

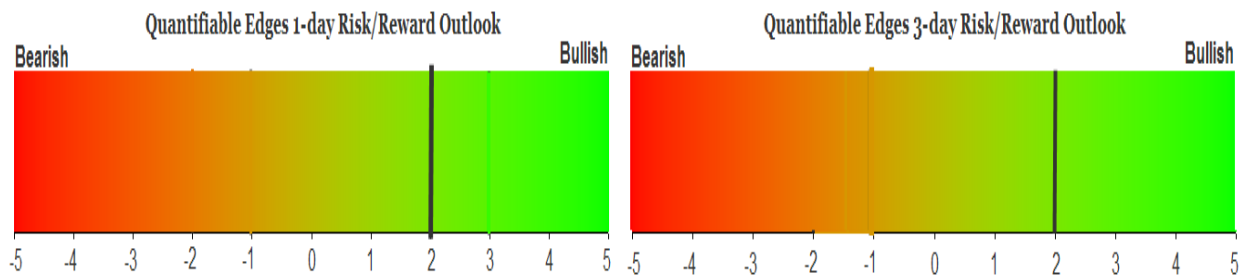
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 23, 2022

Volume 15 Issue 246

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- No new compelling studies triggered on Thursday.
- 2022 is near posting one of the worst Decembers of all time.

Short-term Outlook

The Bottom Line

The Aggregator is bullish but the market is acting abnormally weak. I like the long side, but believe risk is elevated and positions should be small.

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 20, 2022	SPX down 4 days. It is after 12/15	1-5 days	Bullish			
Active - Long Term						
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			


The Evidence

Thursday saw a huge dip and a fairly sizable rebound. So SPX closed in the upper half of its intraday range, but still lower by 1.45% on the day. The NASDAQ lost 2.2%, and the Russell 2000 fell 1.3%. Breadth was negative with the NYSE Up Issues % coming in at 22% and the Up Volume % at 26%. NYSE total volume rose some from Wednesday's level.


I looked at the big move lower and partial reversal several ways tonight. Frankly, I did not uncover any studies that I found particularly compelling.

A rule I have used for many years is that if a study exceeds its typical drawdown by more than 1 standard deviation I then remove it from the active list. The reason for that is that it is an indication that the market is acting abnormally, and that the normal forces that tend to provide the study the edge may not be "working" for whatever reason. The "Twas 3 Nights Before Christmas Study" has historically had a typical drawdown of about 1.1% and a standard deviation of about 1.2%. So a drawdown of more than 2.3% below Wednesday's close would suggest "abnormal" activity. At its low point today, the SPX traded more than 2.9% below Wednesday's close. While the bullish seasonality may just be kicking in a day or so late, the market is acting abnormally and the study has been removed from the active list. This leaves us with just one active short-term study.

I will also note that unless the market rallies over the next 5 trading days, this will be the one of the worst Decembers of all time. As you can see in the tables below, it is currently the 2nd worst for both the SPX and NDX.

Ticker	Date/Time	% Chg 
SSPX	12/31/2018	-9.18
SSPX	12/22/2022	-6.32
SSPX	12/31/2002	-6.03
SSPX	12/31/1968	-4.16
SSPX	12/31/1957	-4.15

Worst December % Returns for \$NDX. 1985 (inception) - present.

Ticker	Date/Time	% Chg 
\$NDX	12/31/2002	-11.80
\$NDX	12/22/2022	-8.93
\$NDX	12/31/2018	-8.91
\$NDX	12/29/2000	-6.58
\$NDX	12/31/1997	-5.68

So the market is certainly oversold. And we are in a period where the market typically shows bullish tendencies. That is often a bullish combination. But the decline this year has been abnormally large, and dealing with abnormal markets is something that I prefer to do with conservative position sizing.

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 Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3857.79. That is 0.9% above Thursday's close. Therefore, SPX will need to close up at least 0.9% in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. But evidence is light and the market is acting outside of historical norms. That is a bit of a warning. I do believe the bulls have the edge here. I would not be surprised to see a strong bounce unfold in the next few days. But without more compelling evidence, I am not inclined to take sizable positions under these conditions. I still have a small amount of long exposure from Tuesday's close. I will keep that for the time being.

*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)	12/20/2022	\$379.23	\$380.72	0.39%	Aggregator

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