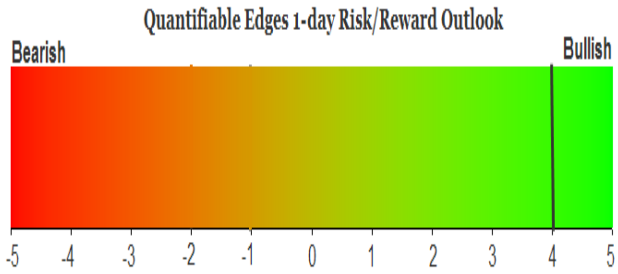
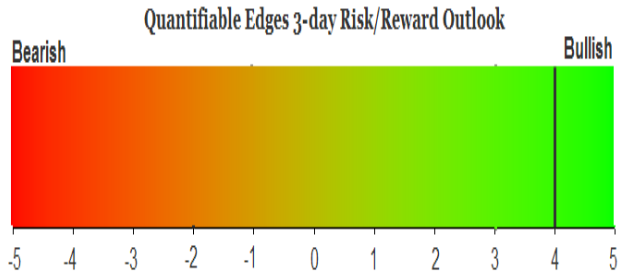
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 19, 2024 Volume 17 Issue 245

## Market Overview




## Signals Overview

| Aggregator | CBI Reading |
|---|---|
| Long | 12 |

***Tonight's Research Points***

- A large number of bullish studies emerged on Wednesday.

***Short-term Outlook***

***The Bottom Line***

The Aggregator is bullish. Evidence is strongly suggesting a bounce and the market is extremely oversold. I like the long side and am looking to add long exposure.

***The Evidence***

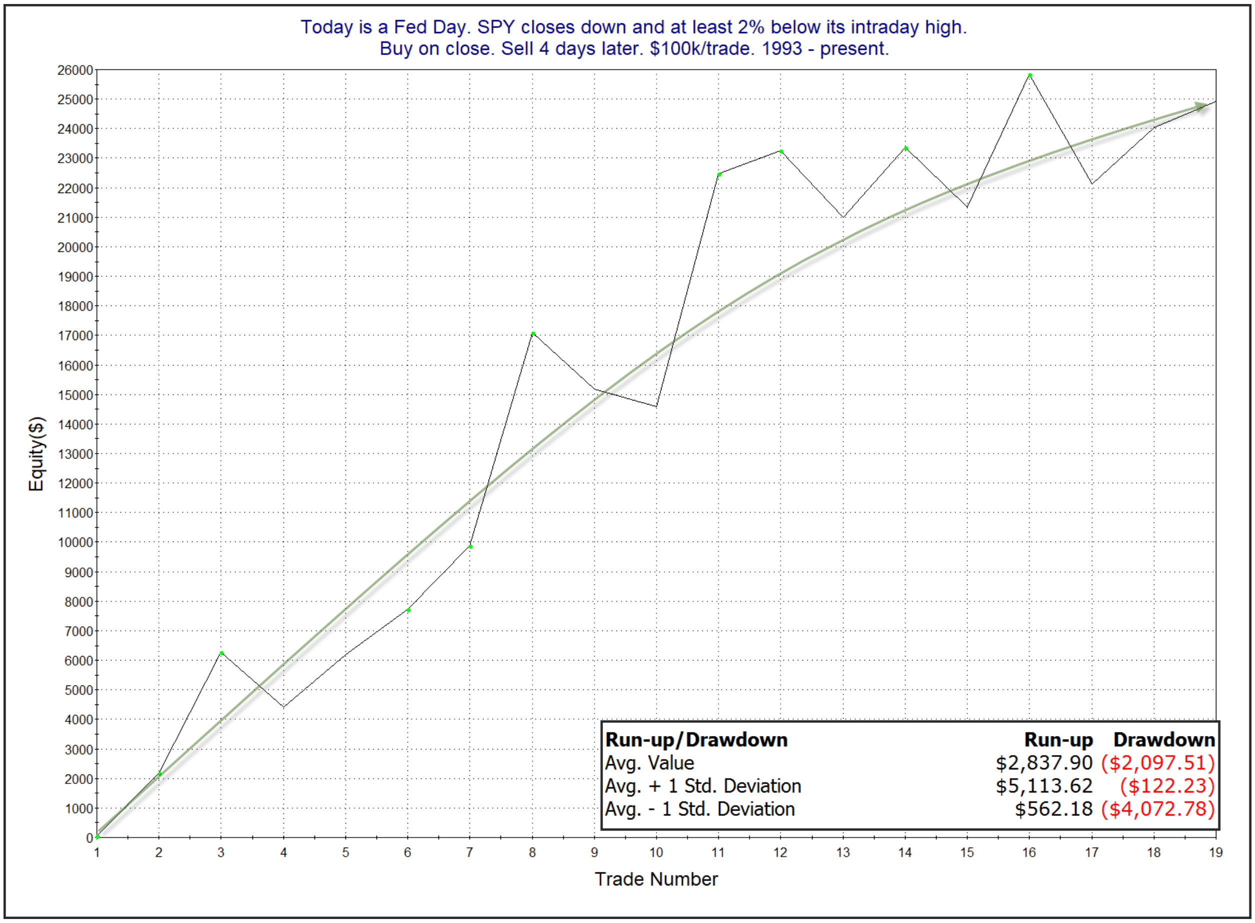
The market got slammed on Wednesday, and a large number of studies triggered. I have featured some of the most compelling ones below.

The Fed certainly disappointed the market. The Fed-based study below noted the large intraday reversal downward. It was from the 12/20/18 letter. Stats are updated.

Today is a Fed Day. SPY closes down and at least 2% below its intraday high.
Buy on close. Sell X days later. $100k/trade. 1993 - present.

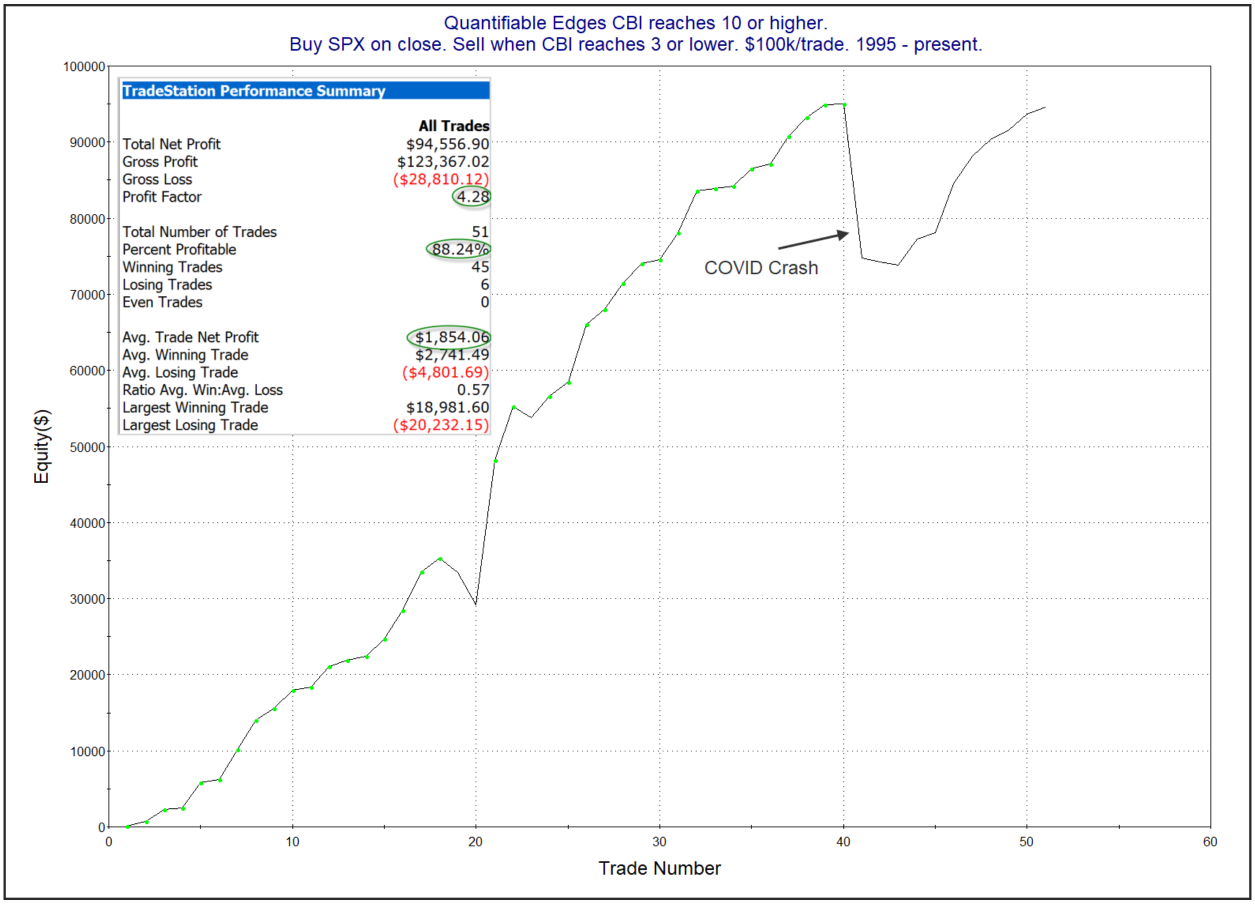
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Max Winning Trade | All: Max Losing Trade | All: Avg Winning Trade | All: Avg Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 5 | 25,677.19 | 19 | 12 | 7 | 63.16 | 6,086.66 | -2,628.75 | 2,966.60 | -1,417.42 | 2.09 | 3.59 | 1,351.43 |
| 4 | 24,921.51 | 19 | 13 | 6 | 68.42 | 7,872.42 | -3,698.64 | 2,863.04 | -2,049.66 | 1.40 | 3.03 | 1,311.66 |
| 3 | 15,565.42 | 19 | 13 | 6 | 68.42 | 4,772.75 | -6,717.24 | 2,221.88 | -2,219.83 | 1.00 | 2.17 | 819.23 |
| 2 | 8,437.86 | 19 | 12 | 7 | 63.16 | 5,087.19 | -4,192.32 | 1,978.18 | -2,185.76 | 0.91 | 1.55 | 444.10 |
| 1 | 2,686.75 | 19 | 11 | 8 | 57.89 | 3,649.75 | -3,230.89 | 1,415.02 | -1,609.81 | 0.88 | 1.21 | 141.41 |

The overall numbers appear squarely positive. I figured it was at least worth looking at the equity curve.




While a bit choppy, this curve does head from lower left to upper right. This study appears worth some consideration.

Also notable about Wednesday's action is that the Quantifiable Edges Capitulative Breadth Indicator (CBI) rose to 12. I have generally viewed 10+ as strongly bullish over the years. The study below is one I have shown many times before. It looks at SPX performance if you were to buy the index when the CBI reached 10 or higher and then sell when it returned back down to 3 or lower. Results are updated.

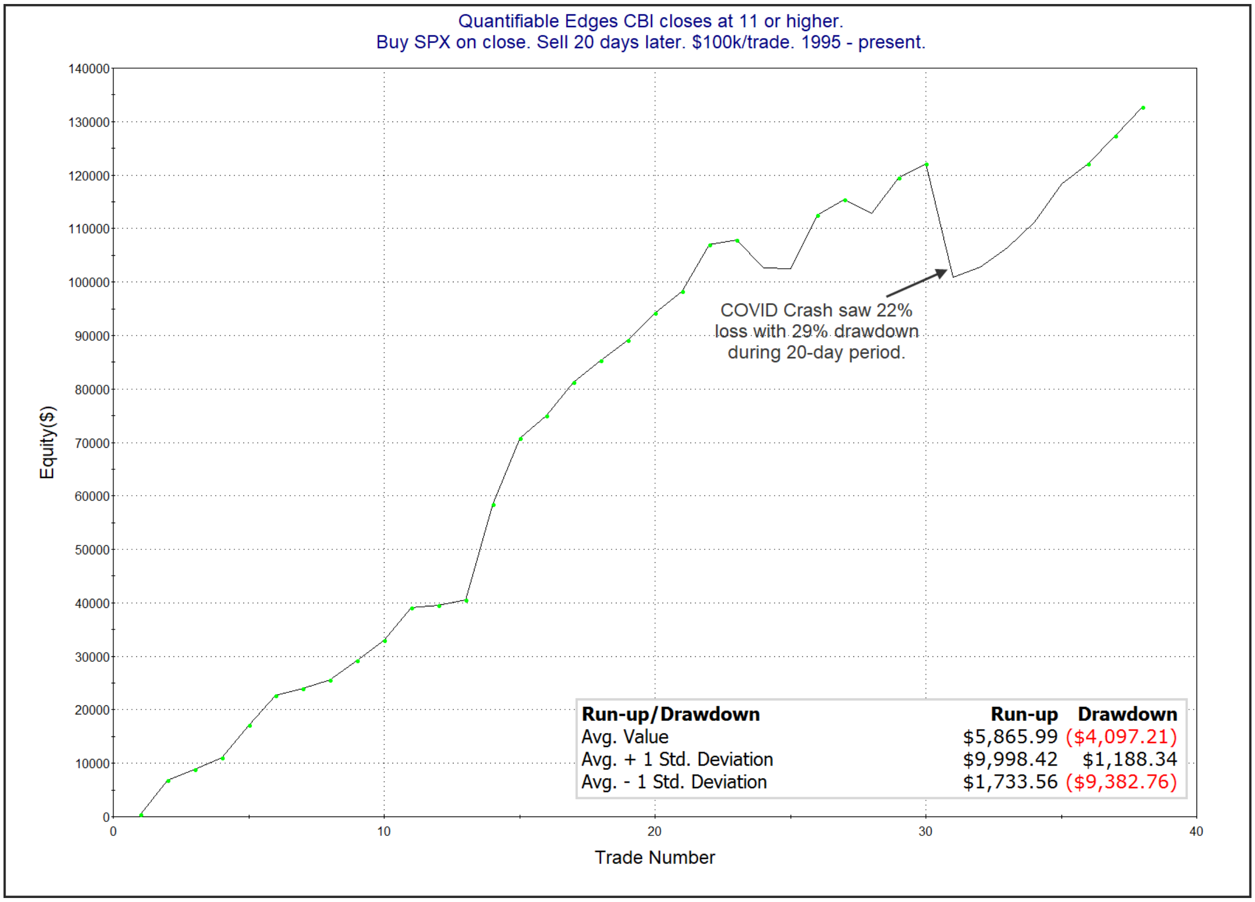



The COVID Crash in March of 2020 accounted for most of the gross losses. Other than that instance, the strategy would have performed very well over the years. And the last 8 instances have all closed higher, making for a nice run since the start of 2022.

I have also shown in the past that readings of 11 or higher have been a bullish intermediate-term indication. The study below is one I have shared several times, most recently in the 4/18/24 letter.

| Quantifiable Edges CBI closes at 11 or higher. Buy SPX on close. Sell X days later. $100k/trade. 1995 - 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 |
| 20 | 127,308.88 | 37 | 33 | 4 | 89.19 | 17,878.08 | -21,107.28 | 4,741.24 | -7,288.03 | 0.65 | 5.37 | 3,440.78 |
| 19 | 115,559.01 | 37 | 31 | 6 | 83.78 | 17,534.88 | -27,615.11 | 4,903.41 | -6,074.43 | 0.81 | 4.17 | 3,123.22 |
| 18 | 114,079.73 | 37 | 32 | 5 | 86.49 | 20,061.36 | -25,521.99 | 4,538.39 | -6,229.73 | 0.73 | 4.66 | 3,083.24 |
| 17 | 111,858.79 | 37 | 33 | 4 | 89.19 | 21,217.68 | -22,283.42 | 4,273.80 | -7,294.13 | 0.59 | 4.83 | 3,023.21 |
| 16 | 101,440.66 | 37 | 34 | 3 | 91.89 | 15,329.16 | -22,633.41 | 3,852.50 | -9,848.15 | 0.39 | 4.43 | 2,741.64 |
| 15 | 94,544.20 | 37 | 29 | 8 | 78.38 | 17,338.20 | -18,569.62 | 4,205.64 | -3,427.43 | 1.23 | 4.45 | 2,555.25 |
| 14 | 64,243.50 | 38 | 29 | 9 | 76.32 | 15,991.80 | -23,004.48 | 3,833.80 | -5,215.20 | 0.74 | 2.37 | 1,690.62 |
| 13 | 86,710.50 | 39 | 31 | 8 | 79.49 | 19,377.60 | -12,932.89 | 3,925.85 | -4,373.87 | 0.90 | 3.48 | 2,223.35 |
| 12 | 70,494.97 | 39 | 30 | 9 | 76.92 | 17,982.36 | -20,074.67 | 3,703.18 | -4,511.17 | 0.82 | 2.74 | 1,807.56 |
| 11 | 85,065.80 | 39 | 29 | 10 | 74.36 | 20,758.32 | -11,991.73 | 3,973.46 | -3,016.46 | 1.32 | 3.82 | 2,181.17 |
| 10 | 74,645.70 | 39 | 26 | 13 | 66.67 | 16,319.16 | -7,625.38 | 3,758.79 | -1,775.60 | 2.12 | 4.23 | 1,913.99 |
| 9 | 77,186.29 | 39 | 29 | 10 | 74.36 | 12,246.96 | -11,831.15 | 3,516.95 | -2,480.52 | 1.42 | 4.11 | 1,979.14 |
| 8 | 70,804.77 | 39 | 31 | 8 | 79.49 | 15,615.60 | -5,568.00 | 3,058.23 | -3,000.03 | 1.02 | 3.95 | 1,815.51 |
| 7 | 73,822.13 | 39 | 29 | 10 | 74.36 | 12,720.84 | -4,980.00 | 3,279.35 | -2,127.89 | 1.54 | 4.47 | 1,892.88 |
| 6 | 69,472.80 | 40 | 31 | 9 | 77.50 | 18,349.11 | -8,839.00 | 2,958.40 | -2,470.83 | 1.20 | 4.12 | 1,736.82 |
| 5 | 73,595.56 | 40 | 30 | 10 | 75.00 | 18,981.60 | -5,174.95 | 3,171.57 | -2,155.16 | 1.47 | 4.41 | 1,839.89 |
| 4 | 63,600.04 | 40 | 28 | 12 | 70.00 | 17,851.68 | -4,365.00 | 3,118.74 | -1,977.06 | 1.58 | 3.68 | 1,590.00 |
| 3 | 24,109.85 | 40 | 25 | 15 | 62.50 | 13,853.40 | -9,701.00 | 2,926.58 | -3,270.31 | 0.89 | 1.49 | 602.75 |
| 2 | 11,089.11 | 40 | 23 | 17 | 57.50 | 13,116.84 | -8,631.00 | 2,539.89 | -2,784.01 | 0.91 | 1.23 | 277.23 |
| 1 | 13,300.66 | 40 | 22 | 18 | 55.00 | 10,716.03 | -6,760.90 | 1,988.77 | -1,691.79 | 1.18 | 1.44 | 332.52 |

Looking out over the next several weeks, the stats are (almost) all very impressive. The one exception is the Max Losing Trade. And you can guess when that was.



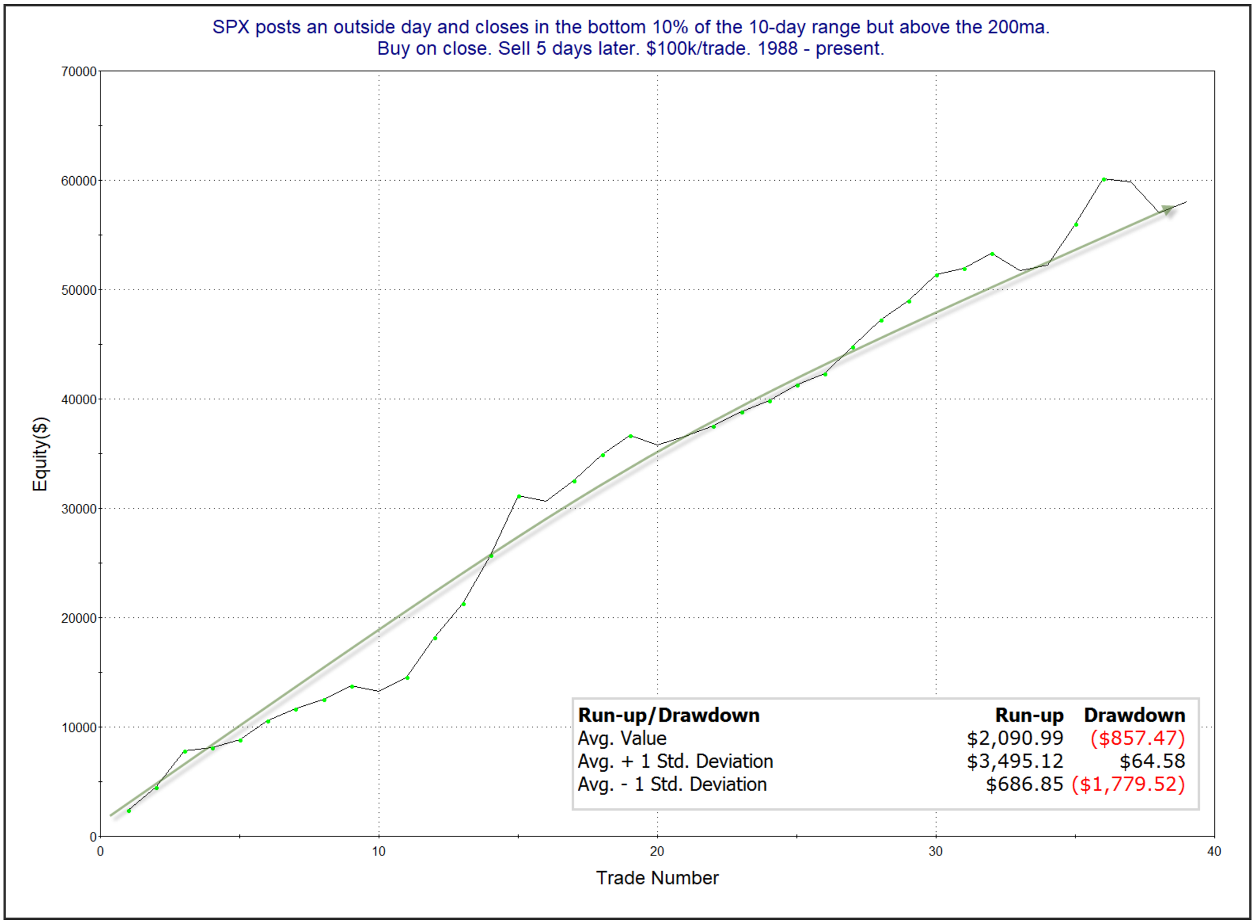

Even with the COVID Crash included, this study has made it back to new highs and beyond. Overall, I view the CBI spike over the last few days to be a favorable indication for both the short and intermediate-term.

The big outside day that SPX put in is notable. (An outside day is a day where the market makes a higher high and a lower low than the day before.) The study below was last seen in the 4/5/24 letter. It examines the implications of an outside day occurring and putting the SPX near the lower end of its range during a long-term uptrend.

SPX posts an outside day and closes in the bottom 10% of the 10-day range but above the 200ma.
Buy on close. Sell X days later. $100k/trade. 1988 - 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 | 58,048.54 | 39 | 33 | 6 | 84.62 | 5,460.84 | -2,809.18 | 1,959.73 | -1,103.77 | 1.78 | 9.77 | 1,488.42 |
| 4 | 42,912.79 | 40 | 29 | 11 | 72.50 | 5,187.49 | -2,964.25 | 1,806.01 | -860.13 | 2.10 | 5.54 | 1,072.82 |
| 3 | 36,704.77 | 40 | 27 | 13 | 67.50 | 5,339.18 | -1,665.30 | 1,693.00 | -692.79 | 2.44 | 5.08 | 917.62 |
| 2 | 26,505.51 | 43 | 30 | 13 | 69.77 | 3,591.28 | -1,807.08 | 1,135.66 | -581.88 | 1.95 | 4.50 | 616.41 |
| 1 | 9,908.92 | 43 | 33 | 10 | 76.74 | 1,409.32 | -1,799.08 | 601.23 | -993.17 | 0.61 | 2.00 | 230.44 |

Results here appear quite bullish. Not only is the consistency impressive, but the size of the average trade is very large for using a "> 200ma" filter. And it isn't just the numbers that look good. Here is the profit curve.

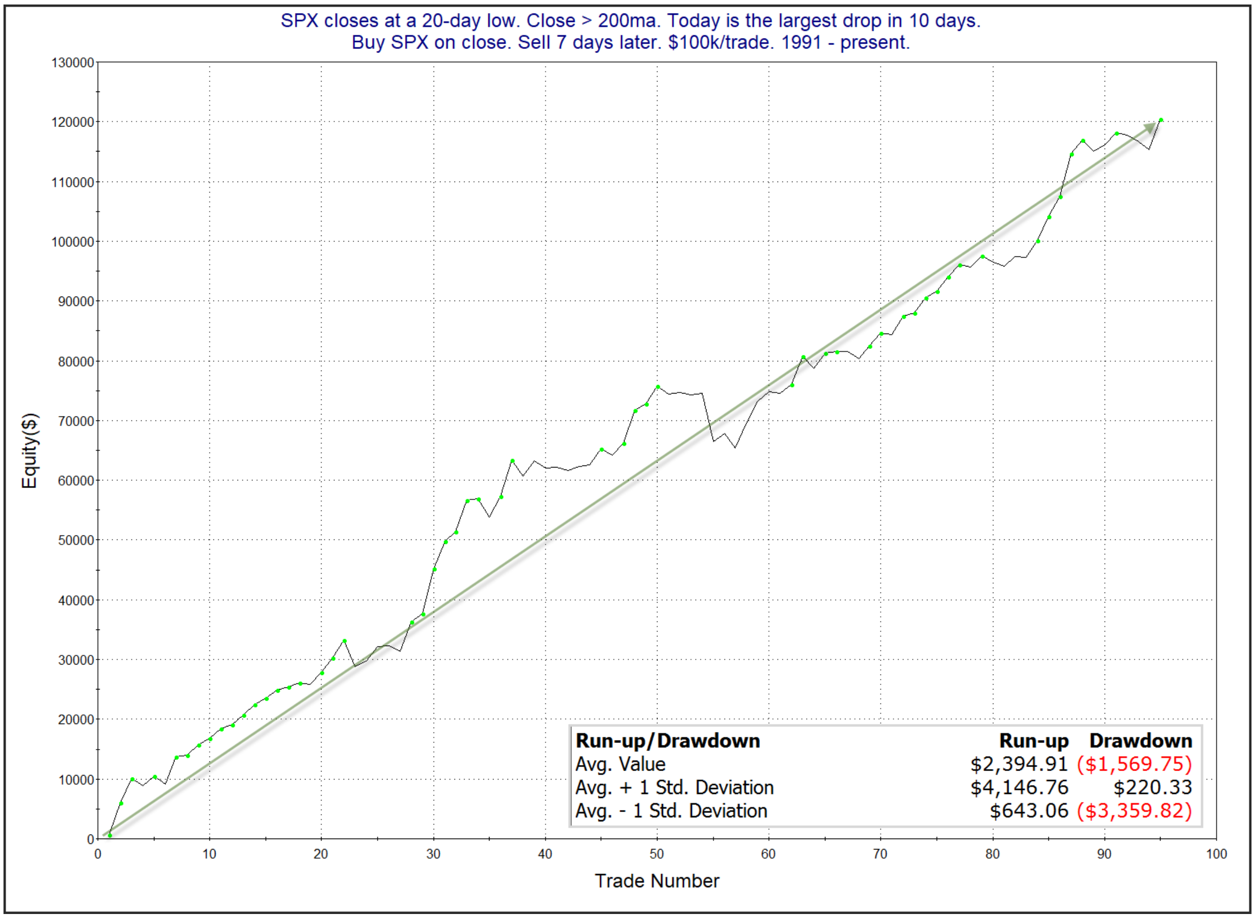



The consistency of the upslope is compelling. I have included this study on the Active List tonight.

The selloff in SPX put it at a 20-day low. In the 9/24/20 letter I showed a study that examined large losses that finished at intermediate-term lows. I have updated that study below.

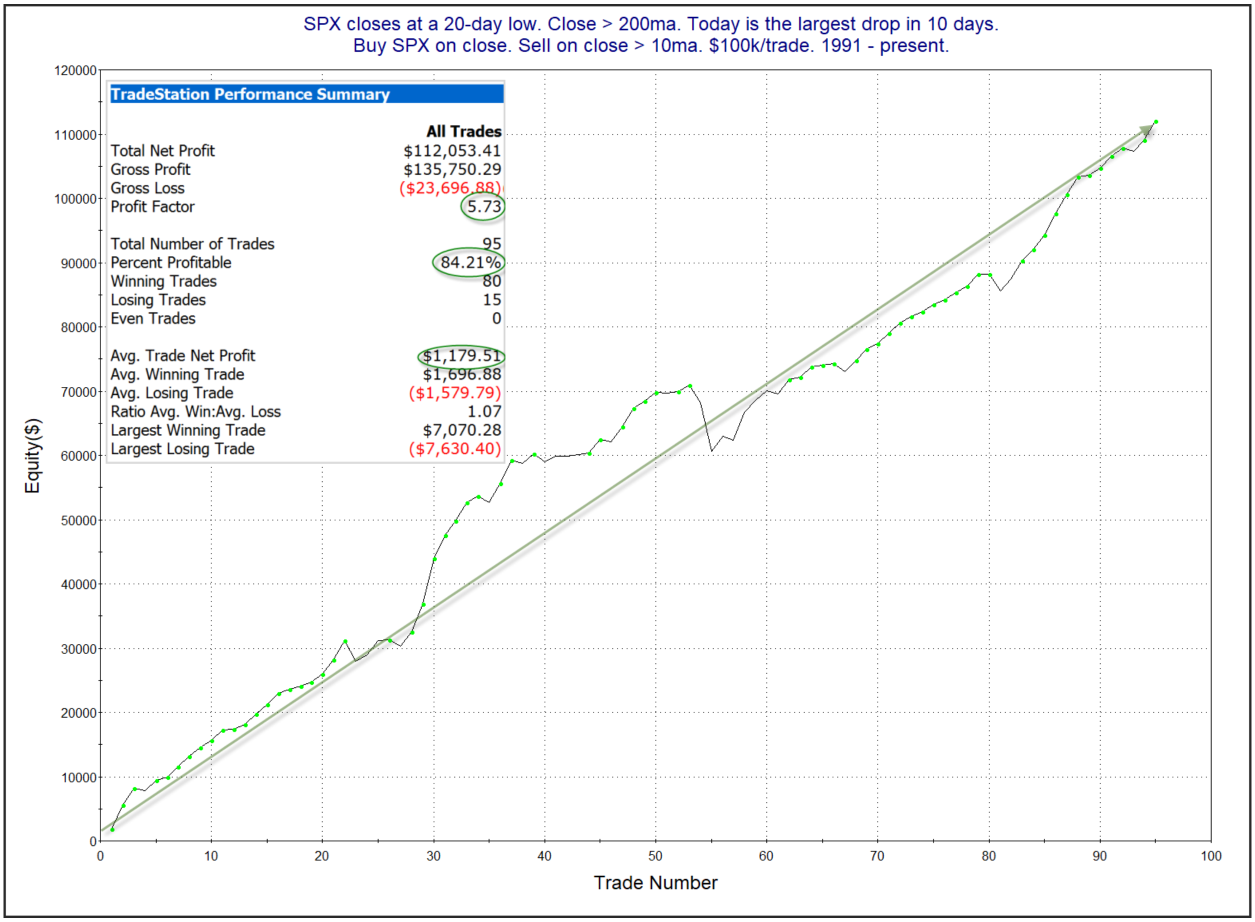
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Max Winning Trade | All: Max Losing Trade | All: Avg Winning Trade | All: Avg Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SPX closes at a 20-day low. Close > 200ma. Today is the largest drop in 10 days. Buy SPX on close. Sell X days later. $100k/trade. 1991 - present. | | | | | | | | | | | | |
| 10 | 99,823.37 | 90 | 62 | 28 | 68.89 | 9,048.90 | -13,993.88 | 2,651.59 | -2,306.26 | 1.15 | 2.55 | 1,109.15 |
| 9 | 119,220.07 | 91 | 69 | 22 | 75.82 | 8,235.00 | -10,059.36 | 2,364.47 | -1,996.73 | 1.18 | 3.71 | 1,310.11 |
| 8 | 112,244.87 | 93 | 68 | 25 | 73.12 | 8,384.10 | -14,092.68 | 2,452.87 | -2,182.00 | 1.12 | 3.06 | 1,206.93 |
| 7 | 120,401.95 | 95 | 68 | 27 | 71.58 | 7,500.06 | -8,018.76 | 2,351.82 | -1,463.76 | 1.61 | 4.05 | 1,267.39 |
| 6 | 113,947.61 | 97 | 71 | 26 | 73.20 | 7,272.06 | -7,966.32 | 2,213.79 | -1,662.74 | 1.33 | 3.64 | 1,174.72 |
| 5 | 96,383.16 | 98 | 63 | 35 | 64.29 | 7,070.28 | -3,385.80 | 2,090.23 | -1,008.60 | 2.07 | 3.73 | 983.50 |
| 4 | 67,708.19 | 100 | 65 | 35 | 65.00 | 4,731.13 | -3,863.84 | 1,735.85 | -1,289.20 | 1.35 | 2.50 | 677.08 |
| 3 | 53,299.01 | 100 | 65 | 35 | 65.00 | 4,277.94 | -5,331.20 | 1,475.29 | -1,216.99 | 1.21 | 2.25 | 532.99 |
| 2 | 51,374.93 | 101 | 67 | 34 | 66.34 | 4,809.66 | -3,863.25 | 1,196.07 | -845.93 | 1.41 | 2.79 | 508.66 |
| 1 | 19,358.29 | 104 | 65 | 39 | 62.50 | 5,117.46 | -2,162.04 | 743.26 | -742.40 | 1.00 | 1.67 | 186.14 |

Results here are quite bullish.  Below is a look at the 7-day profit curve.



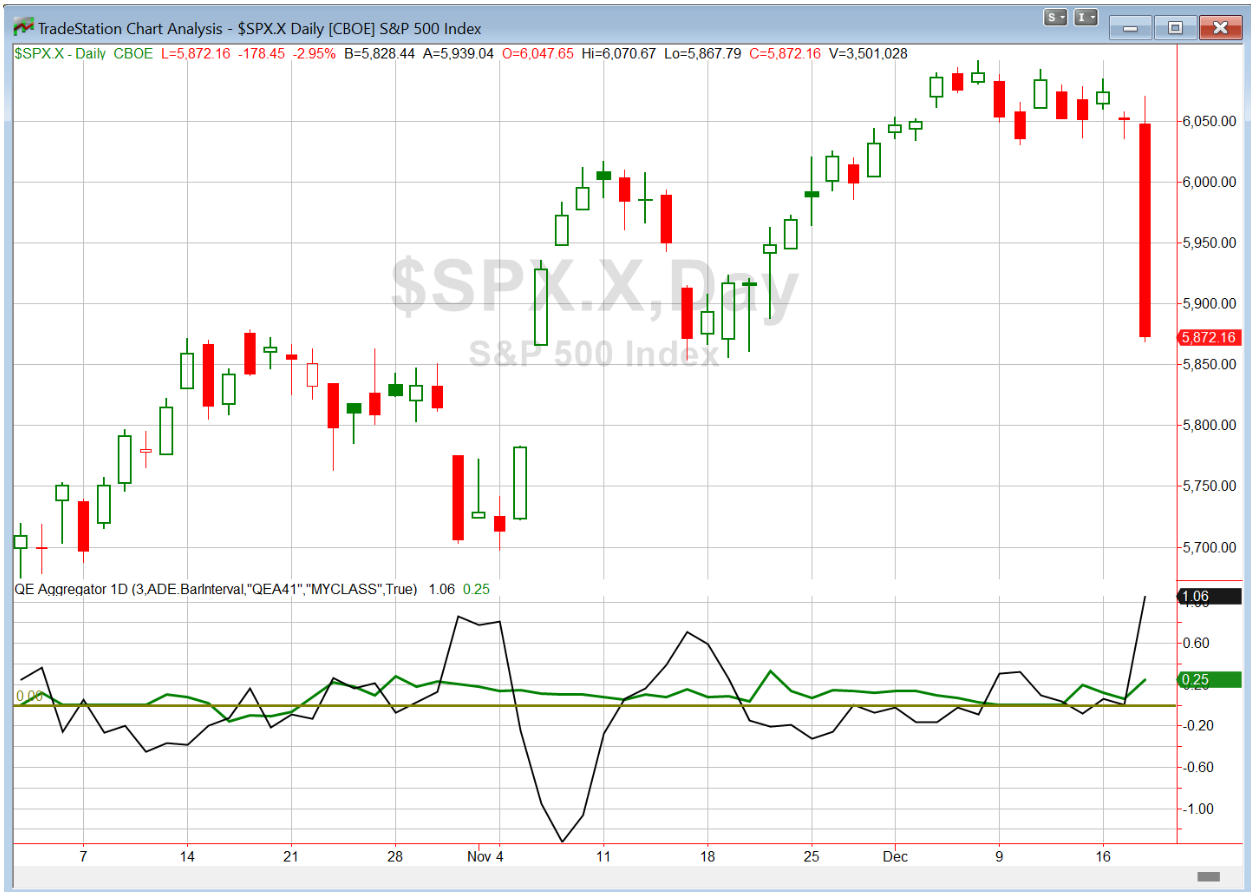

That is a nice looking curve heading in a fairly straight line from lower left to upper right.

Some subscribers may recognize the setup as numbered-system 110524. Results below are also updated and they utilize the system exit strategy rather than a simple day count.




As you can see, waiting for a reversion to exit has often been a good way to go. You'll note the largest losing trade is a big one. It triggered shortly before the US debt downgrade in 2011. But the big drop was made up for fairly quickly and the upward slope continues to impress.

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

Based on the current list of active studies, expectations are slated to remain bullish on Thursday. Of This is unlikely to change. Meanwhile, the Differential Pivot will be 6087.44. That is 3.7% above Wednesday's close. Therefore, SPX will need to close up a whopping 3.7% on Thursday in order to flip from oversold to overbought versus recent expectations. I don't see that happening.

So the Aggregator is bullish. Evidence is suddenly strong, and the SPX is extremely oversold. I've been waiting for a compelling setup, and this appears to be one. I will look to add long exposure on Thursday if I can get filled at reasonable prices.

***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 (bought @ limit)
DOW – 1/3 @ $40.11 (buy @ limit) – not filled, cancel for now
LMT – 1/3 @ $490.61 (bought @ limit)
XOM – 1/3 @ $108.01 (bought @ limit)
TMUS – 1/3 @ $220.71 (bought @ limit)
*New*
AMGN – 1/3 @ $258.78 (buy @ limit)
XOM – 1/3 @ $106.42 (buy @ limit)
TMUS – 1/3 @ $220.69 (buy @ limit)
LMT – 1/3 @ $482.94 (buy @ limit)
EMR – 1/3 @ $122.38 (buy @ limit)
SCHW – 1/3 @ $73.97 (buy @ limit)

***Broad Market Large Cap CBI – 12(DE, TMUS-3, DOW, LMT-2, XOM-2, AMGN, EMR, SCHW)***

## 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*.

**The following Catapults will all be looked for:**

AMGN – 1/3 @ $258.78 (buy @ limit)
XOM – 1/3 @ $106.42 (buy @ limit)
TMUS – 1/3 @ $220.69 (buy @ limit)
LMT – 1/3 @ $482.94 (buy @ limit)
EMR – 1/3 @ $122.38 (buy @ limit)
SCHW – 1/3 @ $73.97 (buy @ limit)

**SPY – Buy ¼ index position @ $587.00 LIMIT**. Based on the short-term outlook above, I will look to take on a small lot of SPY if I can get it even a bit above the close on Wednesday.

**SPY – Buy ¼ index position @ $586.27 LIMIT ON CLOSE**. I will buy a 2nd lot on any down close.

## Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes |
|---|---|---|---|---|---|
| DE(1/3) | 12/11/2024 | $439.48 | $443.59 | 0.94% | Catapult |
| *Not updated tonight...new positions were added in TMUS(2x), LMT and XOM.* | | | | | |
| *Will update tomorrow.* | | | | | |
| | | | | | |