QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 15, 2026 Volume 20 Issue 197

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- When the 3rd straight SPX down day is the largest drop of the pullback, there has typically been an upside edge over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. There appears to be a decent upside edge.

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 15, 2026	SPX 3rd down day is the largest drop	1-3 days	Bullish	1.64%	-0.93%	-2.09%
October 12, 2026	October opex week	1-4 days	Bullish	1.80%	-1.15%	-2.53%
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			
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			

The Evidence

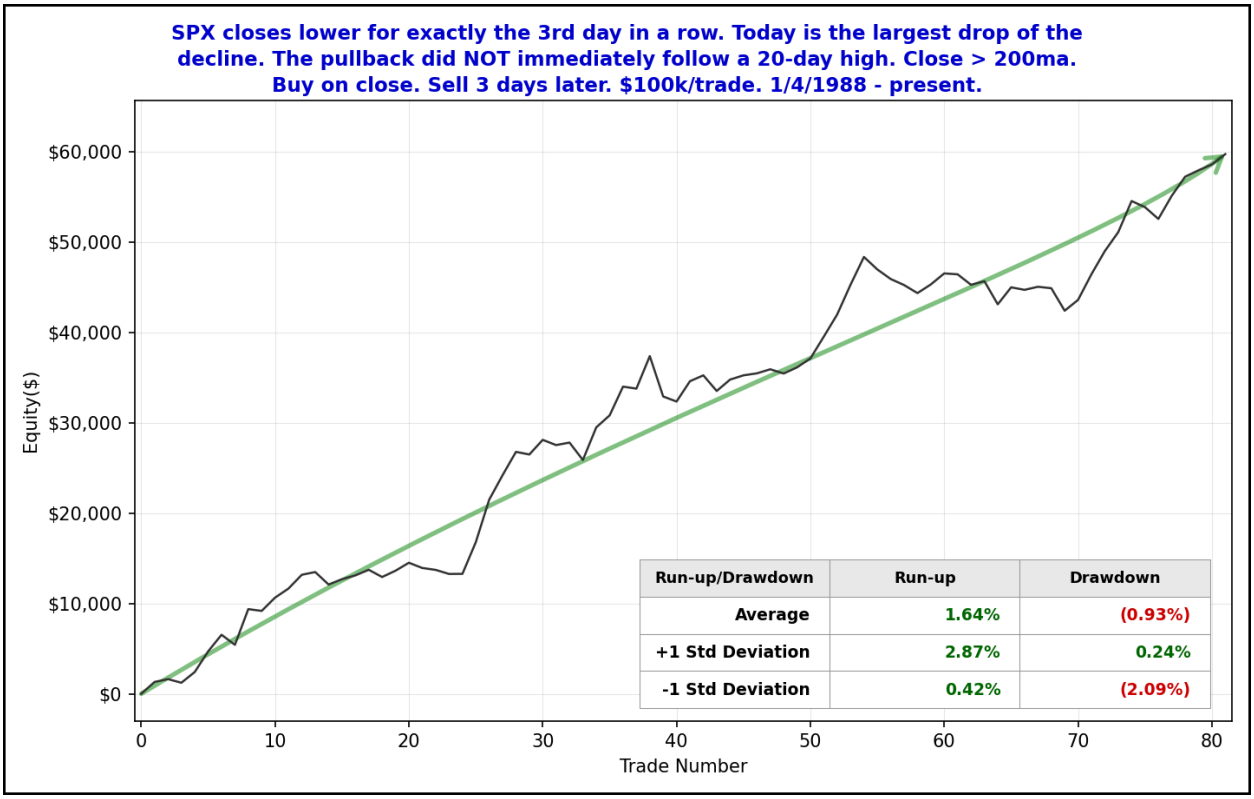
Stocks sold off sharply on Wednesday. SPX finished down 1.1%, the NASDAQ lost 1.9%, and the Russell 2000 also fell 1.9%. Breadth was weak as the NYSE Up Issues % closed at 25% and the NYSE Up Volume % posted a 36% reading. NYSE total volume rose from Tuesday's level.

The fact that Wednesday was the 3rd down day in a row was notable. I've discussed 3-day pullbacks many times before and a few studies associated with them came up tonight. They tend to provide a nice upside edge under the right conditions. The study below considers the fact that today's drop was especially large compared to the previous 2 days. I have not shown this version since way back in the 10/10/12 letter, but it fit the current scenario nicely tonight. All information has been updated.

SPX closes lower for exactly the 3rd day in a row. Today is the largest drop of the decline. The pullback did NOT immediately follow a 20-day high. Close > 200ma. Buy on close. Sell X days later. 1/4/1988 - 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	80	51	29	63.75%	6.22%	-4.99%	2.09%	1.03%	2.03	3.57	0.959%
4	81	53	28	65.43%	4.89%	-3.90%	1.76%	1.20%	1.47	2.77	0.736%
3	81	53	28	65.43%	4.70%	-4.47%	1.66%	1.00%	1.65	3.13	0.738%
2	81	54	27	66.67%	3.75%	-7.48%	1.27%	0.79%	1.61	3.22	0.586%
1	81	53	28	65.43%	2.52%	-1.82%	0.82%	0.61%	1.34	2.53	0.323%

Results here appear fairly impressive. Below is an equity curve that was created using a 3-day holding strategy.



That is a strong and fairly steady upslope moving from lower left to upper right and it's made several new highs recently. This study appears well worth consideration and I have added it to 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 strongly 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 Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7838.41. That is 1.5% above Wednesday's close. Therefore, SPX will need to close up at least 1.5% on Thursday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. We have some evidence pointing higher, though it's not exactly overwhelming yet. But there is ample room to the upside before SPX would turn overbought. So that helps reward/risk. Last night I discussed that we could get some volatility from the CPI report and it certainly didn't disappoint. There appears to be a decent chance of a bounce over the next few days but there certainly could be more downside before that bounce arrives. It's possible this turns into more of a sell-off, but to me the setup is compelling enough to consider scaling into some index positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/12 – bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

SPY – Buy ¼ index position @ $769.60 LIMIT. Based on the short-term outlook above, this trade idea will look to start scaling into an index position if a fill is available at Wednesday's closing price or below.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CMCSA(1/3	10/8/2026	$20.91	$21.05	0.67%	*sell on open*

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