

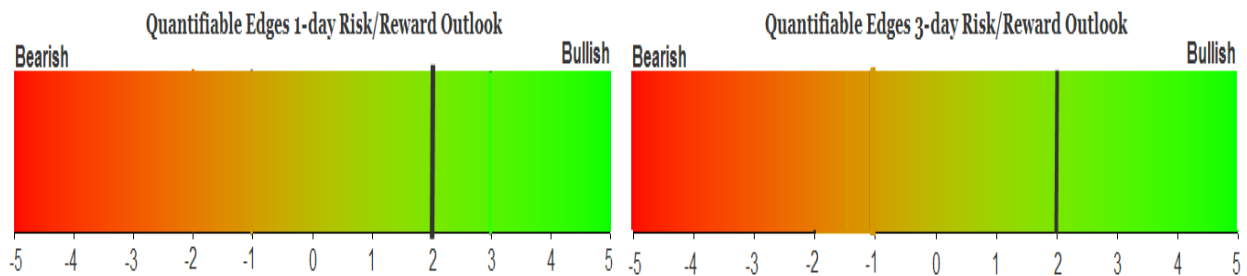
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 22, 2020

Volume 13 Issue 248

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Turnaround Tuesday has not shown its typical bullish edge under similar circumstances.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side. I have some long exposure and I may look to add to it on Tuesday.

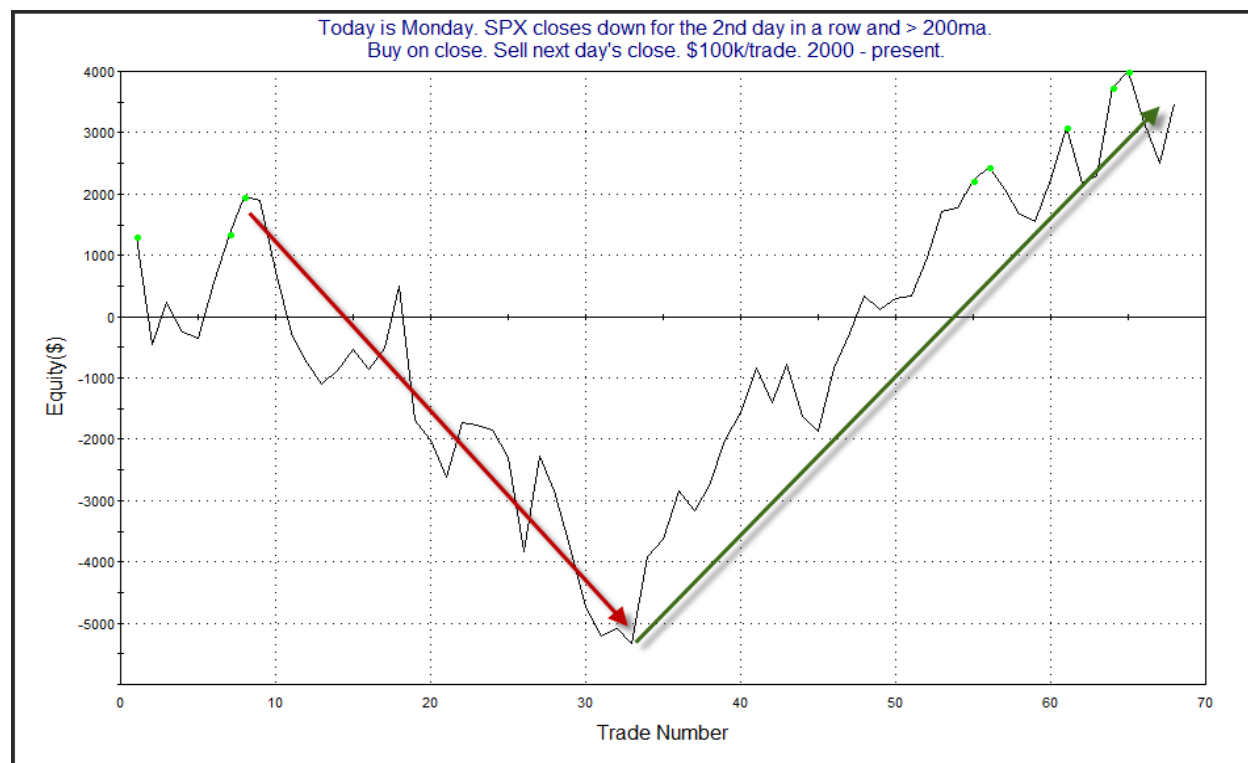
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1
Active - Short Term						
None						
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

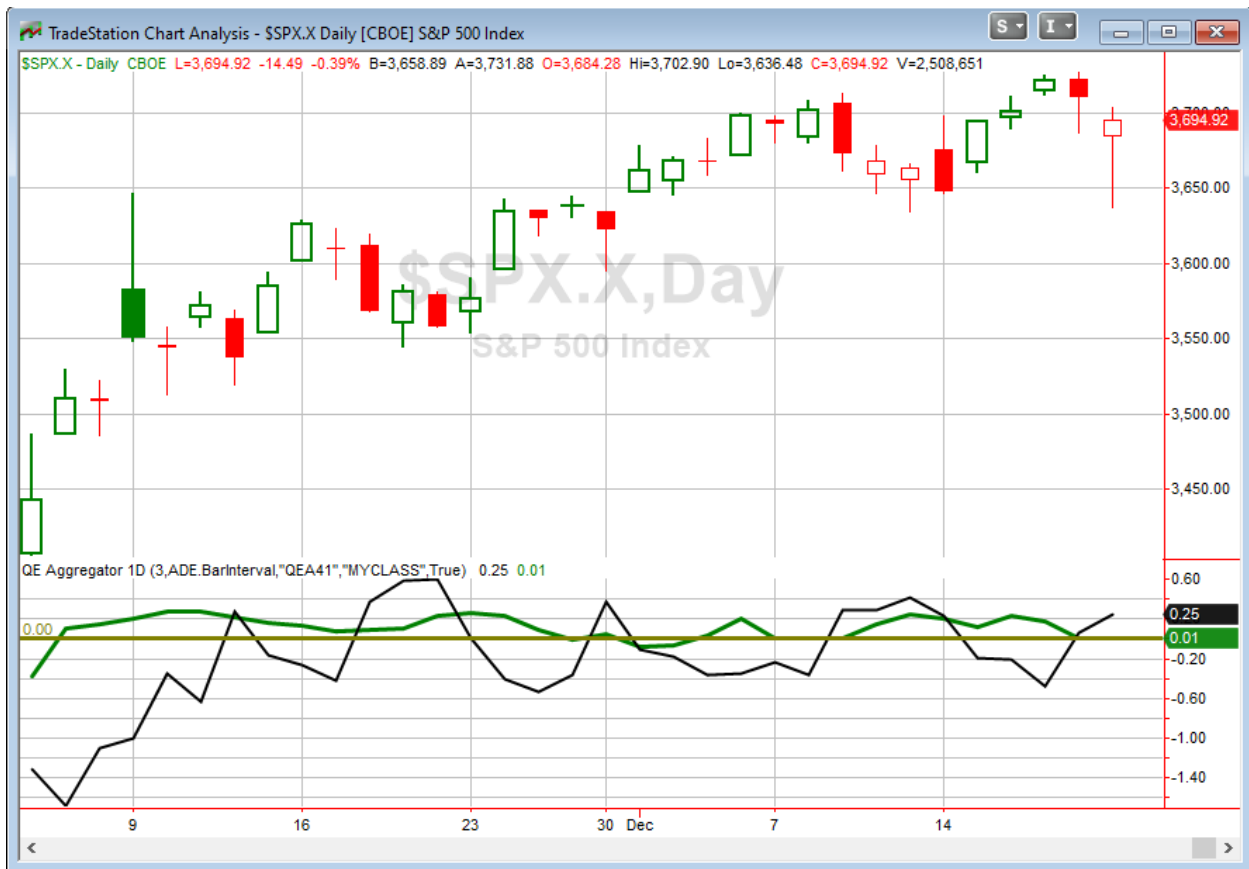
The market started very weak on Monday, but finished mixed. The SPX closed down 0.4%, the NASDAQ declined 0.1%, and the Russell 2000 inched up 0.02%. Breadth was negative with the NYSE Up Issues % coming in at 36% and the Up Volume % at 38%. NYSE total volume declined quite a bit as it often does on the day after options expiration.

I have written a substantial number of times about “Turnaround Tuesday”. Over the years Tuesday has exhibited the strongest proficiency for the market to reverse a pullback of any day of the week. But in the case of 2-day pullbacks, which are quite short, they have not been consistent. This is something I last examined in the 9/24/19 letter. Below I have updated the chart from that letter.



We see here a complete reversal. Maybe the former downside edge is now an upside edge. Or maybe there is no real edge at all under these circumstances. If I just knew about the last 30 instances, I might be convinced of an upside edge. But I know what came before it. And I have no good explanation for the sudden performance shift. So I do not feel this is a setup that's providing compelling evidence. Of course if it continues to show an upward tendency I'll have to change my mind at some point.

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



Without anything new being added tonight, the green Aggregator Line remained slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line moved further 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.

The short-term active list remained barren, but the “3 Nights Before Christmas” study will kick in at the close on Tuesday. The intermediate-term outlook continues to lean bullish, so that is also helping expectations. New evidence that emerges in the next few days could still turn expectations bearish. Meanwhile, the Differential Pivot will be 3742.38 on Tuesday. That is 1.3% above Monday’s close. Therefore, SPX will need to close up at least 1.3% on Tuesday to flip from oversold to overbought vs expectations.

So the Aggregator is bullish, but it is still not the most convincing signal due to the mild expectations. I took some long exposure near the close on Monday. If Tuesday again closes down, then I suspect the 3rd down day from an all-time high would trigger a few bullish studies. Plus the bullish seasonality that is about to kick in will help. So I will look to add to my current long position on Tuesday if the market again closes lower.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/21 – slightly bullish

The intermediate-term outlook was last updated in the 12/21/20 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

PFE – 1/3 @ \$37.84 (bought 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.

SPY – Buy ¼ index position @ \$367.85 LIMIT ON CLOSE. Based on the short-term outlook above, if SPY finishes down on Tuesday, I will be looking to take on another lot at the close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
PFE(1/3)	12/18/2020	\$37.84	\$37.38	-1.22%		Catapult
SPY(1/4)	12/21/2020	\$367.86	\$367.86	0.00%		bought on close

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