

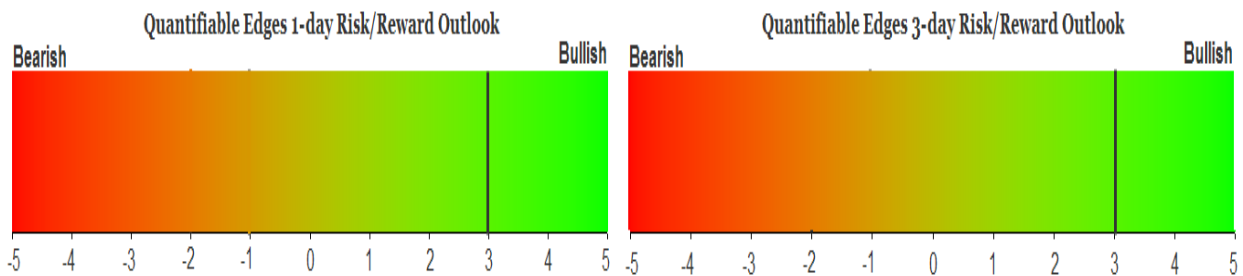
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 31, 2024

Volume 17 Issue 252

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 3 down days heading into a potential Turnaround Tuesday, has often seen the SPX rally.
- 2 unfilled gaps down while above the 200ma has often been followed by a bounce the next day.
- Indices have often seen selling heading into the close on the last day of the year.
- Overall, the last day of the year used to be very bullish, but that changed around the turn of the century

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side.

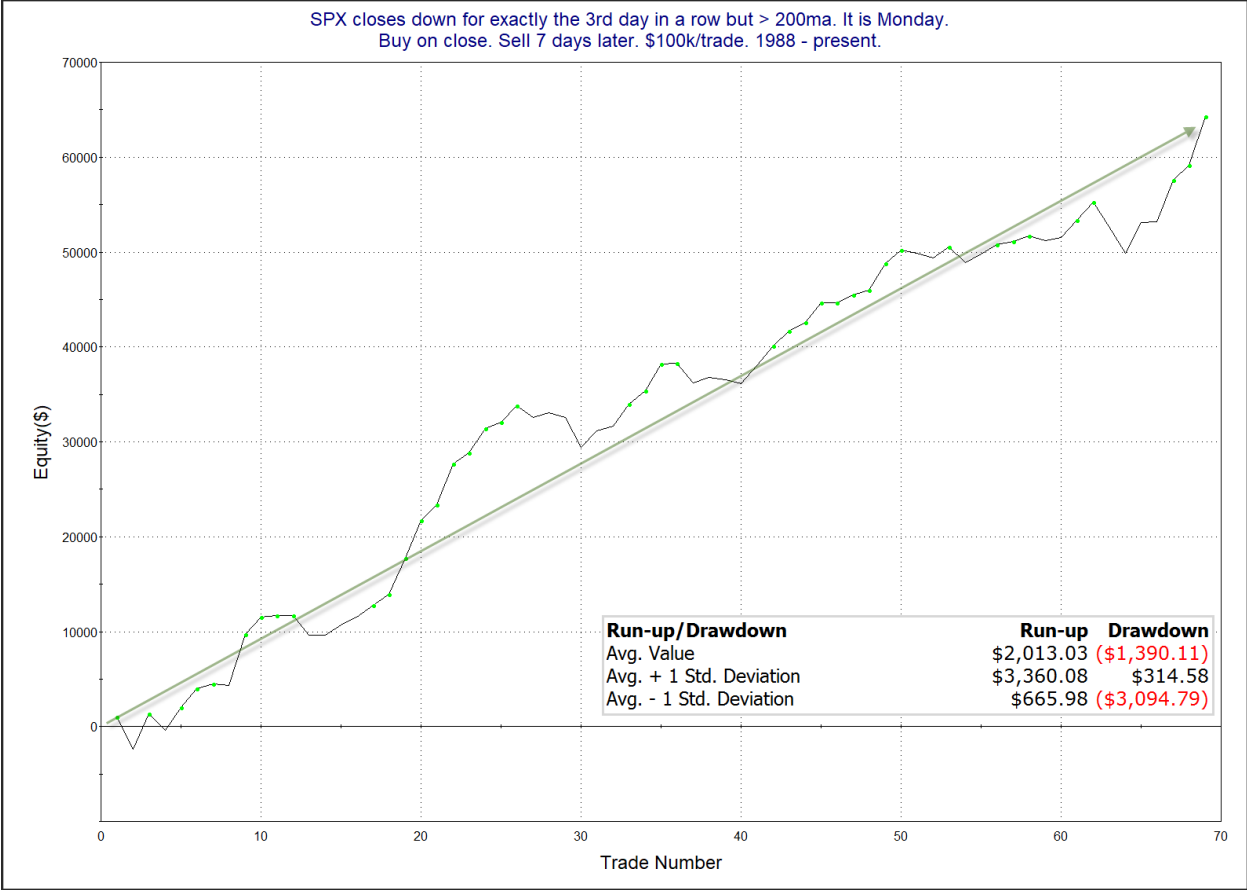
The Evidence

Monday was more selling. SPX lost 1.1%, the NASDAQ declined 1.2%, and the Russell 2000 fell 0.75%. Breadth was weak as the NYSE Up Issues % closed at 35% and the NYSE Up Volume % posted a 24% reading. NYSE total volume rose some from Friday's level.

The pullback Monday managed to trigger a few studies suggesting bullish implications. One notable is that that Monday marked the 3rd down day in a row. In the past, I have documented both the tendency for the market to bounce 1) after 3 days lower, and 2) going into a Tuesday. In the 7/31/18 letter I combined these concepts. Below are updated results.

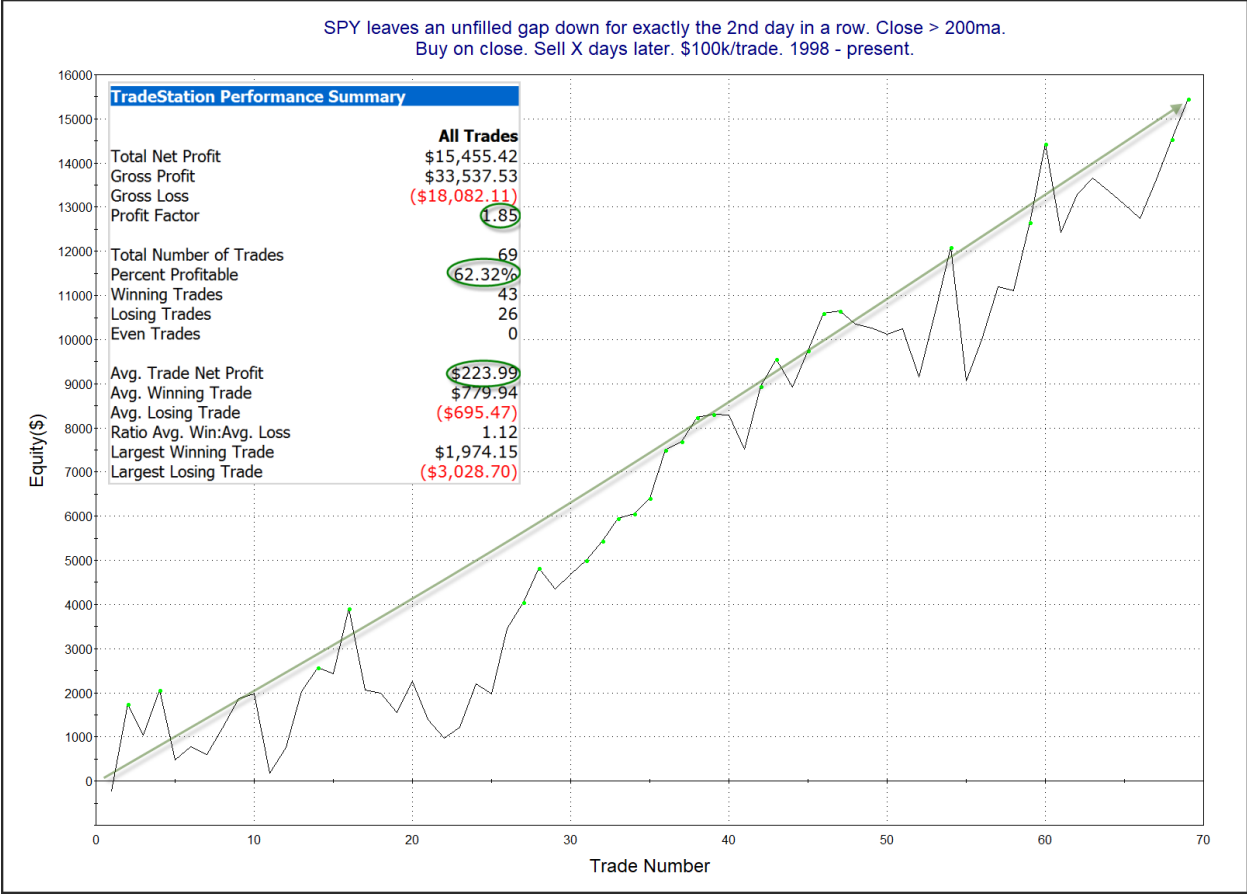
SPX closes down for exactly the 3rd day in a row but > 200ma. It is Monday. Buy on close. Sell X days later. \$100k/trade. 1988 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	63,005.03	69	48	21	69.57	8,016.48	-14,379.90	2,266.75	-2,180.90	1.04	2.38	913.12
9	78,005.93	69	51	18	73.91	6,990.48	-7,605.60	2,138.64	-1,725.81	1.24	3.51	1,130.52
8	71,854.27	69	51	18	73.91	6,780.91	-6,058.50	1,982.48	-1,625.12	1.22	3.46	1,041.37
7	64,289.31	69	52	17	75.36	5,345.05	-3,367.00	1,690.12	-1,388.07	1.22	3.72	931.73
6	49,299.57	69	47	22	68.12	4,725.84	-6,675.60	1,691.68	-1,373.16	1.23	2.63	714.49
5	49,955.87	74	50	24	67.57	4,608.35	-4,543.76	1,735.72	-1,534.58	1.13	2.36	675.08
4	40,512.09	74	51	23	68.92	4,690.50	-8,150.10	1,530.14	-1,631.53	0.94	2.08	547.46
3	26,112.18	74	45	29	60.81	3,940.55	-7,413.90	1,406.92	-1,282.74	1.10	1.70	352.87
2	26,407.77	74	48	26	64.86	3,744.45	-3,357.50	1,084.60	-986.66	1.10	2.03	356.86
1	12,860.83	74	42	31	56.76	2,205.80	-2,930.40	740.92	-588.96	1.26	1.70	173.80

Results here appear to be quite bullish. The 7-day time period especially stands out. Below is an equity curve showing how that holding period has played out.



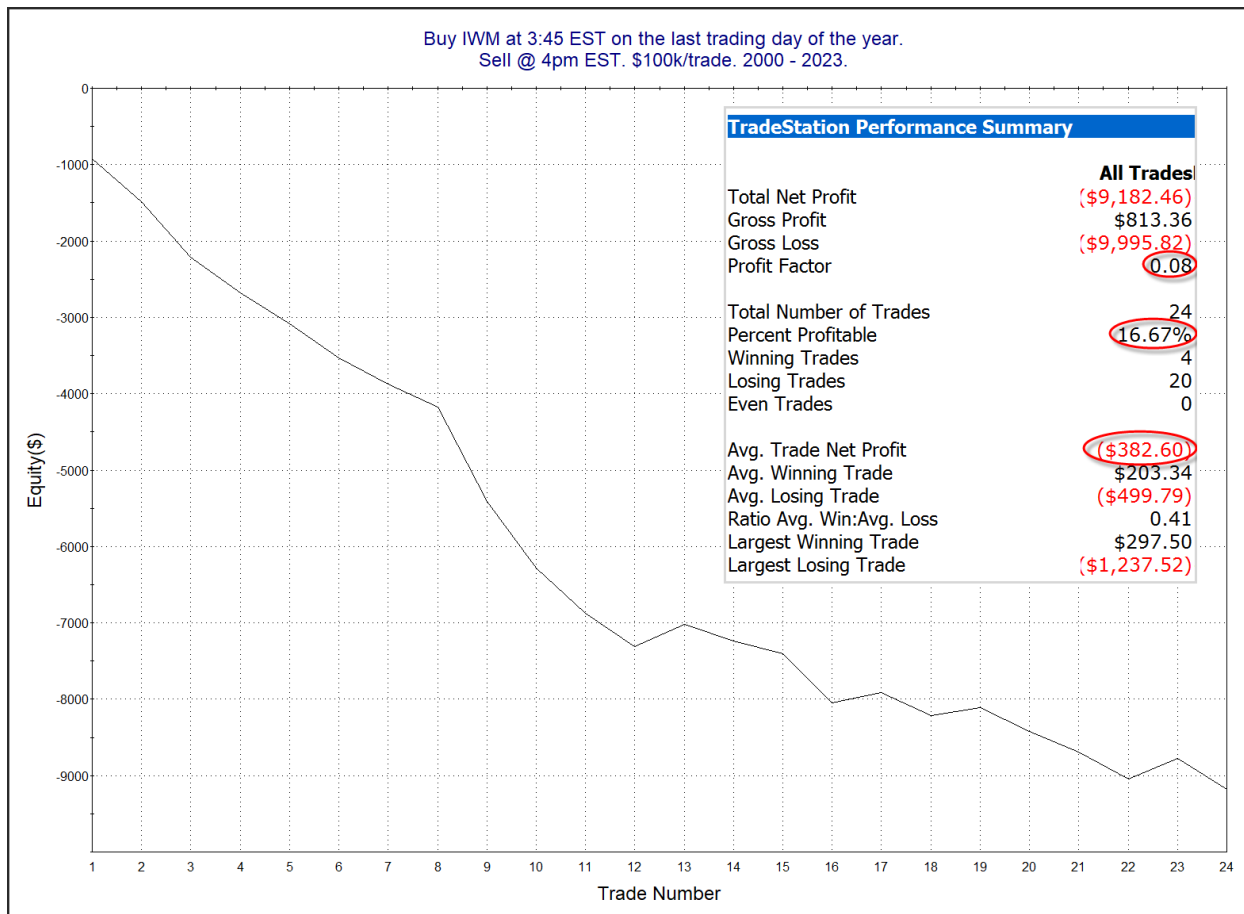
It has been a very persistent move higher. This serves as some confirmation of the upside edge suggested by the numbers. I have included this study on the Active List.

Also notable about Monday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. This next study suggested bullish implications when this occurred during a long-term uptrend. Last featured in the 5/31/24 letter, results are updated.



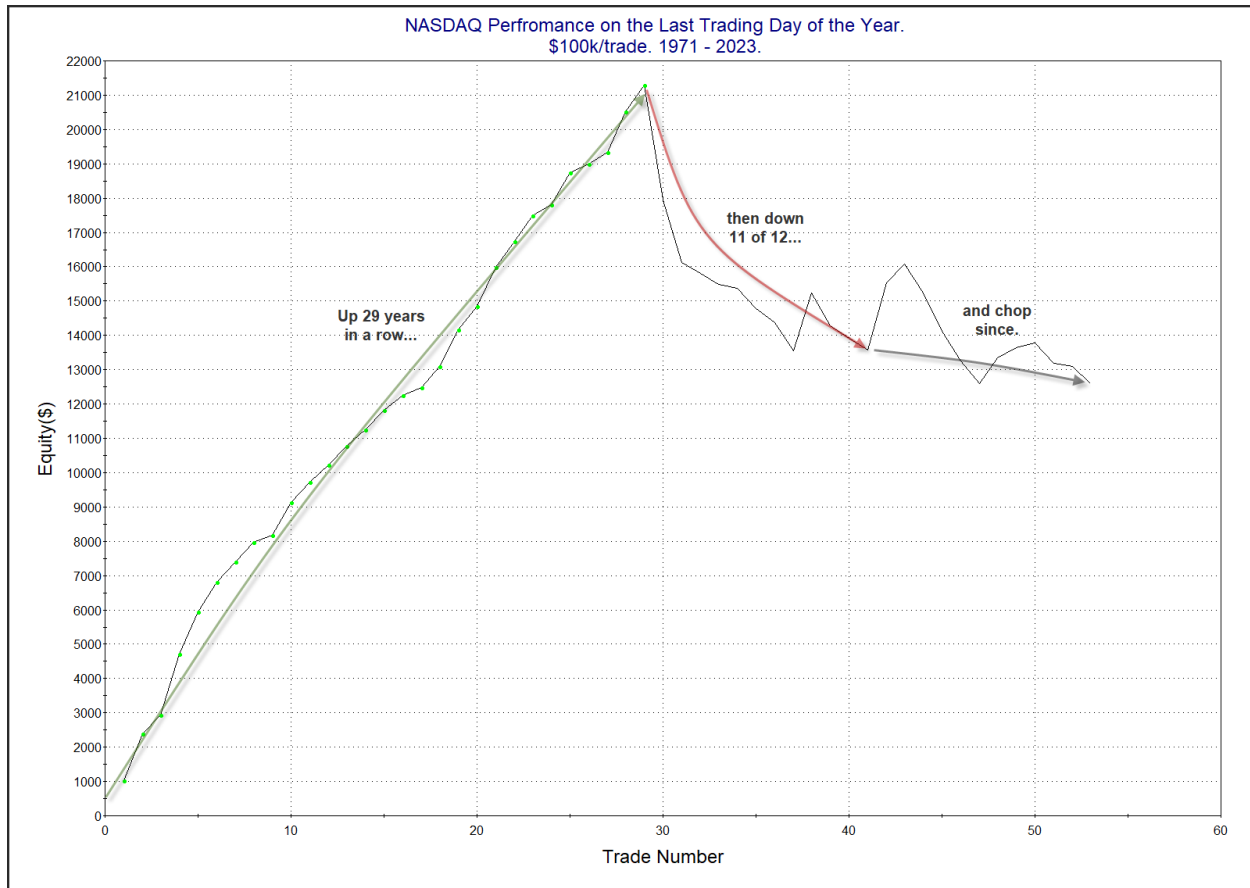
The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

In past years I have noted that the market has had a tendency to sell off heading into the close on the final day of the year. The study below shows IWM performance in the last 15 minutes of the year.



There has been a substantial and consistent downside tendency for the market to sell off in the last few minutes of the year. Traders may want to keep this in mind on Tuesday.

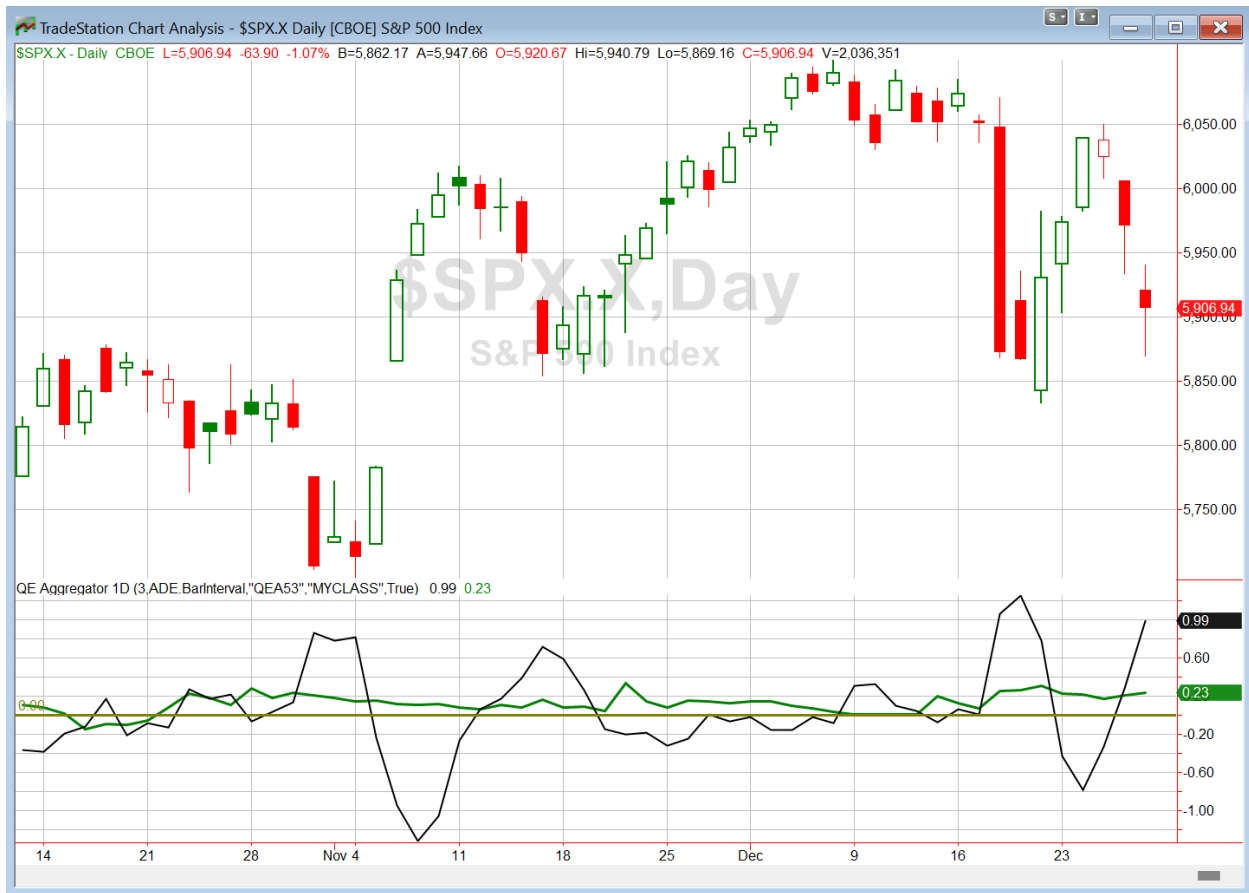
Overall, the last day of the year used to be consistently bullish for the market. But that has changed since the turn of the century. This is true across a number of indices. The most dramatic example is the NASDAQ, which I highlighted a few years ago. I have updated the chart below.



Closing up 29 years in a row is fairly astounding. Just as astounding is the abrupt changes in behavior we have seen. I have no good explanation for why such a formerly consistent edge changed, but it did.

This Nasdaq study is a great reminder though. The market is constantly changing and evolving. 2025 is just a few trading hours away. I'm not sure what it has in store for us, but I know it will play out in its own unique pattern. We will see clues along the way, and many of the truisms we've identified through studies over the last 17 years at Quantifiable Edges will continue to work. But some may flounder. And when something stops working, like the "last day of year bullishness" above, then I will do my best to recognize it early. Examining edges is more than just running numbers. Researches and traders need to keep an open mind, understand the market is continually evolving, and adapt.

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 held 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 Tuesday. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 6071.50. That is a whopping 2.8% above Friday's close. Therefore, SPX will need to close up at least 2.8% on Tuesday in order to flip from oversold to overbought versus recent expectations. More likely, it will take a multi-day rally or consolidation to work off the oversold condition.

So the Aggregator is bullish. There is a good amount of evidence pointing higher and plenty of room to the upside before SPX would turn overbought. I may look to add a bit more if we see the market pull back further on Tuesday. Have a safe and happy New Year!

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/30 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

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 @ \$586.00 LIMIT, if not filled by close, switch to BUY @ \$588.22 LIMIT ON CLOSE. Based on the short-term outlook above, I will continue scaling into a SPY position if I can get a favorable fill on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/30/2024	\$587.89	\$588.22	0.06%	Aggregator

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.