

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 7, 2021

Volume 14 Issue 234

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	4

## Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral, but it is likely to turn back to bullish unless SPX closes up strongly 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 Std Dev
<b>Active - Short Term</b>						
December 7, 2021	20-Low then 3 closes inside 20-day low	1-5 days	Bullish	2.10%	-1.30%	-2.70%
December 6, 2021	4 lower lows & 20-day low > 200ma	1-7 days	Bullish	2.10%	-1.50%	-3.00%
December 3, 2021	Higher Hi down. Lower low up. < 10ma	1-5 days	Bullish	1.90%	-1.20%	-2.40%
December 2, 2021	SPY gaps up reverses dn to 10-low	1-5 days	Bullish			
December 1, 2021	1.5% drop 2 days in 5 above 200ma	1-5 days	Bullish	3.70%	-1.90%	-4.40%
November 29, 2021	System 1100524	1-7 days	Bullish	2.40%	-1.60%	-3.40%
November 29, 2021	1st 10-low in 30+ days	1-8 days	Bullish	3.00%	-2.10%	-4.40%
<b>Active - Long Term</b>						
November 22, 2021	Hindenburg Omen Cluster	1-35 days	Bearish	-6.90%	3.20%	5.80%
November 8, 2021	QE4 tapering	int term	Bullish but Weakening			
November 4, 2021	SPX 50-day %b > 100	1-50 days	Bullish			
November 1, 2021	Best 6 Months	1-6 months	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			

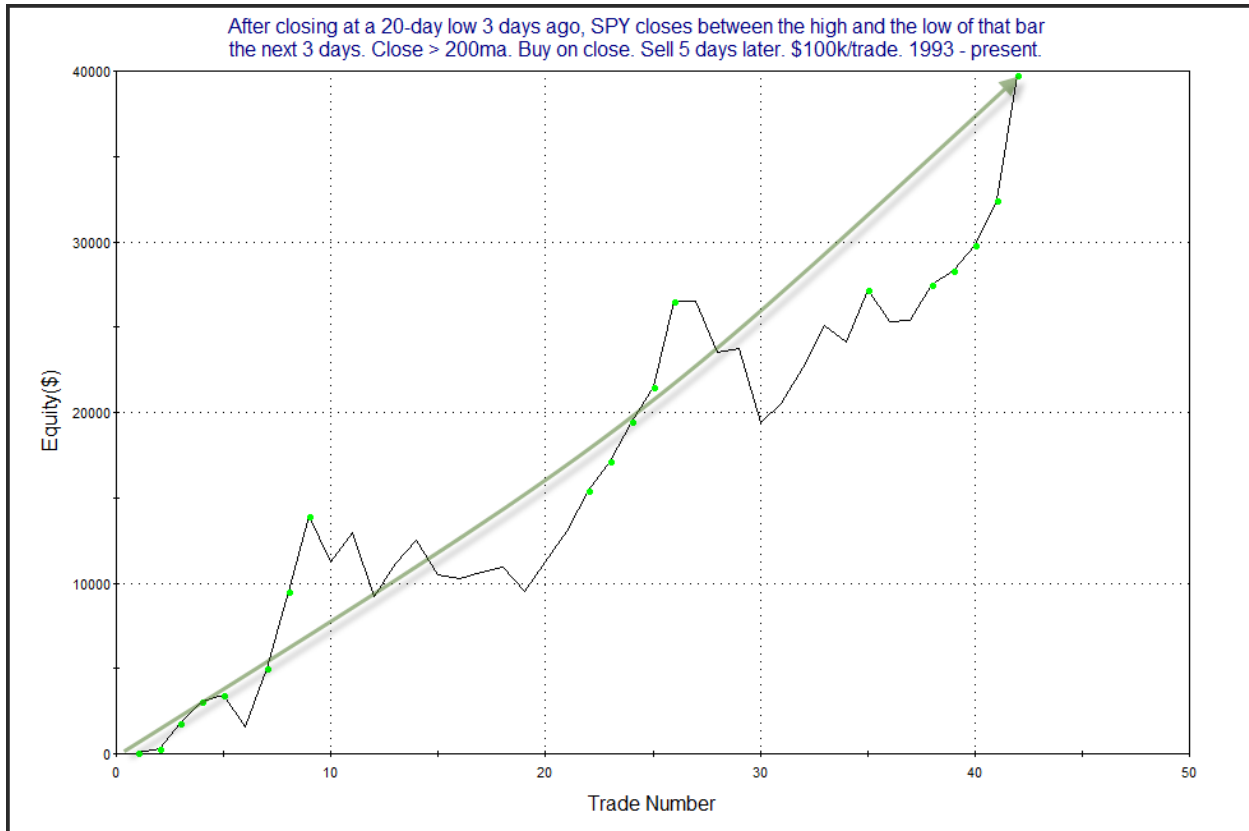
**The Evidence**

Monday saw the market put in a solid upward move. The SPX rose 1.2%, the NASDAQ gained 0.9%, and the Russell 2000 rallied 2.05%. Breadth was strong with the NYSE Up Issues % coming in at 74% and the Up Volume % at 82%. NYSE total volume declined for the 4<sup>th</sup> day in a row.

After the sharp selloff on 12/1, the market has bounced, but it has remained within the range of that one day. This triggered an interesting study from the 2/14/18 letter. It looked at other times a big drop like 12/1 was followed by smaller movements. I have updated the study below.

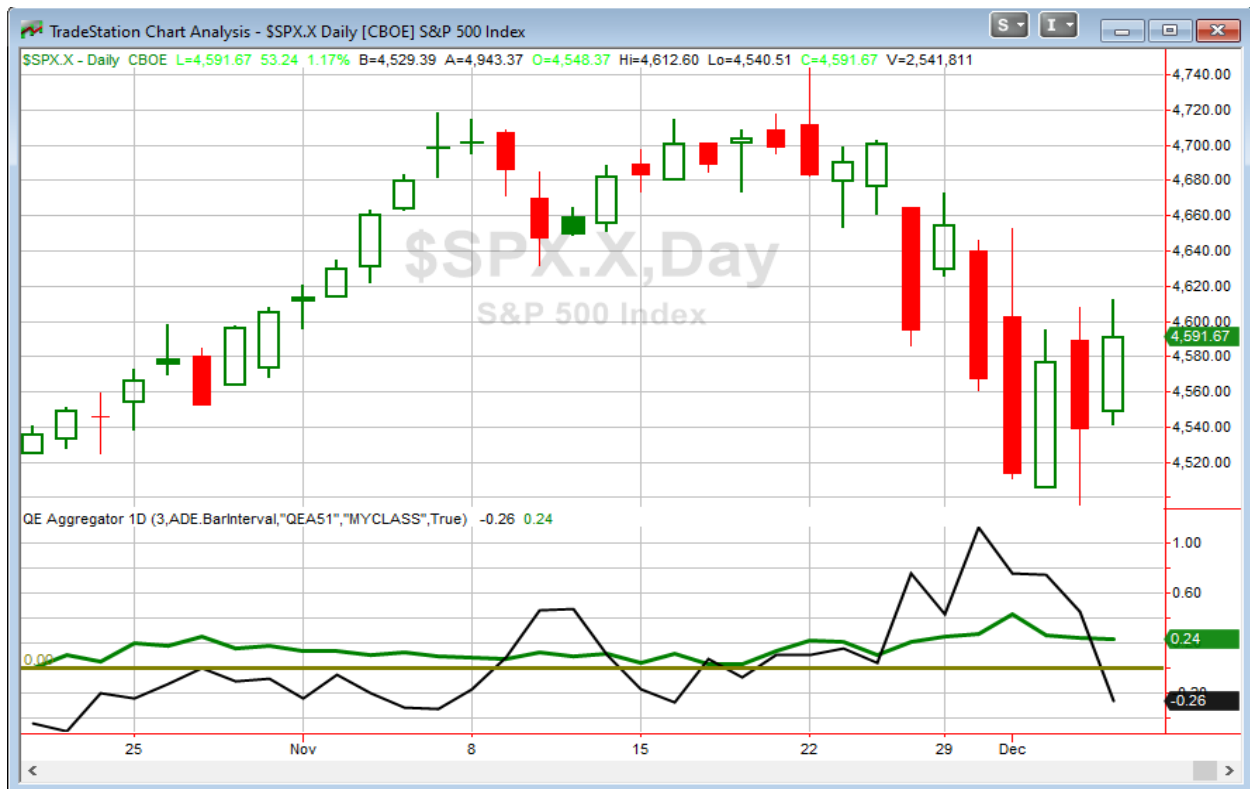
After closing at a 20-day low 3 days ago, SPY closes between the high and the low of that bar the next 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: 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	39,785.80	42	31	10	73.81	7,356.72	-4,326.19	2,001.04	-2,224.65	0.90	2.79	947.28
4	27,928.04	43	29	14	67.44	6,027.92	-4,345.88	1,853.60	-1,844.74	1.00	2.08	649.49
3	26,531.84	43	26	17	60.47	6,052.08	-4,248.64	1,883.14	-1,319.41	1.43	2.18	617.02
2	20,940.82	44	29	15	65.91	4,932.84	-2,818.42	1,365.07	-1,243.09	1.10	2.12	475.93
1	9,329.88	46	25	19	54.35	2,355.32	-2,101.88	930.66	-733.50	1.27	1.67	202.82

Closing 3 times between the high and low of the bar that put us at a 20-day low means 1) the selloff day was probably pretty large, and 2) the market has been moving moderately higher or sideways since. Results here seem to favor the bull case. I also examined the profit curves. The 5-day can be found below.



The curve has been choppy. But the continued move from lower left to upper right has been impressive. And the last several instances have certainly steepened the upward slope. I decided to include this study on the Active List tonight.

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 dropped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but 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 formation turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 4621.26* on Tuesday. That is 0.6% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up over 0.6% in order to remain "overbought" vs recent expectations. Anything shy of that, and it will flip back to oversold as of Tuesday's close.

So the Aggregator is neutral. But evidence is suggesting the bounce should go further. And with the inverted pivot, the Aggregator is primed to flip back to bullish on Tuesday. I exited part of my long position at the close on Monday. But I held onto part of it knowing we could see an inverted pivot like this. So I believe we could see some more upside in the next few days. Some shorts were probably feeling pretty good a few times in recent days. But that could quickly turn to panicked short-covering if the market doesn't dive back down soon here. I'll only exit the rest of my SPY on Tuesday if we see another close above the Differential Pivot.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/6 – neutral*

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

#### ***Open Catapult Triggers***

SPG – 1/3 @ \$152.84 (bought @ limit)

SPG – 1/3 @ \$147.72 (not filled – cancel for now)

PYPL – 1/3 @ \$179.32 (not filled – cancel for now)

BIIB – 1/3 @ \$223.92 (bought @ limit)

***Broad Market Large Cap CBI – 4(SPG-2, PYPL, BIIB)***

### **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
<b>SPY(1/4)</b>	<b>11/23/2021</b>	<b>\$467.22</b>	<b>\$458.79</b>	<b>-1.80%</b>		<b>sold on close</b>
SPY(1/4)	11/30/2021	\$455.56	\$458.79	0.71%		<i>sell on SPX close &gt; 4621.25</i>
DIS(1/3)	12/1/2021	\$144.90	\$150.37	3.78%		<i>sell on open</i>
SPG(1/3)	12/1/2021	\$152.84	\$152.60	-0.16%		Catapult
BIIB(1/3)	12/6/2021	\$223.20	\$224.11	0.41%		Catapult

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. Capital Advisors 360, 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 © 2021 Quantifiable Edges, LLC.