

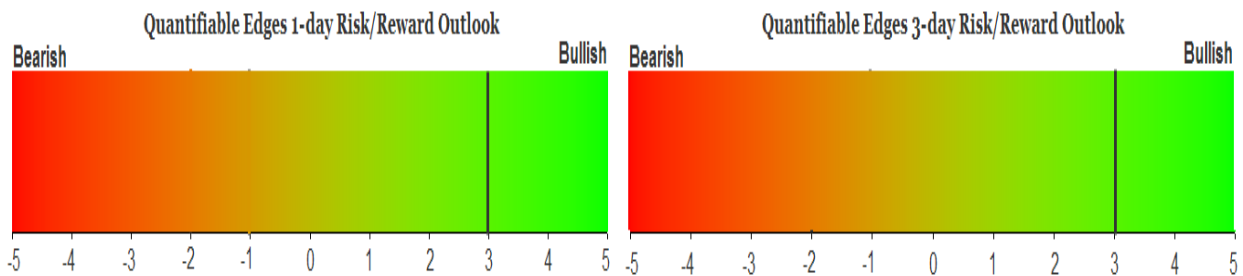
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 3, 2025

Volume 18 Issue 2

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 5 lower SPX closes and a VIX below its 10ma is an unusual situation. It has only happened 7 times, but they have all led to higher prices over the next few days.
- Five lower closes above the 200ma and also above a 20-day low close also suggest a quick bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side.

The Evidence

Santa Claus can't even get an up day Thursday was again tough for the indices. SPX lost 0.22%, the NASDAQ declined 0.16%, and the Russell 2000 rose 0.07%. Breadth was positive as the NYSE Up Issues % closed at 54% and the NYSE Up Volume % posted a 53% reading. NYSE total volume declined some from Tuesday's level.

Thursday marked the 5th day in a row that SPX closed lower. Despite the selling, the VIX has not spiked much over that period. In fact, on Thursday the VIX actually closed *below* its 10ma. In the 7/15/22 letter I looked at other times SPX had a 5-day selloff and the VIX closed below the 10ma. I have updated that study below.

SPX closes lower for the 5th day in a row. VIX < 10ma. Buy SPX on close. Sell X days later. \$100k/trade. 1990 - 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	21,028.29	7	6	1	85.71	5,422.82	-928.80	3,659.51	-928.80	3.94	23.64	3,004.04
4	16,347.50	7	7	0	100.00	4,407.52	0.00	2,335.36	0.00	100.00	100.00	2,335.36
3	12,253.25	7	7	0	100.00	3,804.06	0.00	1,750.46	0.00	100.00	100.00	1,750.46
2	888.79	7	5	2	71.43	1,519.70	-2,467.08	806.53	-1,571.94	0.51	1.28	126.97
1	2,155.39	7	5	2	71.43	1,892.28	-2,205.00	1,042.64	-1,528.90	0.68	1.70	307.91

Instances are a bit low but all point in the same direction. Below is a look at the individual trades.

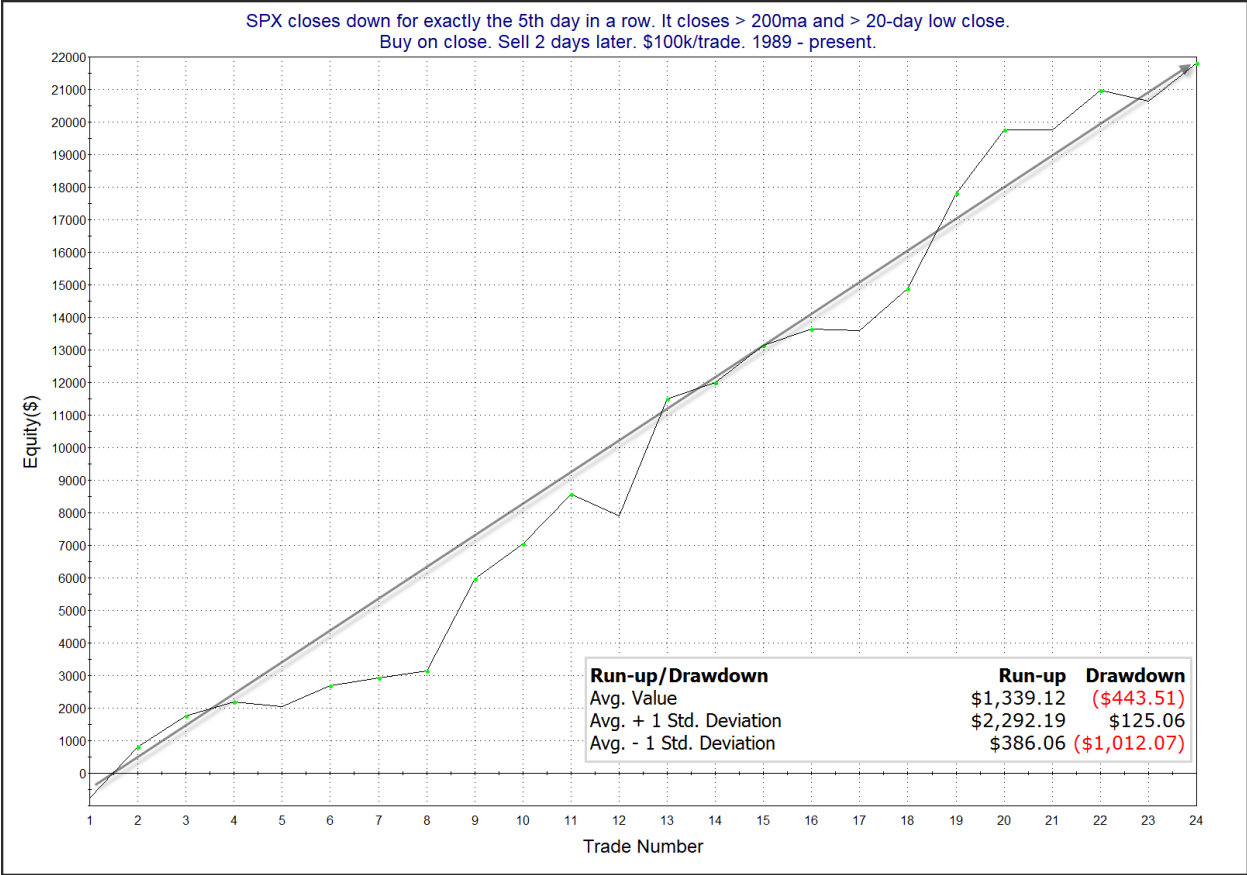
SPX closes lower for the 5th day in a row. VIX < 10ma. Buy SPX on close. Sell 4 days later. \$100k/trade. 1990 - present.				
Date	Trigger	Price	% Change	Runup/Ddn
3/12/1991	Buy	\$370.03	0.56%	\$2,227.50
3/18/1991	Sell	\$372.11		(\$156.60)
10/22/1993	Buy	\$463.27	0.96%	\$1,180.35
10/28/1993	Sell	\$467.73		(\$262.30)
3/1/1999	Buy	\$1,236.16	3.18%	\$3,161.60
3/5/1999	Sell	\$1,275.47		(\$1,610.40)
5/11/2001	Buy	\$1,245.65	3.44%	\$4,066.40
5/17/2001	Sell	\$1,288.49		(\$370.40)
3/24/2004	Buy	\$1,091.32	3.27%	\$3,301.48
3/30/2004	Sell	\$1,127.00		\$0.00
11/22/2011	Buy	\$1,188.04	0.60%	\$1,312.92
11/29/2011	Sell	\$1,195.19		(\$2,467.92)
7/14/2022	Buy	\$3,790.38	4.47%	\$4,777.50
7/20/2022	Sell	\$3,959.90		\$0.00

The fact that all 7 rose over the next few days suggests the market is capable of rallying despite the lackadaisical VIX. I will also note that the average 4-day run-up was 2.9% while the average drawdown was just 0.7%. Those are some impressive stats, and I have added this study to the active list tonight.

Another compelling study required 5 lower closes above the 200ma and also above a 20-day low. I last showed it in the 1/11/22 Letter and have updated the results.

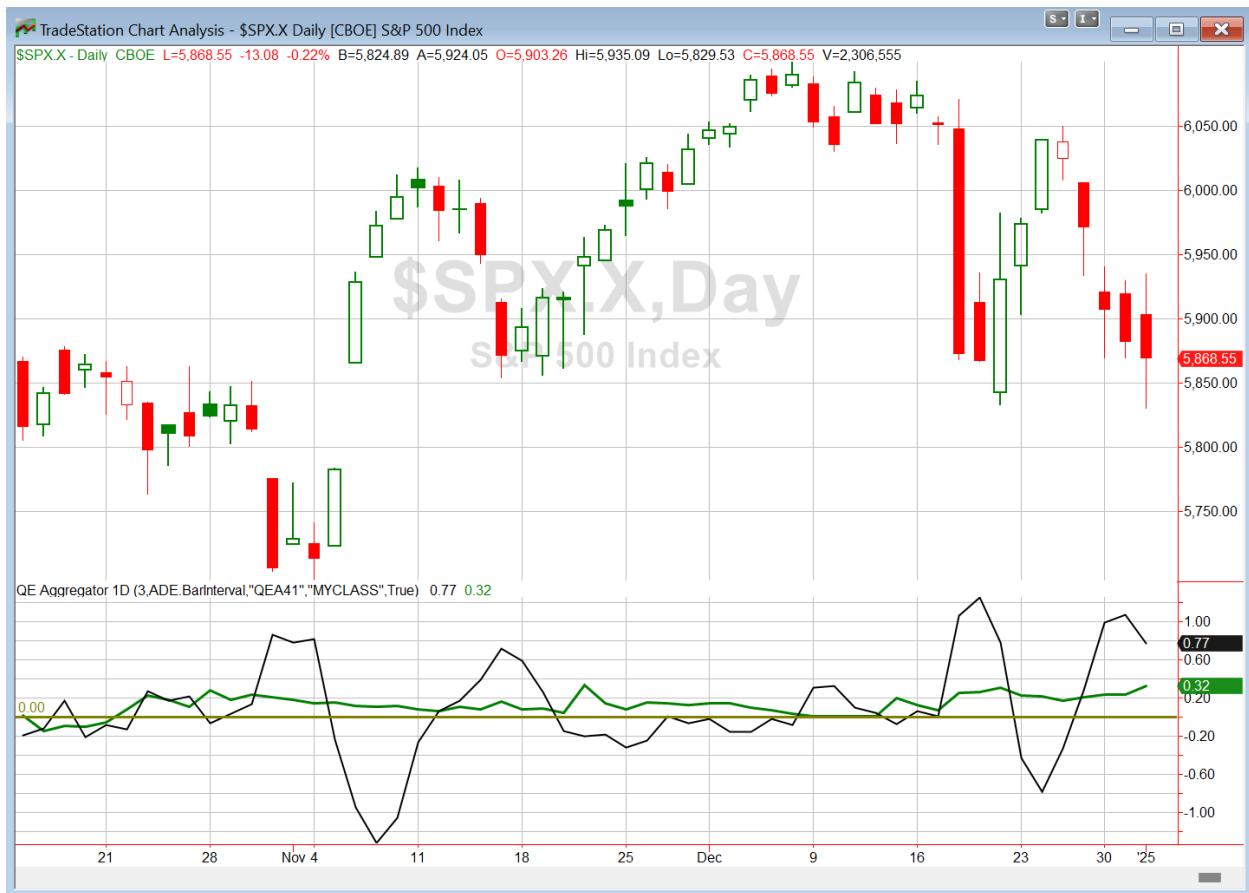
SPX closes down for exactly the 5th day in a row. It closes > 200ma and > 20-day low close. Buy on close. Sell X days later. \$100k/trade. 1989 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	14,497.94	24	15	9	62.50	5,460.84	-1,956.78	1,491.57	-875.06	1.70	2.84	604.08
4	17,268.45	24	17	7	70.83	5,187.49	-1,633.75	1,347.48	-805.54	1.67	4.06	719.52
3	19,521.11	24	18	6	75.00	5,339.18	-1,179.00	1,338.90	-763.18	1.75	5.26	813.38
2	21,818.43	24	18	6	75.00	3,591.28	-763.84	1,323.21	-333.21	3.97	11.91	909.10
1	10,090.89	24	18	6	75.00	1,367.55	-1,155.00	725.97	-496.11	1.46	4.39	420.45

Based on the stats table there appears to be a bullish inclination, especially over the first few days. Below is a profit curve to see how the edge has evolved.



The profit curve supports the idea of a bullish edge. So while it has evaded us so far, it appears an SPX bounce is getting close.

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 Friday. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 5942.54. That is 1.3% above Thursday's close. Therefore, SPX will need to close up at least 1.3% on Friday in order to flip from oversold to overbought versus recent expectations.

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 like the long side. I already have a decent amount of long index exposure, and am content with my current position for the time being. If we get a downward acceleration, or a spike in the CBI then I will likely add another lot early next week.

*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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/30/2024	\$587.89	\$584.64	-0.55%	Aggregator
SPY(1/4)	12/31/2024	\$586.00	\$584.64	-0.23%	Aggregator

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