

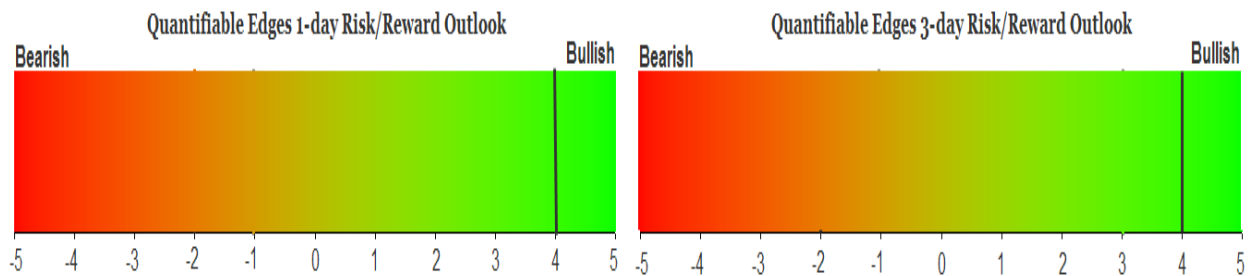
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 20, 2024

Volume 17 Issue 246

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	16

Tonight's Research Points

- Several bullish studies are again shown...and one that suggests bearish intraday implications for Friday.

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 more long exposure.

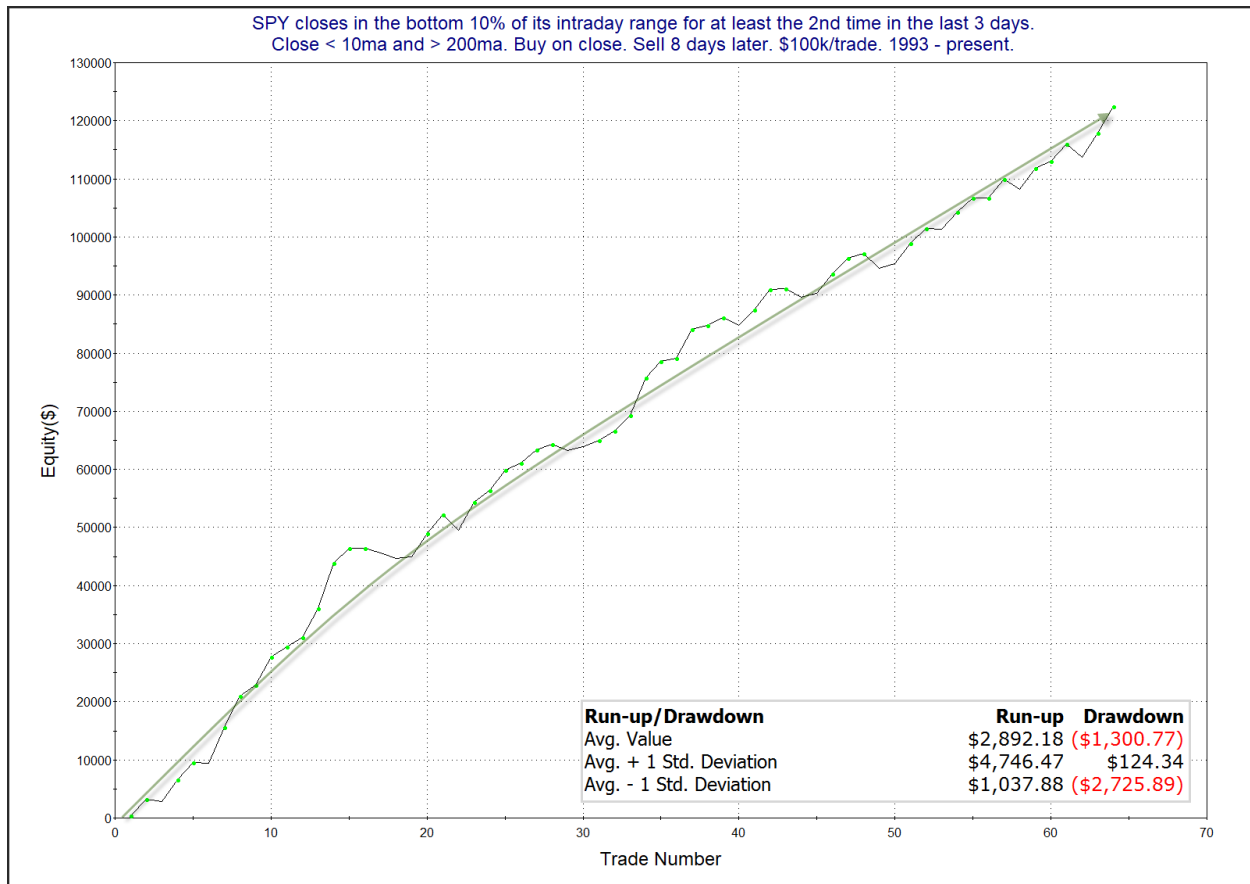
The Evidence

The market tried to bounce on Thursday. But it did not do a very good job, and most indices closed lower.

Closes that occur right near the high or the low of the day can serve as a sort of sentiment reading. Traders are looking to get in or get out at the worst prices of the day because their perception of risk, and what might occur tomorrow. This late-day reaction is often an overreaction, and prices will often rebound in the short term. Thursday we saw traders selling hard at the end of the day, despite being offered the worst prices that they saw all day. This also happened on Wednesday. This triggered a study from the 11/4/24 letter that examined times SPY closed in the bottom 10% of its intraday range for at least the 2nd time in the last 3 days. Updated results can be seen in the table below.

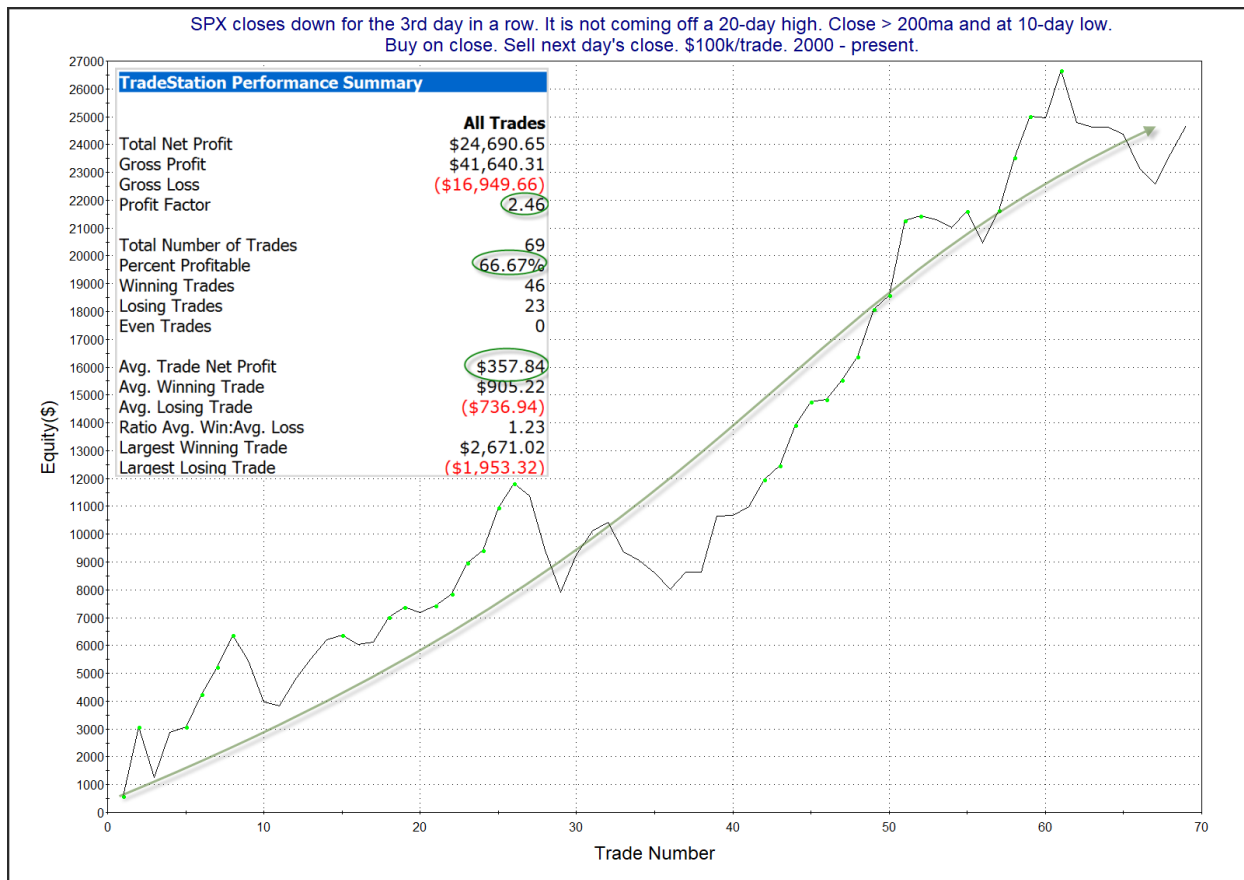
SPY closes in the bottom 10% of its intraday range for at least the 2nd time in the last 3 days. Close < 10ma and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	126,536.83	63	51	12	80.95	9,282.24	-2,690.64	2,815.59	-1,421.53	1.98	8.42	2,008.52
9	124,841.51	64	52	12	81.25	7,585.77	-2,770.56	2,672.79	-1,178.63	2.27	9.83	1,950.65
8	122,421.17	64	52	12	81.25	7,858.26	-2,601.84	2,652.02	-1,290.33	2.06	8.91	1,912.83
7	107,869.12	64	46	18	71.88	8,324.13	-2,645.44	2,737.21	-1,002.37	2.73	6.98	1,685.46
6	88,804.47	64	51	13	79.69	6,100.26	-4,158.00	2,146.29	-1,588.96	1.35	5.30	1,387.57
5	79,006.67	66	49	17	74.24	5,634.39	-3,578.85	2,044.77	-1,246.29	1.64	4.73	1,197.07
4	71,772.20	66	49	17	74.24	4,299.75	-3,268.58	1,866.62	-1,158.37	1.61	4.64	1,087.46
3	52,731.94	67	47	19	70.15	4,069.77	-2,610.72	1,535.63	-1,023.29	1.50	3.71	787.04
2	39,891.78	70	51	18	72.86	4,479.35	-2,760.94	1,145.80	-1,030.22	1.11	3.15	569.88
1	16,046.25	76	48	28	63.16	2,584.26	-3,744.92	866.87	-912.99	0.95	1.63	211.13

The numbers suggest a substantial upside edge over the next couple of weeks. Below is a look at an 8-day profit curve.



The strong upslope and minimal drawdowns support the numbers, and serve as some confirmation of the bullish tendency. I have included this study on the Active List tonight.

One theme among many some the studies in the Quantifinder is that the SPX is now experiencing a 3-day pullback. A simple 3-day pullback will often suggest a short-term upside edge. And times when the market is in a long-term uptrend that edge is often more consistent. Below is a pullback study that appeared in the 5/9/19 letter. It examined pullbacks during uptrends that did not originate at intermediate-term highs, and suggests a 1-day upside edge.



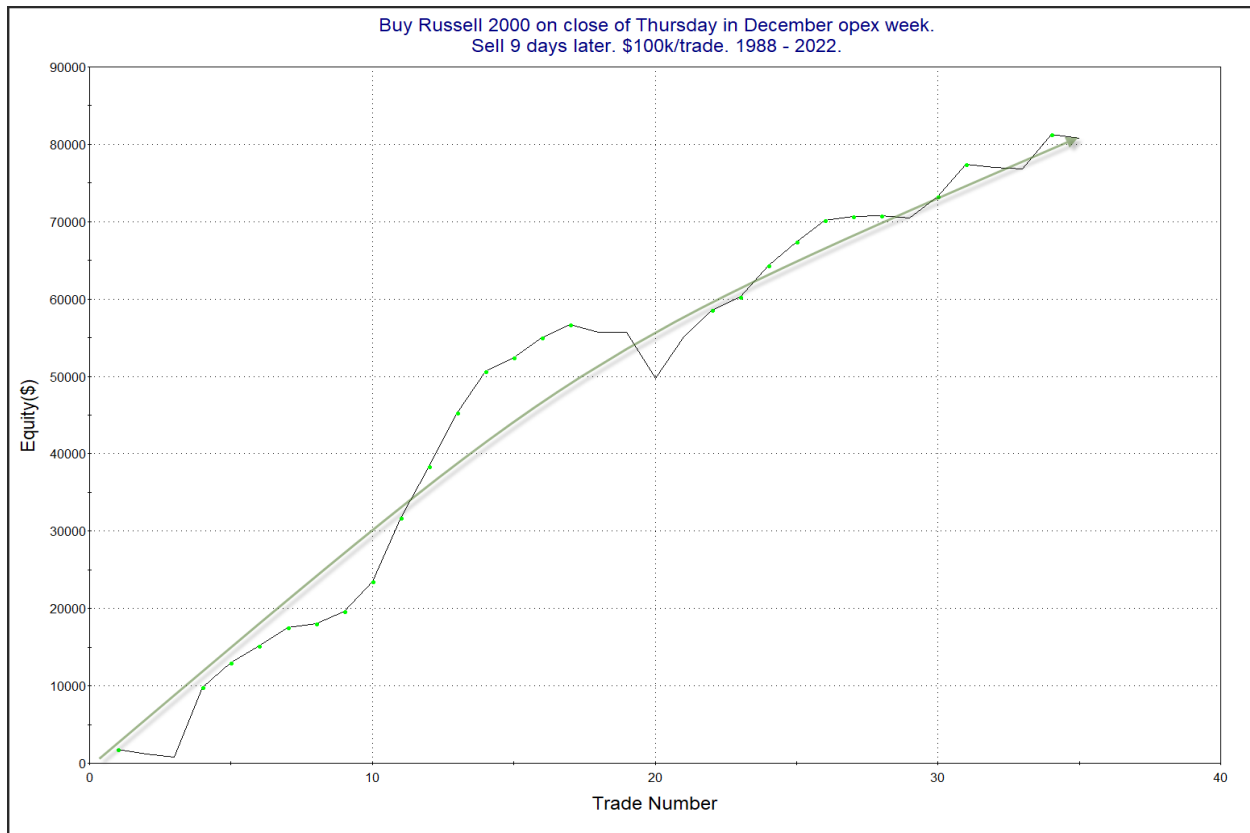
Not as impressive as the previous study, but just something else suggesting a bounce.

Next is a study I have shown for several years that looks at buying the Russell 2000 on opex Thursday in December and holding for up to 2 weeks.

Buy Russell 2000 on close of Thursday in December opex week.
Sell X days later. \$100k/trade. 1988 - 2022.

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	80,140.88	35	25	10	71.43	10,279.71	-5,643.30	3,869.45	-1,659.55	2.33	5.83	2,289.74
9	80,812.77	35	27	8	77.14	9,009.63	-5,973.50	3,332.75	-1,146.45	2.91	9.81	2,308.94
8	65,640.91	35	28	7	80.00	7,115.85	-2,948.40	2,630.75	-1,145.72	2.30	9.18	1,875.45
7	62,287.37	35	28	7	80.00	7,790.58	-1,809.60	2,484.39	-1,039.35	2.39	9.56	1,779.64
6	50,846.01	35	26	9	74.29	6,599.88	-2,720.64	2,244.56	-834.71	2.69	7.77	1,452.74
5	38,410.60	35	25	10	71.43	4,892.25	-3,194.64	2,008.02	-1,178.98	1.70	4.26	1,097.45
4	32,106.91	35	26	9	74.29	4,413.75	-3,892.32	1,740.56	-1,460.86	1.19	3.44	917.34
3	24,454.68	35	24	11	68.57	3,814.20	-2,650.68	1,614.87	-1,300.19	1.24	2.71	698.71
2	5,123.48	35	19	16	54.29	3,495.70	-4,431.00	1,341.83	-1,273.20	1.05	1.25	146.39
1	9,312.20	35	19	16	54.29	2,299.70	-2,543.25	921.61	-512.39	1.80	2.14	266.06

Results here are very strong. But a look at the max loss column shows you that it has not been without risk. Below is an equity curve that assumes a 9-day exit strategy.



That is a strong looking curve.

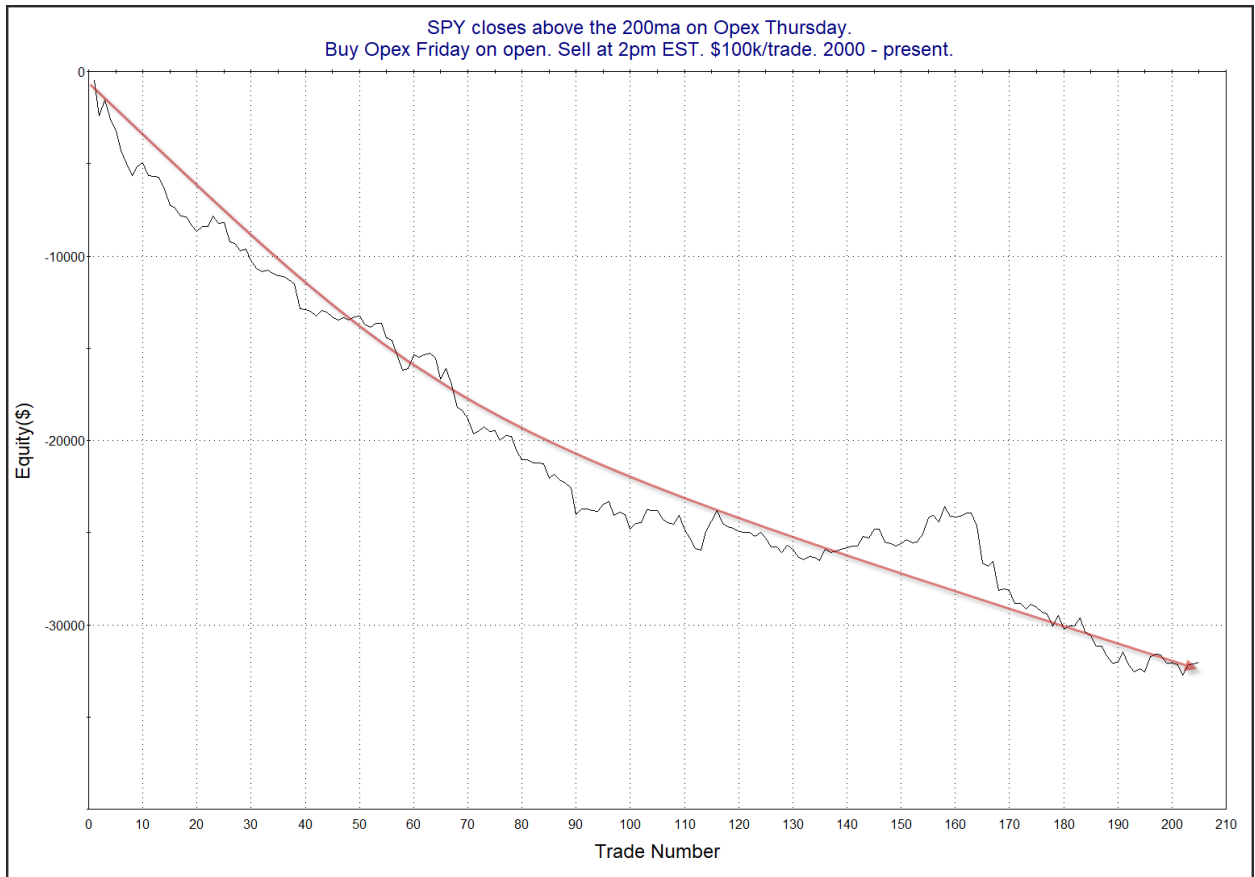
Of course Friday is options expiration (opex). Options expiration has long been a day that has seen weakness after the opening bell. The studies below are some that I have shown several times over the years. The stats and commentary is copied from the 11/15/24 letter.

This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

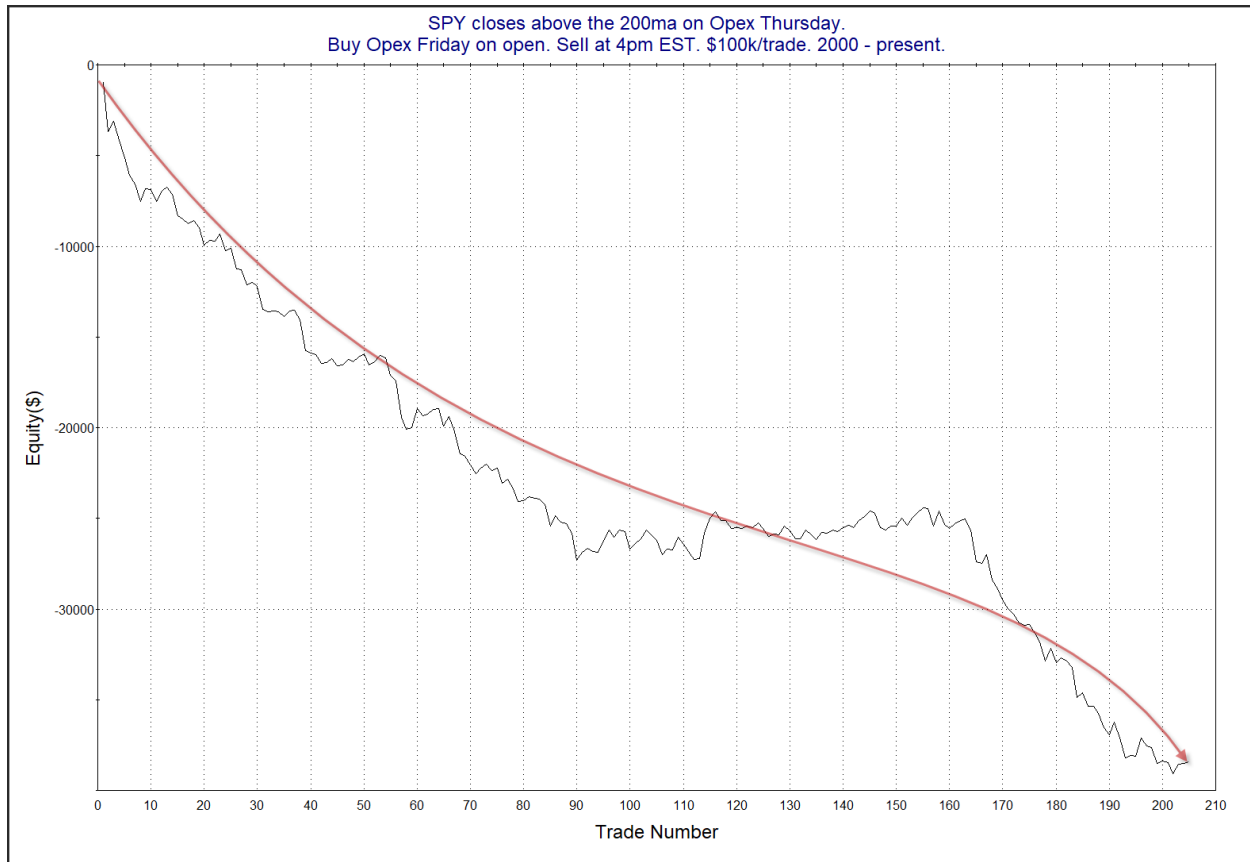
SPY closes above the 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-38,426.28	205	83	122	40.49	1,400.58	-2,746.58	320.05	-532.71	0.60	0.41	-187.45
1,500	-32,610.86	205	83	121	40.49	983.92	-2,315.18	299.22	-474.76	0.63	0.43	-159.08
1,400	-32,017.91	205	71	134	34.63	993.96	-2,000.00	292.02	-393.66	0.74	0.39	-156.18
1,300	-28,806.53	205	74	130	36.10	968.86	-1,324.62	273.60	-377.33	0.73	0.41	-140.52
1,200	-27,214.71	205	72	133	35.12	1,243.06	-1,318.40	260.80	-345.81	0.75	0.41	-132.75
1,100	-21,813.28	205	77	127	37.56	1,020.18	-968.50	215.07	-302.15	0.71	0.43	-106.41
1,000	-18,076.83	205	59	146	28.78	365.47	-629.00	134.13	-178.02	0.75	0.30	-88.18

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

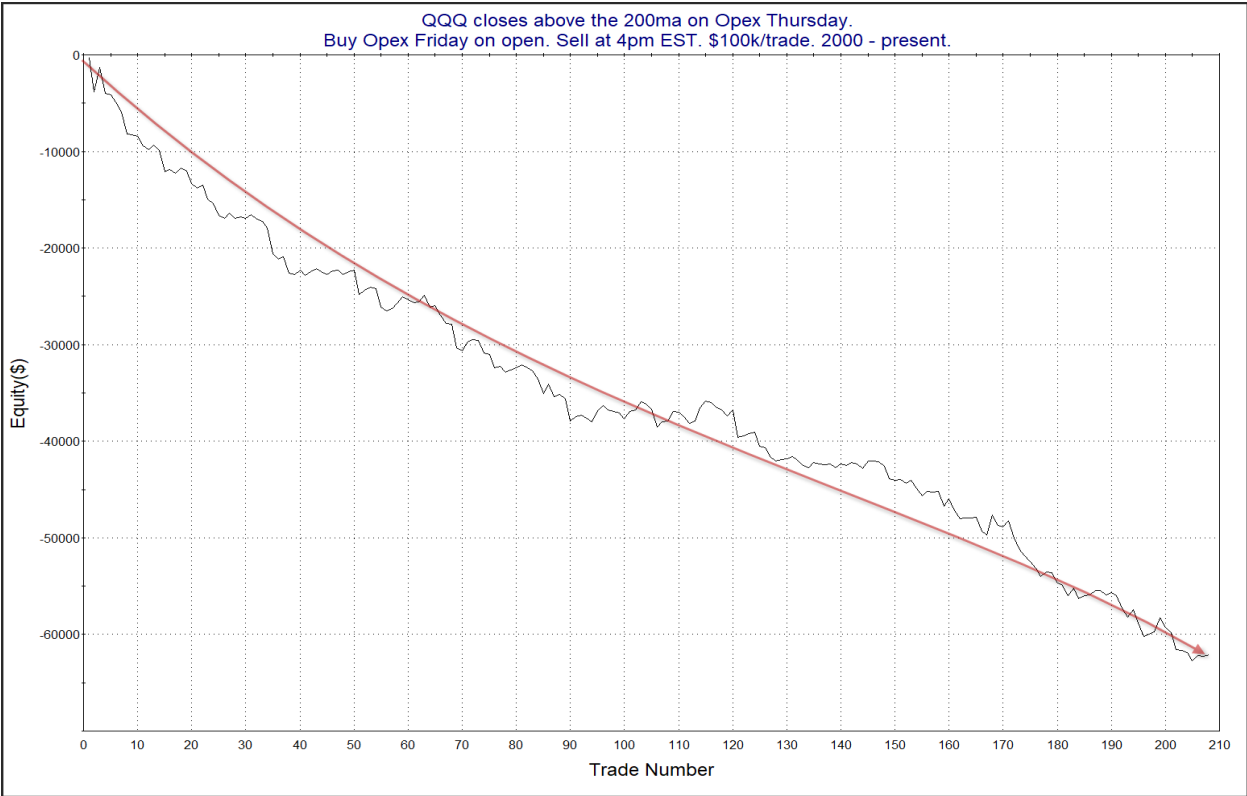
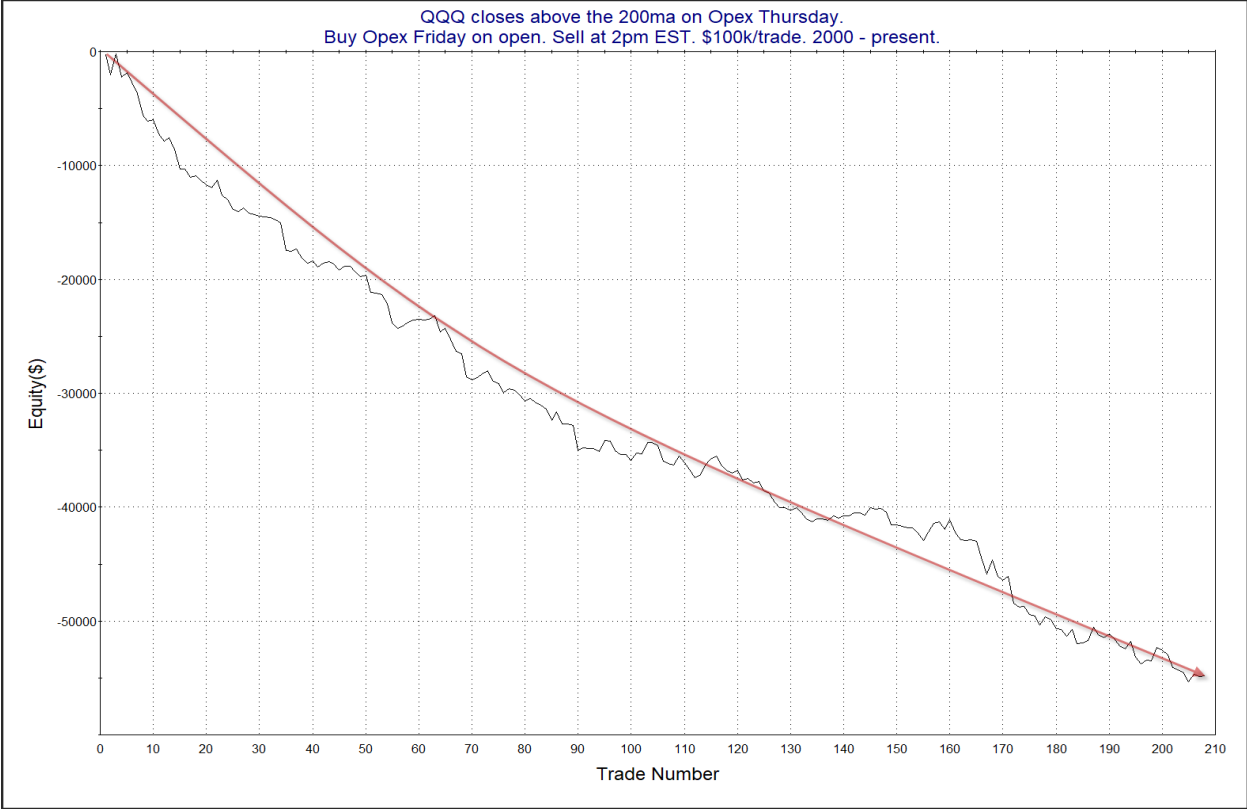


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

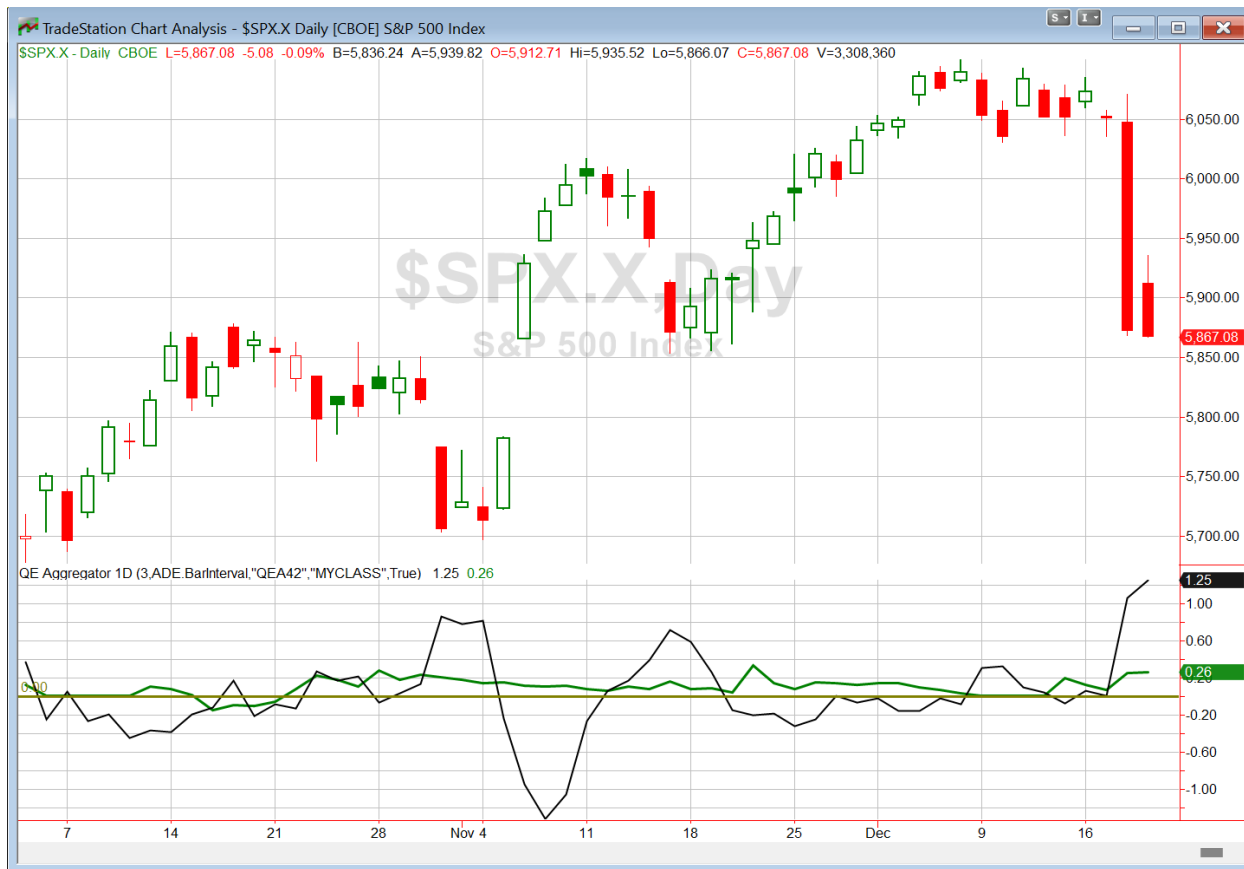
QQQ closes above the 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-62,144.91	208	80	128	38.46	2,516.00	-3,525.88	445.71	-764.08	0.58	0.36	-298.77
1,500	-55,806.19	208	75	131	36.06	1,739.00	-2,590.84	420.82	-666.93	0.63	0.36	-268.30
1,400	-54,795.86	208	67	138	32.21	1,822.25	-2,431.68	403.11	-592.78	0.68	0.33	-263.44
1,300	-47,876.17	208	71	136	34.13	1,655.75	-2,382.80	370.82	-545.62	0.68	0.35	-230.17
1,200	-46,676.32	208	75	132	36.06	2,488.25	-1,843.43	336.24	-544.66	0.62	0.35	-224.41
1,100	-38,871.46	208	70	137	33.65	1,998.00	-1,936.40	352.99	-464.09	0.76	0.39	-186.88
1,000	-30,033.98	208	65	142	31.25	1,332.00	-1,198.29	213.34	-309.16	0.69	0.32	-144.39



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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 again 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 Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 6068.24. That is 3.4% above Thursday's close. Therefore, SPX will need to close up a whopping 3.4% on Friday in order to flip from oversold to overbought versus recent expectations. I don't see that happening.

So the Aggregator is bullish. Evidence continues to build and SPX is oversold, with plenty of upside potential. I like the long side. But opex Fridays have seen difficulty after the bell, so I won't be looking to take on additional long SPY exposure until we get near the NYSE close, and only if SPX finishes down a decent amount on Friday.

*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, *try again*
LMT – 1/3 @ \$490.61 (bought @ limit)
XOM – 1/3 @ \$108.01 (bought @ limit)
TMUS – 1/3 @ \$220.71 (bought @ limit)
AMGN – 1/3 @ \$258.78 (bought @ limit)
XOM – 1/3 @ \$106.42 (bought @ limit)
TMUS – 1/3 @ \$220.69 (bought @ limit)
LMT – 1/3 @ \$482.94 (bought @ limit)
EMR – 1/3 @ \$122.38 (bought @ limit)
SCHW – 1/3 @ \$73.97 (bought @ limit)

New

XOM – 1/3 @ \$105.51 (buy @ limit)
SCHW – 1/3 @ \$73.62 (buy @ limit)
LMT – 1/3 @ \$479.66 (buy @ limit)
MDLZ – 1/3 @ \$59.27 (buy @ limit)

Broad Market Large Cap CBI – 16(DE, TMUS-3, DOW, LMT-3, XOM-3, AMGN, EMR, SCHW-2, MDLZ)

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:

XOM – 1/3 @ \$105.51 (buy @ limit)

SCHW – 1/3 @ \$73.62 (buy @ limit)

LMT – 1/3 @ \$479.66 (buy @ limit)

MDLZ – 1/3 @ \$59.27 (buy @ limit)

DOW – 1/3 @ \$39.10 (buy @ limit)

SPY – Buy ¼ index position @ \$583.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take a 3rd lot of SPY if it closes down a bit on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
DE(1/3)	12/11/2024	\$439.48	\$426.63	-2.92%	Catapult
TMUS(1/3)	12/18/2024	\$219.40	\$218.00	-0.64%	Catapult
TMUS(1/3)	12/18/2024	\$219.40	\$218.00	-0.64%	Catapult
LMT(1/3)	12/18/2024	\$489.50	\$479.66	-2.01%	Catapult
XOM(1/3)	12/18/2024	\$107.57	\$105.51	-1.92%	Catapult
LMT(1/3)	12/19/2024	\$480.00	\$479.66	-0.07%	Catapult
XOM(1/3)	12/19/2024	\$106.42	\$105.51	-0.86%	Catapult
SCHW(1/3)	12/19/2024	\$73.97	\$73.62	-0.47%	Catapult
EMR(1/3)	12/19/2024	\$122.38	\$122.35	-0.02%	Catapult
AMGN(1/3)	12/19/2024	\$258.00	\$261.19	1.24%	Catapult
SPY(1/4)	12/19/2024	\$587.00	\$586.10	-0.15%	Aggregator
SPY(1/4)	12/19/2024	\$586.10	\$586.10	0.00%	Aggregator

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