

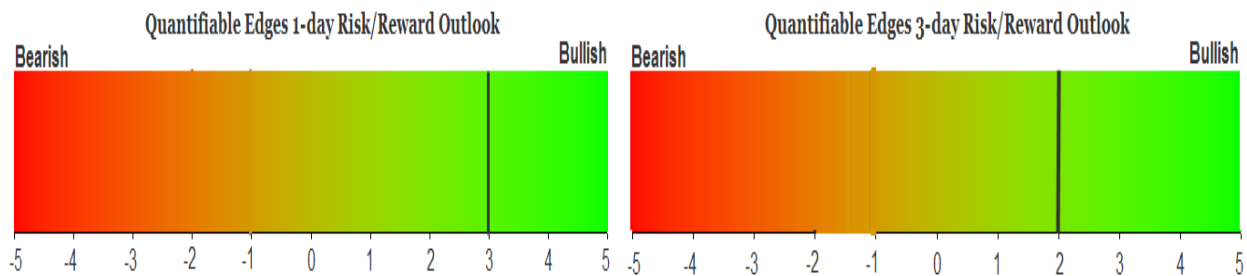
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 27, 2023

Volume 16 Issue 38

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The “failed” bounce off Wednesday’s 20-day low appears to be another opportunity to take long exposure.
- The seasonality calendars are showing some interesting tendencies.
- Intermediate-term evidence continues to remain mostly bullish.
- Fed policy is a big intermediate-term exception, and a substantial bearish force.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is a solid upside edge.

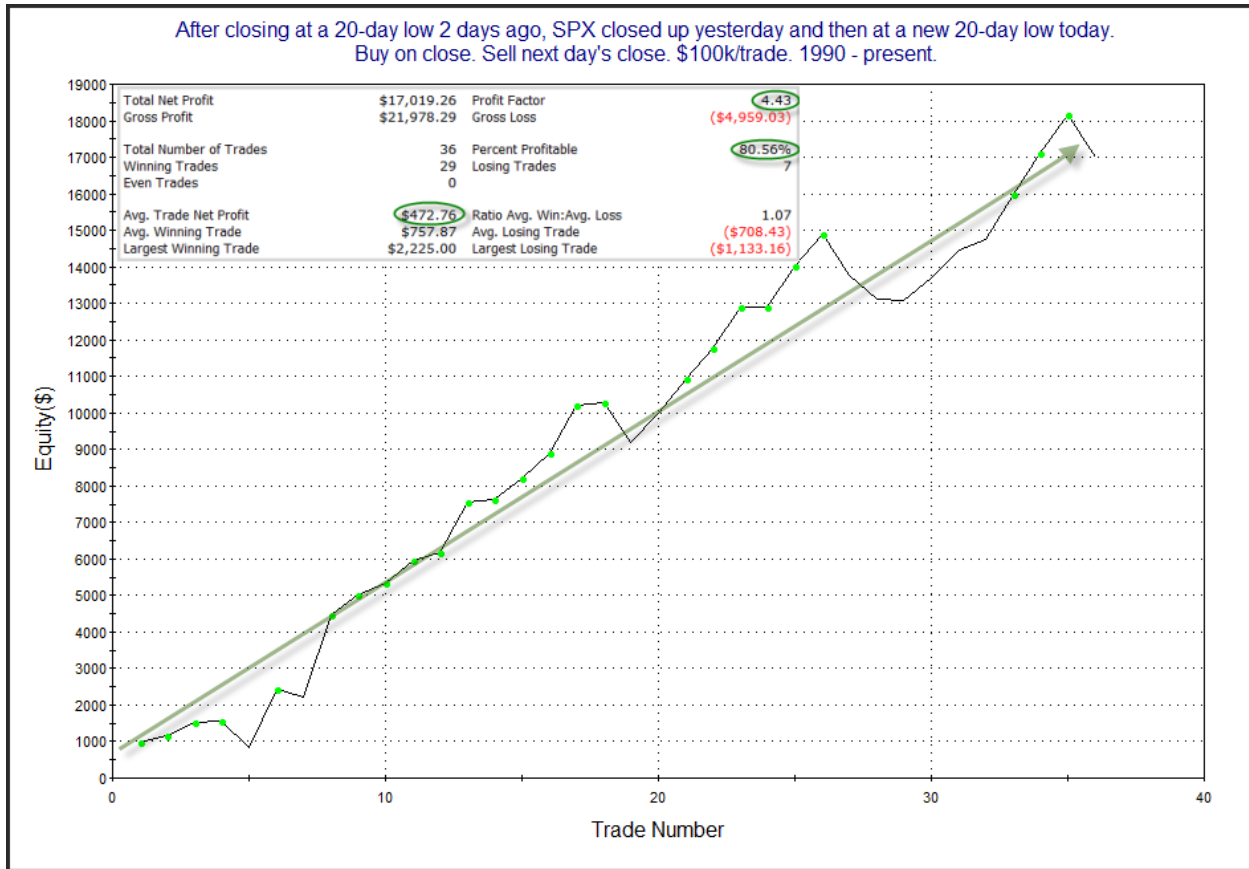
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 27, 2023	20-low cls yest. Close up. New 20-lo cls	1 day	Bullish			
February 27, 2023	Yest 20-intra lo & cls 1% above. Dn 2day	1-4 days	Bullish	2.50%	-0.90%	-2.00%
February 24, 2023	20-low. Gap up, fill, close up 0.5%	1-2 days	Bullish			
February 24, 2023	20-low cls yest. 20-intra low then up cls	1-6 days	Bullish	2.30%	-1.55%	-2.90%
February 21, 2023	1st 10-low close in 30+ days. >200	1-8 days	Bullish	2.50%	-1.90%	-4.15%
Active - Long Term						
February 24, 2023	20-low cls yest. 20-intra low then up cls	1-10 days	Bullish	3.00%	-1.80%	-3.30%
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 23, 2023	NASDAQ Leading	int term	Bullish			
January 13, 2023	QE Triple 70 Thrust	1-80 days	Bullish			
January 13, 2023	Deemer Breakaway Momentum	1-6 months	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
December 1, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
October 31, 2022	Best 6 Months 3rd Yr. Pres Cycle	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

Friday was a big down day. The SPX lost 1.05%, the NASDAQ tumbled 1.7%, and the Russell 2000 also dropped 0.9%. Breadth was negative with the NYSE Up Issues % coming in at 29% and the Up Volume % at 28%. NYSE total volume declined for the 3rd day in a row.

After closing at a 20-day low on Wednesday, the market put in a bounce attempt on Thursday. Friday's decline left that attempt looking like a failure, and also likely frustrated many bulls. But the study below from the 10/5/21 letter suggests perhaps they should not be too frustrated. Stats are updated.



Results here remain compelling. I have added this study to the Active List.

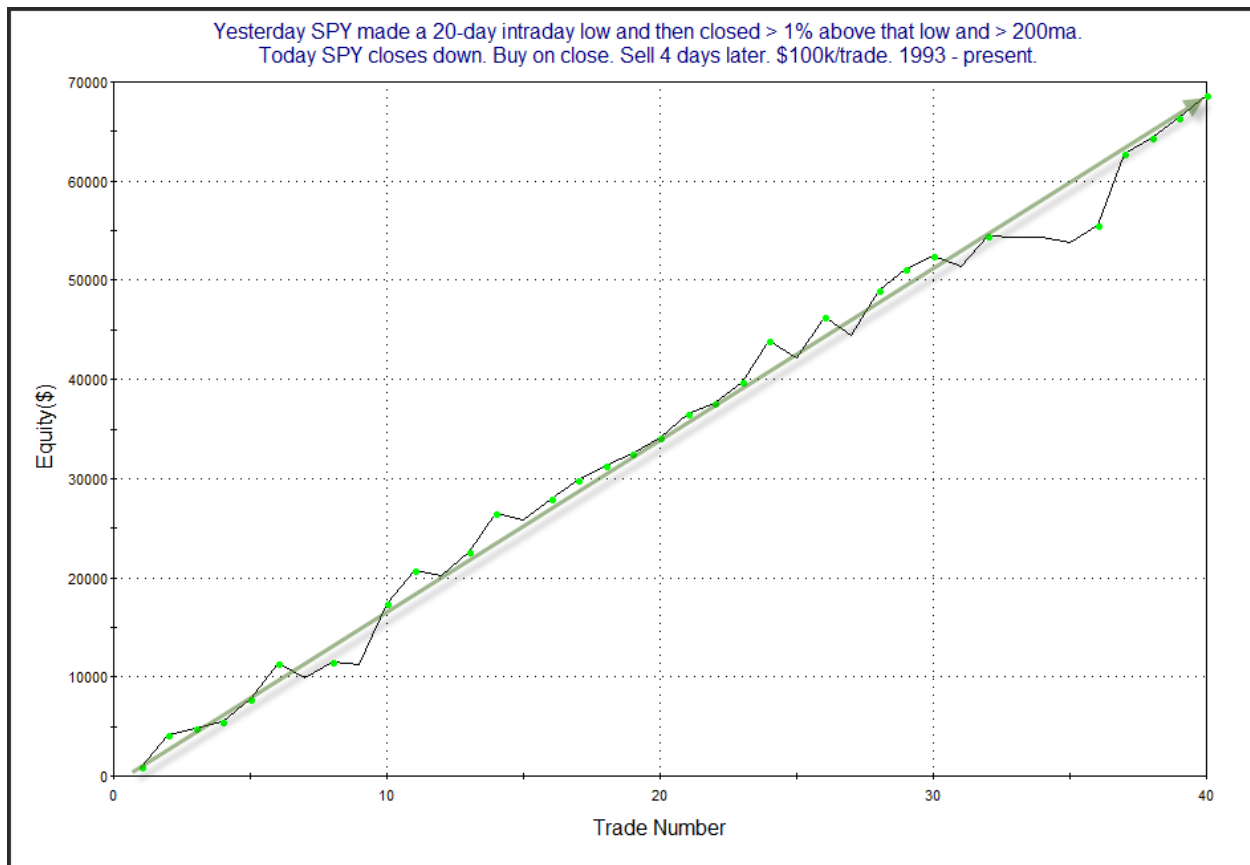
Below is another “failed bounce” study. This one was also seen in the 10/5/21 letter, and has also been updated.

Yesterday SPY made a 20-day intraday low and then closed > 1% above that low and > 200ma.
Today SPY closes down. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	58,278.72	40	29	11	72.50	7,227.72	-5,283.45	2,519.80	-1,345.04	1.87	4.94	1,456.97
4	68,595.96	40	31	9	77.50	7,252.20	-1,766.40	2,472.80	-895.65	2.76	9.51	1,714.90
3	59,474.63	40	30	9	75.00	5,630.94	-1,689.60	2,201.81	-731.09	3.01	10.04	1,486.87
2	46,520.29	43	34	9	79.07	6,435.36	-2,972.16	1,668.55	-1,134.50	1.47	5.56	1,081.87
1	21,087.38	43	31	12	72.09	4,400.20	-3,744.92	1,058.61	-977.46	1.08	2.80	490.40

3/4/11 was the only instance NOT to close above the entry price at some point in the next week.

The stats here are suggestive of a bullish edge. Below is the curve for the 4-day holding period.



You don't find curves much straighter than that. This is also impressive, and supports the idea of a short-term upside edge. I have included this study on the active list tonight.

I'll also note that I ran the preliminary March QE Seasonality Calendars. Below is a look at SPX for Feb and for March, so you can see what seasonality looks like this upcoming week.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
2/1/2023	55.05	1.273	0.080
2/2/2023	55.31	1.034	0.014
2/3/2023	56.54	1.195	0.065
2/6/2023	56.19	1.206	0.070
2/7/2023	53.63	1.093	0.028
2/8/2023	55.19	1.002	0.000
2/9/2023	56.90	1.004	0.000
2/10/2023	57.75	1.256	0.072
2/13/2023	53.09	1.264	0.023
2/14/2023	53.38	1.453	0.088
2/15/2023	57.25	1.606	0.114
2/16/2023	55.02	1.496	0.074
2/17/2023	54.96	1.522	0.085
2/21/2023	51.57	1.308	0.027
2/22/2023	49.21	1.025	-0.025
2/23/2023	50.67	1.075	-0.012
2/24/2023	51.82	0.821	-0.089
2/27/2023	49.29	0.996	0.001
2/28/2023	51.41	1.113	0.038
Baseline	54.01	1.136	0.046

The last 2 days in February are not great. Monday has the weakest seasonality of the month, and Tuesday is positive, but below average. Next is the preliminary for March.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
3/1/2023	57.85	1.556	0.140
3/2/2023	53.02	1.032	0.015
3/3/2023	53.45	1.146	0.051
3/6/2023	53.63	1.149	0.025
3/7/2023	50.81	1.021	-0.020
3/8/2023	52.11	0.917	-0.054
3/9/2023	54.06	0.930	-0.050
3/10/2023	54.98	1.174	0.021
3/13/2023	52.96	0.900	-0.045
3/14/2023	52.43	1.071	0.014
3/15/2023	54.83	1.029	0.004
3/16/2023	52.90	0.904	-0.041
3/17/2023	51.64	0.939	-0.026
3/20/2023	50.53	1.029	0.013
3/21/2023	49.86	1.428	0.109
3/22/2023	45.91	1.204	0.065
3/23/2023	50.47	1.226	0.069
3/24/2023	48.23	0.965	-0.011
3/27/2023	52.59	1.066	0.021
3/28/2023	54.35	1.171	0.055
3/29/2023	54.50	1.228	0.071
3/30/2023	56.74	1.288	0.086
3/31/2023	54.50	1.027	0.007
Baseline	53.93	1.132	0.045
QuantifiableEdges.com			

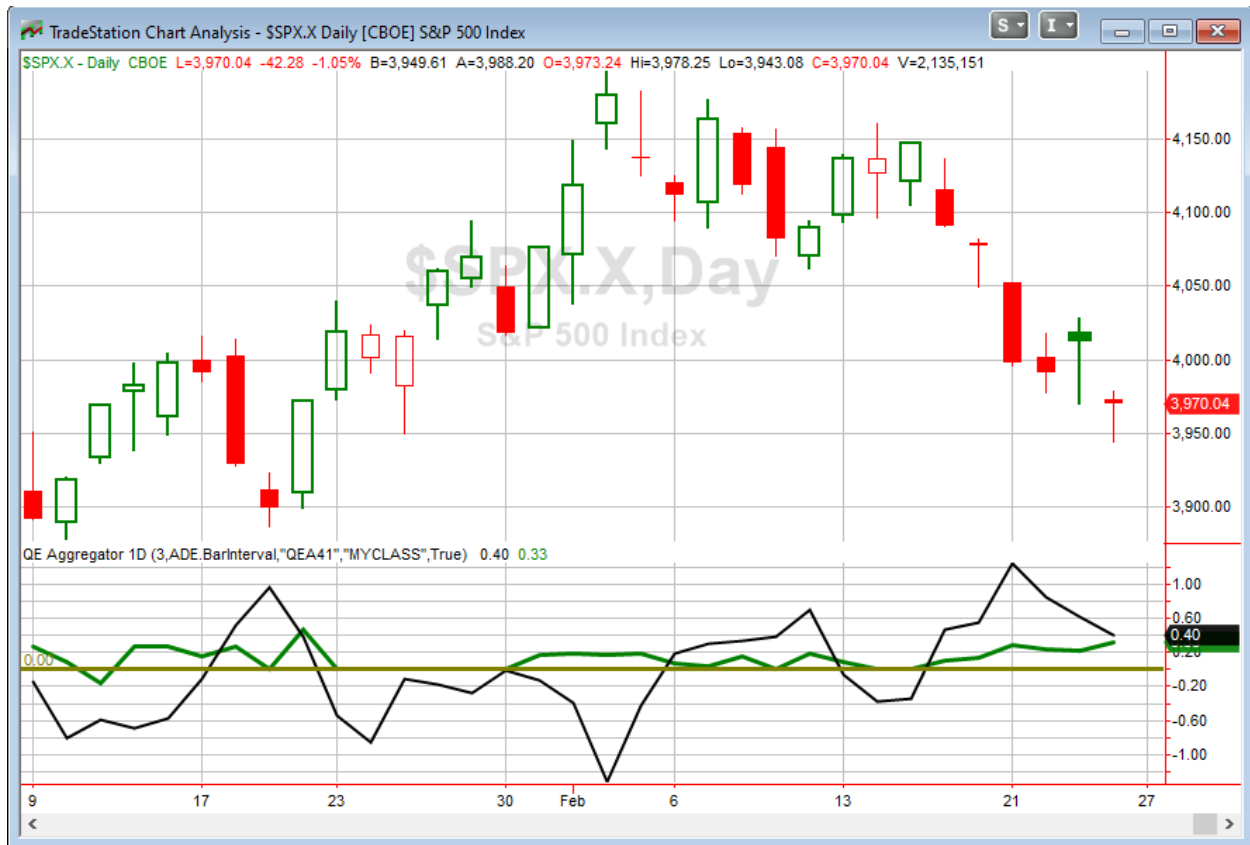
These numbers will change some, but right now Wednesday looks like the strongest seasonal day of March. The 1st week and last week look the best, with mid-month not looking very strong. Of course these will change some when I re-run it in a couple of days.

I also found the TLT Calendar for March to be very interesting. You can find that below.

Quantifiable Edges Seasonality Calendar			
§SPBDUSLT S&P US Treasury Bond 20+ Year Total Return Index			
<u>Date</u>	<u>Win%</u>	<u>Profit Factor</u>	<u>Avg % Chg</u>
3/1/2023	49.53	0.946	-0.026
3/2/2023	50.05	0.958	-0.021
3/3/2023	49.21	0.925	-0.037
3/6/2023	40.03	0.588	-0.186
3/7/2023	47.41	0.806	-0.098
3/8/2023	49.56	0.910	-0.063
3/9/2023	46.58	0.803	-0.099
3/10/2023	46.35	0.711	-0.141
3/13/2023	44.72	0.879	-0.035
3/14/2023	54.14	1.125	0.052
3/15/2023	54.62	1.204	0.081
3/16/2023	52.74	1.190	0.068
3/17/2023	56.36	1.361	0.115
3/20/2023	45.39	1.054	0.005
3/21/2023	49.99	1.099	0.015
3/22/2023	51.65	1.525	0.147
3/23/2023	51.70	1.303	0.085
3/24/2023	56.36	1.707	0.152
3/27/2023	49.42	1.237	0.033
3/28/2023	55.45	1.261	0.055
3/29/2023	55.83	1.359	0.087
3/30/2023	54.21	1.313	0.066
3/31/2023	58.88	1.718	0.133
Baseline	51.11	1.026	0.009
QuantifiableEdges.com			

There is a clear difference between the 1st half of the month (seasonally bearish), and the 2nd half (mostly bullish).

I have updated [the Aggregator chart](#) below.



With this weekend's evidence considered, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line also 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 active studies, expectations are set to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will 4016.50 on Monday. That is 1.2% above Friday's close. Therefore, SPX will need to close up at least 1.2% on Monday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. Friday's action was disappointing, but the studies above provide some encouragement. Evidence is pointing higher. And SPX is oversold enough that there is ample room to the upside before SPX would flip to overbought. I continue to like the bullish case. I already have some long index exposure. I will likely look to add to it Tuesday morning if we get another down day on Monday. But for now, I will just hold tight.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/27 – bullish

Combo #1	Combo #2	Combo #3
Long	Long	Long

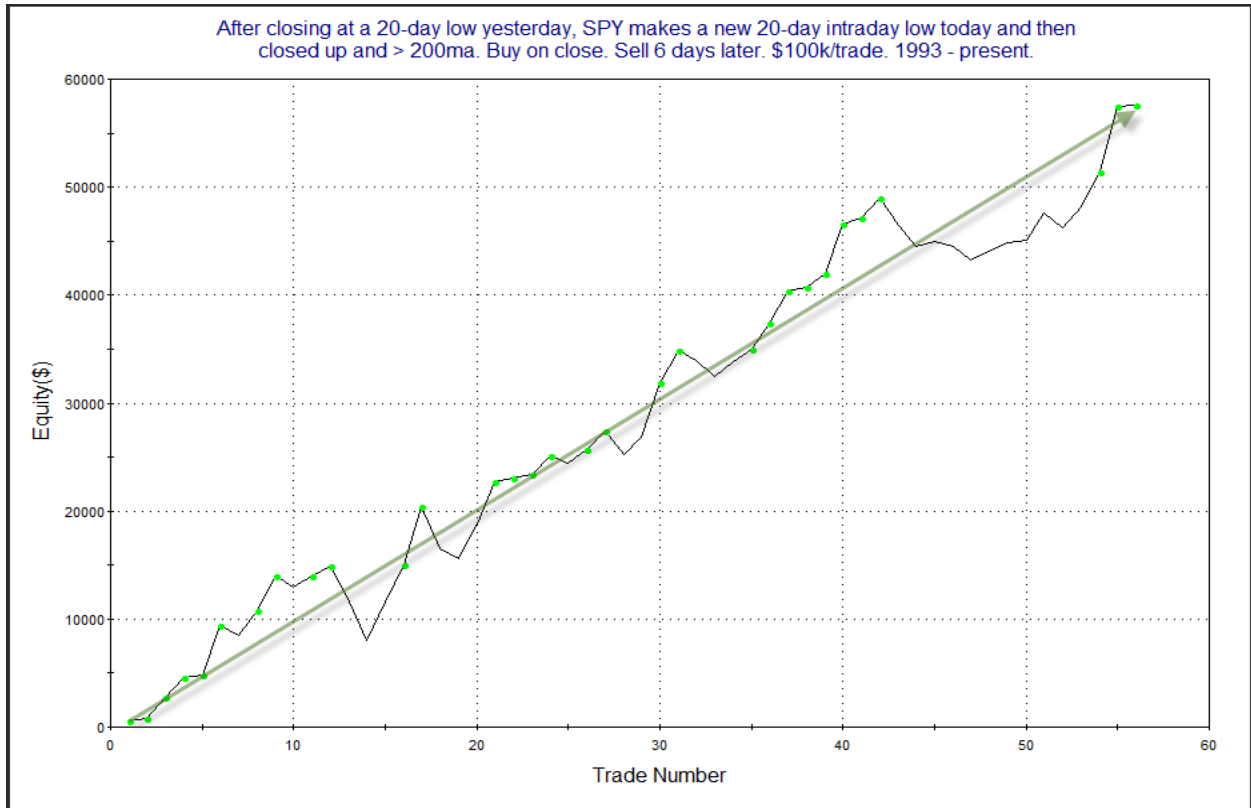
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week all 3 combo systems remained “long”.*

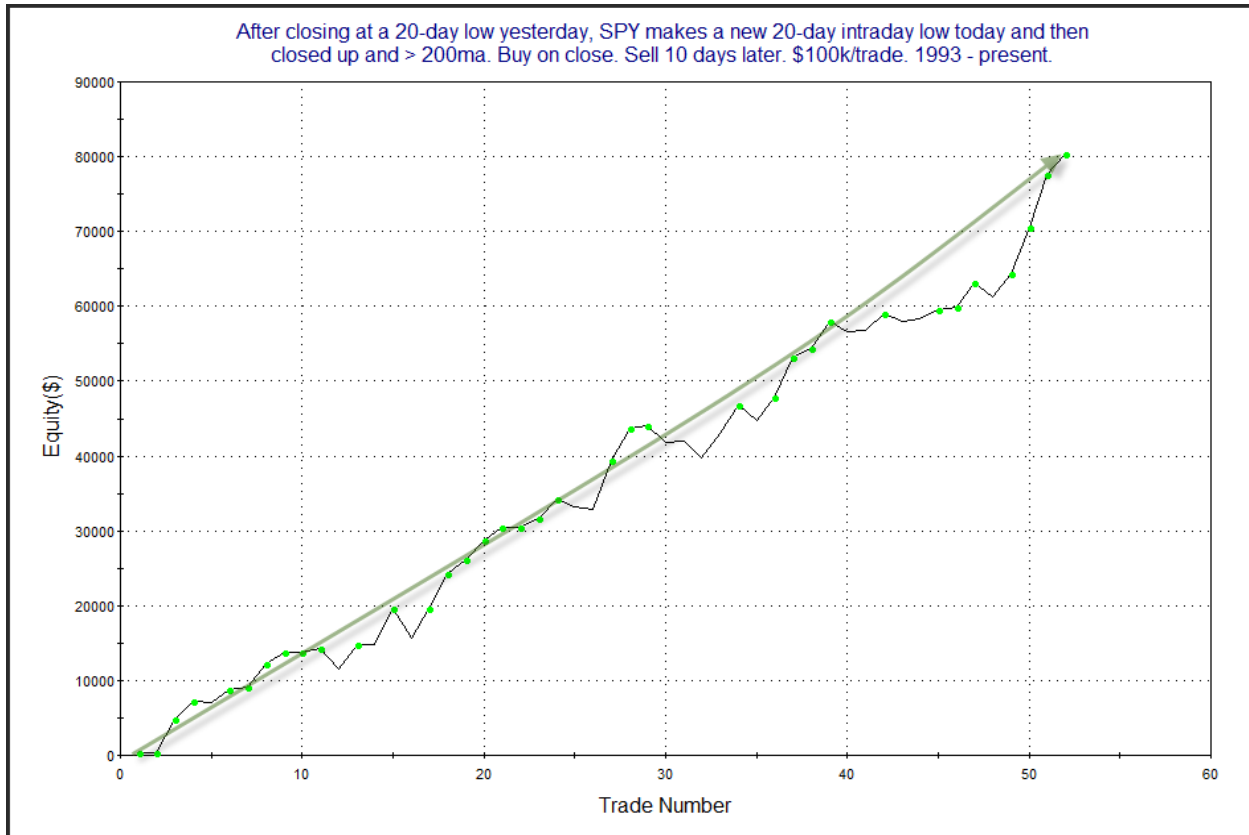
This past week was not good for the major indices. The SPX declined 2.7%, the NASDAQ dropped 3.3%, and the Russell 2000 fell 2.9%. Bonds also struggled. The US Aggregate Bond ETF (AGG) posted a loss of 0.9%. This was its 5th consecutive weekly loss after a strong start to the year. TLT, the 20-year Treasury Bond ETF fell 1.4%. This was the 3rd consecutive losing week for TLT. The stock indices are all quite close to their 200-day moving averages, suggesting the uptrend is looking a little shaky. There was one study with intermediate-term implications that triggered on Thursday night. I have copied it below.

SPY did post a higher close, but not before making a new intermediate-term intraday low. The market sold off for 2 hours from 10am to noon, and then regained most of that selloff in the afternoon. The study below was last seen in the 10/4/19 letter. It looks at reversals from intermediate-term lows like we saw on Thursday. All stats are updated.

After closing at a 20-day low yesterday, SPY makes a new 20-day intraday low today and then closed up and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	80,287.43	52	40	12	76.92	7,038.69	-3,844.83	2,487.12	-1,599.79	1.55	5.18	1,543.99
9	75,516.44	53	38	15	71.70	8,087.07	-4,258.20	2,691.26	-1,783.43	1.51	3.82	1,424.84
8	66,075.22	54	40	14	74.07	7,290.18	-4,268.86	2,376.80	-2,071.19	1.15	3.28	1,223.62
7	69,757.11	55	38	17	69.09	7,447.74	-3,531.11	2,452.84	-1,379.46	1.78	3.97	1,268.31
6	57,617.78	56	41	15	73.21	6,114.54	-3,952.19	2,055.93	-1,778.36	1.16	3.16	1,028.89
5	53,113.79	56	39	16	69.64	6,138.78	-3,450.35	1,906.53	-1,327.56	1.44	3.50	948.46
4	42,326.90	56	38	18	67.86	4,108.68	-2,284.36	1,597.00	-1,019.95	1.57	3.31	755.84
3	24,115.94	60	36	24	60.00	4,462.50	-3,560.24	1,364.04	-1,041.22	1.31	1.97	401.93
2	22,136.78	62	39	23	62.90	4,105.50	-4,266.50	1,276.42	-1,201.89	1.06	1.80	357.04
1	13,979.60	62	37	25	59.68	2,562.30	-2,512.28	964.72	-868.61	1.11	1.64	225.48

The stats here suggest a solid upside edge over the next couple of weeks. Much of it came in the 1st 6-7 days. Below are looks at both the 6 and 10-day profit curves.





The strong upslopes serve as some confirmation of the bullish tendency. I have included this study on the short and intermediate-term active lists.

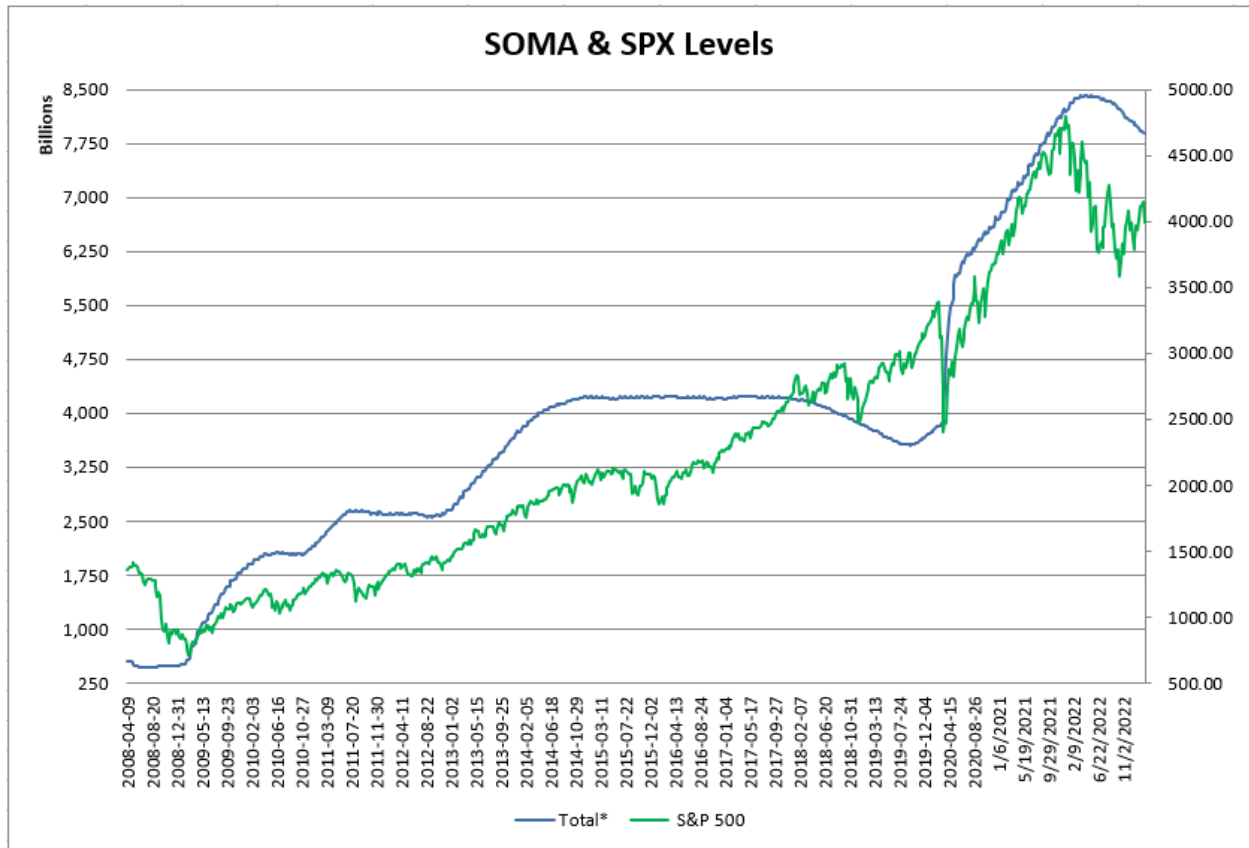
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of
 ◀ Previous **February 22, 2023** 📅
 Posted February 23, 2023 at 4:30 PM

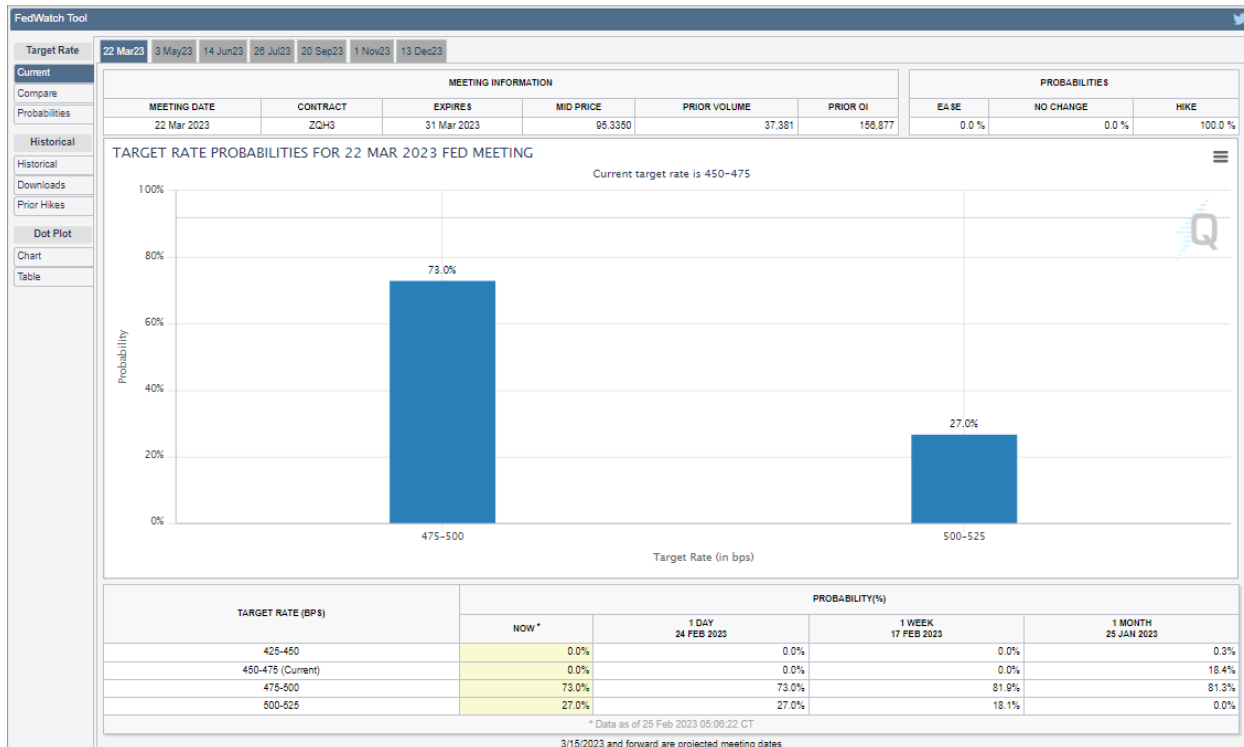
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	285,020,936.0
US Treasury Notes and Bonds (Notes/Bonds)	4,580,308,369.8
US Treasury Floating Rate Notes (FRNs)	23,428,784.2
US Treasury Inflation-Protected Securities (TIPS)*	374,979,407.4
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,611,788,709.4
Agency Commercial Mortgage-Backed Securities***	8,459,603.6
Total SOMA Holdings	7,886,332,810.4
Change From Prior Week	-3,214,074.6

This week the SOMA declined a little over \$3 billion. That is mild for the current QT program. I expect to see a much larger decline this week with the month ending and many bonds maturing. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is now in the midst of what will likely be the largest ever reduction in the size of the SOMA. The pace of the decline is high and is expected to remain high for a while. Additionally, the Fed has been increasing rates. A couple of weeks ago the market was hopeful that 1 or 2 more quarter-point hikes would be all for the Fed. But expectations have increased for larger/longer hikes. Odds now favor 3 more hikes and a rate around 5.25% - 5.50% in June. Below is a look at odds for the upcoming March meeting.



When the Fed claims they are “data dependent”, any change in the data is capable of creating a big swing in prices and sentiment. We saw that this past week. Overall, Fed policy continues to be a large bearish factor.

My intermediate-term outlook has not yet changed. We had one study trigger Thursday suggesting solid upside odds for the next 2 weeks. Uptrends generally remain intact, though we are nearing points where that could start to change. Current NASDAQ leadership is a positive. There are several breadth thrust signals active as well. So we continue to see bullish evidence in the form of trend, leadership, breadth, and momentum. The big negative remains the Fed. If the negative influence of the Fed (or higher inflation or a failing economy) is to assert itself, that will show up in the breadth/momentum/leadership/trend indicators starting to fail/turn. That has not happened yet. Until we start seeing some failures, or bearish evidence, I will continue to side with the bulls. This means I will trade longs more aggressively and shorts more conservatively.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

AXP – 1/3 @ \$173.48 (bought @ limit)

New

GM – 1/3 @ \$39.18 (buy @ limit)

Broad Market Large Cap CBI – 2(AXP, GM)

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.

GM – Buy 1/3 Catapult position @ \$39.18 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for GM.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	2/21/2023	\$403.06	\$396.38	-1.66%		Aggregator
SPY(1/4)	2/22/2023	\$398.00	\$396.38	-0.41%		Aggregator
AXP(1/3)	2/22/2023	\$173.48	\$174.25	0.44%		Catapult

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