

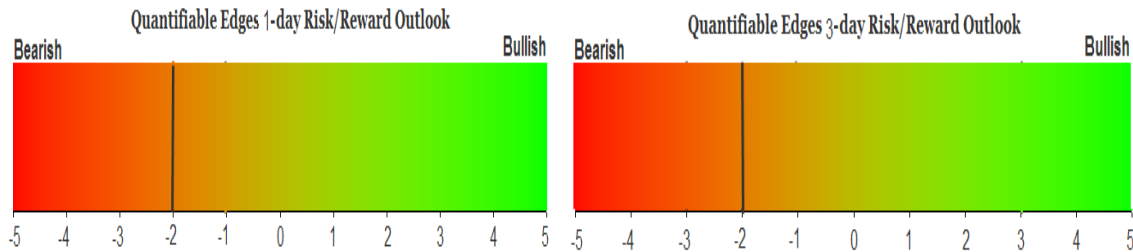
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 29, 2009

Volume 2 Issue 250

## Market Overview



## Tonight's Research Points

- Pre-holiday trading leaves little in the way of clues.
- Aggregator System remains short..

## Short-term Outlook – updated 12/29

### The Bottom Line

The market seems locked in a slow-motion holiday drift up. Still the Aggregator is suggesting a short-term downside edge. I'll look to increase my short exposure slightly tomorrow should the market rally much during the day.

Summary of Recent Active Studies (see <http://QuantifiableEdges.blogspot.com> or Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
December 24, 2009	SPX up. VIX up. Midweek.	1-4 days	Bearish	-1.70%
December 23, 2009	Twas 3 nights before Christmas	1-5 days	Bullish	
December 23, 2009	SPX 10-high on 10-low vol. Close>200	1-5 days	Bearish	-2.20%
December 21, 2009	Low HV with no new highs	1-8 days	Bearish	-3.50%
December 18, 2009	SPX down 1% & Declines 2x Advancers	1-9 days	Bullish	3.40%
<b>Active - Long Term</b>				
December 23, 2009	SPX and TNX hit 50-day high	1-10 weeks	Bearish	
December 23, 2009	Low p/c without strong SPX rise	1-5 weeks	Bearish	
December 7, 2009	Nasdaq Leading S&P	int. term	Bullish	
December 2, 2009	VIX:VXV crosses below 0.9	2-5 months	Bearish	

If the avg max move is achieved the study will appear in **bold italic blue** and no longer be active.

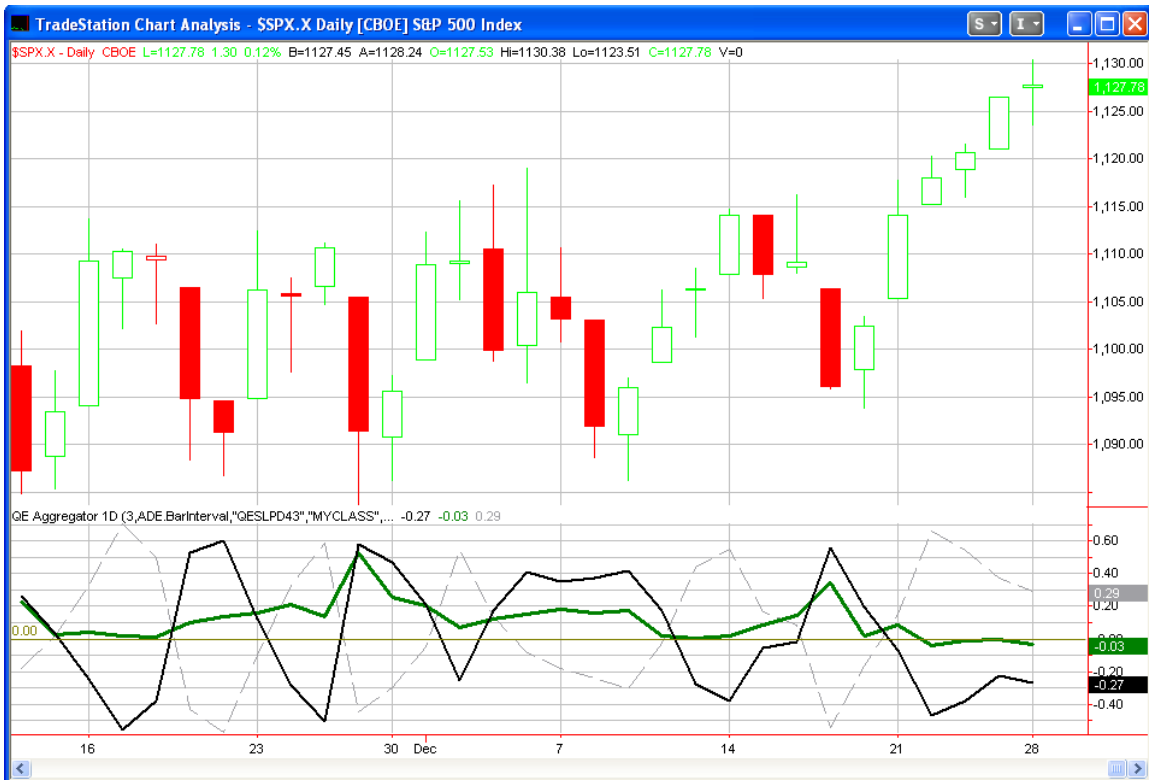
### *The Evidence*

The market gapped up a mild amount, wiggled around some, filled the gap in the afternoon and then rallied late to generally finish positive. And it wasn't as exciting as I made it sound. Action was dull and slow all day and will likely be so again for the rest of the week. NYSE breadth was slightly positive with the Up Issues % at 51% and the Up Volume % at 56%. Nasdaq breadth was slightly negative. Volume was again very low.

The Quantifinder listed several studies, but a few had issues. One was related to low volume, which might as well be ignored. Another looked at the CBOE Equity P/C ratio. Unfortunately it look like Tradestation's data is differing from the CBOE's and this study should not have triggered. The only study with any substantial edge was the SPX up VIX up study. Even though the stats are pretty convincing I'm inclined to ignore this signal. The VIX rise is primarily due to the fact that we're coming off a 3 ½ day weekend and the SPX rise was very small.

So while at first glance the Quantifinder appeared it may have some studies to consider, the upward holiday drift doesn't seem to be providing any substantial clues.

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



Again tonight we see the Aggregator configuration is largely unchanged. The green Aggregator line has drifted a small bit lower as has the black Differential line. The Aggregator indicates the net expectations from the studies are negative over the next few days and the Differential illustrates the SPX outperformance over the last few days. Overbought with negative expectations has historically provided a downside edge

(although it's been very slow to play out over the last few days). With both lines below 0, the Aggregator System remains short.

For tomorrow the green Aggregator line is set to remain negative unless more bullish studies emerge. For the black Differential line to turn positive it would take a SPX close of 1,120.87 or lower. Overall the slight negative bias remains, although it became slightly more negative tonight based on the drop in the Aggregator line.

**Intermediate-term Outlook (2 weeks – 2 months)– *updated 12/28 –neutral***

The intermediate-term outlook may be found in the 12-28 Subscriber Letter. Link below.

[2009-12-28 QE Subscriber Letter.pdf](#)

**Catapult and Capitulative Breadth Statistics**

*(Catapult Presentation Part 1) (Catapult Presentation Part 2)*

***Open Catapult Triggers***

none

***Catapult for ETF's Trades***

none

***Broad Market Large Cap CBI – 0***

**Additional New Trade Ideas**

*A full listing of system triggers can be found at the [system triggers page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

*SPY – short 1/4 index position @ \$112.90 limit. With the slight increase in bearishness in the Aggregator I'll look to increase exposure slightly if we approach Monday's highs.*

**Active Trades Table**

Symbol	Entry Date	Entry Price	Current Pr	% Gain/Lo	Stop	Notes
SPY(1/4)(s)	12/23/2009	\$112.00	\$112.72	-0.64%		Aggregator

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