

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 3, 2020

Volume 13 Issue 235

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, and reward/risk appears favorable for shorts.

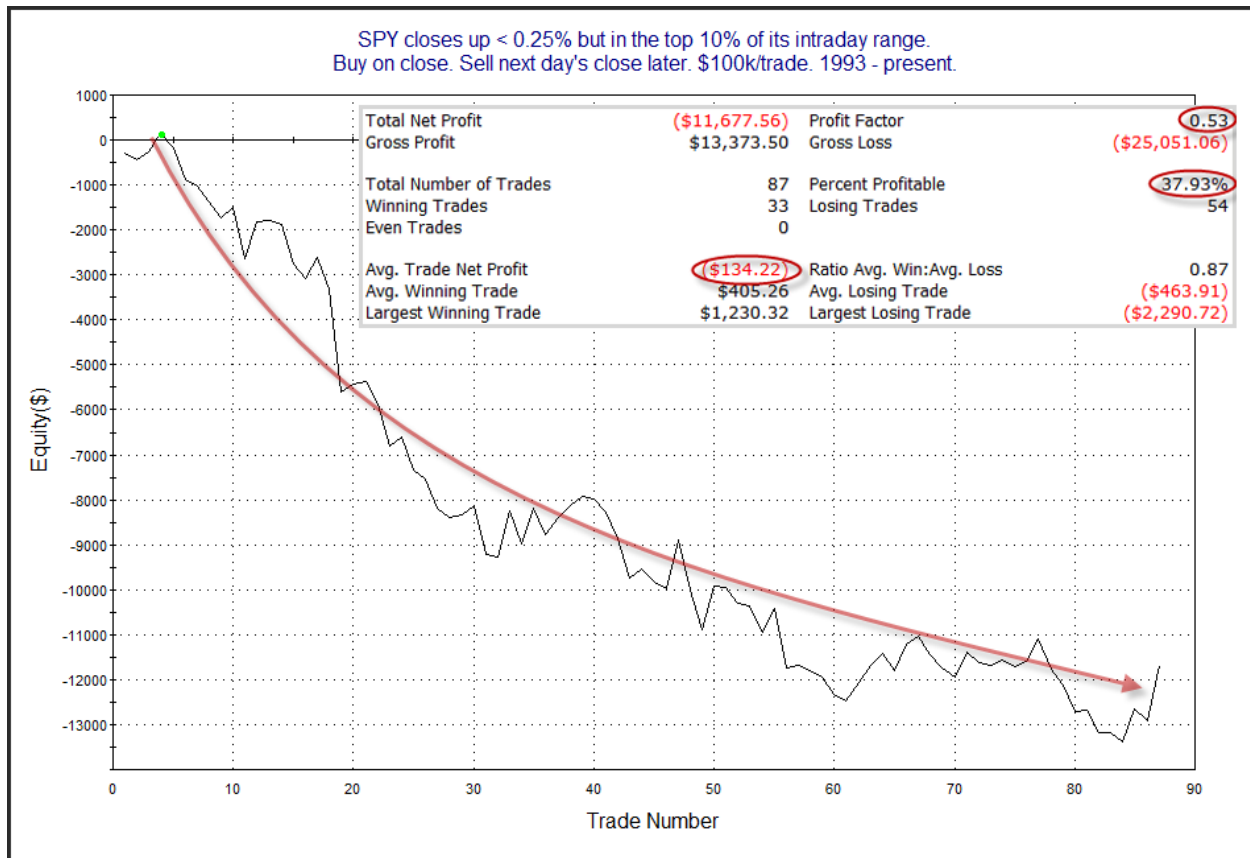
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
December 3, 2020	Close up < 0.25% in top 10% days rng	1 day	Bearish			
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			

The Evidence

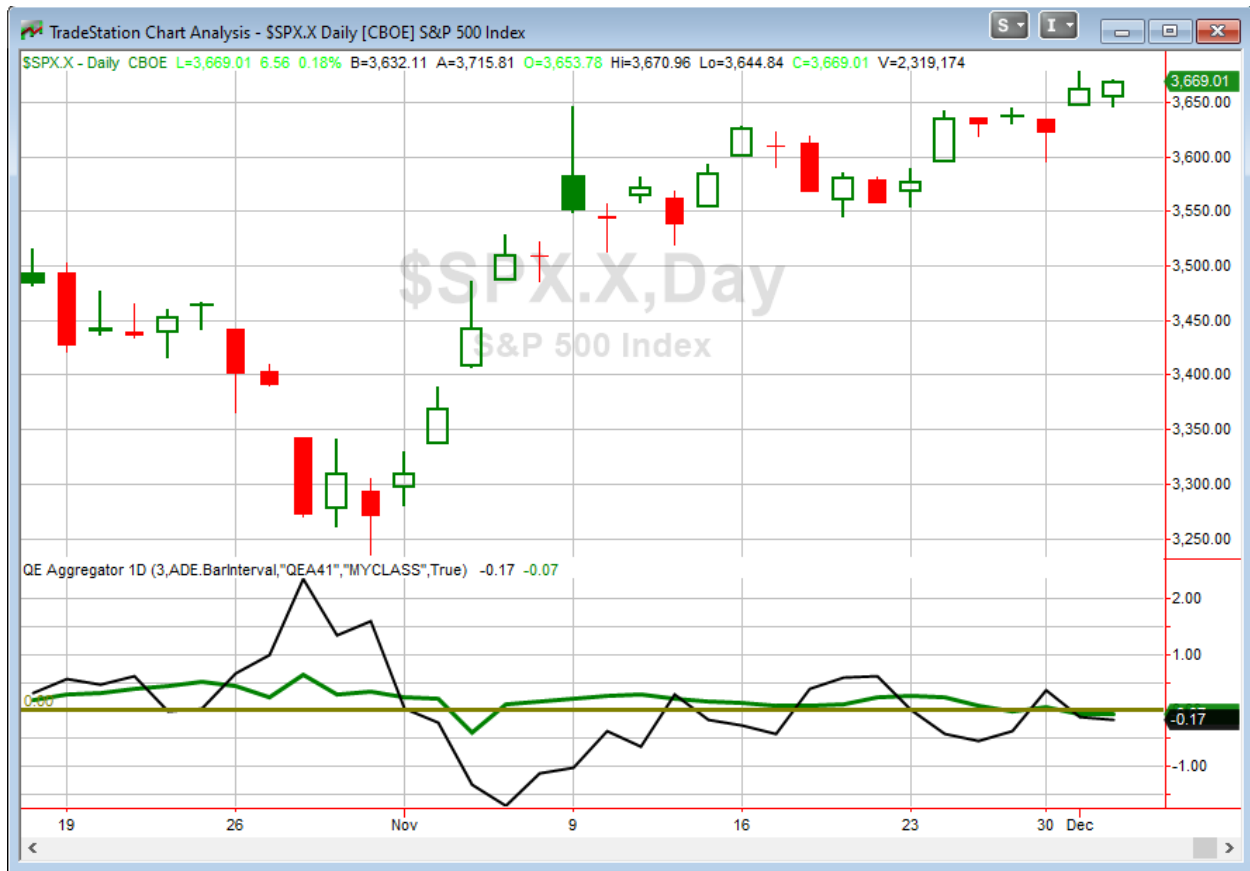
Wednesday saw mixed and mild returns for the indices. The SPX rose 0.2%, the NASDAQ declined 0.05%, and the Russell 2000 climbed 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 60% and the Up Volume % at 71%. NYSE total volume declined some from Tuesday's level.

The mild movement did not trigger much in the way of compelling new evidence. But the struggle to scratch out small gains for the S&P did generate one interesting study. The study below suggests that when SPY closes strong (in the top 10% of its intraday range) but still only manages a small gain on the day, the next day has shown a downside tendency. It appeared in the 12/6/19 letter. I have updated the stats and the profit curve.



While the last instance saw a bit of a spike higher, the bearish edge has persisted since the inception of SPY in 1993. It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day. I have added this study to the Active List tonight.

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



With tonight's study considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also held 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 stayed short at the close.

Based on the current list of studies, expectations are set to remain bearish on Thursday. This could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 3626.08 on Thursday. That is 1.2% below Wednesday's close. Therefore, SPX will need to close down at least 1.2% on Thursday in order to turn from overbought to oversold vs recent expectations.

So the Aggregator is bearish. Short-term evidence remains mixed but leaning bearish. SPX is fairly overbought vs recent expectations, leaving a decent amount of room to the downside before it would be considered oversold. This improves reward/risk. Of course a short trade here would be counter to the intermediate-term outlook. So I certainly would not want to take an aggressive approach. I will look to scale into a small short position on Thursday if I can get a favorable entry price near the NYSE open or close. Otherwise, I'll pass.

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.

SPY – Short ¼ index position @ \$367.75 LIMIT ON OPEN. If not filled on the open, I will cancel the order and look to take on the same ¼ position @ \$367.75 LIMIT ON CLOSE.

Based on the short-term outlook above, I'll look to short if we get a decent-sized gap higher or close higher on Thursday.

Current Open Trade Ideas

None.

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