

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 23, 2021

Volume 14 Issue 246

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Volume was low, but I am not seeing that as a big concern with the upcoming holiday weekend.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is where I am, as well.

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 22, 2021	Unfilled gap up from 10-low < 10ma	1-5 days	Bullish	1.60%	-1.40%	-2.55%
December 22, 2021	Twas 3 Nights Before Christmas	1-8 days	Bullish	2.40%	-1.20%	-2.40%
December 21, 2021	Dn 3. Big drop. 10-low	1-5 days	Bullish	2.10%	-1.30%	-2.90%
Active - Long Term						
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			

The Evidence

The bounce continued on Wednesday. The SPX finished up 1.0%, the NASDAQ gained 1.2%, and the Russell 2000 rallied 0.9%. Breadth was strong with the NYSE Up Issues % coming in at 73% and the Up Volume % at 75%. NYSE total volume came in light.

The Quantifinder studies that triggered tonight noted the low volume. Low volume can sometimes be a sign of complacency. But when it happens around holidays, it is more often a sign of people away from the trading desks. So with just a few days left before Christmas, I am not surprised volume came in light. I expect it to be even lighter on Thursday.

One of the volume studies was interesting, so I decided to show it. It was last seen in the 6/26/20 letter, and has been updated below.

SPX closes up at least 1% on the lowest NYSE volume in 10 days. Buy on close. Sell X days later. \$100k/trade. 2000 - 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	-55,404.64	55	22	33	40.00	3,612.16	-13,784.48	1,567.58	-2,723.98	0.58	0.38	-1,007.36
4	-44,339.88	56	24	32	42.86	5,734.40	-10,971.63	1,413.49	-2,445.74	0.58	0.43	-791.78
3	-51,944.84	56	23	32	41.07	2,718.52	-8,419.83	1,035.49	-2,367.54	0.44	0.31	-927.59
2	-35,988.27	56	20	36	35.71	2,341.58	-8,950.62	790.72	-1,438.96	0.55	0.31	-642.65
1	-10,203.25	56	24	32	42.86	3,348.84	-3,065.35	877.53	-977.00	0.90	0.67	-182.20

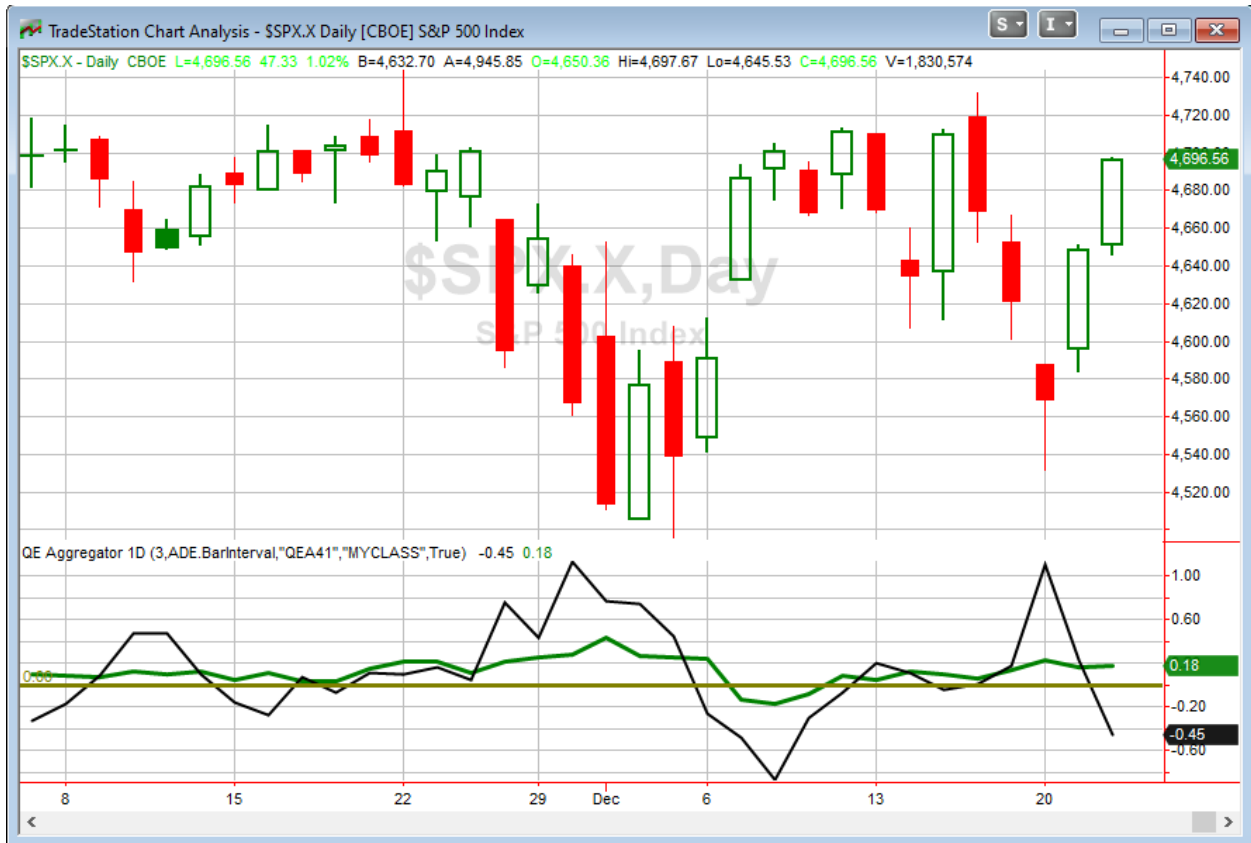
While the numbers look bearish, I was back and forth on whether to include this study on the Active List tonight. As I mentioned, low volume is to be expected headed into a holiday. Secondly, the “SPX closes up at least 1%” requirement was just barely met, with SPX posting a gain of

1.02% on Wednesday. Third, recent instances have not fared as well. And lastly, there is not a long-term filter on the study. So I added a 200ma filter to see how that impacted results.

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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	-6,646.66	31	15	16	48.39	3,228.12	-10,421.45	1,524.59	-1,844.72	0.83	0.77	-214.41
4	-4,958.90	31	16	15	51.61	2,580.34	-4,929.60	1,110.09	-1,514.69	0.73	0.78	-159.96
3	-10,855.06	31	16	15	51.61	2,718.52	-3,418.95	987.29	-1,776.79	0.56	0.59	-350.16
2	-8,009.39	31	12	19	38.71	2,341.58	-3,149.67	893.21	-985.68	0.91	0.57	-258.37
1	-1,558.84	31	15	16	48.39	1,285.83	-2,390.72	631.08	-689.07	0.92	0.86	-50.29

Above the 200ma the edge is neither strong nor reliable. So with all those things considered, I did not add anything to the Active List tonight.

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



Without any new studies being included 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 dove down 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 studies on the active list, expectations are scheduled to remain positive on Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4585.02 on Thursday. That is 2.4% below Wednesday's close. So SPX would need to close down at least 2.4% on Thursday in order to flip from overbought to oversold versus expectations. That's unlikely. A more likely scenario for working off the overbought condition would be a multi-day decline or consolidation.

So the Aggregator is neutral. I am too. While we have a nice seasonal wind, the market has been choppy and its short-term overbought after the last few days. So I am content to wait for the next favorable opportunity to arrive before looking to get involved in my next index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/20 – somewhat bullish

The intermediate-term outlook was last updated in the 12/20/21 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
QQQ(1/4)	12/20/2021	\$379.57	\$393.95	3.79%	<i>sold on close</i>

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