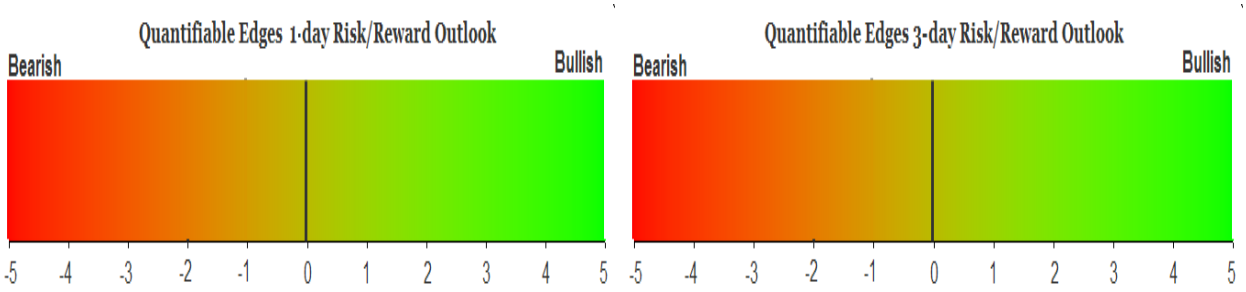
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 22, 2026 Volume 20 Issue 202

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The 3/10 Offset HV indicator is quite low, suggesting an outsized move could occur in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I'm not seeing a compelling short-term index setup.

Summary of Recent Active Studies (see Letters from listed dates for details

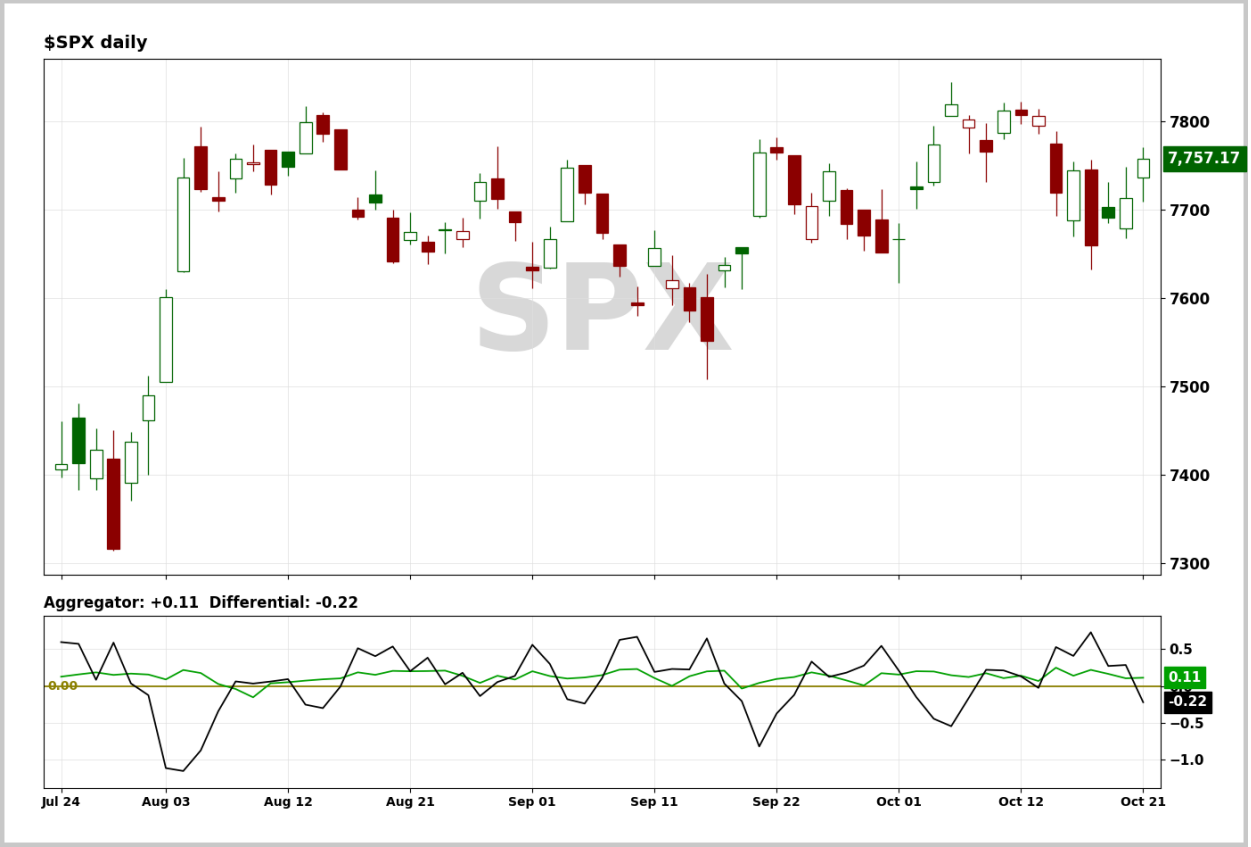
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 21, 2026	SPX up 2 days off 10-day low, < 10ma	1-2 days	Bullish	1.08%	-0.78%	-1.63%
October 20, 2026	NYSE Up Vol % < 40. SPX closes up.	1-6 days	Bullish	1.51%	-1.36%	-2.71%
October 19, 2026	Bullish-month opex week closes lower	1-5 days	Bullish	1.82%	-1.27%	-2.54%
October 19, 2026	SPX outside day down 1%+ after an up day	1-4 days	Bullish	1.73%	-1.15%	-2.38%
Active - Long Term						
October 19, 2026	NASDAQ lagging	int term	neutral			
October 19, 2026	QQQ 5+ lower lows, worst day of the decline	1-20 days	Bullish	9.15%	-4.70%	-9.55%
September 22, 2026	RUT low in 20-day range, SPX high in range	1-40 days	Bullish	5.17%	-3.67%	-6.92%
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

Wednesday was a good day for the market. SPX finished up 0.6%, the NASDAQ gained 1.1%, and the Russell 2000 rose 0.3%. Breadth was mildly negative as the NYSE Up Issues % closed at 50% and the NYSE Up Volume % posted a 47% reading. NYSE total volume was slightly lower than Tuesday's level.

After some sizable volatility back and forth last week, the first three days of this week have all been substantially more quiet and have all seen gains. This contraction in volatility over the last few days has caused the 3/10 offset HV indicator to come in quite low. For those that are not familiar with the indicator, we simply take the 3-day Historical Volatility reading and divide it by the 10-day reading as of 3 days ago. When that number is extremely low, which I often define as less than 0.25, then that indicates there has been a sharp contraction in volatility over the last three days. Quite often this is followed by an expansion in volatility in the upcoming days. This expansion could happen in either direction. The indicator on its own doesn't indicate whether it's suggesting a big move up or a big move down. What it does suggest is that an outsized short-term move has become more likely and that risk is somewhat elevated. So traders may want to keep this in mind over the next few days. There were no studies with compelling directional edges that emerged on Wednesday, so I will not be adding anything new to the active list.

I have updated the Aggregator chart below.



Without any new studies being added, 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 fell 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 turned flat 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 7730.59. That is 0.3% below Wednesday's close. Therefore, SPX will need to close down at least 0.3% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Evidence from the past few days is pointing higher, but there is nothing confirming tonight. We also have a short-term overbought condition and a volatility warning. So reward/risk does not appear favorable for taking on new short-term index positions. The SPY trade idea that was open the last few nights closed out on Wednesday. The Trade Ideas section will remain flat until the next compelling opportunity emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/19 – neutral

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

None.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	*10/15/2026*	*$766.25*	*$773.00*	*0.88%*	*sold @ limit*

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