

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 28, 2021

Volume 14 Issue 248

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Strong 4-day rallies when SPX > 200ma have led to further gains in the past.
- Strong up days between Christmas and New Years often see follow-on gains over the next few days.

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 28, 2021	Up 4 days and 3 of them > 1%	1-4 days	Bullish	2.10%	-0.80%	-1.50%
December 28, 2021	1 % Gain between Christmas & New Yr	1-2 days	Bullish			
December 27, 2021	50-day high just before Christmas	1-5 days	Bullish			
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			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
December 21, 2021	<i>Dn 3. Big drop. 10-low</i>	<i>1-5 days</i>	<i>Bullish</i>	<i>2.10%</i>	<i>-1.30%</i>	<i>-2.90%</i>
December 22, 2021	<i>Unfilled gap up from 10-low < 10ma</i>	<i>1-5 days</i>	<i>Bullish</i>	<i>1.60%</i>	<i>-1.40%</i>	<i>-2.55%</i>
December 22, 2021	<i>Twas 3 Nights Before Christmas</i>	<i>1-8 days</i>	<i>Bullish</i>	<i>2.40%</i>	<i>-1.20%</i>	<i>-2.40%</i>
December 27, 2021	NASDAQ breadth strong 3 days in row	1 day	Bearish			

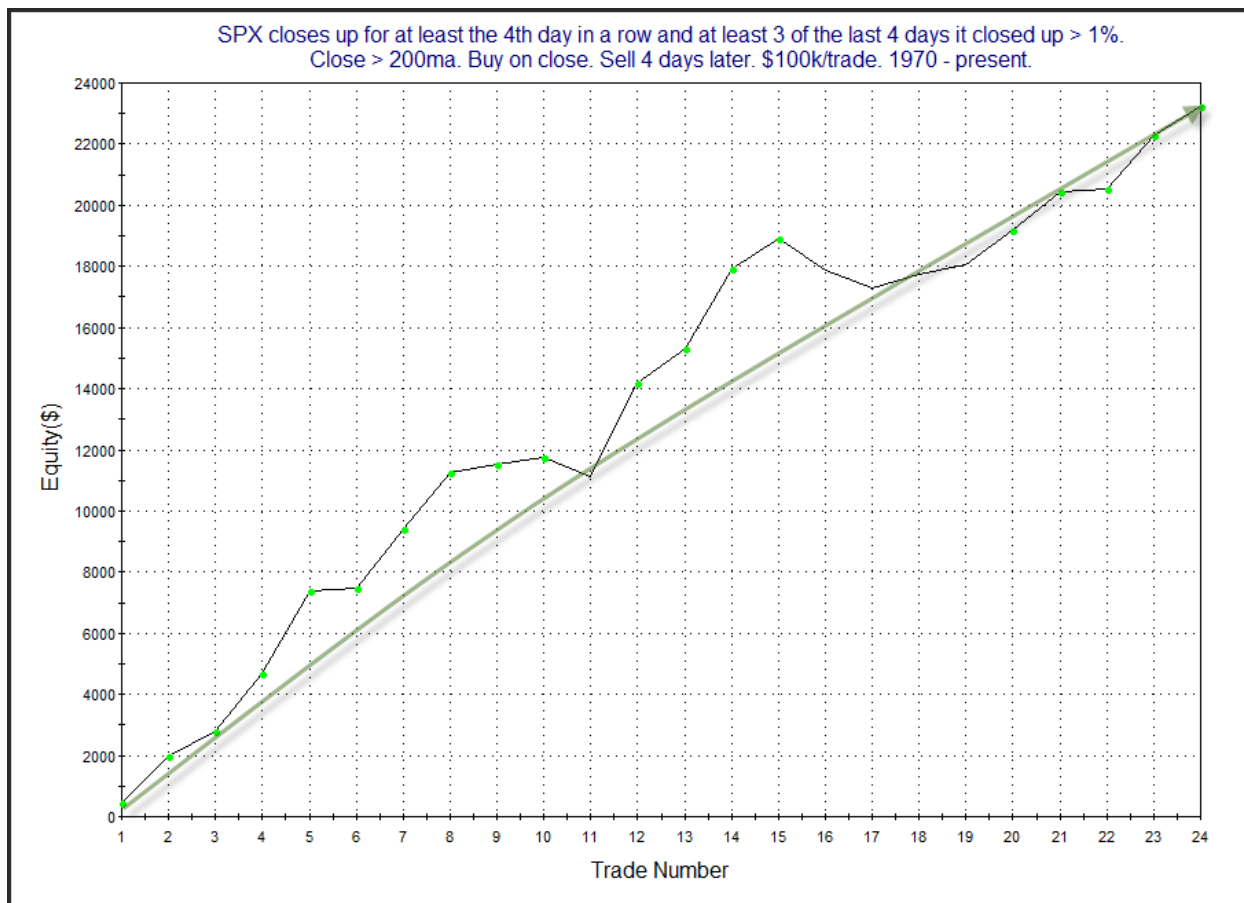
The Evidence

Monday was a strong day for the market. The SPX finished up 1.38%, the NASDAQ gained 1.39%, and the Russell 2000 rallied 0.89%. Breadth was strong with the NYSE Up Issues % coming in at 68% and the Up Volume % at 70%. NYSE total volume came in light as you'd expect with many traders taking time off.

One study that provided interesting results was last seen in the 2/15/18 letter. It looked at strong price thrusts in SPX like we have seen over the last 4 days. Below are updated results.

SPX closes up for at least the 4th day in a row and at least 3 of the last 4 days it closed up > 1%. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1970 - 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	24,493.95	24	19	5	79.17	3,581.50	-1,493.32	1,579.47	-1,103.19	1.43	5.44	1,020.58
4	23,243.37	24	21	3	87.50	3,067.74	-1,043.86	1,214.29	-752.27	1.61	11.30	968.47
3	21,772.60	24	18	6	75.00	4,318.58	-1,698.57	1,408.33	-596.21	2.36	7.09	907.19
2	11,284.69	24	15	9	62.50	2,586.57	-1,301.14	1,005.51	-421.99	2.38	3.97	470.20
1	3,195.76	28	14	14	50.00	2,609.46	-1,362.90	667.88	-439.61	1.52	1.52	114.13
26 of s8 instances (93%) closed above the entry price at some point in the next week.												

The above stats are impressive. Below is a profit curve assuming a 4-day holding period.



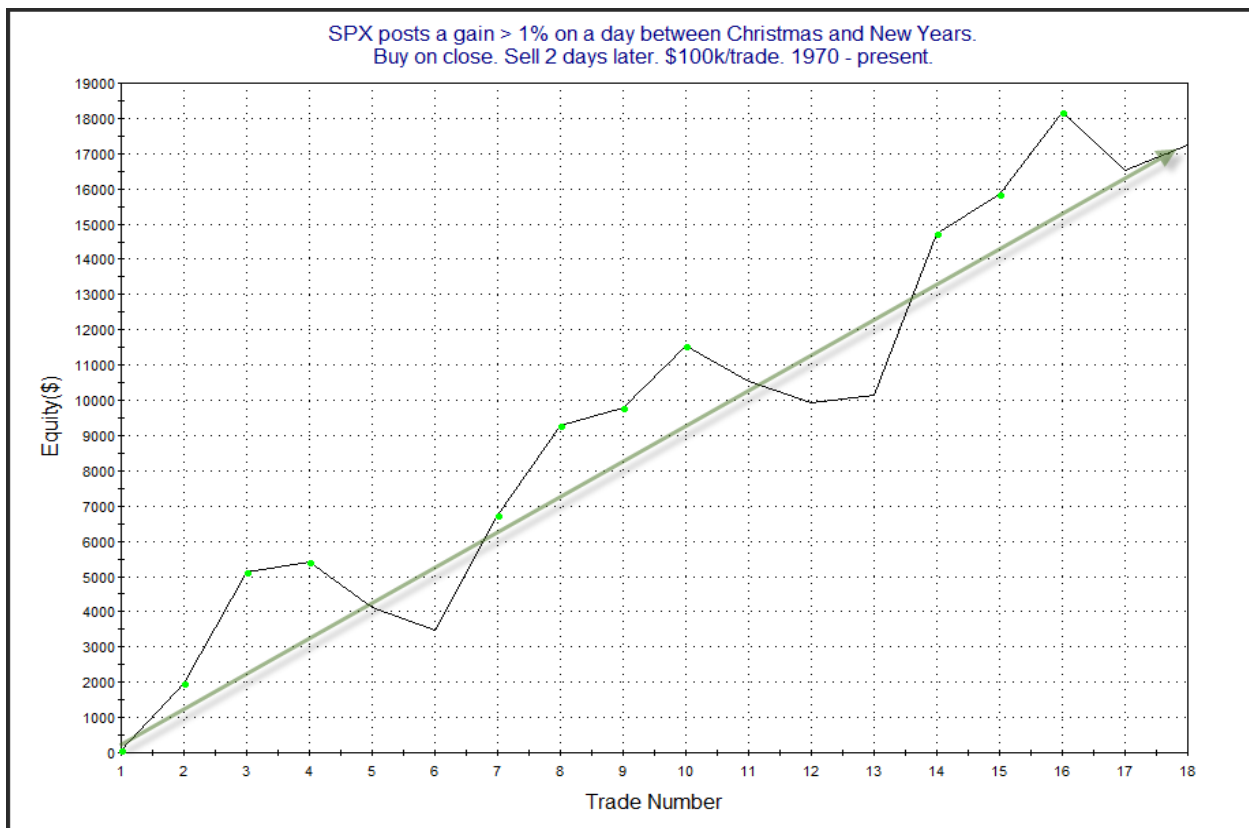
I like the curve. It appears this study is worth taking under some consideration. Price thrusts as we have seen over the last few days have led to further upside on a fairly consistent basis. I have included this study on the Short-Term Active List.

While bullish, the week between Christmas and New Year's is often a quiet one that is not prone to large-move days. So strong rallies like we saw on Monday are a bit unusual this time of year. The study below, last seen in the 12/27/18 letter, looked back to 1970 to see what has followed other times when SPX rose over 1% on a day between Christmas and New Year's. Results are updated.

SPX posts a gain > 1% on a day between Christmas and New Years.
Buy on close. Sell X days later. \$100k/trade. 1970 - present.

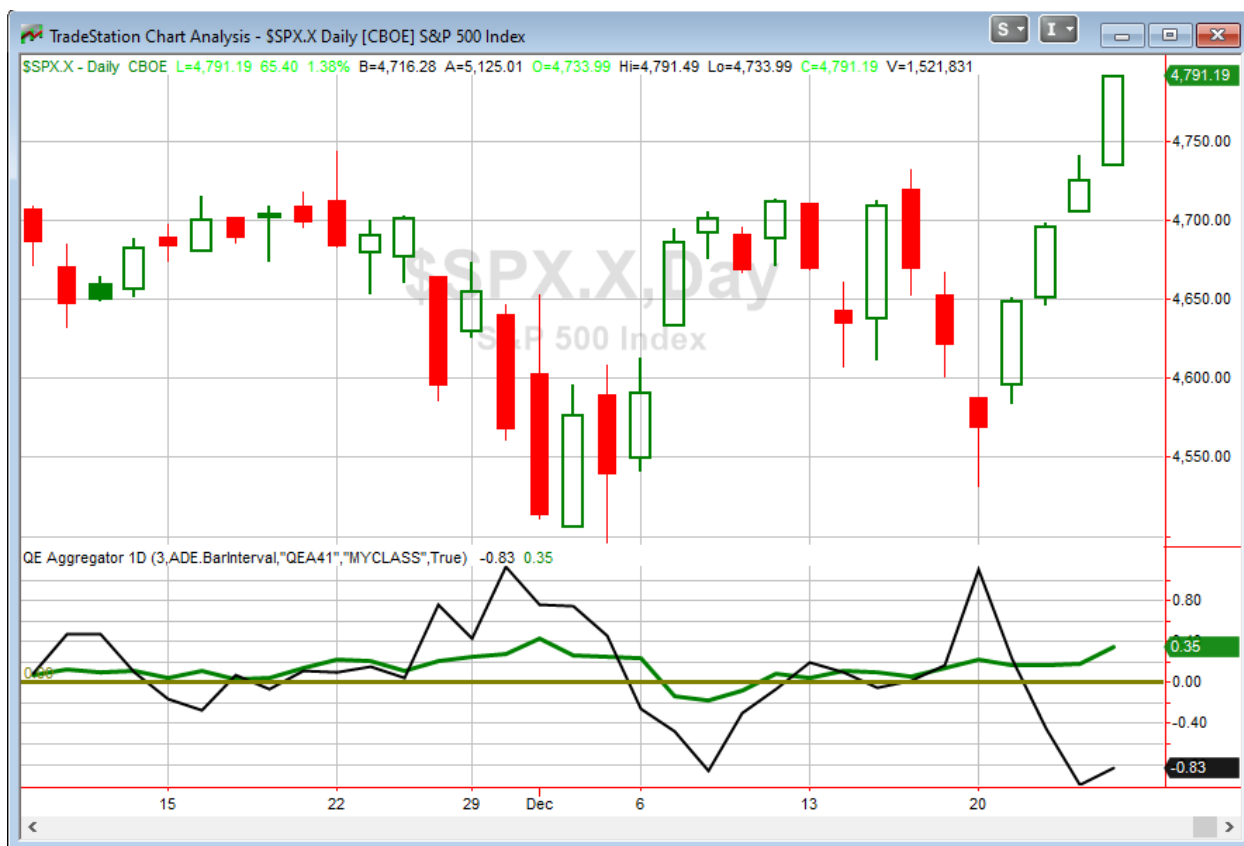
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	19,649.49	17	14	3	82.35	5,323.63	-4,228.80	1,954.51	-2,571.23	0.76	3.55	1,155.85
4	25,135.02	17	13	4	76.47	4,934.72	-2,959.20	2,329.51	-1,287.16	1.81	5.88	1,478.53
3	14,104.73	17	10	7	58.82	4,336.28	-3,423.75	2,561.59	-1,644.46	1.56	2.23	829.69
2	17,250.84	18	13	5	72.22	4,609.92	-1,652.16	1,728.07	-1,042.81	1.66	4.31	958.38
1	12,106.73	21	13	8	61.90	3,140.50	-984.20	1,267.09	-545.68	2.32	3.77	576.51

The stats here all point to a bullish edge. Most of the gains were realized in the first 2 days, but the edge does appear to persist through day 4 or 5. Below is a look at a 2-day profit curve.



Nothing wrong with this. The strong, steady upslope seems to provide confirmation of the bullish edge suggested by the stats.

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



With tonight's evidence considered, and several studies either expiring or reaching their profit targets, 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 remained well 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 stayed flat at the close.

Based on the current studies on the active list, expectations are scheduled to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4722.16 on Tuesday. That is 1.4% below Monday's close. So SPX would need to close down at least 1.4% on Tuesday in order to flip from overbought to oversold versus expectations.

Nothing really changed from my perspective. The Aggregator is neutral. I am too. I'm not interested into buying into a market this overbought, even with studies suggesting more upside is likely. I'd prefer a pullback to offer better reward/risk. Until a more compelling opportunity arises, I'll stay sidelined.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/27 – somewhat bullish

The intermediate-term outlook was last updated in the 12/27/21 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

None

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