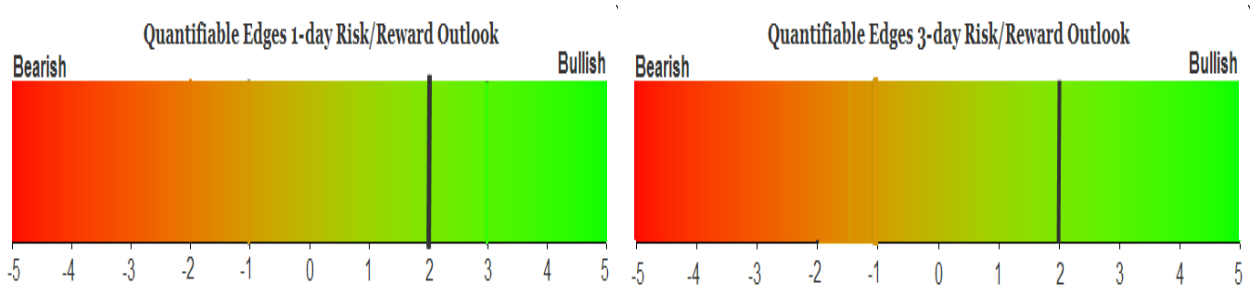
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 27, 2026 Volume 20 Issue 205

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Monday's unfilled gap up off Friday's 20-day low has not produced a compelling edge historically, unlike similar bounces off 10-day lows that were not also 20-day lows.
- The short-term bullish seasonal study from the weekend letter is now kicking in.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I am not overly enthused.

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 27, 2026	Day after the 4th Friday in October	1-5 days	Bullish	2.60%	-1.19%	-2.46%
October 20, 2026	NYSE Up Vol % < 40. SPX closes up.	1-6 days	Bullish	1.51%	-1.36%	-2.71%
Active - Long Term						
October 23, 2026	SPX down 1%+ 3rd time in 10 days, > 200ma	1-20 days	Bullish	4.02%	-3.60%	-8.30%
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%
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			

The Evidence

Monday was a good day for the market. SPX finished up 0.7%, the NASDAQ gained 0.8%, and the Russell 2000 climbed 0.4%. Breadth was mixed as the NYSE Up Issues % closed at 53% and the NYSE Up Volume % posted a 48% reading. NYSE total volume rose from Friday's level.

Back in the 12/16/22 I looked at times when SPY made an unfilled gap higher after having made a short or intermediate-term low the day before. I looked at moves off 10-day intraday lows and 20-day intraday lows. Updated tables on that research can be found below.

After making a 10-day intraday low yesterday (but not a 20-day low), SPY leaves an unfilled gap up today and closes above the open. It closes < 10ma but > 200ma. Buy on close. Sell X days later. 1/4/1993 - 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	47	32	15	68.09%	4.11%	-5.41%	1.42%	1.33%	1.07	2.28	0.543%
4	48	30	18	62.50%	3.91%	-3.71%	1.50%	1.11%	1.35	2.25	0.522%
3	49	29	20	59.18%	3.92%	-2.93%	1.31%	1.13%	1.15	1.67	0.311%
2	50	30	20	60.00%	2.83%	-3.03%	1.10%	1.27%	0.87	1.30	0.154%
1	50	27	22	54.00%	1.77%	-2.90%	0.76%	0.87%	0.87	1.07	0.028%

After making a 20-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes < 10ma but > 200ma. Buy on close. Sell X days later. 1/4/1993 - 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	48	25	23	52.08%	3.81%	-3.98%	1.78%	1.75%	1.01	1.10	0.085%
4	50	28	22	56.00%	3.52%	-2.88%	1.41%	1.66%	0.85	1.08	0.059%
3	52	28	24	53.85%	3.38%	-3.08%	1.16%	1.19%	0.97	1.13	0.074%
2	54	30	24	55.56%	3.09%	-2.82%	1.09%	1.20%	0.91	1.14	0.073%
1	54	26	28	48.15%	2.47%	-1.78%	0.85%	0.69%	1.22	1.13	0.047%

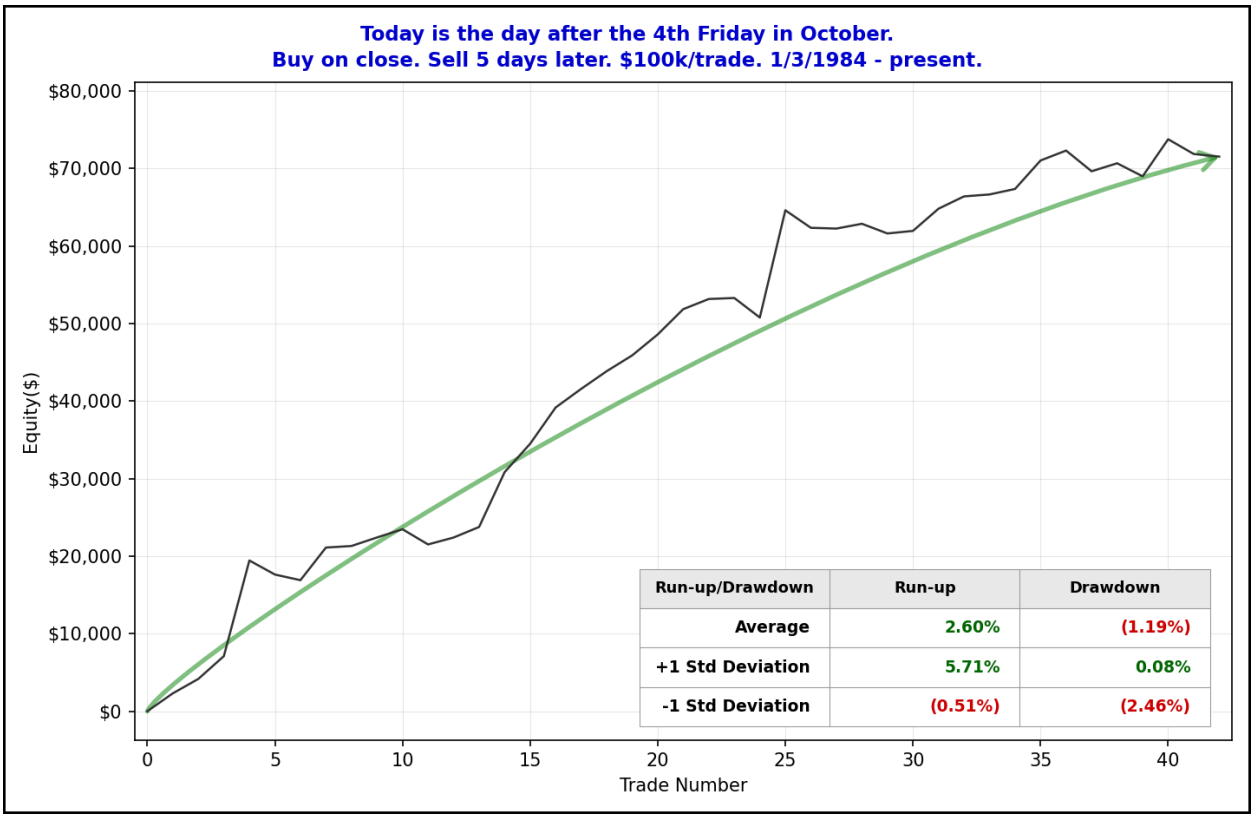
The current setup matches the 2nd table above, which does not show a compelling edge. Had Friday's low not taken us below the 9/30/26 low, then the setup would match the top table and show a possible moderate upside edge. As it stands, the price action Monday, while strong, did not generate a compelling edge when looking at it from this perspective.

But…this seasonal study from the weekend letter is now kicking in…

Today is the day after the 4th Friday in October.
Buy on close. Sell X days later. 1/3/1984 - 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	42	31	11	73.81%	13.83%	-2.67%	2.86%	1.57%	1.83	5.15	1.703%
4	42	29	13	69.05%	14.12%	-3.85%	2.58%	1.52%	1.70	3.79	1.314%
3	42	29	13	69.05%	12.39%	-3.93%	2.07%	1.24%	1.67	3.74	1.048%
2	42	30	12	71.43%	9.56%	-3.82%	1.31%	1.37%	0.96	2.40	0.545%
1	42	27	15	64.29%	10.79%	-2.79%	1.30%	0.74%	1.74	3.14	0.569%

The stats here are very strong across the board and suggestive of an upside edge. Below is a look at the 5-day profit curve.



*The curve has headed upwards for a long time…*I have added this study 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 also held 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 stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 7691.71. That is 0.2% above Monday's close. Therefore, SPX will need to close up at least 0.2% on Tuesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. But evidence is a bit light, and there is not much room to the upside before SPX would flip to overbought. The unfilled gap up on Monday made it tough for many traders to take advantage of the bullish setup we saw over the weekend, and the trade ideas I published did not get a fill. With the Differential Pivot so close by, I am not inclined to chase SPX higher. I will remain sidelined and wait for a more compelling entry opportunity to arise.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/26 – 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 tonight.

Current Open Trade Ideas

None

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