

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 12, 2019

Volume 12 Issue 240

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	3

## Tonight's Research Points

- The Fed Day was solid but uneventful.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is still bullish, but evidence is light. A pullback into next week would provide a nice “oversold into bullish seasonality” setup.

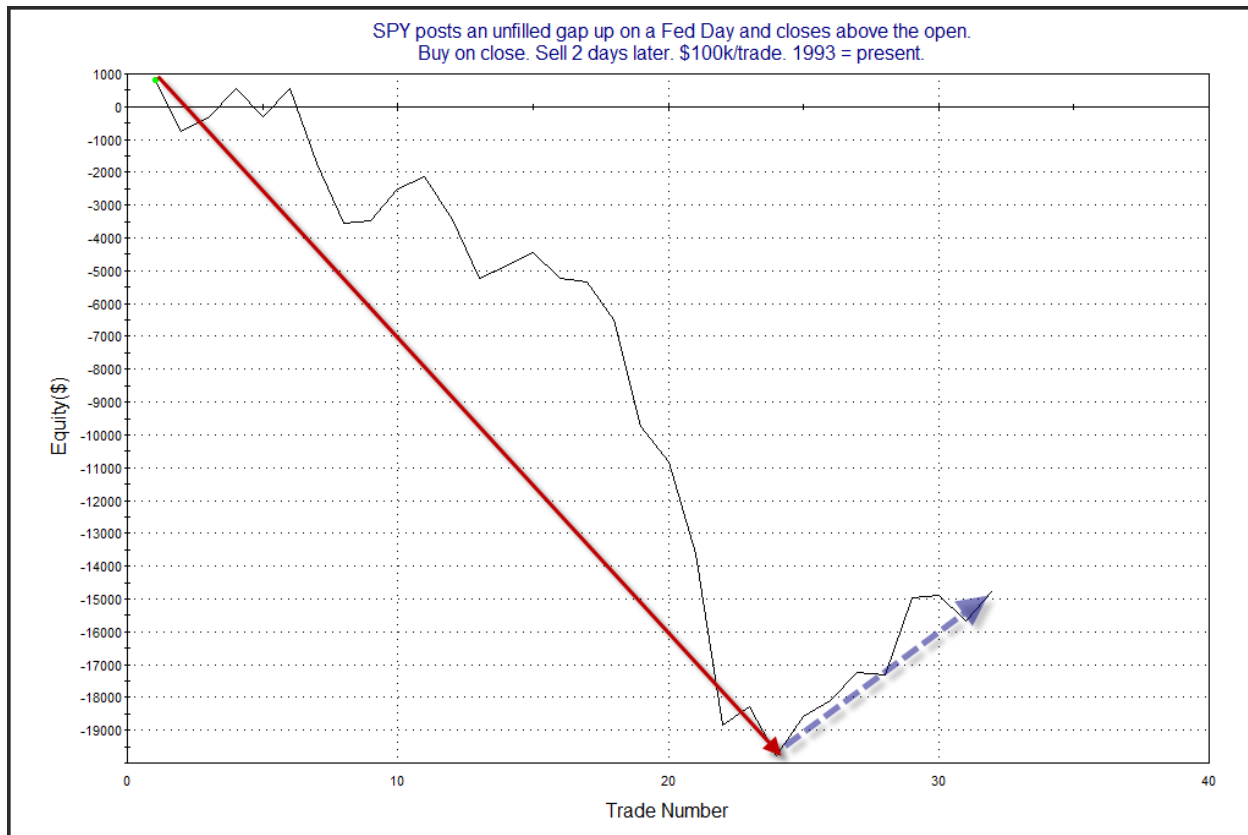
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
December 4, 2019	3 Dn to 10-low from 50-high	1-8 days	Bullish			
<b>Active - Long Term</b>						
December 3, 2019	SPY 1st below 10ma in > 25 days	1-19 days	Bullish	4.20%	-0.90%	-2.20%
November 19, 2019	Hindenburg Omen cluster	1-35 days	Bearish	-5.85%	2.70%	4.40%
November 11, 2019	"not QE"	int term	Bullish			
November 5, 2019	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.20%	-7.90%
November 4, 2019	Presidential cycle + Best 6 mos bullish	6 months	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			
<b>Dropped Tonight</b>						
December 11, 2019	Fed Day tomorrow	1 day	Bullish			
December 5, 2019	Unfill up frm 10-day < 10ma > 200ma	1-5 days	Bullish	1.70%	-1.30%	-2.50%
December 4, 2019	SPX close btm 10%, 5-low on Monday	1-6 days	Bullish			

***The Evidence***

Wednesday's Fed Day put in a moderate rally. The SPX rose 0.3%, the NASDAQ gained 0.4%, and Russell 2000 inched up 0.01%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 55%. NYSE volume declined some from Tuesday's level.

There was a study from the 9/22/16 subscriber letter that looked at other Fed Days with similar action where SPY left an unfilled gap up and moved higher. But the data there is looking less and less convincing. Below is an updated version of the 2-day profit curve.

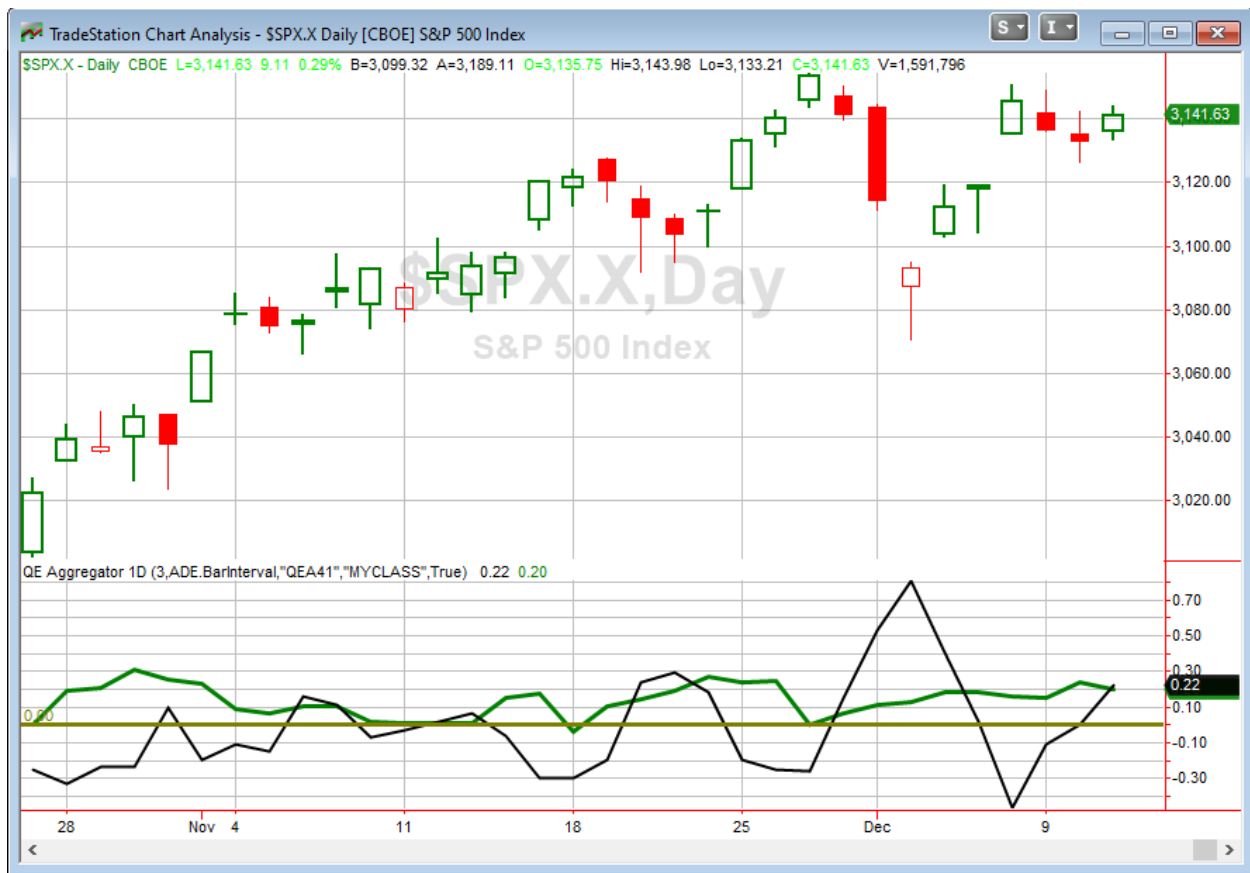


The curve here has undergone a sizable reversal which is casting the edge in doubt. I have decided to ignore this study for tonight, but will continue to track how it performs going forward.

As far as the announcement is concerned, there were not any real surprises. Rates remained steady as expected. And it appears the Fed is content to remain at this level until more substantial evidence emerges one way or the other suggesting the economy is overheating or starting to tank. At this point it appears there would need to be a material change in the outlook for rates to change.

I will also note that the Fed indicated it will continue its “Not QE” program through January. There is another Fed meeting near the end of January, and that appears the earliest we would see a change to this policy. So with no rates hikes in sight, and a continued SOMA expansion, it appears the Fed will remain supportive of the market for a while.

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



Without any compelling new evidence being added tonight, 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 closed above 0. The positive Differential Line reading means 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 signal stayed 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 bearish evidence emerges. Meanwhile, the Differential Pivot will be 3151.39 on Thursday. That is 0.3% above Wednesday's close. So SPX will need to close up at least 0.3% in order to flip from oversold to overbought vs recent expectations.

The Aggregator is bullish. But the bounce has already begun and new evidence is lacking. There only 1 study left on the short-term active list. So expectations could easily change with new evidence emerging. I'll talk about it more in the next few days and over the weekend, but next week we will begin a seasonally bullish stretch. If the market pulls back over the next few days, that could set up nicely for an entry heading into next week. Anyway, I think there is a moderate upside edge, but I do not intend to take on new index exposure on Thursday.

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

The intermediate-term outlook was last updated in the 10/28/19 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

***OpenCatapult Triggers***

GE – 1/3 @ \$10.99

GE – 1/3 @ \$10.90

GE – 1/3 @ \$10.79 (not filled – cancel for now)

***Broad Market Large Cap CBI – 3(GE-3)***

**Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems 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.*

**None tonight.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GE(1/3)	12/4/2019	\$10.99	\$10.97	-0.18%		Catapult
GE(1/3)	12/5/2019	\$10.89	\$10.97	0.73%		Catapult

*A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found [here](#).*

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