

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 5, 2024

Volume 17 Issue 235

## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat       | 1           |

## Tonight's Research Points

- SPX closing above its 50-day Bollinger Band suggests momentum is strong enough that further intermediate-term gains appear likely.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Evidence is generally bullish, but the overbought SPX reduces reward/risk. Basically the same as the last couple of days.

*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> |   |             |         |            |            |                        |
| November 29, 2024          | 5+ Up to 50-high then down 1            | 1-6 days    | Bullish | 1.40%      | -1.00%     | -1.95%                 |
| November 27, 2024          | Up Vol < 40%. SPX up > 200              | 1-8 days    | Bullish | 1.90%      | -1.30%     | -2.75%                 |
| November 25, 2024          | Up 5 < 50 high < 3% > 200ma             | 1-8 days    | Bullish | 1.80%      | -1.05%     | -2.20%                 |
| <b>Active - Long Term</b>  |   |             |         |            |            |                        |
| November 29, 2024          | 5+ Up to 50-high then down 1            | 1-10 days   | Bullish | 1.80%      | -1.10%     | -2.30%                 |
| November 27, 2024          | SPX up 7 days in a row                  | 1-20 days   | Bullish | 3.00%      | -2.00%     | -4.30%                 |
| November 26, 2024          | Triple 70 Thrust                        | 1-80 days   | Bullish | 9.40%      | -4.60%     | -11.20%                |
| November 13, 2024          | 5 up to 50-high then down 1 day         | 1-10 days   | Bullish | 1.80%      | -1.10%     | -2.30%                 |
| November 8, 2024           | 50-day %b > 100                         | 1-50 days   | Bullish | 4.90%      | -4.40%     | -8.90%                 |
| September 30, 2024         | NASDAQ Leading                          | int term    | Bullish |            |            |                        |
| September 23, 2024         | Fed neutral. QT active. Rates dropping. | int term    | Neutral |            |            |                        |
| July 8, 2024               | NDX 18% above 200ma                     | 1-90 days   | Bullish | 14.50%     | -9.40%     | -18.90%                |
| June 14, 2024              | SPX new high with < 50% stocks > 100ma  | 1-18 months | Bearish |            |            |                        |
| March 4, 2024              | Jan & Feb both close positive           | 1-10 months | Bullish |            |            |                        |
| February 2, 2023           | SPX Golden Cross                        | int term    | Bullish |            |            |                        |

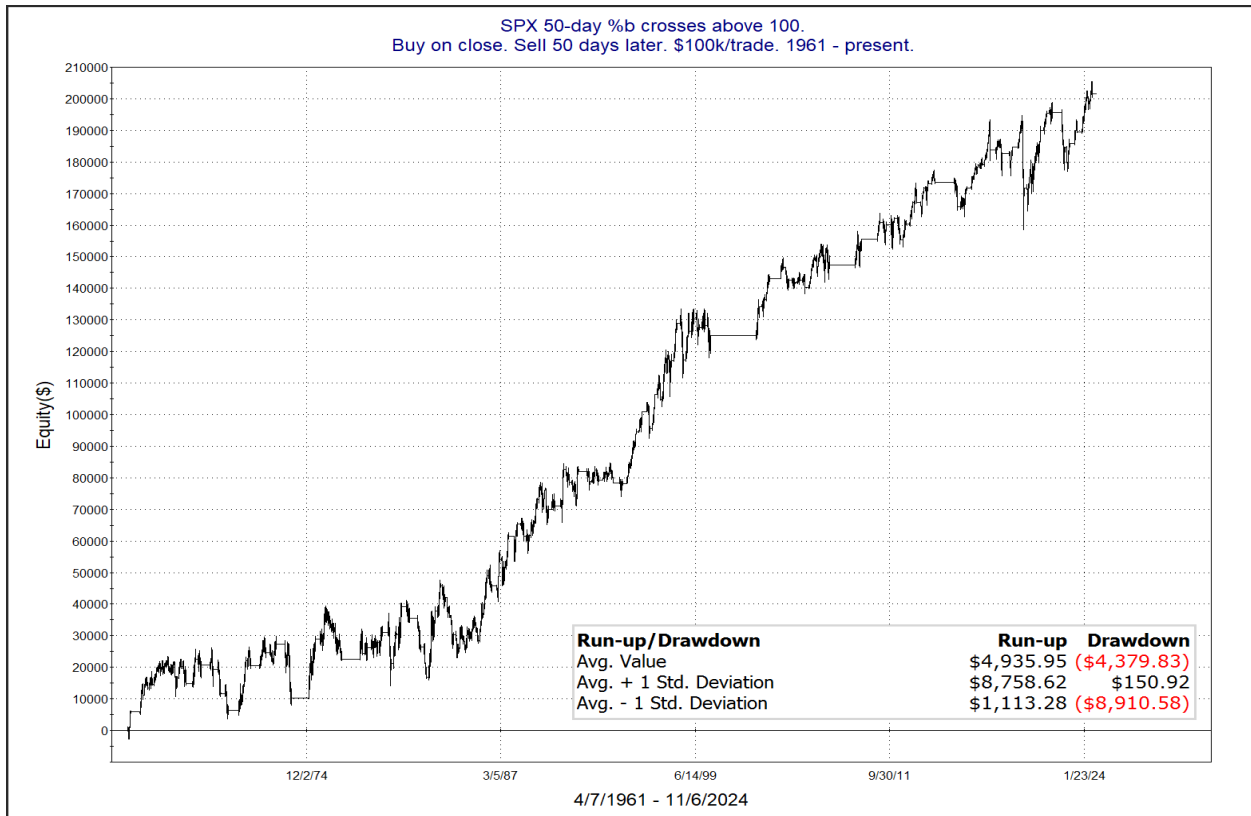
**The Evidence**

Wednesday was a strong day for the market. The SPX rose 0.6%, the NASDAQ gained 1.3%, and the Russell 2000 climbed 0.4%. Breadth was not great, though. The NYSE Up Issues % was 50.8% and the Up Volume % came in at 41.5%. NYSE total volume declined some from Tuesday’s level.

One interesting study that triggered in the Quantifinder looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 11/8/24 letter. That instance is still active, since it has only been a few weeks since it occurred. Therefore, I did not update the stats.

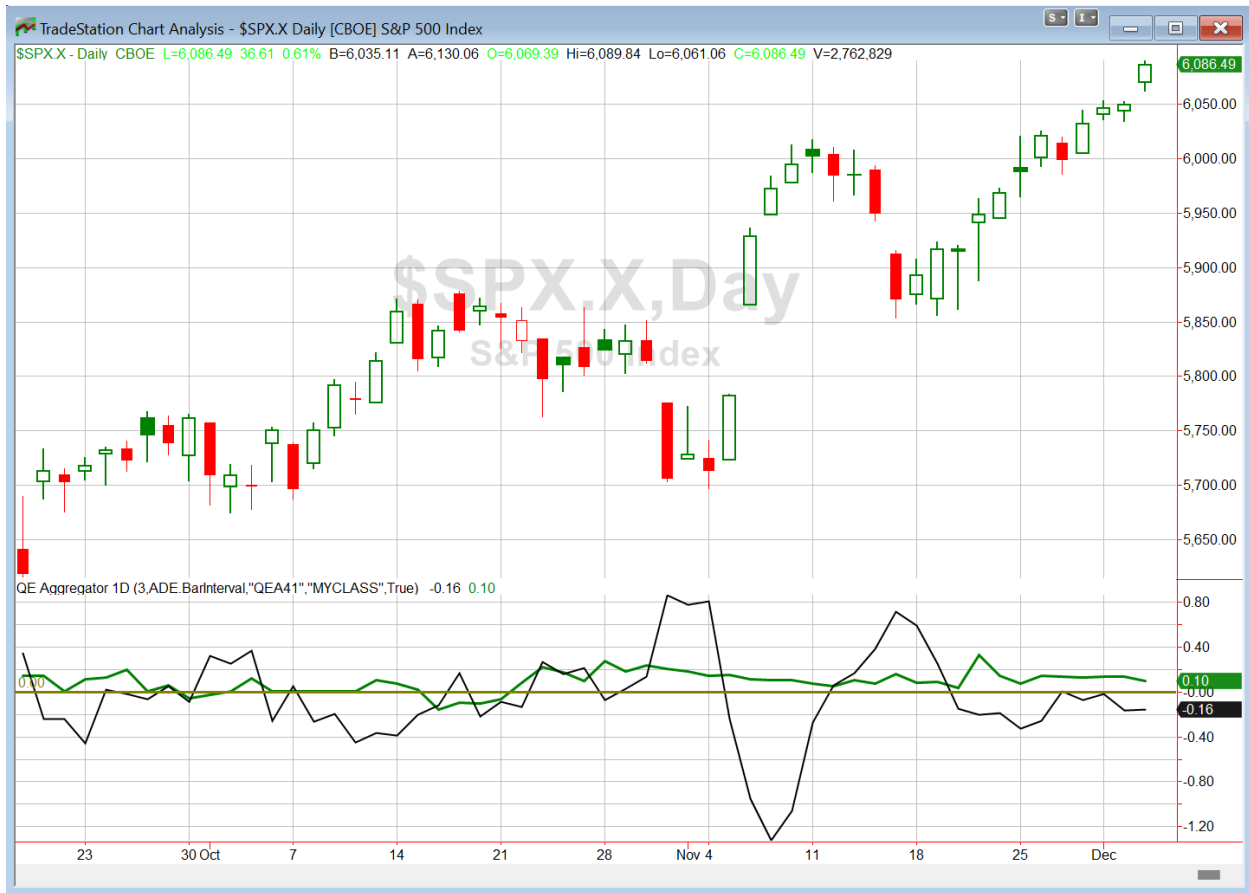
| SPX 50-day %b crosses over 100.<br>Buy on close. Sell X days later. \$100k/trade. 1961 - present |                 |                   |                     |                    |                   |                        |                       |                        |                       |                     |                   |                |
|--|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 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 |
| 50   | 198,887.38      | 150               | 94                  | 56                 | 62.67             | 18,408.18              | -20,704.80            | 4,752.37               | -4,425.63             | 1.07                | 1.80              | 1,325.92       |
| 45   | 152,404.06      | 156               | 92                  | 64                 | 58.97             | 15,816.57              | -32,382.30            | 4,932.37               | -4,708.96             | 1.05                | 1.51              | 976.95         |
| 40   | 158,877.22      | 163               | 99                  | 64                 | 60.74             | 17,624.67              | -27,920.40            | 4,440.24               | -4,386.04             | 1.01                | 1.57              | 974.71         |
| 35   | 155,060.81      | 173               | 105                 | 68                 | 60.69             | 15,782.13              | -13,839.56            | 3,989.91               | -3,880.58             | 1.03                | 1.59              | 896.31         |
| 30   | 94,726.88       | 180               | 108                 | 72                 | 60.00             | 11,920.74              | -14,377.53            | 3,263.52               | -3,579.63             | 0.91                | 1.37              | 526.26         |
| 25   | 61,566.23       | 188               | 108                 | 80                 | 57.45             | 10,859.94              | -8,745.98             | 2,947.94               | -3,210.15             | 0.92                | 1.24              | 327.48         |
| 20   | 60,233.59       | 201               | 115                 | 86                 | 57.21             | 9,501.30               | -10,205.38            | 2,630.06               | -2,816.55             | 0.93                | 1.25              | 299.67         |
| 15   | 40,556.95       | 221               | 128                 | 93                 | 57.92             | 7,843.46               | -9,763.44             | 2,284.46               | -2,708.11             | 0.84                | 1.16              | 183.52         |
| 10   | 35,616.55       | 245               | 148                 | 97                 | 60.41             | 8,239.16               | -9,133.53             | 1,668.22               | -2,178.14             | 0.77                | 1.17              | 145.37         |
| 5  | 6,606.00        | 299               | 165                 | 134                | 55.18             | 5,030.81               | -6,524.55             | 1,116.91               | -1,326.00             | 0.84                | 1.04              | 22.09          |

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside rather than a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That’s a pretty steady upslope for a study without a very high “% Profitable”. Overall, I like this study a good bit, and though it just seems to be confirming the earlier signal, I still view this confirmation as a positive.

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



Without any new short-term evidence emerging tonight, 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 slated to remain positive on Wednesday. That is unlikely to change. Meanwhile, the Differential Pivot will be 6071.63. That is 0.2% below Wednesday's close. Therefore, SPX will only need to close down a little over 0.2% on Thursday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. My outlook has not changed at all. Evidence continues to point higher, but the market is still extended and reward/risk potential is underwhelming. I'll remain patient and wait for a more compelling reward/risk opportunity to arrive before looking to take on new index positions.

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

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

*New*

KO – 1/3 @ \$62.21 (buy @ limit)

### ***Broad Market Large Cap CBI – 1(KO)***

## **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.*

**KO - Buy 1/3 Catapult position @ \$62.21 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of KO.

## **Current Open Trade Ideas**

**None.**

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