

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 31, 2021

Volume 14 Issue 251

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- SPY's big outside day reversal pattern suggests a short-term upside edge, based on a few different studies.
- The last 15 minutes of the year has often seen selling, but not so much recently.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. A weak close to the month could set a favorable entry if it occurs.

**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 31, 2021	3 hi, 3-low, 3-low close > 200ma	1-5 days	Bullish	1.70%	-1.20%	-2.40%
December 28, 2021	Up 4 days and 3 of them > 1%	1-4 days	Bullish	2.10%	-0.80%	-1.50%
<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 27, 2021	50-day high just before Christmas	1-5 days	Bullish			
December 29, 2021	3 higher hi, low, close. Dn close. Up hi-lo	1-2 days	Bullish			

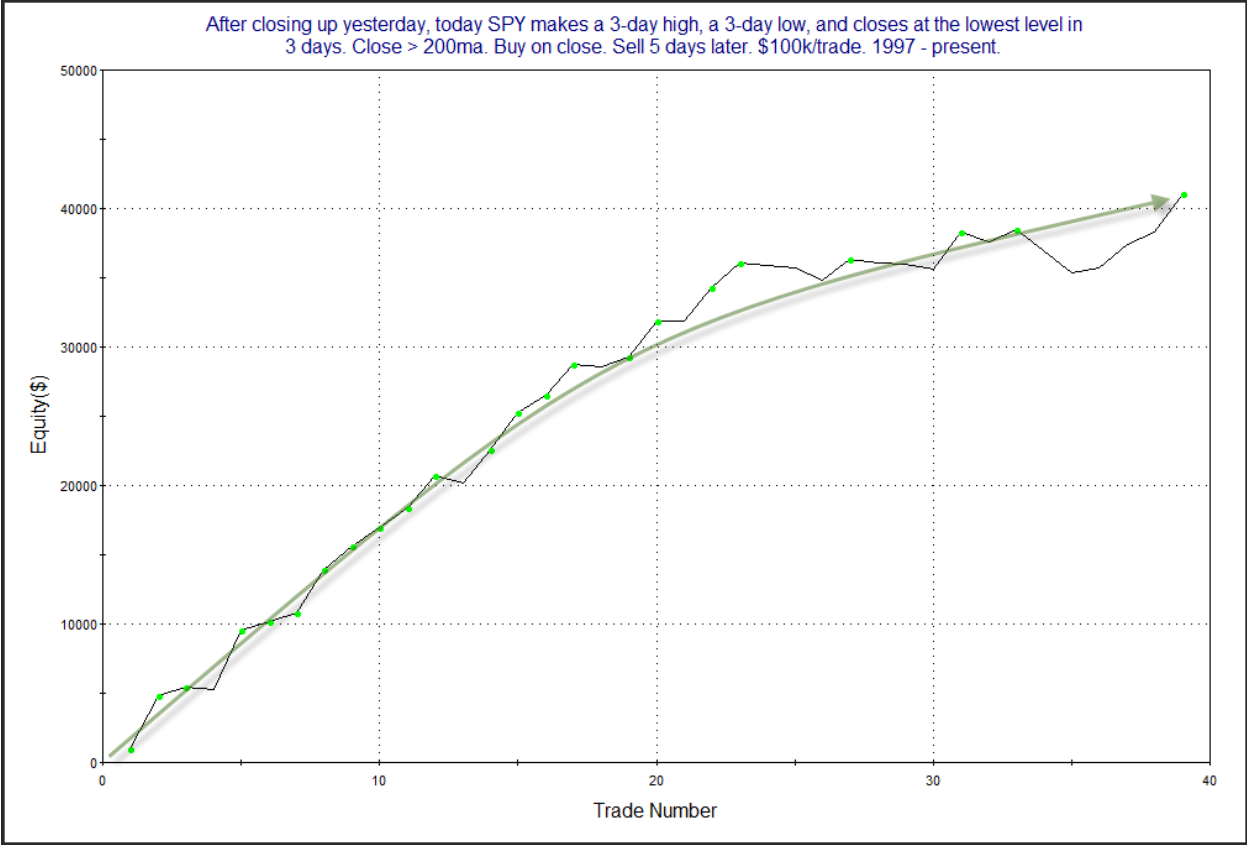
**The Evidence**

Thursday started strong, but late selling left the major indices lower. The SPX finished down 0.3%, the NASDAQ fell 0.2%, and the Russell 2000 lost 0.02%. Breadth was positive with the NYSE Up Issues % coming in at 53% and the Up Volume % at 56%. NYSE total volume rose a little from Wednesday's level.

On study, from the 10/2/19 letter, saw the big outside day as a positive. It looked for a reversal day that engulfs both of the last two days, closes at a three-day low, and remains above the 200ma. All results are updated.

After closing up yesterday, today SPY makes a 3-day high, a 3-day low, and closes at the lowest level in 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - 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	41,028.10	39	26	13	66.67	4,273.50	-1,606.11	1,833.70	-511.39	3.59	7.17	1,052.00
4	29,974.51	39	26	13	66.67	4,533.98	-2,123.52	1,530.14	-754.56	2.03	4.06	768.58
3	12,972.28	39	25	14	64.10	3,903.34	-3,393.78	1,264.22	-1,330.94	0.95	1.70	332.62
2	7,945.98	40	23	17	57.50	3,244.78	-3,737.28	1,084.19	-999.44	1.08	1.47	198.65
1	1,567.68	40	23	17	57.50	2,359.84	-3,909.03	637.94	-770.88	0.83	1.12	39.19

After the first couple of days there appears to be a strong and consistent upside edge. Below is a profit curve that assumes a 5-day holding period.



While the curve has flattened some lately, it is back at new highs and still appears strong enough to suggest the upside edge is real. I have added this study to the Active List.

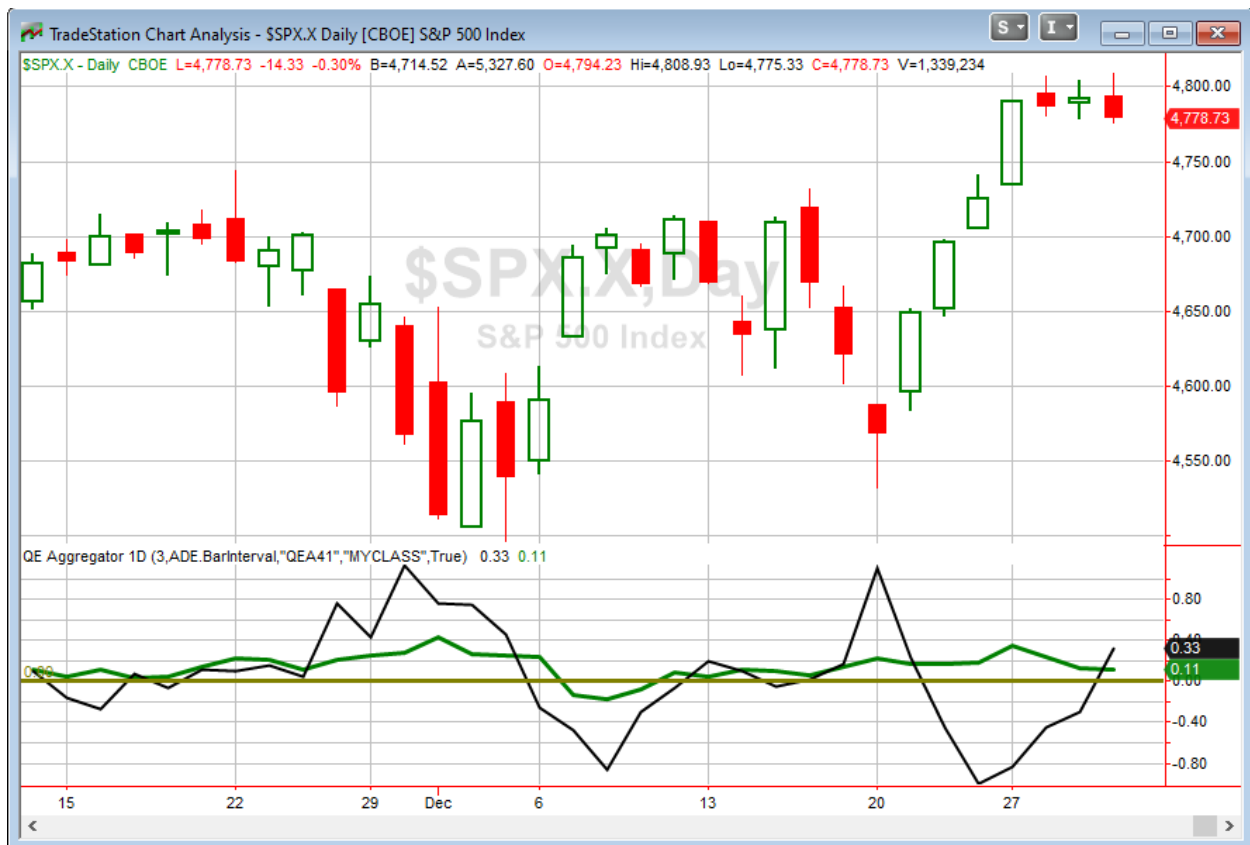
In past years I have noted that the market has had a tendency to sell off heading into the close on the final day of the year. The study below shows SPY performance in the last 15 minutes of the year.

SPY performance in the last 15 minutes of the YEAR.  
\$100k/trade. 1998 - 2020.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/31/1998 15:45	Buy	\$123.69	-0.65%	\$153.52
12/31/1998 16:00	Sell	\$122.88		(\$808.00)
12/29/2000 15:45	Buy	\$132.47	-0.17%	\$22.62
12/29/2000 16:00	Sell	\$132.25		(\$444.86)
12/31/2001 15:45	Buy	\$115.58	-0.60%	\$8.65
12/31/2001 16:00	Sell	\$114.89		(\$631.45)
12/31/2002 15:45	Buy	\$88.11	0.06%	\$90.72
12/31/2002 16:00	Sell	\$88.16		(\$181.44)
12/31/2003 15:45	Buy	\$111.45	-0.27%	\$26.91
12/31/2003 16:00	Sell	\$111.15		(\$269.10)
12/31/2004 15:45	Buy	\$121.28	-0.20%	\$8.24
12/31/2004 16:00	Sell	\$121.04		(\$206.00)
12/30/2005 15:45	Buy	\$125.03	-0.34%	\$23.97
12/30/2005 16:00	Sell	\$124.60		(\$375.53)
12/29/2006 15:45	Buy	\$141.91	-0.29%	\$49.28
12/29/2006 16:00	Sell	\$141.50		(\$295.68)
12/31/2007 15:45	Buy	\$147.04	-0.42%	\$6.80
12/31/2007 16:00	Sell	\$146.42		(\$462.40)
12/31/2008 15:45	Buy	\$90.59	-0.40%	\$77.21
12/31/2008 16:00	Sell	\$90.23		(\$606.65)
12/31/2009 15:45	Buy	\$111.96	-0.46%	\$8.93
12/31/2009 16:00	Sell	\$111.44		(\$473.29)
12/31/2010 15:45	Buy	\$125.81	-0.02%	\$7.94
12/31/2010 16:00	Sell	\$125.79		(\$230.26)
12/30/2011 15:45	Buy	\$126.00	-0.33%	\$0.00
12/30/2011 16:00	Sell	\$125.59		(\$325.13)
12/31/2012 15:45	Buy	\$141.87	0.42%	\$485.76
12/31/2012 16:00	Sell	\$142.46		(\$7.04)
12/31/2013 15:45	Buy	\$184.31	0.14%	\$200.54
12/31/2013 16:00	Sell	\$184.56		(\$16.26)
12/31/2014 15:45	Buy	\$206.14	-0.30%	\$4.85
12/31/2014 16:00	Sell	\$205.52		(\$363.75)
12/31/2015 15:45	Buy	\$204.58	-0.32%	\$68.32
12/31/2015 16:00	Sell	\$203.92		(\$346.48)
12/30/2016 15:45	Buy	\$223.02	0.23%	\$241.92
12/30/2016 16:00	Sell	\$223.54		(\$76.16)
12/29/2017 15:45	Buy	\$267.28	-0.15%	\$48.62
12/29/2017 16:00	Sell	\$266.88		(\$239.36)
12/31/2018 15:45	Buy	\$249.44	0.26%	\$268.00
12/31/2018 16:00	Sell	\$250.10		(\$552.00)
12/31/2019 15:45	Buy	\$321.65	0.07%	\$148.80
12/31/2019 16:00	Sell	\$321.89		(\$71.30)
12/31/2020 15:45	Buy	\$373.28	0.16%	\$368.46
12/31/2020 16:00	Sell	\$373.87		(\$10.68)

From 1998 through 2011 you can see that there was only 1 year where there was *not* a selloff in the final 15 minutes of trading. But since 2011 there has not been a consistent edge. SPY has risen 6 times and declined 3 times over the last 9 years. I suspect there is still a slightly better chance of a selloff than a rally heading into the close on Friday, but it is certainly not a sure thing.

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



With tonight's evidence considered, 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 rose above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current studies on the active list, expectations are scheduled to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4823.35 on Friday. That is 0.9% above Thursday's close. So SPX will need to close up at least 0.9% on Friday to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is somewhat light, but there is a decent amount of room to the upside before SPX would turn overbought. I've shown it many times before, so I won't get into it tonight, but a weak close at the end of the month generally means a good chance of a bullish day-one for the next month. With all this in mind, I'll look to take on some index exposure on Friday if we close down and in the lower portion of the day's range.

***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.*

**SPY – Buy ¼ index position @ \$476.15 LIMIT IF IT ALSO CLOSSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE.** Based on the short-term outlook above, I'll take on some long exposure on Friday if I can get a favorable entry at the close.

**Current Open Trade Ideas**

**None**

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