

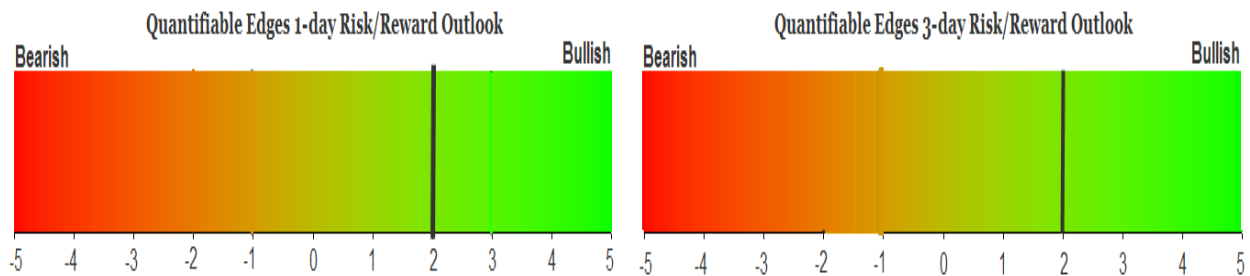
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 9, 2025

Volume 18 Issue 234

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- The SOX strength on a day NASDAQ declined suggests a 1-day upside edge.
- Tuesday's action could help determine how strong the edge is for Wednesday's Fed Day.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side and may look to take advantage of the Fed Day edge if Tuesday's closes poorly.

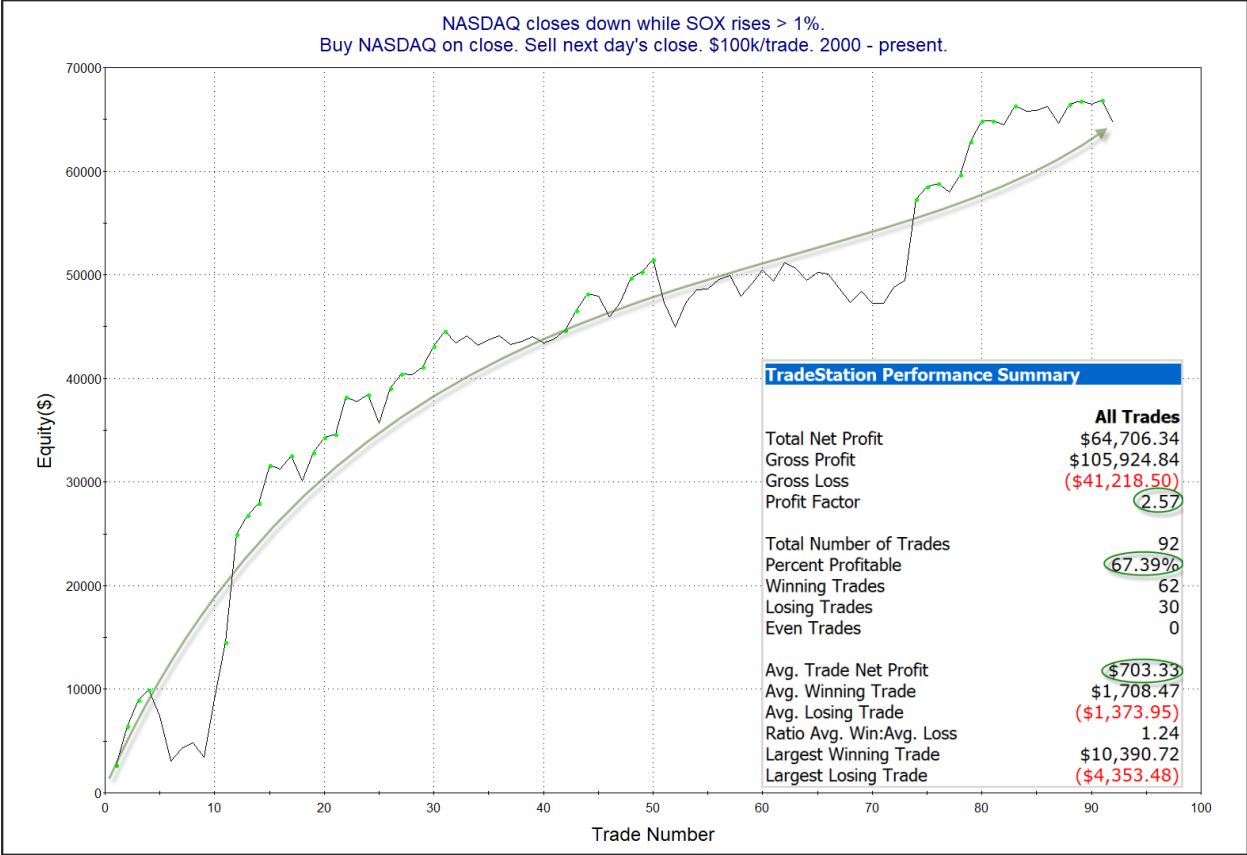
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
December 9, 2025	NASDAQ dn. SOX up > 1%.	1 day	Bullish			
December 3, 2025	Up vol < 40%. SPX up > 200ma	1-6 days	Bullish	1.60%	-1.20%	-2.40%
December 1, 2025	5 days higher < 50-day high > 200ma	1-10 days	Bullish	2.50%	-1.40%	-2.65%
Active - Long Term						
December 1, 2025	5 days higher < 50-day high > 200ma	1-15 days	Bullish	3.30%	-1.50%	-2.90%
December 1, 2025	NASDAQ leading	int term	Bullish			
December 1, 2025	QT over. Rates dropping. Fed dovish	int term	Bullish			
November 3, 2025	Best 6 Months	1-6 months	Bullish			
October 31, 2025	Hindenburg Omen Cluster	1-35 days	Bearish	-6.90%	2.70%	4.70%
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			
May 19, 2025	DeGraaf Thrust (55% SPX 20-day high)	1-12 months	Bullish			
April 25, 2025	Zweig Breadth Thrust	1-12 months	Bullish	29.50%	-2.90%	-6.55%
April 23, 2025	Up Issue % & Up Vol % > 86% 2x in 9 days	1-12 months	Bullish			
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			

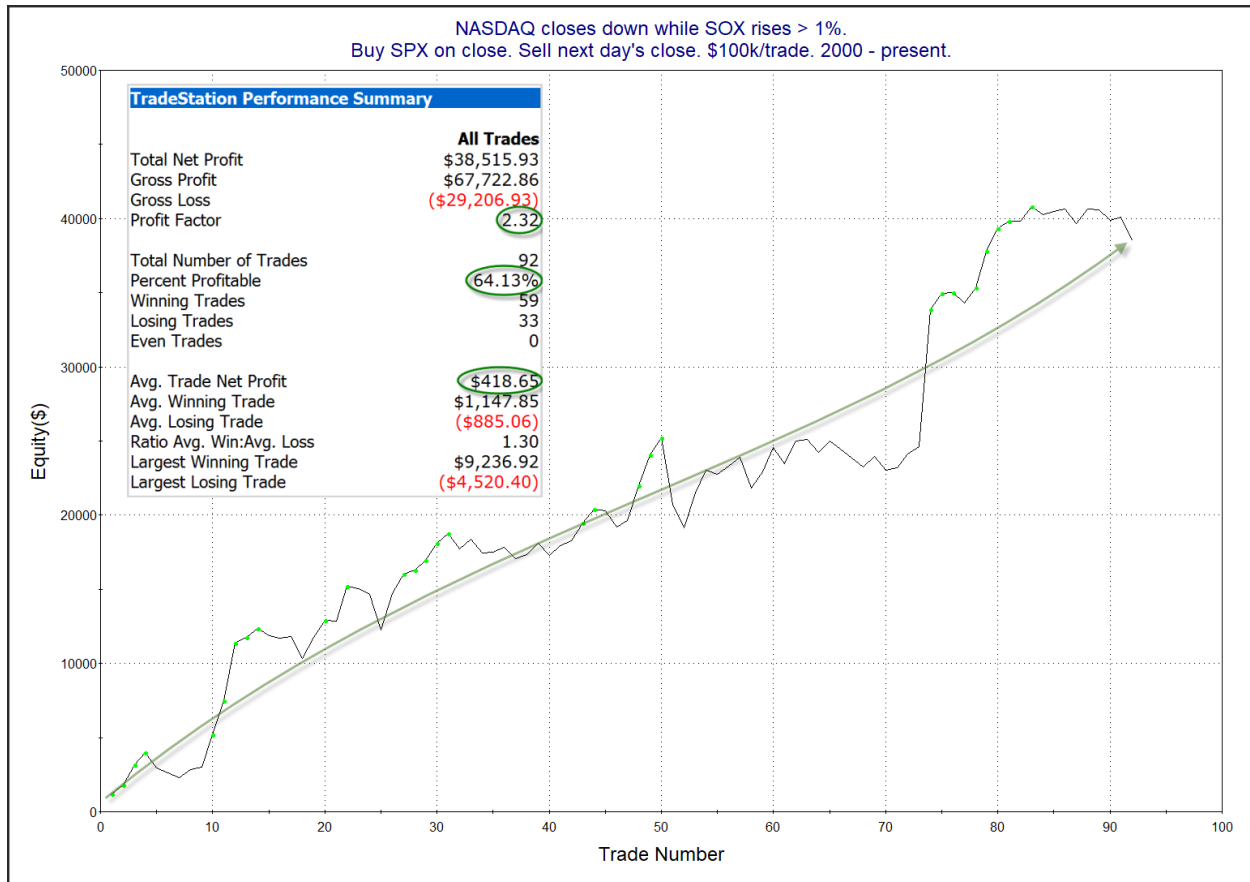
The Evidence

Monday saw the market pull back a bit. SPX lost 0.35%, the NASDAQ fell 0.14%, and the Russell 2000 declined 0.02%. Breadth was weak as the NYSE Up Issues % closed at 34% and the NYSE Up Volume % posted a 40% reading. NYSE total volume rose some from Friday's level.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up 1.5%. When the SOX does well on a day the NASDAQ declines, that has often been followed by a rise in the NASDAQ the next day. This can be seen in the study below, which was last seen in the 11/13/25 letter. Results are updated.



Not exactly a steady rise, but the move and numbers are impressive nonetheless. Below is a look at how the SPX has performed when the NASDAQ/SOX have acted this way.



Results here appear steady but less explosive. The recent action is a little concerning, but there have been other similar periods. Overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

Tomorrow is going to be a busy night, and the QE Subscriber Letter will be abbreviated. So I decided to do some Fed Day prep tonight for Wednesday. Fed Days have historically shown an upside tendency. I [have documented this tendency in great detail](#) over the years. One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. I last did this in the 7/28/25 letter. I have updated that research below.

Tomorrow is a Fed Day. SPY closes in the top 25% of its intraday range. Buy on close. Sell Fed Day close.
\$100k/trade. 1993 - present.

TradeStation Performance Summary	
	All Trades
Total Net Profit	\$11,964.34
Gross Profit	\$40,881.65
Gross Loss	(\$28,917.31)
Profit Factor	1.41
Total Number of Trades	99
Percent Profitable	50.51%
Winning Trades	50
Losing Trades	47
Even Trades	2
Avg. Trade Net Profit	\$120.85
Avg. Winning Trade	\$817.63
Avg. Losing Trade	(\$615.26)
Ratio Avg. Win:Avg. Loss	1.33
Largest Winning Trade	\$2,238.25
Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day.
SPY closes > 50% and <= 75% of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary	
	All Trades
Total Net Profit	\$12,521.66
Gross Profit	\$34,924.11
Gross Loss	(\$22,402.45)
Profit Factor	1.56
Total Number of Trades	60
Percent Profitable	51.67%
Winning Trades	31
Losing Trades	28
Even Trades	1
Avg. Trade Net Profit	\$208.69
Avg. Winning Trade	\$1,126.58
Avg. Losing Trade	(\$800.09)
Ratio Avg. Win:Avg. Loss	1.41
Largest Winning Trade	\$4,704.07
Largest Losing Trade	(\$2,971.65)

Tomorrow is a Fed Day.

SPY closes > 25% and <= 50% of its intraday range.

Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$15,830.10
Gross Profit	\$29,625.35
Gross Loss	(\$13,795.25)
Profit Factor	2.15
Total Number of Trades	54
Percent Profitable	62.96%
Winning Trades	34
Losing Trades	20
Even Trades	0
Avg. Trade Net Profit	\$293.15
Avg. Winning Trade	\$871.33
Avg. Losing Trade	(\$689.76)
Ratio Avg. Win:Avg. Loss	1.26
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

Tomorrow is a Fed Day.

SPY closes in the bottom 25% of its intraday range.

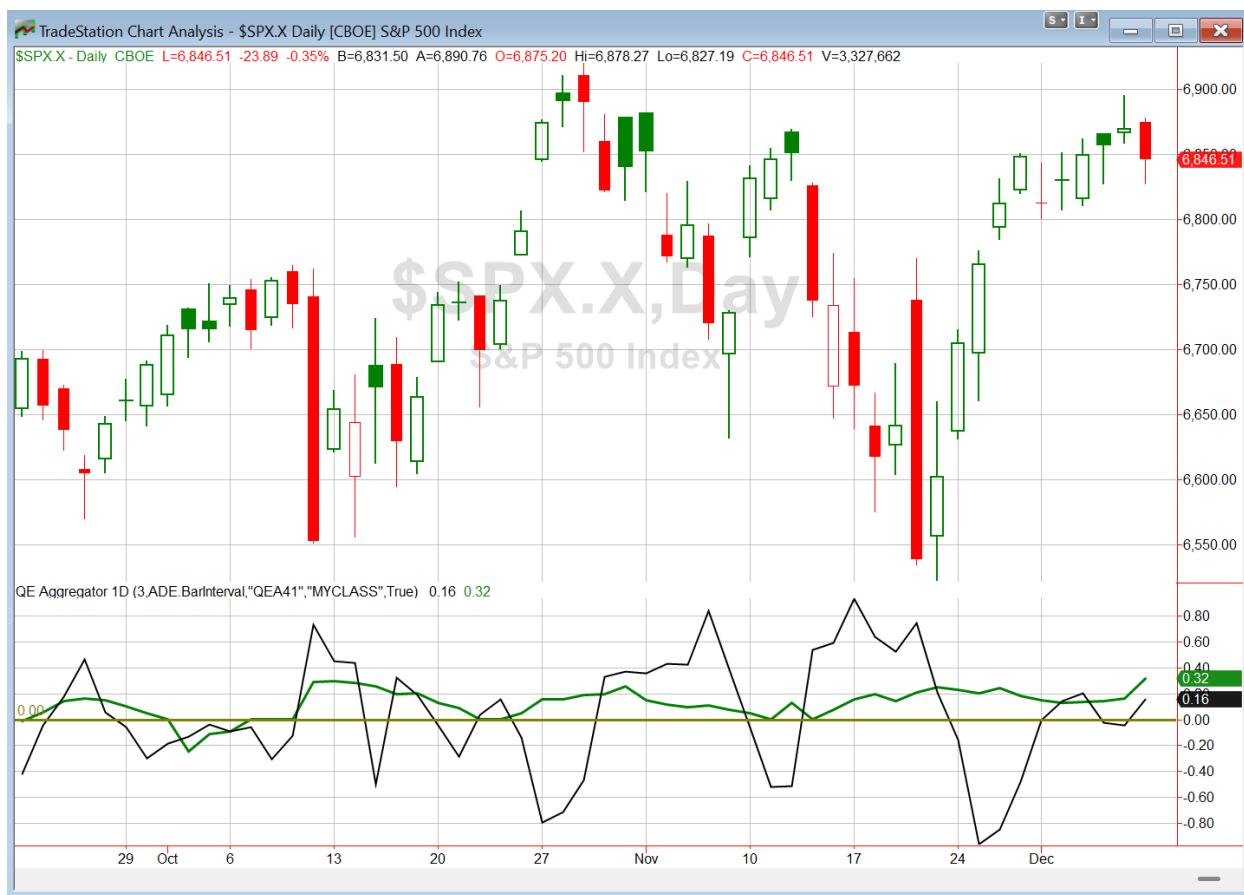
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$25,333.46
Gross Profit	\$37,727.36
Gross Loss	(\$12,393.90)
Profit Factor	3.04
Total Number of Trades	48
Percent Profitable	68.75%
Winning Trades	33
Losing Trades	15
Even Trades	0
Avg. Trade Net Profit	\$527.78
Avg. Winning Trade	\$1,143.25
Avg. Losing Trade	(\$826.26)
Ratio Avg. Win:Avg. Loss	1.38
Largest Winning Trade	\$4,645.80
Largest Losing Trade	(\$2,945.28)

So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

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 moved 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 6885.03. That is 0.6% above Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up a little over 0.1% in order to remain "overbought" versus recent expectations. Anything other than that and it will turn "oversold" as of Monday's close.

So the Aggregator is bullish. As we head into the Fed announcement, there appears to be an upside edge. And that edge will likely be stronger if SPY closes poorly on Tuesday. So I will look to take on some index exposure on Tuesday if SPY has that poor close. I will also note that a few more Catapults triggered and the CBI has quickly reached 5 – unusually high when there is not much of a pullback happening in SPX. So there are quite a few trade ideas listed down below.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/8 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

JNJ – 1/3 @ \$201.9 (bought @ limit)

LLY – 1/3 @ \$1010.31 (bought @ limit)

New

JNJ – 1/3 @ \$201.62 (buy @ limit)

LLY – 1/3 @ \$997.59 (buy @ limit)

LIN – 1/3 @ \$389.38 (buy @ limit)

Broad Market Large Cap CBI – 5 (JNJ-2, LLY-2, LIN)

Additional New Trade Ideas

JNJ – Buy 1/3 Catapult position @ \$201.62 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of JNJ.

LLY – Buy 1/3 Catapult position @ \$997.59 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of LLY.

LIN – Buy 1/3 Catapult position @ \$389.38 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of LIN.

SPY – Buy ¼ index position @ \$683.63 LIMIT ON CLOSE IF SPY ALSO CLOSES IN THE BOTTOM 50% OF ITS INTRADAY RANGE. From the short-term section above, I will look to take on a small amount of index exposure ahead of the announcement if SPY closes poorly.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
JNJ(1/3)	12/8/2025	\$201.90	\$201.62	-0.14%	Catapult
LLY(1/3)	12/8/2025	\$1,010.31	\$997.59	-1.26%	Catapult

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