# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 6, 2026 Volume 20 Issue 190

## Market Overview




## Signals Overview

| Aggregator | CBI Reading |
|---|---|
| Flat | 3 |

## *Tonight's Research Points*

- SPX broke out to a new 50-day high for the 1st time in a few weeks. Doing so on lower volume and on at least a 3rd straight higher close has historically shown an upside edge over the next week.
- SPY breakouts to 50-day highs that occur with an unfilled up gap have often led to more short-term buying.

## 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 7, 2026 | SPY 50-day high with unfilled gap up | 1-5 days | Bullish | 1.37% | -0.96% | -1.97% |
| October 7, 2026 | SPX 50-day high, lower volume, 3+ up days | 1-5 days | Bullish | 1.54% | -0.91% | -1.90% |
| Active - Long Term | | | | | | |
| September 22, 2026 | RUT low in 20-day range, SPX high in range | 1-40 days | Bullish | 5.17% | -3.67% | -6.92% |
| September 18, 2026 | SPX 20-day low close to 4-day high close | 1-20 days | Bullish | 3.95% | -1.99% | -4.27% |
| September 8, 2026 | NASDAQ leading | int term | Bullish | | | |
| August 5, 2026 | SPX 50-day %b crosses over 100 | 1-50 days | Bullish | 4.91% | -4.26% | -8.73% |
| July 6, 2026 | No QE. Rate rise probable. Fed hawkish | int term | Bearish | | | |
| May 13, 2026 | SPX historically strong 6-week rally | 1-12 months | Bullish | 18.96% | -8.29% | -10.88% |
| April 27, 2026 | Sell in May 2nd yr Pres Cycle & 5% pullback | 1-6 months | Bearish | | | |
| June 30, 2025 | SPX Golden Cross (7/1/25) | int term | Bullish | | | |
| Dropped Tonight (target hit, or avg drawdown + 1 std dev exceeded) | | | | | | |
| ***October 2, 2026*** | ***SPX higher high & down, then lower l*** | ***1-5 days*** | ***Bullish*** | ***2.07%*** | ***-1.18%*** | ***-2.38%*** |

## *The Evidence*

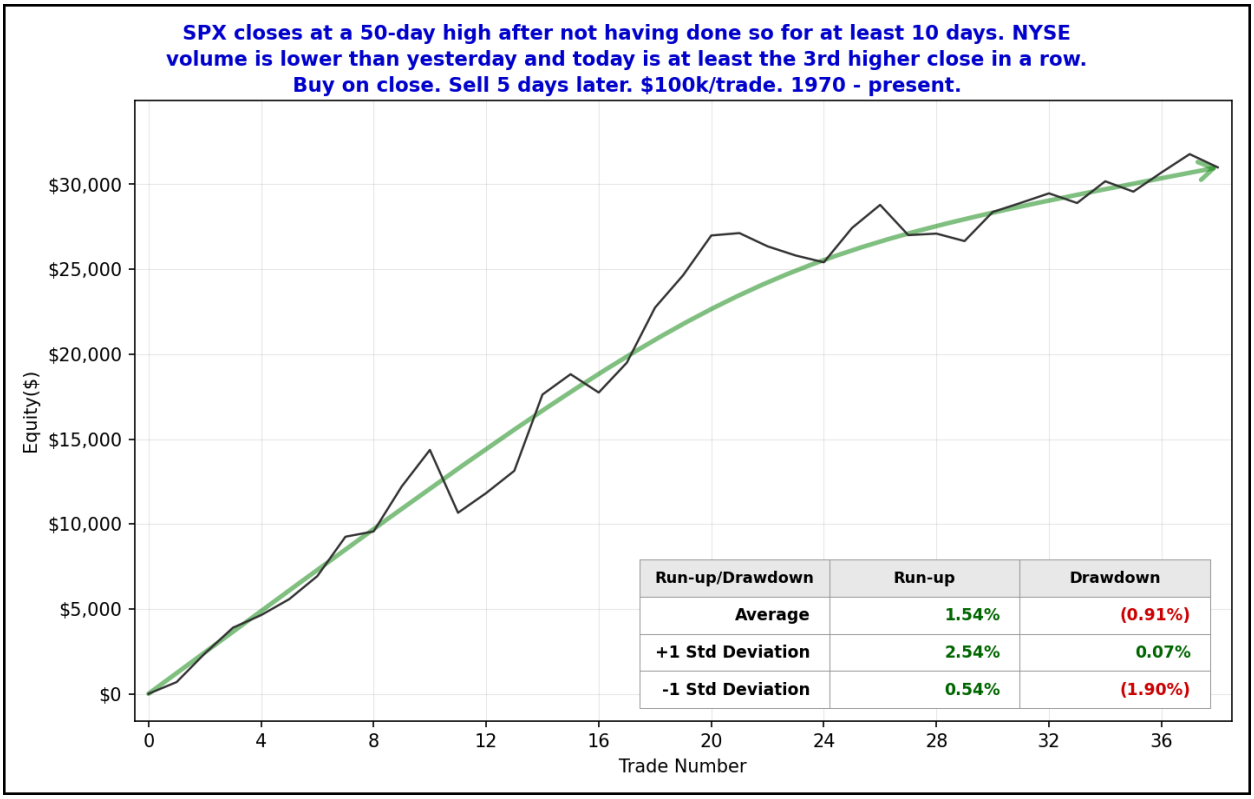
The market was mostly higher on Tuesday with the SPX and the Nasdaq both making new all-time highs. SPX finished up 0.6%, the NASDAQ gained 0.4%, and the Russell 2000 declined 0.6%. Breadth was positive as the NYSE Up Issues % closed at 60% and the NYSE Up Volume % posted a 65% reading. NYSE total volume dropped sharply from Monday's level.

The SPX closed at new 50-day high for the 1st time since August 13th. Days where the market breaks out to a new 50-day high for the 1st time in a while will often give some clues as to the likely additional follow-through. One indicator that helps to give clues is the volume on the breakout. In the past I have broken down volume by times it came in 1) lower, 2) the highest in 20 days, and 3) higher, but not the highest level in 20 days. Tuesday the volume fit into the 1st category, which was lower. That has been a good one. (Higher volume, but not the highest in 20 days is the worst.) Back in the 10/27/25 letter I looked at other times this happened while SPX had also closed higher for 3 days in a row, suggesting it was short-term overbought. I've updated those results below.

**SPX closes at a 50-day high after not having done so for at least 10 days. NYSE volume is lower than yesterday and today is at least the 3rd higher close in a row. Buy on close. Sell X days later. 1970 - present.**

| X Days | Total Trades | Winning Trades | Losing Trades | Win % | Max Winning Trade | Max Losing Trade | Avg Winning Trade | Avg Losing Trade | Win/Loss Ratio | Profit Factor | Avg Trade |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 5 | 38 | 28 | 10 | 73.68% | 4.49% | -3.70% | 1.49% | 1.07% | 1.39 | 3.90 | 0.815% |
| 4 | 38 | 29 | 9 | 76.32% | 4.45% | -2.15% | 1.04% | 1.11% | 0.93 | 3.01 | 0.529% |
| 3 | 38 | 25 | 13 | 65.79% | 3.96% | -1.08% | 1.07% | 0.56% | 1.91 | 3.67 | 0.510% |
| 2 | 38 | 28 | 10 | 73.68% | 2.14% | -1.74% | 0.77% | 0.85% | 0.91 | 2.54 | 0.342% |
| 1 | 38 | 23 | 15 | 60.53% | 1.39% | -1.05% | 0.50% | 0.40% | 1.25 | 1.92 | 0.146% |

The numbers here look solidly bullish. Below is a look at the 5-day profit curve.



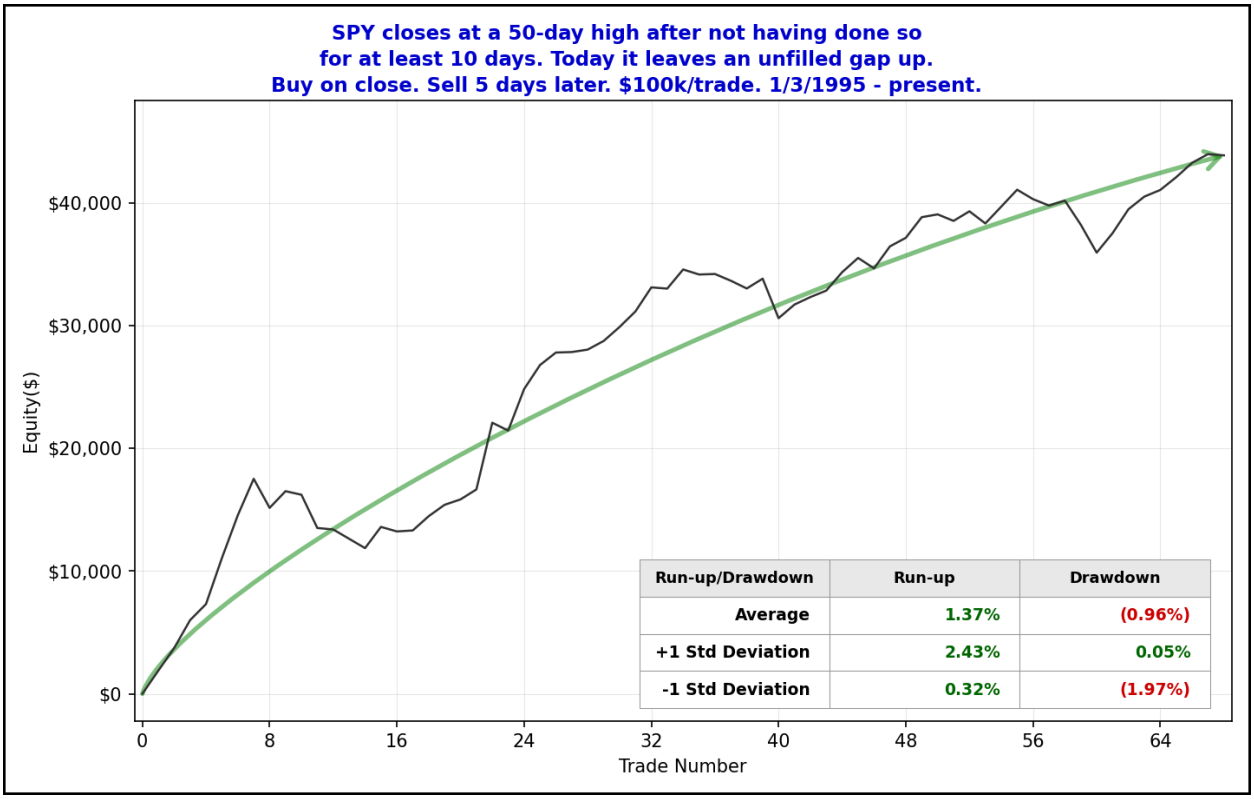

That is a nice persistent move from lower left to upper right on the chart. The evidence as a whole seems good enough to give this study some consideration. So I have included it on the active list.

There was also good news with regards to how SPY broke out. This is because the breakout came with an unfilled gap up. I last showed the importance of an unfilled gap in the 8/5/26 subscriber letter. I have updated those studies below.

**SPY closes at a 50-day high after not having done so for at least 10 days. Today it leaves an unfilled gap up.**
**Buy on close. Sell X days later. 1/3/1995 - present.**

| X Days | Total Trades | Winning Trades | Losing Trades | Win % | Max Winning Trade | Max Losing Trade | Avg Winning Trade | Avg Losing Trade | Win/Loss Ratio | Profit Factor | Avg Trade |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 5 | 68 | 47 | 21 | 69.12% | 5.44% | -3.22% | 1.38% | 1.00% | 1.38 | 3.09 | 0.645% |
| 4 | 68 | 46 | 22 | 67.65% | 3.64% | -3.27% | 1.08% | 0.88% | 1.23 | 2.58 | 0.448% |
| 3 | 68 | 44 | 24 | 64.71% | 3.99% | -2.54% | 1.02% | 0.85% | 1.19 | 2.19 | 0.358% |
| 2 | 68 | 44 | 24 | 64.71% | 2.60% | -2.32% | 0.77% | 0.65% | 1.18 | 2.17 | 0.269% |
| 1 | 68 | 43 | 24 | 63.24% | 1.92% | -2.64% | 0.49% | 0.58% | 0.85 | 1.52 | 0.107% |

Results here are strong across the board. Below is an equity curve using a 5-day holding period.




It has been a bit choppy, but the move up is still impressive. Technicians will often use the term "breakaway gap". This suggests the gap occurs on the same day as a base breakout. The idea is that the new high causes excitement and the gap leaves a good amount of people sidelined or stuck short. When it doesn't immediately fill, it leads these people to chase and helps to propel the market even higher.

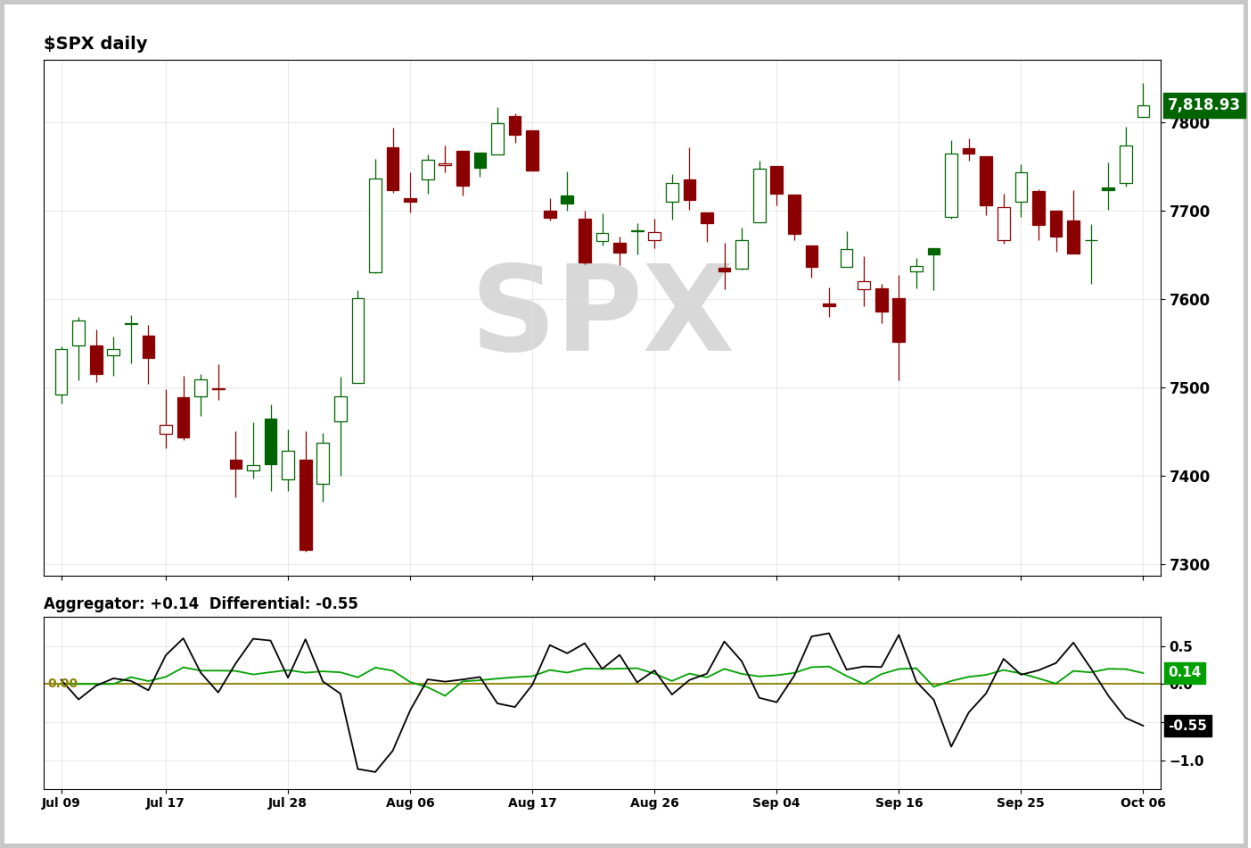
So let's look at instances where the 50-day high breakout was not accompanied by an unfilled gap. Interestingly, the number of instances was a little lower here. This study also appeared in the 8/5/26 letter (stats updated below).

**SPY closes at a 50-day high after not having done so for at least 10 days. Today it does not leave an unfilled gap up.**
**Buy on close. Sell X days later. 1/3/1995 - present.**

| X Days | Total Trades | Winning Trades | Losing Trades | Win % | Max Winning Trade | Max Losing Trade | Avg Winning Trade | Avg Losing Trade | Win/Loss Ratio | Profit Factor | Avg Trade |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 5 | 63 | 39 | 23 | 61.90% | 2.78% | -4.29% | 1.15% | 1.41% | 0.82 | 1.38 | 0.197% |
| 4 | 63 | 38 | 24 | 60.32% | 1.96% | -4.52% | 1.00% | 1.58% | 0.64 | 1.01 | 0.006% |
| 3 | 63 | 39 | 24 | 61.90% | 2.93% | -5.14% | 0.97% | 1.27% | 0.76 | 1.24 | 0.117% |
| 2 | 63 | 37 | 25 | 58.73% | 2.22% | -3.64% | 0.72% | 0.88% | 0.82 | 1.21 | 0.075% |
| 1 | 63 | 36 | 26 | 57.14% | 1.60% | -2.45% | 0.52% | 0.42% | 1.23 | 1.71 | 0.123% |

Moves to new highs that don't start with an unfilled gap are much less reliable. The fact that we had an unfilled gap up on Tuesday appears beneficial, so I have added that study to the short-term active list.

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 held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7762.97. That is 0.7% below Tuesday's close. Therefore, SPX will need to close down at least 0.7% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. The breakout was encouraging and the way it occurred suggests we could see more upside over the next few days. But with SPX already being short-term overbought, that skews risk/reward so that it is not terribly favorable. I'll wait for a more compelling entry opportunity before considering taking on new index exposure.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 10/5 – bullish***

## Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

***Open Catapult Triggers***

GD – 1/3 @ $336.29 (bought @ limit)
RTX – 1/3 @ $184.33 (bought @ limit)
*New*
RTX – 1/3 @ $183.29 (buy @ limit)

***Broad Market Large Cap CBI* – 3(GD, RTX-2)**

## Additional New Trade Ideas

**RTX – Buy 1/3 Catapult position @ $183.29 LIMIT**. From the Catapult section above, this is the 2nd of up to 3 possible lots of RTX.

## Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes |
|---|---|---|---|---|---|
| GD(1/3) | 9/25/2026 | $336.21 | $331.33 | -1.45% | Catapult |
| LMT(1/3) | 10/2/2026 | $505.50 | $510.12 | 0.91% | *sell on open* |
| LMT(1/3) | 10/5/2026 | $505.41 | $510.12 | 0.93% | *sell on open* |
| RTX(1/3) | 10/6/2026 | $183.55 | $183.29 | -0.14% | Catapult |
| | | | | | |

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