

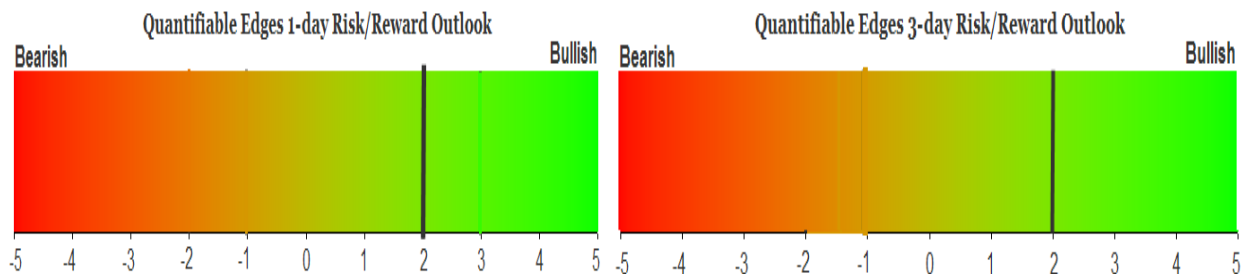
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 23, 2024

Volume 17 Issue 247

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	15

Tonight's Research Points

- “Twas 3 Nights Before Christmas” bullish seasonality triggered at the close on Friday.
- When the market has gone a long time without a strong close in the afternoon, there has often been a strong move higher soon after.
- Fridays are the best days for a rebound from a low to begin.
- Strong intraday moves on opex Friday often lead to more buying the next day.
- SPY’s intraday reversal pattern looks encouraging for the next several days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. It appears there is a good chance that this bounce has further to go. But the Differential Pivot is inverted and SPX could easily turn short-term overbought. So I may dial back my index exposure.

The Evidence

Friday saw the market bounce. SPX closed up 1.1%, the NASDAQ rose 1.0%, and the Russell 2000 gained 0.9%. Breadth was strong as the NYSE Up Issues % closed at 74% and the NYSE Up Volume % posted a 84% reading. NYSE total volume spiked as it often does on opex Friday..

The study below is the “Twas 3 Nights Before Christmas” study. I have shown it each year in the letter. It triggered at the close on Wednesday. I show here how it has performed for a few of the major indices. First...SPX.

Buy SPX on the close 3 trading sessions before Christmas. Sell X days later. \$100k/trade. 1987 - 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	41,151.49	37	28	9	75.68	7,830.30	-4,698.12	2,238.95	-2,393.22	0.94	2.91	1,112.20
9	46,034.54	37	26	11	70.27	7,974.78	-3,644.64	2,549.86	-1,841.99	1.38	3.27	1,244.18
8	50,318.16	37	27	10	72.97	8,333.40	-2,782.08	2,262.16	-1,076.02	2.10	5.68	1,359.95
7	41,507.00	37	26	11	70.27	7,796.76	-1,580.04	1,980.16	-907.01	2.18	5.16	1,121.81
6	30,825.10	37	24	13	64.86	7,752.90	-1,768.23	1,758.45	-875.20	2.01	3.71	833.11
5	36,854.08	37	29	8	78.38	7,247.22	-2,846.94	1,558.78	-1,043.81	1.49	5.41	996.06
4	27,073.64	37	26	11	70.27	5,070.22	-2,380.50	1,466.77	-1,005.68	1.46	3.45	731.72
3	24,825.62	37	27	10	72.97	4,592.40	-1,794.00	1,236.30	-855.45	1.45	3.90	670.96
2	15,484.31	37	27	10	72.97	3,257.17	-4,652.80	972.06	-1,076.13	0.90	2.44	418.49
1	9,984.55	37	27	10	72.97	2,523.24	-2,033.60	671.06	-813.41	0.82	2.23	269.85
34 of 37 instances (92%) closed above the entry price at some point in the next week.												

The stats all appear quite strong. But as I discussed a few times recently, smallcaps rule this time of year. So let's examine some other indices. First let's look at the Russell 2000.

Buy RUT on the close 3 trading sessions before Christmas. Sell X days later. \$100k/trade. 1987 - 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	65,484.49	37	27	10	72.97	11,169.90	-6,361.44	3,349.68	-2,495.69	1.34	3.62	1,769.85
9	69,760.88	37	26	11	70.27	10,353.42	-5,973.50	3,504.13	-1,940.58	1.81	4.27	1,885.43
8	73,549.54	37	28	9	75.68	9,130.50	-2,948.40	3,012.80	-1,200.99	2.51	7.80	1,987.83
7	63,725.19	37	29	8	78.38	7,189.56	-2,529.09	2,545.10	-1,260.35	2.02	7.32	1,722.30
6	61,663.97	37	26	11	70.27	8,941.50	-1,300.32	2,608.34	-559.35	4.66	11.02	1,666.59
5	55,901.83	37	28	9	75.68	11,299.50	-2,385.63	2,227.64	-719.12	3.10	9.64	1,510.86
4	36,967.80	37	26	11	70.27	7,987.50	-3,075.52	1,876.88	-1,075.55	1.75	4.12	999.13
3	37,603.14	37	31	6	83.78	5,136.75	-1,591.20	1,357.10	-744.49	1.82	9.42	1,016.30
2	25,532.42	37	27	10	72.97	4,317.75	-4,431.00	1,281.13	-905.81	1.41	3.82	690.07
1	13,837.86	37	28	9	75.68	2,299.70	-2,543.25	764.27	-840.19	0.91	2.83	374.00
36 of 37 instances (97%) closed above the entry price at some point in the next week.												

Results are substantially stronger here. And last year was the 1st year the Russell went without providing an opportunity for a winning trade on a closing basis. Now the Nasdaq.

Buy NASDAQ on the close 3 trading sessions before Christmas. Sell X days later. \$100k/trade. 1987 - 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	74,774.78	37	28	9	75.68	12,374.58	-5,921.92	3,496.08	-2,568.40	1.36	4.23	2,020.94
9	77,090.35	37	28	9	75.68	11,558.04	-5,039.77	3,470.97	-2,232.99	1.55	4.84	2,083.52
8	82,181.03	37	30	7	81.08	11,915.40	-3,773.60	3,169.37	-1,842.87	1.72	7.37	2,221.11
7	51,693.76	37	24	13	64.86	9,428.34	-2,901.42	2,786.91	-1,168.62	2.38	4.40	1,397.13
6	48,779.63	37	28	9	75.68	9,407.88	-2,186.01	2,117.41	-1,167.53	1.81	5.64	1,318.37
5	48,405.94	37	26	11	70.27	9,436.56	-2,882.56	2,227.42	-864.27	2.58	6.09	1,308.27
4	36,508.24	37	26	11	70.27	8,665.86	-4,464.72	1,833.98	-1,015.93	1.81	4.27	986.71
3	35,282.43	37	28	9	75.68	6,748.14	-3,205.26	1,555.76	-919.89	1.69	5.26	953.58
2	25,242.73	37	26	11	70.27	7,726.74	-5,032.35	1,438.84	-1,106.11	1.30	3.07	682.24
1	12,266.18	37	27	10	72.97	2,423.79	-2,931.30	835.83	-1,030.12	0.81	2.19	331.52

Since its inception in 1971, the only years the NASDAQ failed to close above its entry price at some point in the next week were 1986 and 2022.

Results just keep getting better. And only twice since the inception of the Nasdaq did it go without some kind of move up in the following week.

Lastly, let's look at the NDX.

Buy NDX on the close 3 trading sessions before Christmas. Sell X days later. \$100k/trade. 1987 - 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	75,391.70	37	27	10	72.97	14,814.54	-5,954.34	3,781.98	-2,672.18	1.42	3.82	2,037.61
9	81,396.45	37	27	10	72.97	13,885.04	-5,095.68	3,891.00	-2,366.06	1.64	4.44	2,199.90
8	88,873.06	37	28	9	75.68	14,312.70	-3,052.33	3,690.79	-1,607.66	2.30	7.14	2,401.97
7	56,009.50	37	24	13	64.86	12,691.90	-3,669.30	3,034.56	-1,293.84	2.35	4.33	1,513.77
6	44,888.27	37	26	11	70.27	11,843.52	-2,893.94	2,330.45	-1,427.58	1.63	3.86	1,213.20
5	54,022.10	37	26	11	70.27	11,443.50	-3,226.03	2,586.59	-1,202.66	2.15	5.08	1,460.06
4	42,230.25	37	26	11	70.27	11,245.05	-4,452.24	2,159.07	-1,264.15	1.71	4.04	1,141.36
3	38,807.46	37	26	11	70.27	8,742.60	-3,306.88	1,975.70	-1,141.89	1.73	4.09	1,048.85
2	27,669.60	37	25	12	67.57	10,167.30	-5,501.44	1,727.70	-1,293.58	1.34	2.78	747.83
1	14,911.62	37	26	11	70.27	2,863.84	-3,146.24	1,053.02	-1,133.35	0.93	2.20	403.02

34 of 37 instances (92%) closed above the entry price at some point in the next week.

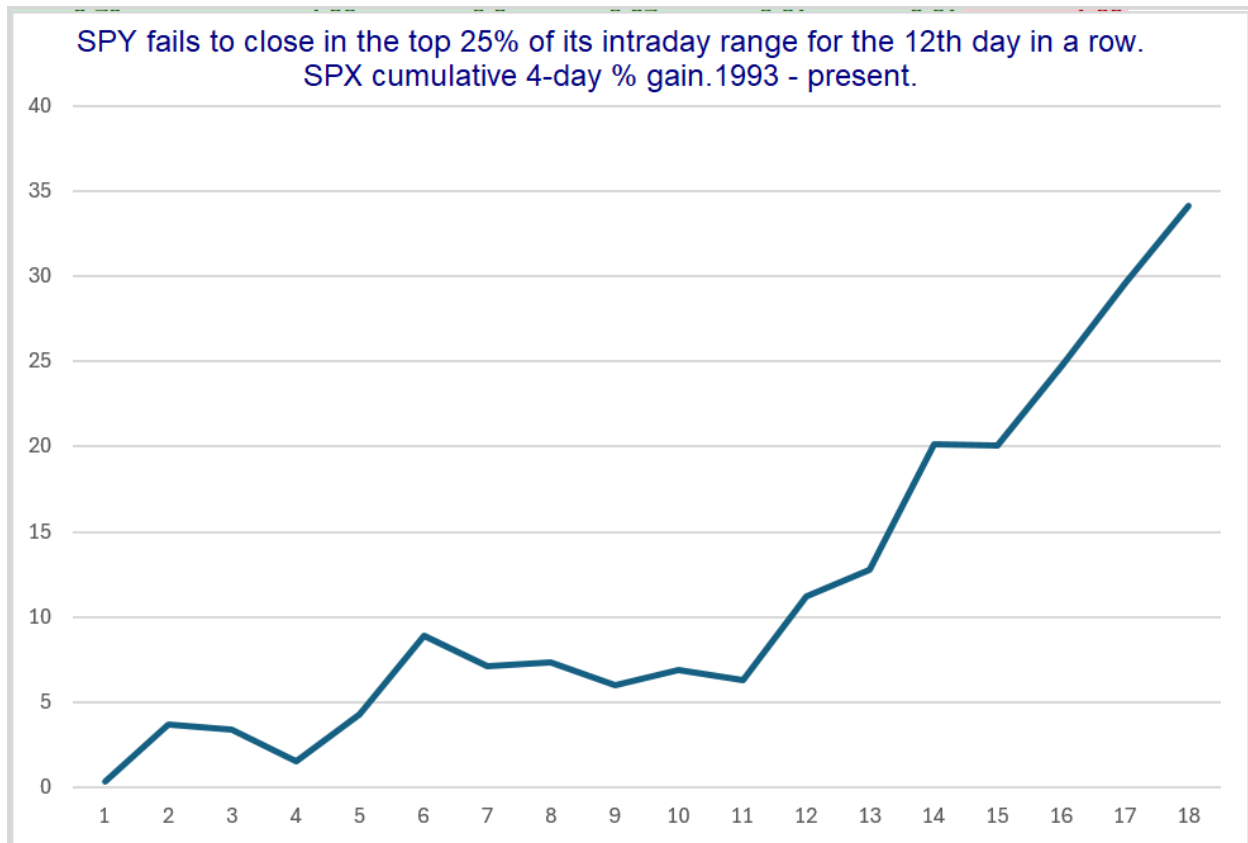
Numbers here are similar to the Nasdaq Composite, but the 8-day profits are the best we see among any of the indices.

What has stood out to me about the recent selloff, including Friday's bounce, has been the inability of the market to hold onto any intraday rally through the afternoon. SPY has not closed in the top 25% of its intraday range since 12/4. That is 12 trading days in a row. In the 8/8/24 letter I looked back at other times that SPY failed to close in the top 25% of its intraday range for the 12th day in a row. I have updated those results below.

SPY fails to close in the top 25% of its intraday range for the 12th day in a row.
SPX forward returns shown.1993 - present.

Ticker	Date/Time	Next Day % Chg	2-Day %Chg	3-Day %Chg	4-Day %Chg	5-Day %Chg
SPY	12/30/1994	-0.03	0.31	0.23	0.31	0.34
SPY	12/23/1997	-0.68	-0.28	1.52	3.38	3.33
SPY	6/22/1999	-0.21	-1.5	-1.54	-0.34	1.17
SPY	8/3/1999	-1.27	-0.64	-1.66	-1.84	-3.08
SPY	12/20/1999	1.08	1.26	2.84	2.75	2.79
SPY	12/21/2000	2.44	3.16	4.24	4.66	3.56
SPY	3/28/2002	-0.07	-0.93	-1.92	-1.83	-2.15
SPY	1/28/2003	0.68	-1.62	-0.33	0.21	-1.2
SPY	7/19/2004	0.71	-0.64	-0.37	-1.34	-1.53
SPY	9/27/2005	0.1	0.99	1.08	0.91	-0.1
SPY	12/13/2005	0.42	0.28	-0.01	-0.59	-0.62
SPY	7/6/2010	3.13	4.1	4.85	4.93	6.54
SPY	6/16/2011	0.3	0.85	2.2	1.54	1.25
SPY	11/25/2011	2.92	3.15	7.62	7.41	7.39
SPY	4/20/2018	0.01	-1.33	-1.15	-0.12	-0.01
SPY	6/3/2019	2.14	2.98	3.61	4.7	5.18
SPY	10/27/2023	1.2	1.86	2.93	4.87	5.85
SPY	8/7/2024	2.3	2.78	2.79	4.52	4.92
	Avg	0.84	0.82	1.50	1.90	1.87
	% Wins	72%	61%	61%	67%	61%

The numbers look compelling. Here is a look at the 4-day profit curve.



The curve is also appealing. Thinking that the next time the market actually put in a day with a strong close might see some powerful short-covering, I looked at what the returns were when the streak finally ended. As it turned out, the streak-ending days averaged a 1.5% gain. So when they finally cannot sell the market down in the afternoon, there is a good chance of a powerful swing in the other direction.

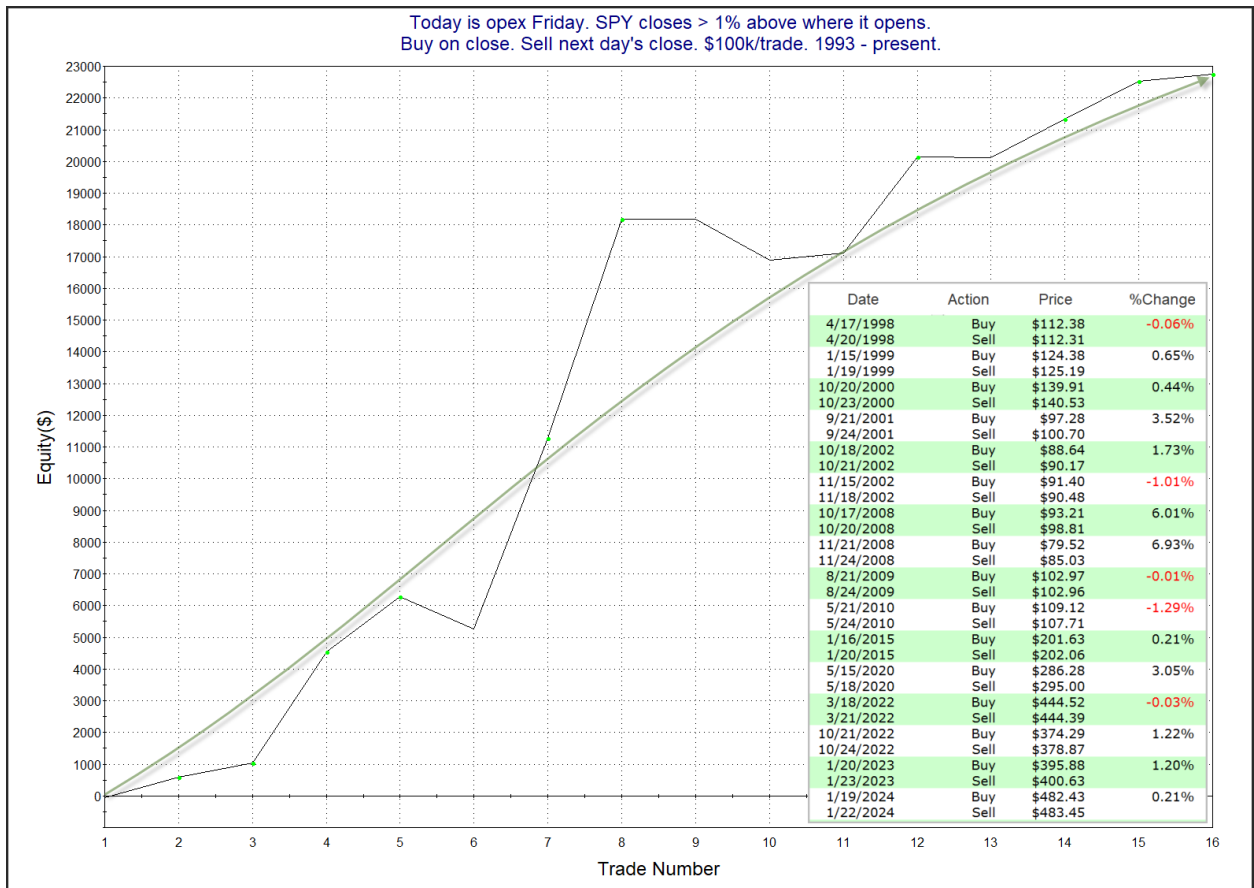
Another oddity about Friday's action is that SPY rallied strongly above the open, and it was opex Friday. I discussed opex Friday tendencies in the Thursday night letter. Typically, you will intraday weakness. From the open to the close there is often a selloff – and rarely do you see an open to close rally as strong as we just saw. The study below looks at other times SPY rose > 1% from the open to the close on Opex Friday. It is updated from the 1/23/23 letter.

Today is opex Friday. SPY closes > 1% above where it opens.
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	49,225.29	16	14	2	87.50	14,430.36	-3,325.08	3,816.71	-2,104.34	1.81	12.70	3,076.58
9	39,049.25	16	10	6	62.50	10,571.37	-2,252.72	4,636.13	-1,218.68	3.80	6.34	2,440.58
8	34,110.57	16	13	3	81.25	10,341.89	-3,058.65	3,075.04	-1,955.00	1.57	6.82	2,131.91
7	32,780.69	16	12	4	75.00	9,804.60	-3,395.98	3,306.90	-1,725.54	1.92	5.75	2,048.79
6	18,283.23	16	12	4	75.00	7,227.75	-9,926.72	2,777.94	-3,763.03	0.74	2.21	1,142.70
5	20,585.97	16	12	4	75.00	7,353.32	-6,614.24	2,463.07	-2,242.71	1.10	3.29	1,286.62
4	28,109.19	16	11	5	68.75	13,286.49	-2,299.08	3,107.23	-1,214.06	2.56	5.63	1,756.82
3	20,986.68	16	11	5	68.75	11,878.65	-2,755.04	2,681.47	-1,701.91	1.58	3.47	1,311.67
2	23,903.77	16	13	3	81.25	7,717.98	-1,190.80	2,037.97	-863.29	2.36	10.23	1,493.99
1	22,748.59	16	11	5	68.75	6,926.07	-1,291.56	2,286.15	-479.82	4.76	10.48	1,421.79

All 16 instances closed above the entry price
at some point in the next 4 days.

This kind of opex Friday intraday rally has always been followed by more strength. And most of the gains have occurred right on Monday. Below is a detailed look at the 1-day performance.

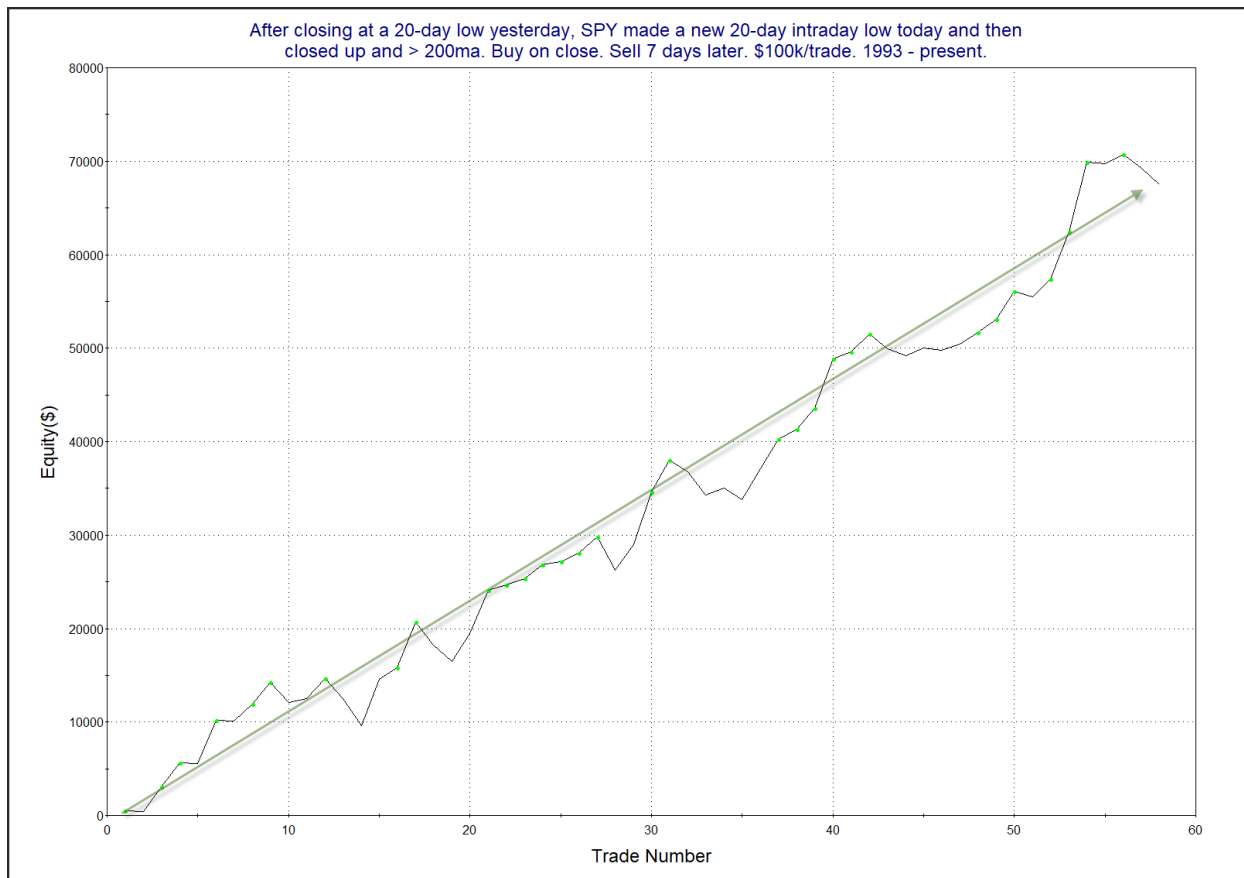


The numbers and the curve are both appealing. Three of the five losers were miniscule, and the profit factor of 10.5 is very large. The instances are a little low, but the results are so strong that I am inclined to give some consideration to this study, and I have added it to the active list.

The study below was last seen in the 10/4/19 letter. It looks at reversals from intermediate-term lows like we saw on Friay. All stats are updated.

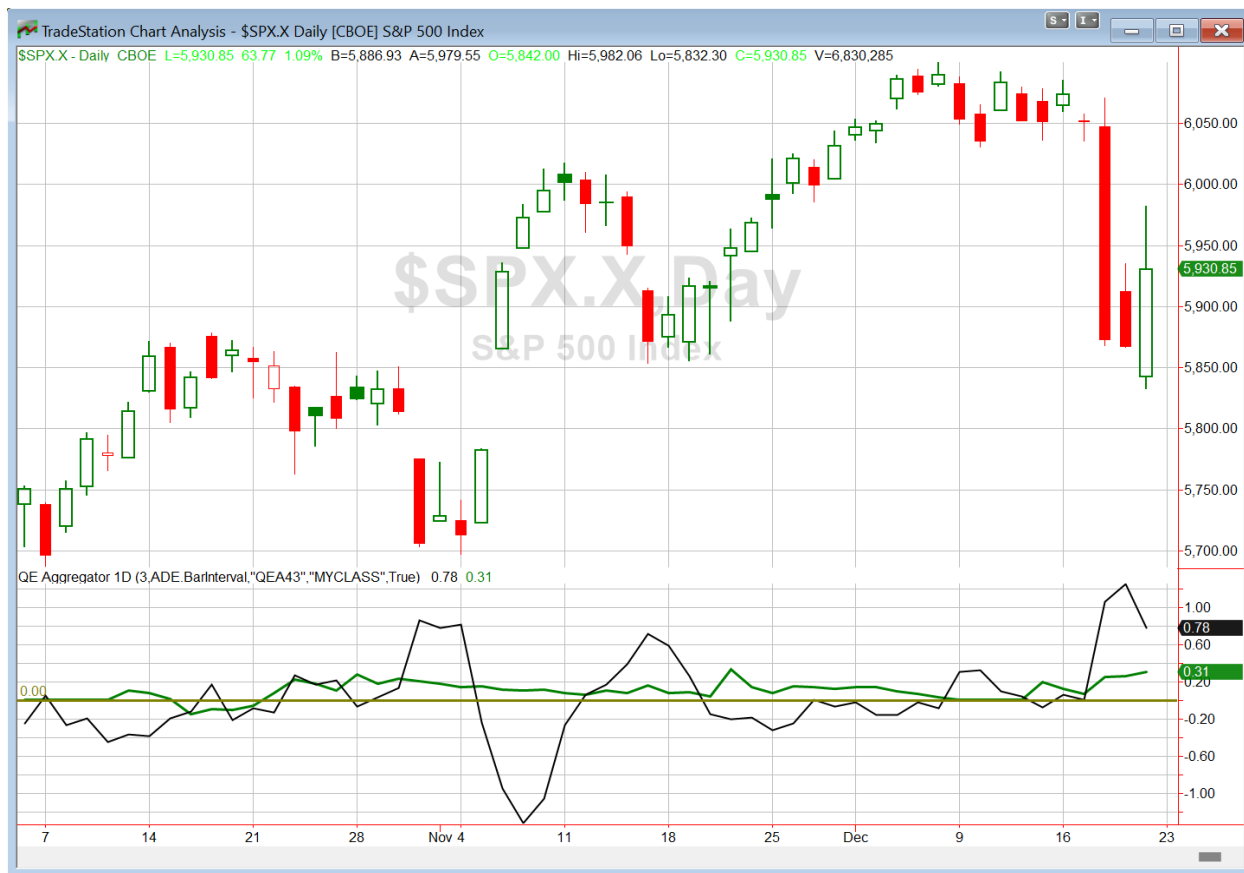
After closing at a 20-day low yesterday, SPY made a new 20-day intraday low today and then closed up and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	76,014.91	55	41	14	74.55	7,038.69	-3,844.83	2,426.80	-1,677.42	1.45	4.24	1,382.09
9	73,816.67	56	38	18	67.86	8,087.07	-4,258.20	2,691.26	-1,580.62	1.70	3.59	1,318.15
8	61,956.24	57	40	17	70.18	7,290.18	-4,268.86	2,376.80	-1,947.98	1.22	2.87	1,086.95
7	67,485.45	58	39	19	67.24	7,447.74	-3,531.11	2,414.27	-1,403.75	1.72	3.53	1,163.54
6	55,364.61	60	43	17	71.67	6,114.54	-3,952.19	2,014.08	-1,837.71	1.10	2.77	922.74
5	48,338.62	61	40	20	65.57	6,138.78	-3,450.35	1,878.73	-1,340.54	1.40	2.80	792.44
4	38,719.01	61	40	21	65.57	4,108.68	-2,284.36	1,526.35	-1,063.57	1.44	2.73	634.74
3	23,097.69	65	38	27	58.46	4,462.50	-3,560.24	1,334.63	-1,022.90	1.30	1.84	355.35
2	22,856.57	68	43	25	63.24	4,105.50	-4,266.50	1,224.59	-1,192.03	1.03	1.77	336.13
1	14,218.50	68	40	28	58.82	2,562.30	-2,512.28	963.11	-868.07	1.11	1.58	209.10

Results here seem to suggest a solid upside edge over the next 2 weeks. Much of the gains occurred in the 1st 7 days. Below is the 7-day profit curve.



The impressive upslope serves as some confirmation of the upside edge. I have also added this study to the active list tonight.

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



With this weekend'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 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 *inverted* at 5897.58. That is 0.6% *below* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPZ closes flat. In this case, SPX is going to need to close down at least 0.6% in order to remain oversold. Anything other than that and it will be considered "overbought" versus expectations as of Monday's close..

So the Aggregator is bullish. Evidence continues to build. But the inverted Differential Pivot means it could easily change to a neutral signal on Monday. I'll be looking to reduce long exposure on Monday if I can get favorable exits. I may still hold onto a decent amount of the SPY position until the CBI returns to neutral, or near neutral. Evidence is suggesting this bounce should have a good bit further to go.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/23 – 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 a tough one for stocks. The SPX lost 2.0%, the NASDAQ fell 1.8%, and the Russell 2000 (RUT) tumbled 4.5%. Bonds also struggled. The US Aggregate Bond ETF (AGG) fell 0.7%. TLT, the 20-year Treasury Bond ETF, dropped 1.7%. The NASDAQ made new all-time highs early in the week before turning lower. With the SPX and NASDAQ well above their long-term moving averages, the uptrend appears intact.

Fridays are interesting in that they are the least likely day of the week for a selloff to end or a rally to begin. But when rallies do start on a Friday, they have shown the best odds of success of any day of the week. I've seen this a number of ways over the years. The study below was featured in the 3/8/21 letter. It describes the current market setup. It looks at times the market closed up the day after closing at a 21-day low. Results are broken down by day of the week, and also by holding period.

After closing at a 1-month (21-day) low yesterday, SPX closes up today. Today is the Day of Week listed.
Buy on close. Sell X days later. \$100k/trade. 1985 - present.

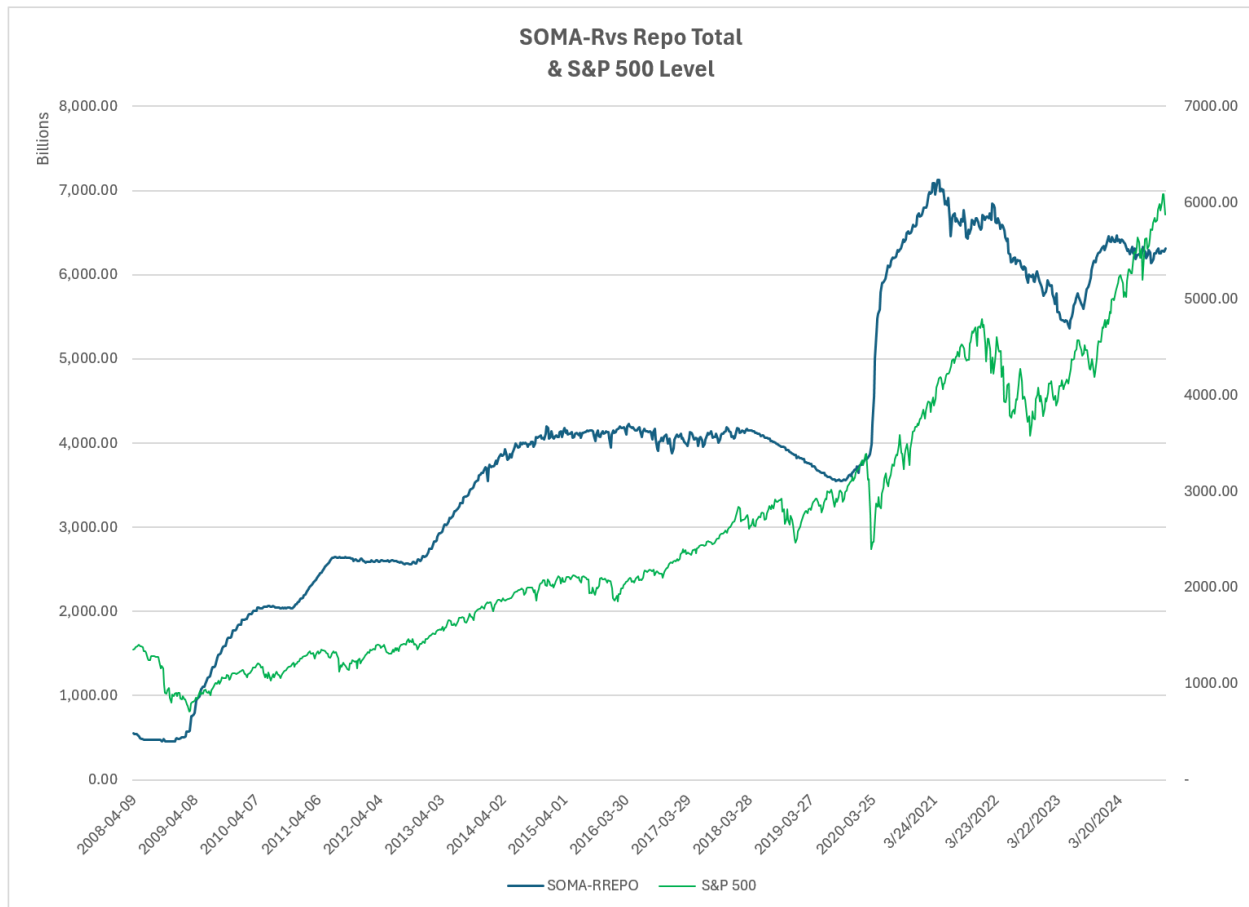
X Days	Day of Week	Net Profit	Total Trades	Winning Trades	Losing Trades	% Profitable	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
25	Friday	\$175,823.60	65	47	18	72.31	\$25,601.10	-\$27,447.20	\$5,270.42	-\$3,993.68	1.32	3.45	\$2,704.98
25	Thursday	\$123,642.25	77	51	26	66.23	\$15,748.56	-\$24,468.80	\$5,020.70	-\$5,092.82	0.99	1.93	\$1,605.74
25	Wednesday	\$34,855.73	66	37	29	56.06	\$15,720.60	-\$26,260.20	\$4,229.64	-\$4,194.52	1.01	1.29	\$528.12
25	Tuesday	\$163,426.01	84	61	23	72.62	\$13,373.36	-\$26,928.72	\$4,792.55	-\$5,605.21	0.86	2.27	\$1,945.55
25	Monday	\$50,022.73	78	47	31	60.26	\$11,998.36	-\$15,107.40	\$4,375.06	-\$5,019.53	0.87	1.32	\$641.32
20	Friday	\$171,864.66	66	49	17	74.24	\$23,231.52	-\$11,446.40	\$4,622.31	-\$3,213.45	1.44	4.15	\$2,604.01
20	Thursday	\$102,456.56	79	52	27	65.82	\$13,310.83	-\$21,326.56	\$4,501.68	-\$4,875.21	0.92	1.78	\$1,296.92
20	Wednesday	\$14,494.76	69	40	29	57.97	\$13,749.40	-\$20,015.10	\$3,314.85	-\$4,072.39	0.81	1.12	\$210.07
20	Tuesday	\$119,172.48	85	63	22	74.12	\$10,340.45	-\$25,793.04	\$3,761.94	-\$5,355.89	0.70	2.01	\$1,402.03
20	Monday	\$44,423.97	81	49	32	60.49	\$13,166.81	-\$14,276.60	\$3,919.34	-\$4,613.24	0.85	1.30	\$548.44
15	Friday	\$140,108.59	67	49	18	73.13	\$19,353.76	-\$8,152.32	\$3,926.44	-\$2,904.82	1.35	3.68	\$2,091.17
15	Thursday	\$86,294.92	79	54	25	68.35	\$11,759.91	-\$24,320.38	\$3,461.30	-\$4,024.61	0.86	1.86	\$1,092.34
15	Wednesday	\$33,272.63	70	39	31	55.71	\$14,141.40	-\$12,682.85	\$3,363.82	-\$3,158.59	1.06	1.34	\$475.32
15	Tuesday	\$70,810.29	88	56	32	63.64	\$9,248.80	-\$20,192.90	\$3,573.73	-\$4,041.21	0.88	1.55	\$804.66
15	Monday	\$18,467.69	88	49	39	55.68	\$11,586.98	-\$27,290.56	\$3,499.75	-\$3,923.59	0.89	1.12	\$209.86
10	Friday	\$73,995.89	71	43	28	60.56	\$13,599.08	-\$14,764.64	\$3,236.08	-\$2,326.98	1.39	2.14	\$1,042.20
10	Thursday	\$69,061.03	84	48	36	57.14	\$10,577.93	-\$8,745.48	\$3,129.30	-\$2,254.04	1.39	1.85	\$822.16
10	Wednesday	\$15,143.68	74	42	32	56.76	\$11,407.20	-\$7,532.72	\$2,666.41	-\$3,026.43	0.88	1.16	\$204.64
10	Tuesday	\$49,765.14	93	59	34	63.44	\$11,970.12	-\$25,781.61	\$2,946.64	-\$3,649.60	0.81	1.40	\$535.11
10	Monday	-\$7,380.73	91	48	43	52.75	\$9,500.10	-\$22,531.20	\$3,004.70	-\$3,525.73	0.85	0.95	-\$81.11

Looking out 10,15,20, and 25 days, Friday has the best stats of any day. And in some cases, like 15 and 20 days out, none of the other days are even close. So if you are looking for an encouraging intermediate-term sign based on Friday's action, this appears to be one.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

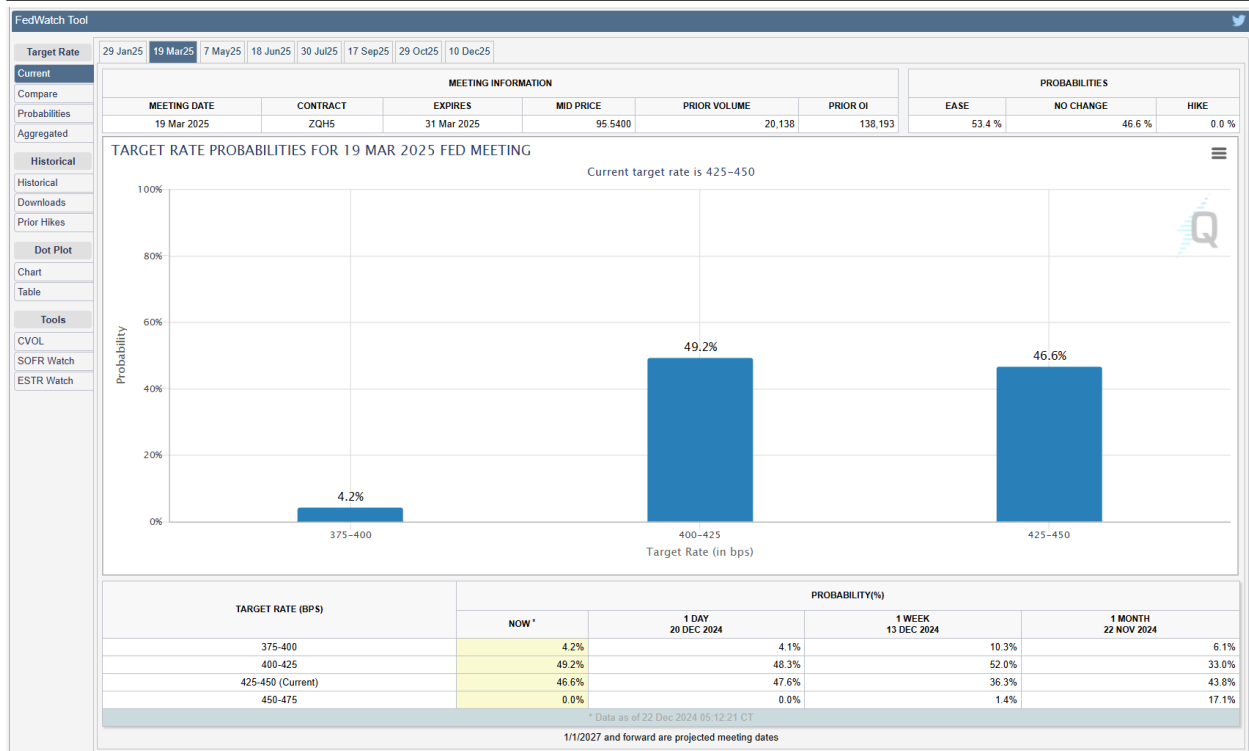
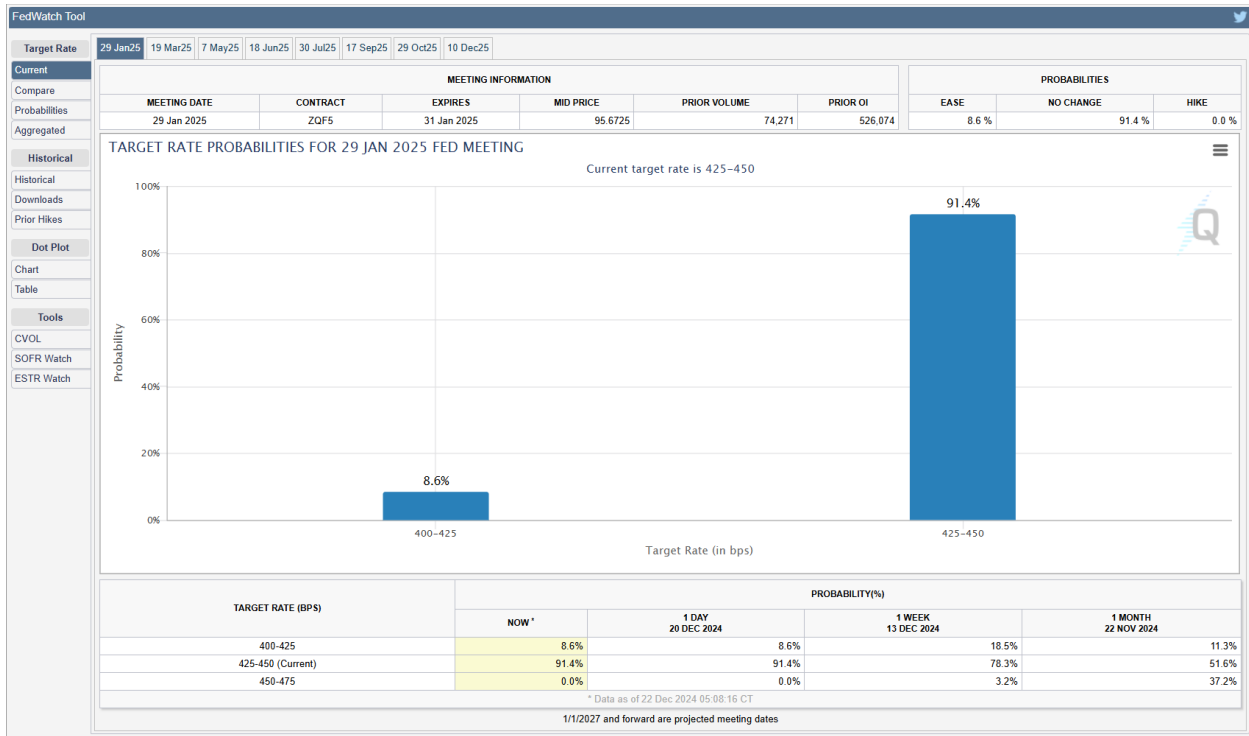
Domestic Security Holdings as of	
◀ Previous	December 18, 2024 📅
Posted December 19, 2024 at 4:30 PM	
SUMMARY	T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,342,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,647,490,119.5
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***	2,240,734,126.0
Agency Commercial Mortgage-Backed Securities***	8,052,803.5
Total SOMA Holdings	6,441,673,098.1
Change From Prior Week	-7,255,126.6

The SOMA account declined by \$7 billion this past week. Meanwhile, reverse repos dropped by \$48 billion. Combined for the week, SOMA and reverse repo action accounted for a \$41 billion liquidity infusion. 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 \$180 billion, which is near 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. I am expecting that the Fed will stop QT at some point in 2025, but they gave no indication at the last meeting. 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. Reverse repos are now as low as they have been in years. The Fed did reduce the repo rate on Wednesday, so we'll see how that impacts repo activity going forward.

With regards to rates, the chance of a 25 point cut in January is now just 9%. Meanwhile, March odds show a 53% chance that rates are lower than they are now. 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. Friday's reversal is a potentially good sign. Breadth and momentum studies with bullish intermediate-term tendencies remain active from a few weeks ago. The long-term trend still appears up with SPX and NASDAQ well above their long-term averages. 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 are now in the bullish end-of-year period. And there still remain several bullish studies on the active list from the last few months. Fed policy is basically neutral. There are plenty of potential triggers that could cause a market shock: wars, politics, market overvaluations, and whatever is behind all these unidentified drones over New Jersey and other places to name a few. Overall, bullish evidence is still 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 (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)
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)
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 – 15(DE, TMUS-3, DOW, LMT-3, XOM-3, 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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
DE(1/3)	12/11/2024	\$439.48	\$432.49	-1.59%	Catapult
TMUS(1/3)	12/18/2024	\$219.40	\$220.31	0.41%	Catapult
TMUS(1/3)	12/18/2024	\$219.40	\$220.31	0.41%	Catapult
LMT(1/3)	12/18/2024	\$489.50	\$489.02	-0.10%	Catapult
XOM(1/3)	12/18/2024	\$107.57	\$105.87	-1.58%	Catapult
LMT(1/3)	12/19/2024	\$480.00	\$489.02	1.88%	Catapult
XOM(1/3)	12/19/2024	\$106.42	\$105.87	-0.52%	Catapult
SCHW(1/3)	12/19/2024	\$73.97	\$74.31	0.46%	Catapult
EMR(1/3)	12/19/2024	\$122.38	\$124.09	1.40%	Catapult
AMGN(1/3)	12/19/2024	\$258.00	\$263.38	2.09%	<i>sell on open</i>
TMUS(1/3)	12/19/2024	\$220.06	\$220.31	0.11%	Catapult
SPY(1/4)	12/19/2024	\$587.00	\$593.12	1.04%	<i>*div adjusted - see note below</i>
SPY(1/4)	12/19/2024	\$586.10	\$593.12	1.20%	<i>*div adjusted</i>
XOM(1/3)	12/20/2024	\$105.45	\$105.87	0.40%	Catapult
SCHW(1/3)	12/20/2024	\$73.52	\$74.31	1.07%	Catapult
LMT(1/3)	12/20/2024	\$479.45	\$489.02	2.00%	Catapult
MDLZ(1/3)	12/20/2024	\$59.13	\$59.39	0.44%	Catapult
DOW(1/3)	12/20/2024	\$38.99	\$39.94	2.44%	Catapult

I will look to sell this lot of SPY at a \$592.50 LIMIT. The "Current Price" column factors in a div adjustment. So the \$592.50 limit I am looking to sell at is actually a bit above the \$591.15 closing price from Friday.

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter from QE at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2024 Quantifiable Edges, LLC.