

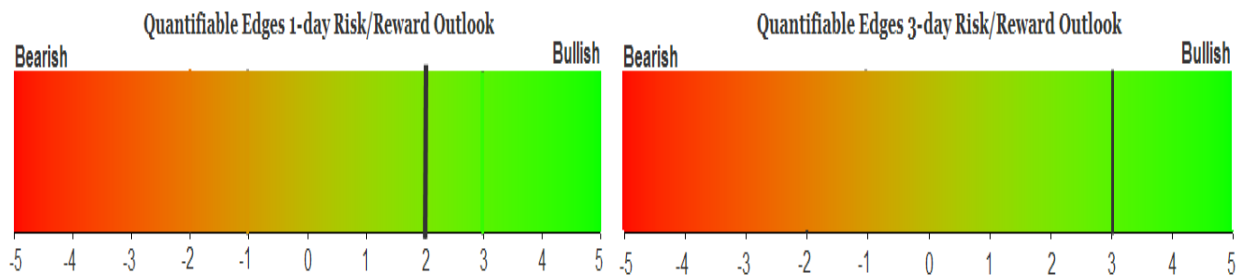
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 30, 2021

Volume 14 Issue 230

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- SPY's unfilled gap up and move higher happened in a way that suggests a solid probability of more upside follow-through, but perhaps not on day 1.
- A 2%+ drop to a 10-day low followed by a 1%+ (but weaker) rally has often led to upside follow through over the next several days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence continues to point higher suggesting more to this bounce. But the market is acting emotional and news-driven, so some extra vigilance may be warranted.

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						
November 29, 2021	Dn > 2%. Up > 1% less than 2 ago	1-5 days	Bullish	3.00%	-1.40%	-2.60%
November 29, 2021	Unfill gap up from 10-inta low < 10ma	1-4 days	Bullish	1.60%	-1.20%	-2.30%
November 29, 2021	System 1100524	1-7 days	Bullish	2.40%	-1.60%	-3.40%
November 29, 2021	1% drop 4th Fri of month	1-6 days	Bullish	2.65%	-1.20%	-2.40%
November 29, 2021	SPX dn 1.5x 20-day ATR on Friday	1-6 days	Bullish	2.50%	-1.75%	-3.90%
November 29, 2021	VIX up > 20% on a Friday	1-4 days	Bullish	1.85%	-1.35%	-3.00%
November 29, 2021	VIX > 35% above 10ma. < 30	1-2 days	Bullish			
November 29, 2021	1st 10-low in 30+ days	1-8 days	Bullish	3.00%	-2.10%	-4.40%
November 23, 2021	5-low and btm 10% on a Monday	1-5 days	Bullish	2.00%	-1.00%	-2.10%
November 23, 2021	Gap higher and reverse > 10low > 200	1-6 days	Bullish	2.60%	-1.30%	-2.30%
Active - Long Term						
November 24, 2021	50-high then sideways for 5 days	1-10 days	Bullish	2.10%	-1.10%	-2.30%
November 22, 2021	Hindenburg Omen Cluster	1-35 days	Bearish	-6.90%	3.20%	5.80%
November 4, 2021	SPX 50-day %b > 100	1-50 days	Bullish			
November 1, 2021	NASDAQ Leading	int term	Bullish			
November 1, 2021	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 saw much of the market put in a good sized bounce. The SPX gained 1.3%, and the NASDAQ jumped 1.9%, but the Russell 2000 closed down 0.2%. Breadth was mixed with the NYSE Up Issues % coming in at 53% and the Up Volume % at 47%. NYSE total volume rose some from the level of Friday's shortened trading session.

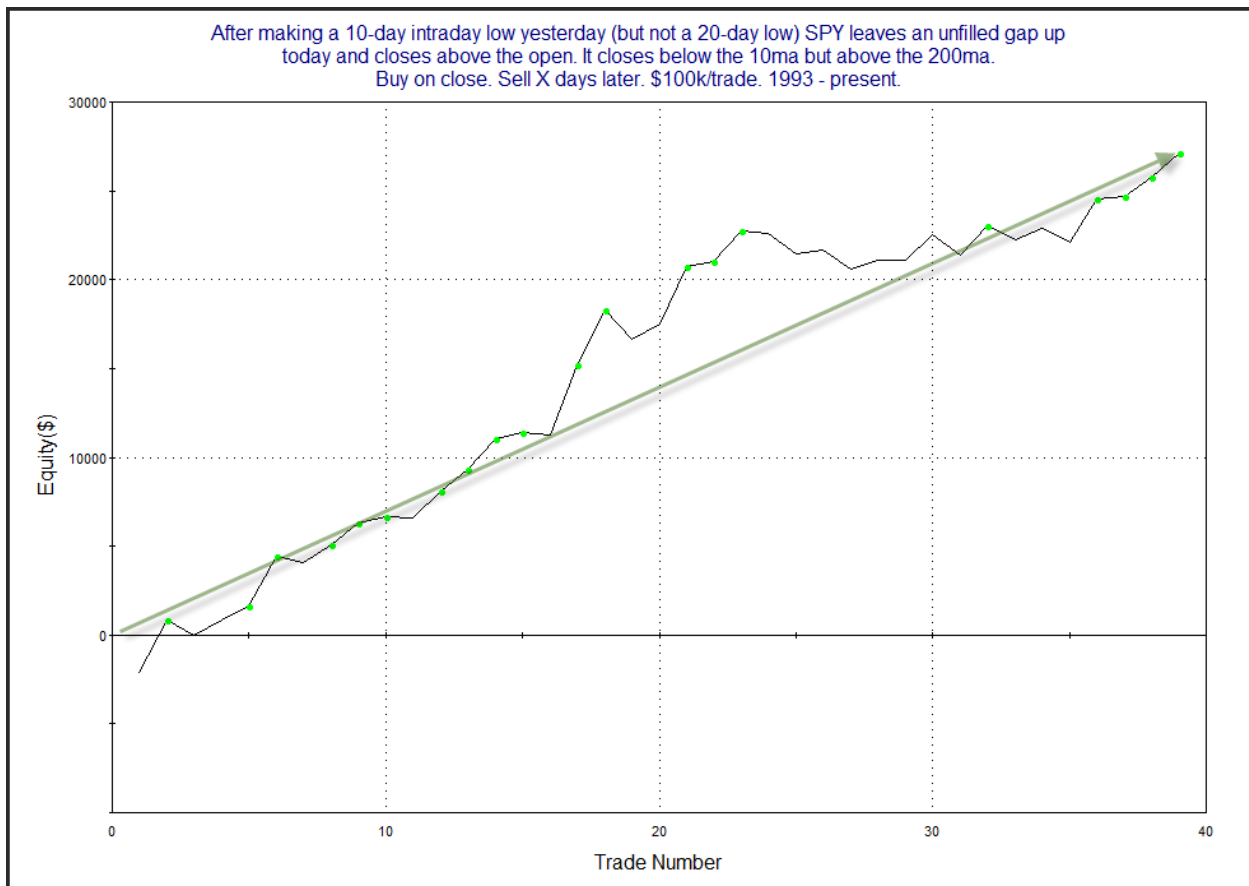
Monday's rally was marked by the fact that it featured an unfilled gap up and a further rise after the open. I have looked at setups like this a number of times in the past. A couple of things that make this unfilled gap up appealing are that 1) it came from a short-term low, but not an intermediate-to-long-term low, and 2) it closed below the 10ma. The study below was last seen in the 6/22/21 letter. It looked at situations just like the current one. I have updated all the stats.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma.
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	27,796.55	38	28	10	73.68	4,106.63	-1,949.70	1,315.90	-904.85	1.45	4.07	731.49
4	27,145.91	39	27	12	69.23	3,904.83	-2,096.99	1,387.51	-859.73	1.61	3.63	696.05
3	17,478.57	40	25	15	62.50	3,914.92	-2,133.60	1,234.47	-892.21	1.38	2.31	436.96
2	10,057.88	41	24	17	58.54	2,828.00	-2,926.56	1,152.85	-1,035.91	1.11	1.57	245.31
1	150.22	41	21	19	51.22	1,773.46	-2,895.33	808.29	-885.47	0.91	1.01	3.66

39 of 41 instances (95%) instances closed above the entry price at some point in the next week.

Indications here are bullish across the board. It is impressive that nearly every instance saw a continuation of the rally at some point in the next week. I will note that the current instance did post a 20-day closing low, but it just missed making the 20-day intraday low used as a filter in the study. Below is an equity curve that assumes a 4-day holding period.



That is a nice move from lower left to upper right over a long period of time.

Also in the 6/22/21 subscriber letter I examined instances that hit not only 10-day lows, but also 20-day lows before the bounce occurred. Such bounces from 20-day lows tended to do a poor job of following through with more upside. This can be seen in the results table below.

After making a 20-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma. 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	2,775.03	39	21	18	53.85	3,178.32	-3,739.32	1,663.58	-1,786.68	0.93	1.09	71.15
4	1,711.05	41	24	17	58.54	2,950.20	-2,880.28	1,258.62	-1,676.22	0.75	1.06	41.73
3	917.69	43	23	20	53.49	3,306.24	-3,070.92	1,097.14	-1,215.83	0.90	1.04	21.34
2	-4.49	45	25	20	55.56	3,089.76	-2,818.42	1,046.08	-1,307.82	0.80	1.00	-0.10
1	177.32	45	20	25	44.44	2,470.05	-1,777.90	870.35	-689.19	1.26	1.01	3.94

In the 6/22/21 subscriber letter I also showed the importance of closing below the 10-day moving average, as opposed to above it. To do that I took the first study I showed and simply flipped that filter. Those results can be seen below.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes above the 10ma and above the 200ma. 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	-3,295.91	23	12	11	52.17	2,615.76	-3,691.98	1,015.35	-1,407.28	0.72	0.79	-143.30
4	-1,679.69	23	12	11	52.17	1,903.47	-1,788.75	692.39	-908.03	0.76	0.83	-73.03
3	-7,494.10	23	11	12	47.83	1,393.05	-3,297.28	592.20	-1,167.36	0.51	0.47	-325.83
2	-5,034.08	23	10	13	43.48	1,325.28	-2,293.20	604.06	-851.90	0.71	0.55	-218.87
1	-6,606.25	23	8	15	34.78	949.00	-2,591.68	465.78	-688.83	0.68	0.36	-287.23

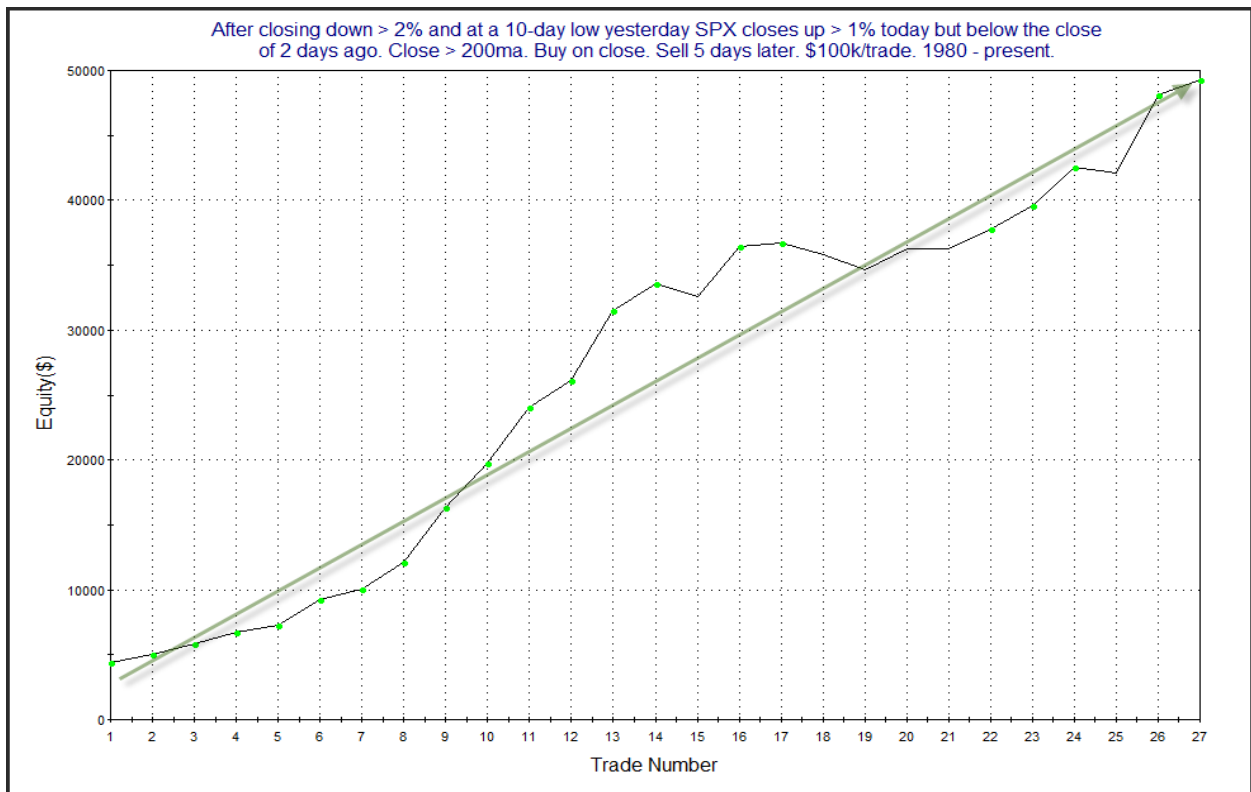
As you can clearly see, instances like this did not provide a reliable upside edge either. Part of the reason for this is likely that such strong bounces alleviate the oversold condition that may have been partially responsible for creating the upside edge. Perhaps fortunately for bulls, SPY appears to have bounced "just right" on Monday.

Another encouraging study looked at other times that a strong decline was followed by a sizable rebound that failed to completely make up for the previous day's loss. Last seen in the 5/14/21 letter, that study is updated below.

After closing down > 2% and at a 10-day low yesterday SPX closes up > 1% today but below the close of 2 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.

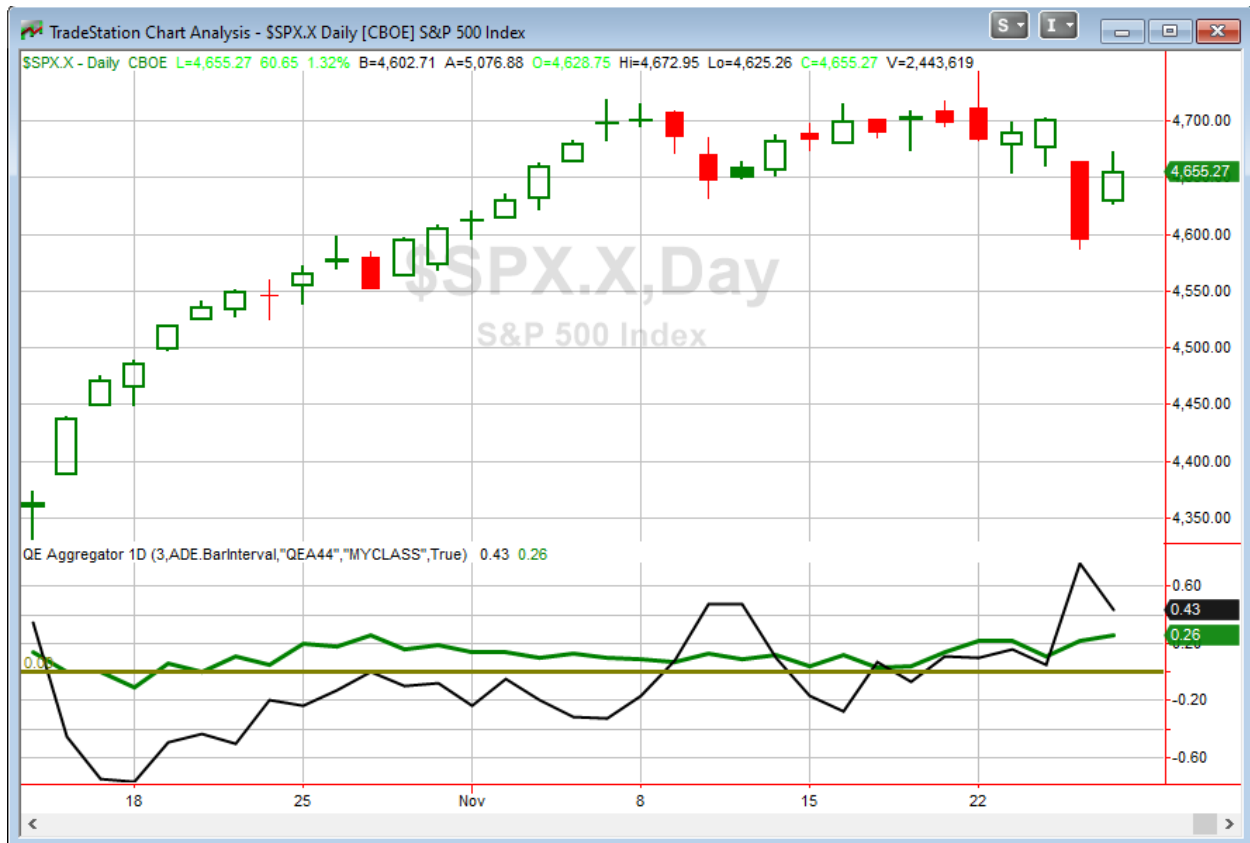
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	49,256.03	27	23	4	85.19	6,010.20	-1,191.40	2,293.80	-875.34	2.62	15.07	1,824.30
4	40,669.26	27	22	5	81.48	4,997.19	-1,448.18	2,036.15	-825.23	2.47	10.86	1,506.27
3	37,535.43	28	21	7	75.00	4,134.33	-2,796.83	2,128.15	-1,022.24	2.08	6.25	1,340.55
2	26,411.82	28	21	7	75.00	4,001.40	-4,223.18	1,830.34	-1,717.91	1.07	3.20	943.28
1	11,559.42	28	17	11	60.71	2,842.84	-1,733.33	1,173.12	-762.14	1.54	2.38	412.84

There appears to be a strong tendency for a further bounce over the next few days. Below is a look at a 5-day profit curve.



A strong move from lower left to upper right serves as some confirmation of the bullish numbers. I have included this study on the active list.

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



With tonight's evidence considered, the green Aggregator Line moved further above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is still well above zero. 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 formation stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This will almost certainly not change. Meanwhile, the Differential Pivot will be 4724.91 on Tuesday. That is 1.5% above Monday's close. So SPX will need to close up over 1.5% on Tuesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is still bullish. And despite the fairly sizable move up on Monday, there still appears to be a good bit further that the bounce could continue. Evidence is stacked in favor of the bulls. On the other hand, we are now getting into a more volatile environment, that appears emotional and news driven (COVID being the main culprit with inflation perhaps #2). When the market starts acting like this, you could continue to see overreactions that last longer than usual. Therefore, conservative entries and quicker than normal profit taking are two adjustments worth considering. I like the long side, and I am still holding a small long position. I'm *not* interested in

adding to it at this level, with the market already having put in a decent bounce. But a weak close on Tuesday could compel me to take on a 2nd lot. As you may recall from past months letters, weak closes going into the turn of the month have typically led to a strong 1st day of the new month. So if Tuesday closes down much, and closes in the bottom half of its intraday range, then I'll look to scale further into my SPY position. Otherwise, I will hold tight to my current small position, and then re-evaluate tomorrow night.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/29 – somewhat bullish

The intermediate-term outlook was last updated in the 11/29/21 Letter. It can be found in the [most recent weekly letter](#) on the website.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult 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 @ \$462.25 LIMIT ON CLOSE IF IT ALSO CLOSSES IN THE BOTTOM HALF OF THE DAY'S RANGE.

Based on the short-term outlook above, I'll look to take on more SPY exposure if it closes down a fair amount and in the lower half of its range.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	11/23/2021	\$467.22	\$464.60	-0.56%		Aggregator

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