

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 8, 2020

Volume 13 Issue 238

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Coming from an intermediate-term high, an unfilled gap down after an unfilled gap up appears to be somewhat bearish.

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
Active - Short Term						
December 8, 2020	Unfill up to 20 high. Unfill down.	1-2 days	Bearish			
December 7, 2020	NDX up 8 and 50-day high	1-4 days	Bullish			
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			

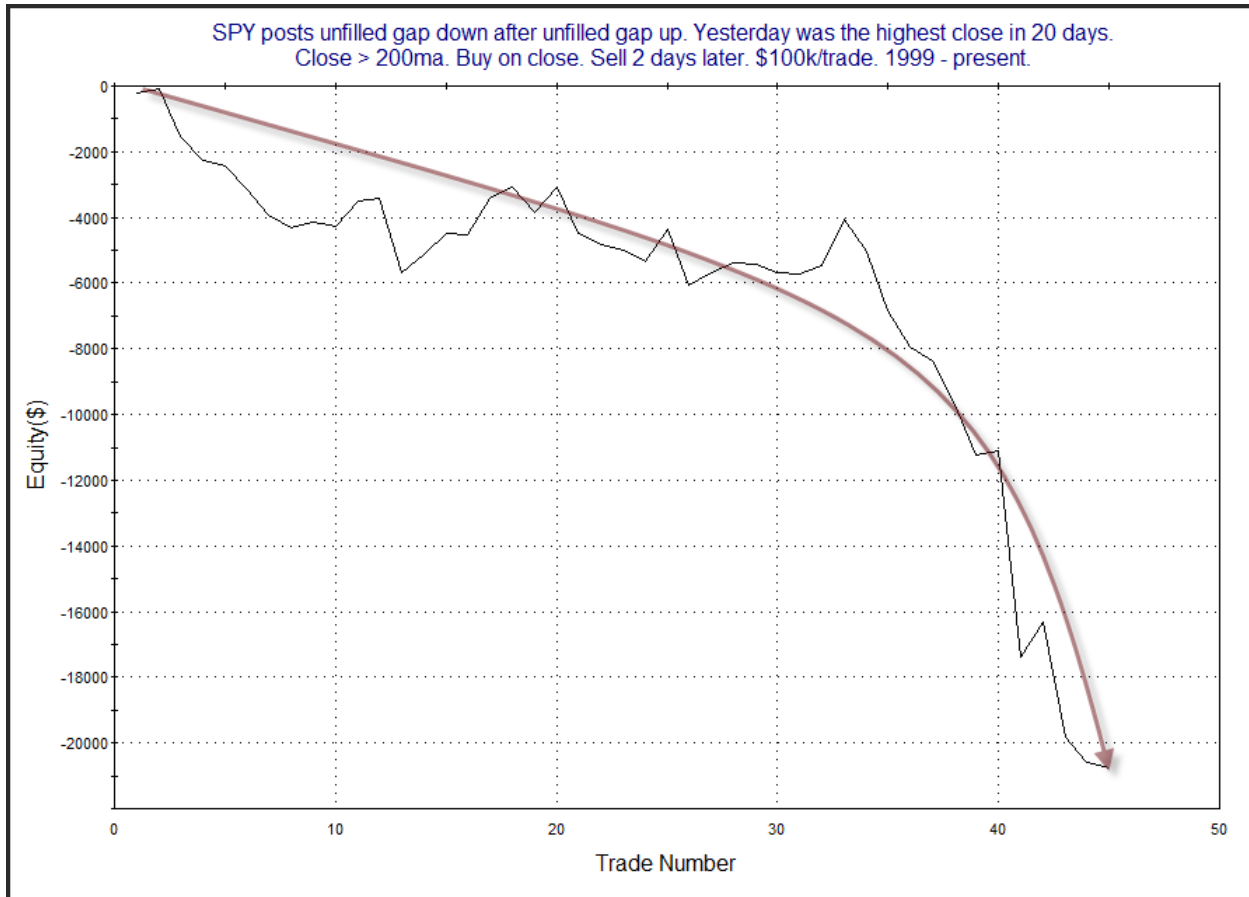
The Evidence

Monday was mixed and mild. The SPX finished down 0.2%, the NASDAQ rose 0.45%, and the Russell 2000 lost 0.1%. Breadth was negative with the NYSE Up Issues % coming in at 42% and the Up Volume % at 43%. NYSE total volume declined for the 5th day in a row.

The Quantifinder showed a compelling study that suggested the action the last couple of days could lead to more selling. This study considers SPY performance after posting an unfilled gap down from a high level immediately after an unfilled gap up. We've seen the study several times in the last few months. It was last shown in the 11/27/20 Subscriber Letter. Below are updated results.

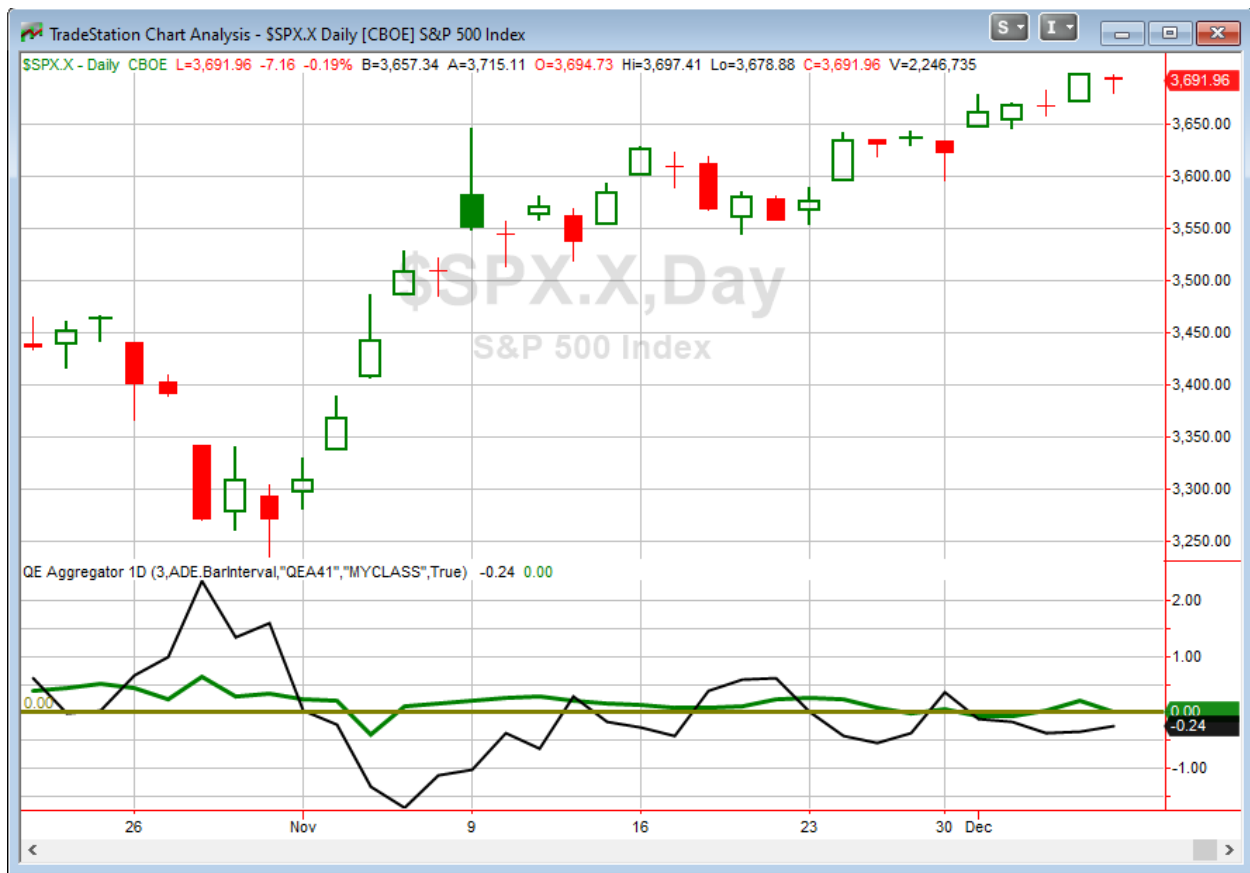
SPY posts unfilled gap down after unfilled gap up. Yesterday was the highest close in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-25,202.76	44	22	22	50.00	1,827.28	-7,283.25	799.53	-1,945.11	0.41	0.41	-572.79
4	-21,396.68	44	19	25	43.18	1,998.36	-4,273.14	863.27	-1,511.96	0.57	0.43	-486.29
3	-19,855.03	44	19	25	43.18	1,312.42	-5,156.38	645.26	-1,284.60	0.50	0.38	-451.25
2	-20,769.48	45	16	29	35.56	1,383.20	-6,275.98	567.15	-1,029.10	0.55	0.30	-461.54
1	-9,408.84	45	18	27	40.00	1,008.68	-1,807.92	417.85	-627.04	0.67	0.44	-209.09

The numbers here appear to suggest a downside edge. Let's also take a look at a profit curve.



While the curve is choppy, it has persisted downwards. We have tracked this study for a while, and the edge has seen an acceleration to the downside in recent times. This all suggests we could see further selling over the next few days. I added this to the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line remained just barely 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 that 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 active studies, expectations are set to remain mildly positive on Tuesday. Of course this could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3662.22 on Tuesday. That is 0.8% below Monday's close. Therefore, SPX will need to close down at least 0.8% on Tuesday in order to turn from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Tonight's bearish study was not quite enough to offset the bullish NASDAQ momentum study I featured in the Sunday letter. So while evidence is mixed, it is still leaning slightly bullish. And despite pulling back some today, SPX remains overbought. Not a compelling combination of evidence and price action. I am *not* inclined to look for an entry into a new index position on Tuesday. Perhaps a favorable entry opportunity will occur in the next day or so, but it is not here now.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/7 – slightly bullish

The intermediate-term outlook was last updated in the 12/7/20 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.

Current Open Trade Ideas

None.

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