

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 17, 2025

Volume 18 Issue 198

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The stretched VIX with SPX in an uptrend is suggestive of a market bounce.
- Opex Friday has often seen selling after the opening bell.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I favor the long side.

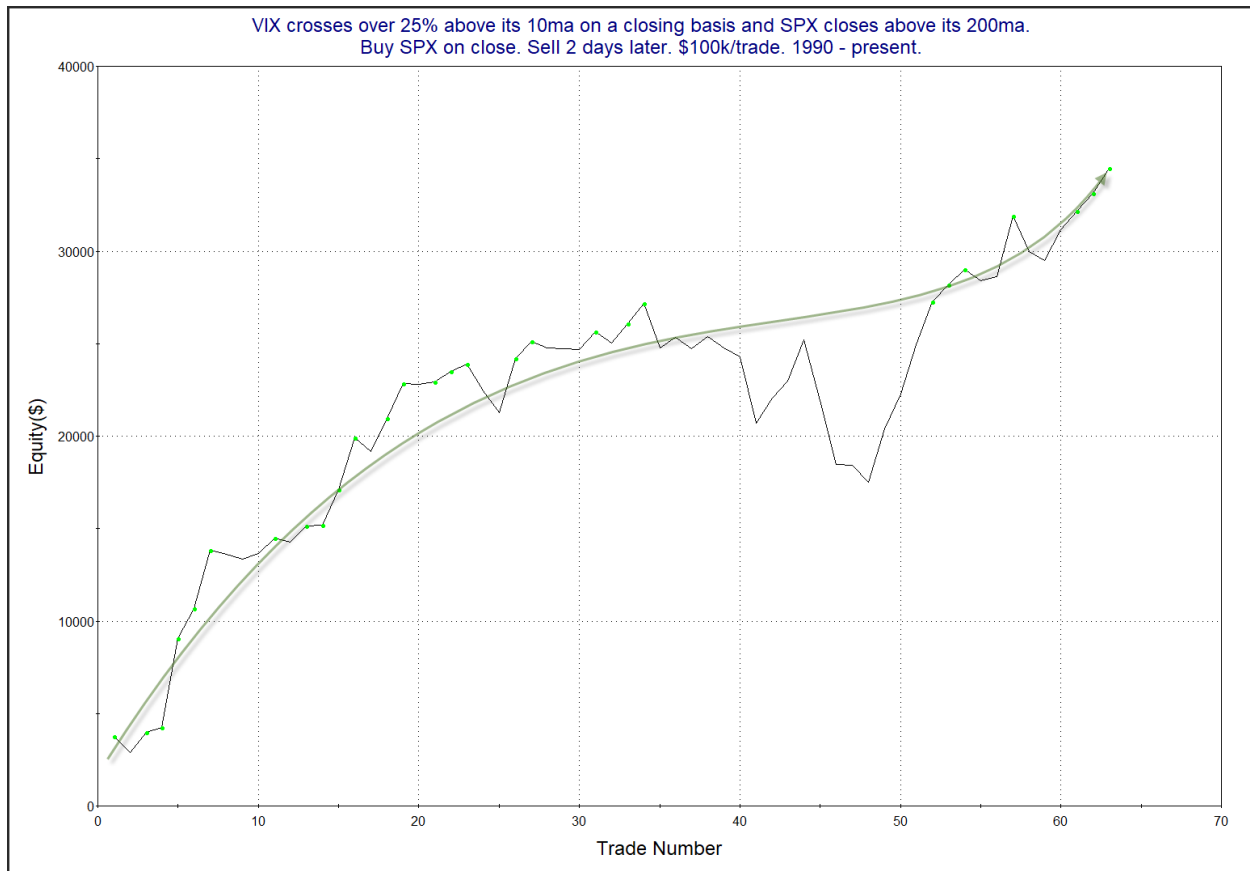
The Evidence

Thursday was a tough day for the market. SPX lost 0.6%, the NASDAQ fell 0.5%, and the Russell 2000 tumbled 2.1%. Breadth was weak as the NYSE Up Issues % closed at 27% and the NYSE Up Volume % posted a 24% reading. NYSE total volume rose some from Wednesday's level.

While the SPX declined, the VIX index rose sharply. In fact, it closed 32.9% above its 10-day moving average. The study below examined stretches of 25% or more. I last showed it in the weekend letter a few days ago, and have updated the results.

VIX crosses over 25% above its 10ma on a closing basis and SPX closes above its 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1990 - 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	44,510.96	56	33	23	58.93	7,070.28	-5,132.88	2,248.69	-1,291.13	1.74	2.50	794.84
4	38,557.31	58	38	20	65.52	4,690.50	-8,150.10	1,986.55	-1,846.57	1.08	2.04	664.78
3	29,841.69	58	37	21	63.79	3,940.55	-7,413.90	1,675.16	-1,530.43	1.09	1.93	514.51
2	34,502.96	63	39	24	61.90	4,809.66	-3,591.06	1,510.25	-1,016.54	1.49	2.41	547.67
1	15,957.68	63	40	23	63.49	5,117.46	-4,074.84	1,028.80	-1,095.40	0.94	1.63	253.30

The numbers look solid. Bounces seem to have been the norm under these circumstances. Below is a profit curve that assumes a 2-day exit strategy.



Despite the chop, performance lately has been strong, and the curve is back new highs. I have included this study on the Active List.

While the study above is compelling, it does not speak to just how unusual VIX action was. VIX closing up more than 4 points (and over 22%) while SPX only had a moderate decline is something that has rarely occurred in the past. I looked at the setup a few ways:

- Times when SPX closed down but less than 1% while VIX closed up at least 4 *points* and higher than 20 – only two instances triggered (9/3/98 and 7/13/20).
- Times when SPX closed down but less than 1% while VIX closed up at least 20% and higher than 20 – only one instance triggered (6/13/16).

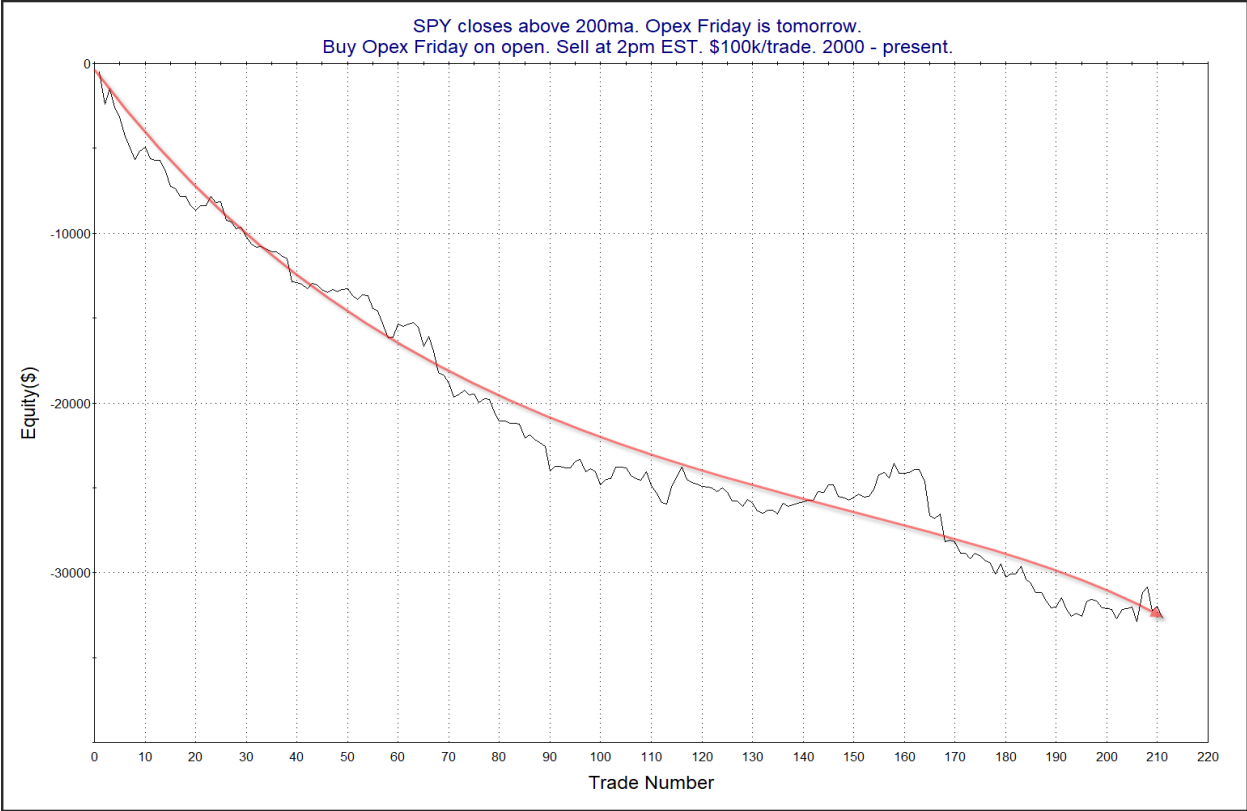
You're not going to be able to draw strong conclusions from so few instances – except that the action is quite unusual. That in itself can be useful information letting you know that the market may not be adhering to historical norms and that some caution may be appropriate.

Friday is options expiration (opex). The commentary below is from the 7/18/25 letter. I did not update it tonight, but the last few instances have not changed any of the conclusions...

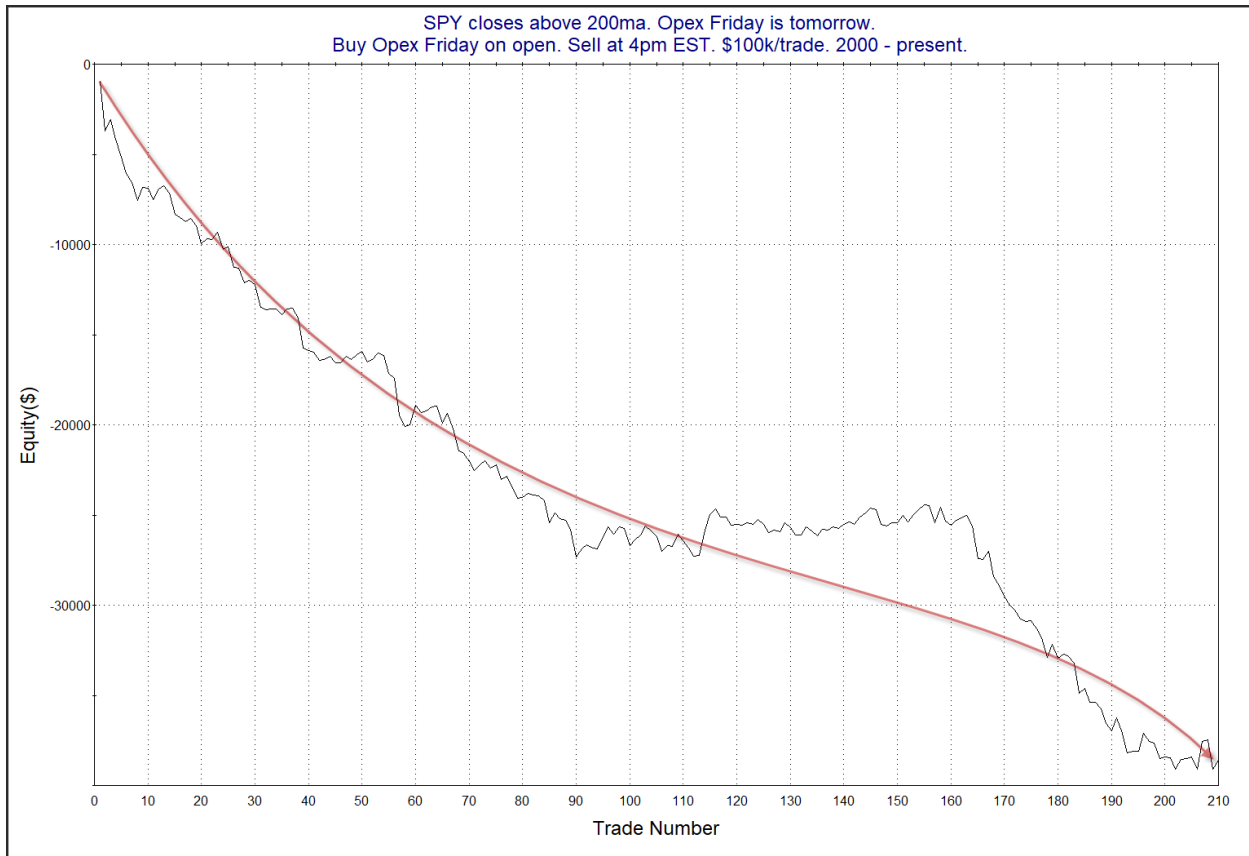
Options expiration has long been a day that has seen weakness after the opening bell. The studies below are some that I have shown several times over the years... This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

SPY closes above 200ma. Opex Friday is tomorrow. 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	-39,288.41	211	86	125	40.76	1,547.00	-2,746.58	334.10	-544.17	0.61	0.42	-186.20
1,500	-33,419.04	211	86	124	40.76	1,824.10	-2,315.18	317.17	-489.48	0.65	0.45	-158.38
1,400	-32,693.54	211	74	137	35.07	1,751.00	-2,000.00	311.26	-406.77	0.77	0.41	-154.95
1,300	-28,400.50	211	77	133	36.49	2,172.60	-1,324.62	297.61	-385.84	0.77	0.45	-134.60
1,200	-26,688.94	211	74	137	35.07	2,150.50	-1,318.40	285.89	-349.23	0.82	0.44	-126.49
1,100	-22,397.43	211	79	131	37.44	1,103.30	-968.50	226.17	-307.37	0.74	0.44	-106.15
1,000	-18,742.59	211	61	150	28.91	365.47	-629.00	130.95	-178.21	0.73	0.30	-88.83

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.



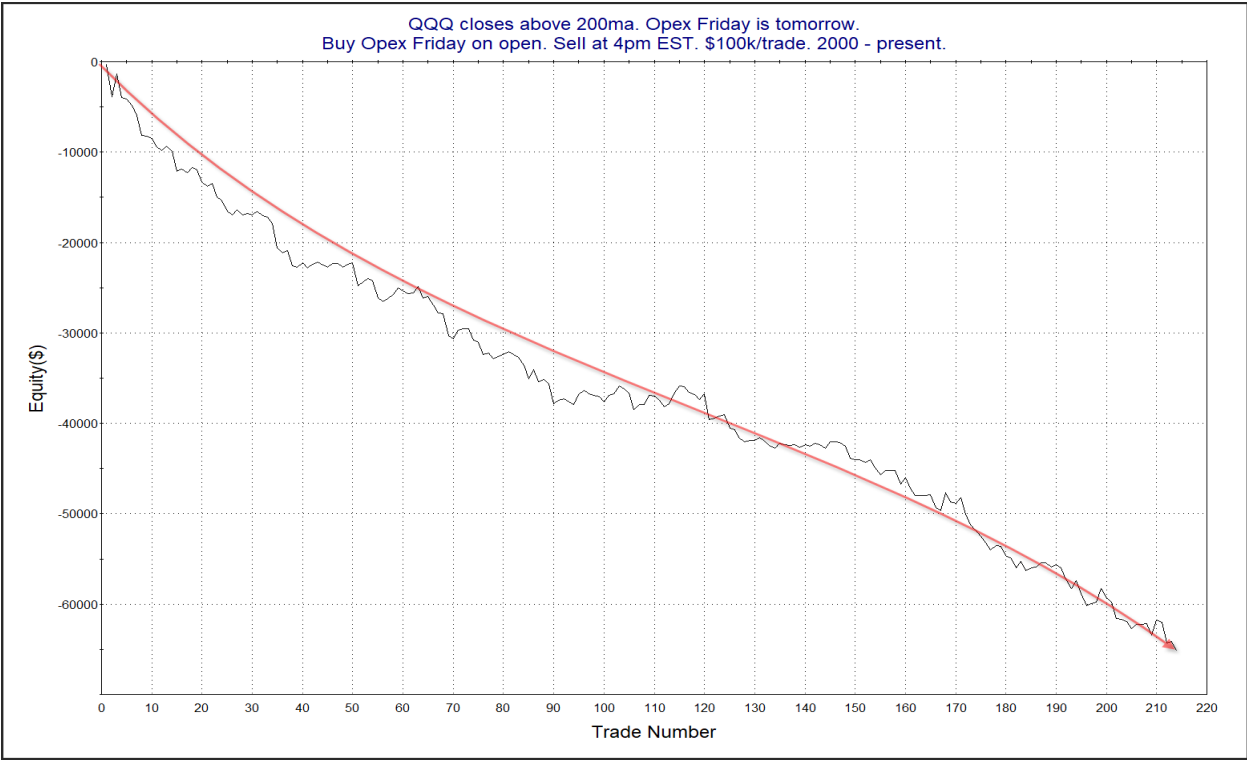
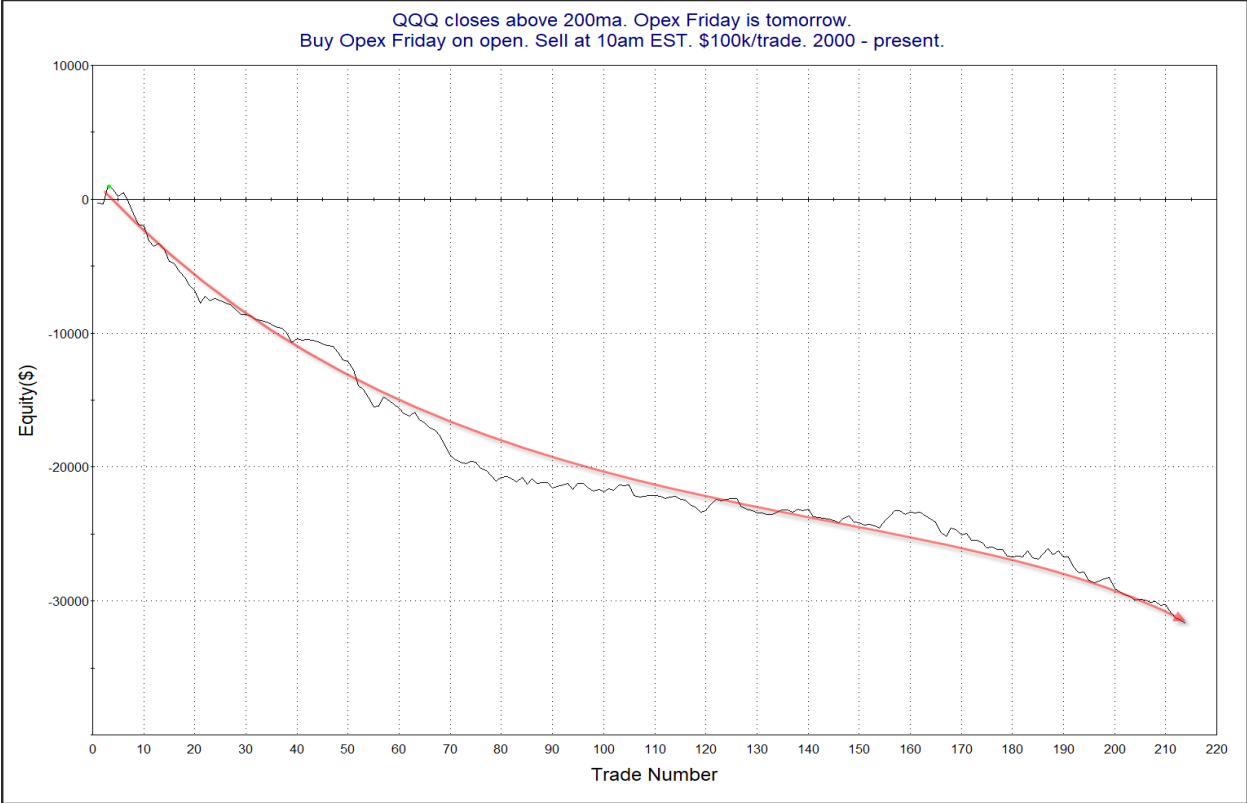
This is also impressive.

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

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

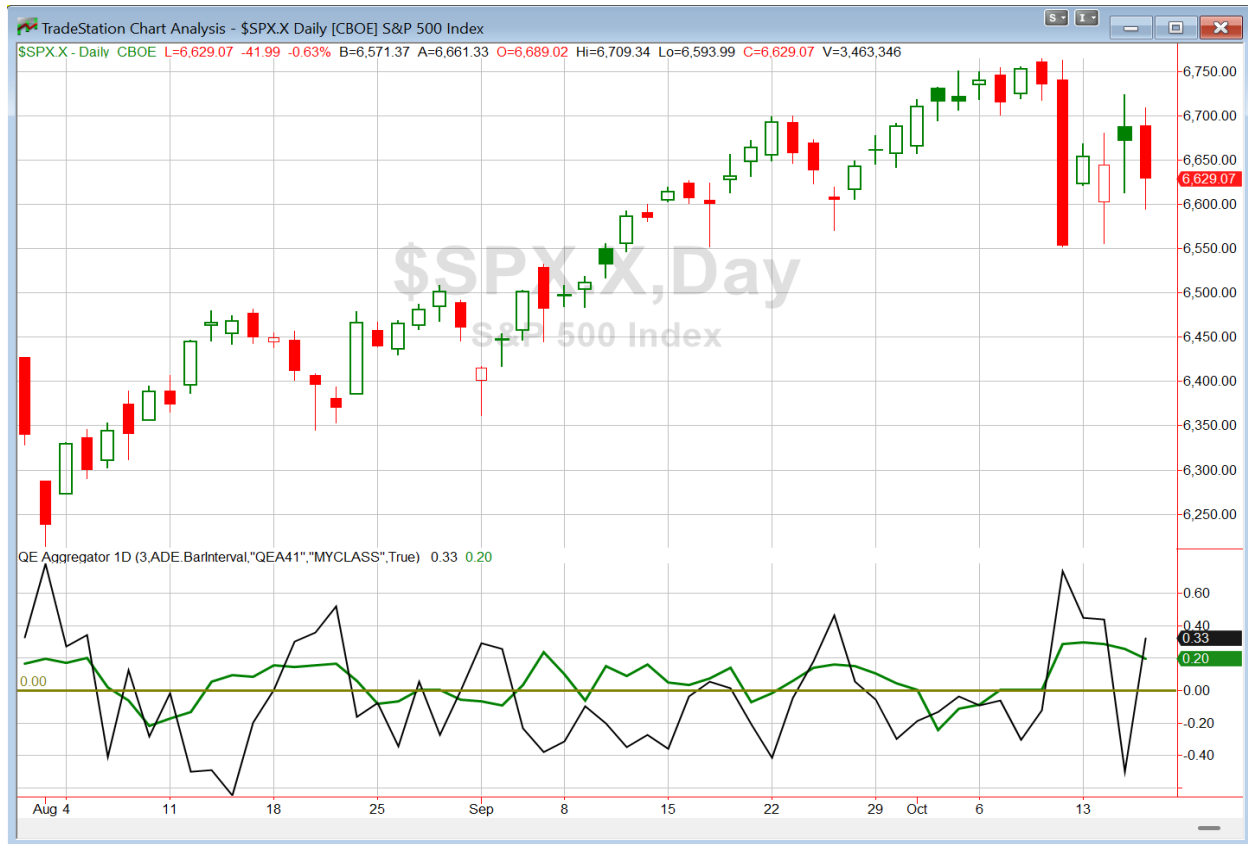
OE Op-Ex Fri Intra Short: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-65,176.18	214	82	132	38.32	2,516.00	-3,525.88	456.56	-777.38	0.59	0.36	-304.56
1,500	-58,465.34	214	77	135	35.98	2,246.52	-2,590.84	439.46	-683.73	0.64	0.37	-273.20
1,400	-57,355.83	214	68	143	31.78	2,104.90	-2,431.68	428.13	-604.68	0.71	0.34	-268.02
1,300	-49,280.00	214	72	141	33.64	2,541.40	-2,382.80	400.96	-554.25	0.72	0.37	-230.28
1,200	-47,912.98	214	76	137	35.51	2,518.12	-1,843.43	364.95	-552.18	0.66	0.37	-223.89
1,100	-40,940.07	214	71	142	33.18	1,998.00	-1,936.40	368.24	-472.43	0.78	0.39	-191.31
1,000	-31,708.78	214	66	147	30.84	1,332.00	-1,198.29	211.52	-310.67	0.68	0.31	-148.17

Also notable is that nearly half the downside edge has occurred in the 1st half hour of trading. So Below are profit curves for 10am and 4pm.



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.



With tonight's evidence considered, the green Aggregator Line remained well above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line rose back 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 list, expectations are slated to remain positive on Friday. That is unlikely to change. Meanwhile, the Differential Pivot will be 6702.13. That is 1.1% above Thursday's close. Therefore, SPX will need to close up at least 1.1% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Reward/risk appears favorable for the bulls. I like the long side, and think there is opportunity for a long trade idea here. I'll position size conservatively since market action is somewhat abnormal, and I will look for a favorable entry either near the open or the close on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/13 – *bullish*

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

CMCSA – 1/3 @ \$30.40 (bought @ limit)

ABBV – 1/3 @ \$226.22 (buy @ limit)

Broad Market Large Cap CBI – 2 (CMCSA, ABBV)

Additional New Trade Ideas

SPY – Buy ¼ index position @ \$659.50 LIMIT ON OPEN. If not filled, cancel order and look to enter at \$660.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look for a small lot of long exposure if I can get a favorable fill near the open or near the close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CMCSA(1/3)	10/10/2025	\$30.08	\$29.26	-2.73%	Catapult
ABBV(1/3)	10/16/2025	\$226.22	\$226.87	0.29%	Catapult

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