

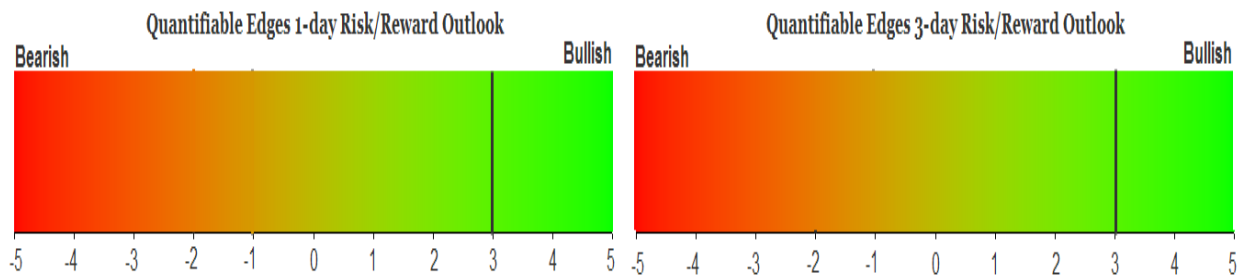
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 11, 2020

Volume 13 Issue 241

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The Russell 2000 rising > 1% while SPX closes lower also suggests a 1-day upside edge.
- Opex week (and pretty much the rest of December) are seasonally bullish.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Evidence is positive and there is some room to the upside before the market would flip from oversold to overbought vs expectations. I believe this adds up to an edge for the bulls.

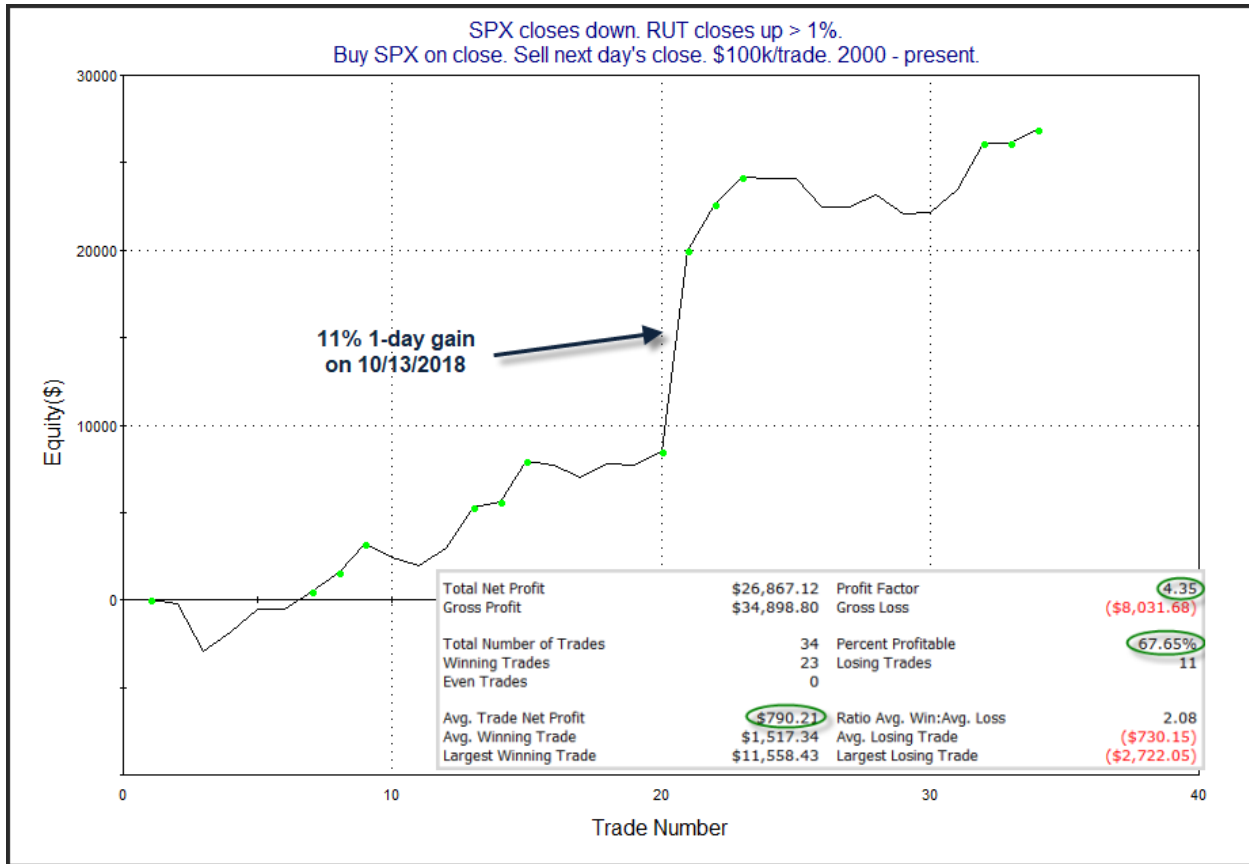
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
December 11, 2020	SPX dn & RUT up > 1%	1 day	Bullish			
<b>Active - Long Term</b>						
December 10, 2020	SPX 20 intra-high. NDX biggest dn 20	1-50 days	Bullish	6.20%	-2.80%	-5.40%
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
December 7, 2020	NDX up 8 and 50-day high	1-4 days	Bullish			

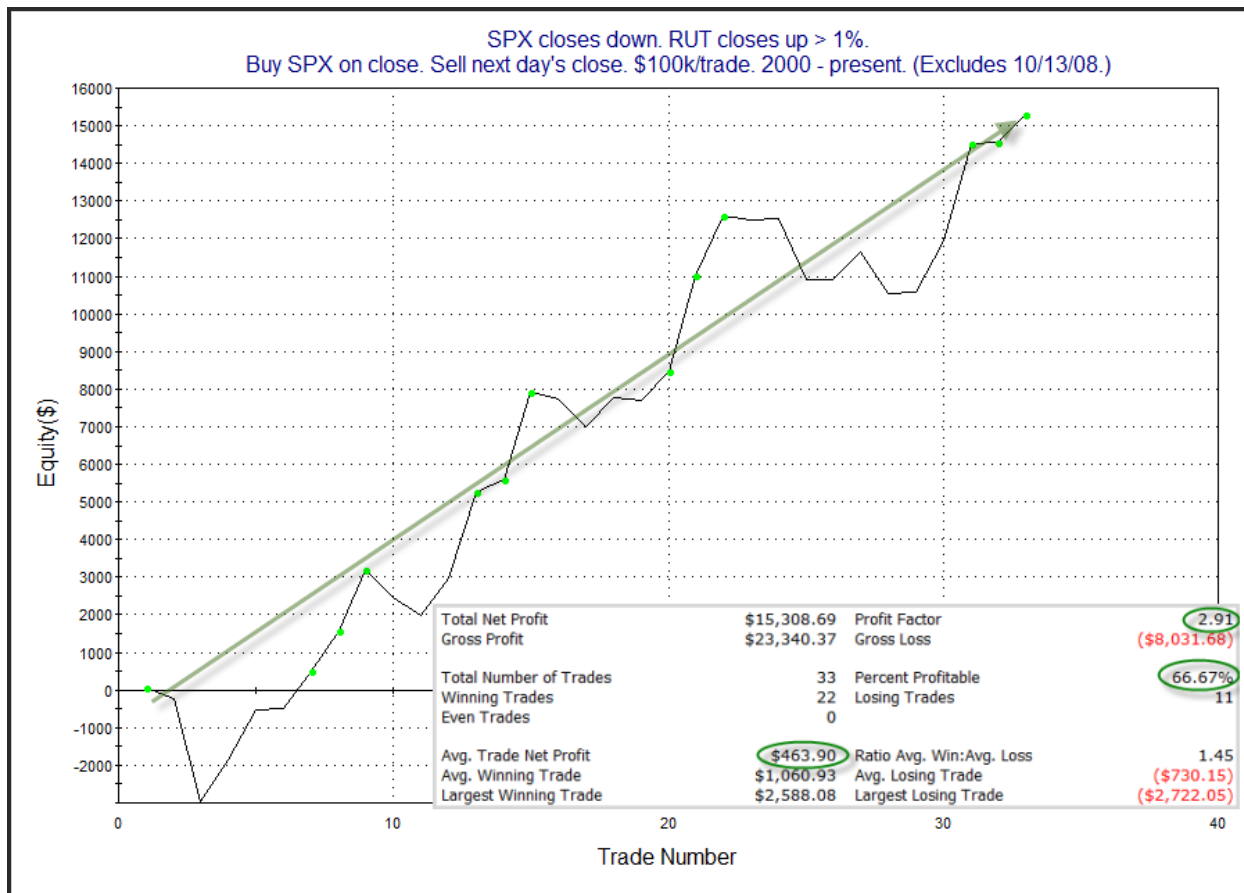
***The Evidence***

Thursday was mixed. The SPX finished down 0.1%, the NASDAQ rose 0.5%, and the Russell 2000 rallied 1.1%. Breadth was positive with the NYSE Up Issues % coming in at 53% and the Up Volume % at 60%. NYSE total volume declined some from Wednesday's level.

The split market triggered another interesting study from the 11/11/20 subscriber letter. It examined other times the SPX closed down on the same day the Russell 2000 rose at least 1%. I have updated the results below.



Stats here are very strong, but the one instance noted certainly inflates all the stats and skews the curve. So let's look at the results if we exclude that 2008 instance.



This seems worth paying attention to. The profit curve is again at new highs and the average instance has led to a 0.5% gain the next day. I have included this on the Active List.

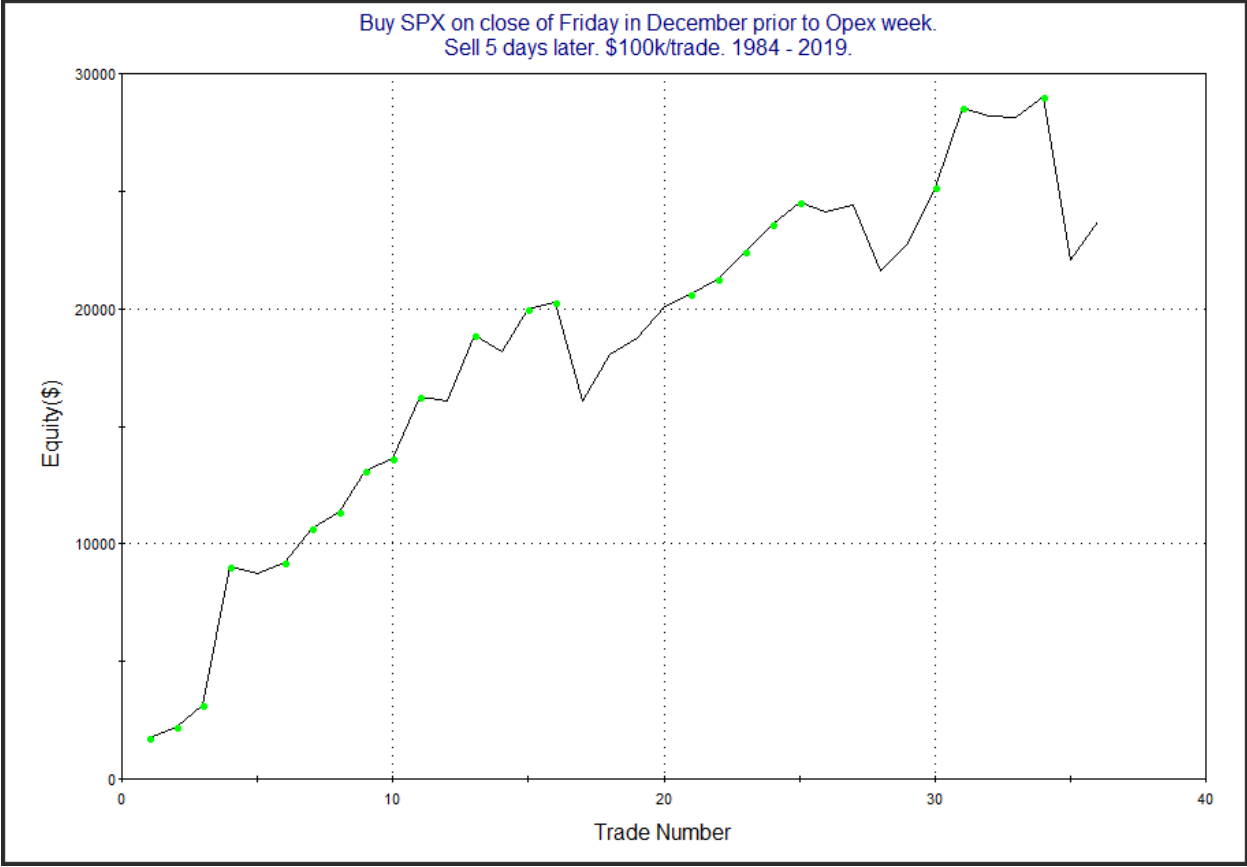
As we begin to look towards next week, there is some bullish seasonality that will be in play. The study below looks at opex week in December back to 1984, which was the first year that SPX options traded. It also extends out to 15 days. It was last seen in the 12/16/19 letter and has been updated.

Buy SPX on close of Friday in December prior to Opex week.  
Sell X days later. \$100k/trade. 1984 - 2019.

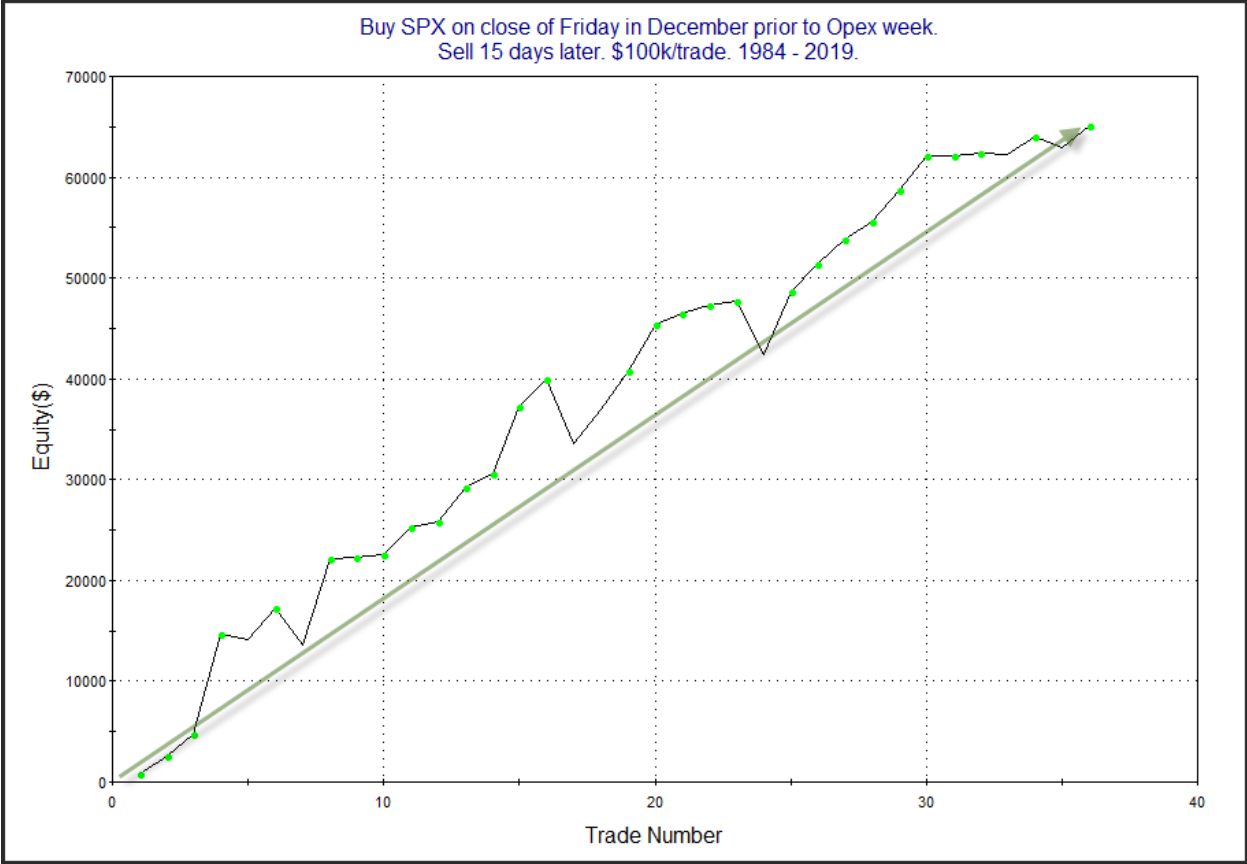
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
15	65,103.92	36	30	6	83.33	9,879.20	-6,297.71	2,733.11	-2,814.87	0.97	4.85	1,808.44
14	60,360.36	36	29	7	80.56	8,742.88	-3,579.92	2,581.99	-2,073.92	1.24	5.16	1,676.68
13	58,307.50	36	28	8	77.78	9,068.80	-3,830.44	2,529.63	-1,565.25	1.62	5.66	1,619.65
12	51,484.98	36	26	10	72.22	8,528.00	-5,778.28	2,570.85	-1,535.70	1.67	4.35	1,430.14
11	52,393.82	36	26	10	72.22	8,483.80	-3,966.09	2,513.16	-1,294.82	1.94	5.05	1,455.38
10	46,826.05	36	28	8	77.78	7,974.20	-4,640.61	2,130.07	-1,601.99	1.33	4.65	1,300.72
9	39,677.71	36	24	12	66.67	7,080.80	-6,909.45	2,439.82	-1,573.16	1.55	3.10	1,102.16
8	34,369.90	36	27	9	75.00	7,564.16	-7,650.40	2,060.96	-2,364.01	0.87	2.62	954.72
7	30,324.74	36	27	9	75.00	6,198.88	-5,025.50	1,811.11	-2,063.90	0.88	2.63	842.35
6	23,056.61	36	29	7	80.56	6,025.04	-9,456.30	1,537.18	-3,074.51	0.50	2.07	640.46
5	23,690.73	36	27	9	75.00	5,868.16	-6,968.06	1,464.22	-1,760.35	0.83	2.50	658.08
4	15,669.92	36	25	11	69.44	3,243.60	-5,036.14	1,196.07	-1,293.81	0.92	2.10	435.28
3	19,366.98	36	23	13	63.89	5,410.24	-3,533.62	1,359.50	-915.50	1.48	2.63	537.97
2	18,167.60	36	25	11	69.44	3,779.85	-2,327.34	1,106.66	-863.53	1.28	2.91	504.66
1	4,857.57	36	21	15	58.33	2,912.88	-2,147.10	782.89	-772.21	1.01	1.42	134.93

**2018 was the only year where the market tumbled and never made a higher close in the next 3 weeks. All other years did it within 10 days.**

The stats here are very strong. Below is an equity curve using a 5-day holding period.

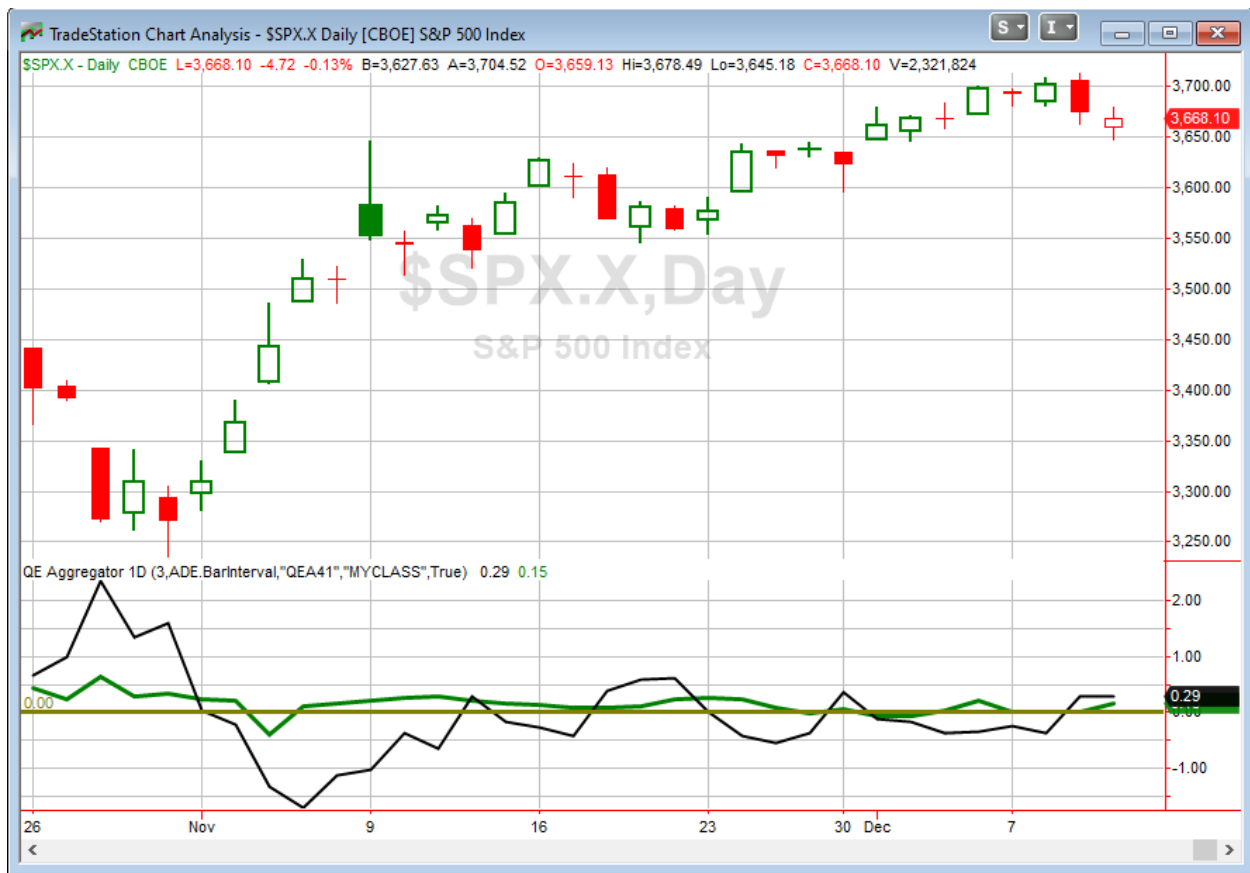


The strong upslope was very impressive until the 2018 December drop. Next let's look at the 15-day curve.



They don't get much better looking than that. Even the 2018 mini-crash is barely noticeable, and the curve got back to a new high in 2019. I'll have some other seasonality studies to note over the weekend, but I thought this one would be worth covering tonight.

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



With tonight's 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 also held above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current list of studies, and the bullish seasonality which will kick in next week, expectations are slated to remain positive on Friday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3709.54 on Friday. That is 1.1% above Thursday's close. Therefore, SPX will need to close up at least 1.1% on Friday to flip from oversold to overbought vs expectations.

So the Aggregator is bullish. Evidence is starting to strengthen a little as we head into the bullish 2<sup>nd</sup> half of December. There is also ample room to the upside before SPX would turn overbought. With all this in mind, it appears there is a moderate bullish edge. I will look to take advantage with a small long position if I can get a favorable entry on Friday.

***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.*

**SPY – Buy ¼ index position at \$366.50 LIMIT.** Based on the short-term outlook above, I will start to scale into an index position if SPX moves down a small amount below Thursday's close at some point during the day.

**Current Open Trade Ideas**

**None.**

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