

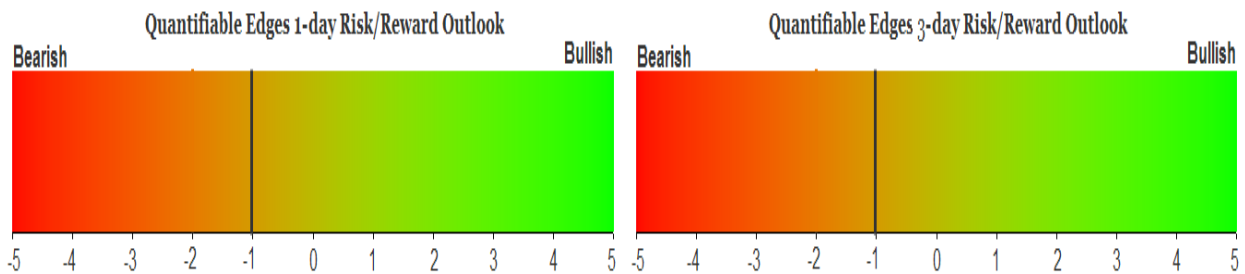
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 31, 2020

Volume 13 Issue 254

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	1

Tonight's Research Points

- The last 15 minutes or so of the year has often seen selling.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but the setup appears weak. I'm more neutral.

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 29, 2020	NDX up > 1%. SOX dn > 1%.	1-6 days	Bearish	-3.00%	1.80%	3.90%
December 23, 2020	Twas 3 nights before Christmas	1-8 days	Bullish	2.40%	-1.20%	-2.40%
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 23, 2020	Dn 3 frm 50-high < 10ma > 10-low	1-4 days	Bullish	1.60%	-0.90%	-2.00%

The Evidence

Wednesday saw mostly moderate gains for the indices. The SPX rose 0.1%, the NASDAQ climbed 0.15%, and the Russell 2000 rallied 1.05%. Breadth was negative with the NYSE Up Issues % coming in at 35% and the Up Volume % at 36%. NYSE total volume came in lighter than Monday.

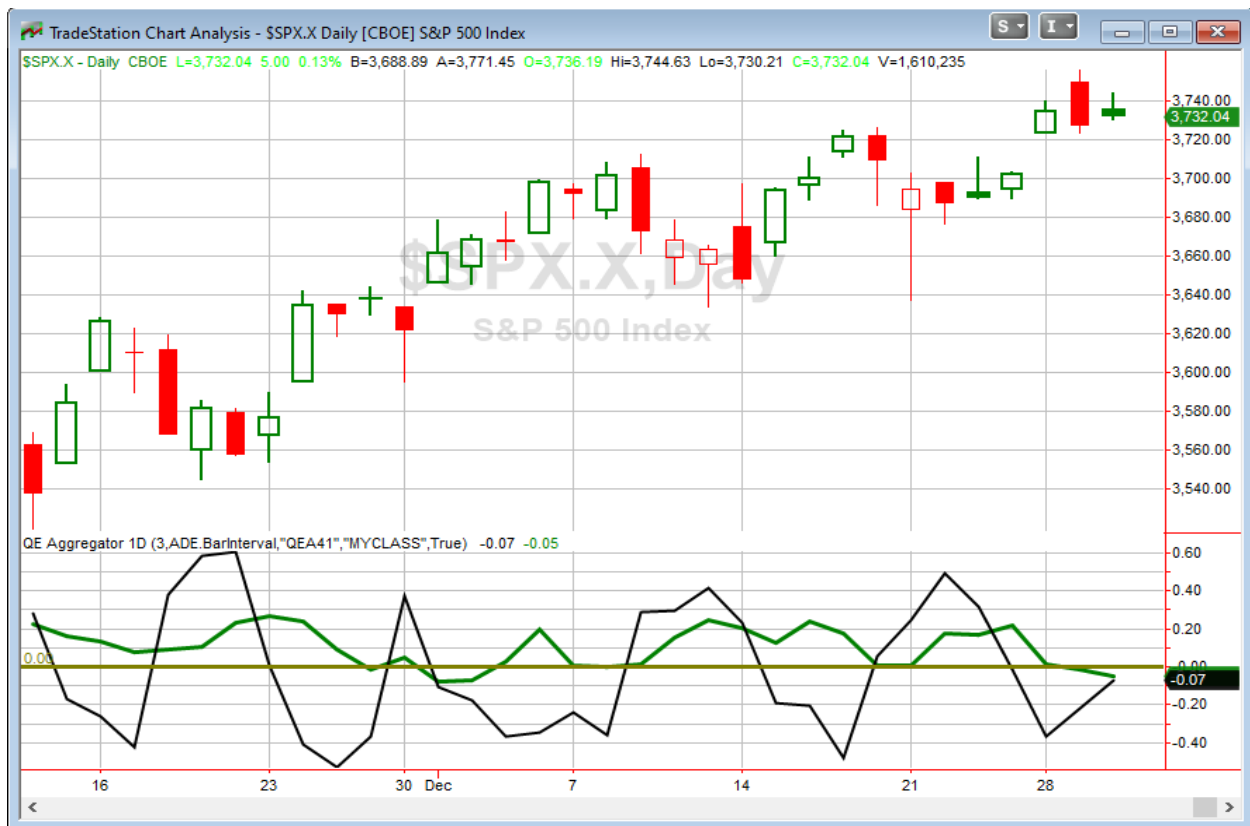
The moderate moves did little to inspire compelling new evidence. In past years I have noted that the market has had a tendency to sell off heading into the close on the final day of the year. The study below shows SPY performance in the last 15 minutes of the year.

SPY Performance in the last 15 minutes of the YEAR.
\$100k/trade. 1998 - 2019.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/31/1998 15:45	Buy	\$123.69	-0.65%	\$153.52
12/31/1998 16:00	Sell	\$122.88		(\$808.00)
12/29/2000 15:45	Buy	\$132.47	-0.17%	\$22.62
12/29/2000 16:00	Sell	\$132.25		(\$444.86)
12/31/2001 15:45	Buy	\$115.58	-0.60%	\$8.65
12/31/2001 16:00	Sell	\$114.89		(\$631.45)
12/31/2002 15:45	Buy	\$88.11	0.06%	\$90.72
12/31/2002 16:00	Sell	\$88.16		(\$181.44)
12/31/2003 15:45	Buy	\$111.45	-0.27%	\$26.91
12/31/2003 16:00	Sell	\$111.15		(\$269.10)
12/31/2004 15:45	Buy	\$121.28	-0.20%	\$8.24
12/31/2004 16:00	Sell	\$121.04		(\$206.00)
12/30/2005 15:45	Buy	\$125.03	-0.34%	\$23.97
12/30/2005 16:00	Sell	\$124.60		(\$375.53)
12/29/2006 15:45	Buy	\$141.91	-0.29%	\$49.28
12/29/2006 16:00	Sell	\$141.50		(\$295.68)
12/31/2007 15:45	Buy	\$147.04	-0.42%	\$6.80
12/31/2007 16:00	Sell	\$146.42		(\$462.40)
12/31/2008 15:45	Buy	\$90.59	-0.40%	\$77.21
12/31/2008 16:00	Sell	\$90.23		(\$606.65)
12/31/2009 15:45	Buy	\$111.96	-0.46%	\$8.93
12/31/2009 16:00	Sell	\$111.44		(\$473.29)
12/31/2010 15:45	Buy	\$125.81	-0.02%	\$7.94
12/31/2010 16:00	Sell	\$125.79		(\$230.26)
12/30/2011 15:45	Buy	\$126.00	-0.33%	\$0.00
12/30/2011 16:00	Sell	\$125.59		(\$325.13)
12/31/2012 15:45	Buy	\$141.87	0.42%	\$485.76
12/31/2012 16:00	Sell	\$142.46		(\$7.04)
12/31/2013 15:45	Buy	\$184.31	0.14%	\$200.54
12/31/2013 16:00	Sell	\$184.56		(\$16.26)
12/31/2014 15:45	Buy	\$206.14	-0.30%	\$4.85
12/31/2014 16:00	Sell	\$205.52		(\$363.75)
12/31/2015 15:45	Buy	\$204.58	-0.32%	\$68.32
12/31/2015 16:00	Sell	\$203.92		(\$346.48)
12/30/2016 15:45	Buy	\$223.02	0.23%	\$241.92
12/30/2016 16:00	Sell	\$223.54		(\$76.16)
12/29/2017 15:45	Buy	\$267.28	-0.15%	\$48.62
12/29/2017 16:00	Sell	\$266.88		(\$239.36)
12/31/2018 15:45	Buy	\$249.44	0.26%	\$268.00
12/31/2018 16:00	Sell	\$250.10		(\$552.00)
12/31/2019 15:45	Buy	\$321.65	0.07%	\$148.80
12/31/2019 16:00	Sell	\$321.89		(\$71.30)

From 1998 through 2011 you can see that there was only 1 year where there was *not* a selloff in the final 15 minutes of trading. But since 2011 there has not been a consistent edge. SPY has risen 5 times and declined 3 times over the last 8 years. I suspect there is still a better chance of a selloff than a rally heading into the close on Thursday, but it is certainly not a sure thing.

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



Without any new evidence emerging tonight, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal stayed short at the close.

Based on the current list of active studies, expectations are set to remain negative on Thursday. This could easily change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 3750.60 on Thursday. That is 0.5% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.5% in order to remain "overbought" vs expectations. Anything less than that and it will be considered "oversold" as of Thursday's close.

The setup appears similar to last night. The Aggregator is bearish. But the intermediate-term trend and outlook is bullish, and the short-term bearish setup appears quite weak. Evidence could swing either direction, and now it will take a further rise for SPX to remain overbought. This suggests underwhelming reward/risk. I'm not inclined to look for a new index swing trade position on Thursday. I'll wait until 2021. Have a happy and healthy New Year!

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/28 – slightly bullish

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
PFE(1/3)	12/18/2020	\$37.84	\$36.74	-2.91%		Catapult

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