

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 18, 2020

Volume 13 Issue 246

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- Opex Friday has often seen bearish intraday returns, especially for the NASDAQ 100.

Short-term Outlook

The Bottom Line

The Aggregator is again neutral. I am as well.

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	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 14, 2020	Dn 3 from 50-high. < 10ma > 10-low	1-4 days	Bullish			

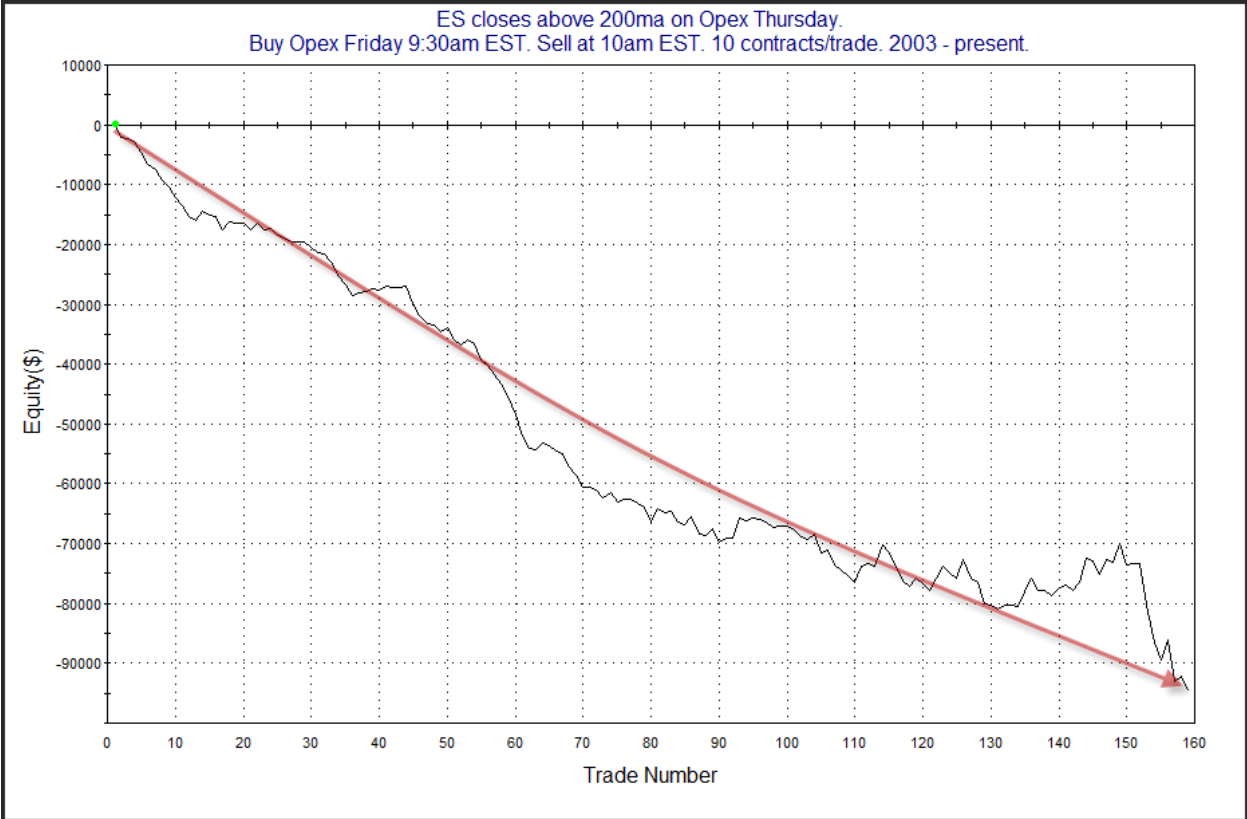
The Evidence

Thursday was a rally day for the market. The SPX gained 0.6%, the NASDAQ climbed 0.8%, and the Russell 2000 rose 1.3%. Breadth was positive with the NYSE Up Issues % coming in at 66% and the Up Volume % at 71%. NYSE total volume rose some from Wednesday's level.

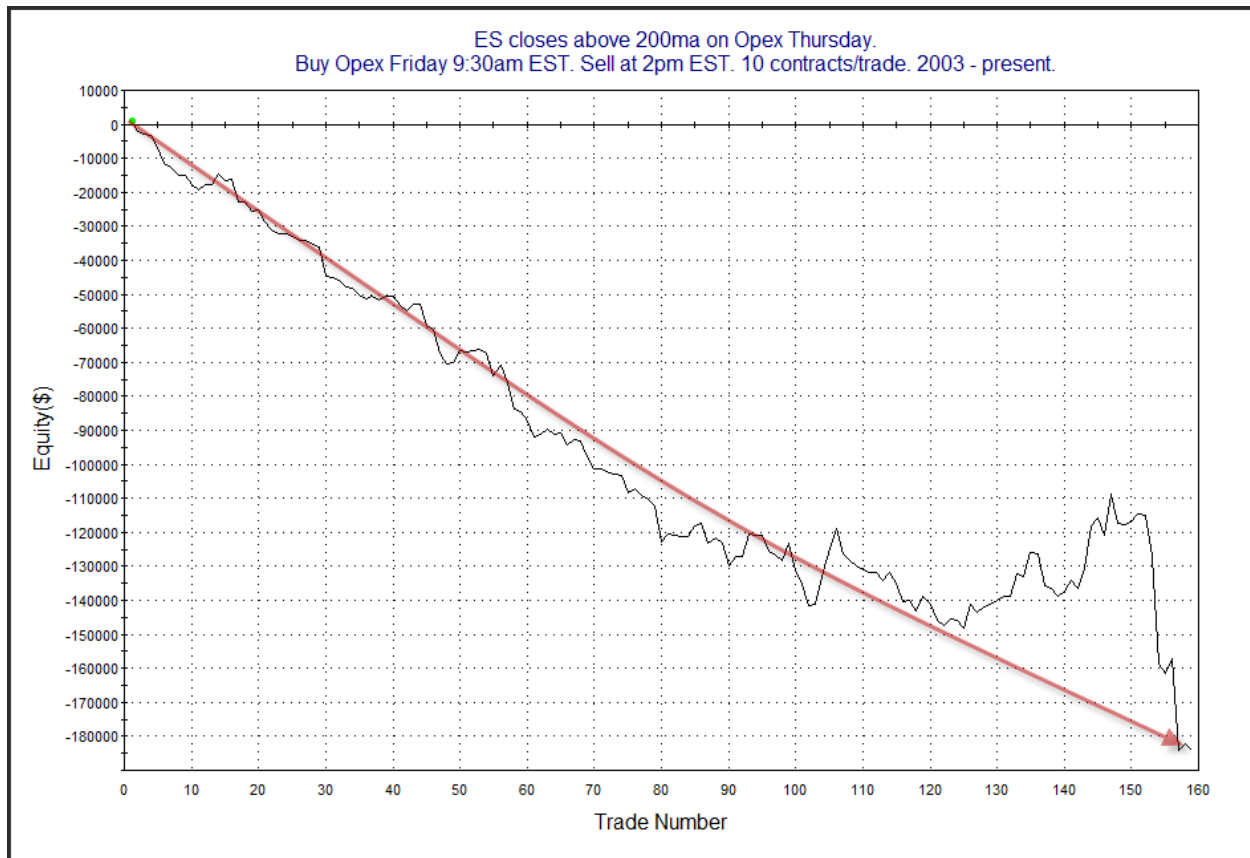
The action over the last few days has once again failed to generate compelling new evidence. But Friday is options expiration. Options expiration has long been a day that has seen weakness after the opening bell (and strength before it). Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. This table is updated from the 11/20/20 letter.

ES closes above 200ma on Opex Thursday. Buy Opex Friday 9:30am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-188,875.00	159	68	88	42.77	13,875.00	-28,500.00	2,875.00	-4,367.90	0.66	0.51	-1,187.89
1,500	-140,375.00	159	63	91	39.62	11,625.00	-24,250.00	3,095.24	-3,685.44	0.84	0.58	-882.86
1,400	-184,000.00	159	53	99	33.33	12,500.00	-31,625.00	2,860.85	-3,390.15	0.84	0.45	-1,157.23
1,300	-148,625.00	159	56	102	35.22	11,375.00	-22,125.00	2,756.70	-2,970.59	0.93	0.51	-934.75
1,200	-126,625.00	159	57	102	35.85	12,000.00	-12,750.00	2,528.51	-2,654.41	0.95	0.53	-796.38
1,100	-102,750.00	159	60	97	37.74	14,625.00	-12,625.00	2,122.92	-2,372.42	0.89	0.55	-646.23
1,000	-94,625.00	159	48	107	30.19	3,875.00	-7,000.00	1,236.98	-1,439.25	0.86	0.39	-595.13

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 2pm. Below is a look at a profit curve for the 1st half-hour.



The strong move from upper left to lower right supports the bearish case. Next is the 2pm exit.

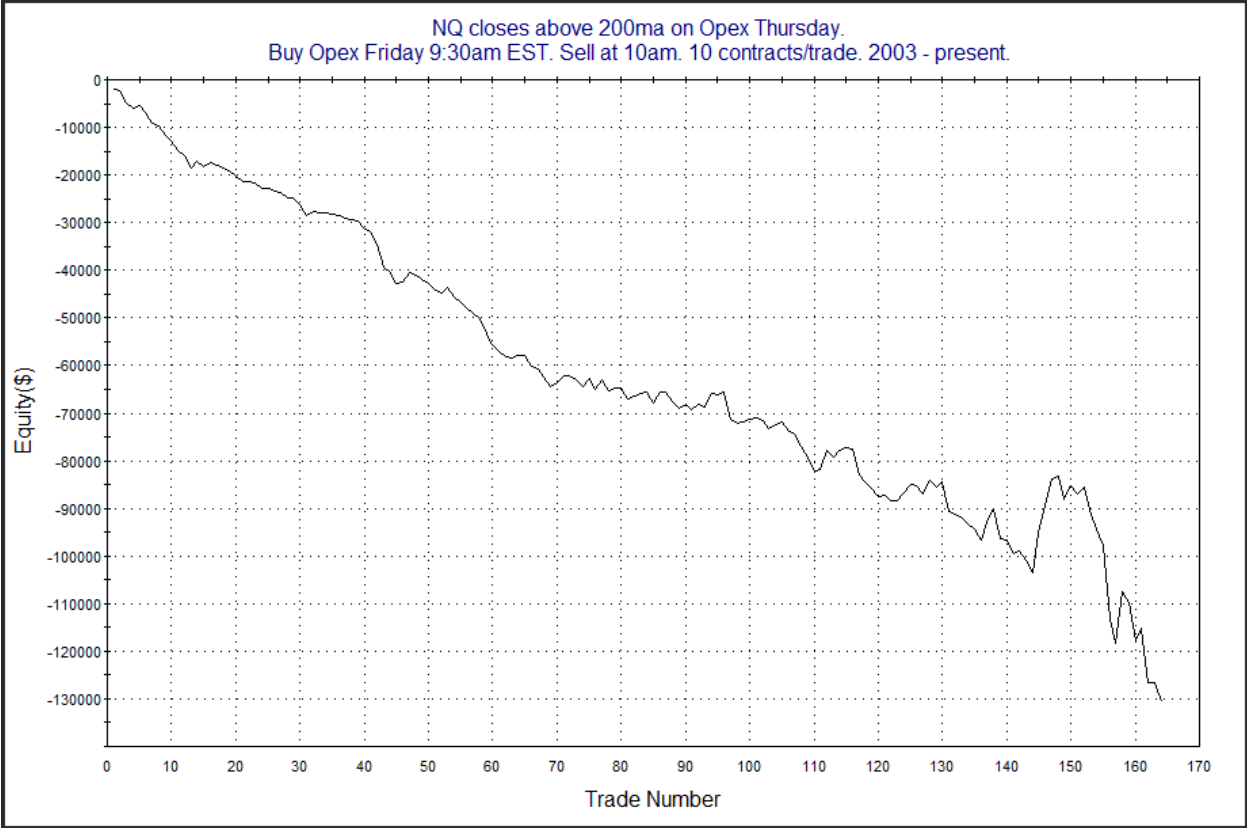


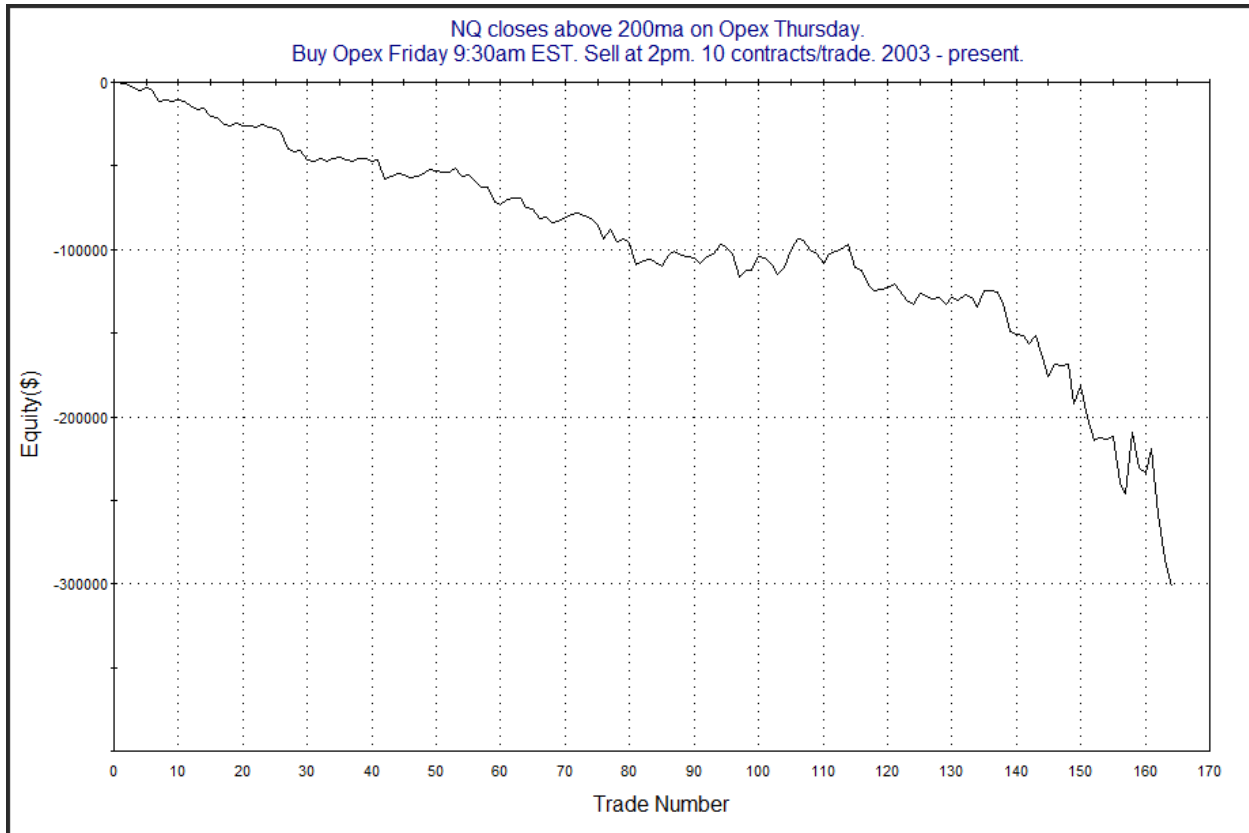
This is also impressive.

NQ (the NASDAQ 100 future) has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

NQ closes above 200ma on Opex Thursday.
Buy Opex Friday 9:30am EST. Sell at time shown on left. 10 contracts/trade. 2003 - present.

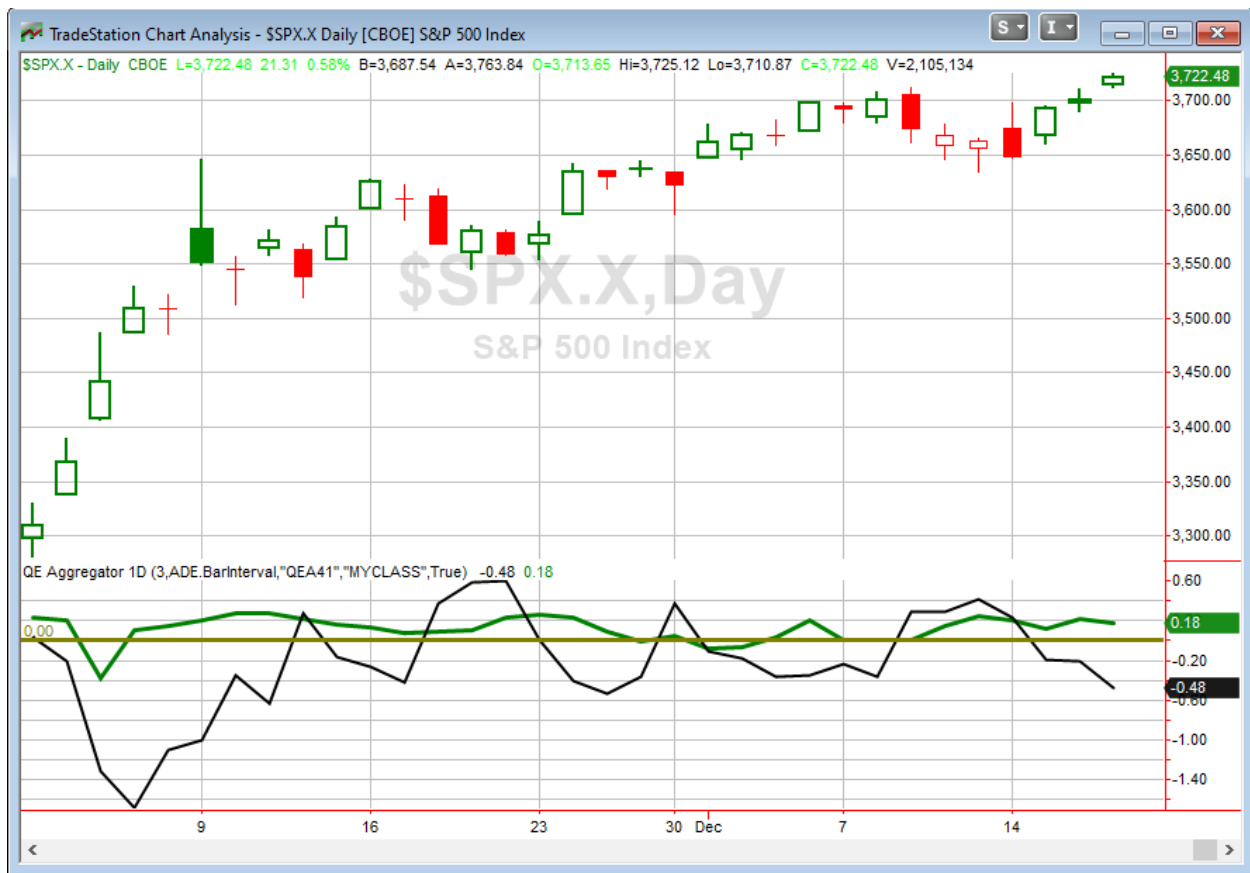
OE Op-Ex Fri Intra Short2: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-301,400.00	164	65	99	39.63	36,850.00	-39,500.00	3,359.23	-5,250.00	0.64	0.42	-1,837.80
1,500	-255,600.00	164	62	101	37.80	22,850.00	-44,750.00	3,341.94	-4,582.18	0.73	0.45	-1,558.54
1,400	-301,300.00	164	55	109	33.54	23,550.00	-54,100.00	3,062.73	-4,309.63	0.71	0.36	-1,837.20
1,300	-240,600.00	164	60	102	36.59	19,200.00	-53,400.00	2,951.67	-4,095.10	0.72	0.42	-1,467.07
1,200	-219,750.00	164	62	101	37.80	11,050.00	-32,550.00	2,475.00	-3,695.05	0.67	0.41	-1,339.94
1,100	-155,850.00	164	58	106	35.37	17,650.00	-31,300.00	2,786.21	-2,994.81	0.93	0.51	-950.30
1,000	-130,450.00	164	50	110	30.49	10,700.00	-15,500.00	1,670.00	-1,945.00	0.86	0.39	-795.43





The bearish edge appears alive and well here. So traders may want to remain aware of this during the day on Friday.

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 Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3716.02 on Friday. That is 0.2% below Thursday's close. Therefore, SPX will only need to close down 0.2% on Friday to flip from overbought to oversold vs expectations.

So the Aggregator is again neutral. I am too. Nothing has really changed since last night. Evidence continues to point higher, but with SPX already short-term overbought, reward/risk is not great. 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

New

PFE – 1/3 @ \$37.84 (buy at limit)

Broad Market Large Cap CBI – 1(PFE)

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.

PFE – Buy 1/3 Catapult position @ \$37.84 LIMIT. This is the 1st of up to 3 lots of PFE that could trigger. This actually triggered on Wednesday, but I did not notice it Wednesday night. I will see if I can get a fill on Friday.

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.