

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 16, 2021

Volume 14 Issue 241

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- No new compelling evidence emerged. The Fed announced a more aggressive tapering schedule, and the market reacted favorably to that.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I don't see a compelling setup right here.

**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 13, 2021	Dec opex bullish	1-5 days	Bullish	1.90%	-1.20%	-2.70%
December 13, 2021	Breakaway gap	1-5 days	Bullish	1.20%	-1.10%	-2.40%
December 8, 2021	VIX 10% above 10ma to 10% below 1wk	1-8 days	Bullish	2.00%	-1.20%	-2.60%
<b>Active - Long Term</b>						
December 13, 2021	Dec opex wk + 2 more weeks bullish	1-15 days	Bullish	3.30%	-1.80%	-4.00%
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
December 15, 2021	2 unfilled gaps down > 200ma	1 day	Bullish			
December 15, 2021	Fed Day bullish	1 day	Bullish			
December 14, 2021	Unfilled gap up to 20 hi - unfilled gap dn	1-2 days	Bearish			

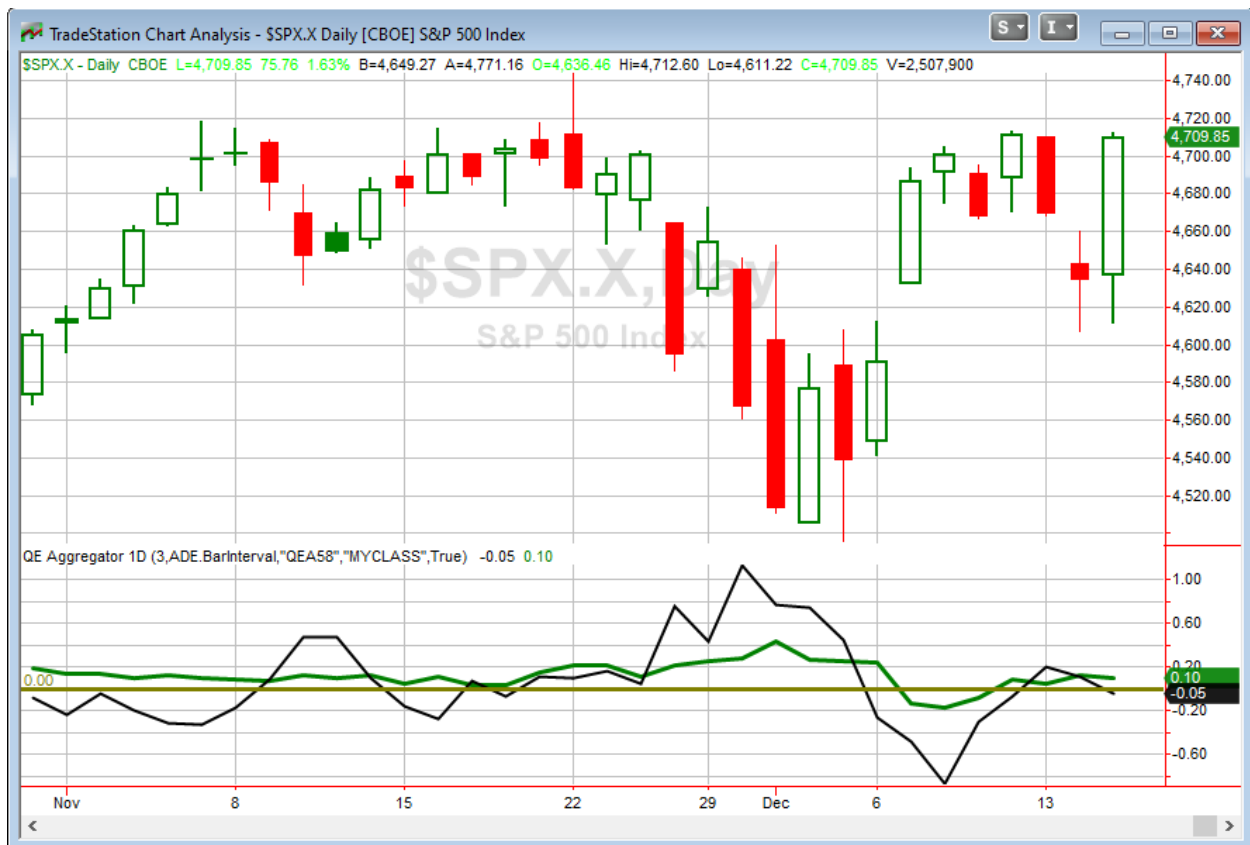
**The Evidence**

Big bounce today after the Fed announcement. The SPX rose 1.6%, the NASDAQ rallied 2.15%, and the Russell 2000 gained 1.65%. Breadth was positive with the NYSE Up Issues % coming in at 65% and the Up Volume % at 64%. NYSE total volume spiked higher from Tuesday's level.

The rebound mostly made up for the last 2 days of selling. The stock market sold off for two days, worried that the Fed might take a more hawkish approach and increase the pace of tapering bond purchases. The Fed did exactly what the market was worried it would do, and the market rallied. That sounds ridiculous, but it often works that way. Leading up to the announcement there was fear of the unknown. Once the announcement was known, that fear went away. Now the market could deal with the reality of the announcement. And the reality is rarely as bad as feared, especially when that fear is evident in selling ahead of the news. Unfortunately, Tuesday afternoon saw the market rise, and so my entry trigger, which required a close in the lower half of Tuesday's range, did not fill. That was too bad, but it sometimes happens that I'll miss out on an entry by a small amount, and the market goes and does what I anticipated without me. It's just part of trading.

The accelerated taper was cheered by the market this afternoon, but the announcement was not necessarily good news for the market. That means QE will likely be done in March. And we also saw with the Fed's projections that members are anticipating 3 or 4 rate hikes next year. I expect this tightening will lead to more market risk and volatility in 2022. It could be an interesting year. It should offer plenty of trading opportunities. No compelling new evidence emerged based on Wednesday's action so no new studies are being added to the Active List tonight.

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



Without any new studies being added tonight, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line dipped 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 bullish on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4670.69 on Thursday. That is 0.8% below Wednesday's close. Therefore, SPX will need to close down at least 0.8% on Thursday in order to flip from overbought to oversold at the close.

So the Aggregator is neutral. The market is a little overbought versus recent expectations, but studies from a few days ago say it should go even higher. Nothing compelling emerged on Thursday to back that up, though. I'm not inclined to get involved here. I'll wait for the next favorable opportunity before looking to take on any new index positions.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 12/13 – somewhat bullish***

The intermediate-term outlook was last updated in the 12/13/21 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.

**Current Open Trade Ideas**

None

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