

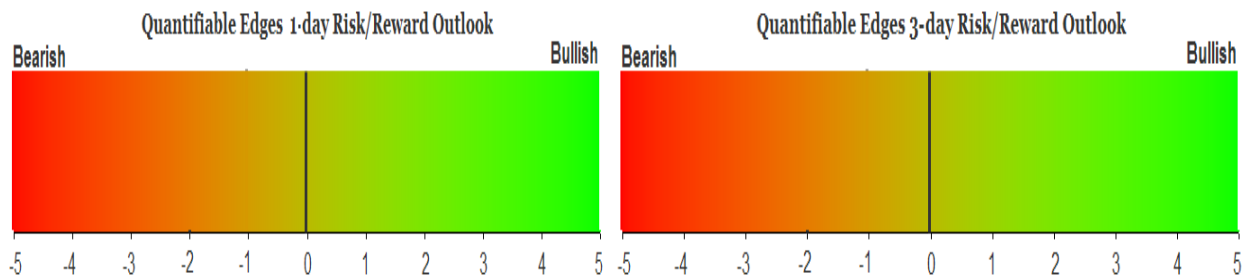
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 4, 2023

Volume 16 Issue 231

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Seasonality suggests a possible pause or pullback over the next couple of weeks before we get into the late-December bullish period.
- The SOMA saw a substantial decline. This week we will likely see an even larger drop in the SOMA.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. So am I.

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 30, 2023	5-day high with down close. Up Iss % > 60%	1-3 days	Bullish	1.60%	-0.90%	-2.10%
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 7, 2023	Whaley ADT ₅ > 73.66	1-12 months	Bullish	25.20%	-8.10%	
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

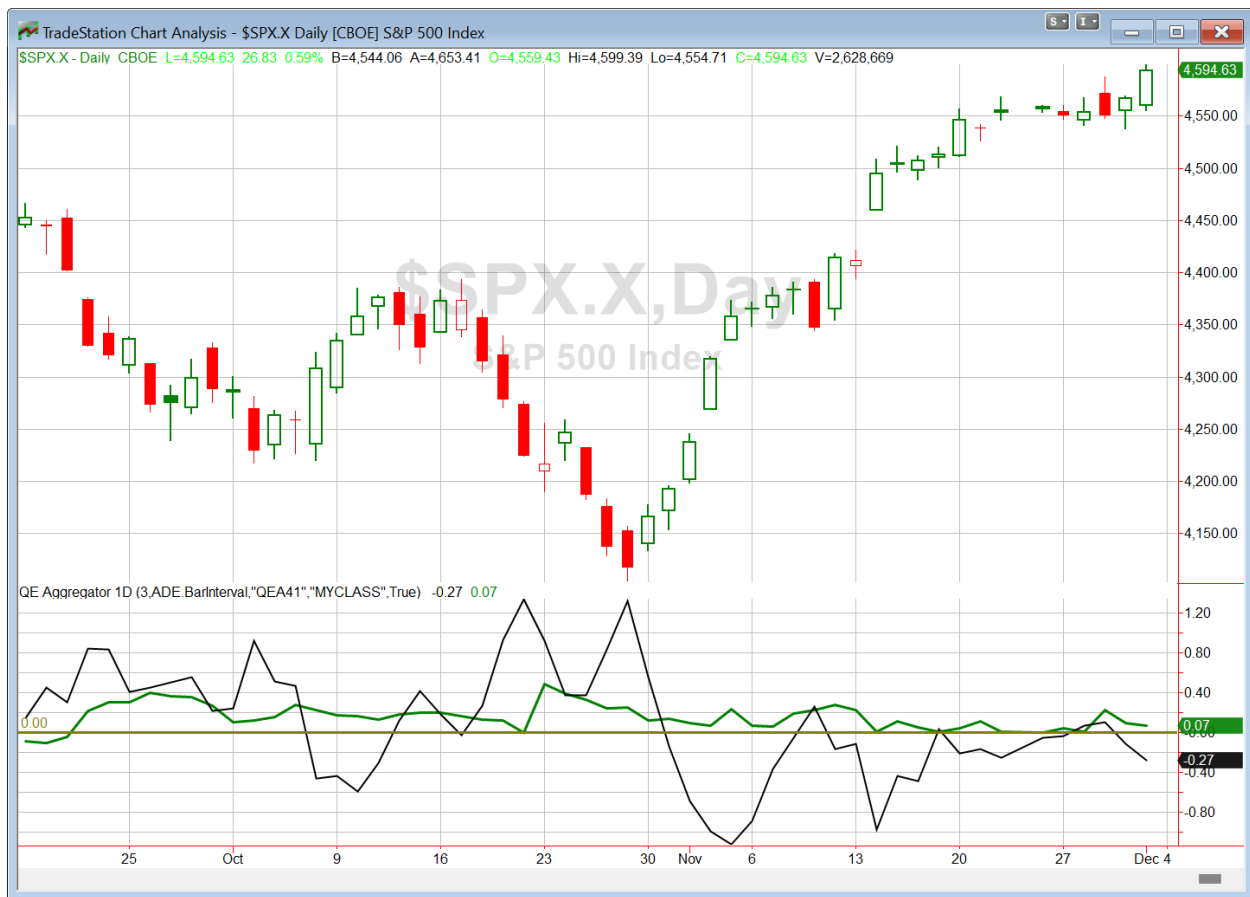
Friday was a strong start for December. The SPX closed up 0.59%, the NASDAQ rose 0.55%, and the Russell 2000 rallied 2.96%. Breadth was strong with the NYSE Up Issues % coming in at 85% and the Up Volume % at 87%. NYSE total volume came in light.

The indices are again at new intermediate-term highs. They have been methodically ignoring short-term overbought conditions and plodding forward over the last month. Friday's action was not exceptional in a way that triggered any compelling short-term studies. But the December Seasonality Calendars were finalized and posted. So let's take a look at the one for SPX.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
<u>Date</u>	<u>Win%</u>	<u>Profit Factor</u>	<u>Avg % Chg</u>
12/1/2023	55.65	1.508	0.134
12/4/2023	52.27	1.151	0.039
12/5/2023	47.02	0.892	-0.044
12/6/2023	52.44	1.097	0.014
12/7/2023	49.89	0.877	-0.046
12/8/2023	50.69	1.062	0.006
12/11/2023	52.61	0.942	-0.032
12/12/2023	50.68	1.079	0.018
12/13/2023	49.51	0.941	-0.025
12/14/2023	53.09	0.914	-0.039
12/15/2023	48.68	0.872	-0.049
12/18/2023	61.08	1.569	0.120
12/19/2023	56.89	1.795	0.169
12/20/2023	59.29	1.674	0.134
12/21/2023	57.63	1.596	0.106
12/22/2023	60.16	1.714	0.118
12/26/2023	47.39	0.987	-0.004
12/27/2023	53.18	1.314	0.075
12/28/2023	54.54	1.364	0.089
12/29/2023	54.91	1.251	0.030
Baseline	53.53	1.127	0.043

By every measure, Friday was the most bullish seasonal day we will see for the 1st half of December. In fact, there is quite a bit of weakness over the next 2 weeks. If the bears are going to be able to halt the recent momentum for a while and generate a pullback, then the next 2 weeks would seem the most opportune time to do that. After December 15th we will enter the very bullish end-of-year period.

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



Without any studies being added tonight, the green Aggregator Line held 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 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 Monday. But with the last of the short-term studies expiring, any new evidence will have a substantial influence on expectations over the next few days. Meanwhile, the Differential Pivot will 4562.57 on Monday. That is 0.7% below Friday's close. Therefore, SPX will need to close down about 0.7% in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is still neutral. Evidence is pointing mildly higher. But with the market so overbought, it may be susceptible to a pause or a pullback. Reward/risk is not great. I'll remain sidelined and continue to evaluate any new evidence that emerges. I won't look to take on a new index position until a more favorable reward/risk opportunity arrives.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/4– *bullish*

Combo #1	Combo #2	Combo #3	Combo #4
Long QQQ	Long QQQ	Long QQQ	Long QQQ

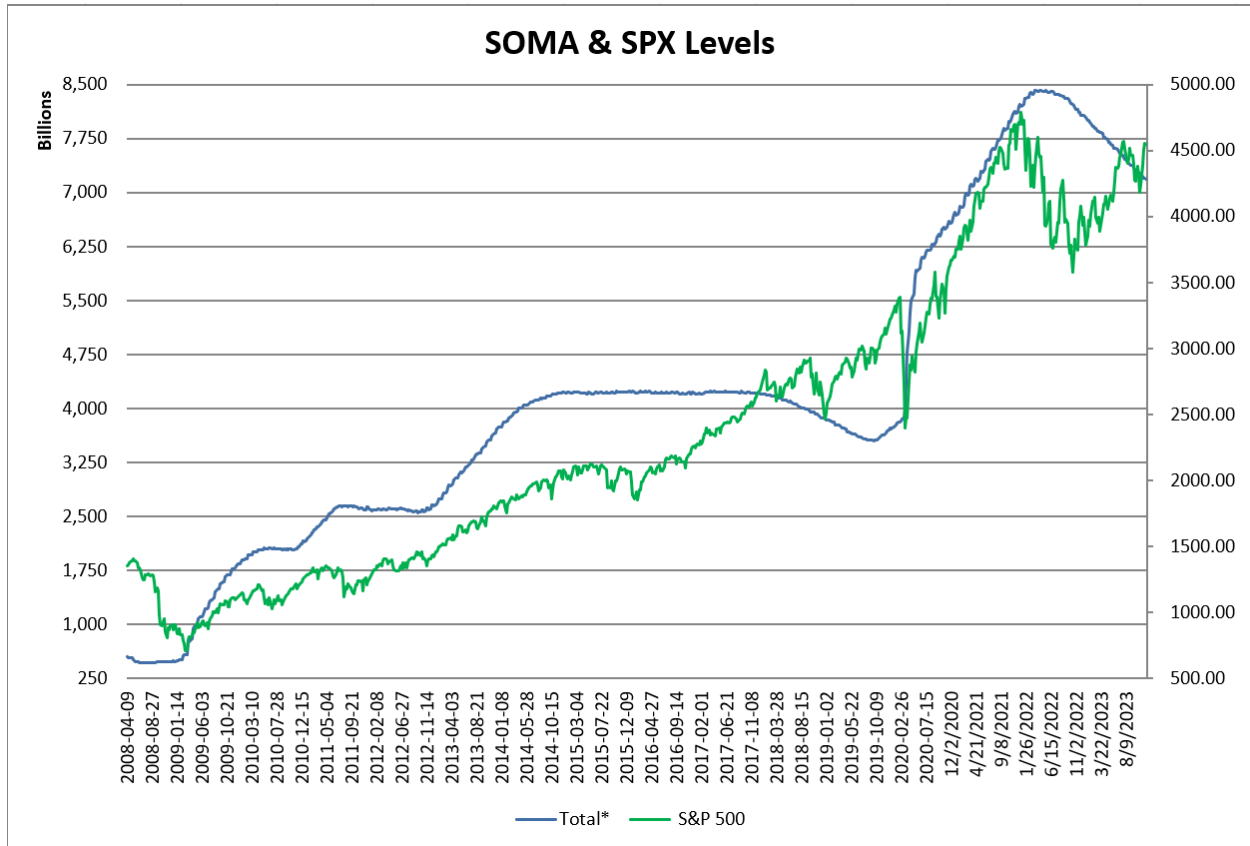
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course – **Updated and Expanded for 2023!** Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. *The Combo Systems all remained long QQQ this week.*

The market pushed forward again this week. The SPX gained 0.8%, the NASDAQ rose 0.4%, and the Russell 2000 shot up 3.05%. Bonds saw a sizable rally. The US Aggregate Bond ETF (AGG) posted a gain of 2.1%. TLT, the 20-year Treasury Bond ETF, jumped 3.9%. SPX and NASDAQ are at new highs for 2023 (still below their 2022 highs). And while it had a strong week this past week, the Russell 2000 is clearly lagging and still has a long way to go before reaching its July highs. There were not any new studies that triggered during the week with intermediate-term implications.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

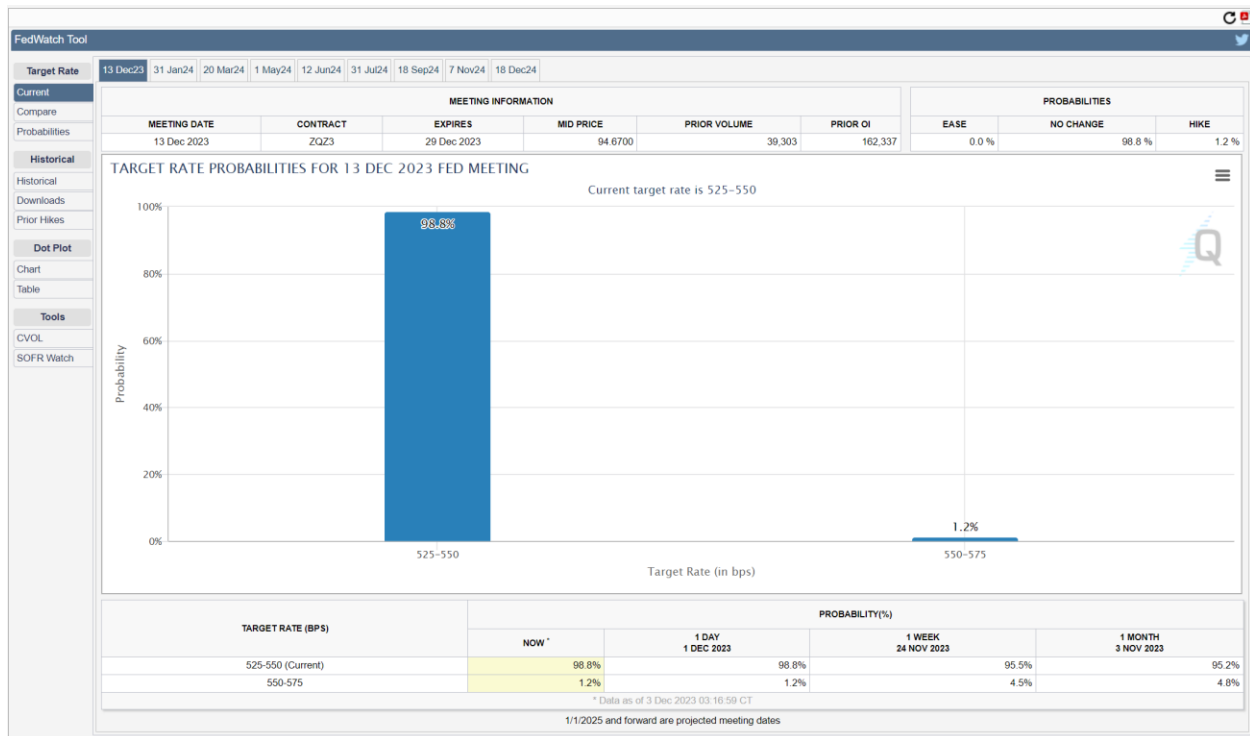
Domestic Security Holdings as of	
Previous	November 29, 2023
<small>Posted November 30, 2023 at 4:30 PM</small>	
SUMMARY	T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	231,265,518.2
US Treasury Notes and Bonds (Notes/Bonds)	4,120,788,223.3
US Treasury Floating Rate Notes (FRNs)	11,663,111.3
US Treasury Inflation-Protected Securities (TIPS)*	365,405,447.5
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,438,765,477.6
Agency Commercial Mortgage-Backed Securities***	8,269,455.9
Total SOMA Holdings	7,178,504,233.8
Change From Prior Week	-12,560,148.6

As expected, the SOMA declined again this week to the tune of \$12 billion. This upcoming week we should see a substantially larger decline. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is in the midst of what is now the largest ever reduction in the size of the SOMA. The pace of the decline is high and the Fed has given no indication that it is planning to dial back Quantitative Tightening (QT) anytime soon. SPX is little changed since QT began in early 2022. Looking back to 2003, the market has posted net mild losses during times that the SOMA was shrinking. The gains have all come during periods that the SOMA was growing. The shrinking SOMA remains a headwind for the market.

With regards to rates, odds are now showing a 99% chance that the Fed holds rates steady in December. That is up slightly from the 95.5% chance we were looking at last week. Odds can be seen in the screenshot below of the CME Fedwatch Tool:



Odds could fluctuate in the coming weeks as new data comes out. But the likelihood of a rate move at the December meeting appears extremely low. I'll continue to monitor Fed action going forward. For now, policy is hawkish and is exerting a bearish influence on the market.

I was bullish coming into the week, and the upside momentum has persisted. While some intermediate-term studies have begun to expire, there are still several breadth and price thrust studies suggesting more upside. The trend is pointing higher and (other than some potential weakness in the next 1-2 weeks) we are in a favorable seasonal period by several measures. The NASDAQ continues to lead SPX, which is also a bullish state. All 4 of the original Market Timing Course indicators are again bullish. The most substantial detractor is the Fed. Things can change quickly. But for now I am keeping my intermediate-term bias "bullish". I will be more aggressive with long entries, and will be especially conservative when considering short trades.

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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