

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 9, 2020

Volume 13 Issue 239

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The historically low Equity Put/Call readings suggest the market is susceptible to a pullback in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

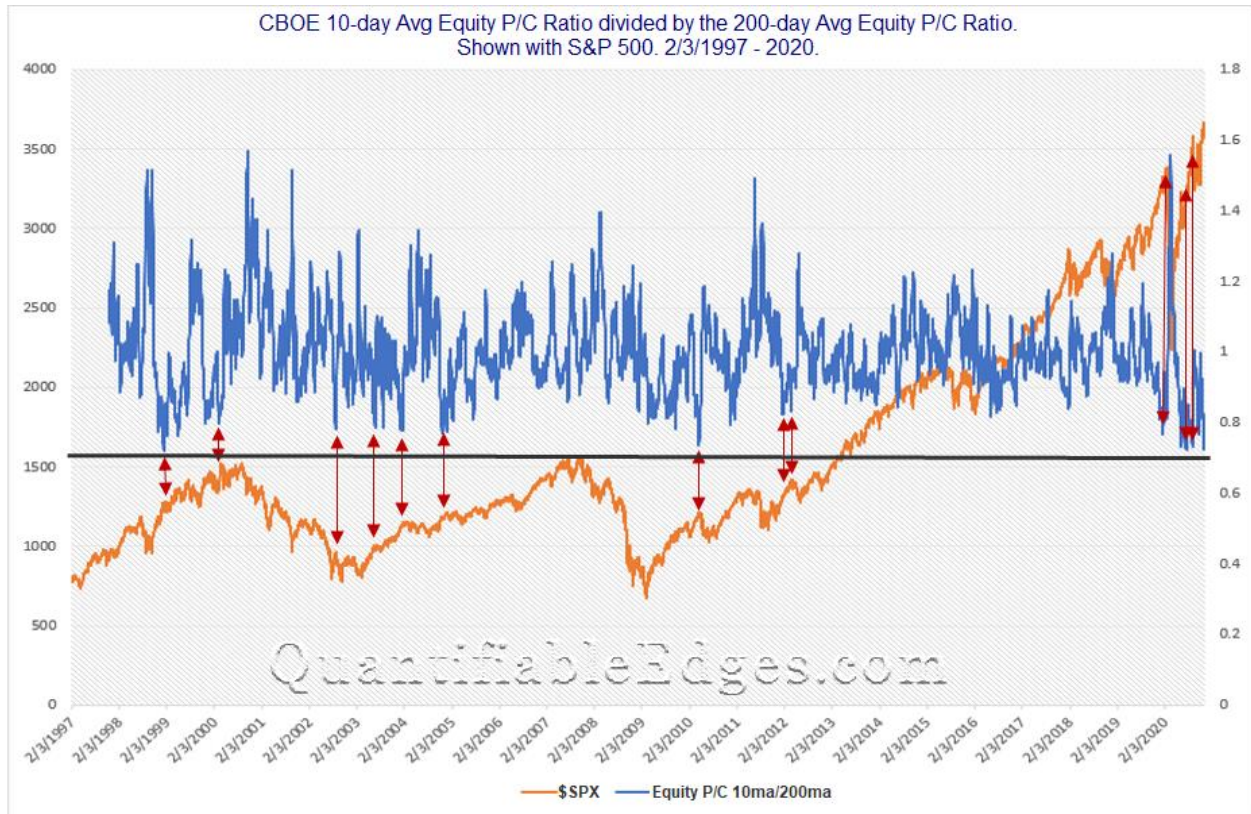
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
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			

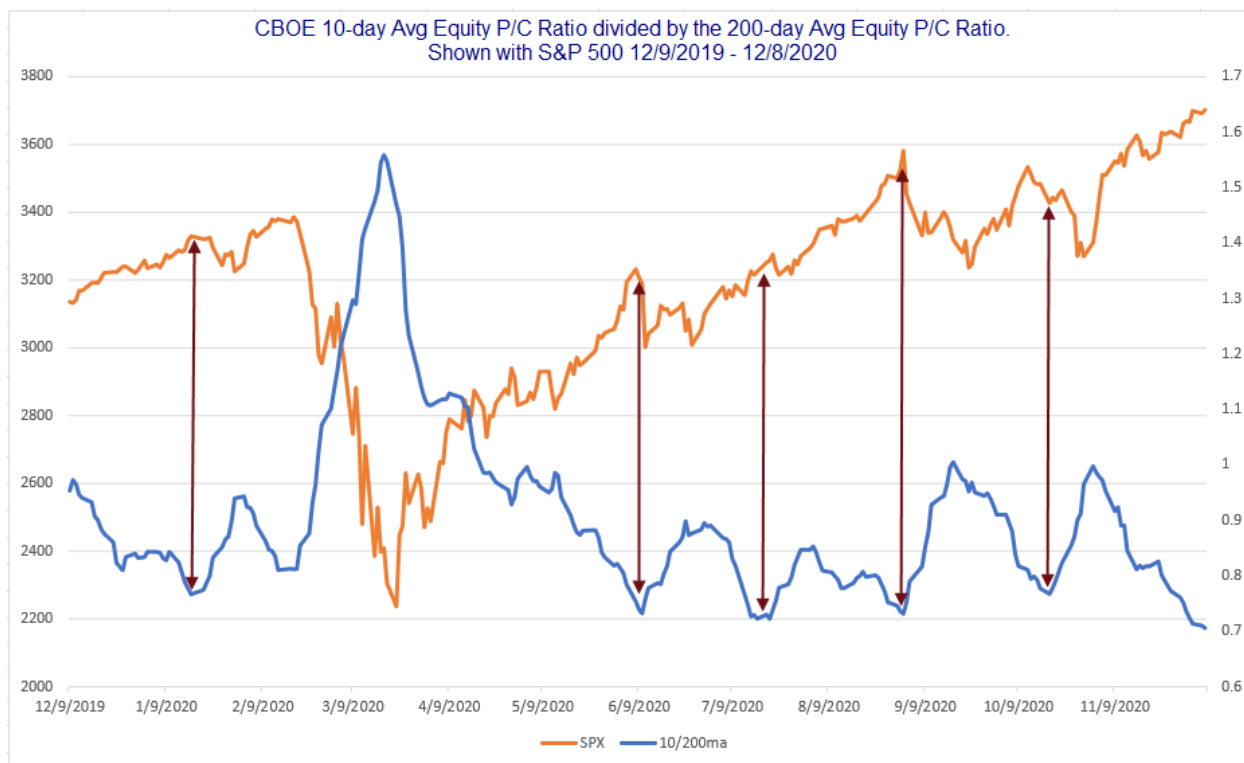
The Evidence

After a weak start, the market put in some solid gains on Tuesday. The SPX finished up 0.3%, the NASDAQ rose 0.5%, and the Russell 2000 rallied 1.4%. Breadth was positive with the NYSE Up Issues % coming in at 63% and the Up Volume % at 65%. NYSE total volume declined for the 6th day in a row.

The market is quite overbought at this point. The NDX has now closed up 11 days in a row, which is the 3rd longest streak of all time. But we saw a few days ago that strongly overbought will often lead to more upside. And that is what we have gotten so far. The Quantifinder did not unveil anything compelling tonight. But I thought I would take another look at the CBOE Equity Put/Call Ratio that I discussed last Thursday night. Below is the chart I shared that looked at the 10ma of the Equity P/C vs the 200ma of the Equity P/C.

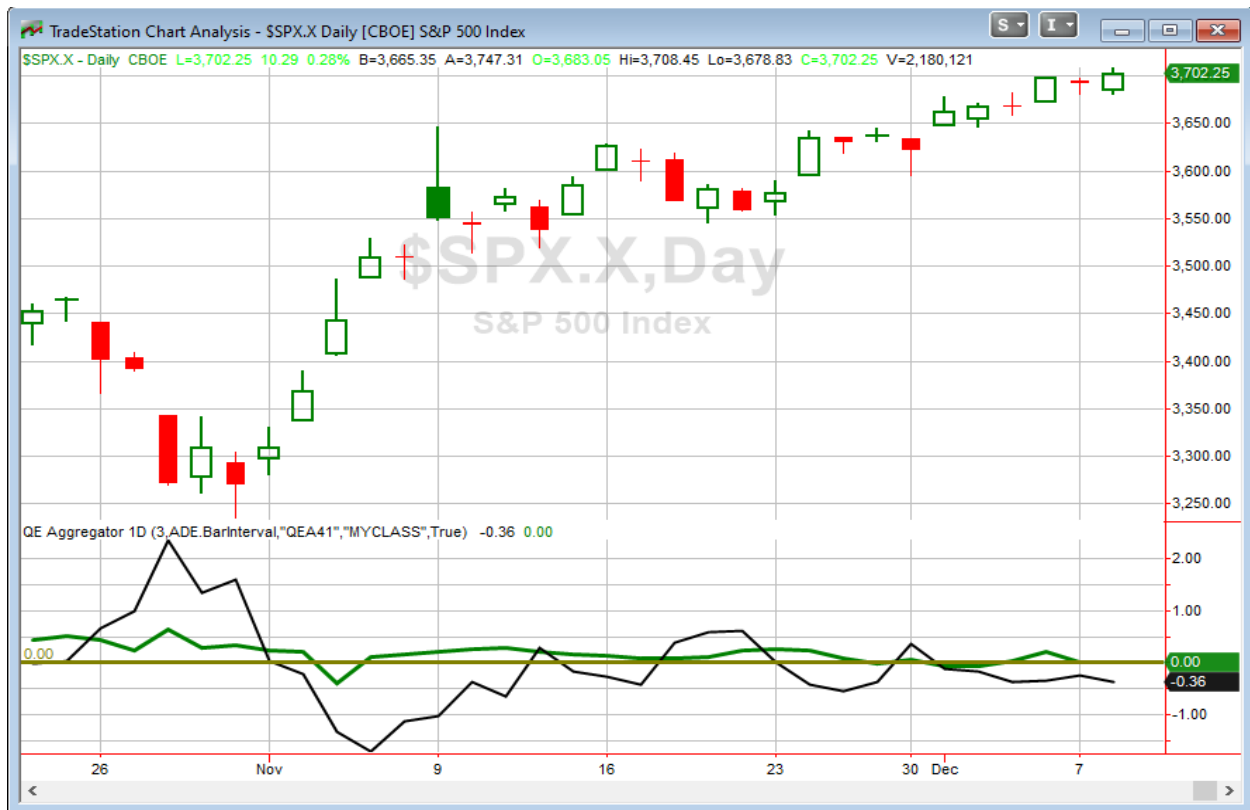


Dividing the 10ma by the 200ma normalizes the 10ma for better comparison over the long term. I noted that last Thursday's reading was the 2nd lowest of all time. I also noted that several other readings down in this vicinity had been followed by pullbacks in the SPX. Since I posted the above chart, the 10/200ma has continued to fall, making the lowest levels ever. So I updated the chart, and also zoomed it in to just show the last year. This can be seen below.



We are at the lowest level ever, so there is no telling how low the indicator could go. But there have been several readings over the last year that have come somewhat close to the current reading. I have marked them with the red arrows on the chart. As you can see, every time the market has had a fairly substantial pullback in the near term. This suggests the market is susceptible to a similar pullback now. Obviously the timing is not exact. If it was, the indicator would not be at an all-time low, and the SPX would not be at an all-time high. There would have been a pullback several days ago. But it seems as though the historically low Equity P/C ratio should matter here at some point – perhaps very shortly.

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



Without any new studies being added tonight, 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 very mildly positive on Wednesday. Of course this could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 3705.00* on Wednesday. That less than 0.1% *above* Tuesday's close. An inverted pivot means that a flat SPX close will cause the Differential Line to cross through zero. In this case, SPX is going to need to close up about 3 points in order to remain "overbought" vs recent expectations. Anything less than that and it will be considered "oversold" as of Wednesday's close.

So the Aggregator is neutral. Evidence is light. SPX is primed to flip from overbought to oversold. If I had to pick a side here, I'd pick short. It seems a pullback is overdue. But a counter-trend trade without strong, quantified evidence and with an inverted pivot is generally not ideal. I'll continue to wait for a more favorable reward/risk setup.

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.

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Michigan, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Hanna Capital Management, LLC. ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2020 Quantifiable Edges, LLC.