

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 17, 2020

Volume 13 Issue 245

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- After Thursday's close we will be entering a strong period for the Russell 2000.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral, and I am looking to take profits ahead of the Fed announcement on Wednesday.

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
Active - Short Term						
December 15, 2020	Close 5-low bottom 10% days rng. Mon.	1-5 days	Bullish			
December 14, 2020	Dn 3 from 50-high. < 10ma > 10-low	1-4 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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
December 16, 2020	Unfilled gap up inside day > 200	1 day	Bearish			

The Evidence

The Fed announcement did not trigger a big reaction, so Wednesday was pretty quiet for the market. The SPX gained 0.2%, the NASDAQ climbed 0.5%, and the Russell 2000 declined 0.4%. Breadth was negative with the NYSE Up Issues % coming in at 46% and the Up Volume % at 47%. NYSE total volume rose some from Tuesday's level.

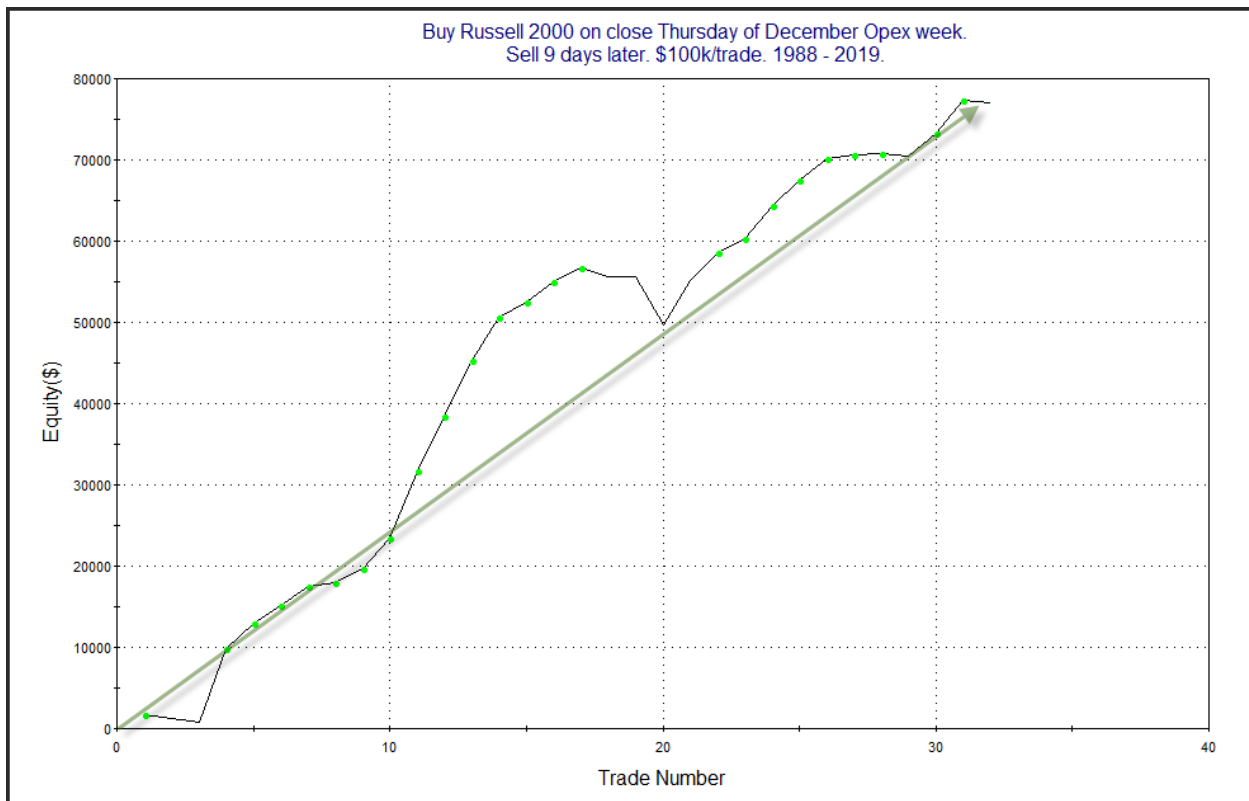
The moderate action did not trigger any new compelling studies. So I thought I would post a reminder on the end of year Russell 2000 study that I published on Sunday. I intended to repost it on Thursday night, but with nothing else to show tonight...here it is again. Hopefully, action Thursday will lead to some interesting new studies tomorrow night.

Next is a study I last showed in the 12/16/19 subscriber letter that looks at buying the Russell 2000 on opex Thursday in December and holding for up to 2 weeks.

Buy Russell 2000 on close Thursday of December Opex week.
Sell X days later. \$100k/trade. 1988 - 2019.

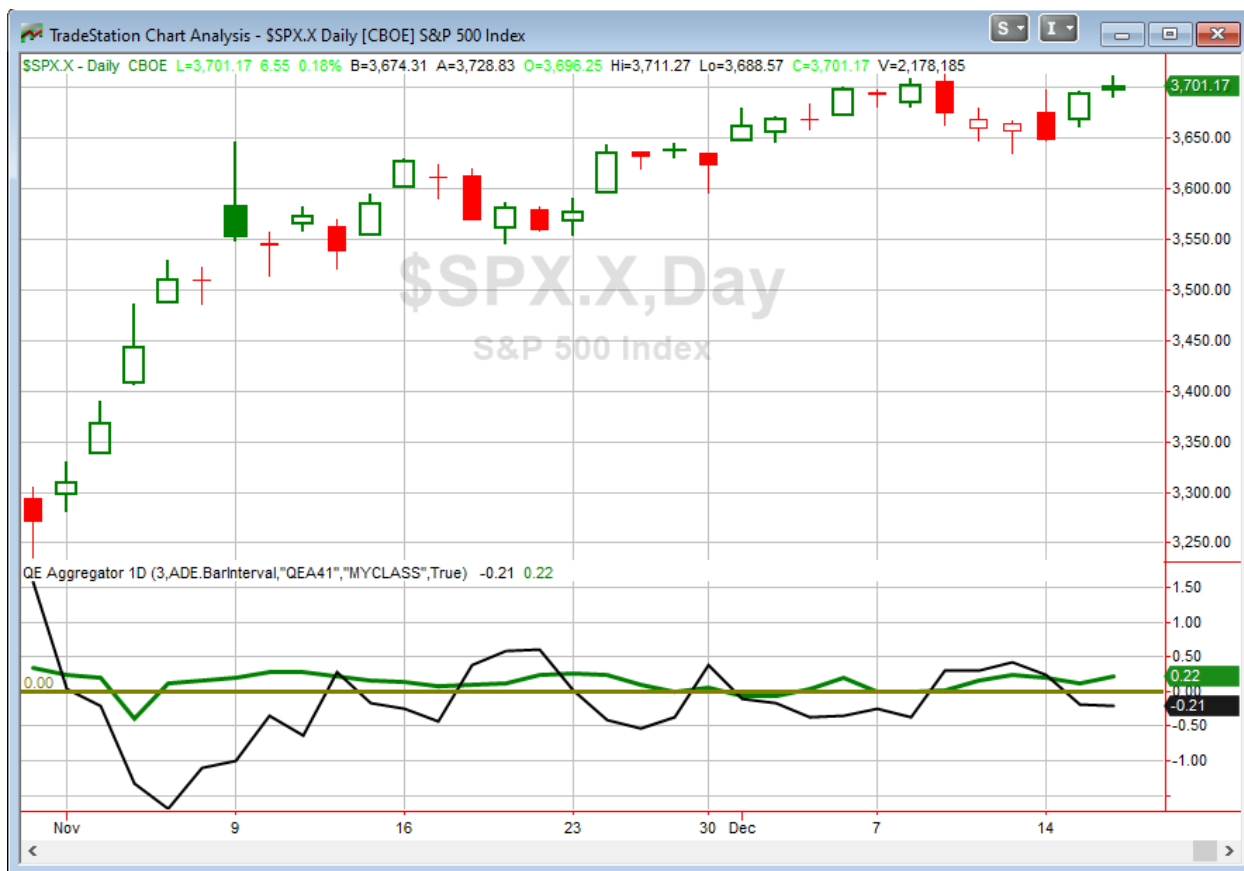
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	78,224.94	32	24	8	75.00	10,279.71	-5,643.30	3,852.72	-1,780.04	2.16	6.49	2,444.53
9	77,009.25	32	26	6	81.25	9,009.63	-5,973.50	3,290.51	-1,423.98	2.31	10.01	2,406.54
8	64,037.07	32	26	6	81.25	7,115.85	-2,948.40	2,658.16	-845.84	3.14	13.62	2,001.16
7	60,300.62	32	27	5	84.38	7,790.58	-1,809.60	2,416.17	-987.18	2.45	13.22	1,884.39
6	45,688.09	32	24	8	75.00	6,599.88	-2,720.64	2,184.77	-843.29	2.59	7.77	1,427.75
5	34,165.21	32	23	9	71.88	4,892.25	-3,194.64	1,948.08	-1,182.30	1.65	4.21	1,067.66
4	27,329.69	32	23	9	71.88	4,413.75	-3,892.32	1,759.89	-1,460.86	1.20	3.08	854.05
3	23,029.68	32	22	10	68.75	3,814.20	-2,650.68	1,629.22	-1,281.31	1.27	2.80	719.68
2	8,106.30	32	19	13	59.38	3,495.70	-4,431.00	1,341.83	-1,337.57	1.00	1.47	253.32
1	9,354.22	32	18	14	56.25	2,299.70	-2,543.25	917.94	-512.05	1.79	2.30	292.32

Results here are outstanding. But a look at the max loss column shows you that it has not been without risk. Below is an equity curve that assumes a 9-day exit strategy.



That is a strong looking curve.

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 held below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive and 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 list of studies, expectations are slated to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3669.26 on Thursday. That is 0.9% below Wednesday's close. Therefore, SPX will need to close down at least 0.9% on Thursday to flip from overbought to oversold vs expectations.

So the Aggregator is again neutral. Me too. Evidence continues to point higher, but with SPX already short-term overbought, reward/risk is not great. I took off my SPY position before the Fed announcement on Wednesday. I'll remain sidelined until the next favorable opportunity arrives.

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

The intermediate-term outlook was last updated in the 12/14/20 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 tonight

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)</i>	<i>12/11/2020</i>	<i>\$364.90</i>	<i>\$369.82</i>	<i>1.35%</i>		<i>sold on open</i>
<i>SPY(1/4)</i>	<i>12/14/2020</i>	<i>\$366.00</i>	<i>\$369.82</i>	<i>1.04%</i>		<i>sold on open</i>
<i>SPY(1/4)</i>	<i>12/14/2020</i>	<i>\$364.66</i>	<i>\$370.23</i>	<i>1.53%</i>		<i>sold at noon EST</i>

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