

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 24, 2023

Volume 16 Issue 225

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Low volume on Thanksgiving Wednesday has often been followed by a pullback in the few days...and strong momentum has not helped.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. I am as well.

Summary of Current 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						
November 24, 2023	Thanksgiving Wednesday 50-high / low vol	1-2 days	Bearish			
November 22, 2023	5 up to 50-high then down 1	1-4 days	Bullish	1.10%	-1.10%	-1.60%
November 17, 2023	SPX up. Up Vol < 40%. SPX > 200ma	1-7 days	Bullish			
Active - Long Term						
November 22, 2023	5 up to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
November 21, 2023	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
November 17, 2023	SPX up & > 200. Up Vol % < 40%.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
November 9, 2023	RSI(2) crosses over 99	1-15 days	Bullish			
November 8, 2023	SPX up 7 in a row and close > 200ma	1-20 days	Bullish	3.10%	-1.90%	-4.05%
November 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	5 higher closes. Up 3%. < 50-high.	1-15 days	Bullish	3.30%	-1.70%	-3.05%
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
November 6, 2023	Best 6 Months	6 months	Bullish			
November 6, 2023	NASDAQ Leading	int term	Bullish			
October 2, 2023	SPX down 4 weeks but above 40-week ma	1-10 weeks	Bullish			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

Wednesday was a good day for the bulls. The SPX rose 0.4%, the NASDAQ climbed 0.5%, and the Russell 2000 rallied 0.7%. Breadth was negative with the NYSE Up Issues % coming in at 64% and the Up Volume % at 66%. NYSE total volume came in light ahead of the holiday. Friday will also be light, with most people taking the day off, and the stock market only open half the day.

Low volume, especially on up days, can be a sign of complacency, so it will commonly trigger studies with bearish edges. But Wednesday's volume came one day ahead of Thanksgiving. So perhaps it wasn't so much a sign of complacency, but rather a sign of people taking off early ahead of the holiday. Often when volume comes in extremely light on or just in front of a holiday I will simply dismiss low-volume studies. But there was one low-volume study from the 11/29/19 letter that specifically examined low volume on the day before Thanksgiving. And it had interesting results. So I updated it below.

Wednesday before Thanksgiving posts lowest NYSE volume in 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1983 - 2022.												
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	-7,449.51	18	8	10	44.44	3,251.19	-7,726.01	1,438.74	-1,895.94	0.76	0.61	-413.86
4	-3,960.03	18	8	10	44.44	3,472.45	-4,359.94	1,211.60	-1,365.28	0.89	0.71	-220.00
3	-13,905.39	18	5	13	27.78	1,193.99	-4,948.90	890.41	-1,412.11	0.63	0.24	-772.52
2	-15,744.08	18	3	15	16.67	1,096.98	-5,644.20	710.71	-1,191.75	0.60	0.12	-874.67
1	-7,307.52	18	6	12	33.33	455.28	-2,243.64	223.13	-720.52	0.31	0.15	-405.97
2017 was the only year that SPX did not close below Wednesday's close on either Friday or Monday.												

In the last 40 years there have been 18 instances where Wednesday marked a 20-day volume low. This isn't as common as some might suspect but it's about 3 times higher than you'd get looking at any random day. But it has now happened 8 of the last 9 years – so perhaps it is the new normal. Interesting is how poorly the SPX has performed over the next 2 days. The number of instances is low, but I also took a deeper look at the results. Below are all the instances.

Wednesday before Thanksgiving posts lowest NYSE volume in 20 days Buy SPX on close. Sell 2 days later. \$100k/trade. 1983 - 2022.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/25/1987	Buy	\$244.10	-5.65%	\$4.09
11/30/1987	Sell	\$230.30		(\$7,496.97)
11/23/1988	Buy	\$269.00	-0.14%	\$0.00
11/28/1988	Sell	\$268.63		(\$942.34)
11/24/1993	Buy	\$462.36	-0.10%	\$533.52
11/29/1993	Sell	\$461.90		(\$114.48)
11/25/1998	Buy	\$1,186.86	-1.96%	\$512.40
11/30/1998	Sell	\$1,163.62		(\$1,952.16)
11/24/1999	Buy	\$1,417.08	-0.65%	\$571.20
11/29/1999	Sell	\$1,407.83		(\$905.10)
11/26/2003	Buy	\$1,058.45	1.10%	\$1,129.88
12/1/2003	Sell	\$1,070.12		(\$157.92)
11/24/2004	Buy	\$1,181.76	-0.27%	\$435.12
11/29/2004	Sell	\$1,178.57		(\$788.76)
11/22/2006	Buy	\$1,406.09	-1.72%	\$0.00
11/27/2006	Sell	\$1,381.96		(\$1,750.15)
11/25/2009	Buy	\$1,110.63	-1.35%	\$0.00
11/30/2009	Sell	\$1,095.63		(\$2,420.10)
11/24/2010	Buy	\$1,198.35	-0.88%	\$0.00
11/29/2010	Sell	\$1,187.76		(\$2,050.93)
11/26/2014	Buy	\$2,072.83	-0.94%	\$140.64
12/1/2014	Sell	\$2,053.44		(\$1,116.48)
11/25/2015	Buy	\$2,088.87	-0.41%	\$232.18
11/30/2015	Sell	\$2,080.41		(\$397.62)
11/23/2016	Buy	\$2,204.72	-0.14%	\$388.35
11/28/2016	Sell	\$2,201.72		(\$196.20)
11/22/2017	Buy	\$2,597.08	0.17%	\$354.54
11/27/2017	Sell	\$2,601.42		\$0.00
11/21/2018	Buy	\$2,649.93	0.89%	\$903.54
11/26/2018	Sell	\$2,673.45		(\$697.08)
11/27/2019	Buy	\$3,153.63	-1.26%	\$0.00
12/2/2019	Sell	\$3,113.87		(\$1,328.35)
11/24/2021	Buy	\$4,701.46	-0.98%	\$0.00
11/29/2021	Sell	\$4,655.27		(\$2,436.63)
11/23/2022	Buy	\$4,027.26	-1.57%	\$162.24
11/28/2022	Sell	\$3,963.94		(\$1,715.76)
11/22/2023	Buy	\$4,556.62	n/a	\$0.00
Open	n/a	\$4,556.62		\$0.00

I don't see any red flags here (other than the low number of instances). With the Average Drawdown over 3x the size of the Avg Run-Up, and also larger than the *largest* Run-up, reward/risk has favored the bears. Results appear skewed enough to the downside that the study seems worth some consideration. Of course this year there is also some upward momentum heading into Thanksgiving, with SPX closing at a new high on Wednesday. I decided to look back at other times SPX closed at a 50-day high on the day before Thanksgiving.

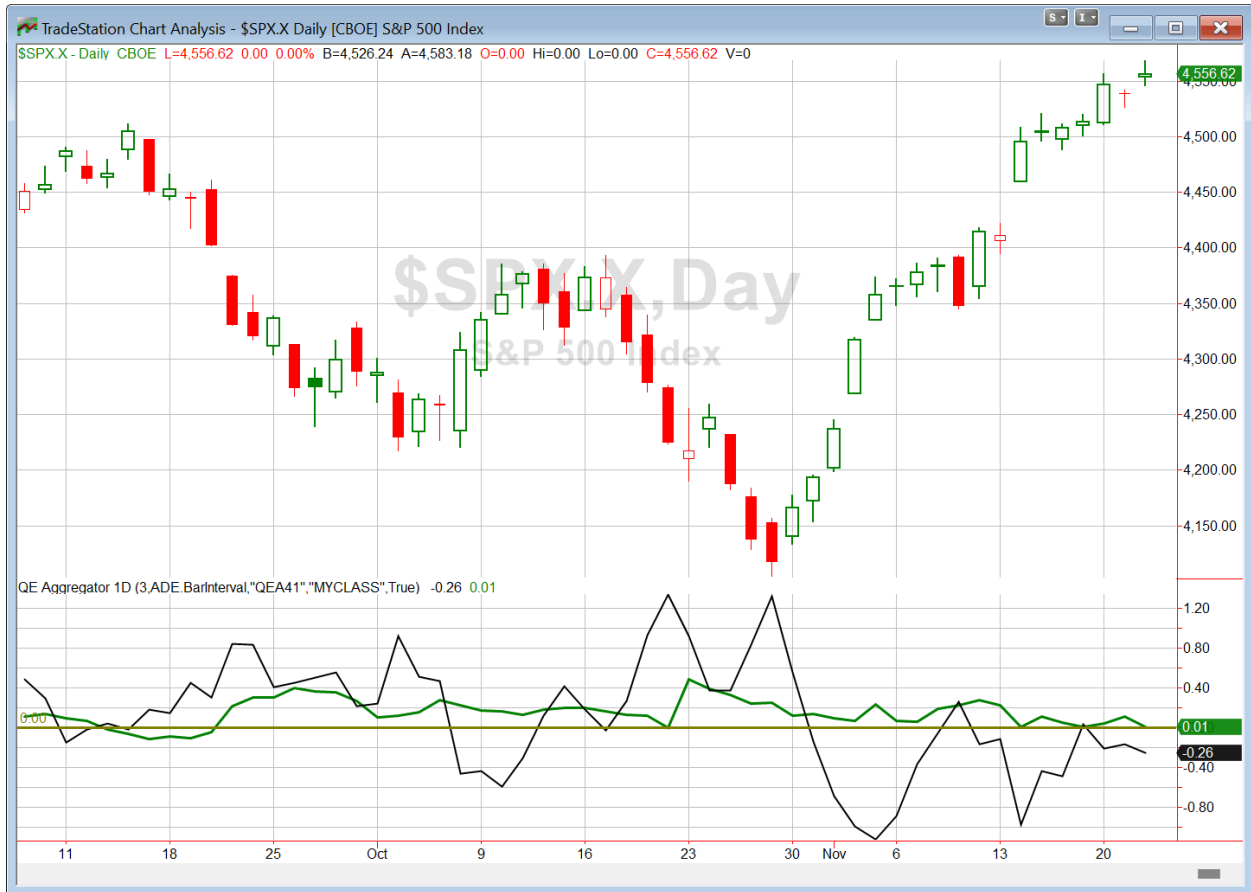
Wednesday before Thanksgiving SPX closes at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1993 - 2022.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-6,667.56	9	1	8	11.11	1,183.44	-3,425.92	1,183.44	-981.38	1.21	0.15	-740.84
4	-5,112.10	9	2	7	22.22	1,268.40	-2,257.80	670.20	-921.79	0.73	0.21	-568.01
3	-8,610.55	9	0	9	0.00	0.00	-1,920.72	0.00	-956.73	0.00	0.00	-956.73
2	-8,332.44	9	0	9	0.00	0.00	-1,713.23	0.00	-925.83	0.00	0.00	-925.83
1	-2,511.66	9	2	7	22.22	388.35	-1,721.70	298.45	-444.08	0.67	0.19	-279.07

Results here also show a bearish inclination over the next 2 days. I will note that there were a couple instances that occurred just prior to the sample set that were mildly positive over the 2-day period. But the poor performance over the last 30 years (9 instances) is notable and interesting. Below is the list of instances.

Wednesday before Thanksgiving SPX closes at a 50-day high. Buy on close. Sell 2 days later. \$100k/trade. 1993 - 2022.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/27/2002	Buy	\$938.87	-0.46%	\$1,637.70
12/2/2002	Sell	\$934.53		(\$1,180.84)
11/23/2005	Buy	\$1,265.61	-0.64%	\$250.43
11/28/2005	Sell	\$1,257.47		(\$666.76)
11/22/2006	Buy	\$1,406.09	-1.72%	\$0.00
11/27/2006	Sell	\$1,381.96		(\$1,750.15)
11/25/2009	Buy	\$1,110.63	-1.35%	\$0.00
11/30/2009	Sell	\$1,095.63		(\$2,420.10)
11/27/2013	Buy	\$1,807.23	-0.35%	\$347.60
12/2/2013	Sell	\$1,800.90		(\$474.65)
11/26/2014	Buy	\$2,072.83	-0.94%	\$140.64
12/1/2014	Sell	\$2,053.44		(\$1,116.48)
11/23/2016	Buy	\$2,204.72	-0.14%	\$388.35
11/28/2016	Sell	\$2,201.72		(\$196.20)
11/27/2019	Buy	\$3,153.63	-1.26%	\$0.00
12/2/2019	Sell	\$3,113.87		(\$1,328.35)
11/23/2022	Buy	\$4,027.26	-1.57%	\$162.24
11/28/2022	Sell	\$3,963.94		(\$1,715.76)

The momentum heading into Thanksgiving certainly has not seemed to help at all. Most of the instances shown match up with the low volume study as well. Matching years were: 2006, 2009, 2014, 2016, 2019, 2022. So lots of overlap. Bottom line with all of this is that we could see a dip in the next couple of days.

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



With tonight's evidence considered, the green Aggregator Line held just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are (slightly) 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 active studies, expectations are set to remain positive on Friday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4551.86 on Friday. That is 0.1% below Wednesday's close. Therefore, SPX will only need to close down about 0.1% in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again flat. I'd be more inclined to go short for the next couple of days than go long. But neither direction is terribly appealing, and I don't have to make a choice between the two. I will remain flat and wait for a more favorable reward/risk setup to emerge.

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*Intermediate-term Outlook (2 weeks – 2 months) – updated 11/20– **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

None

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