

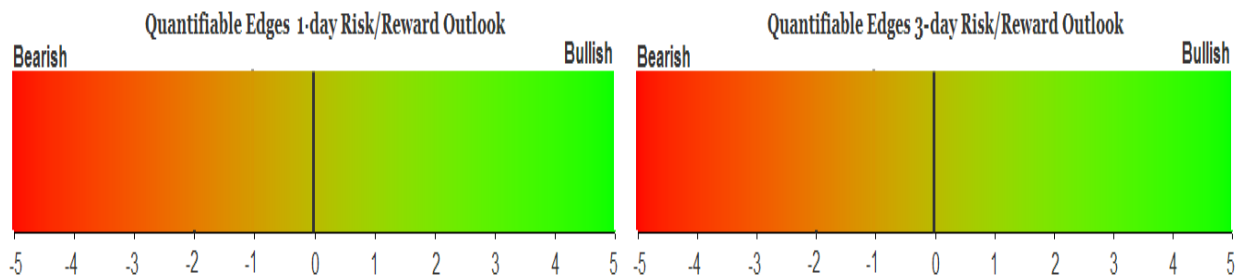
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 20, 2023

Volume 16 Issue 53

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- Action leading up to Wednesday's Fed Day could help swing the odds for a positive day on Wednesday.
- The SOMA rose again this past week, and another 25 basis point hike is expected this week, but they are keeping a close eye on banks and could shift gears a any point.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral, evidence is lacking, and risks are elevated heading into the Fed meeting.

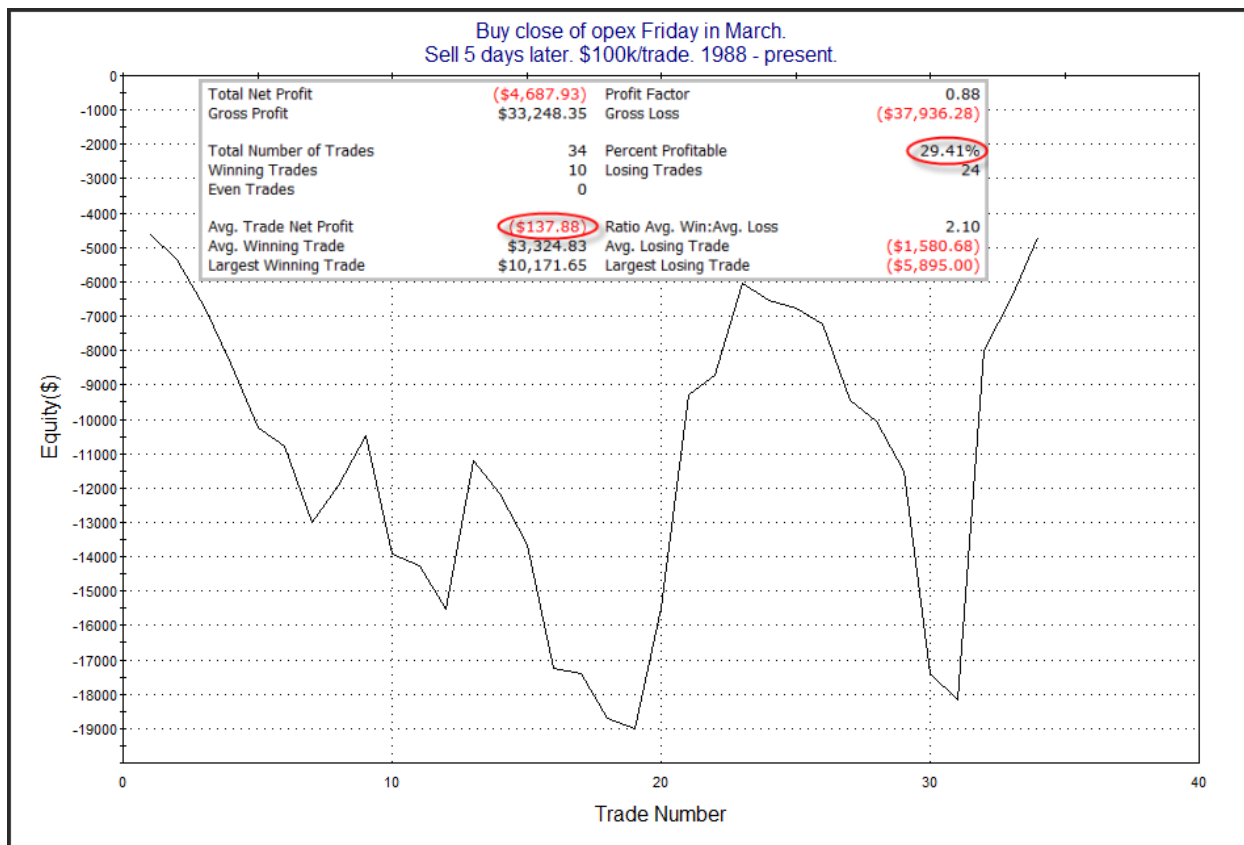
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b>						
March 17, 2023	1% gain through 200ma	1 day	Bearish			

***The Evidence***

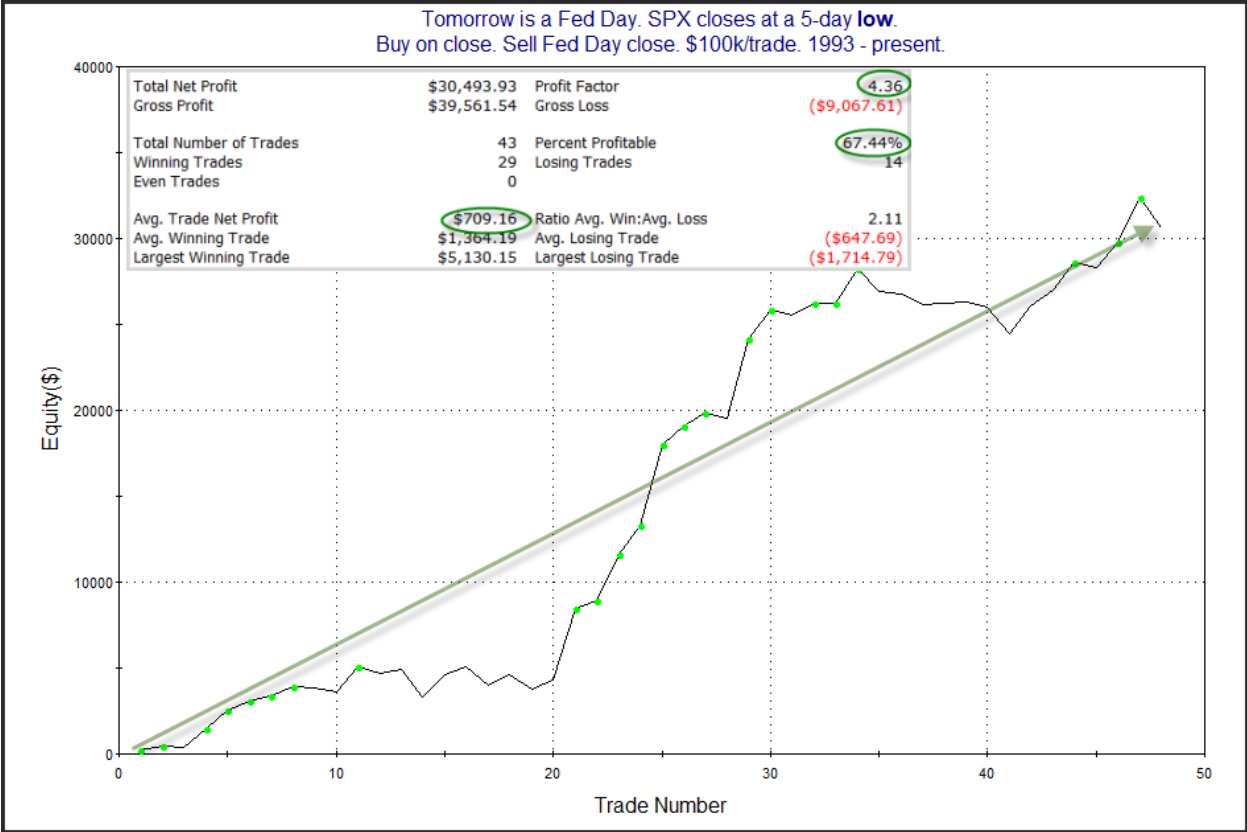
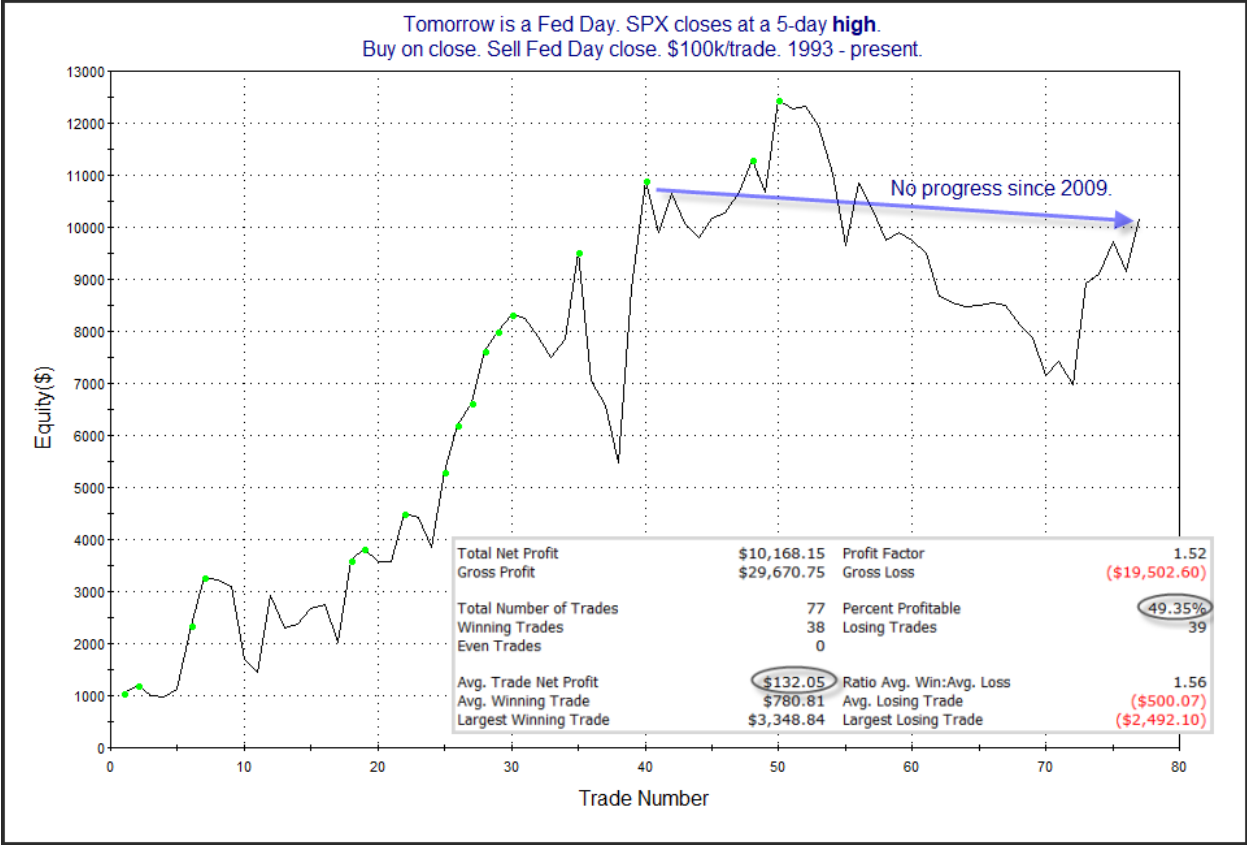
Friday was a tough day for the market. The SPX retreated 1.1%, the NASDAQ fell 0.7%, and the Russell 2000 tumbled 2.6%. Breadth was negative with the NYSE Up Issues % coming in at 16.5% and the Up Volume % at 11.7%. NYSE total volume spiked higher as it typically does on opex Friday.

The week after opex week has often seen the market sell off a bit. I have noted in the past that this has especially been true following quad-opex weeks in March, June, and September. But I looked more specifically at March this weekend, and the consistency has been lacking, and recent results disappointing. This can be seen below.



With the 10-24 record, you would expect the curve to look less choppy than what we see here. The 1-4 day curves were similar. These are not appealing results, and I have decided NOT to include this on the active list today.

Of course perhaps the most anticipated bit of news coming up is the Fed Day on Wednesday. I will discuss the Fed in more detail in the intermediate-term section. Here I will note that while the Fed decision will certainly play a part in how the market performs on Wednesday, another factor that plays into Fed Day odds is simply how the market performed leading up to that decision. A rally into a decision will often lead to disappointment (or “sell the news”). A selloff into a decision often means the market is preparing for the worst, and you often get a relief rally. This is demonstrated in the studies below. They show SPX Fed Day performance when SPX closed at a 5-day high or a 5-day low the day before. With SPX now in the middle of its 3-day range, we could easily end up at either of these extremes on Tuesday.



Clearly a 5-day low sets up for better Fed Day odds. It will be interesting to see how the market acts over the next two days heading into the Fed decision.

Below is a look at the March Seasonality Calendar.

<b>Quantifiable Edges Seasonality Calendar</b>			
<b>\$SPX S&amp;P 500 Index</b>			
<b>Date</b>	<b>Win%</b>	<b>Profit Factor</b>	<b>Avg % Chg</b>
3/1/2023	58.19	1.583	0.152
3/2/2023	53.36	1.059	0.026
3/3/2023	53.75	1.170	0.062
3/6/2023	53.74	1.157	0.027
3/7/2023	50.76	1.020	-0.020
3/8/2023	52.11	0.917	-0.054
3/9/2023	54.06	0.930	-0.050
3/10/2023	54.93	1.171	0.020
3/13/2023	53.06	0.908	-0.042
3/14/2023	52.38	1.069	0.013
3/15/2023	54.83	1.029	0.004
3/16/2023	52.90	0.904	-0.041
3/17/2023	51.60	0.937	-0.026
3/20/2023	50.63	1.037	0.015
3/21/2023	49.80	1.427	0.108
3/22/2023	45.91	1.204	0.065
3/23/2023	50.47	1.226	0.069
3/24/2023	48.09	0.958	-0.014
3/27/2023	52.92	1.086	0.028
3/28/2023	54.18	1.168	0.054
3/29/2023	54.50	1.228	0.071
3/30/2023	56.74	1.288	0.086
3/31/2023	54.35	1.020	0.004
<b>Baseline</b>	<b>53.93</b>	<b>1.134</b>	<b>0.045</b>

Numbers for this upcoming week are generally unappealing. But the next week looks quite a bit better.

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



With the short-term active list lacking, the green Aggregator Line closed right at zero. Zero readings mean expectations are flat over the next few days. Meanwhile the black Differential Line closed just barely above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are flat and SPX is oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of zero. Therefore, the Aggregator formation turned flat at the close.

With the short-term active list now bare, and the intermediate-term outlook neutral, any new studies that emerge will have a substantial influence on expectations. Meanwhile, the Differential Pivot will be 3888.93 on Monday. That is 0.7% below Friday's close. Therefore, SPX will need to close down at least 0.7% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now neutral. Risks are elevated, volatility is fairly high, and evidence is lacking. This is not a recipe for taking on new directional positions. I will remain alert to new evidence while I wait for the next favorable risk/reward opportunity to emerge.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 3/20 – neutral**

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

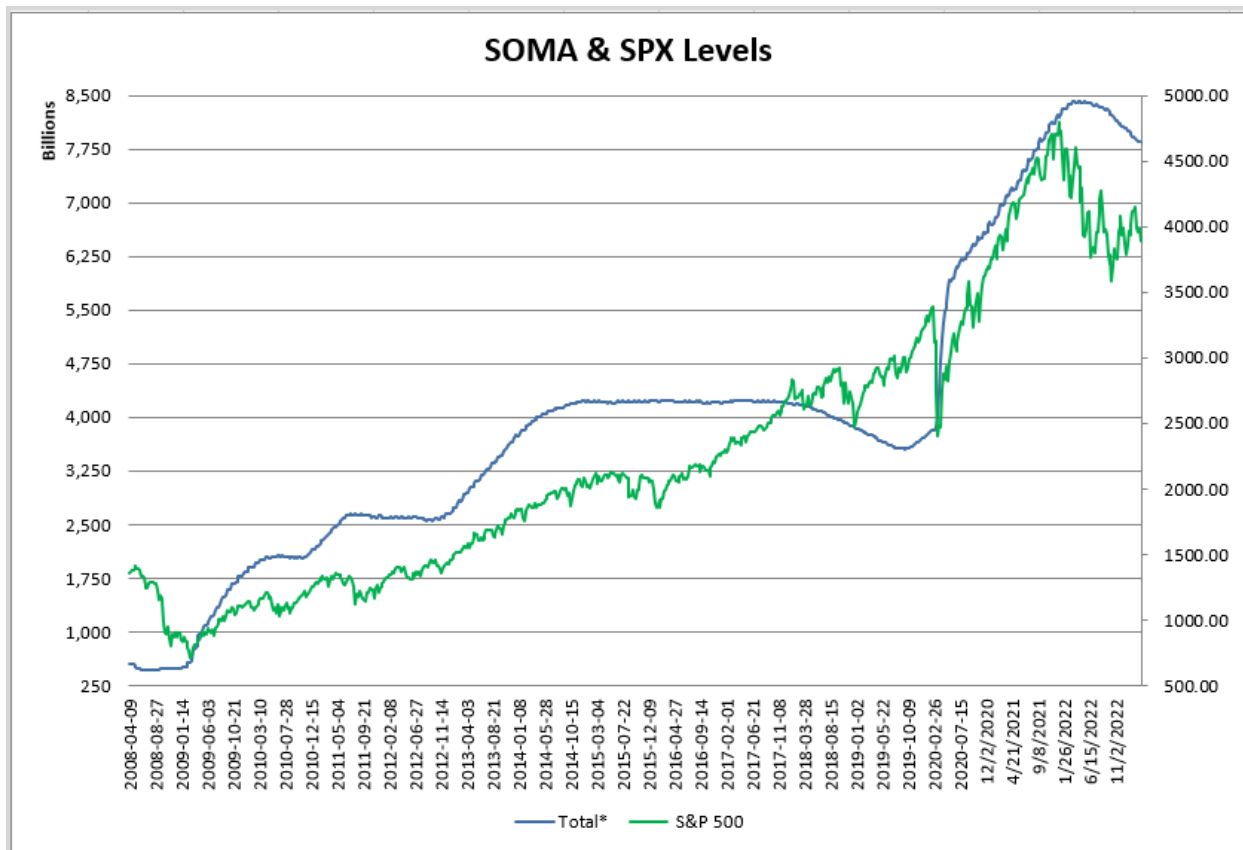
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), 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 saw very mixed results. The SPX rose 1.4%, the NASDAQ rallied 4.4%, and the Russell 2000 declined 2.6%. Bonds did well. The US Aggregate Bond ETF (AGG) posted a gain of 1.4%. TLT, the 20-year Treasury Bond ETF, climbed 1.2%. The major stock indices are all chopping around their 200-day moving averages, leaving long-term trend indications unclear. There were no studies that emerged in the last few days with intermediate-term implications.

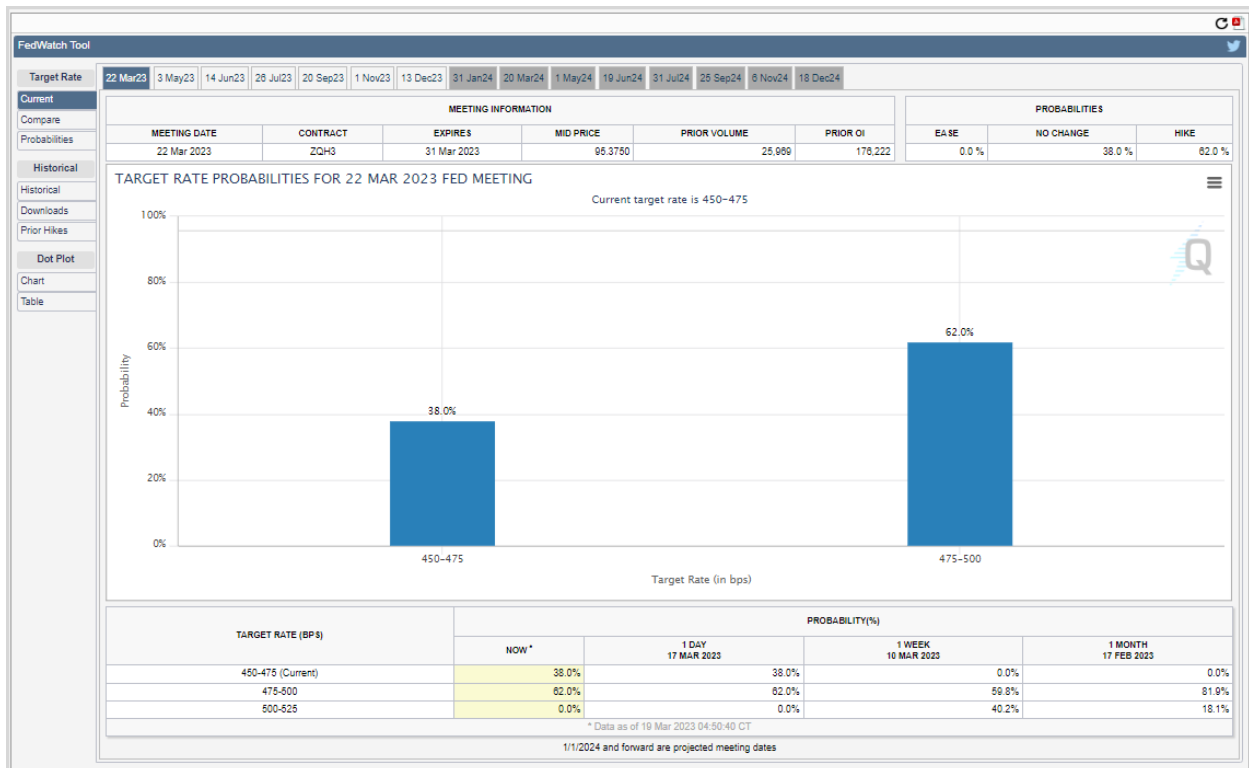
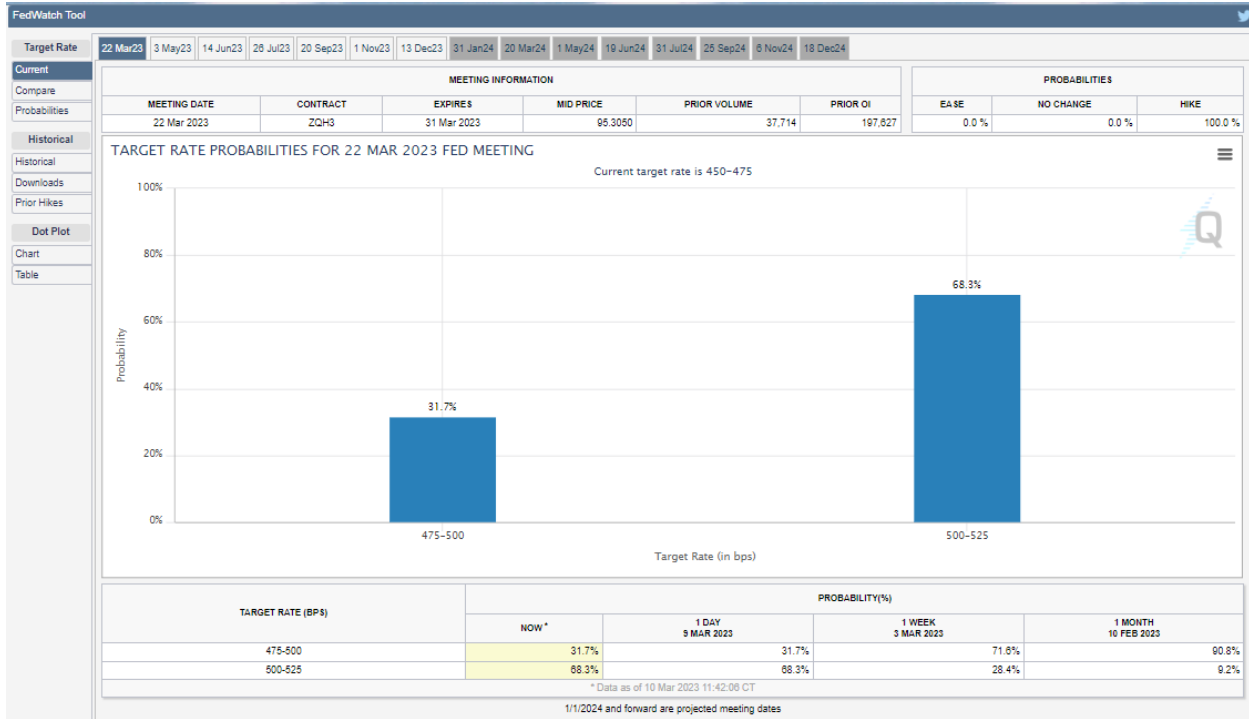
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of	
◀ Previous	<b>March 15, 2023</b> 📅 <small>Posted March 16, 2023 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; font-size: small;"> <span>SUMMARY</span> <span>T-BILLS</span> <span>T-NOTES AND T-BONDS</span> <span>FRNS</span> <span>TIPS</span> <span>AGENCY DEBTS</span> <span>MBS</span> <span>CMBS</span> </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	283,186,587.5
US Treasury Notes and Bonds (Notes/Bonds)	4,543,203,571.1
US Treasury Floating Rate Notes (FRNs)	23,428,784.2
US Treasury Inflation-Protected Securities (TIPS)*	377,024,244.5
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,600,298,927.9
Agency Commercial Mortgage-Backed Securities***	8,441,837.5
Total SOMA Holdings	7,837,930,952.7
Change From Prior Week	-9,182,131.0

This week the SOMA declined a little over \$9 billion. That is quite mild for the current QT cycle. 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 currently set to remain high for the foreseeable future. Of course that may change if the Fed shifts gears. Additionally, the Fed has been increasing rates. Here too, there is much speculation about future rate hikes. In last week’s letter I showed that Fed Funds futures were showing a 68% chance of a 0.5% hike in the Fed Funds Rate at the meeting this Wednesday and a 32% chance of a 0.25% hike. This week that has shifted substantially lower. Now there appears to be a 62% chance of a 0.25% hike and a 38% chance of no hike. This can be seen in the screenshots below. The first shows last week’s odds and the 2<sup>nd</sup> shows this week’s.



Overall, with QT and rising rates, Fed policy continues to be a bearish factor. I don't think that will change this week. But it could.

The intermediate-term case is not looking as bright as it was a few weeks ago. The Golden Cross is still in effect, so some longer-term indicators are pointing higher, but overall, trend is questionable. Current NASDAQ leadership remains a positive. And seasonal cycles remain positive for the next couple of months. There are several breadth thrust signals active from January that are not looking as impressive. They remain on the active list, but I may deem them as “failures” if we go much lower. The big negative remains the Fed. But as I discussed above, this week we could see a lot change. So I am dialing back the bias further from “slightly bullish” to “neutral”. If we don’t see more bearish inclinations assert themselves this upcoming week, then there is a good chance I may start to lean bullish again. But there is a whirlwind of uncertainty out there. The bond market is seeing wild swings, and the equity market could certainly get wilder. So I am not inclined to view the bull case as the “default” here. I’ll wait to see if things calm down a bit and set my bias to “neutral” for now. I will remain open-minded and alert to potentially rapidly changing evidence.

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

***Open Catapult Triggers***

IBM – 1/3 @ \$123.28 (buy @ limit)

***Broad Market Large Cap CBI – 1(IBM)***

**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
IBM(1/3)	3/16/2023	\$122.96	\$123.69	0.59%	Catapult

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