

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 18, 2019

Volume 12 Issue 244

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Overbought in a strong uptrend makes for a tough entry spot.

Short-term Outlook

The Bottom Line

Similar to last night, seasonal evidence is bullish, but the market is at new highs and overbought. This is leaving the Aggregator neutral and me sidelined.

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						
December 16, 2019	December Opex bullish	1-5 days	Bullish	1.90%	-1.20%	-2.70%
Active - Long Term						
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			

The Evidence

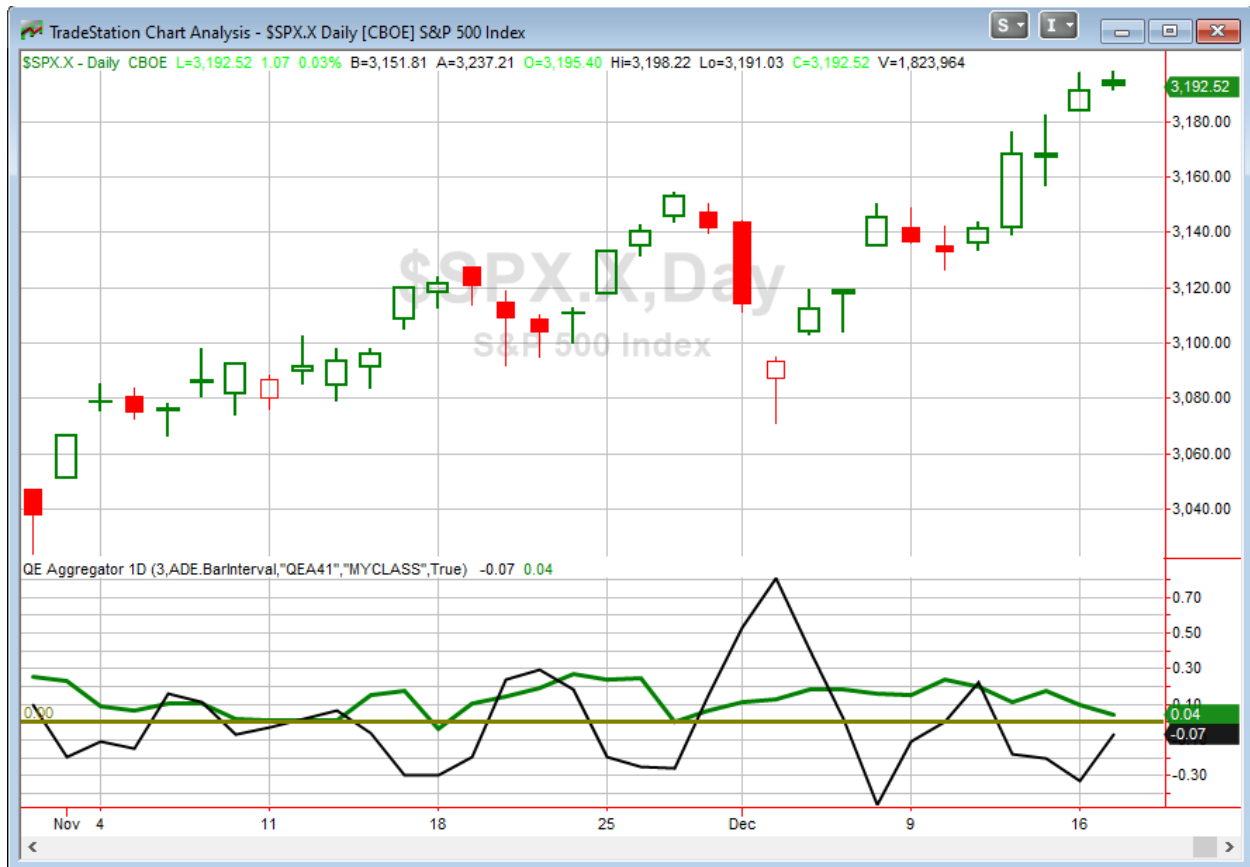
Tuesday was a day of mid moves. The SPX rose 0.03%, the NASDAQ gained 0.1%, and Russell 2000 rallied 0.5%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 60%. NYSE volume declined some from Friday's level.

Tuesday was the 5th day in a row that SPX closed higher. And with it closing at an all-time high, it is overbought by many measures. Overbought in a strong uptrend is a tough place to enter a new trade. As I have discussed some the last few nights, the overbought nature means the market is susceptible to a pullback at any time. It also means additional gains are often muted. So reward/risk for longs is generally poor. But it is very difficult trying to pick tops or make money shorting during a strong uptrend. The study below is from the 10/3/17 letter. It examines other times SPX closed up 5 days in a row (short-term overbought) and closed at a 50-day high (long-term uptrend).

SPX closes up 5 days in a row. Close > 200ma and at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	32,525.96	100	64	36	64.00	3,434.08	-5,401.92	1,158.53	-1,156.11	1.00	1.78	325.26
4	13,692.04	100	60	40	60.00	3,170.94	-3,131.26	929.07	-1,051.30	0.88	1.33	136.92
3	9,477.99	100	58	42	58.00	2,777.04	-3,005.48	749.50	-809.36	0.93	1.28	94.78
2	1,676.78	100	52	48	52.00	3,061.60	-2,253.56	701.47	-725.00	0.97	1.05	16.77
1	-240.89	100	46	54	46.00	2,135.28	-1,763.20	487.98	-420.15	1.16	0.99	-2.41

As you can see, the numbers are mildly bullish, but not suggestive of a strong edge or very favorable reward/risk for bulls. This is not a study that will be added to the Active List. But hopefully it makes the point.

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



Without any new studies 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 held below 0. The negative Differential Line reading means 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 signal stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Wednesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3184.19 on Wednesday. That is 0.3% below Tuesday's close. Therefore, SPX will need to close down 0.3% or more on Wednesday in order to flip from overbought to oversold vs recent expectations.

My bias is basically unchanged from last night. *The Aggregator is neutral with seasonality strong but the SPX already overbought. I'm neutral as well. With a bullish intermediate-term outlook, a strong ongoing SOMA expansion, and positive seasonality for the next few weeks the chances of me looking for short index trades is about 0. I will be alert to pullbacks accompanied by bullish studies to take possible long trades. We don't have one now, so I'll wait.*

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/16 – bullish

The intermediate-term outlook was last updated in the 12/16/19 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

None

Broad Market Large Cap CBI – 0

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

None

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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