

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 26, 2019

Volume 12 Issue 249

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- When an overbought market has pulled back as little as it did Tuesday, it may not want to pullback at all, and has often continued higher over the next 1 to 2 days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I.

*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 26, 2019	SPX dn. RSI2 > 90.	1-2 days	Bullish			
December 23, 2019	VIX up SPX 50-day high on a Friday	1-5 days	Bearish			
December 23, 2019	NDX up 8 days and 50-day high	1-5 days	Bullish			
December 23, 2019	50-high leading up to Christmas	1-4 days	Bullish			
December 23, 2019	Twas 3 Nights Before Christmas	1-5 days	Bullish			
<b>Active - Long Term</b>						
December 20, 2019	Russell 2000 bullish seasonality	1-9 days	Bullish			
December 19, 2019	5 up to 50-high, then down 1	1-10 days	Bullish	1.90%	-1.00%	-2.10%
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			

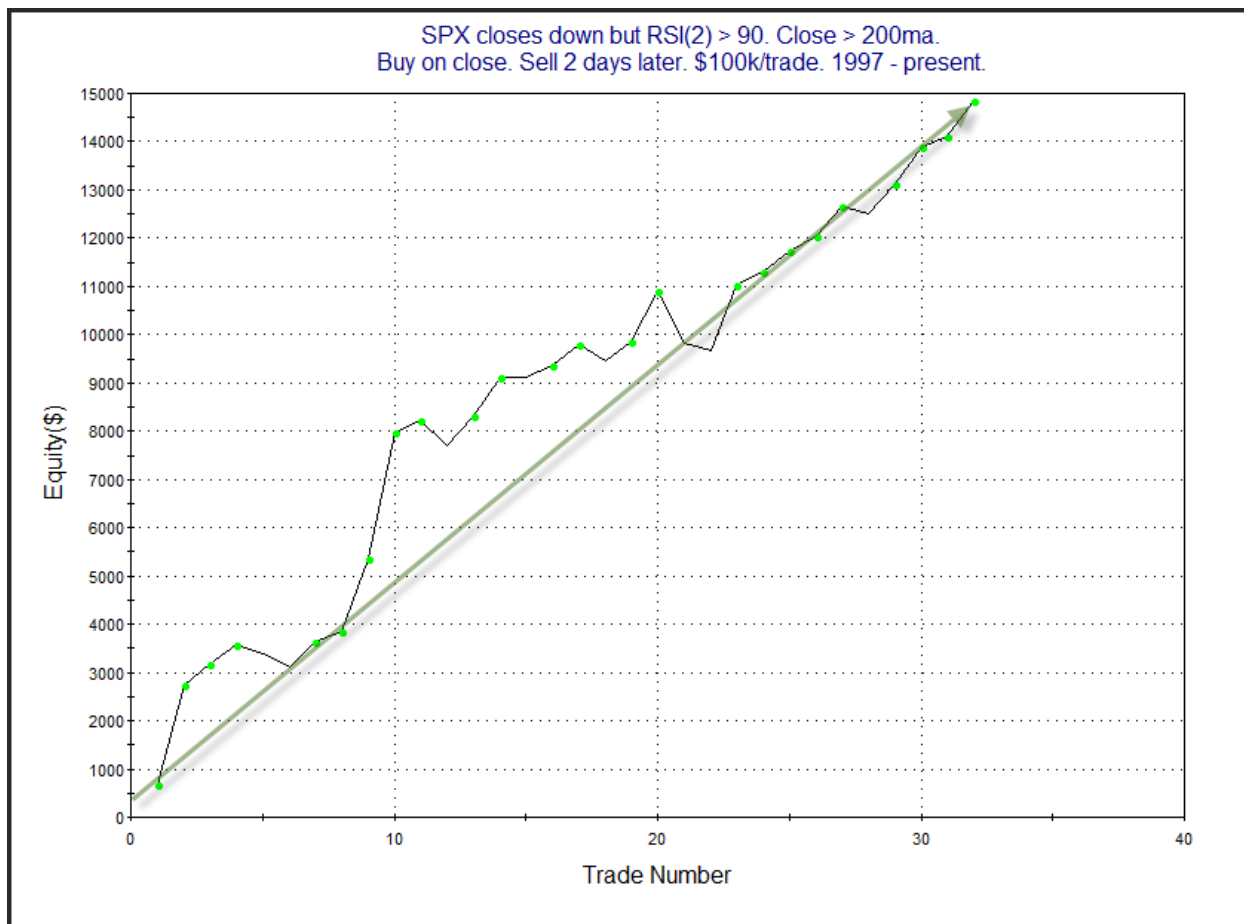
**The Evidence**

Market indices did not move much on Tuesday. The SPX finished down less than 0.1%, the NASDAQ gained 0.1%, and Russell 2000 rose 0.2%. Breadth was positive as the NYSE Up Issues % was 57% and the Up Volume % came in at 55%. NYSE volume came in light as you would expect on Christmas Eve.

The recent move higher has many oscillators strongly overbought short-term. With such a small SPX decline on Tuesday, it is still strongly overbought as measured by the 2-day RSI. The 2-day RSI is a sensitive indicator so it would take a very small decline from a very overbought position in order for it to remain above 90 on a down day. This is what happened on Tuesday. It triggered the study below from the 6/12/19 letter, which I have updated.

SPX closes down but RSI(2) > 90. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - 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	6,451.46	29	14	15	48.28	4,121.28	-2,008.73	1,225.05	-713.28	1.72	1.60	222.46
4	6,716.09	30	17	13	56.67	3,806.46	-1,717.70	967.71	-748.85	1.29	1.69	223.87
3	13,374.10	32	20	12	62.50	2,923.44	-1,123.50	934.02	-442.20	2.11	3.52	417.94
2	14,840.67	32	24	8	75.00	2,619.76	-1,054.68	728.33	-329.91	2.21	6.62	463.77
1	6,131.05	32	21	11	65.63	2,310.88	-704.76	453.83	-309.04	1.47	2.80	191.60

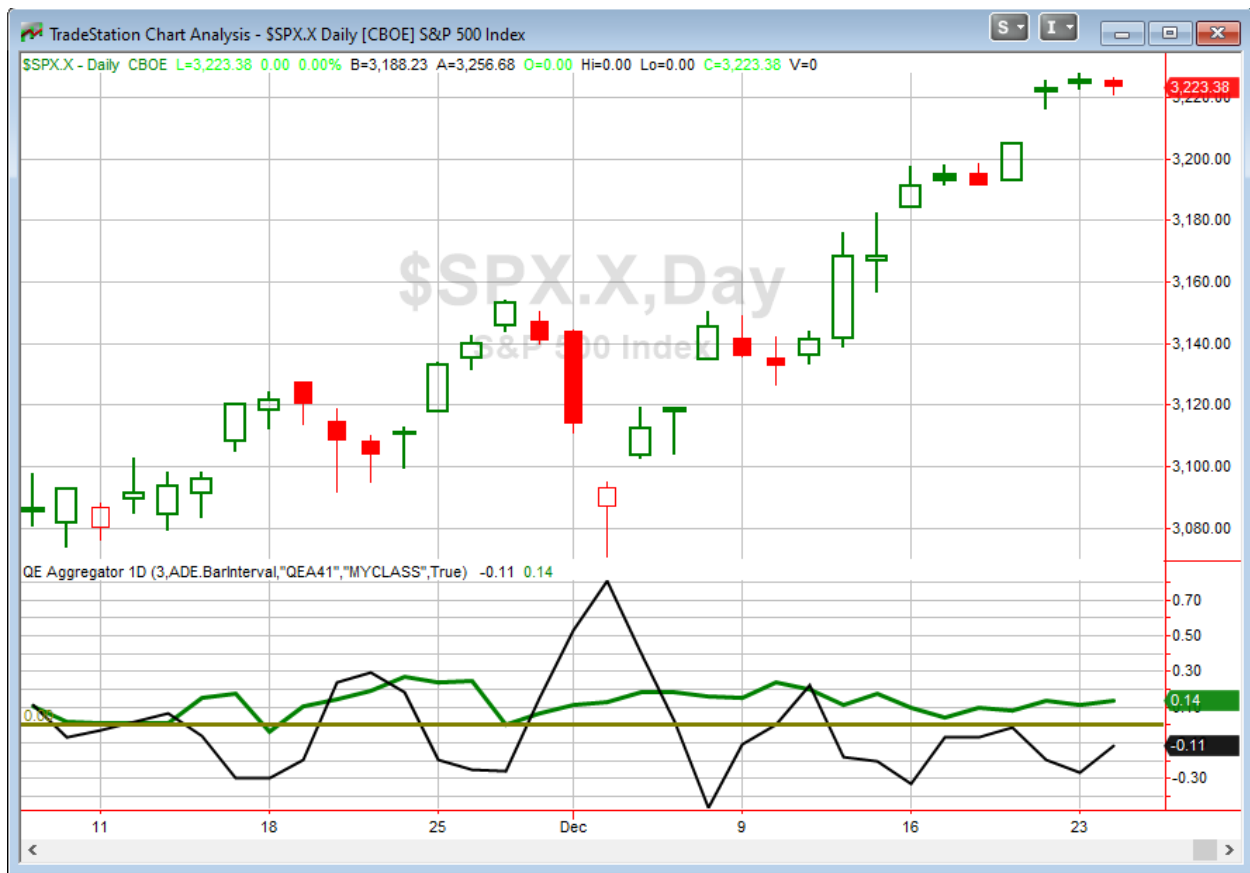
The stats here are all appealing over the 1-2 day period. Winning %, win/loss ratio, and profit factor all strongly favor the bulls. Below is a profit curve assuming a 2-day holding period.



The profit curve shows a strong upslope. I have added this study to the Active List.

The other studies that triggered in the Quantifinder examined low-volume days. Low volume on a shortened trading day before a holiday is expected and not significant, so I did not consider those studies.

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



With tonight's mix of 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 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 Thursday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3231.15 on Thursday. That is 0.2% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up over 0.2% in order to remain overbought versus expectations. Otherwise it will be considered oversold as of Thursday's close.

Evidence continues to point higher. But with the market still overbought, the Aggregator remains neutral. I'm neutral as well. I'd like to see a bit more of a dip before starting to wade into a long position. So I will again stand aside on Thursday, and see what action unfolds and what new evidence emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 12/23 – bullish***

## **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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