

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 20, 2022

Volume 15 Issue 243

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- “Turnaround Tuesday” odds look strong.
- The lack of a VIX spike could suggest more short-term selling.
- 4 down days this late in the year is unusual and has consistently been followed by a quick bounce.

## *Short-term Outlook*

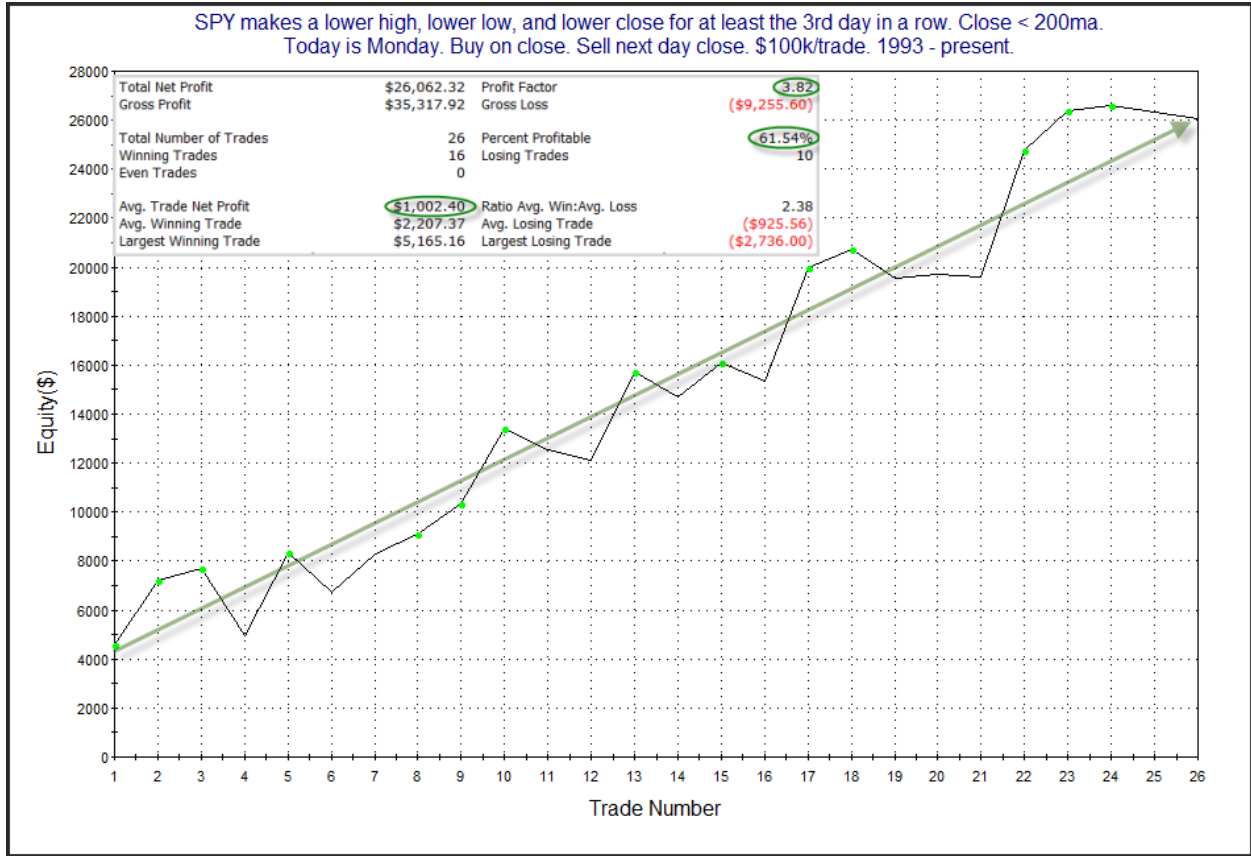
### *The Bottom Line*

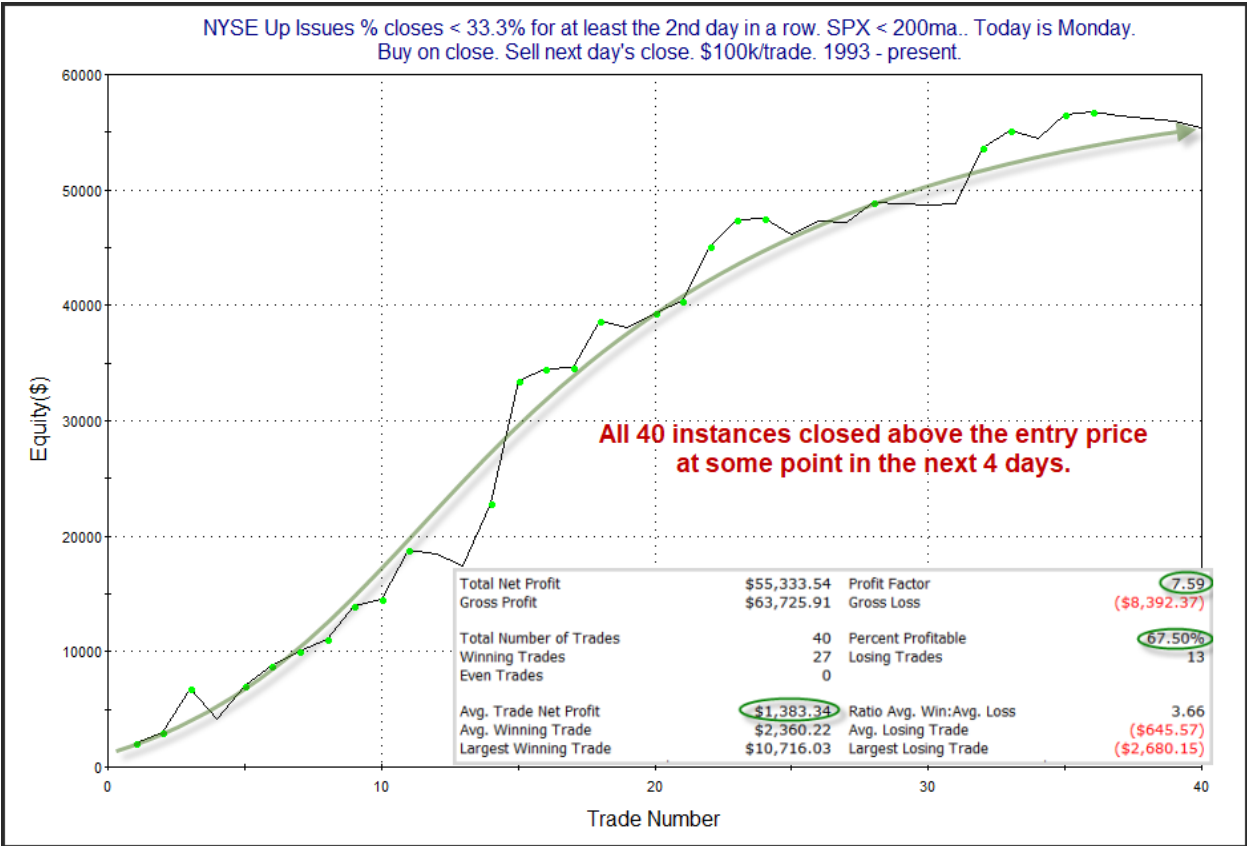
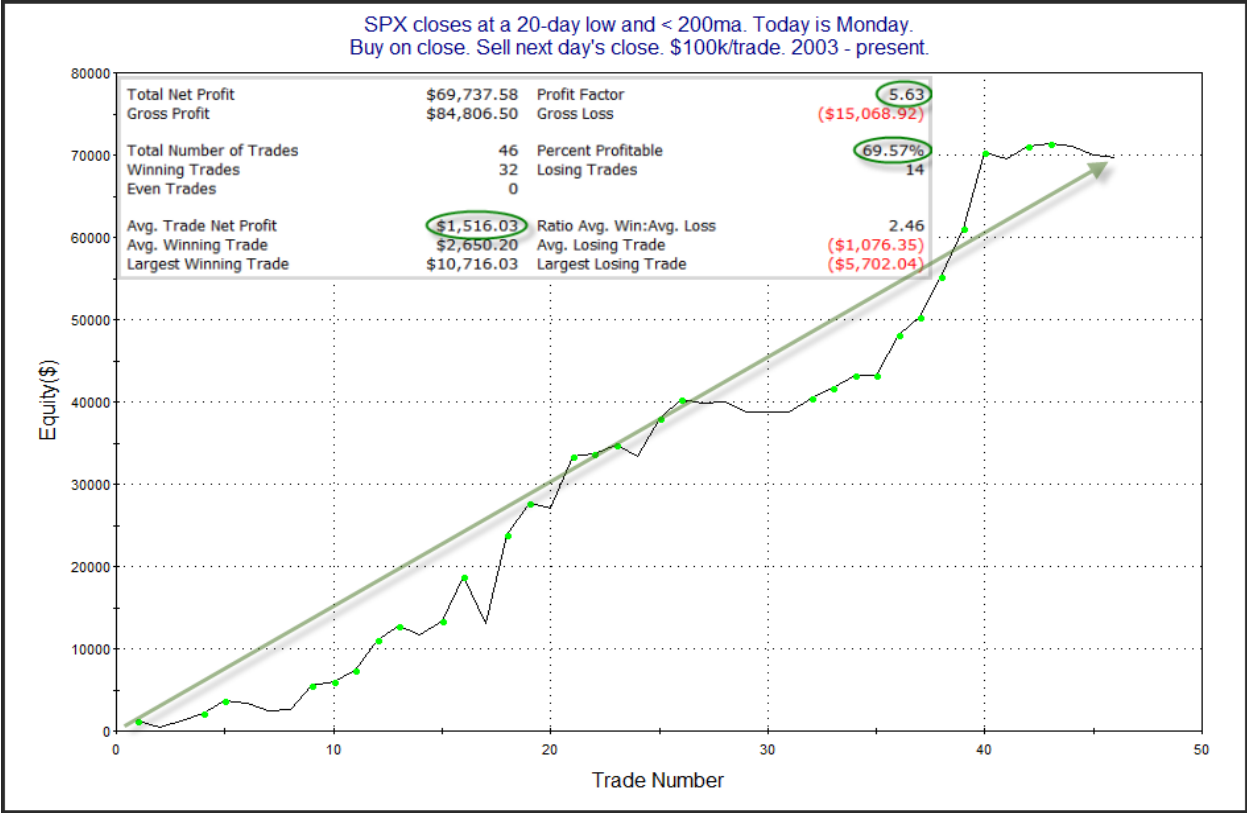
The Aggregator is bullish. I believe there is an upside edge.

**The Evidence**

The market selling continued on Monday. The SPX finished down 0.9%, the NASDAQ lost 1.5%, and the Russell 2000 declined 1.4%. Breadth was negative with the NYSE Up Issues % coming in at 29% and the Up Volume % at 26.5%. NYSE total volume declined from Friday’s high opex level.

There were several “Turnaround Tuesday” studies that suggested an upside edge. Rather than discuss them individually, I have pasted 3 of the most compelling ones below.





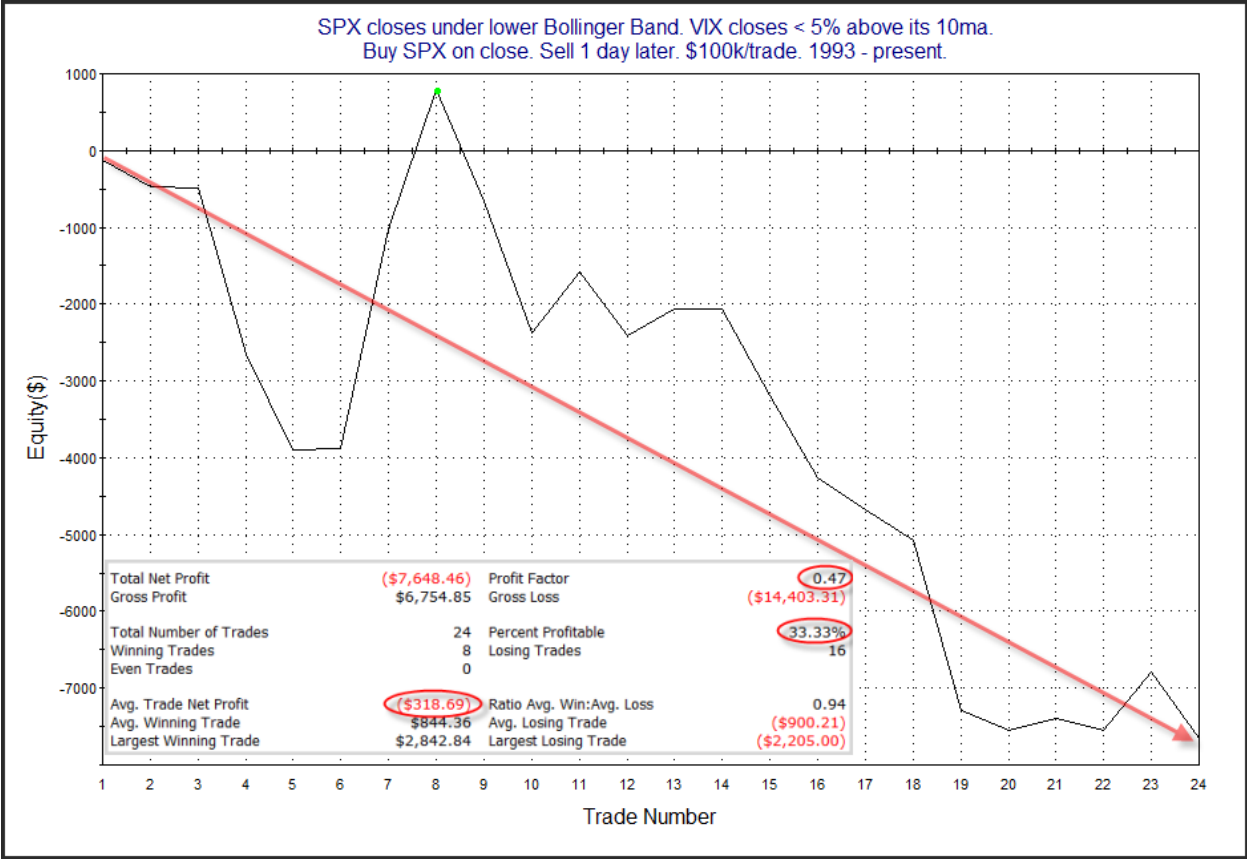
Strongly bullish evidence supporting the idea of a Turnaround Tuesday.

Pullbacks of 4 days or more are fairly rare at this time of the year. The table below looks at all other times since 1940 that SPX closed down for the 4<sup>th</sup> day in a row and it was after December 15<sup>th</sup>.

It is after Dec 15th. SPX closes down for exactly the 4th day in a row. Forward results shown. 1940 - present.													
Ticker	Date	SPX Close	% Chg	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg	6-Day %Chg	7-Day %Chg	8-Day %Chg	9-Day %Chg	10-Day %Chg
SSPX	12/19/1940	10.4	-0.38	0.1	-0.19	0	-0.1	0.38	1.63	1.73	0.77	3.08	3.27
SSPX	12/27/1946	15.19	-0.13	-0.13	0.72	0.07	0.46	1.65	0.86	1.45	1.65	0.33	-2.57
SSPX	12/21/1949	16.49	-0.24	0.91	0.91	0.55	1.03	1.15	1.82	1.03	2.18	2.67	2.97
SSPX	12/21/1961	70.86	-0.37	0.07	0.23	1.11	1.17	0.97	0.14	0.38	-0.31	-1.69	-2.46
SSPX	12/23/1963	73.81	-0.63	0.22	0.69	0.85	1.02	1.64	2.19	2.29	2.52	2.55	2.97
SSPX	12/16/1966	81.58	-0.07	-0.38	-0.76	-0.25	0.13	-0.13	-0.71	-1.19	-1.48	-1.53	-1.47
SSPX	12/29/1966	80.37	-0.3	-0.05	0.01	0.22	1.53	2.25	3.04	3.04	3.86	4.4	5.18
SSPX	12/21/1972	115.11	-0.72	0.63	1.03	1.58	2.55	3.47	3.87	3.73	4.14	4.12	4.01
SSPX	12/20/1977	92.5	-0.2	0.59	1.41	2.37	2.37	2.43	2.64	2.81	1.43	1.1	0.26
SSPX	12/19/1989	342.46	-0.36	0.11	0.68	1.45	1.27	1.85	2.4	3.19	5.03	4.76	3.86
SSPX	12/20/2005	1259.62	-0.02	0.25	0.67	0.72	-0.24	-0.12	-0.41	-0.9	0.73	1.1	1.1
SSPX	12/27/2012	1418.1	-0.12	-1.1	0.57	3.13	2.91	3.41	3.09	2.75	3.03	3.81	3.8
SSPX	12/24/2018	2351.1	-2.71	4.96	5.86	5.73	6.62	6.76	4.12	7.69	8.45	9.5	9.95
			<b>Average</b>	<b>0.48</b>	<b>0.91</b>	<b>1.35</b>	<b>1.59</b>	<b>1.98</b>	<b>1.90</b>	<b>2.15</b>	<b>2.46</b>	<b>2.63</b>	<b>2.37</b>
			<b>% Wins</b>	<b>69%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>77%</b>

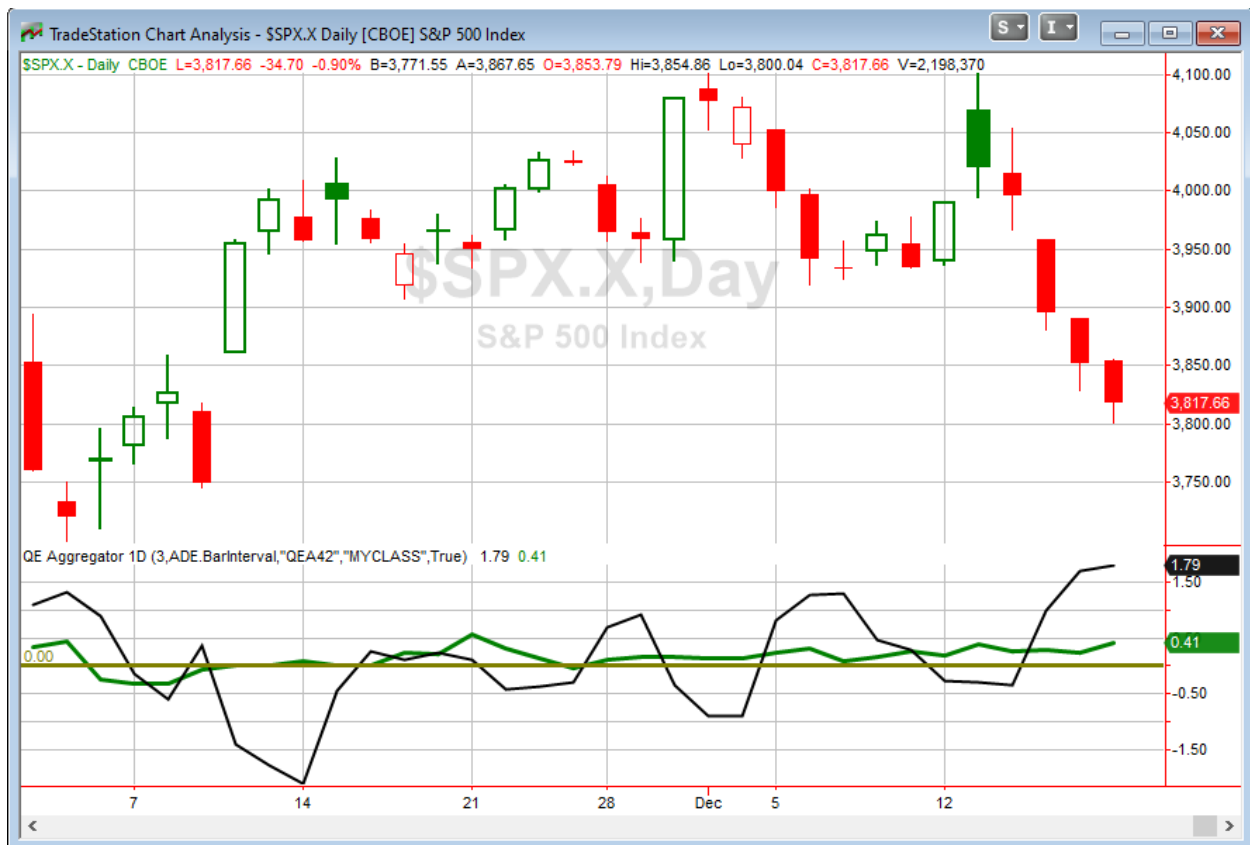
Historically, the market has rallied over the next few days a high percentage of the time. I have added this study to the active list tonight.

In last night's letter I looked at other the times where SPX was stretched to the downside, but the VIX was not particularly stretched to the upside. VIX commonly trades inverse to the SPX, so when there is a big decline in the market that is often accompanied by a spike in the VIX. And that is not the case with the current setup. The chart below shows updated results.



I did not love the study last night because of the reasons I felt VIX had not spiked. But the market did not care, and did its selling thing anyway. So I have included the study on the active list again tonight.

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 also held 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 stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3930.91. That is 3.0% above Monday's close. So SPX will need to close up 3.0% on Tuesday to flip from oversold to overbought vs recent expectations. More likely it will take a multi-day rally of consolidation to work off the oversold condition.

So the Aggregator is bullish. Not a big change from last night. Evidence is mixed but leaning bullish and the market is strongly oversold. So a bounce could be sizable. I like the long side. I have some exposure from Friday. My entry just missed on Monday, so I will try for a fill on another lot of SPY on Tuesday.

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

## **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 @ \$380.00 LIMIT.** Based on the short-term outlook above, I will add a bit to my long position Tuesday if I can get a decent fill.

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/16/2022	\$383.27	\$380.02	-0.85%	Aggregator

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