

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 15, 2020

Volume 13 Issue 243

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce – especially heading into a “Turnaroud” Tuesday.
- Numbered System 11111 triggered for SPY.

Short-term Outlook

The Bottom Line

Same as last night. The Aggregator is bullish. Evidence is positive, seasonality is strong, and the SPX is oversold. I like the long side.

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 15, 2020	Close 5-low bottom 10% days rng. Mon.	1-5 days	Bullish			
December 15, 2020	System 11111 SPY	1-3 days	Bullish			
December 14, 2020	Dn 3 from 50-high. < 10ma > 10-low	1-4 days	Bullish			
December 14, 2020	3 down. Friday before opex.	1-2 days	Bullish			
December 14, 2020	December opex week bullish	1-5 days	Bullish			
Active - Long Term						
December 14, 2020	December opex week and more bullish	1-15 days	Bullish			
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			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

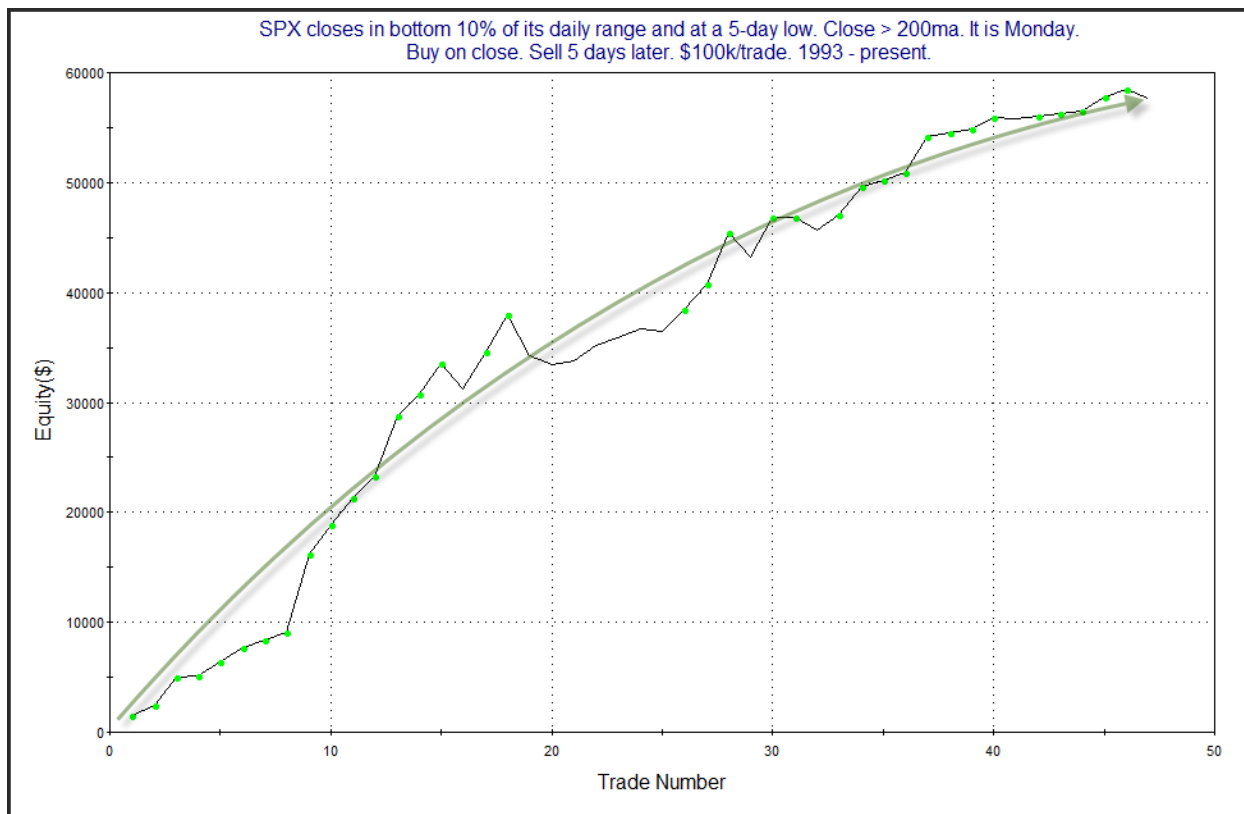
The Evidence

Monday started off strong, but there was a sizable afternoon fade that left the indices mixed. The SPX lost 0.4%, the NASDAQ rose 0.5%, and the Russell 2000 gained 0.1%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 20%. NYSE total volume rose some from Friday’s level.

There were some studies that appeared in the Quantifinder tonight that considered 1) SPX closed poorly and at a short-term low, and 2) “Turnaround” Tuesday is coming up. The study below was last seen in the 12/3/19 letter, and it combined these concepts. Stats are all updated.

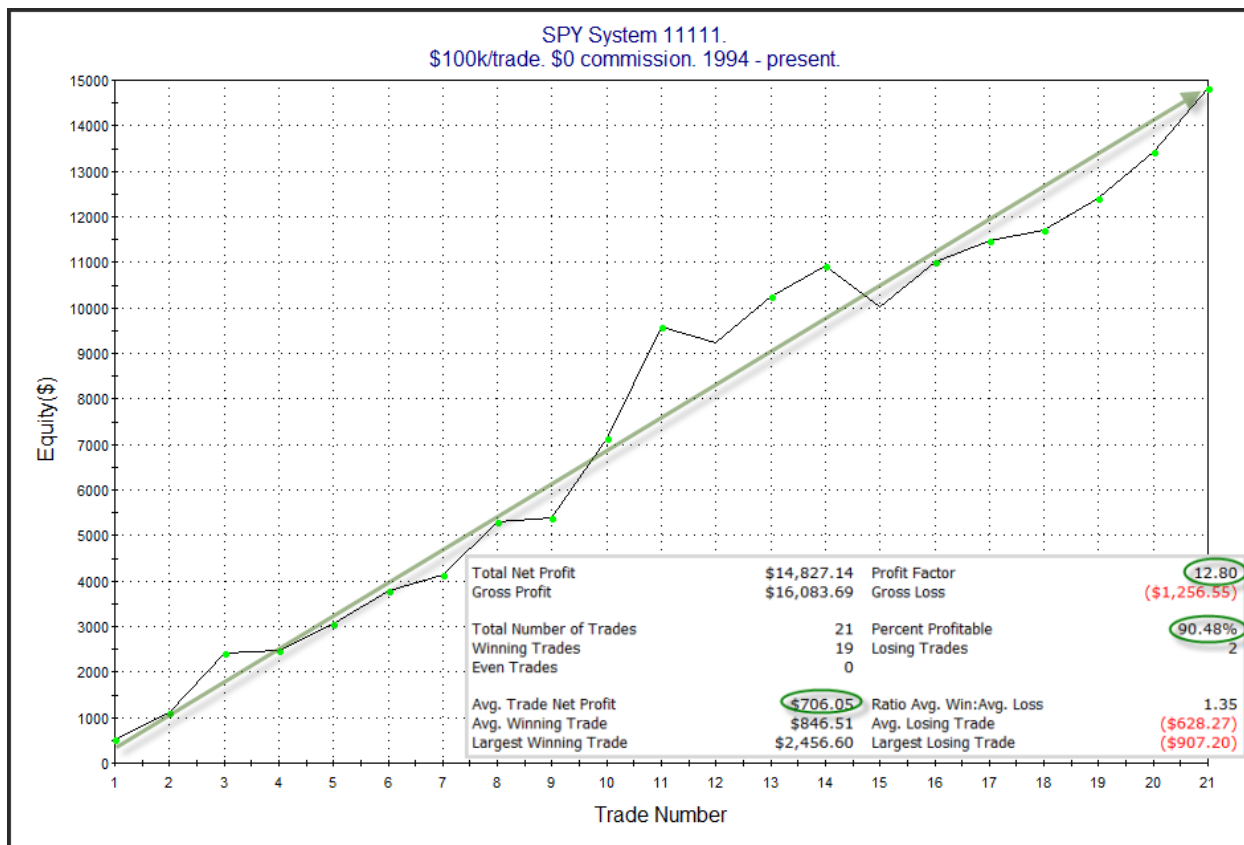
SPX closes in bottom 10% of its daily range and at a 5-day low. Close > 200ma. It is Monday. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	57,698.46	47	39	8	82.98	7,070.28	-3,720.99	1,769.87	-1,415.81	1.25	6.09	1,227.63
4	43,675.71	47	39	8	82.98	5,187.49	-3,019.20	1,449.83	-1,608.45	0.90	4.39	929.27
3	32,569.93	47	33	14	70.21	5,339.18	-3,515.67	1,416.74	-1,013.03	1.40	3.30	692.98
2	25,431.00	47	31	16	65.96	4,809.66	-2,261.76	1,213.53	-761.78	1.59	3.09	541.09
1	25,560.00	47	35	12	74.47	5,117.46	-1,611.03	898.27	-489.96	1.83	5.35	543.83

These numbers are quite impressive from day 1. And 1 week out they are very strong. Below is a look at a profit curve that assumes a 5-day hold.



The strong upslope and persistent new highs serve as some confirmation of the bullish edge suggested by the stats table. I have included this study on the Active List tonight.

I'll also note that SPY is now set up to trigger QE numbered system 11111 on Tuesday. A trade at or below SPY's closing price would mean an entry for this system. System 11111 has done fairly well over the years. With SPY, it has done very well. I last noted this in the 11/22/19 Letter. Below are the updated stats.

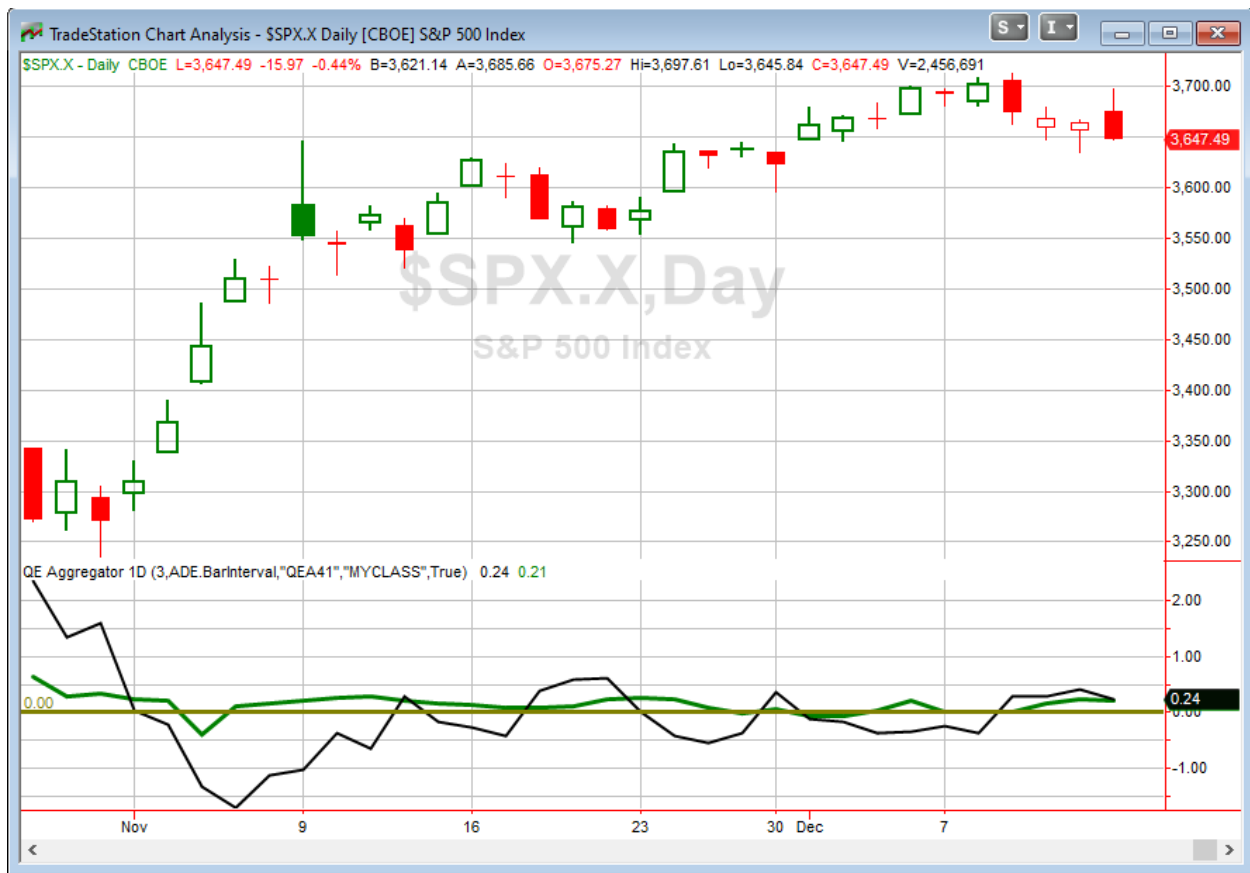


There have not been a whole lot of instances but the stats are extremely lopsided in favor of the bulls. And the profit curve is impressive as well. Also notable (but not shown) is that the average trade only lasted about 3 ½ days. The short time in these trades and the high percent that end up profitable speaks to the probability of a quick bounce here. I have incorporated this setup into the Aggregator as well. Subscribers may find a link to the system 11111 page below:

<http://quantifiableedges.com/system-11111/>

Lastly, I will note that Wednesday is a Fed Day. I do not have time to go through it all tonight, but I will remind readers that Fed Days are typically bullish, and that the bullish edge is substantially strong on days where SPX closes poorly (low in its daily range). So a failure to bounce on Tuesday would likely trigger more bullish evidence for Wednesday.

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, expectations are slated to remain positive on Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 3674.09 on Tuesday. That is 0.7% above Monday's close. Therefore, SPX will need to close up at least 0.7% on Tuesday to flip from oversold to overbought vs expectations.

So the Aggregator is bullish. I continue to like the evidence. I like having the seasonal wind at my back. I currently have a sizable index position. I will make it a full position on Wednesday if SPY closes lower and in the lower half of its intraday range. But I will likely take off a portion of the SPY position on Wednesday before the Fed announcement.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/14 – slightly bullish

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 \$364.65 LIMIT ON CLOSE IF SPY CLOSSES IN THE LOWER HALF OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will get a full SPY position on Tuesday if there is lower close that also closes in the lower portion of the day's range..

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	12/11/2020	\$364.90	\$364.66	-0.07%		Aggregator
SPY(1/4)	12/14/2020	\$366.00	\$364.66	-0.37%		bought @ limit
SPY(1/4)	12/14/2020	\$364.66	\$364.66	0.00%		bought on close

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