

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 14, 2022

Volume 15 Issue 239

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Fed Day odds appear bullish, but action after the announcement is unreliable.

## *Short-term Outlook*

### *The Bottom Line*

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

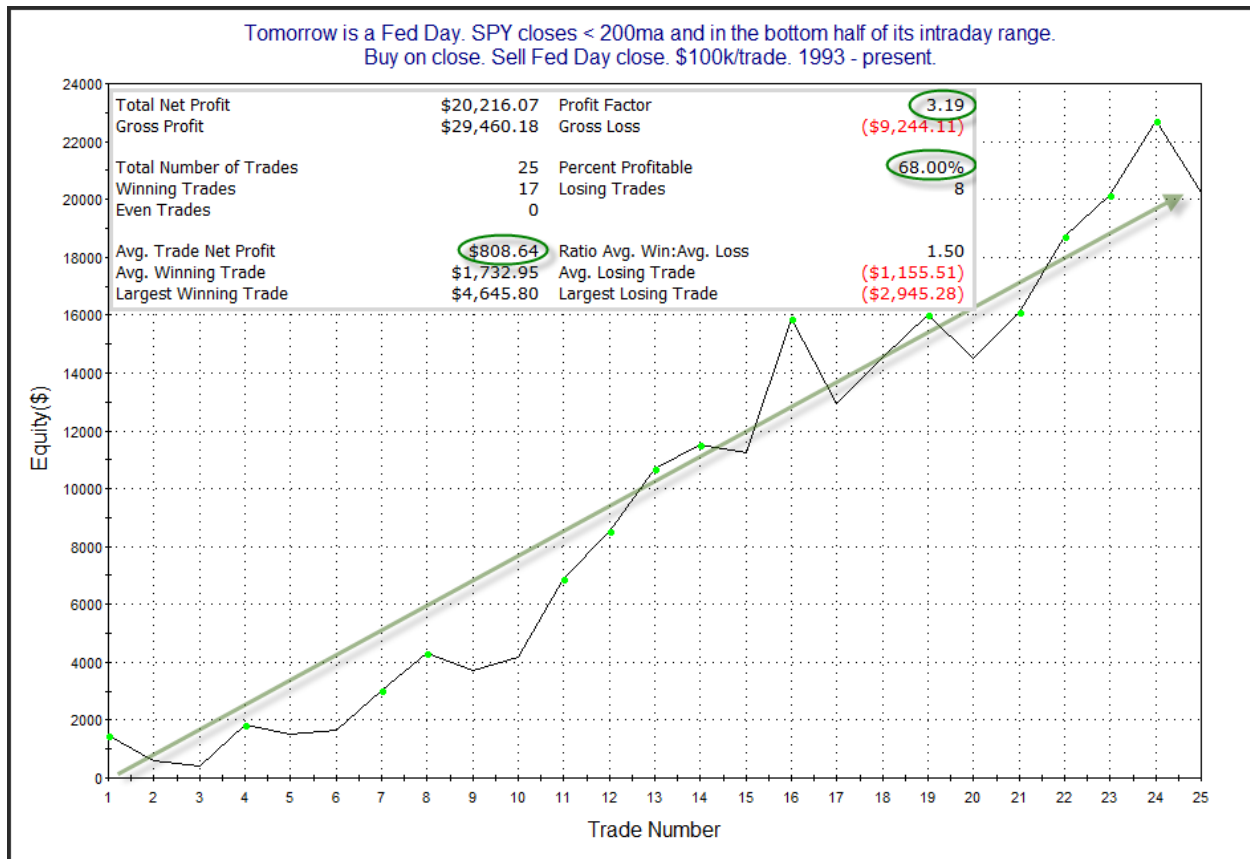
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
December 14, 2022	SPY weak close before Fed < 200ma	1 day	Bullish			
December 8, 2022	5 lower closes < 200ma	1-8 days	Bullish	4.30%	-2.00%	-4.85%
<b>Active - Long Term</b>						
December 2, 2022	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
December 1, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
October 31, 2022	Best 6 Months 3rd Yr. Pres Cycle	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
December 12, 2022	Dec Opex bullish	1-5 days	Bullish	1.80%	-1.20%	-2.70%

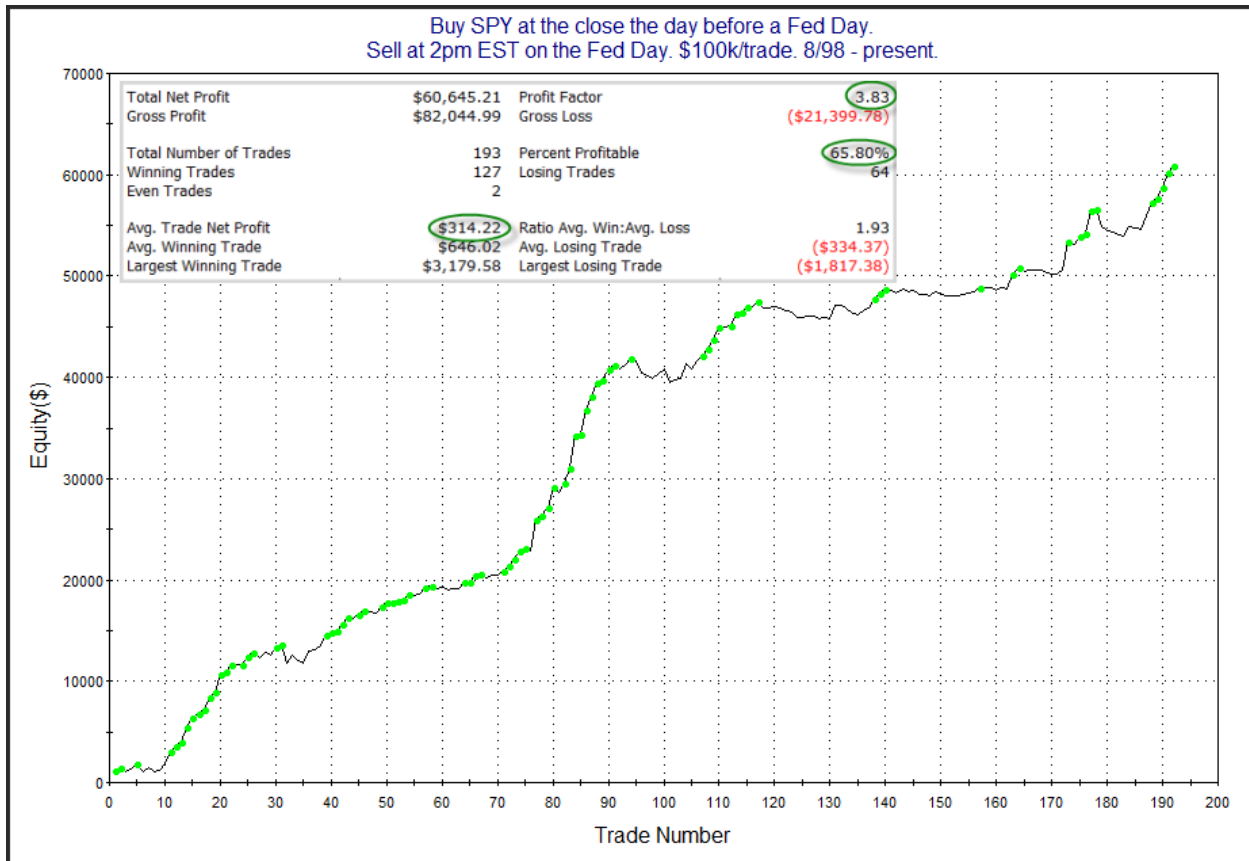
**The Evidence**

Tuesday started extremely well with a strong reaction to lower than expected inflation numbers. But the excitement faded and the market closed well off its highs. The SPX finished up 0.7%, the NASDAQ gained 1.0%, and the Russell 2000 climbed 0.8%. Breadth was positive with the NYSE Up Issues % coming in at 69% and the Up Volume % at 62%. NYSE total volume came in quite a bit higher than Monday’s level.

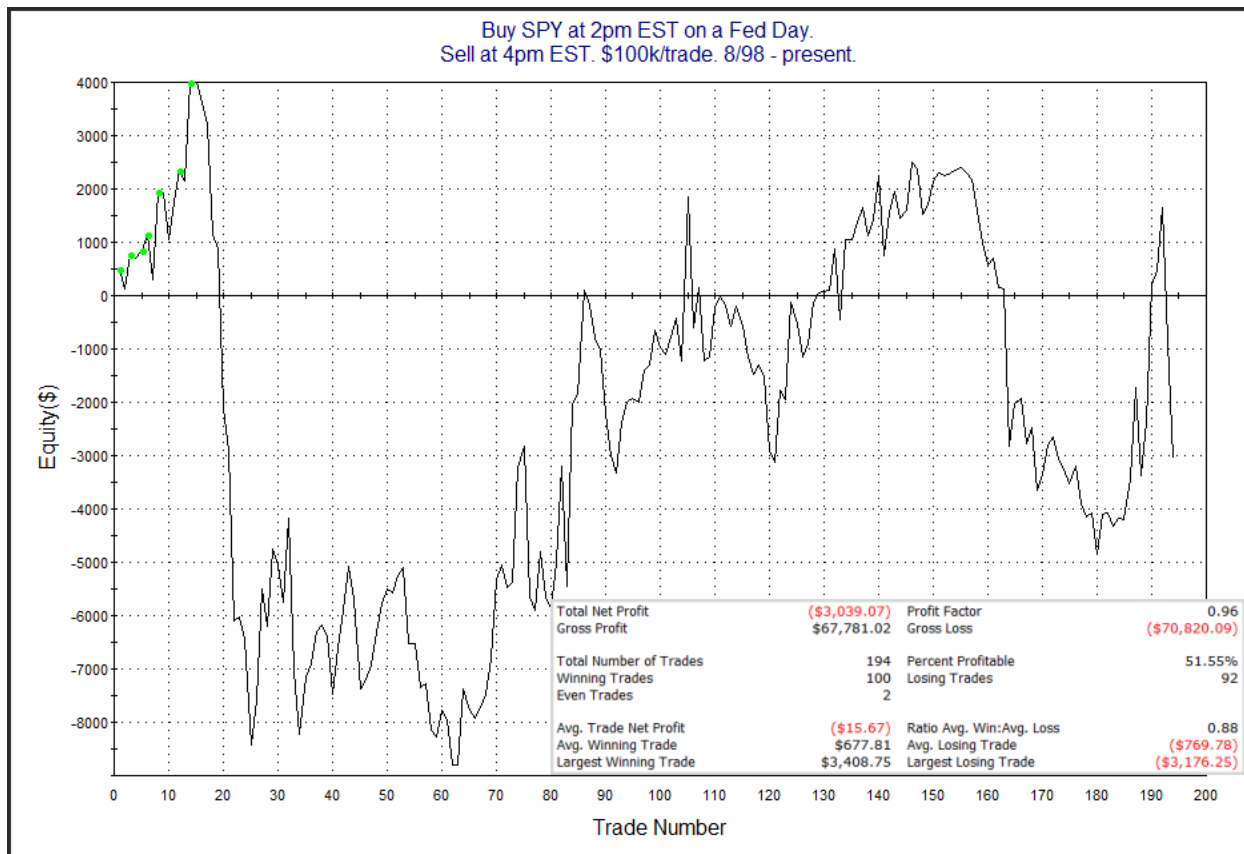
Last night I showed that a weak close for SPY ahead of a Fed Day could set up the Fed Day for a nice gain. I have again copied that study below.



The curve and the numbers are both impressive. But it is also notable the Fed Day edge generally plays out before the announcement ever even happens. This can be seen in the studies below. The 1<sup>st</sup> one examines action from the day before up until the 2pm announcement.



Impressive curve and numbers. Now let's look at from 2pm – 4pm EST on Fed Days.

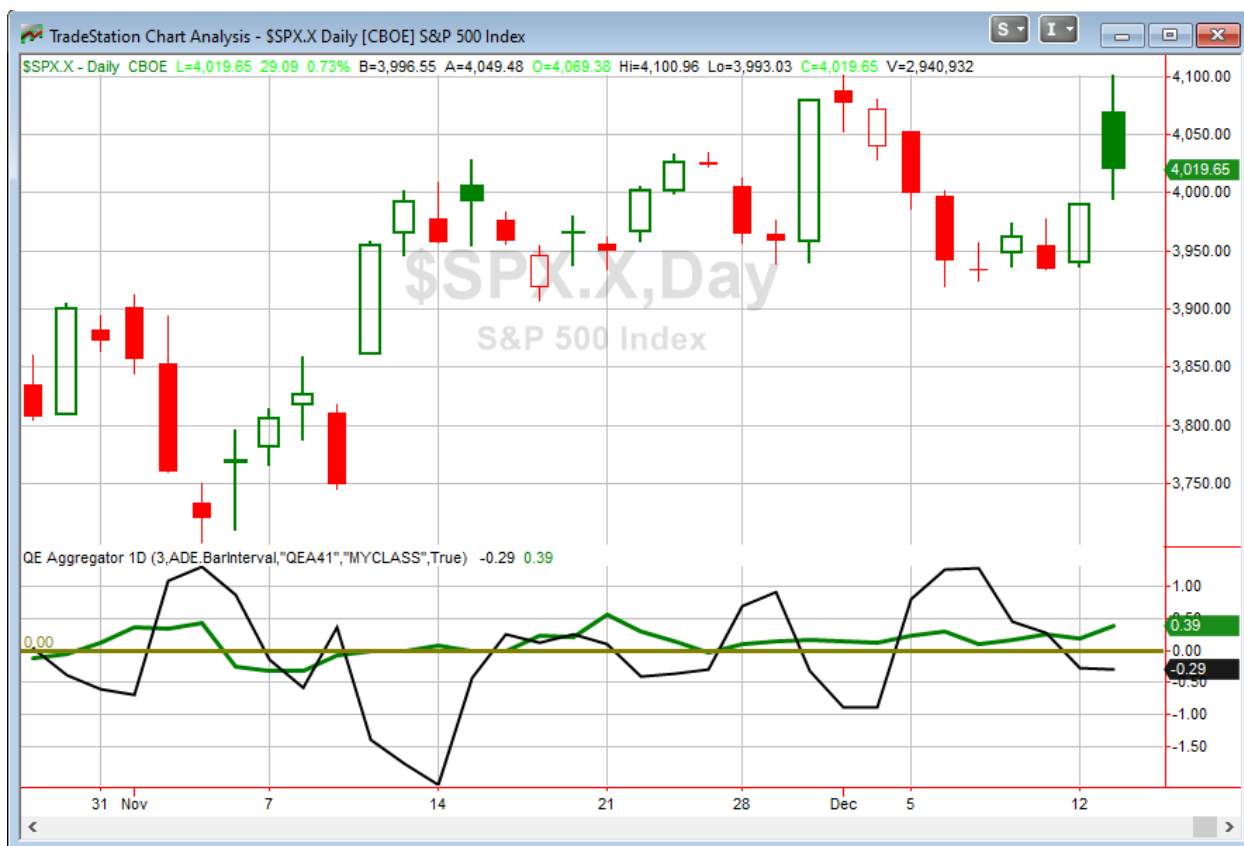


No consistent edge here. What the Fed says will be a big wildcard on Wednesday. And as I noted last night, every rate hike this year has seen a strong reaction. This can be seen in the table below.

SPX Action on 2022 Fed Announcement Days with Rate Hikes			
Fed Announcement Date	Rate Change	SPX True Range	SPX % Change
March 16, 2022	+25 Basis Points	106.91	2.24%
May 4, 2022	+50 Basis Points	158.75	2.99%
June 15, 2022	+75 Basis Points	115.26	1.46%
July 27, 2022	+75 Basis Points	118.51	2.62%
September 21, 2022	+75 Basis Points	117.58	-1.71%
November 2, 2022	+75 Basis Points	135.76	-2.50%
	<b>Average</b>	<b>125.46</b>	<b>0.85%</b>
	<b>All other days avg since 3/16</b>	<b>77.75</b>	<b>-0.06%</b>

So the reaction could be quite strong, and it appears unpredictable what will happen after 2pm.

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



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line held 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 list of active studies, expectations are set to remain positive on Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3953.19 on Wednesday. That is 1.7% below Tuesday's close. Therefore, SPX will need to close down 1.7% on Wednesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Evidence suggests more upside, especially leading up to the Fed announcement on Wednesday. But the reaction to the Fed is unreliable and a huge wildcard. Strong reactions often generate edges, so we will see how things play out Wednesday and what that might mean over the following days and weeks. For now, there is nothing for me to do but wait, observe, and prepare to take advantage of the next favorable opportunity to emerge.

## ***Intermediate-term Outlook (2 weeks – 2 months) – updated 12/12 – slightly bullish***

The intermediate-term outlook was last updated in the 12/12/22 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**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
GS(1/3)	12/7/2022	\$362.49	\$368.69	1.71%	sell on open
GS(1/3)	12/8/2022	\$359.92	\$368.69	2.44%	sell on open
GS(1/3)	12/9/2022	\$356.71	\$368.69	3.36%	sell on open

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