

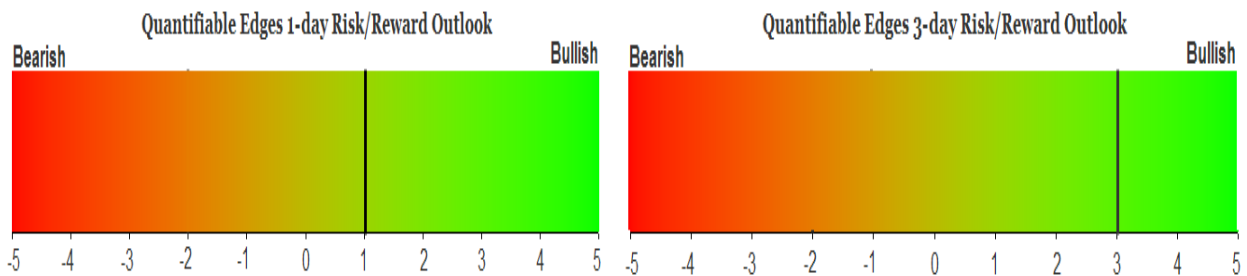
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 31, 2025

Volume 18 Issue 208

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	1

## Tonight's Research Points

- Unfilled gaps down from 50-day highs have exhibited a downside edge the following day.
- A Hindenburg Omen cluster is signaling potential danger ahead.

## *Short-term Outlook*

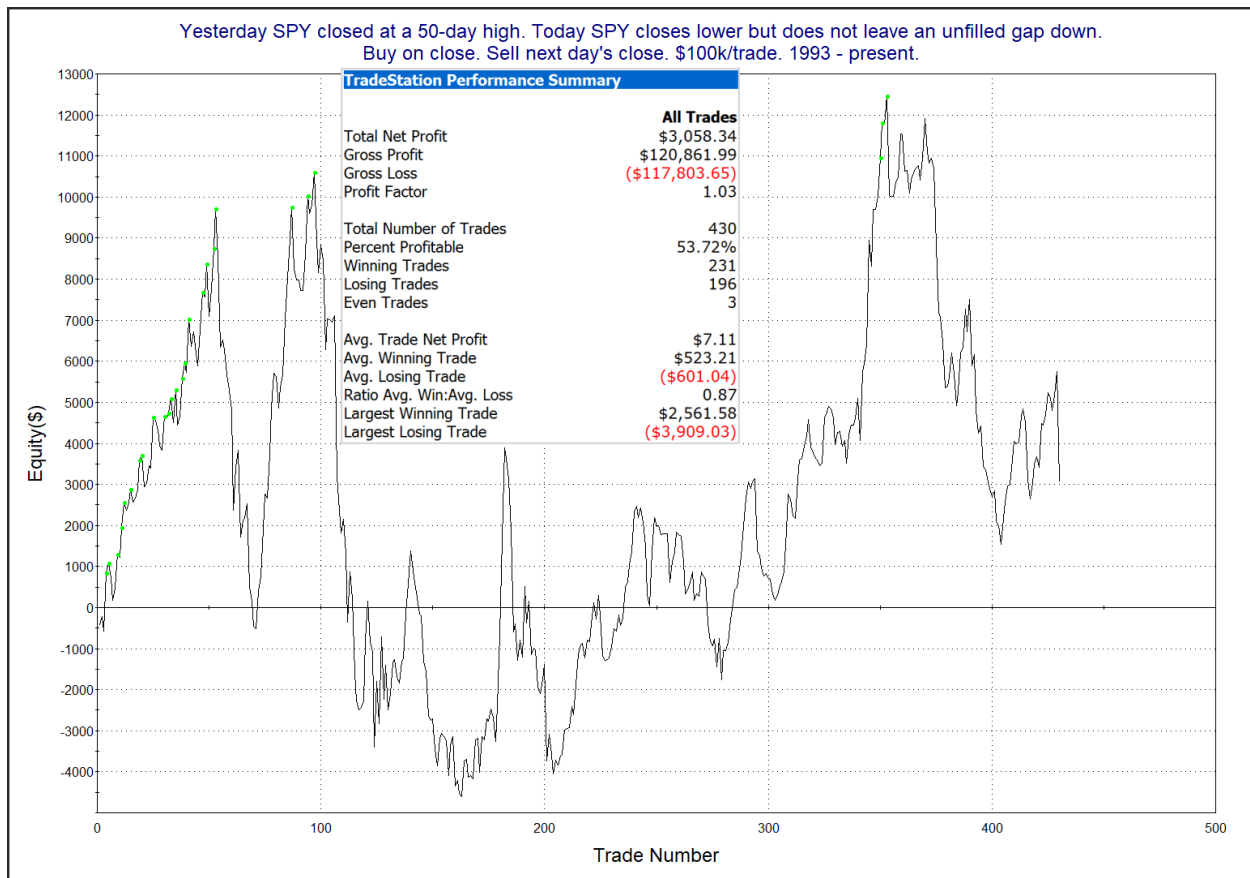
### *The Bottom Line*

The Aggregator is bullish. There appears to be a long-side edge, but perhaps not on Friday.

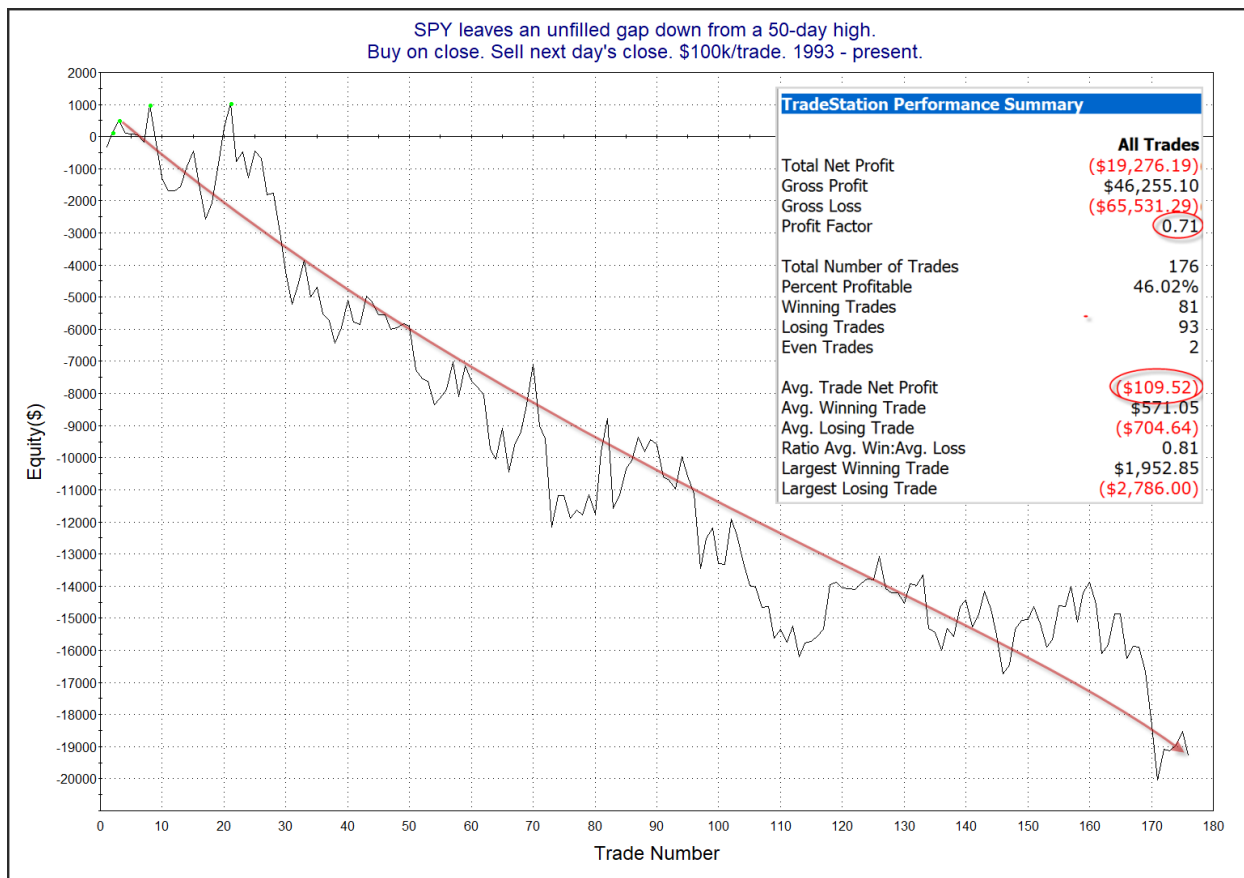
## The Evidence

Thursday was a day of selling. SPX lost 1.0%, the NASDAQ dropped 1.6%, and the Russell 2000 fell 0.8%. Breadth was weak as the NYSE Up Issues % closed at 29% and the NYSE Up Volume % posted a 35% reading. NYSE total volume rose some from Tuesday's level.

I discussed in the 9/2/25 letter that the 1<sup>st</sup> day down from a high does not often suggest a strong edge. But when the 1<sup>st</sup> day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. We saw this happen on Thursday. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. The 1<sup>st</sup> one shows performance following down closes from a 50-day high that do *not* include an unfilled gap lower.



There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



The move lower has persisted for a long time. The curve has seen an acceleration lately. The study overall is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. It suggests a moderate downside edge for Friday.

The Hindenburg Omen was created by Jim Miekka in 1995. It looks to identify times when there is a split market developing, which could signal trouble ahead. Note, there have been some discrepancy in the rules over the years. The rules I generally use are below.

1. The daily number of NYSE new 52 week highs and the daily number of new 52 week lows are both greater than or equal to 2.8% of the sum of NYSE issues that advance or decline that day. The original version of the indicator used 2.2%. When I originally researched the Hindenburg Omens a few years ago, 2.2% was the number I used, and it is the number I again use in the studies below. (Two side notes: 1) If I use 2.8% rather than 2.2% there have been substantially less signals, making it difficult to utilize the stats. This is why I have stuck to the 2.2% to this point. 2) Over time I have also seen published different places levels of 2.4% and 2.5%, so there is often some confusion over this requirement.

2. The NYSE index is greater in value than it was 50 trading days ago. Originally, this was expressed as a rising 10 week moving average, but the new rule is more relevant to the daily data used to look at new highs and lows.
3. The McClellan Oscillator is negative on the same day.
4. New 52 week highs cannot be more than twice the new 52 week lows (though new 52 week lows may be more than double new highs).

It is important to note that a single Hindenburg Omen signal is not a reliable indication of a market top, but that a cluster of numerous signals provide a more reliable indication of danger. Stats below look at performance after there is a signal for at least the 3<sup>rd</sup> time in the last 30 days, as well as the 4<sup>th</sup> time in the last 30 days.

A Hindenburg Omen day triggers for the 3rd time in the last 30 days. SPX forward results shown. 1957 - 7/10/2025										
Name	Dates	Trades	wins	losses	PctWins	AvgWin	AvgLoss	Expectancy	thrustForwardDays	
Hindenburg Omen	1/2/57 - 7/10/25		28	15	13	53.57%	5.61%	8.07%	-0.74%	100
Hindenburg Omen	1/2/57 - 7/10/25		28	15	13	53.57%	5.20%	7.34%	-0.62%	95
Hindenburg Omen	1/2/57 - 7/10/25		28	15	13	53.57%	5.73%	8.01%	-0.65%	90
Hindenburg Omen	1/2/57 - 7/10/25		29	16	13	55.17%	5.34%	7.87%	-0.58%	85
Hindenburg Omen	1/2/57 - 7/10/25		29	14	15	48.28%	5.29%	6.70%	-0.91%	80
Hindenburg Omen	1/2/57 - 7/10/25		29	14	15	48.28%	6.81%	6.59%	-0.12%	75
Hindenburg Omen	1/2/57 - 7/10/25		29	16	13	55.17%	5.12%	7.66%	-0.61%	70
Hindenburg Omen	1/2/57 - 7/10/25		30	12	18	40.00%	5.47%	6.21%	-1.54%	65
Hindenburg Omen	1/2/57 - 7/10/25		30	15	14	50.00%	5.18%	7.45%	-0.89%	60
Hindenburg Omen	1/2/57 - 7/10/25		31	15	16	48.39%	4.81%	5.98%	-0.76%	55
Hindenburg Omen	1/2/57 - 7/10/25		33	15	18	45.45%	4.82%	5.29%	-0.70%	50
Hindenburg Omen	1/2/57 - 7/10/25		36	18	18	50.00%	4.55%	6.63%	-1.04%	45
Hindenburg Omen	1/2/57 - 7/10/25		37	18	19	48.65%	3.86%	6.38%	-1.40%	40
Hindenburg Omen	1/2/57 - 7/10/25		37	16	21	43.24%	3.69%	5.62%	-1.59%	35
Hindenburg Omen	1/2/57 - 7/10/25		39	21	18	53.85%	3.09%	7.19%	-1.65%	30
Hindenburg Omen	1/2/57 - 7/10/25		39	18	21	46.15%	3.00%	5.18%	-1.41%	25
Hindenburg Omen	1/2/57 - 7/10/25		39	15	24	38.46%	3.00%	4.69%	-1.74%	20
Hindenburg Omen	1/2/57 - 7/10/25		39	17	22	43.59%	2.05%	4.36%	-1.57%	15
Hindenburg Omen	1/2/57 - 7/10/25		39	14	25	35.90%	1.97%	4.00%	-1.86%	10
Hindenburg Omen	1/2/57 - 7/10/25		40	11	29	27.50%	1.41%	1.75%	-0.88%	5

A Hindenburg Omen day triggers for the 4th time in the last 30 days.  
 SPX forward results shown. 1957 - 7/10/2025

Name	Dates	Trades	wins	losses	PctWins	AvgWin	AvgLoss	Expectancy	thrustForwardDays
Hindenburg Omen	1/2/57 - 7/10/25	20	10	10	50.00%	5.07%	5.90%	-0.42%	100
Hindenburg Omen	1/2/57 - 7/10/25	20	10	10	50.00%	4.87%	5.10%	-0.12%	95
Hindenburg Omen	1/2/57 - 7/10/25	20	10	10	50.00%	3.85%	4.98%	-0.56%	90
Hindenburg Omen	1/2/57 - 7/10/25	20	9	11	45.00%	4.68%	4.32%	-0.27%	85
Hindenburg Omen	1/2/57 - 7/10/25	20	9	11	45.00%	4.19%	4.81%	-0.76%	80
Hindenburg Omen	1/2/57 - 7/10/25	20	9	11	45.00%	4.78%	6.34%	-1.34%	75
Hindenburg Omen	1/2/57 - 7/10/25	20	11	9	55.00%	3.34%	4.81%	-0.33%	70
Hindenburg Omen	1/2/57 - 7/10/25	21	9	12	42.86%	2.55%	4.21%	-1.31%	65
Hindenburg Omen	1/2/57 - 7/10/25	21	12	9	57.14%	2.75%	6.15%	-1.06%	60
Hindenburg Omen	1/2/57 - 7/10/25	22	12	10	54.55%	3.07%	5.75%	-0.94%	55
Hindenburg Omen	1/2/57 - 7/10/25	23	12	11	52.17%	2.78%	5.25%	-1.06%	50
Hindenburg Omen	1/2/57 - 7/10/25	24	13	11	54.17%	2.69%	4.89%	-0.78%	45
Hindenburg Omen	1/2/57 - 7/10/25	24	12	12	50.00%	2.96%	5.17%	-1.10%	40
Hindenburg Omen	1/2/57 - 7/10/25	24	8	16	33.33%	2.80%	4.64%	-2.16%	35
Hindenburg Omen	1/2/57 - 7/10/25	25	15	10	60.00%	2.28%	6.22%	-1.12%	30
Hindenburg Omen	1/2/57 - 7/10/25	25	13	12	52.00%	2.58%	3.61%	-0.39%	25
Hindenburg Omen	1/2/57 - 7/10/25	25	7	18	28.00%	2.91%	2.70%	-1.13%	20
Hindenburg Omen	1/2/57 - 7/10/25	25	11	14	44.00%	2.10%	3.31%	-0.93%	15
Hindenburg Omen	1/2/57 - 7/10/25	25	12	13	48.00%	1.73%	2.65%	-0.54%	10
Hindenburg Omen	1/2/57 - 7/10/25	25	9	16	36.00%	1.05%	2.25%	-1.06%	5

The current 3-signal cluster is worth paying attention to. If we get a 4<sup>th</sup> signal fairly soon, that could be even more significant. I've added the Hindenburg Omen cluster as an intermediate-term study.

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



Even 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 rose above zero. The negative 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 list of active studies, expectations are set to remain positive on Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 6915.70. That is 1.4% above Thursday's close. Therefore, SPX will need to close up at least 1.4% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Most evidence from the last few days is pointing higher, and there is ample room to the upside before SPX would turn overbought. But as tonight's study showed, there is certainly a risk of more downside on Friday. So I will look to take on some long exposure – but only if SPX closes lower on Friday.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 10/27 – **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

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

*New*

CMCSA – 1/3 @ \$27.32 (buy @ limit)

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

## **Additional New Trade Ideas**

**CMCSA – Buy 1/3 Catapult position @ \$27.32 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of CMCSA.

**SPY – Buy ¼ index position @ \$679.82 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to take on some SPY exposure if it closes down again on Friday.

## **Current Open Trade Ideas**

**None**

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