

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 19, 2023

Volume 16 Issue 242

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

Short-term Outlook

The Bottom Line

Too strong to short. Too overbought to buy. Neutral. Again. And again.

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						
December 19, 2023	VIX up SPX 50-high Monday	1-2 days	Bearish			
December 18, 2023	SPX > Bolling Band 4 days in a row	1-7 days	Bullish	1.55%	-0.90%	-1.75%
December 18, 2023	SPX down. RSI2 > 90	1-2 days	Bullish			
December 18, 2023	5 up to 50-high then down.	1-4 days	Bullish	1.10%	-0.80%	-1.60%
December 14, 2023	100-day high on a Fed Day	1-8 days	Bullish	1.70%	-1.00%	-1.70%
Active - Long Term						
December 18, 2023	Dow up 7 days in a row	1-19 days	Bullish	3.30%	-1.50%	-2.70%
December 18, 2023	5 up to 50-high then down.	1-10 days	Bullish	1.80%	-1.10%	-2.30%
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 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			
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			

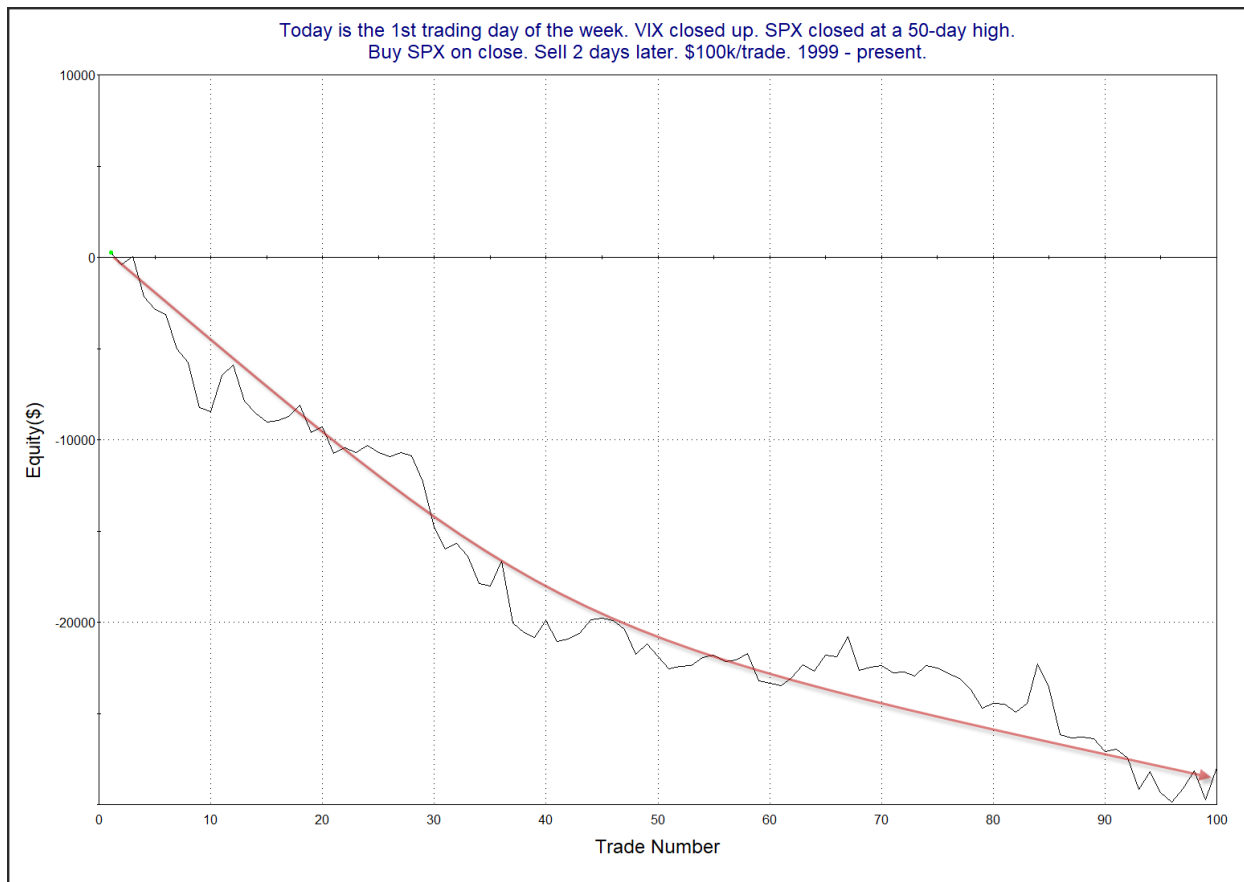
The Evidence

Monday was mixed. The SPX closed up 0.45%, the NASDAQ climbed 0.6%, and the Russell 2000 lost 0.1%. Breadth was weak with the NYSE Up Issues % coming in at 31% and the Up Volume % at 21%. NYSE total volume spiked higher with quarterly options expiration.

Monday's action did not trigger a whole lot. One study from the Quantifinder looked at the rise in the VIX that accompanied the SPX new high. The VIX has a natural tendency to rise on Mondays. So although VIX most often moves lower when SPX rises, Monday is the most likely day of the week to see the two of them rise together. Still, times SPX closed at a 50-day high while VIX rose on a Monday have previously suggested a downside edge. Seen just last week in the 12/11/23 letter, results of this study are updated.

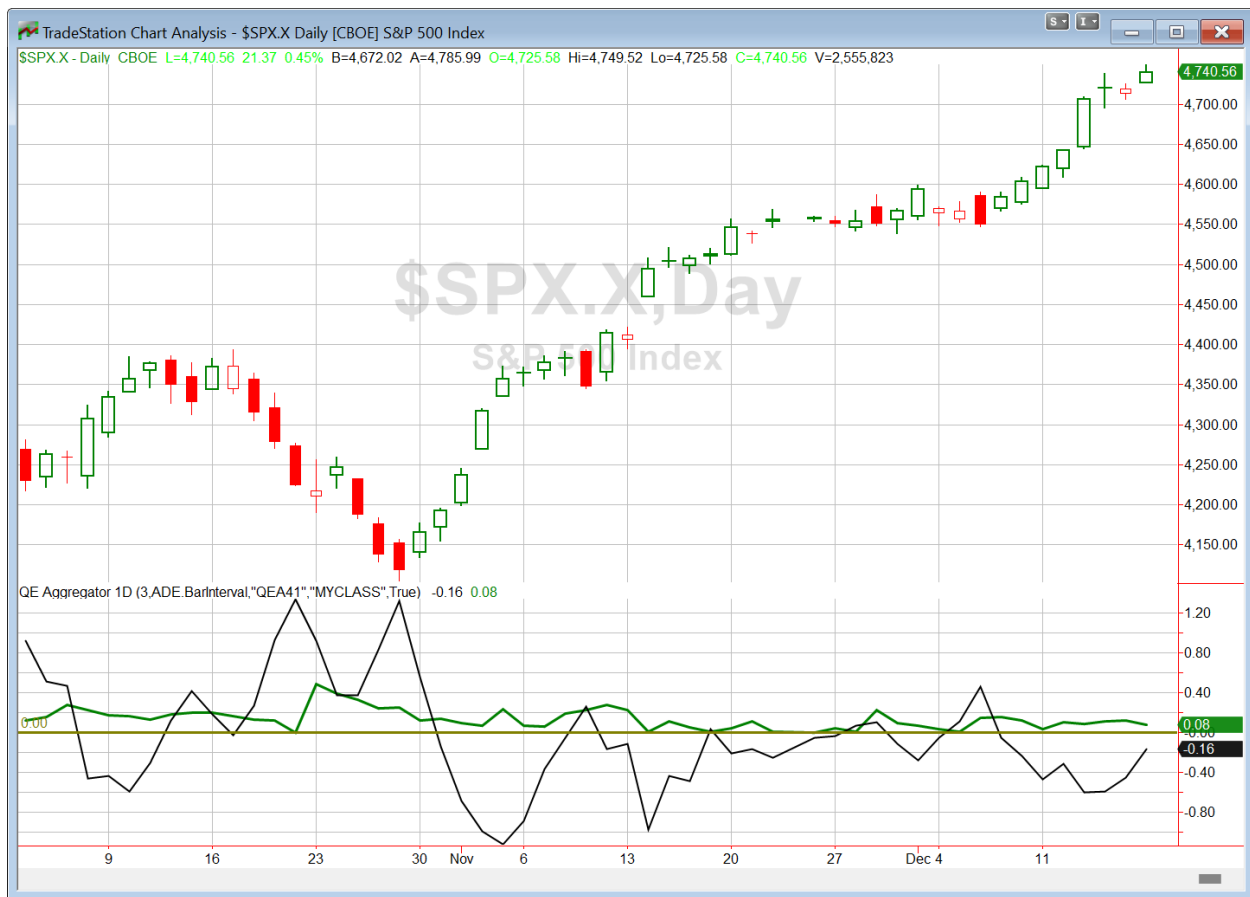
Today is the 1st trading day of the week. VIX closed up. SPX closed at a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-19,322.66	93	43	50	46.24	5,653.12	-5,048.68	1,087.09	-1,321.35	0.82	0.71	-207.77
4	-15,213.46	100	48	52	48.00	4,422.40	-5,732.40	978.60	-1,195.89	0.82	0.76	-152.13
3	-18,380.67	100	47	53	47.00	2,641.80	-6,908.70	728.99	-993.27	0.73	0.65	-183.81
2	-27,964.96	100	42	58	42.00	2,148.48	-3,372.16	539.40	-872.76	0.62	0.45	-279.65
1	-10,047.20	100	36	64	36.00	802.88	-1,580.04	328.05	-341.52	0.96	0.54	-100.47

The numbers here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long, persistent decline. Despite last week's failure, the curve is still near new lows and the study seems worthy of consideration. So I have added it to the active list.

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



Even with tonight's study 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 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 Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4733.50 on Tuesday. That is only 0.15% below Monday's close. Therefore, SPX will just need to close down 0.15% on Tuesday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again neutral. And despite tonight's study hinting that we actually have a chance at a pullback, my outlook is unchanged. The market is still "too strong to short and too overbought to go long". So same as the last few last nights. I will remain patient as I closely watch for the next favorable reward/risk opportunity.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/18– **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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