

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 10, 2021

Volume 14 Issue 237

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- No compelling new evidence emerged on Thursday.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but the edge appears near its end. I'll be looking to cover my short index exposure on Friday.

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

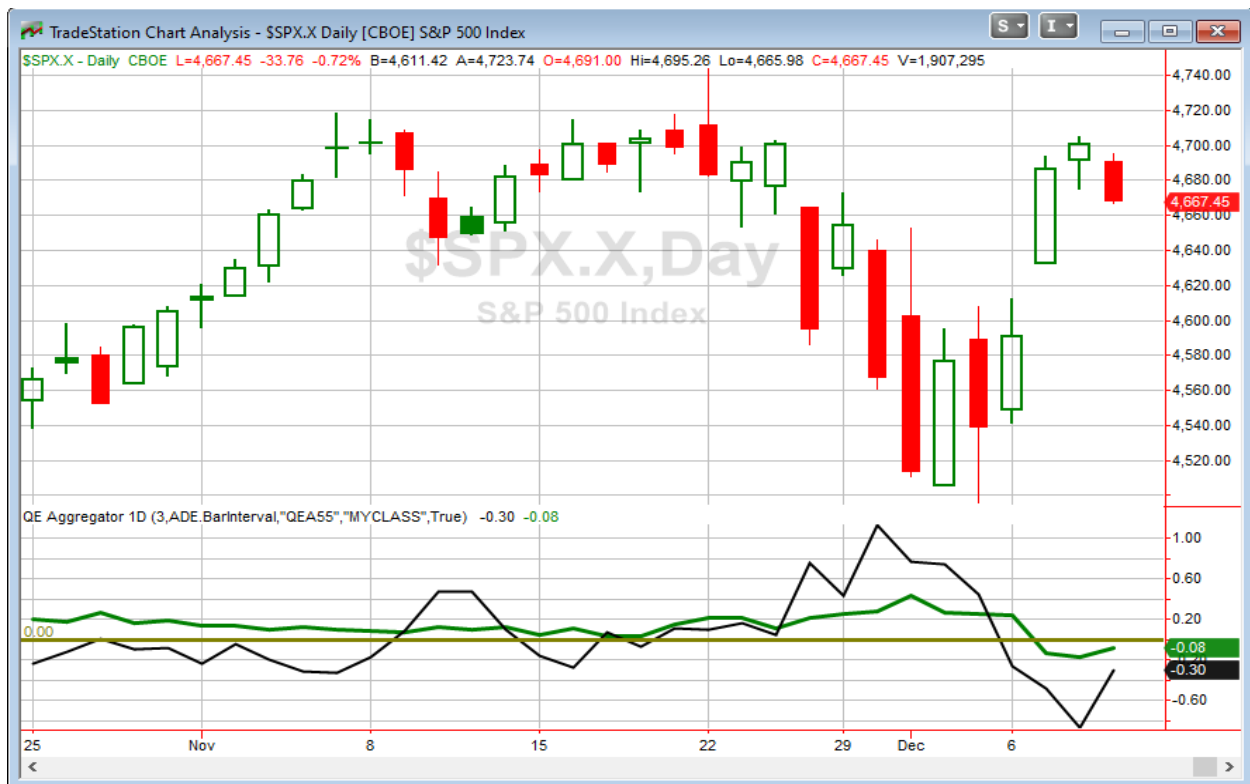
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
December 8, 2021	NASDAQ up 3% on 5-low volume	1-5 days	Bearish	-5.50%	1.70%	3.30%
December 8, 2021	VIX 10% above 10ma to 10% below 1wk	1-8 days	Bullish	2.00%	-1.20%	-2.60%
Active - Long Term						
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
December 9, 2021	NASDAQ A/D Ratio 3:2 for 3+ days	1 day	Bearish			
December 1, 2021	1.5% drop 2 days in 5 above 200ma	1-5 days	Bullish	3.70%	-1.90%	-4.40%

The Evidence

The market pulled back on Thursday. The SPX sank 0.7%, the NASDAQ dropped 1.7%, and the Russell 2000 tumbled 2.3%. Breadth was weak with the NYSE Up Issues % coming in at 26% and the Up Volume % at 21%. NYSE total volume declined for the 7th day in a row.

Nothing compelling triggered in the Quantifinder and nothing I looked at, including the declining volume streak, seemed to suggest a strong edge. So I am going to keep it brief tonight. With next week being opex, mid-December, and a Fed meeting occurring, there will be plenty of edges to discuss over the weekend and in the next few days.

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



Without any compelling new evidence tonight, the green Aggregator Line held below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line remained below zero. 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 formation stayed short at the close.

Based on the current list of active studies, expectations are set to flip to bullish on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 4702.89* on Friday. That is 0.8% *above* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX would need to close up at least 0.8% on Friday in order to remain overbought vs expectations. Anything less than that and it will be considered "oversold" as of Friday's close.

So the Aggregator is still bearish. But that is unlikely to persist, since SPX is primed to flip to "oversold" and expectations are set to turn "bullish". We could easily see the signal turn from bearish to bullish at the close on Friday. In any case, the dip I was looking for arrived in a timely manner. So I'll look to exit my short position at some point on Friday.

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

The intermediate-term outlook was last updated in the 12/6/21 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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
BIIB(1/3)	12/6/2021	\$223.20	\$232.86	4.33%	sold on open
QQQ(1/4)(S)	12/9/2021	\$399.61	\$393.73	1.47%	cover - see note below

I will look to cover my QQQ short position on Friday. Let's try the following:

- 1) Cover @ \$394.00 LIMIT
- 2) If not filled in 1st 30 minutes, set stop above high of day, assuming that is below \$398.00. If the high is above \$398.00, move limit price up to \$398.00.
- 3) If not filled on anything by end of day, cover on close at market price.

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