

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 15, 2023

Volume 16 Issue 240

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- We are just entering a strong seasonal period for the Russell 2000.
- During uptrends, opex Friday has often seen selling after the open.

### *Short-term Outlook*

#### *The Bottom Line*

Too strong to short. Too overbought to buy. Neutral.

**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
<b>Active - Short Term</b>						
December 14, 2023	100-day high on a Fed Day	1-8 days	Bullish	1.70%	-1.00%	-1.70%
<b>Active - Long Term</b>						
December 14, 2023	RSI(2) crosses over 99	1-15 days	Bullish			
December 11, 2023	Dec Opex Week Starts Bullish period	1-15 days	Bullish	3.30%	-1.90%	-4.10%
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 ADT5 > 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**

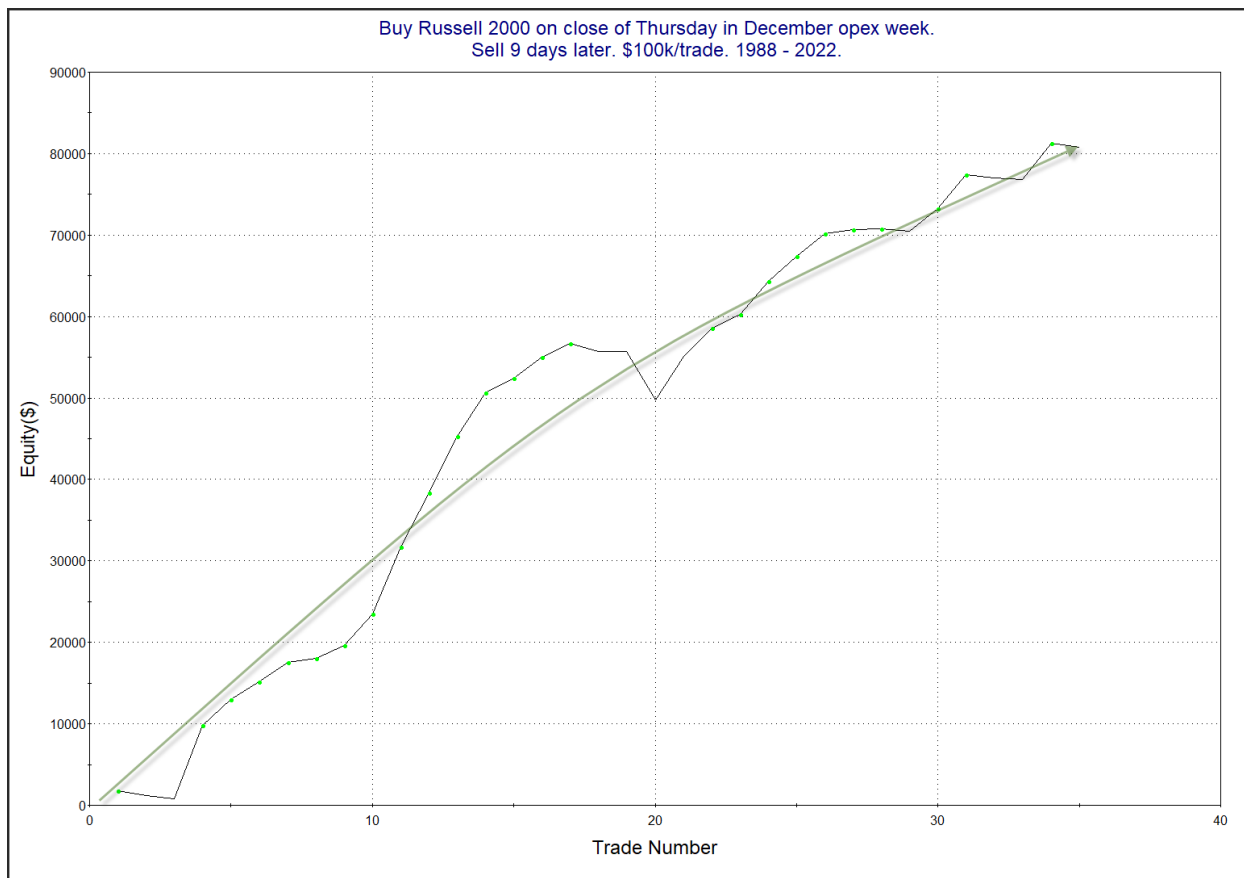
Thursday saw most indices add to their recent gains. The SPX closed up 0.3%, the NASDAQ climbed 0.2%, and the Russell 2000 jumped 2.7%. Breadth was strong with the NYSE Up Issues % coming in at 78% and the Up Volume % at 80%. NYSE total volume rose from Wednesday's level to post a high number.

In Sunday's letter I noted the Russell 2000 tends to perform exceptionally well in the period following opex Thursday in December. Now that it is triggering I have re-posted that study below:

*Next is a study I have shown for several years that looks at buying the Russell 2000 on opex Thursday in December and holding for up to 2 weeks.*

Buy Russell 2000 on close of Thursday in December opex week. Sell X days later. \$100k/trade. 1988 - 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
10	80,140.88	35	25	10	71.43	10,279.71	-5,643.30	3,869.45	-1,659.55	2.33	5.83	2,289.74
9	80,812.77	35	27	8	77.14	9,009.63	-5,973.50	3,332.75	-1,146.45	2.91	9.81	2,308.94
8	65,640.91	35	28	7	80.00	7,115.85	-2,948.40	2,630.75	-1,145.72	2.30	9.18	1,875.45
7	62,287.37	35	28	7	80.00	7,790.58	-1,809.60	2,484.39	-1,039.35	2.39	9.56	1,779.64
6	50,846.01	35	26	9	74.29	6,599.88	-2,720.64	2,244.56	-834.71	2.69	7.77	1,452.74
5	38,410.60	35	25	10	71.43	4,892.25	-3,194.64	2,008.02	-1,178.98	1.70	4.26	1,097.45
4	32,106.91	35	26	9	74.29	4,413.75	-3,892.32	1,740.56	-1,460.86	1.19	3.44	917.34
3	24,454.68	35	24	11	68.57	3,814.20	-2,650.68	1,614.87	-1,300.19	1.24	2.71	698.71
2	5,123.48	35	19	16	54.29	3,495.70	-4,431.00	1,341.83	-1,273.20	1.05	1.25	146.39
1	9,312.20	35	19	16	54.29	2,299.70	-2,543.25	921.61	-512.39	1.80	2.14	266.06

*Results here are very strong. But a look at the max loss column shows you that it has not been without risk. Below is an equity curve that assumes a 9-day exit strategy.*



*That is a strong looking curve...*

Of course the Russell is up over 6% in just the last 2 days. So this bit of seasonal strength may have already played itself out ahead of time. We shall see.

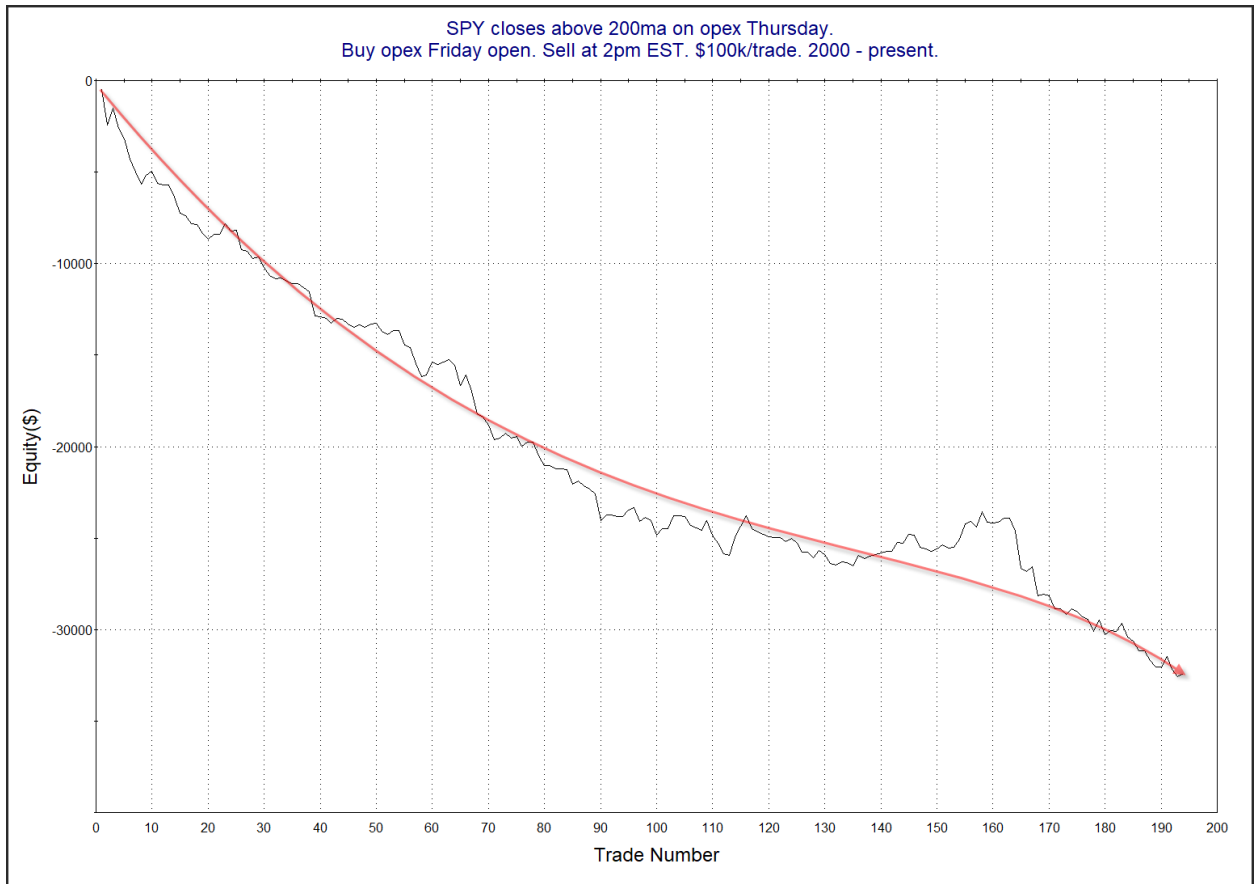
Options expiration on Friday is interesting for another reason as well. Options expiration has long been a day that has seen weakness after the opening bell. I last discussed this in the 10/20/23 letter. I have updated that research below.

This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

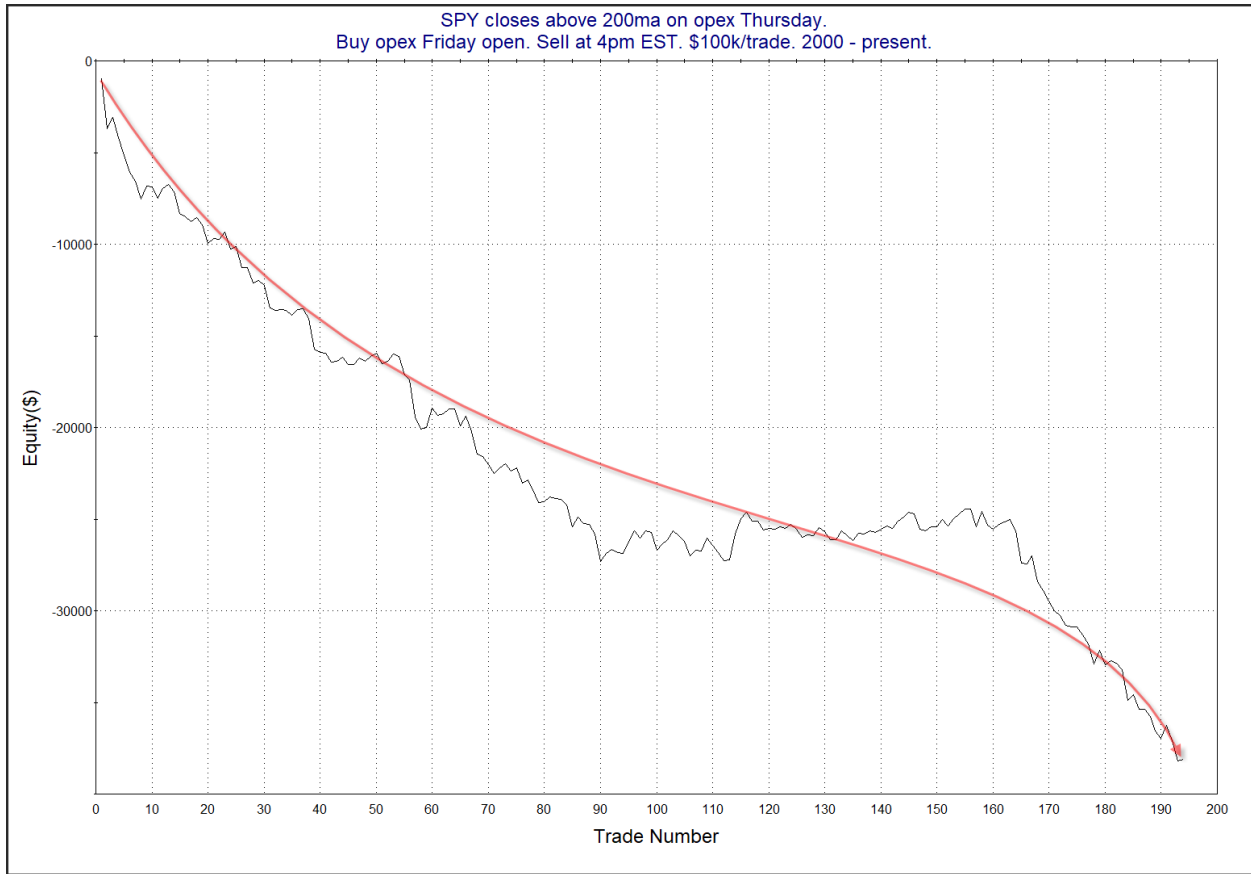
SPY closes above 200ma on opex Thursday.  
Buy opex Friday open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-38,091.51	194	78	116	40.21	1,400.58	-2,746.58	317.89	-542.13	0.59	0.39	-196.35
1,500	-32,361.41	194	79	114	40.72	983.92	-2,315.18	293.18	-487.04	0.60	0.42	-166.81
1,400	-32,394.89	194	66	128	34.02	993.96	-2,000.00	288.70	-401.95	0.72	0.37	-166.98
1,300	-28,780.70	194	68	125	35.05	968.86	-1,324.62	277.65	-381.29	0.73	0.40	-148.35
1,200	-27,260.02	194	66	128	34.02	1,243.06	-1,318.40	268.76	-351.55	0.76	0.39	-140.52
1,100	-21,636.94	194	71	122	36.60	1,020.18	-968.50	222.69	-306.95	0.73	0.42	-111.53
1,000	-17,520.90	194	55	139	28.35	365.47	-629.00	137.29	-180.37	0.76	0.30	-90.31

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

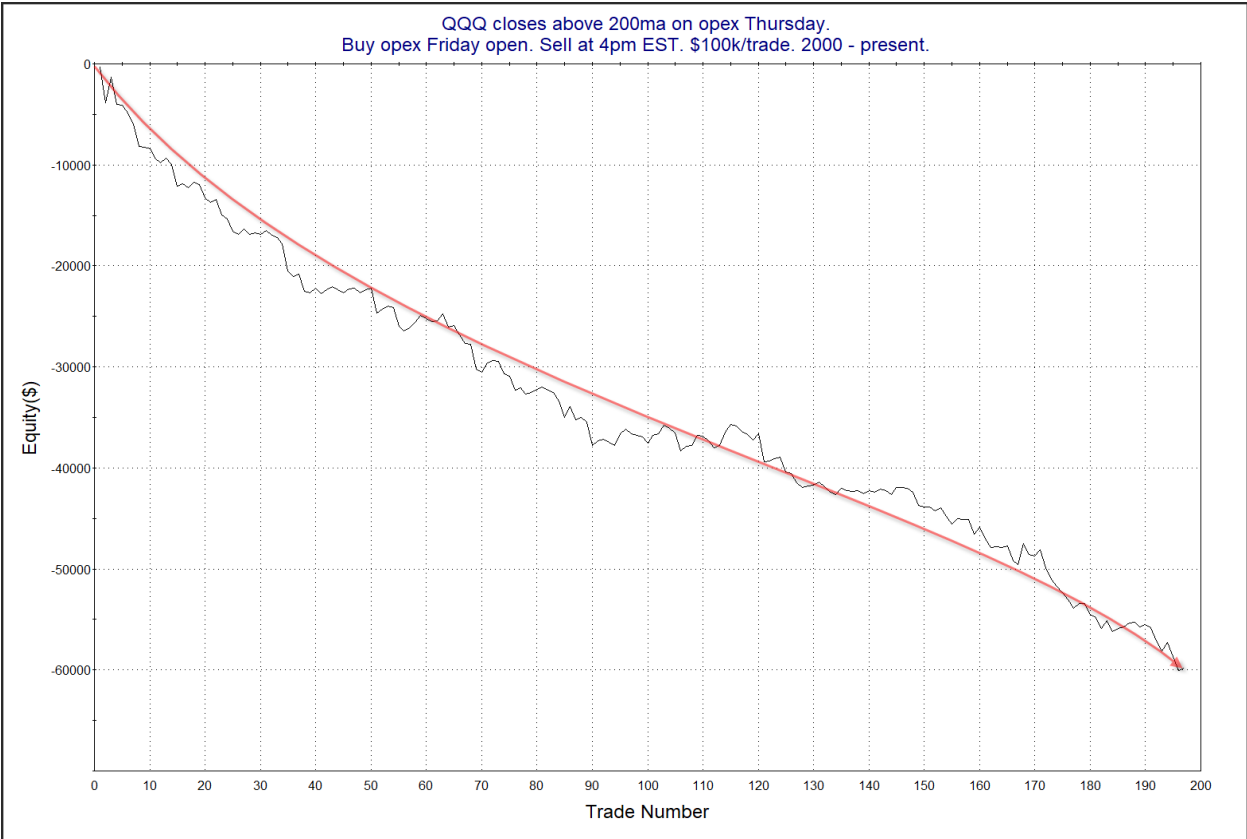
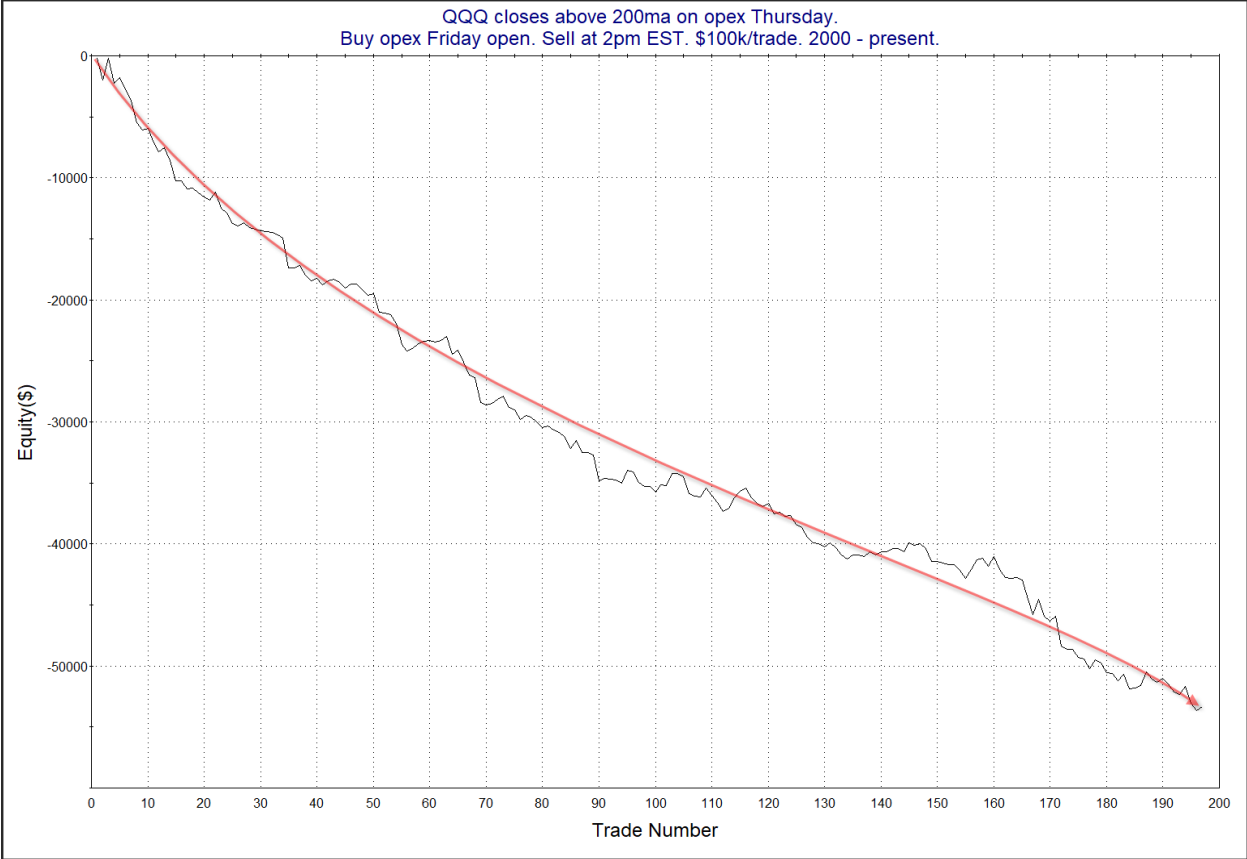


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

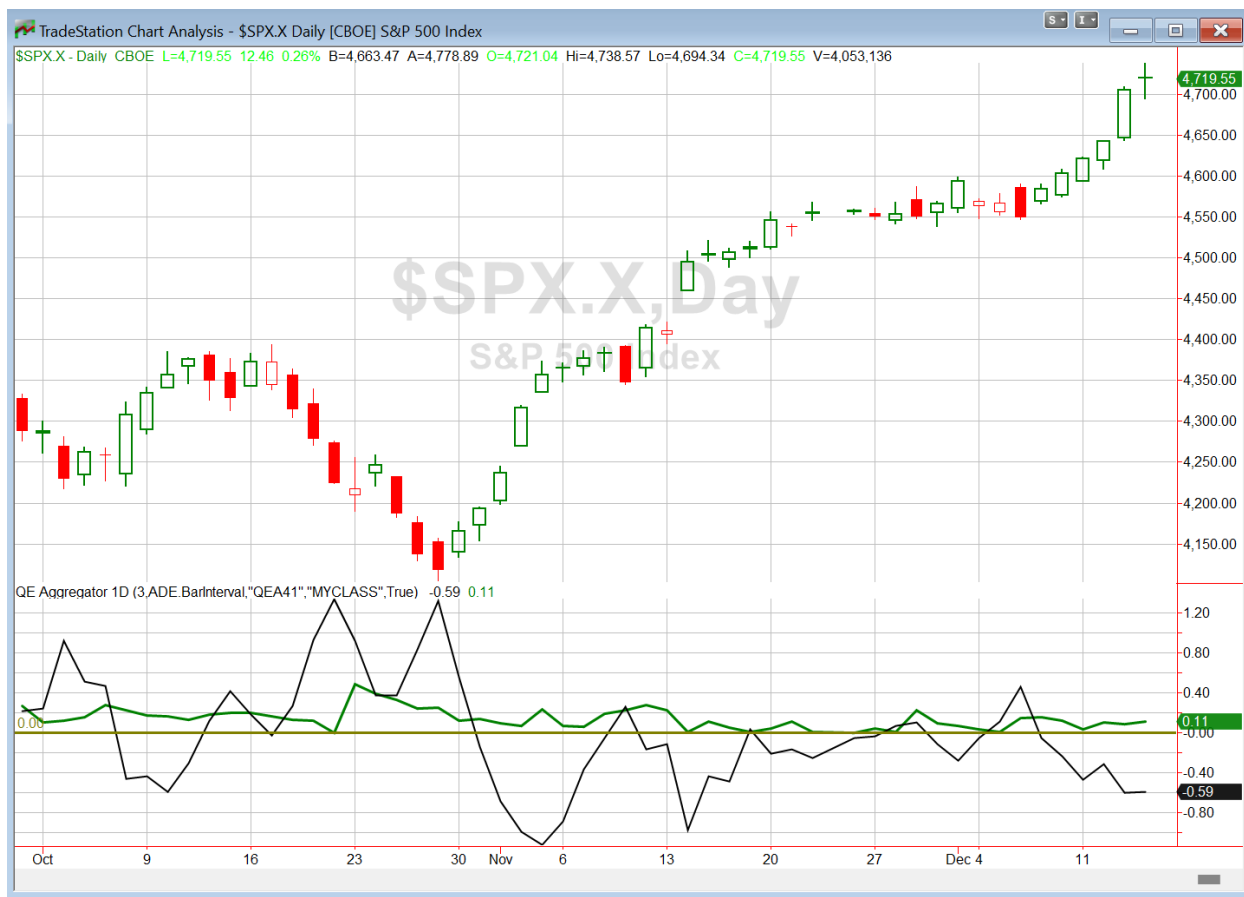
QQQ closes above 200ma on opex Thursday.  
Buy opex Friday open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-59,813.17	197	76	121	38.58	2,510.56	-3,518.64	437.44	-769.08	0.57	0.36	-303.62
1,500	-53,816.69	197	71	124	36.04	1,726.01	-2,575.80	409.96	-668.74	0.61	0.35	-273.18
1,400	-53,340.43	197	64	131	32.49	1,818.31	-2,418.42	389.82	-597.63	0.65	0.32	-270.76
1,300	-46,351.32	197	68	128	34.52	1,652.17	-2,376.36	359.94	-553.34	0.65	0.35	-235.29
1,200	-45,758.07	197	67	126	34.01	2,473.64	-1,834.30	351.77	-550.21	0.64	0.34	-232.27
1,100	-37,532.53	197	67	130	34.01	1,984.45	-1,928.16	354.22	-471.27	0.75	0.39	-190.52
1,000	-28,681.82	197	61	135	30.96	1,319.89	-1,192.98	218.73	-311.29	0.70	0.32	-145.59



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is strongly 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. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot

will be 4654.69 on Friday. That is 1.4% below Thursday's close. Therefore, SPX will need to close down at least 1.4% on Friday in order to flip from overbought to oversold vs recent expectations. It has been a long while since SPX had even a 1% down day. So it appears a more likely scenario for working off the overbought condition would be a multi-day pullback or consolidation.

So the Aggregator is again neutral. The market is still "too strong to short and too overbought to go long". So same as last night...patience as I closely watch for the next favorable reward/risk opportunity.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/11– **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.

### **Current Open Trade Ideas**

None

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