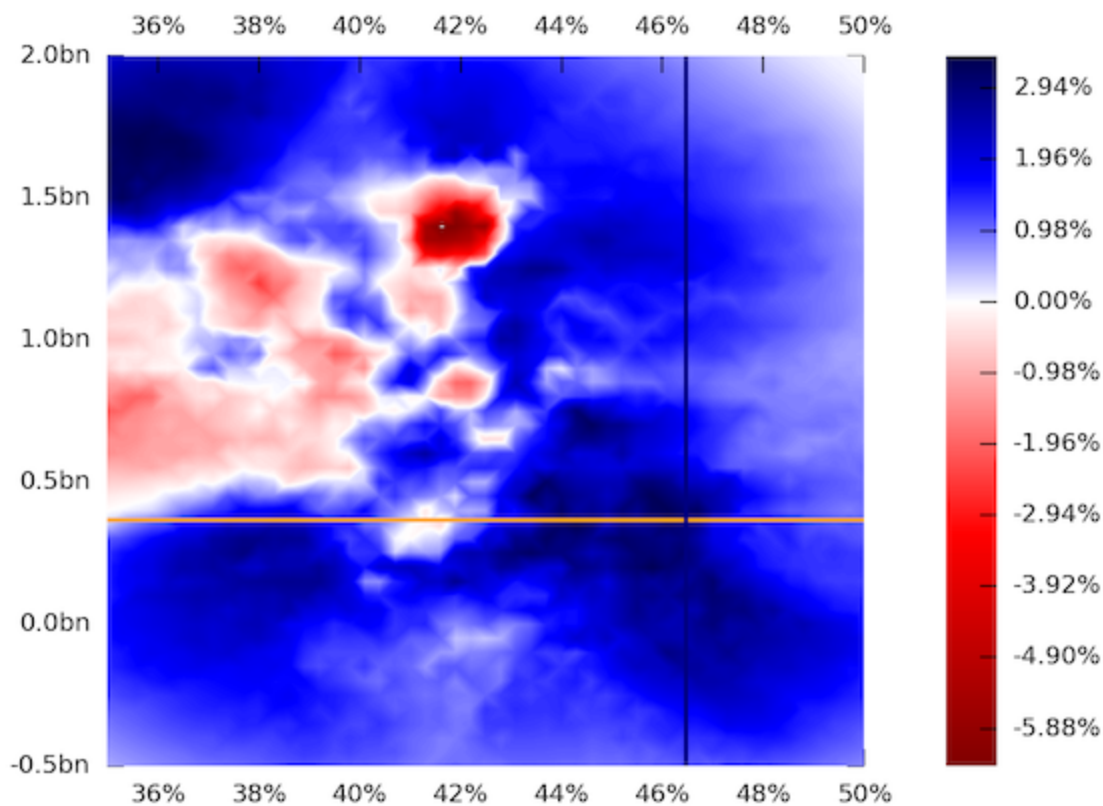


S&P 500 Weekly Forecast 12/19

From: SqueezeMetrics <info@sqzme.co>
To: SqueezeMetrics <info@sqzme.co>
Subject: S&P 500 Weekly Forecast 12/19
Date: Sunday, December 19, 2021 9:05 PM
Size: 596 KB

Hey everyone,

We've finally added a chart panel to the remaining space on the Sentiment Sheet PDF (just 30 minutes ago):

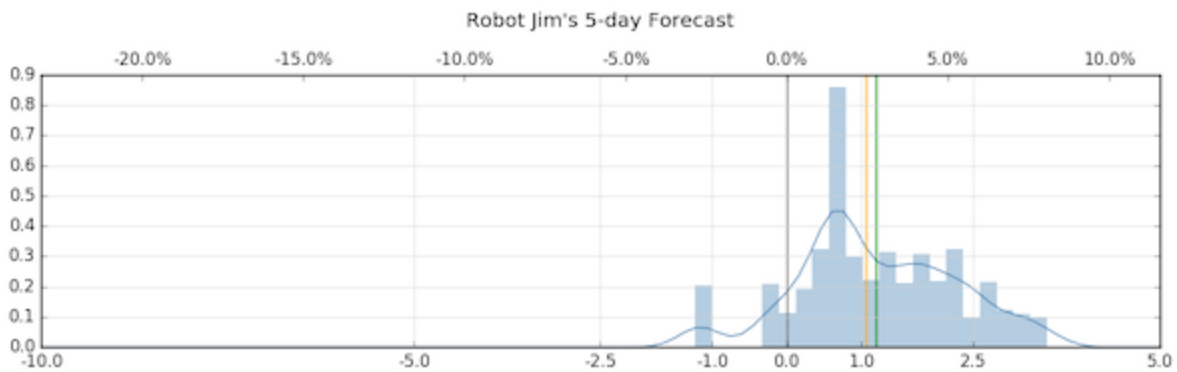


It's the heatmap of the relationship between DIX and GEX+, and subsequent [vol-normalized] 1-month returns. We found that, when we opened the Sentiment Sheet every morning, we really wanted to see the DIX/GEX+ relationship in the same way that we've now grown accustomed to viewing the NPD/VGR relationship.

This process—of taking tried-and-true data and applying the "weather map" method to pairs of predictors—is also what we're doing right now across the whole website. The speed and accuracy with which we've been able to assess the broad "color" of the data, using this method, has been wonderful.

And the fact that a Robot named Jim can help us understand it, and derive forecasts, is a nice bonus, as it can take some of the natural subjectivity out of our analysis.

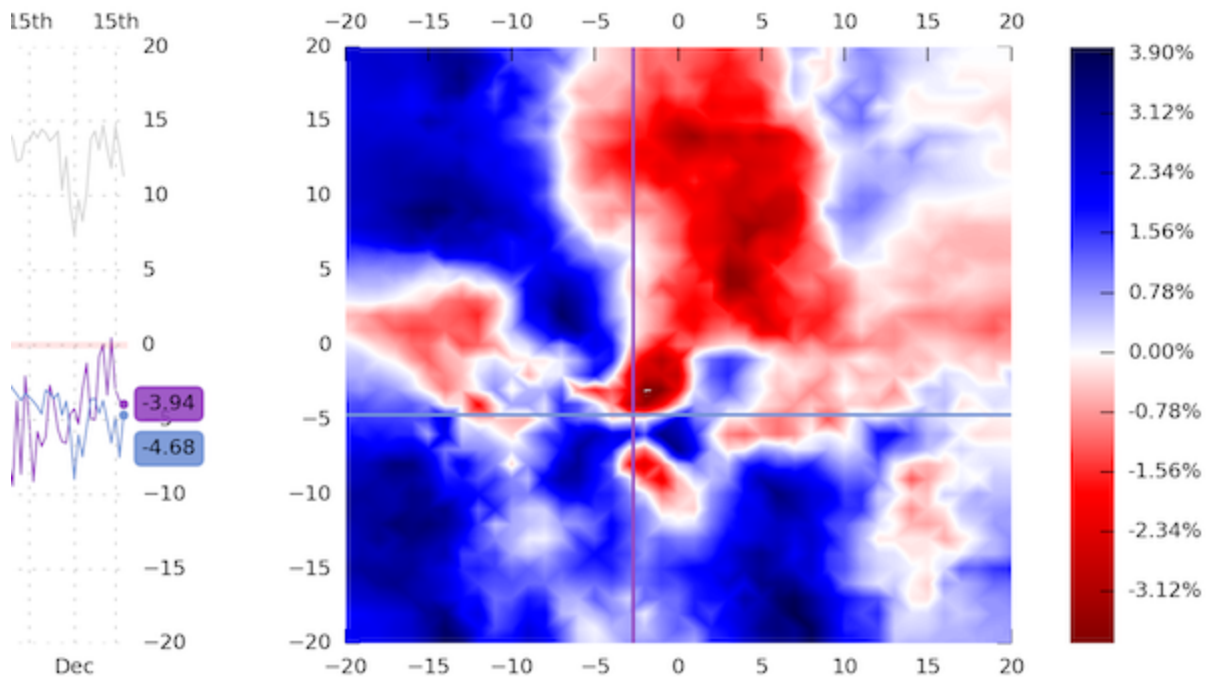
So yeah, we've been busy. So while we keep our nose to the data grindstone, let's let Jim do the majority of the talking right now.



That's a mean 1-week return of 1.20 MAD—something like +2.50%. That's an incredibly aggressive stance from Jim, especially in light of what feels like some unfriendly futures action tonight. ES falling to 4580 (-0.60%).

After toying around with some call spreads last week (liquidating most of them at a very good time, and then accumulating some more into Friday), we left off with a small call spread. And despite SPX being down around 2.00% on the week, we were doing very well with our long positions.

Tonight, we're going to pad that small call spread with a substantial long ES position. With the DIX/GEX+ relationship where it is, and with our investigation—last weekend—into how that ought to keep the dangers of NPD/VGR in check, we're agreeing with Robot Jim here: Feels bullish.



Recall that this is a 4-day week incoming, as we're now in the thick of the holiday season. Recall *a*lso that the combination of holidays and weekends can do crazy things to option premium—which has the tendency to

evaporate when a long weekend, or any low-liquidity period, passes without event.

With some yucky-looking charts and some iffy sentiment out there, we think that this "premium-burn" has the potential to turn some frowns upside-down.



Next Sunday, we'll sit next to the fire, with a mug of hot chocolate, and ponder the past year in the market, and in our data. And we'll ponder what's likely to happen in the following calendar year as well.

Exciting times ahead.

But for now, enjoy the short week!

The SqueezeMetrics Team
