

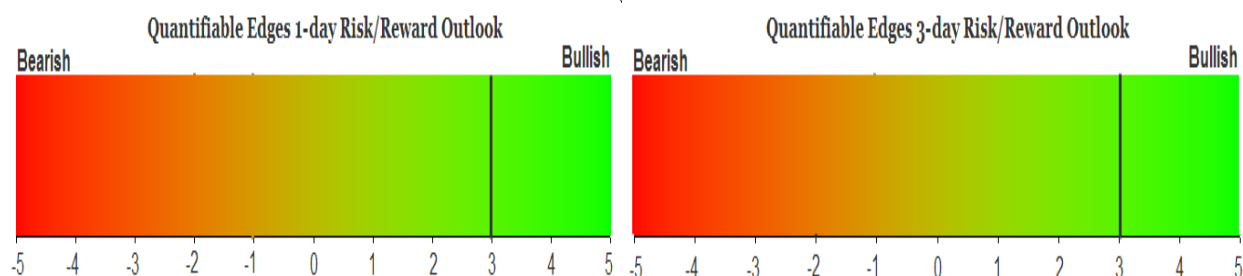
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 21, 2022

Volume 15 Issue 244

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- No compelling new evidence emerged on Tuesday.
- “Twas 3 Nights Before Christmas” bullish seasonality will trigger at the close on Wednesday.

## *Short-term Outlook*

### *The Bottom Line*

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

**The Evidence**

Tuesday barely eeked out a turnaround. The SPX rose 0.1%, the NASDAQ was basically flat, rising 0.01%, and the Russell 2000 gained 0.5%. Breadth was negative with the NYSE Up Issues % coming in at 53% and the Up Volume % at 61%. NYSE total volume declined for the 2<sup>nd</sup> day in a row.

The quiet action did not generate any compelling new studies. The Quantifinder identified a couple of bearish studies. But when I took a fresh look at them tonight, recent instances were choppy and the results appeared much less appealing. Sometimes a 0.1% return on the day really does not suggest any kind of substantial edge.

The study below is the “Twas 3 Nights Before Christmas” study. I have shown it each year in the letter. It will trigger on Wednesday’s close. I show here how it has performed for a few of the major indices. First...SPX.

Buy SPX on close 3 trading sessions before Christmas. Sell X days later. \$100k/trade. 1987 - 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
10	40,758.80	35	27	8	77.14	7,830.30	-4,698.12	2,306.46	-2,689.46	0.86	2.89	1,164.54
9	47,996.12	35	26	9	74.29	7,974.78	-3,644.64	2,549.86	-2,033.37	1.25	3.62	1,371.32
8	50,819.25	35	26	9	74.29	8,333.40	-2,782.08	2,343.95	-1,124.83	2.08	6.02	1,451.98
7	41,930.42	35	25	10	71.43	7,796.76	-1,580.04	2,022.00	-861.97	2.35	5.86	1,198.01
6	30,297.52	35	23	12	65.71	7,752.90	-1,768.23	1,769.64	-867.01	2.04	3.91	865.64
5	35,798.08	35	28	7	80.00	7,247.22	-2,846.94	1,550.70	-1,088.78	1.42	5.70	1,022.80
4	27,706.31	35	25	10	71.43	5,070.22	-2,258.85	1,455.53	-868.20	1.68	4.19	791.61
3	24,450.97	35	26	9	74.29	4,592.40	-1,794.00	1,222.14	-813.86	1.50	4.34	698.60
2	15,142.93	35	26	9	74.29	3,257.17	-4,652.80	963.99	-1,102.31	0.87	2.53	432.66
1	10,369.40	35	26	9	74.29	2,523.24	-2,033.60	657.78	-748.09	0.88	2.54	296.27
<b>33 of 35 instances (94%) closed above the entry price at some point in the next week.</b>												

The stats all appear quite strong. But as I discussed a few times recently, smallcaps rule this time of year. So let’s examine some other indices. First let’s look at the Russell 2000.

Buy RUT on close 3 trading sessions before Christmas.  
Sell X days later. \$100k/trade. 1987 - 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
10	66,181.34	35	26	9	74.29	11,169.90	-6,361.44	3,444.35	-2,596.87	1.33	3.83	1,890.90
9	72,346.38	35	26	9	74.29	10,353.42	-5,973.50	3,504.13	-2,084.54	1.68	4.86	2,067.04
8	74,977.94	35	28	7	80.00	9,130.50	-2,948.40	3,012.80	-1,340.07	2.25	8.99	2,142.23
7	63,694.95	35	28	7	80.00	7,189.56	-2,529.09	2,582.50	-1,230.72	2.10	8.39	1,819.86
6	60,331.11	35	25	10	71.43	8,941.50	-1,300.32	2,624.21	-527.43	4.98	12.44	1,723.75
5	52,725.47	35	27	8	77.14	11,299.50	-2,385.63	2,170.33	-734.18	2.96	9.98	1,506.44
4	35,874.82	35	25	10	71.43	7,987.50	-1,845.90	1,785.21	-875.55	2.04	5.10	1,024.99
3	35,321.16	35	30	5	85.71	5,136.75	-1,591.20	1,275.09	-586.29	2.17	13.05	1,009.18
2	23,872.98	35	26	9	74.29	4,317.75	-4,431.00	1,232.10	-906.84	1.36	3.93	682.09
1	13,406.46	35	27	8	77.14	2,299.70	-2,543.25	729.21	-785.26	0.93	3.13	383.04

All 35 instances closed above the entry price at some point in the next week.

Results are substantially stronger here. And the Russell has never gone without providing an opportunity for a winning trade on a closing basis. Now the Nasdaq.

Buy NASDAQ Composite on close 3 trading sessions before Christmas.  
Sell X days later. \$100k/trade. 1987 - 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
10	77,558.72	35	28	7	80.00	12,374.58	-5,921.92	3,496.08	-2,904.52	1.20	4.81	2,215.96
9	82,333.36	35	28	7	80.00	11,558.04	-5,039.77	3,470.97	-2,121.99	1.64	6.54	2,352.38
8	85,550.90	35	30	5	85.71	11,915.40	-3,773.60	3,169.37	-1,906.05	1.66	9.98	2,444.31
7	54,667.18	35	24	11	68.57	9,428.34	-2,577.00	2,786.91	-1,110.79	2.51	5.47	1,561.92
6	49,565.18	35	27	8	77.14	9,407.88	-2,010.42	2,143.96	-1,040.22	2.06	6.96	1,416.15
5	48,584.26	35	25	10	71.43	9,436.56	-2,882.56	2,240.39	-742.55	3.02	7.54	1,388.12
4	39,045.52	35	25	10	71.43	8,665.86	-2,063.36	1,830.24	-671.06	2.73	6.82	1,115.59
3	36,707.91	35	27	8	77.14	6,748.14	-1,927.36	1,547.47	-634.21	2.44	8.23	1,048.80
2	25,856.14	35	25	10	71.43	7,726.74	-5,032.35	1,444.79	-1,026.36	1.41	3.52	738.75
1	13,249.85	35	26	9	74.29	2,423.79	-2,931.30	825.07	-911.33	0.91	2.62	378.57

Since its inception in 1971, 1986 was the only year the NASDAQ failed to closed above its entry price at some point in the next week.

Results just keep getting better. And only once since the inception of the Nasdaq did it go without some kind of move up in the following week.

Lastly, let's look at the NDX.

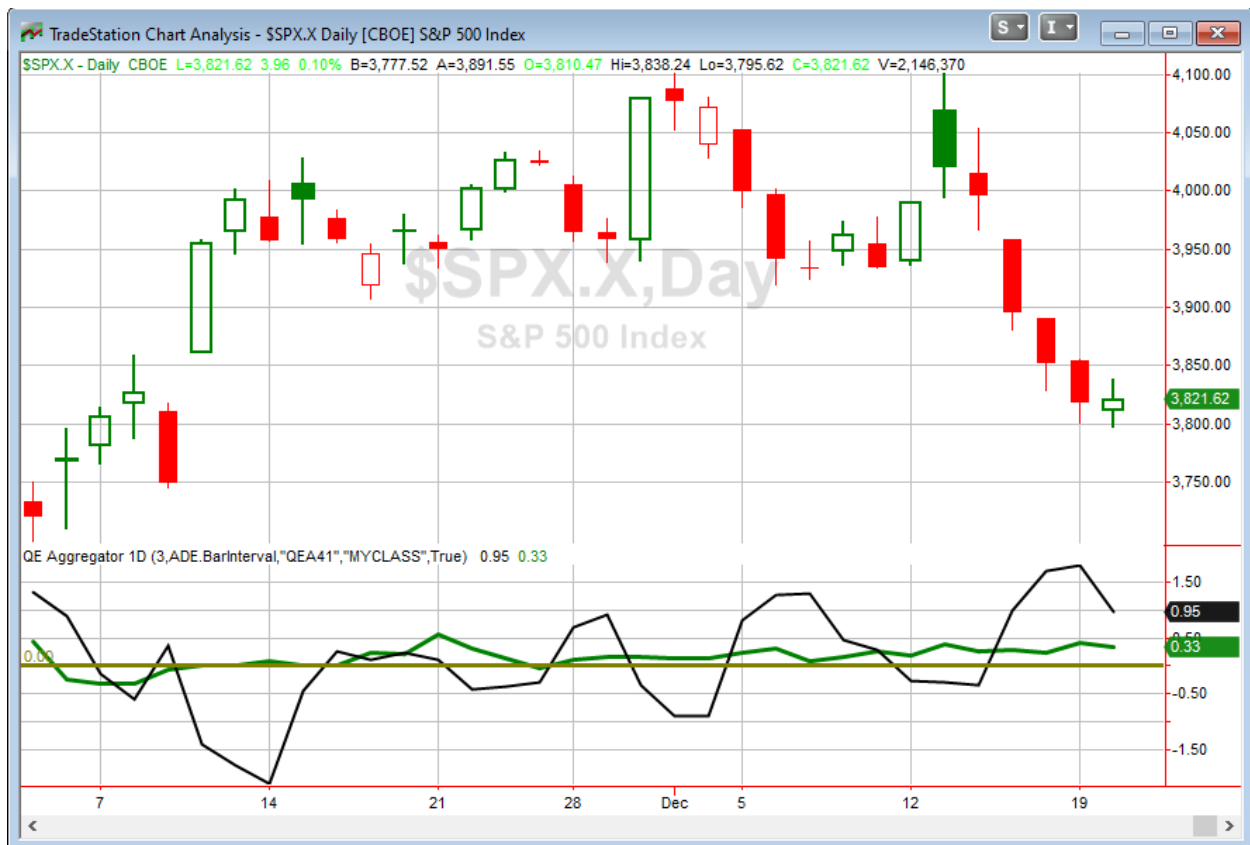
Buy NDX on close 3 trading sessions before Christmas.  
Sell X days later. \$100k/trade. 1987 - present.

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
10	78,445.02	35	27	8	77.14	14,814.54	-5,954.34	3,781.98	-2,958.56	1.28	4.31	2,241.29
9	86,986.63	35	27	8	77.14	13,885.04	-5,095.68	3,891.00	-2,258.80	1.72	5.81	2,485.33
8	92,555.72	35	28	7	80.00	14,312.70	-3,052.33	3,690.79	-1,540.90	2.40	9.58	2,644.45
7	59,056.74	35	24	11	68.57	12,691.90	-3,669.30	3,034.56	-1,252.07	2.42	5.29	1,687.34
6	45,626.61	35	25	10	71.43	11,843.52	-2,893.94	2,358.44	-1,333.44	1.77	4.42	1,303.62
5	54,234.88	35	25	10	71.43	11,443.50	-3,226.03	2,607.42	-1,095.07	2.38	5.95	1,549.57
4	44,566.65	35	25	10	71.43	11,245.05	-2,242.57	2,160.80	-945.35	2.29	5.71	1,273.33
3	40,168.54	35	25	10	71.43	8,742.60	-2,203.20	1,976.90	-925.40	2.14	5.34	1,147.67
2	28,333.60	35	24	11	68.57	10,167.30	-5,501.44	1,743.88	-1,229.04	1.42	3.10	809.53
1	15,930.04	35	25	10	71.43	2,863.84	-3,146.24	1,046.36	-1,022.90	1.02	2.56	455.14

33 of 35 instances (94%) closed above the entry price at some point in the next week.

Numbers here are similar to the Nasdaq Composite, but the 8-day profits are the best we see among any of the indices. These studies will kick in a the close on Wednesday.

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



Without any compelling new evidence emerging on Tuesday, 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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3882.32. That is 1.6% above Tuesday's close. So SPX will need to close up 1.6% on Wednesday to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Evidence is a little light, but the SPX is still quite oversold with ample room to the upside before it would turn overbought. I still like the long side. I have some long exposure and expect more of a bounce. If Wednesday is a strong up day, then I may lighten up on my position some, and let the rest ride a little longer.

*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.*

None tonight.

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/16/2022	\$383.27	\$380.54	-0.71%	sell @ \$384.00 limit on close
SPY(1/4)	12/20/2022	\$379.23	\$380.54	0.35%	Aggregator

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