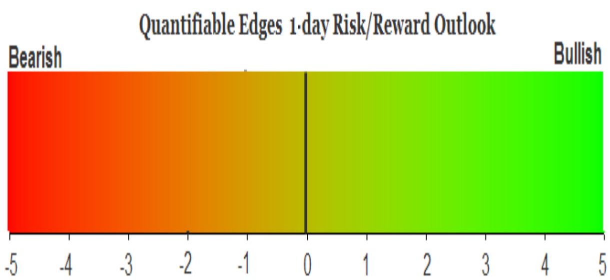
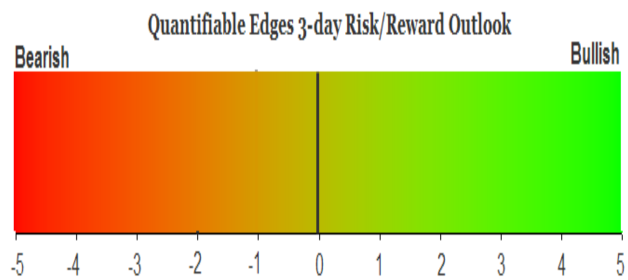
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 9, 2024 Volume 17 Issue 237

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- Strong December seasonality won't kick in for another week or so.
- SOMA flows combined with reverse repo changes caused very little change to liquidity last week. Reverse repos are getting low on fuel at this point.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am not enthusiastic about reward/risk for bulls or bears.

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 27, 2024	Up Vol < 40%. SPX up > 200	1-8 days	Bullish	1.90%	-1.30%	-2.75%
Active - Long Term						
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 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			
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

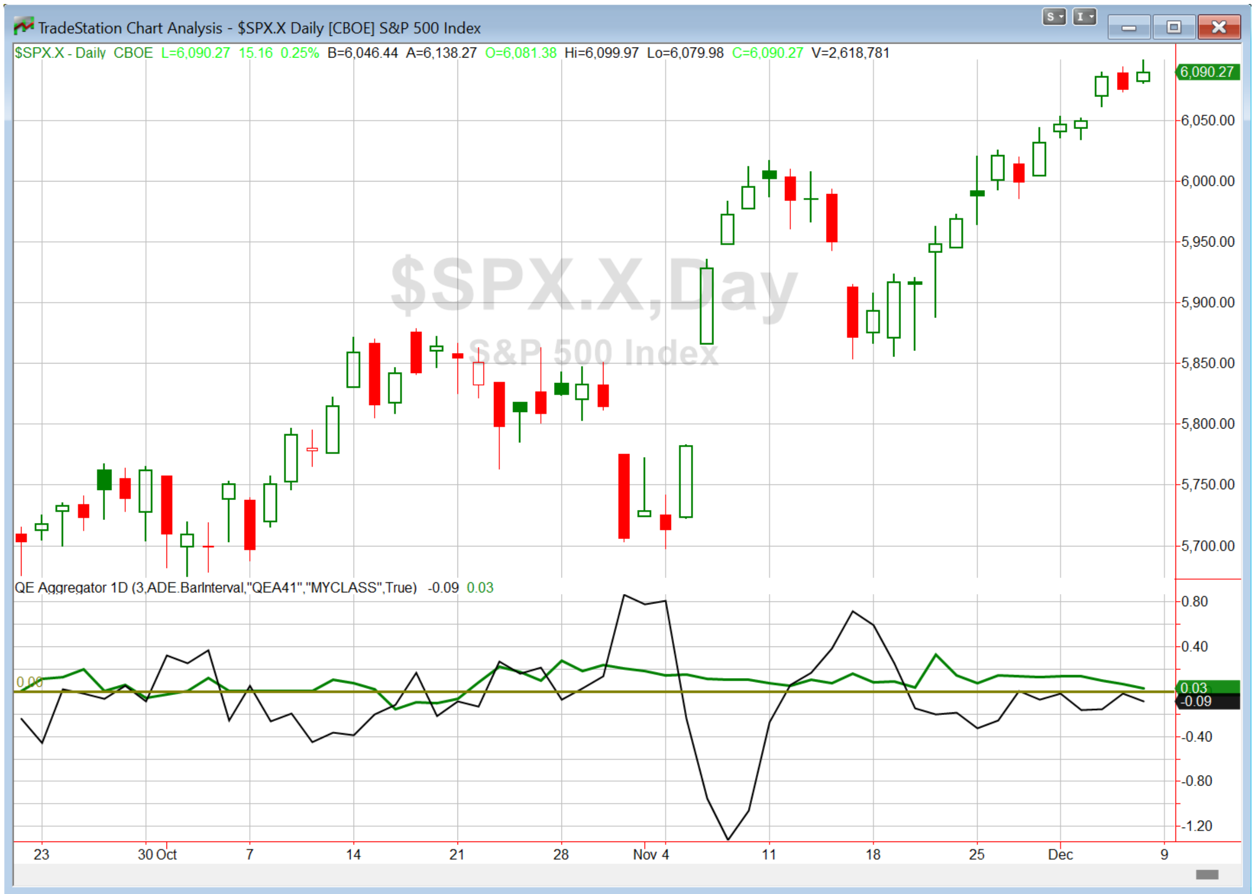
The market pushed higher on Friday. The SPX gained 0.25%, the NASDAQ rallied 0.8%, and the Russell 2000 rose 0.5%. Despite the indices moving higher, breadth was weak. The NYSE Up Issues % was 45% and the Up Volume % came in at 47%. NYSE total volume declined some from Thursday’s level.

The SPX and NASDAQ both made new all-time highs and are somewhat extended. Despite this, I am not seeing any compelling new short-term evidence emerge based on the action of the last couple of days. So this letter is going to be a bit shorter than usual. Below is a look at the SPX Seasonality Calendar.

Quantifiable Edges Seasonality Calendar			
$SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
12/2/2024	58.37	1.634	0.169
12/3/2024	48.14	1.043	0.011
12/4/2024	55.82	1.340	0.099
12/5/2024	52.92	1.134	0.043
12/6/2024	53.68	1.213	0.071
12/9/2024	50.75	0.915	-0.038
12/10/2024	50.15	1.062	0.011
12/11/2024	50.83	0.896	-0.038
12/12/2024	51.61	0.942	-0.023
12/13/2024	51.72	1.115	0.024
12/16/2024	57.63	1.081	0.020
12/17/2024	53.37	1.269	0.063
12/18/2024	50.61	0.993	-0.007
12/19/2024	51.78	0.985	-0.009
12/20/2024	51.61	1.020	-0.019
12/23/2024	58.65	1.535	0.119
12/24/2024	57.67	1.528	0.106
12/26/2024	54.52	1.511	0.120
12/27/2024	59.34	1.527	0.117
12/30/2024	53.64	1.150	0.034
12/31/2024	52.66	1.143	0.021
Baseline	***53.73***	***1.143***	***0.049***

Three days this week are neutral, and the other two are only mildly bullish. We will start seeing some positive December seasonality soon. I will be writing more about that next weekend, with several studies that will start triggering once we get past this upcoming week.

I have updated the Aggregator chart below.



Without any new short-term evidence making the cut this weekend, 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 Monday. That could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at* 6109.10. That is 0.3% *above* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up over 0.3% in order to remain overbought. Anything less than that and it will be considered "oversold" versus recent expectations as of Monday's close. So if there is a small rally, say 0.2% on Monday, you could see SPX close at a new all-time high but still be considered oversold versus expectations. That is unusual, but it does happen on occasion. SPX just has not gained as much over the last couple of days as the studies suggested it would.

So the Aggregator is again neutral. It could easily turn bullish on Monday, since the Differential Pivot is inverted and SPX can quickly turn oversold. But even if it does, evidence is pretty weak right now. We have seen several short-term studies expire in the last few days, and nothing has replaced them. So evidence is light and the overbought/oversold is dicey. Not a setup that gets me enthused. I'll continue to wait for a more compelling reward/risk opportunity before taking on any new index positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/9 – 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. 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 as of Friday's close.*

This past week was mostly higher for stocks. The SPX rose 1.0%, the NASDAQ shot up 3.3%, and the Russell 2000 (RUT) *declined* 1.1%. Bonds moved up. The US Aggregate Bond ETF (AGG) gained 0.45%. TLT, the 20-year Treasury Bond ETF, climbed 0.8%. The SPX and NASDAQ both closed the week at new all-time highs. So the long-term uptrend remains intact. There were not any studies that triggered in the last few days 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

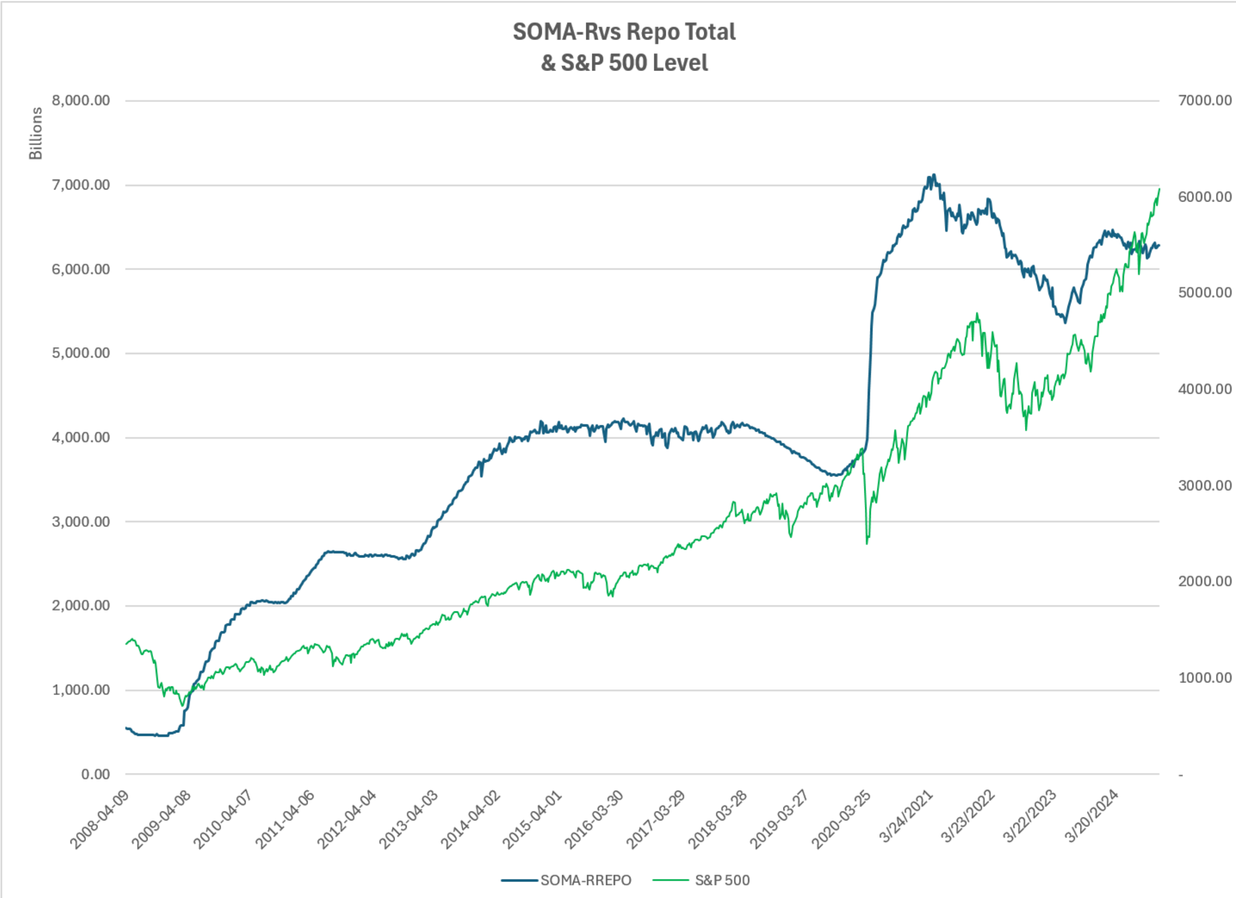
Previous **December 4, 2024**

Posted December 5, 2024 at 4:30 PM

SUMMARY | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

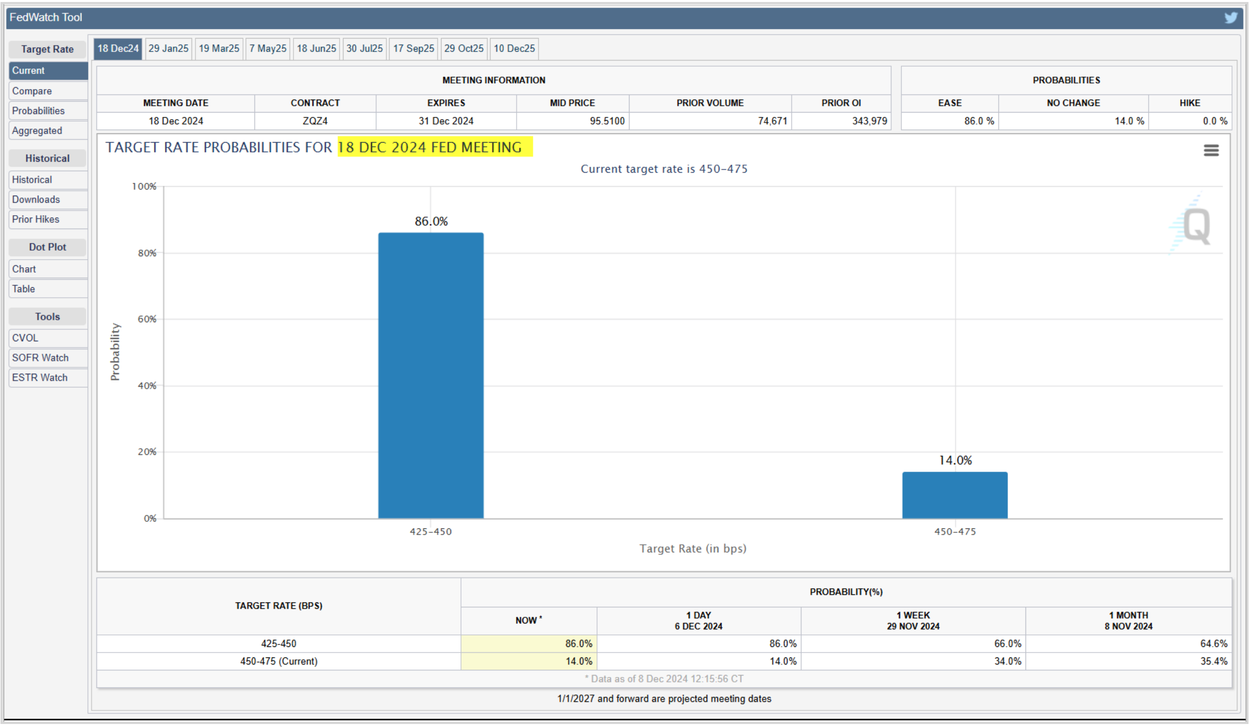
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	195,292,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,654,600,446.3
US Treasury Floating Rate Notes (FRNs)	6,345,642.2
US Treasury Inflation-Protected Securities (TIPS)*	341,360,480.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,240,923,398.0
Agency Commercial Mortgage-Backed Securities***	8,058,331.3
Total SOMA Holdings	6,448,928,224.7
Change From Prior Week	-7,705,748.4

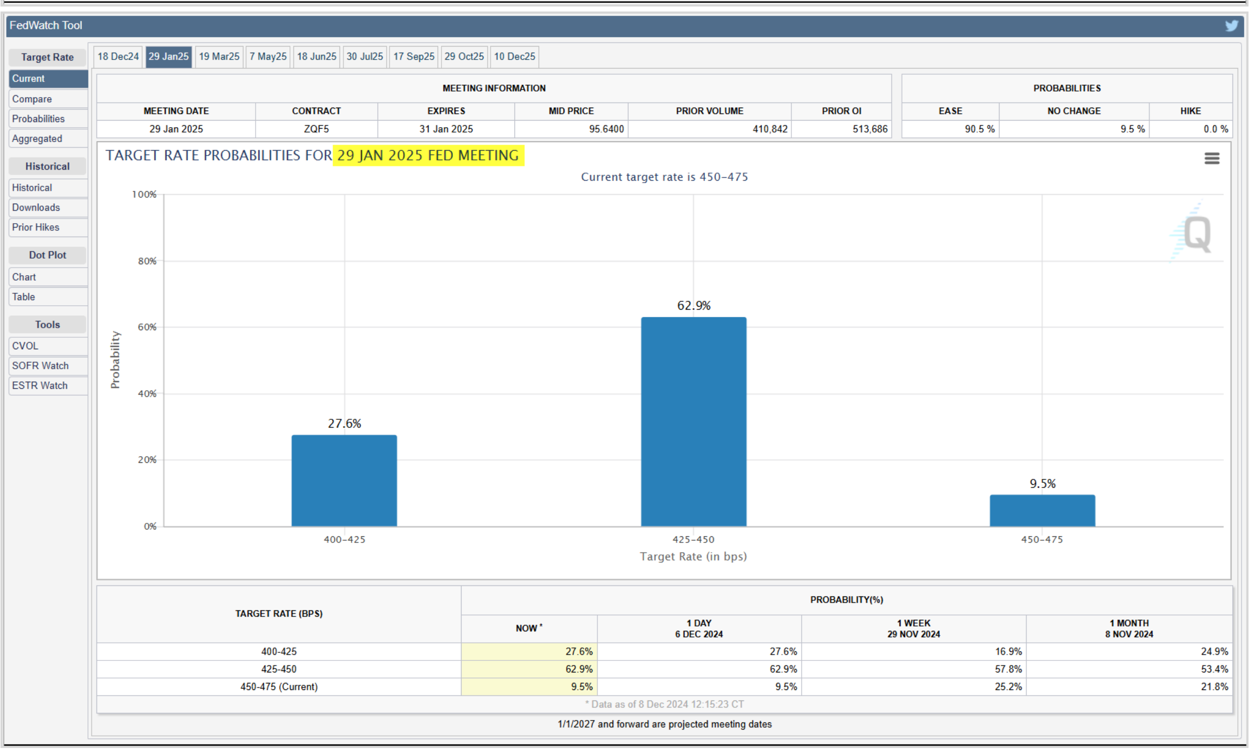
The SOMA posted a decline of $7.7 billion over the past week. Meanwhile, reverse repos declined by $6.95 billion. Combined for the week, SOMA and reverse repo action accounted for a very small $750 million liquidity drain. I discussed reverse repos impact on liquidity in the 4/8/24 letter. When they are rising, it tends to drain liquidity, and when they are falling, it acts as a liquidity injection. Throughout much of 2023 and the 1st quarter of 2024 reverse repos declined substantially and had a positive impact on liquidity. From early March through May the level of reverse repos remained about the same. The last few months we have seen the number chopping around, but this week reverse repos stand at just $163 billion, which is the lowest level since 2021. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Quantitative Tightening (QT) can still be a headwind to the market, but it is not nearly as strong as it has been at times in the last few years. Reverse repo closeouts more than offset the QT from April 2023 through early March of 2024, and this helped provide fuel for the market rally. Since early March, there has been a chopping around of the blue line, which looks at the SOMA level and subtracts the amount of outstanding reverse repos. If that line heads lower again as reverse repos approach $0, then that could mean a liquidity headwind for the market. We will be on the lookout for changes in QT policy at upcoming Fed meetings. It would be unusual for the Fed to continue QT while lowering rates for very long.

With regards to rates, odds for a 25 point cut in December are now 86%, with a 14% chance of no cut. Odds of a cut have increased from 66% last week. Odds for January's meeting show about a 63% chance that rates are 0.25% lower than today, and now a 28% chance that rates are 0.5% below today. Odds of rates remaining at current levels through January are now very low. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.





As we have seen over and over, odds continually shift, so expect further refinement as we get closer to these Fed meeting dates.

From an intermediate-term standpoint, bulls still appear to be in control. In the last few weeks we've seen breadth and momentum studies with bullish intermediate-term tendencies. The long-term trend is up with SPX and NASDAQ closing at new all-time highs. The NASDAQ/SPX Relative Leadership indicator is favoring the NASDAQ, which is typically a positive. We are in the best 6 months of the year. And there still remain several bullish studies on the active list from the last few months. Fed policy now appears neutral. There are plenty of potential triggers that could cause a market shock, but nothing has mattered in a while. Overall, bullish evidence is strongly outweighing bearish. I will maintain a bullish bias. Hence, I'll remain more aggressive with long trades than I am with short trades.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

DE – 1/3 @ $444.00 (buy @ limit)
DOW – 1/3 @ $41.99 (buy @ limit)
New
KO – 1/3 @ $62.21 (bought @ limit)

Broad Market Large Cap CBI – 3(KO,, DE, DOW)

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.*

DE – Buy 1/3 Catapult position @ $444.00 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of DE.

DOW – Buy 1/3 Catapult position @ $41.99 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of DOW.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
KO(1/3)	12/5/2024	$62.21	$62.53	0.51%	Catapult