

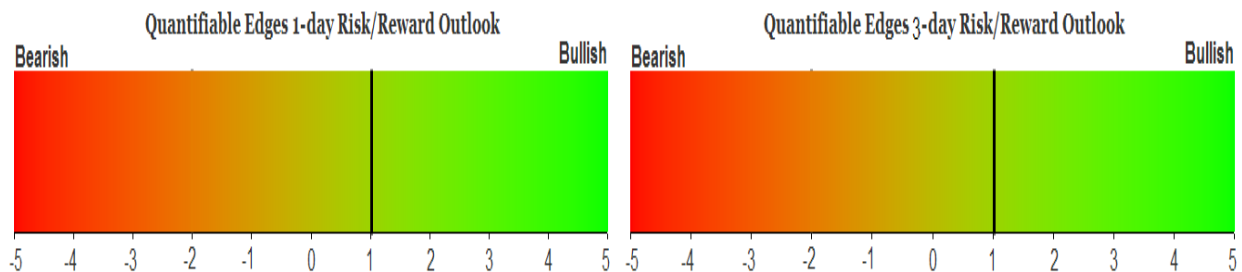
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 17, 2024

Volume 17 Issue 243

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 3 |

Tonight's Research Points

- Monday's weak breadth could actually be a positive.
- Tuesday's action will help determine how strong the edge is for Wednesday's Fed Day.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But SPX will change to overbought if it does not sell off further on Tuesday. I'll look to take some long exposure if Tuesday is a bad day for SPX.

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 17, 2024 | SPX up. NYSE Up Vol < 40% | 1-8 days | Bullish | 1.90% | -1.30% | -2.70% |
| December 16, 2024 | December opex week bullish | 1-3 days | Bullish | 1.40% | -0.80% | -1.80% |
| Active - Long Term | | | | | | |
| December 16, 2024 | December opex week starts bullish period | 1-15 days | Bullish | 3.30% | -1.90% | -4.00% |
| 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 | | | |

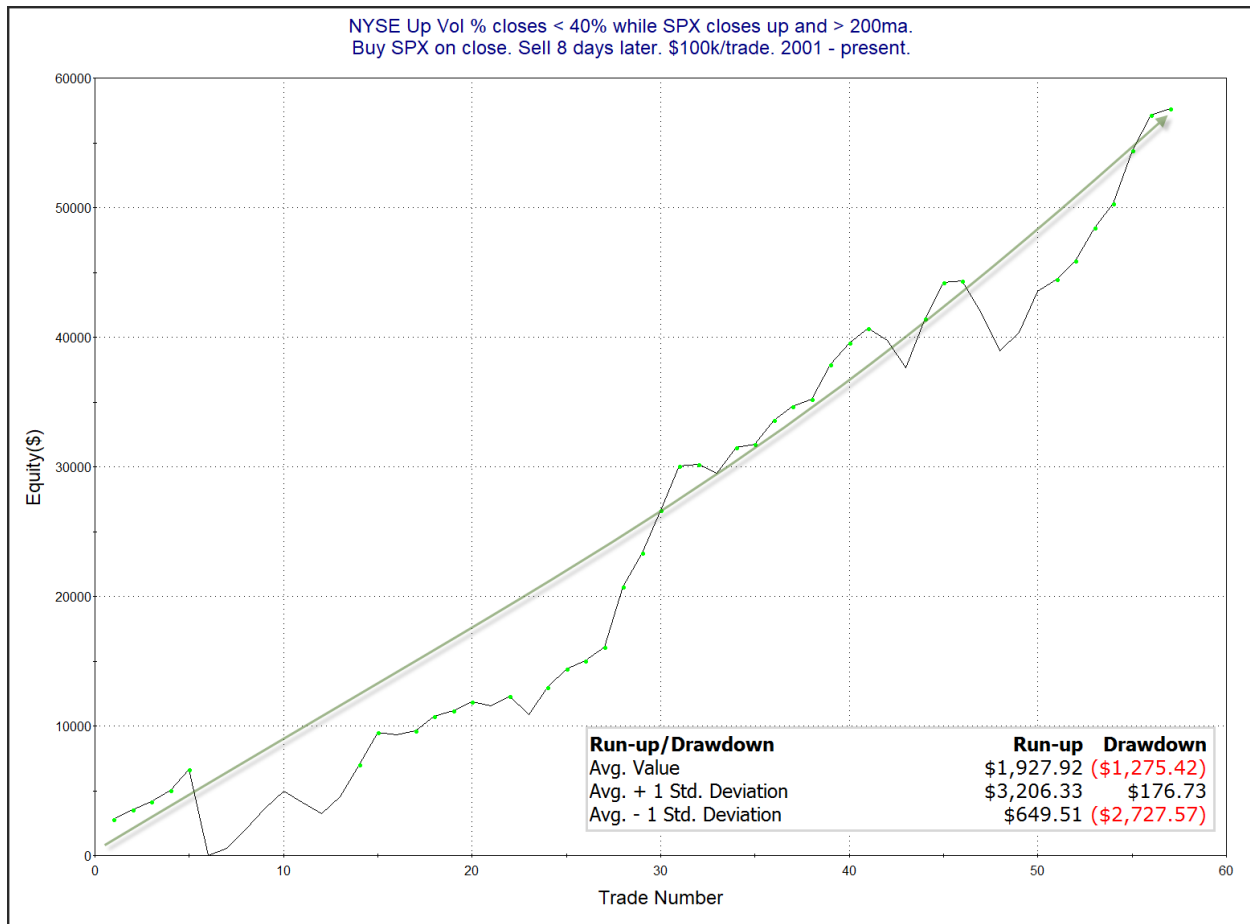
The Evidence

Stock indices were mostly higher on Monday. The SPX closed up 0.4%, the NASDAQ rose 1.2%, and the Russell 2000 gained 0.6%. Breadth was weak. The NYSE Up Issues % was 39% and the Up Volume % came in at 37%. NYSE total volume rose some from Friday’s level.

Breadth was notably weak. In the 11/27/24 letter I looked at occurrences where the NYSE Up Volume % came in under 40% while SPX closed higher during a long-term uptrend. This triggered on Monday, and I have again updated the results below.

| NYSE Up Vol % closes < 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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 |
| 10 | 65,887.13 | 54 | 43 | 11 | 79.63 | 4,904.10 | -7,891.63 | 2,109.42 | -2,256.18 | 0.93 | 3.65 | 1,220.13 |
| 9 | 57,283.74 | 55 | 43 | 12 | 78.18 | 5,223.96 | -7,594.37 | 1,901.87 | -2,041.37 | 0.93 | 3.34 | 1,041.52 |
| 8 | 57,652.67 | 57 | 46 | 11 | 80.70 | 4,666.56 | -6,657.20 | 1,676.85 | -1,771.11 | 0.95 | 3.96 | 1,011.45 |
| 7 | 57,169.18 | 62 | 49 | 13 | 79.03 | 5,211.84 | -3,755.76 | 1,593.16 | -1,607.36 | 0.99 | 3.74 | 922.08 |
| 6 | 50,934.96 | 62 | 47 | 15 | 75.81 | 6,018.56 | -3,495.92 | 1,533.30 | -1,408.67 | 1.09 | 3.41 | 821.53 |
| 5 | 39,263.47 | 66 | 50 | 16 | 75.76 | 4,787.84 | -4,623.84 | 1,259.65 | -1,482.44 | 0.85 | 2.66 | 594.90 |
| 4 | 22,350.23 | 67 | 44 | 23 | 65.67 | 3,777.48 | -4,483.92 | 1,125.41 | -1,181.22 | 0.95 | 1.82 | 333.59 |
| 3 | 18,449.02 | 72 | 46 | 26 | 63.89 | 3,578.94 | -3,122.40 | 948.27 | -968.13 | 0.98 | 1.73 | 256.24 |
| 2 | 18,322.01 | 78 | 53 | 25 | 67.95 | 2,661.75 | -2,848.17 | 745.84 | -848.30 | 0.88 | 1.86 | 234.90 |
| 1 | 9,647.31 | 84 | 51 | 33 | 60.71 | 1,790.64 | -1,489.20 | 538.15 | -539.34 | 1.00 | 1.54 | 114.85 |

Results continue to look very strong, especially over the 7-10 day periods. Below is a look at an 8-day profit curve.



The curve has shown strong upside persistence. I find these results intriguing, and have added this study to the short-term active list. This is one of those studies that traditional analysis would say should not be suggesting a bullish edge. But it keeps proving itself correct. So I'll continue to take the study under consideration as I have been doing.

Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. I [have documented this tendency in great detail](#) over the years. One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. I last did this in the 11/6/24 letter. I have updated that research below.

Tomorrow is a Fed Day. SPY closes in the top 25% of its intraday range. Buy on close. Sell Fed Day close.
\$100k/trade. 1993 - present.

TradeStation Performance Summary

| | All Trades |
|--------------------------|-------------------|
| Total Net Profit | \$12,411.49 |
| Gross Profit | \$40,881.65 |
| Gross Loss | (\$28,470.16) |
| Profit Factor | 1.44 |
| Total Number of Trades | 98 |
| Percent Profitable | 51.02% |
| Winning Trades | 50 |
| Losing Trades | 46 |
| Even Trades | 2 |
| Avg. Trade Net Profit | \$126.65 |
| Avg. Winning Trade | \$817.63 |
| Avg. Losing Trade | (\$618.92) |
| Ratio Avg. Win:Avg. Loss | 1.32 |
| Largest Winning Trade | \$2,238.25 |
| Largest Losing Trade | (\$2,739.69) |

Tomorrow is a Fed Day.
 SPY closes > 50% and <= 75% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present

TradeStation Performance Summary

| | All Trades |
|--------------------------|-------------------|
| Total Net Profit | \$15,445.46 |
| Gross Profit | \$34,876.26 |
| Gross Loss | (\$19,430.80) |
| Profit Factor | 1.79 |
| Total Number of Trades | 58 |
| Percent Profitable | 51.72% |
| Winning Trades | 30 |
| Losing Trades | 27 |
| Even Trades | 1 |
| Avg. Trade Net Profit | \$266.30 |
| Avg. Winning Trade | \$1,162.54 |
| Avg. Losing Trade | (\$719.66) |
| Ratio Avg. Win:Avg. Loss | 1.62 |
| Largest Winning Trade | \$4,704.07 |
| Largest Losing Trade | (\$2,246.40) |

Tomorrow is a Fed Day.
 SPY closes > 25% and <= 50% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present

TradeStation Performance Summary

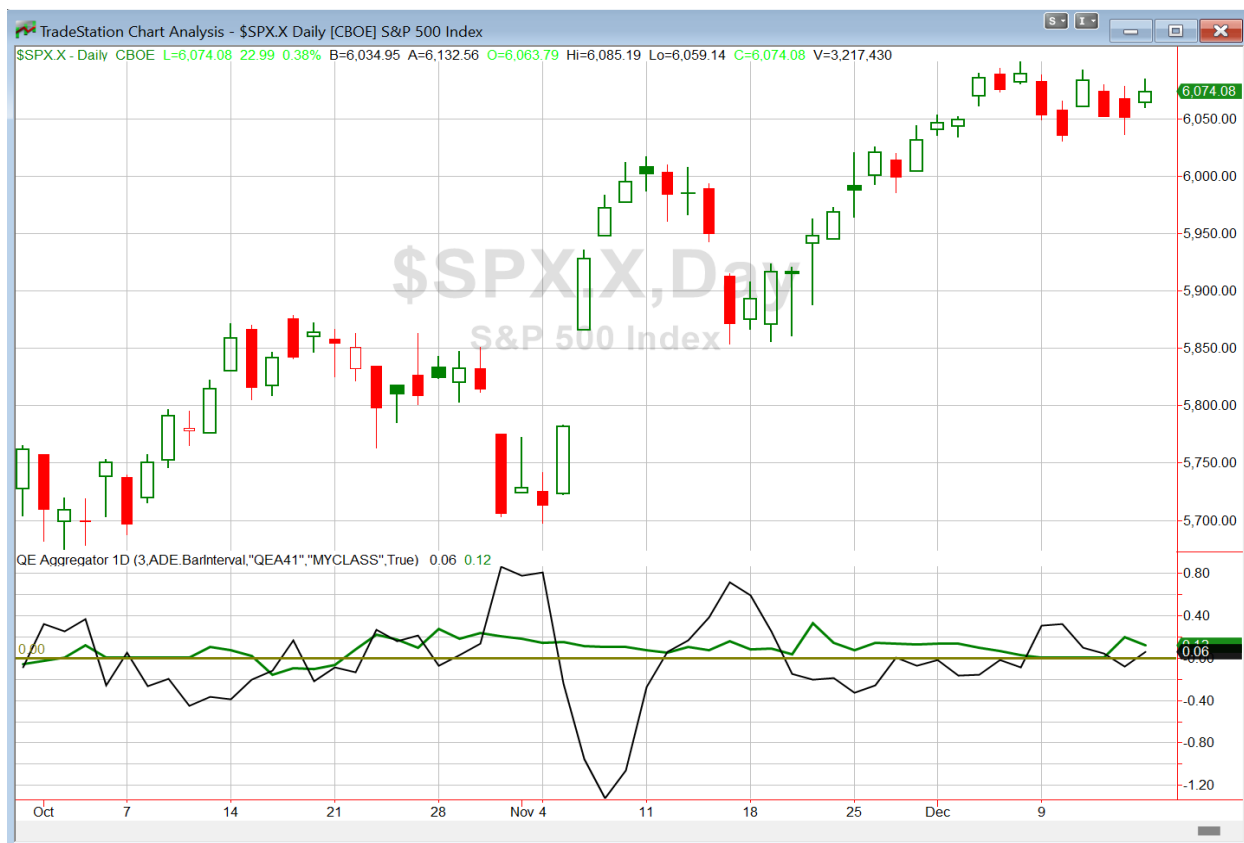
| | All Trades |
|--------------------------|-------------------|
| Total Net Profit | \$14,448.04 |
| Gross Profit | \$28,119.47 |
| Gross Loss | (\$13,671.43) |
| Profit Factor | 2.06 |
| Total Number of Trades | 51 |
| Percent Profitable | 62.75% |
| Winning Trades | 32 |
| Losing Trades | 19 |
| Even Trades | 0 |
| Avg. Trade Net Profit | \$283.29 |
| Avg. Winning Trade | \$878.73 |
| Avg. Losing Trade | (\$719.55) |
| Ratio Avg. Win:Avg. Loss | 1.22 |
| Largest Winning Trade | \$2,943.00 |
| Largest Losing Trade | (\$2,066.62) |

Tomorrow is a Fed Day.
 SPY closes in the BOTTOM 25% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

| TradeStation Performance Summary | |
|----------------------------------|-------------------|
| | All Trades |
| Total Net Profit | \$25,474.09 |
| Gross Profit | \$37,727.36 |
| Gross Loss | (\$12,253.27) |
| Profit Factor | 3.08 |
| Total Number of Trades | 46 |
| Percent Profitable | 71.74% |
| Winning Trades | 33 |
| Losing Trades | 13 |
| Even Trades | 0 |
| Avg. Trade Net Profit | \$553.78 |
| Avg. Winning Trade | \$1,143.25 |
| Avg. Losing Trade | (\$942.56) |
| Ratio Avg. Win:Avg. Loss | 1.21 |
| Largest Winning Trade | \$4,645.80 |
| Largest Losing Trade | (\$2,945.28) |

So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

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 moved back above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Tuesday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 6052.26. That is 0.4% *below* Monday'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 down at least 0.4% in order to remain oversold. Anything other than that and it will change to overbought versus expectations as of Monday's close.

So the Aggregator is back to bullish. But the inverted pivot means that upside potential is quite limited. I don't usually like to take on new positions with an inverted pivot. And the Fed Day Wednesday is a wild card that could create volatility. But as we saw, a poor close on Tuesday could set up a bullish Fed Day edge. So I will look to take on some long exposure if SPY closes in the bottom half of its range and SPX closes below the Differential Pivot.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/16 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

DE – 1/3 @ \$444.00 (bought @ limit)

TMUS – 1/3 @ \$228.86 (buy @ limit) – not filled, cancel for now

New

DOW – 1/3 @ \$40.11 (buy @ limit)

Broad Market Large Cap CBI – 3(DE, TMUS, 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.

SPY – Buy ¼ index position if SPY closes in the bottom half of its daily range and SPX closes <= 6052.26. Based on the short-term section above, I will look to take on some long exposure if we get weakness heading into Wednesday’s Fed meeting.

DOW – Buy 1/3 Catapult position @ \$40.11 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 |
|---------------|-------------------|--------------------|----------------------|--------------------|---------------------|
| MS(1/3) | 12/11/2024 | \$126.79 | \$129.03 | 1.77% | <i>sell on open</i> |
| DE(1/3) | 12/11/2024 | \$439.48 | \$438.42 | -0.24% | Catapult |
| | | | | | |
| | | | | | |

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