

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 1, 2021

Volume 14 Issue 231

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 2 |

Tonight's Research Points

- The poor finish to the month has often meant a good start for the next month.
- The “failed” bounce off Friday’s 20-day low appears to be another opportunity to take long exposure.
- Strong selloffs 2 of the last 3 days with the SPX at a low suggest a high probability of a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is strong and the market is substantially oversold. I like the long side.

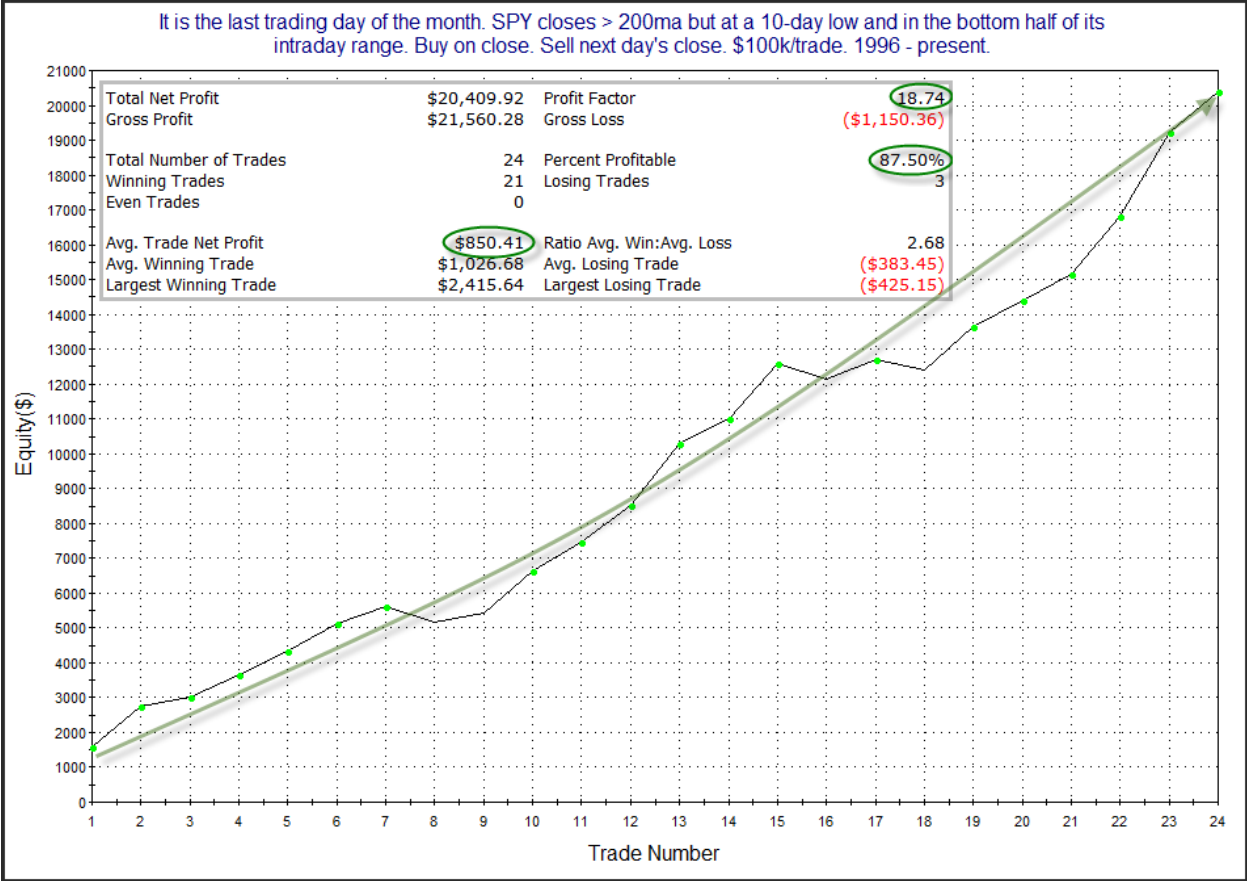
Summary of Recent Active Studies (see Letters from listed dates for details)

| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|--|---|------------------|----------------|--------------|---------------|------------------------|
| Active - Short Term | | | | | | |
| December 1, 2021 | 1.5% drop 2 days in 5 above 200ma | 1-5 days | Bullish | 3.70% | -1.90% | -4.40% |
| December 1, 2021 | 20-low, up day, new 20-low | 1 day | Bullish | | | |
| December 1, 2021 | End of month 1% drop | 1 day | Bullish | | | |
| December 1, 2021 | End of month 10-low > 200. Btm half | 1 day | Bullish | | | |
| November 30, 2021 | Dn > 2%. Up > 1% less than 2 ago | 1-5 days | Bullish | 3.00% | -1.40% | -2.60% |
| November 30, 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 | 1st 10-low in 30+ days | 1-8 days | Bullish | 3.00% | -2.10% | -4.40% |
| November 23, 2021 | Gap higher and reverse > 10low > 200 | 1-6 days | Bullish | 2.60% | -1.30% | -2.30% |
| Active - Long Term | | | | | | |
| 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 | | | |
| Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded) | | | | | | |
| November 23, 2021 | 5-low and btm 10% on a Monday | 1-5 days | Bullish | 2.00% | -1.00% | -2.10% |
| November 29, 2021 | VIX > 35% above 10ma. < 30 | 1-2 days | Bullish | | | |
| November 24, 2021 | 50-high then sideways for 5 days | 1-10 days | Bullish | 2.10% | -1.10% | -2.30% |

The Evidence

Tuesday was another day of selling. The SPX lost 1.9%, the NASDAQ declined 1.55%, and the Russell 2000 dropped 1.9%. Breadth was negative with the NYSE Up Issues % coming in at 20% and the Up Volume % at 12%. NYSE total volume spiked well above recent sessions.

There were several studies that triggered on Tuesday that considered the fact that Wednesday is the 1st day of a new month. Turn of the month is often a bullish day. Over the years we have found that it tends to be more bullish under certain circumstances. These include 1) being in an uptrend, 2) closing low in the day's range, 3) and closing at a short-term low. The study below was last seen in the 10/1/21 letter. It combined these themes.



The strong numbers and impressive equity curve suggest a substantial upside edge.

Another end-of-month study with compelling results looked at 1% drops during uptrends. Last featured in the 5/1/15 letter, I have updated the results below.

Today is the last trading day of the month. SPX closes down > 1% but above 200ma.
 Buy on close. Sell next day's close. \$100k/trade. 1999 - present.

| TradeStation Performance Summary | | Expand ▾ | |
|----------------------------------|-------------|--------------------------|--------------|
| All Trades | | | |
| Total Net Profit | \$13,564.01 | Profit Factor | 6.42 |
| Gross Profit | \$16,065.95 | Gross Loss | (\$2,501.94) |
| Total Number of Trades | 19 | Percent Profitable | 78.95% |
| Winning Trades | 15 | Losing Trades | 4 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | \$713.90 | Ratio Avg. Win:Avg. Loss | 1.71 |
| Avg. Winning Trade | \$1,071.06 | Avg. Losing Trade | (\$625.49) |
| Largest Winning Trade | \$2,225.00 | Largest Losing Trade | (\$1,301.76) |

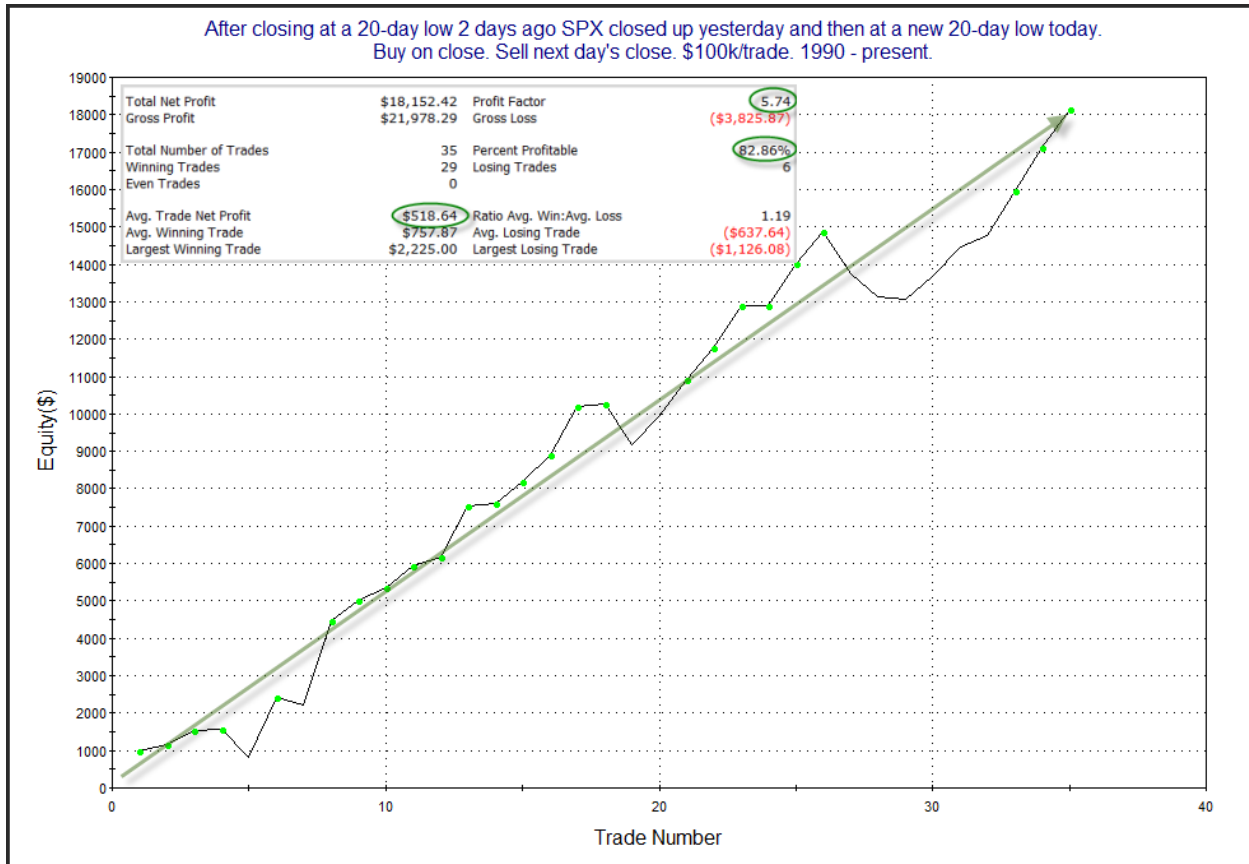
The numbers here look quite bullish. Below is the full list of instances.

Today is the last trading day of the month. SPX closes down > 1% but above 200ma.
Buy on close. Sell next day's close. \$100k/trade. 1999 - present.

| Type | Date/Time | Signal | Price | % Profit | Run-up Drawdown |
|------|------------|--------|------------|----------|--------------------|
| Buy | 3/31/1999 | Buy | \$1,286.37 | 0.57% | \$621.39 |
| Sell | 4/1/1999 | Sell | \$1,293.72 | | (\$282.59) |
| Buy | 11/30/1999 | Buy | \$1,389.07 | 0.62% | \$784.55 |
| Sell | 12/1/1999 | Sell | \$1,397.72 | | (\$119.99) |
| Buy | 9/30/2003 | Buy | \$995.97 | 2.23% | \$2,225.00 |
| Sell | 10/1/2003 | Sell | \$1,018.22 | | \$0.00 |
| Buy | 2/28/2006 | Buy | \$1,280.66 | 0.83% | \$868.92 |
| Sell | 3/1/2006 | Sell | \$1,291.24 | | \$0.00 |
| Buy | 7/31/2007 | Buy | \$1,455.27 | 0.72% | \$891.48 |
| Sell | 8/1/2007 | Sell | \$1,465.81 | | (\$1,066.24) |
| Buy | 10/30/2009 | Buy | \$1,036.19 | 0.65% | \$1,535.04 |
| Sell | 11/2/2009 | Sell | \$1,042.88 | | (\$653.76) |
| Buy | 12/31/2009 | Buy | \$1,115.10 | 1.60% | \$1,670.53 |
| Sell | 1/4/2010 | Sell | \$1,132.99 | | \$0.00 |
| Buy | 4/30/2010 | Buy | \$1,186.69 | 1.31% | \$1,548.96 |
| Sell | 5/3/2010 | Sell | \$1,202.26 | | \$0.00 |
| Buy | 5/31/2013 | Buy | \$1,630.74 | 0.59% | \$590.48 |
| Sell | 6/3/2013 | Sell | \$1,640.42 | | (\$489.22) |
| Buy | 7/31/2014 | Buy | \$1,930.67 | -0.29% | \$340.68 |
| Sell | 8/1/2014 | Sell | \$1,925.15 | | (\$729.30) |
| Buy | 12/31/2014 | Buy | \$2,058.90 | -0.03% | \$646.08 |
| Sell | 1/2/2015 | Sell | \$2,058.20 | | (\$617.28) |
| Buy | 1/30/2015 | Buy | \$1,994.99 | 1.30% | \$1,333.50 |
| Sell | 2/2/2015 | Sell | \$2,020.85 | | (\$704.50) |
| Buy | 4/30/2015 | Buy | \$2,085.51 | 1.09% | \$1,076.30 |
| Sell | 5/1/2015 | Sell | \$2,108.29 | | \$0.00 |
| Buy | 2/28/2018 | Buy | \$2,713.83 | -1.33% | \$614.16 |
| Sell | 3/1/2018 | Sell | \$2,677.67 | | (\$1,950.48) |
| Buy | 7/31/2019 | Buy | \$2,980.38 | -0.90% | \$1,095.93 |
| Sell | 8/1/2019 | Sell | \$2,953.56 | | (\$1,159.95) |
| Buy | 1/31/2020 | Buy | \$3,225.52 | 0.73% | \$1,330.52 |
| Sell | 2/3/2020 | Sell | \$3,248.92 | | \$0.00 |
| Buy | 10/30/2020 | Buy | \$3,269.96 | 1.23% | \$1,805.40 |
| Sell | 11/2/2020 | Sell | \$3,310.24 | | \$0.00 |
| Buy | 1/29/2021 | Buy | \$3,714.24 | 1.61% | \$1,822.08 |
| Sell | 2/1/2021 | Sell | \$3,773.86 | | \$0.00 |
| Buy | 9/30/2021 | Buy | \$4,307.54 | 1.15% | \$1,555.95 |
| Sell | 10/1/2021 | Sell | \$4,357.04 | | (\$437.46) |

No real red flags here. Notable that 7 of the last 8 instances, dating back to 2015, saw an intraday rise of at least 1% the next day.

After closing at a 20-day low on Friday, the market put in a bounce attempt on Monday. Tuesday's decline left that attempt looking like a failure, and also likely frustrated many bulls. But it also triggered a number of studies that still suggested an upside edge. The study below looked at similar failed bounces. It was last seen in the 10/1/21 Letter.



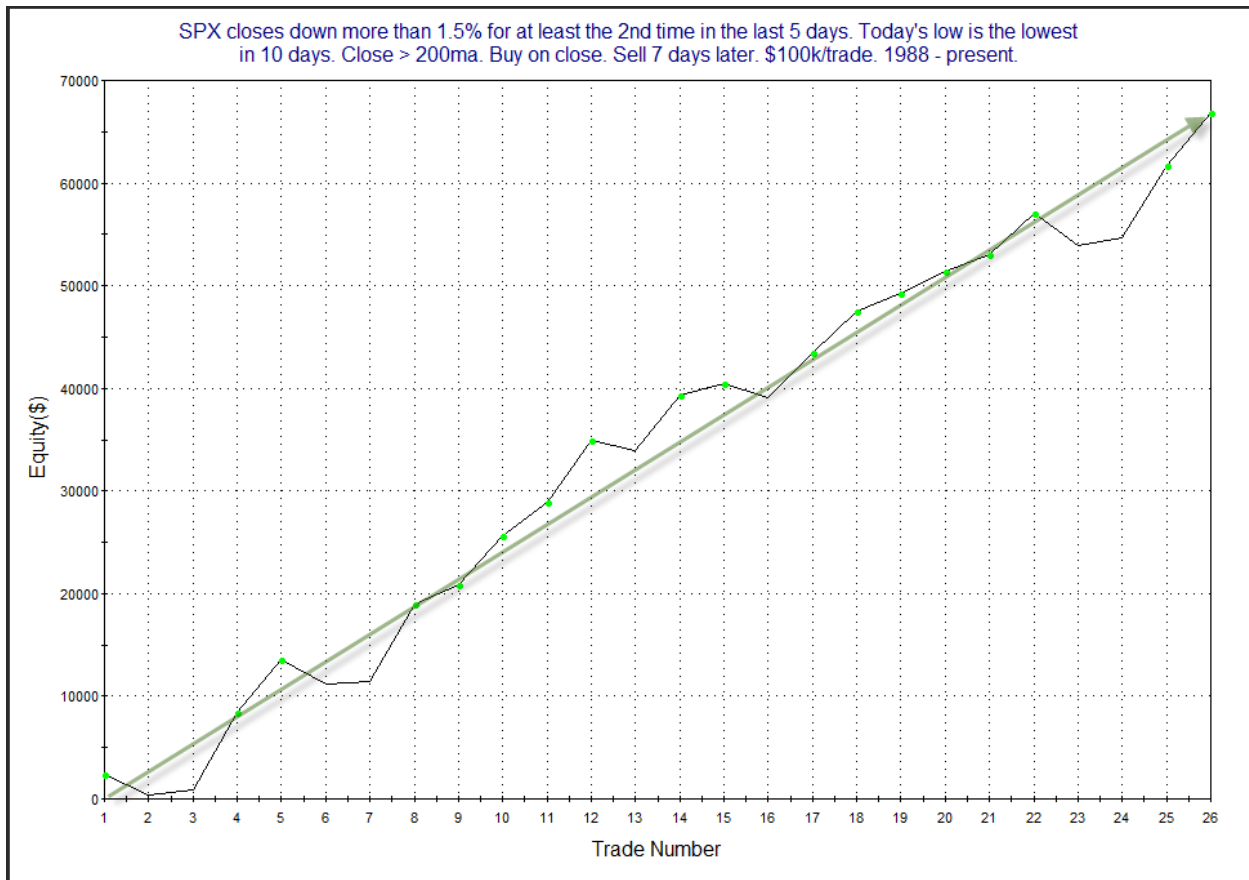
Results here are compelling, and suggest a 1-day upside edge. I have added this study to the Active List.

There were also a few studies that looked at other times SPX saw multiple strong selling days in a short period of time that brought the index to a new short-term low. The one below is updated from the 2/1/21 subscriber letter.

SPX closes down more than 1.5% for at least the 2nd time in the last 5 days. Today's low is the lowest in 10 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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 |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 10 | 47,000.18 | 25 | 16 | 9 | 64.00 | 9,048.90 | -7,625.38 | 4,537.56 | -2,844.52 | 1.60 | 2.84 | 1,880.01 |
| 9 | 43,039.75 | 25 | 18 | 7 | 72.00 | 8,235.00 | -11,831.15 | 4,038.45 | -4,236.04 | 0.95 | 2.45 | 1,721.59 |
| 8 | 58,678.77 | 26 | 19 | 7 | 73.08 | 8,384.10 | -5,882.94 | 4,060.70 | -2,639.21 | 1.54 | 4.18 | 2,256.88 |
| 7 | 66,887.91 | 26 | 21 | 5 | 80.77 | 7,598.58 | -3,232.37 | 3,657.28 | -1,983.00 | 1.84 | 7.75 | 2,572.61 |
| 6 | 63,007.67 | 26 | 21 | 5 | 80.77 | 7,272.06 | -3,322.53 | 3,307.54 | -1,290.14 | 2.56 | 10.77 | 2,423.37 |
| 5 | 46,109.67 | 26 | 19 | 7 | 73.08 | 7,070.28 | -3,870.04 | 2,877.91 | -1,224.37 | 2.35 | 6.38 | 1,773.45 |
| 4 | 42,390.03 | 26 | 19 | 7 | 73.08 | 5,187.49 | -1,784.86 | 2,666.87 | -1,182.93 | 2.25 | 6.12 | 1,630.39 |
| 3 | 21,833.38 | 27 | 19 | 8 | 70.37 | 5,339.18 | -5,393.69 | 2,173.55 | -2,433.01 | 0.89 | 2.12 | 808.64 |
| 2 | 27,871.98 | 30 | 22 | 8 | 73.33 | 4,809.66 | -4,632.95 | 1,910.73 | -1,770.50 | 1.08 | 2.97 | 929.07 |
| 1 | 27,982.13 | 31 | 26 | 5 | 83.87 | 5,117.46 | -1,588.57 | 1,259.09 | -950.82 | 1.32 | 6.89 | 902.65 |

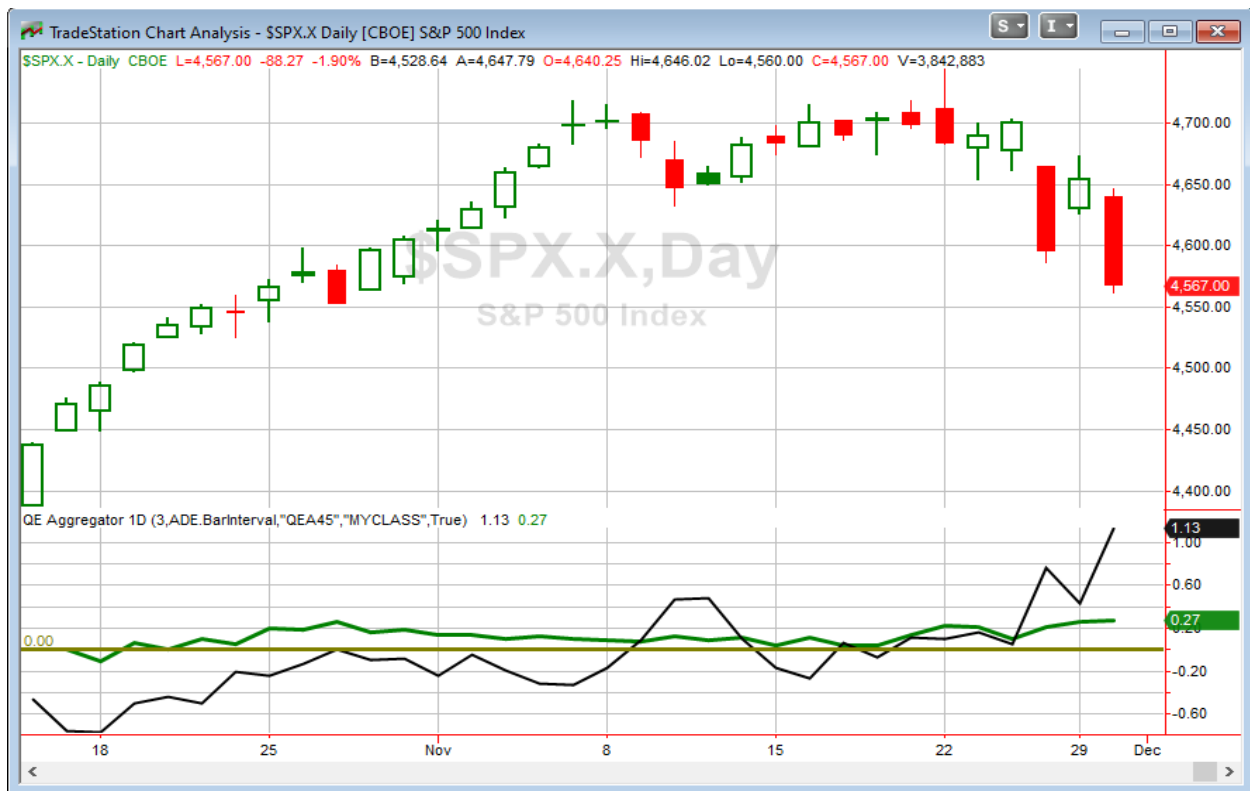
The numbers look squarely bullish. Below is a look at the profit curve.



The steady move from lower left to upper right is very impressive and serves as some confirmation of the bullish edge suggested by the numbers.

So I am see a lot of evidence tonight suggesting an upside edge for Wednesday, and beyond.

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 now very far above zero. The positive Differential Line reading means that SPX is strongly 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 Wednesday. This will almost certainly not change. Meanwhile, the Differential Pivot will be 4617.94 on Wednesday. That is 1.1% above Tuesday's close. So SPX will need to close up over 1.1% on Wednesday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is still bullish. And while action on Tuesday was disappointing, it did lead to a slew of new bullish studies. The market is now very oversold and there is a lot of upside evidence. I like the long side, and was glad to add to my long position at the end of the day on Tuesday. I won't add any more on Wednesday, but I likely will on Thursday if Wednesday is another down day. I mentioned last night that with the emotional, news-driven environment we have entered lately, I will be more cautious with entries and quicker with exits for a little while. So I will look to exit part of my SPY position on Wednesday if SPX closes above the Differential Pivot. Bottom line is I like the long side, but I am inclined to trade a little lighter right now.

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

New

DIS – 1/3 @ \$144.90 (buy @ limit)

SPG – 1/3 @ \$152.84 (buy @ limit)

Broad Market Large Cap CBI – 2(DIS, SPG)

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.

DIS – Buy 1/3 Catapult position @ \$144.90 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for DIS.

SPG – Buy 1/3 Catapult position @ \$152.84 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for SPG.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|----------|------------|-------------|---------------|-------------|------|-----------------------------|
| SPY(1/4) | 11/23/2021 | \$467.22 | \$455.56 | -2.50% | | sell on SPX close > 4617.93 |
| SPY(1/4) | 11/30/2021 | \$455.56 | \$455.56 | 0.00% | | Aggregator |
| | | | | | | |
| | | | | | | |
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