 9/22/23 letter. I have updated the results.

SPY leaves an unfilled gap down, makes a 10-day intraday low, and closes lower for at least the 3rd day in a row. Close > 200ma. 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	52,498.84	53	37	16	69.81	8,239.74	-4,770.78	2,008.97	-1,364.57	1.47	3.40	990.54
4	37,693.71	53	35	18	66.04	5,581.02	-8,109.60	1,971.97	-1,740.29	1.13	2.20	711.20
3	39,132.46	53	37	16	69.81	4,249.44	-7,722.10	1,673.09	-1,423.24	1.18	2.72	738.35
2	43,463.27	53	40	12	75.47	5,477.88	-3,385.20	1,378.25	-972.24	1.42	4.73	820.06
1	27,045.85	56	41	15	73.21	5,764.38	-3,028.70	979.08	-873.11	1.12	3.07	482.96

The stats suggest a high probability of an almost immediate bounce. Below is a profit curve assuming a 2-day holding period.



The curve is a little choppy, but it has made its way from lower left to upper right. And the last 11 instances have all turned out winners. The study certainly seems strong enough to include on the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside 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 positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current active studies, expectations are slated to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5838.52 on Thursday. That is 0.7% above Wednesday's close. Therefore, SPX will need to close up at least 0.7% on Thursday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is long. We have a few studies pointing higher, and there is ample room to the upside before SPX would turn overbought. This appears to be a decent place to start a small long position. I will take on some SPY exposure on Thursday if I can get a decent fill.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 10/21 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

***New***

HD – 1/3 @ \$399.64

### ***Broad Market Large Cap CBI – 1(HD)***

## **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.*

**HD – Buy 1/3 Catapult position @ \$299.64 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of HD.

**SPY – Buy ¼ index position @ \$577.75 LIMIT.** Based on the short-term outlook above, I will look to start a small SPY position on almost any dip on Thursday.

## **Current Open Trade Ideas**

**None**

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