

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 2, 2020

Volume 13 Issue 234

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- The breakout and close above the intraday high from 11/9 suggests some upside follow through over the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but evidence is mixed and the setup does not appear very compelling.

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 2, 2020	Breakout with close above old intra-high	1-3 days	Bullish	0.85%	-0.60%	-1.30%
November 30, 2020	SPX up 1.5% then sideways 2 days	1-5 days	Bearish	-2.10%	1.20%	2.30%
Active - Long Term						
November 23, 2020	NASDAQ Leading	int term	Bullish			
November 16, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
November 2, 2020	Best 6 Months	1-6 months	Bullish			
September 28, 2020	4 weeks down > 40-week ma	1-10 weeks	Bullish	8.60%	-3.10%	-7.40%
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
November 23, 2020	2 of 3 close btm 10% daily. Close < 1	1-8 days	Bullish	2.90%	-1.30%	-2.80%

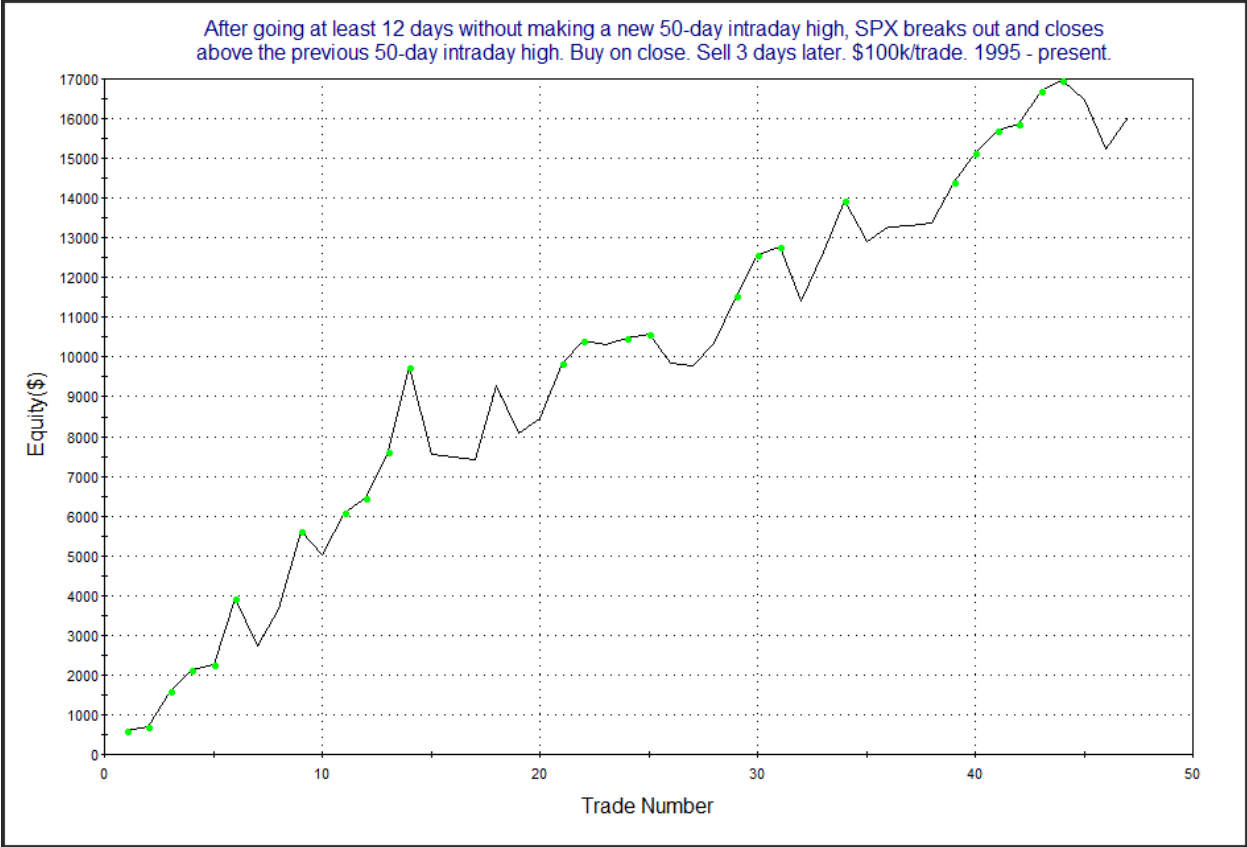
The Evidence

Tuesday started strong and held onto its gains. The SPX rose 1.1%, the NASDAQ rallied 1.3%, and the Russell 2000 climbed 0.9%. Breadth was positive with the NYSE Up Issues % coming in at 70% and the Up Volume % at 61%. NYSE total volume declined some from Monday's level.

While the SPX has posted several closing highs lately, Tuesday was the 1st new intraday high since 11/9. It also managed to close above the 11/9 intraday high. That triggered an old study from the Quantifinder, which I last featured in the 10/28/19 letter. I have updated that study below.

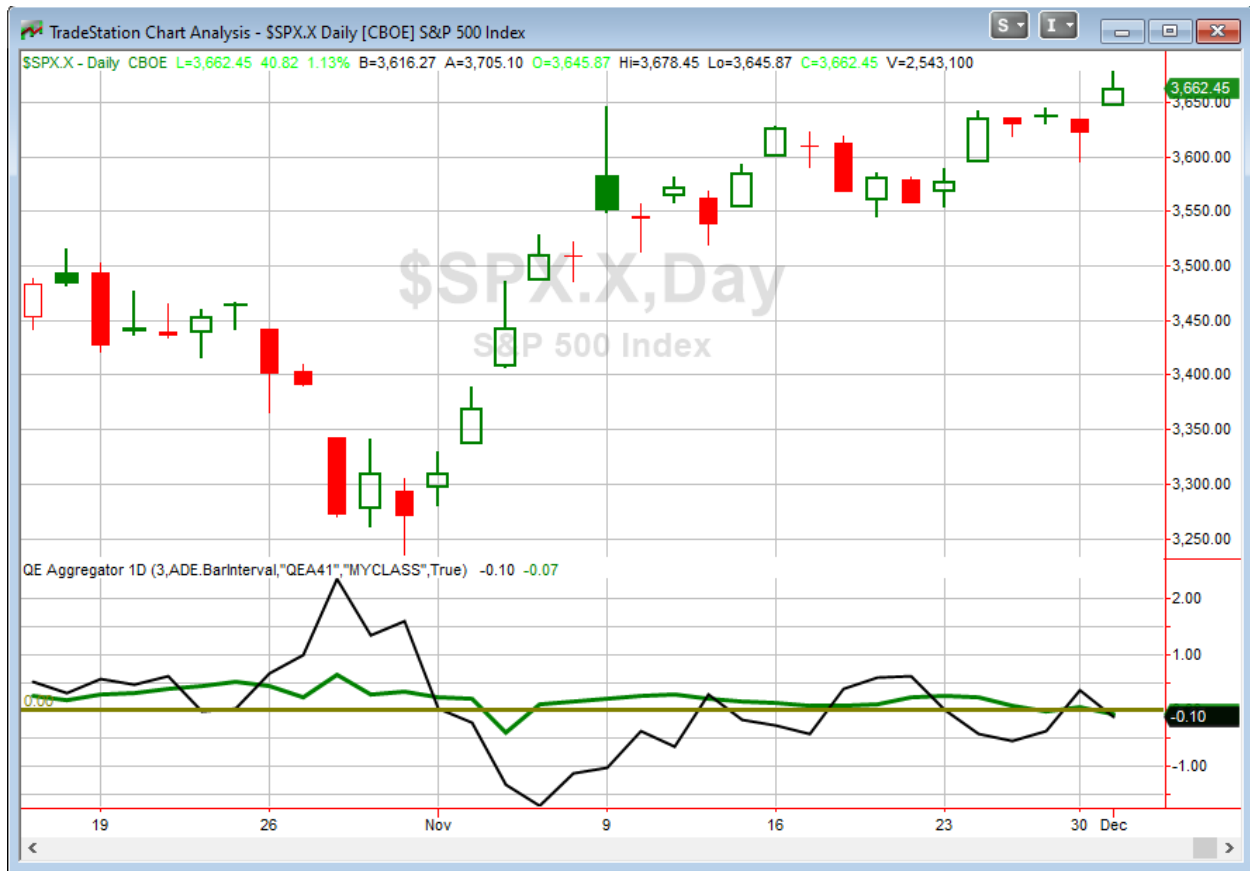
After going at least 12 days without making a new 50-day intraday high, SPX breaks out and closes above the previous 50-day intraday high. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % 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	15,733.00	47	34	13	72.34	2,553.28	-3,138.72	885.11	-1,104.68	0.80	2.10	334.74
4	18,109.61	47	31	16	65.96	2,616.60	-2,429.70	940.64	-690.63	1.36	2.64	385.31
3	16,040.07	47	34	13	72.34	2,142.91	-2,188.15	775.21	-793.63	0.98	2.55	341.28
2	7,968.09	47	30	17	63.83	1,998.39	-1,749.60	625.08	-634.37	0.99	1.74	169.53
1	7,997.65	47	29	18	61.70	1,606.89	-921.94	448.50	-278.26	1.61	2.60	170.16

Stats are not overwhelming, but they appear solid and worth closer examination. So below is the profit curve for a 3-day holding strategy.



That is a long, persistent upslope. I have included this study on the Active List tonight.

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



Even with tonight's evidence included, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also fell below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal flipped back to short at the close.

Based on the current list of studies, expectations are set to remain bearish on Wednesday. This could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3649.83 on Wednesday. That is a 0.35% below Tuesday's close. Therefore, SPX will need to close down at least 0.35% on Wednesday in order to turn from overbought to oversold vs recent expectations.

The Aggregator keeps flipping, and it is now back to bearish. But the evidence that emerged tonight suggests there could be some more upside follow through in the next few days. So I am not excited about taking on a short position here, especially considering this would be a counter-trend trade. I'll see how Wednesday plays out and what new evidence emerges before looking to enter a new index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/30 – slightly bullish

The intermediate-term outlook was last updated in the 11/30/20 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.

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