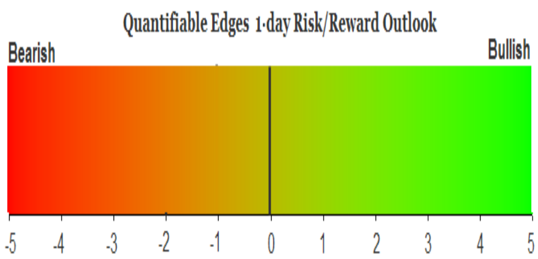
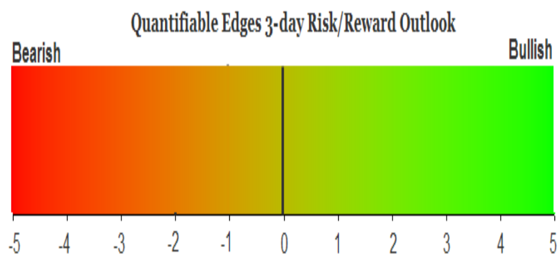
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 13, 2010 Volume 3 Issue 239

Market Overview





Tonight's Research Points

- 2 50-day highs for SPY on lower volume has been followed by weakness in the past.
- When the SPX and VIX both close up on a Friday it is often followed by a pullback over the next 1-2 days.
- December op-ex week has been the best week of the year for the SPX.
- The Russell 2000 has had a strong tendency to outperform the SPX from Dec. 15th through the 1st trading day in January.
- The Russell's strength begins as the SPX's is starting to end around Thursday of op-ex week.
- The 3/10 Offset HV indicator is again very low and expecting a big move.
- 4 very low 3/10 Offset HV readings in an uptrend has been followed by further upside, but there has only been 1 other instance in recent years.
- The SPX is stretched strongly above its 10ma. This used to lead to further gains, but the edge turned flat in the mid-80s.
- The Aggregator System is flat.
- The NDX Aggressive Trend Timer is flat.

Short-term Outlook
The Bottom Line

The market is overbought. That may not matter and the net expectations are still calling for a move higher, but it certainly makes for a dangerous entry point. I'm inclined to wait for a pullback before taking on new exposure.

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
Active				
December 13, 2010	SPX strong December op-ex week	1-5 days	Bullish	2.00%
December 13, 2010	3/10 Offset HV < 0.3 4 days. Uptrend.	1-4 days	Bullish	1.00%
December 13, 2010	SPX up VIX up on a Friday	1-2 days	Bearish	-1.10%
December 10, 2010	SPY 2 50-day highs on lower vol	1-3 days	Bearish	-1.10%
December 9, 2010	NYSE Up Issues % < 40. SPX up & > 200	1-3 days	Bearish	-1.80%
December 9, 2010	Base breakout to 50-day high	1-5 days	Bullish	1.70%
Active - Long Term				
December 9, 2010	SPX & TNX 50-day highs	1-50 days	Bearish	
December 6, 2010	SPY 3 lower volume up days	1-19 days	Bearish	
December 2, 2010	2 90% Up Volume % days in 5 days	1-16 days	Bullish	
November 22, 2010	High number of POMO Days recently	int term	Bullish	
November 5, 2010	Very strong breadth & 50-day high	1-30 days	Bullish	
October 25, 2010	SPX Golden Cross	int term	Bullish	
September 20, 2010	Nas/SPX RS favors Nasdaq	int term	Bullish	
Dropped Tonight				
November 15, 2010	***QQQQ 5 lower lows and large drop***	***1-20 days***	***Bullish***	
November 15, 2010	***SPX down 1% SOX Up***	***1-20 days***	***Bullish***	
December 7, 2010	***SPY 3 up H,L,C then down C but up***	***1-4 days***	***Bullish***	***1.60%***
December 6, 2010	***VIX 10% up to 10% dn in 1 week***	***1-5 days***	***Bullish***	***1.60%***

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

The Evidence

The grind higher continued on Friday. After gapping up to start the day the SPY pulled back to fill the morning gap. Once that was done it spent the rest of the day stair-stepping higher and finished near its highs. In the end the SPX had gained 0.6%, the Nasdaq was up 0.8% and the Russell 2000 tacked on 1.2%. Breadth was solidly positive as the NYSE Up Issues % came in at 63% and the Up volume % was 75%. Total volume declined for the 3rd day in a row.

The declining volume as we are hitting new highs here continues to be a bit of a concern. I discussed this in the Thursday night Letter. Below is a study from that letter that utilized SPY action and volume which triggered Friday for the 2nd day in a row.

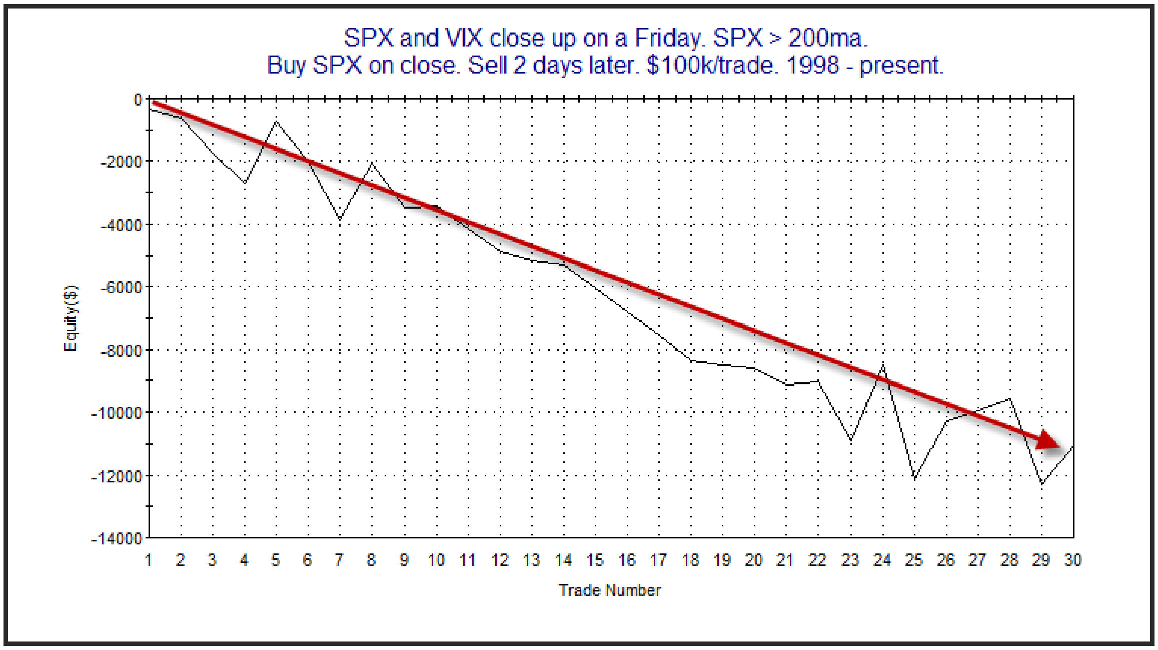
SPY closes at a 50-day high for at least the 2nd day in a row. Volume declines the last 2 days. Buy SPY on close. Sell X days later. $100k/trade. 1993 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-10,296.90	48	22	25	45.83	1,004.05	-1,295.44	0.78	0.68	-214.52
4	-10,406.43	49	21	28	42.86	915.89	-1,058.57	0.87	0.65	-212.38
3	-10,105.54	49	21	28	42.86	889.56	-1,028.08	0.87	0.65	-206.24
2	-8,462.63	49	21	28	42.86	653.56	-792.41	0.82	0.62	-172.71
1	-3,442.40	52	15	36	28.85	706.27	-389.90	1.81	0.75	-66.20
90% of instances closed below the entry price at some point in the next week.										

It's not a huge bearish edge but a tendency worth considering.

Even more concerning from Friday's action is the fact that the SPX and the VIX both closed higher. Most often the SPX and the VIX trade counter to each other. This is because traders are more likely to value protection in a declining market than a rising one. A quirk of the VIX is that thanks to the weekend it has a natural tendency to fall on Friday afternoons and then rise on Monday mornings. So while it is unusual to see both the SPX and VIX rise on the same day, it is especially unusual to see it happen on a Friday. I last looked at this in detail in the 9/20/10 Subscriber Letter. I also found in that Letter that there was a substantial difference in the magnitude of the edge based on whether it occurred above or below the 200ma. Below I have updated the results for times like now when the market is in an uptrend.

SPX and VIX close up on a Friday. SPX > 200ma. Buy SPX on close. Sell X days later. $100k/trade. 1998 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-2,472.65	30	13	17	43.33	1,797.16	-1,519.75	1.18	0.90	-82.42
4	-7,186.27	30	12	18	40.00	1,348.97	-1,298.55	1.04	0.69	-239.54
3	-8,065.32	30	11	19	36.67	1,135.34	-1,081.79	1.05	0.61	-268.84
2	-11,061.64	30	9	21	30.00	1,118.46	-1,006.08	1.11	0.48	-368.72
1	-7,346.02	30	7	23	23.33	694.06	-530.63	1.31	0.40	-244.87
27 of 30 instances (90%) closed below the entry price at some point in the next 4 days.										

As you can see the implications appear to be quite bearish over the next 1-2 days. Using a 2-day exit strategy I also ran an equity curve.



The downside edge was ignored on the last instance but over time you can see there has been some considerable consistency. This study certainly seems to be worth inclusion among the active studies.

But all the news isn't bad. For one, we are now entering a very strong seasonal period. We actually have numerous seasonal studies set to kick in this week.

Over several time horizons op-ex week in December has been the most bullish week of the year for the SPX. The positive seasonality actually has persisted for up to 3 weeks. I demonstrated this most recently in the 12/14/09 blog. I've update that study below to include last year's stats.

Buy SPX on December Friday prior to Op-Ex.
Sell X days later. $100k/trade. 1984 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
15	51,365.77	26	22	4	84.62	3,054.99	-3,960.98	0.77	4.24	1,975.61
14	51,220.14	26	21	5	80.77	2,996.04	-2,339.35	1.28	5.38	1,970.01
13	44,820.10	26	20	6	76.92	2,715.29	-1,580.96	1.72	5.72	1,723.85
12	41,013.46	26	19	7	73.08	2,617.42	-1,245.35	2.10	5.70	1,577.44
11	35,581.71	26	17	9	65.38	2,653.71	-1,059.03	2.51	4.73	1,368.53
10	34,148.05	26	19	7	73.08	2,285.59	-1,325.44	1.72	4.68	1,313.39
9	29,763.71	26	17	9	65.38	2,554.54	-1,518.16	1.68	3.18	1,144.76
8	24,050.70	26	19	7	73.08	2,115.69	-2,306.77	0.92	2.49	925.03
7	23,115.50	26	19	7	73.08	1,871.99	-1,778.90	1.05	2.86	889.06
6	24,606.17	26	21	5	80.77	1,558.76	-1,625.58	0.96	4.03	946.39
5	24,139.10	26	21	5	80.77	1,419.40	-1,133.66	1.25	5.26	928.43
4	14,001.72	26	17	9	65.38	1,181.28	-675.56	1.75	3.30	538.53
3	18,876.62	26	17	9	65.38	1,360.57	-472.56	2.88	5.44	726.02
2	17,991.68	26	18	8	69.23	1,203.85	-459.69	2.62	5.89	691.99
1	5,831.28	26	15	11	57.69	876.52	-665.14	1.32	1.80	224.28

Only 1 instance failed to post a close above the entry price at some point in the next week.
That was 1988 when it required 1 extra day to close positive.

2009 saw the market move higher on Monday and then pull back the rest of the week before moving higher into year-end.

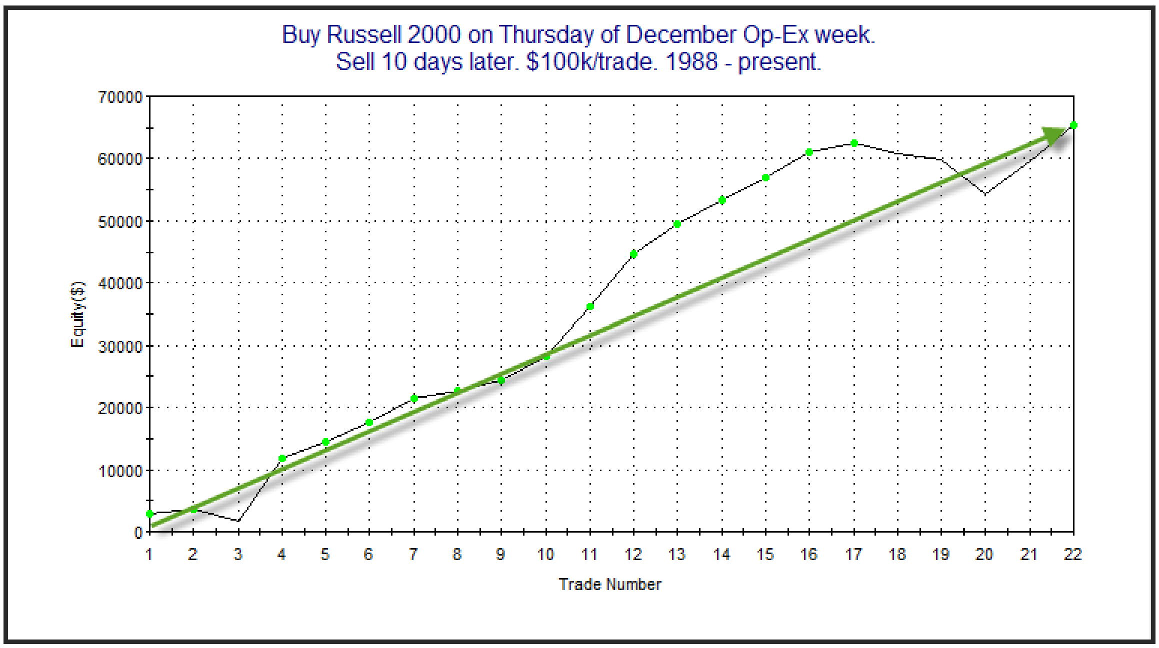
In 2008 I discussed the January Effect, which is a tendency that I believe was first published in the Stock Traders Almanac. It suggests that from mid-December through January smallcap stocks tend to outperform largecaps. My research in 2008 looked back to 1988 and used the Russell 2000 versus the SPX. I found that the bulk of this tendency was realized in the end of December and the 1st day of January. I measured from the 15th of December (or the 1st trading day afterwards if the 15th was a weekend) through the 1st trading day in January. In 2008 and 2009 this edge played out quite strongly with the Russell outperforming by 4.4% and 3.3%. So the edge certainly has not waned in recent years. Since 1988 we have now seen the Russell outperform 17 of 22 years, or 77% of the time. But not only have there been substantially more winning years, but the average win has doubled the average loss. The average winning year saw the Russell outperform by 2.07% while the average losing year saw the SPX outperform by 1.03%. There have been gross gains of 35.25% in the 17 winning years and gross losses of 5.15% in the 5 losing years. So gains have outsized losses by nearly 7 to 1. And the only losing year to post a loss of greater than 1% was 1991 when the SPX outperformed the Russell by 2.82%. In all the Russell has outperformed the SPX over the last 22 years by an average of 1.4% during this 2+ week period.

I also found last year that unlike the SPX, the Russell has not had stellar performance during December op-ex. It seems the SPX tends to outperform during op-ex week right up until op-ex Friday when the Russell takes over. So I also ran a study that looked at buying the Russell on op-ex Thursday and holding for up to 2 weeks. This was shown in the 12/14/09 Letter and I have updated it below.

Buy Russell 2000 on Thursday of December Op-Ex week.
Sell X days later. $100k/trade. 1988 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade	All: Max Losing Trade	All: Max Intraday Drawdown	All: Max Winning Trade
10	65,503.03	22	18	4	81.82	4,199.42	-2,521.64	1.67	7.49	2,977.41	-5,643.30	-11,982.22	10,279.71
9	58,580.15	22	18	4	81.82	3,695.63	-1,985.28	1.86	8.38	2,662.73	-5,973.50	-10,741.42	9,009.63
8	50,304.64	22	18	4	81.82	3,052.97	-1,162.20	2.63	11.82	2,286.57	-2,948.40	-7,005.55	7,115.85
7	38,375.37	22	17	5	77.27	2,547.72	-987.18	2.58	8.77	1,744.34	-1,809.60	-7,569.21	7,790.58
6	28,887.83	22	16	6	72.73	2,192.97	-1,033.28	2.12	5.66	1,313.08	-2,720.64	-5,687.21	6,599.88
5	20,673.82	22	15	7	68.18	1,910.34	-1,140.18	1.68	3.59	939.72	-3,194.64	-4,782.15	4,892.25
4	13,968.20	22	14	8	63.64	1,810.74	-1,422.77	1.27	2.23	634.92	-3,892.32	-4,812.89	4,413.75
3	11,347.09	22	13	9	59.09	1,736.07	-1,246.88	1.39	2.01	515.78	-2,650.68	-4,633.69	3,814.20
2	7,188.42	22	13	9	59.09	1,351.69	-1,153.72	1.17	1.69	326.75	-2,810.39	-5,454.66	3,495.70
1	8,656.48	22	12	10	54.55	943.60	-266.68	3.54	4.25	393.48	-816.48	-2,405.68	2,299.70

Stats are very very strong. I included some additional columns on the right showing max loss, max intraday drawdown, and max gain. These show that while the stats have been overwhelmingly bullish, the trade has not been without risk. Below is an equity curve using the 10-day exit strategy.



2005, 2006, and 2007 the Russell saw declines occur over this period before getting back on track the last 2 years.

Bottom line from a seasonality standpoint is that there should be some strong winds at the markets' back through the end of the year. Once we get past Thursday I will consider using IWM (the Russell 2000 etf) instead of SPY for my long index trades to take advantage of the probable Russell outperformance.

The 3/10 Offset HV indicator has continued to show extremely low readings. Historically a very low reading has commonly been followed by an expansion in volatility. Over the last 4 days though HV has remained very low. I've discussed this indicator and this tendency in the Subscriber Letter the last few days. Rather than repeat the whole discussion again here I placed a link to Thursday's QE Subscriber Letter below.

2010-12-10 QE Subscriber Letter.pdf

It's very rare to see low 3/10 Offset HV readings occur for 4 days in a row. I did study similar conditions in the 10/29/10 Subscriber Letter. I have updated that study below.

SPX 3/10 Offset HV < 0.3 for exactly the 4th day in a row. Close > 10ma & 200ma.
Buy on close. Sell X days later. $100k/trade. 1961 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	12,362.35	21	16	5	76.19	1,218.13	-1,425.54	0.85	2.73	588.68
4	11,962.04	21	17	3	80.95	937.37	-1,324.43	0.71	4.01	569.62
3	6,421.34	21	14	7	66.67	867.90	-818.47	1.06	2.12	305.78
2	3,170.50	21	13	8	61.90	567.31	-525.57	1.08	1.75	150.98
1	2,603.17	21	14	7	66.67	358.78	-345.67	1.04	2.08	123.96

With the market trading above both its 10ma and 200ma such consistently low 3/10 Offset HV readings have been followed by an upside expansion very consistently. Below is the list of all 21 instances using a 4-day exit strategy.

SPX 3/10 Offset HV < 0.3 for exactly the 4th day in a row. Close > 10ma & 200ma. Buy on close. Sell X days later. $100k/trade. 1961 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up DrawDown**
05/11/61	Buy	$66.39	1.51%	$1,506.00
05/17/61	Sell	$67.39		$0.00
10/13/61	Buy	$68.04	0.60%	$602.29
10/19/61	Sell	$68.45		($279.11)
11/22/61	Buy	$71.70	0.00%	$209.10
11/29/61	Sell	$71.70		$0.00
01/25/63	Buy	$65.92	0.42%	$485.12
01/31/63	Sell	$66.20		($106.12)
12/09/63	Buy	$73.96	0.14%	$135.20
12/13/63	Sell	$74.06		($81.12)
02/20/64	Buy	$77.62	0.00%	$322.00
02/27/64	Sell	$77.62		$0.00
09/10/64	Buy	$83.10	0.17%	$421.05
09/16/64	Sell	$83.24		($120.30)
09/13/65	Buy	$89.38	0.75%	$749.06
09/17/65	Sell	$90.05		($391.30)
12/17/65	Buy	$92.08	0.12%	$228.06
12/23/65	Sell	$92.19		($466.98)
03/10/67	Buy	$88.89	1.35%	$1,348.80
03/16/67	Sell	$90.09		($606.96)
05/01/68	Buy	$97.97	0.95%	$948.60
05/07/68	Sell	$98.90		$0.00
04/02/71	Buy	$100.56	1.53%	$1,530.76
04/08/71	Sell	$102.10		$0.00
07/09/71	Buy	$100.69	(1.40%)	$129.09
07/15/71	Sell	$99.28		($1,459.71)
06/27/75	Buy	$94.81	(0.49%)	$400.52
07/03/75	Sell	$94.35		($664.02)
06/13/78	Buy	$99.57	(2.09%)	$1,104.40
06/19/78	Sell	$97.49		($3,062.20)
05/21/80	Buy	$107.72	4.02%	$4,640.00
05/28/80	Sell	$112.05		($361.92)
09/13/88	Buy	$267.42	0.52%	$1,264.47
09/19/88	Sell	$268.82		($33.57)
07/14/89	Buy	$331.84	0.50%	$1,670.55
07/20/89	Sell	$333.51		($328.09)
03/26/96	Buy	$652.97	0.12%	$148.41
04/01/96	Sell	$653.73		($1,236.24)
09/30/96	Buy	$687.31	2.06%	$2,092.35
10/04/96	Sell	$701.46		($416.15)
10/28/10	Buy	$1,183.78	1.20%	$1,219.68
11/03/10	Sell	$1,197.96		($514.92)

My primary concern with this study back in October was the fact that while it was bullish, it hadn't triggered for 14 years. Now after going 14 years without triggering we're seeing the same setup occur for the 2nd time in a month and a half. I'm still wary of putting too much faith into this study since most of the instances took place so long ago. That said with results this strong and the October instance holding to previous form, I decided to include it among the active studies.

I have updated the Aggregator chart below.

Not much change to the Aggregator chart tonight. The green Aggregator line remains above 0. The positive value indicates the net expectation from the Active Studies over the next few days is for a move higher. The black Differential line remains negative. The negative value means the SPX has outperformed expectations over the last few days. So we have positive expectations but an increasingly overbought market. This is considered a neutral configuration. A neutral configuration occurs whenever the Aggregator and Differential lines are on opposite sides of 0. Due to this the Aggregator System remained flat at the close.

The green Aggregator line is set up to remain positive again tomorrow. This could change should additional bearish evidence emerge. Meanwhile the Differential Pivot will be 1,230.87. Any SPX close at or below this number would flip the Differential line into positive territory. This would require almost a 0.8% decline. Without such a decline the Aggregator System will not trigger a long signal.

I've been trying to get long the last couple of days but the market has not managed to pull back and fill the trade ideas in the letter. I'll try once again Monday should the opportunity present itself.

Intermediate-term Outlook (2 weeks – 2 months)– updated 12/13 – bullish

The market has certainly had a nice run lately and it is overbought by a number of measures. This weekend I got a note from one subscriber who pointed out the SPX had moved 2 standard deviations above its 50ma for the 1st time in more than a year. I've seen comments from a few people about the stretched SPX. Some say this shows the SPX is extremely overbought and due for a pullback. Others say this kind of strength has more often led to additional gains rather than a pullback. I should note that from a raw % standpoint the market is less overbought than it was about a month ago. The SPX is now a little over 4% above its 50ma. In early November it was nearly 7% above the 50ma. So not all measures are show the extreme overbought condition suggested by the 50-period Bollinger Bands. Still I decided to dig a little deeper into the Bollinger Band stretch to see which side was right – those suggesting a pullback or those suggesting a continuation higher.

I looked at things a few different ways to do this. First I looked at what happened when the SPX crossed above its upper Bollinger Band using a 50-day setting rather than the standard 20-day. I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. Results are below.

SPX 50-day %b crosses over 100.
Buy on close. Sell X days later. $100k/trade. 1961 - present.

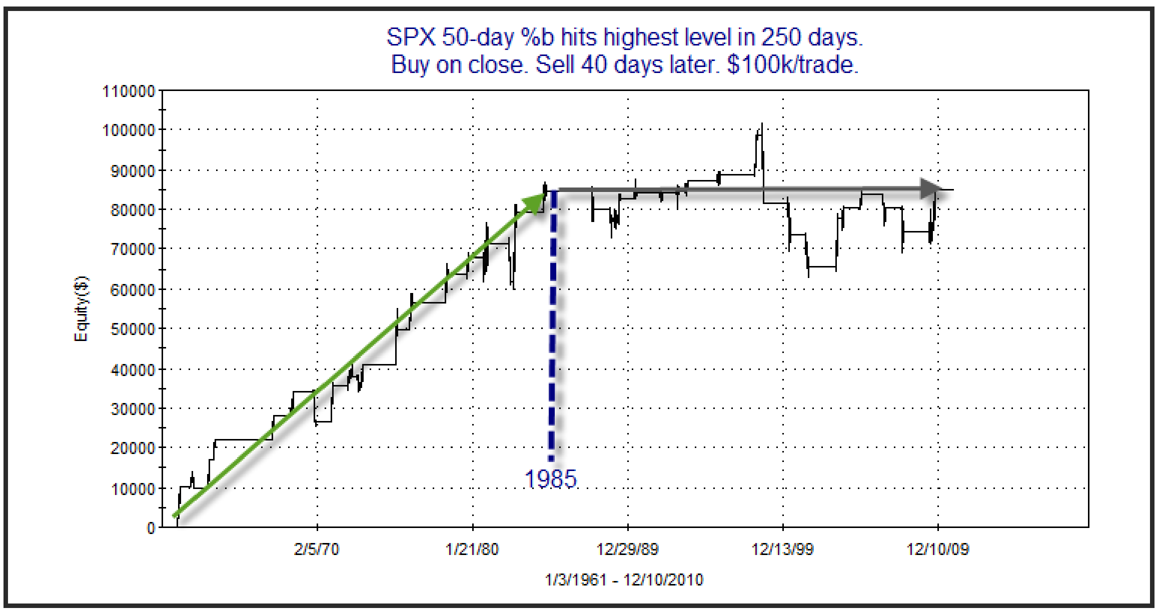
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	169,435.88	122	71	51	58.20	5,210.56	-3,931.65	1.33	1.85	1,388.82
45	125,922.75	128	70	58	54.69	5,160.31	-4,056.88	1.27	1.54	983.77
40	142,757.46	131	77	54	58.78	4,574.77	-3,879.63	1.18	1.68	1,089.75
35	129,814.56	138	82	56	59.42	4,139.34	-3,743.06	1.11	1.62	940.69
30	85,151.48	142	83	59	58.45	3,467.38	-3,434.60	1.01	1.42	599.66
25	72,498.31	147	84	63	57.14	3,203.34	-3,120.35	1.03	1.37	493.19
20	61,664.93	157	88	69	56.05	2,826.37	-2,710.95	1.04	1.33	392.77
15	70,358.16	171	98	73	57.31	2,491.69	-2,381.20	1.05	1.40	411.45
10	68,838.50	190	120	70	63.16	1,798.93	-2,100.47	0.86	1.47	362.31
5	39,234.04	230	136	93	59.13	1,202.48	-1,336.60	0.90	1.32	170.58

Results here from 5 to 50 days out all appear to be fairly bullish. This would seem to support the "overbought and likely to continue higher" theory. I also decided to test the 2nd half of the note I received, which said this is the highest reading in over a year. I used 250 days to estimate a 1-year period, although 252 trading days is actually the average I believe. 250 was close enough and a nice round number.

SPX 50-day %b hits highest level in 250 days.
Buy on close. Sell X days later. $100k/trade.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	79,348.38	40	26	14	65.00	6,048.13	-5,564.50	1.09	2.02	1,983.71
45	77,961.12	40	24	16	60.00	6,384.08	-4,703.54	1.36	2.04	1,949.03
40	84,991.23	41	27	14	65.85	5,887.81	-5,284.26	1.11	2.15	2,072.96
35	77,771.58	41	27	14	65.85	5,287.54	-4,642.28	1.14	2.20	1,896.87
30	48,721.50	41	28	13	68.29	3,822.58	-4,485.44	0.85	1.84	1,188.33
25	44,133.92	41	28	13	68.29	3,837.99	-4,871.53	0.79	1.70	1,076.44
20	38,385.08	42	26	16	61.90	3,793.93	-3,766.07	1.01	1.64	913.93
15	39,491.45	43	28	15	65.12	2,912.08	-2,803.12	1.04	1.94	918.41
10	40,467.52	43	30	13	69.77	2,171.00	-1,897.12	1.14	2.64	941.11
5	23,368.97	45	30	15	66.67	1,505.11	-1,452.29	1.04	2.07	519.31

These results are even stronger and again seem to support the continuation theory. But they don't show how the edge has played out over time. To show that I have produced an equity curve below. I used 40-days since those seem to be the strongest results.



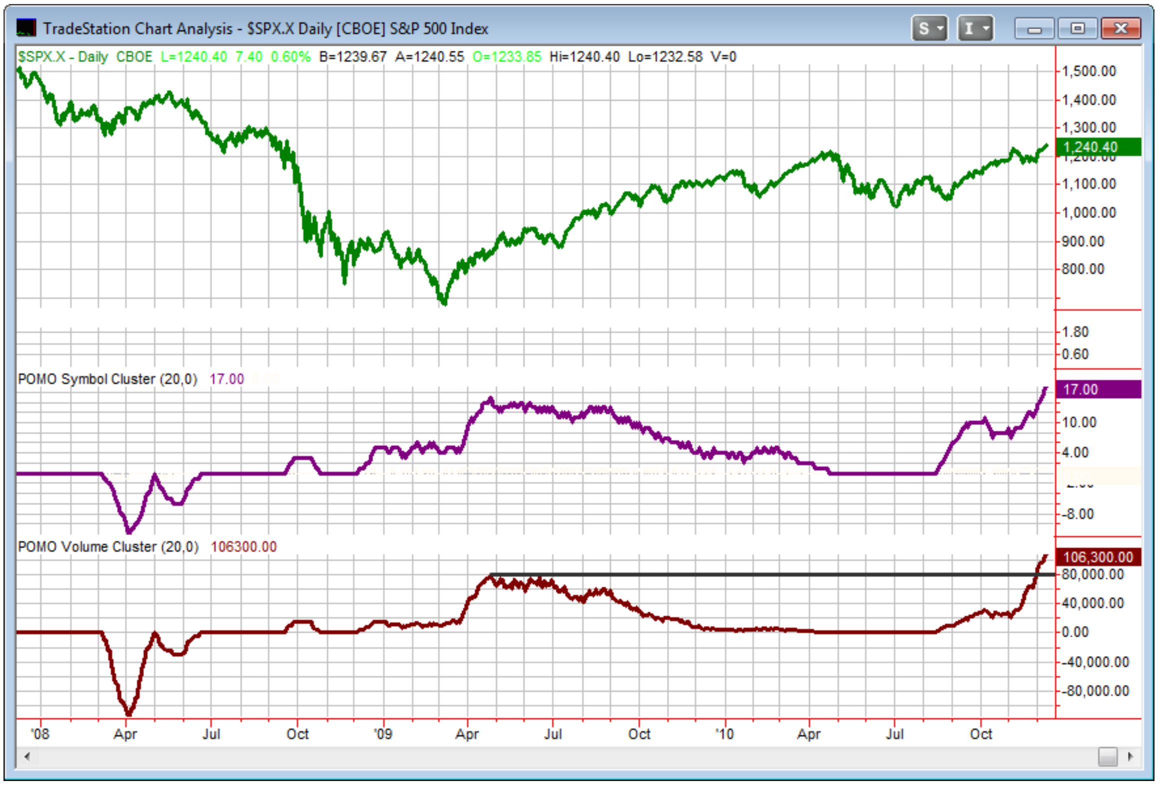
What's evident here is that during the 60s, 70s and early 80s the market tended to follow through on these very strong readings. Since then there has been neither a bullish nor bearish inclination. I actually looked at many different equity curves and they all looked similar to this. At one time such strong readings DID suggest an edge. It doesn't appear they do any longer.

I've been discussing POMO activity the last several weeks as a possible intermediate-term bullish influence. On Friday the Fed released their tentative operations schedule for the next month. Buying activity and purchase levels are scheduled to remain high and may continue to provide positive market stimulus. Below is a link to the schedule on the Fed's website.

http://www.newyorkfed.org/markets/tot_operation_schedule.html

And for those who may not recall below is a brief refresher from last week on POMO. Beneath that I have updated our POMO indicator chart.

POMO stands for Permanent Open Market Operations and it is how the Fed goes into the open market to buy securities. The net effect of this buying is an influx of cash into the system. It appears a portion of that cash makes its way to the stock market and works as a bullish influence. A "POMO Day" is simply a day where these operations take place… The chart below (shows a couple of POMO indicators). The top pane is the S&P 500. The middle pane is the rolling number of days in the last 20 that have been POMO days. The bottom pane is the total amount of money infused into the system over the previous 20 days.



As you can see both indicators are now hitting all-time highs. POMO stimulus is now stronger than ever. I suspect this will continue to act as a bullish influence on the stock market in the weeks to come.

We have seen some intermediate-term studies with bearish inclinations over the past week and a half. 10-year bond rates are again hitting new 50-day highs along with the SPX. I showed last week that this is often bearish for the market. The number of new highs also remains a concern. Breadth is starting to wane as this rally continues. We're also seeing a few intermediate-term bullish studies from a month ago now expire. Still, with momentum, POMO stimulus, strong seasonality at least until the New Year, and Nasdaq relative strength all making the bull case I'm inclined to side with the trend.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

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 – buy ¼ index position on SPX close of 1,230.87 or lower. This is based on the short-term outlook above.

Current Open Trade Ideas

None.