

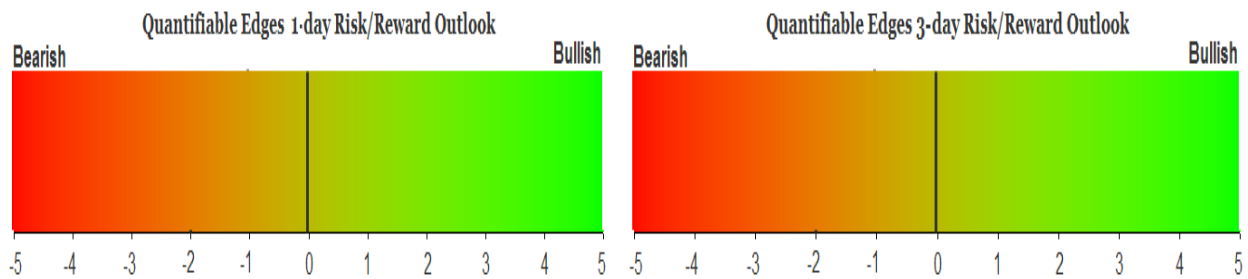
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 23, 2025

Volume 18 Issue 244

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- “Twas 3 Nights Before Christmas” bullish seasonality triggered at the close on Friday.
- The recent pattern of 4 days down followed by a 3-day rally suggests more upside.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too.

The Evidence

Monday was a good day for the bulls. SPX finished up 0.6%, the NASDAQ gained 0.5%, and the Russell 2000 rose 1.2%. Breadth was positive as the NYSE Up Issues % closed at 62% and the NYSE Up Volume % posted a 75% reading. NYSE total volume declined from Friday's high open level.

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 Monday. 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	40,802.37	38	28	10	73.68	7,830.30	-4,698.12	2,238.95	-2,188.81	1.02	2.86	1,073.75
9	46,747.02	38	27	11	71.05	7,974.78	-3,644.64	2,481.81	-1,841.99	1.35	3.31	1,230.18
8	50,504.08	38	28	10	73.68	8,333.40	-2,782.08	2,188.01	-1,076.02	2.03	5.69	1,329.05
7	40,510.20	38	26	12	68.42	7,796.76	-1,580.04	1,980.16	-914.50	2.17	4.69	1,066.06
6	30,037.58	38	24	14	63.16	7,752.90	-1,768.23	1,758.45	-868.94	2.02	3.47	790.46
5	36,471.52	38	29	9	76.32	7,247.22	-2,846.94	1,558.78	-970.33	1.61	5.18	959.78
4	27,713.48	38	27	11	71.05	5,070.22	-2,380.50	1,436.15	-1,005.68	1.43	3.51	729.30
3	26,533.46	38	28	10	73.68	4,592.40	-1,794.00	1,253.14	-855.45	1.46	4.10	698.25
2	17,231.35	38	28	10	73.68	3,257.17	-4,652.80	999.74	-1,076.13	0.93	2.60	453.46
1	10,676.07	38	28	10	73.68	2,523.24	-2,033.60	671.79	-813.41	0.83	2.31	280.95

**35 of 38 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	65,811.41	38	28	10	73.68	11,169.90	-6,361.44	3,241.72	-2,495.69	1.30	3.64	1,731.88
9	70,829.20	38	27	11	71.05	10,353.42	-5,973.50	3,413.91	-1,940.58	1.76	4.32	1,863.93
8	74,697.94	38	29	9	76.32	9,130.50	-2,948.40	2,948.51	-1,200.99	2.46	7.91	1,965.74
7	63,254.39	38	29	9	76.32	7,189.56	-2,529.09	2,545.10	-1,172.62	2.17	6.99	1,664.59
6	61,126.73	38	26	12	68.42	8,941.50	-1,300.32	2,608.34	-557.51	4.68	10.14	1,608.60
5	55,259.87	38	28	10	73.68	11,299.50	-2,385.63	2,227.64	-711.40	3.13	8.77	1,454.21
4	37,065.48	38	27	11	71.05	7,987.50	-3,075.52	1,810.98	-1,075.55	1.68	4.13	975.41
3	39,267.22	38	32	6	84.21	5,136.75	-1,591.20	1,366.69	-744.49	1.84	9.79	1,033.35
2	26,301.54	38	28	10	73.68	4,317.75	-4,431.00	1,262.84	-905.81	1.39	3.90	692.15
1	13,620.94	38	28	10	73.68	2,299.70	-2,543.25	764.27	-777.86	0.98	2.75	358.45

37 of 38 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	74,360.18	38	28	10	73.68	12,374.58	-5,921.92	3,496.08	-2,353.02	1.49	4.16	1,956.85
9	78,552.25	38	29	9	76.32	11,558.04	-5,039.77	3,401.70	-2,232.99	1.52	4.91	2,067.16
8	82,426.43	38	31	7	81.58	11,915.40	-3,773.60	3,075.05	-1,842.87	1.67	7.39	2,169.12
7	50,234.71	38	24	14	63.16	9,428.34	-2,901.42	2,786.91	-1,189.37	2.34	4.02	1,321.97
6	47,470.58	38	28	10	73.68	9,407.88	-2,186.01	2,117.41	-1,181.68	1.79	5.02	1,249.23
5	47,976.89	38	26	12	68.42	9,436.56	-2,882.56	2,227.42	-828.00	2.69	5.83	1,262.55
4	37,255.39	38	27	11	71.05	8,665.86	-4,464.72	1,793.73	-1,015.93	1.77	4.33	980.41
3	37,521.23	38	29	9	76.32	6,748.14	-3,205.26	1,579.32	-919.89	1.72	5.53	987.40
2	27,535.38	38	27	11	71.05	7,726.74	-5,032.35	1,470.47	-1,106.11	1.33	3.26	724.62
1	13,227.58	38	28	10	73.68	2,423.79	-2,931.30	840.31	-1,030.12	0.82	2.28	348.09

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	74,927.26	38	27	11	71.05	14,814.54	-5,954.34	3,781.98	-2,471.48	1.53	3.76	1,971.77
9	82,477.85	38	28	10	73.68	13,885.04	-5,095.68	3,790.66	-2,366.06	1.60	4.49	2,170.47
8	89,021.10	38	29	9	76.32	14,312.70	-3,052.33	3,568.62	-1,607.66	2.22	7.15	2,342.66
7	54,755.38	38	24	14	63.16	12,691.90	-3,669.30	3,034.56	-1,291.01	2.35	4.03	1,440.93
6	43,780.35	38	26	12	68.42	11,843.52	-2,893.94	2,330.45	-1,400.94	1.66	3.60	1,152.11
5	53,653.86	38	26	12	68.42	11,443.50	-3,226.03	2,586.59	-1,133.13	2.28	4.95	1,411.94
4	42,965.70	38	27	11	71.05	11,245.05	-4,452.24	2,106.35	-1,264.15	1.67	4.09	1,130.68
3	40,724.10	38	27	11	71.05	8,742.60	-3,306.88	1,973.52	-1,141.89	1.73	4.24	1,071.69
2	29,703.60	38	26	12	68.42	10,167.30	-5,501.44	1,739.48	-1,293.58	1.34	2.91	781.67
1	15,767.70	38	27	11	71.05	2,863.84	-3,146.24	1,045.73	-1,133.35	0.92	2.26	414.94

35 of 38 instances (92%) closed above the entry price at some point in the next week.

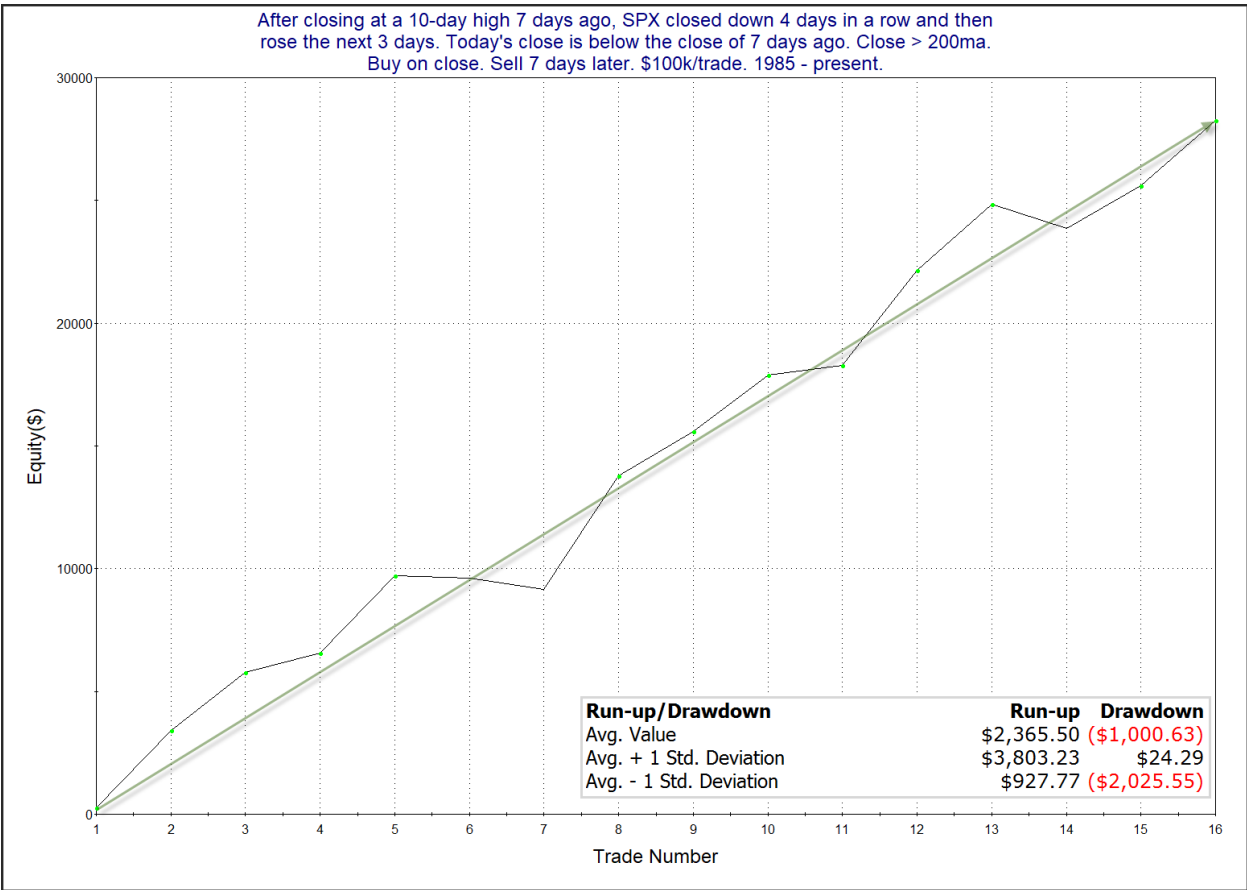
Numbers here are similar to the Nasdaq Composite, but the 8-day profits are the best we see among any of the indices.

In the 9/12/24 letter I explored the pattern the SPX has carved out over the last several days. What I noted was that after making a new high it then pulled back for 4 days in a row. That 4-day drop has now been followed by a 3-day rally. At this point the market has not managed to overcome the recent highs. So I plugged those observations into a study and found some very compelling results.

After closing at a 10-day high 7 days ago, SPX closed down 4 days in a row and then rose the next 3 days. Today's close is below the close of 7 days ago. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1985 - present.

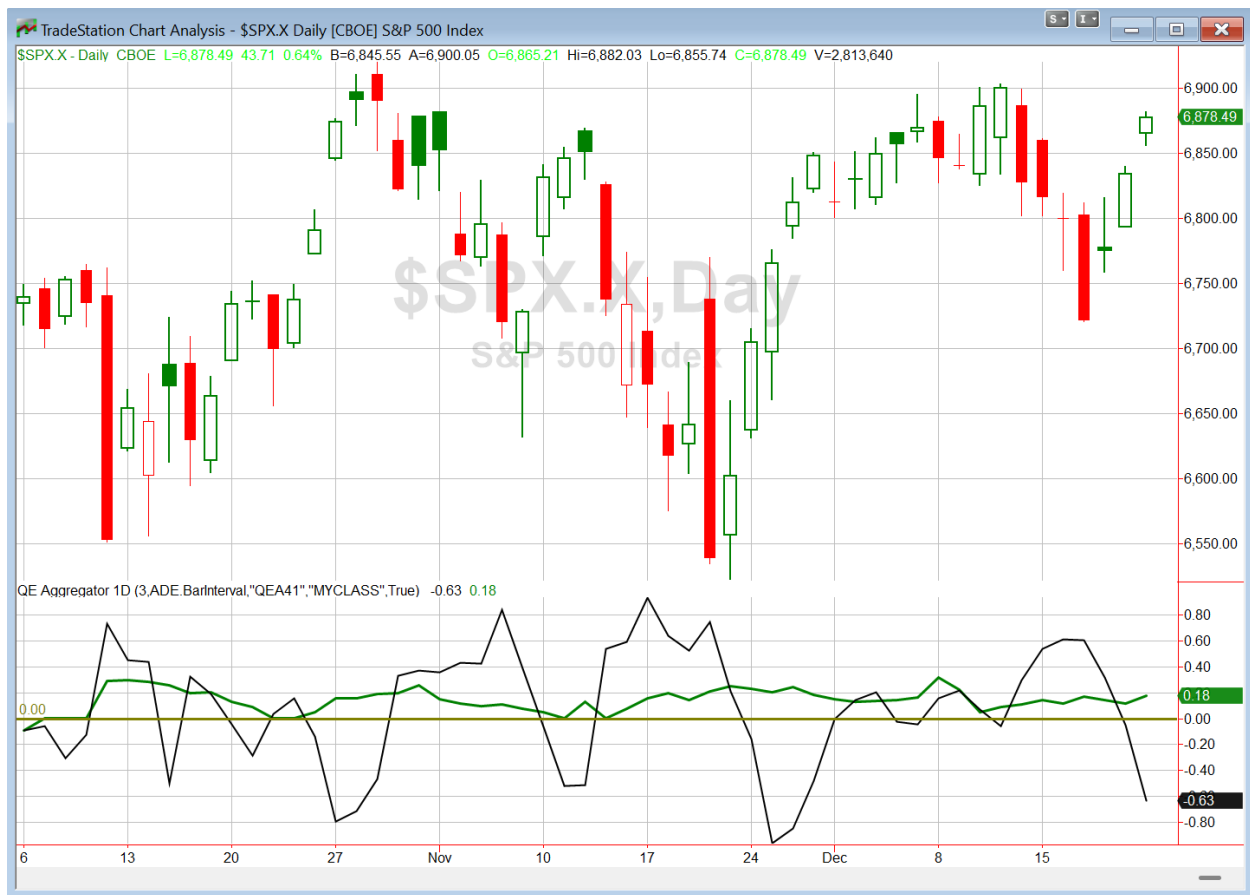
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	32,647.47	16	14	2	87.50	6,720.00	-2,984.24	2,623.25	-2,039.03	1.29	9.01	2,040.47
9	29,863.48	16	14	2	87.50	5,014.40	-2,904.67	2,363.79	-1,614.76	1.46	10.25	1,866.47
8	29,152.65	16	14	2	87.50	4,162.27	-1,743.97	2,220.63	-968.10	2.29	16.06	1,822.04
7	28,270.30	16	13	3	81.25	4,607.52	-989.88	2,294.28	-518.45	4.43	19.18	1,766.89
6	25,244.18	16	13	3	81.25	4,206.89	-1,280.71	2,135.56	-839.36	2.54	11.03	1,577.76
5	15,236.66	16	13	3	81.25	3,798.42	-2,057.14	1,500.08	-1,421.48	1.06	4.57	952.29
4	12,646.81	16	12	4	75.00	4,252.56	-2,303.32	1,574.88	-1,562.93	1.01	3.02	790.43
3	8,851.21	16	10	6	62.50	2,149.68	-1,788.56	1,497.04	-1,019.87	1.47	2.45	553.20
2	4,508.61	16	9	7	56.25	2,068.56	-2,482.97	1,101.28	-771.84	1.43	1.83	281.79
1	-1,726.79	16	7	9	43.75	1,441.26	-1,695.34	679.10	-720.05	0.94	0.73	-107.92

While the number of instances was a little low the statistics appear to heavily favor the bull side. The 7-day numbers appear especially strong. So using a 7-day exit strategy I created the equity curve below.



This curve is especially appealing. I have included this study on the Active List tonight.

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 below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 6803.06. That is 1.1% below Monday's close. Therefore SPX will need to close down at least 1.1% on Tuesday in order to flip from overbought to oversold versus expectations.

So the Aggregator is still neutral. Expectations are positive and we have a strong seasonal period the next couple of weeks. So trying to short at this time would be risky. But with SPX short-term overbought, reward/risk potential for bulls also is not great. I'll wait for a more compelling opportunity to arise before looking to take on new index positions.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/22 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>SPY(1/4)</i>	<i>12/15/2025</i>	<i>\$681.76</i>	<i>\$685.93</i>	<i>0.61%</i>	<i>div adjusted - sold on open</i>
<i>SPY(1/4)</i>	<i>12/17/2025</i>	<i>\$671.40</i>	<i>\$685.93</i>	<i>2.16%</i>	<i>div adjusted - sold on open</i>

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