

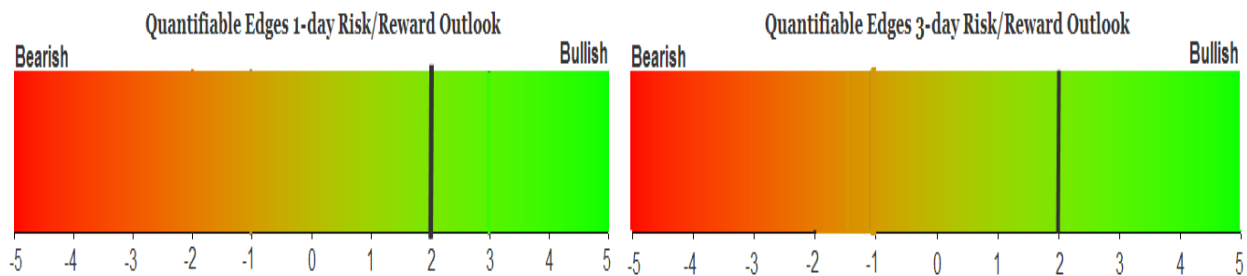
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 10, 2023

Volume 16 Issue 67

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The Seasonality Calendar continues to look favorable.
- The SOMA had the largest decline ever this past week.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. There appears to be a mild 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
<b>Active - Short Term</b>						
April 3, 2023	End of month at high of month	1-5 days	Bullish	2.00%	-1.10%	-2.30%
<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			

***The Evidence***

Thursday started a little weak, but pushed higher throughout the day, leaving the indices positive. The SPX closed up 0.4%, the NASDAQ rose 0.8%, and the Russell 2000 climbed 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 54% and the Up Volume % at 58%. NYSE total volume came in light ahead of the long weekend.

The mild action really did nothing to trigger new studies suggesting a compelling edge. In Thursday night's letter I discussed the study below, which looked at Monday performance following an employment report release on Good Friday when the market is closed.

Today is Holy Thursday. The Employment Report will be released on Friday with the NYSE closed. Buy on close. Sell Monday's close. \$100k/trade. 1980 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/3/1980	Buy	\$102.15	-1.92%	\$117.36
4/7/1980	Sell	\$100.19		(\$2,366.76)
3/31/1983	Buy	\$152.96	0.04%	\$39.18
4/4/1983	Sell	\$153.02		(\$476.69)
4/4/1985	Buy	\$179.02	-0.56%	\$245.52
4/8/1985	Sell	\$178.02		(\$647.28)
3/31/1988	Buy	\$258.88	-1.08%	\$69.48
4/4/1988	Sell	\$256.09		(\$1,239.06)
3/31/1994	Buy	\$445.76	-1.53%	\$0.00
4/4/1994	Sell	\$438.92		(\$2,217.60)
4/4/1996	Buy	\$655.86	-1.77%	\$0.00
4/8/1996	Sell	\$644.24		(\$2,708.64)
4/1/1999	Buy	\$1,293.72	2.12%	\$2,109.80
4/5/1999	Sell	\$1,321.12		\$0.00
4/5/2007	Buy	\$1,443.76	0.06%	\$299.46
4/9/2007	Sell	\$1,444.61		(\$33.12)
4/1/2010	Buy	\$1,178.10	0.79%	\$808.92
4/5/2010	Sell	\$1,187.44		\$0.00
4/5/2012	Buy	\$1,398.08	-1.14%	\$0.00
4/9/2012	Sell	\$1,382.20		(\$1,408.64)
4/2/2015	Buy	\$2,066.96	0.66%	\$961.44
4/6/2015	Sell	\$2,080.62		(\$501.12)
4/1/2021	Buy	\$4,019.87	1.44%	\$1,525.20
4/5/2021	Sell	\$4,077.91		\$0.00

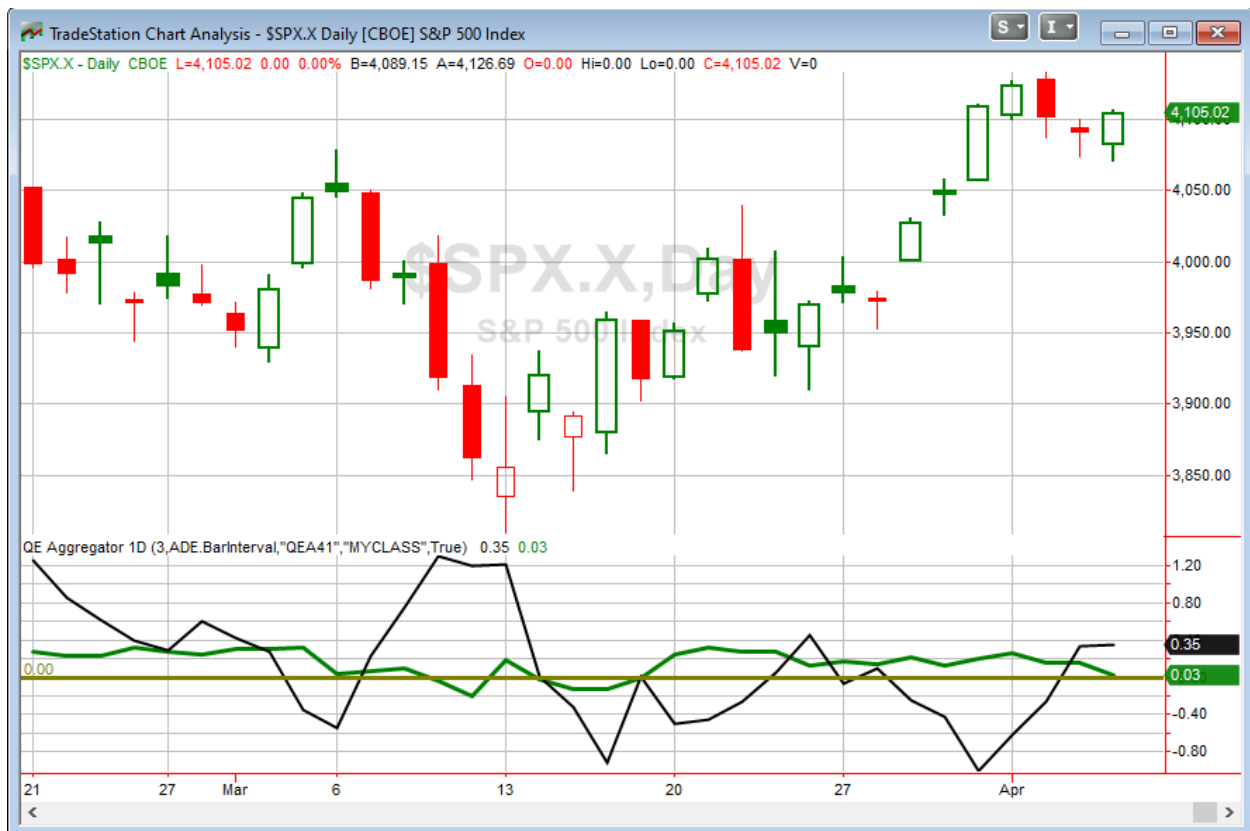
My takeaway was that the report could generate substantial volatility, since most of the instances saw SPX rise or fall by at least 0.75% the next day. But Friday's report came out largely in-line with expectations. It did not generate a large reaction in the futures. So perhaps Monday won't see such a big move.

Below is a look at the QE Seasonality Calendar for SPX.

<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>
4/3/2023	59.67	1.608	0.172
4/4/2023	56.22	1.327	0.087
4/5/2023	60.81	1.527	0.141
4/6/2023	58.49	1.308	0.077
4/10/2023	52.92	1.310	0.069
4/11/2023	52.92	1.469	0.126
4/12/2023	53.19	1.380	0.096
4/13/2023	57.41	1.371	0.091
4/14/2023	58.11	1.593	0.160
4/17/2023	55.88	1.131	0.042
4/18/2023	57.53	1.655	0.153
4/19/2023	56.41	1.314	0.078
4/20/2023	53.06	1.053	0.015
4/21/2023	51.32	1.055	0.018
4/24/2023	54.06	1.062	0.016
4/25/2023	54.69	1.127	0.037
4/26/2023	55.16	1.179	0.054
4/27/2023	57.92	1.267	0.076
4/28/2023	55.26	0.996	-0.007
<b>Baseline</b>	<b>53.89</b>	<b>1.131</b>	<b>0.044</b>

As I noted last weekend, April looks strong. This upcoming week is again solidly bullish. Monday through Wednesday are not as strong as we saw last week, but still there appears to be a seasonal wind at the market's back for the next few weeks.

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



Without any new studies making the Active List tonight, the green Aggregator Line remained slightly above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line 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 list of active studies, expectations are set to remain positive on Monday. This will be entirely due to the intermediate-term evidence, since the last of the short-term studies is set to expire. Of course, expectations could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4125.73. That is 0.5% above Thursday's close. Therefore, SPX will need to close up at least 0.5% on Monday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. SPX is mildly oversold, and there is a small amount of evidence pointing higher. This is not an incredibly strong signal, but "up" appears more likely than "down" over the next few days. I have a very small amount of long index exposure left over from Thursday. (I took partial profits near the close.) I'll remain with that very light allocation for the time being. I don't see a compelling reason to change it.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 4/10 – slightly 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”.*

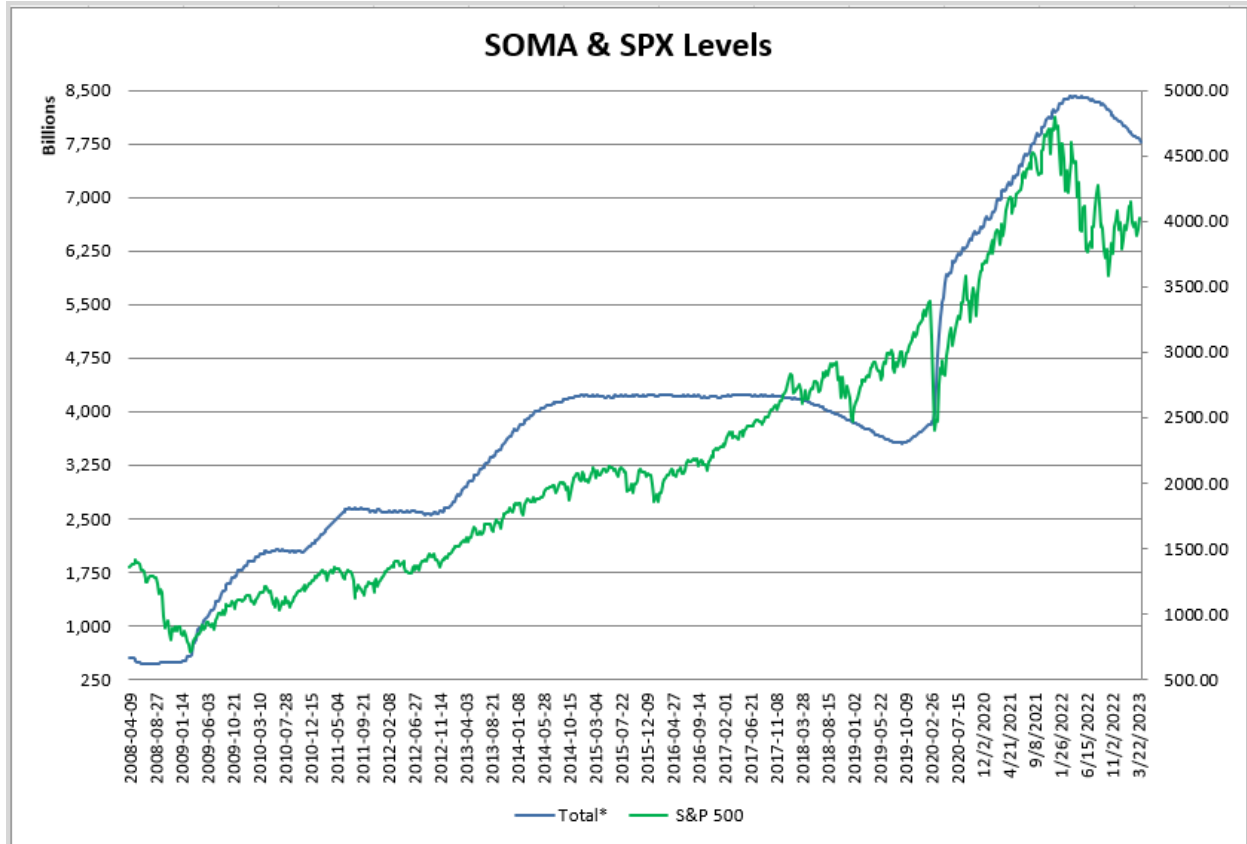
Despite Thursday’s rise, the major averages mostly posted moderate declines this past week. The SPX dipped 0.1%, the NASDAQ dropped 1.1%, and the Russell 2000 fell 2.7%. Bonds hit their highest levels of 2023. The US Aggregate Bond ETF (AGG) posted a gain of 1.1%. TLT, the 20-year Treasury Bond ETF, closed the week up 2.3%. Most long-term trend indicators are classifying this as an uptrend for stocks. Still, the SPX and RUT have been mostly range-bound over the last few months. 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.

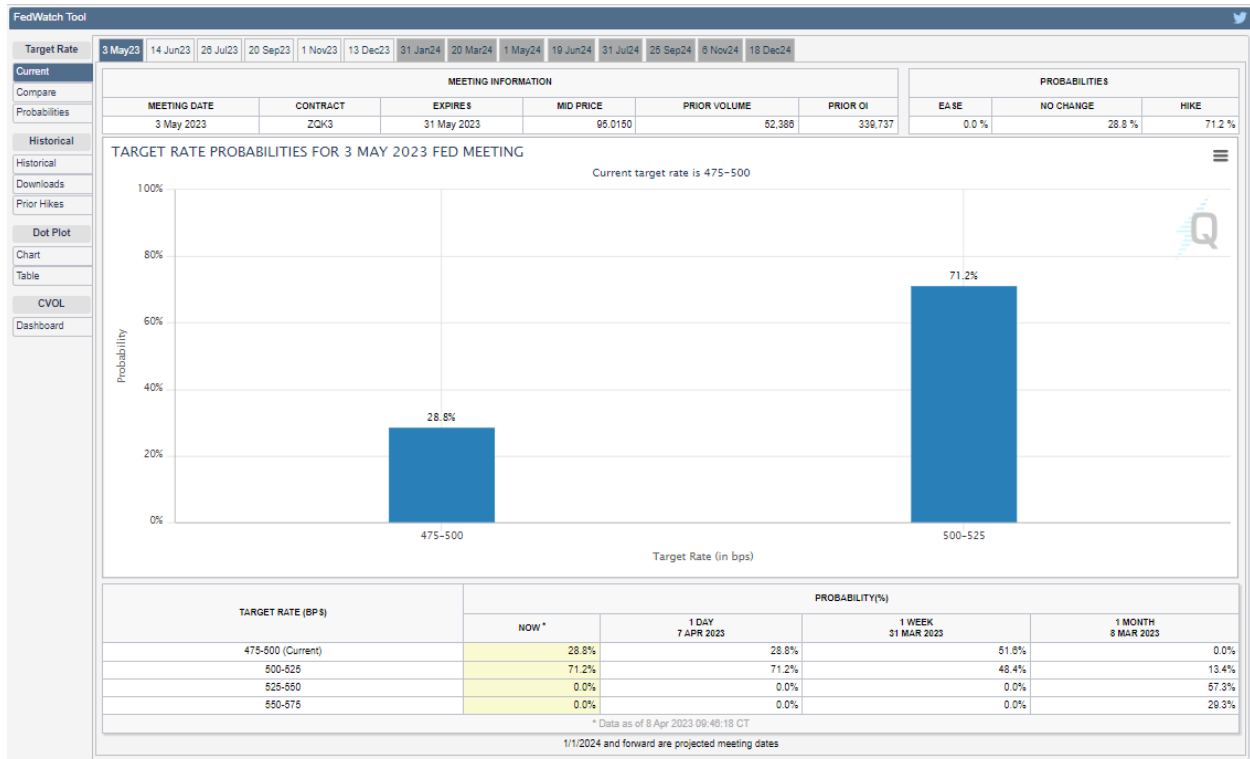
Domestic Security Holdings as of	
◀ Previous	April 5, 2023 📅 Posted April 6, 2023 at 4:30 P.M.
<div style="display: flex; justify-content: space-between; font-size: small;"> <span>SUMMARY</span> <span>T-BILLS</span> <span>T-NOTES AND T-BONDS</span> <span>FRNS</span> <span>TIPS</span> <span>AGENCY DEBTS</span> <span>MBS</span> <span>CMBS</span> </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	280,966,361.0
US Treasury Notes and Bonds (Notes/Bonds)	4,494,367,684.0
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***	2,586,045,583.4
Agency Commercial Mortgage-Backed Securities***	8,434,456.6
Total SOMA Holdings	7,772,614,113.7
Change From Prior Week	-49,709,919.6

source: <https://www.newyorkfed.org/markets/soma-holdings> QuantifiableEdges.com

Last week the SOMA declined by \$49.7 billion. That is the biggest decline of all time, surpassing the \$48.2 billion decline that occurred in March of 2008. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is now in the midst of what could be the largest ever reduction in the size of the SOMA. The pace of the decline is high and the Fed has given no indication that it is planning to dial back the Quantitative Tightening anytime soon. That was further evidenced this past week with the record-breaking amount of QT. Additionally, the Fed has continued to push interest rates higher. There is much debate over whether the rate increases will continue, and then how long it will be before the Fed reverses course and begins cutting rates. Below is a screenshot of the CME Fedwatch Tool showing odds for the May meeting.



Last week there was about an 50% chance of the Fed raising rates at the May meeting. The week before showed only a 12% chance. This week the chance of another increase has moved all the way up to 71%. There is still plenty of data to be released between now and May, but odds are certainly trending in a direction suggesting another hike.

This past week saw a pause in the recent climb for the SPX. Still, evidence appears to be leaning towards the bulls. The Golden Cross is still in effect, so some longer-term trend indicators are pointing higher. Most indices are above the 200ma, with the Russell 2000 being a notable exception. Current NASDAQ leadership remains a positive. And seasonal cycles remain positive at least through April. There are several breadth thrust signals active from January, and we nearly saw some new triggers occur during the last week in March. The big negative remains the Fed. There are also plenty of other risks out there. Obvious ones include the banking sector and geopolitical tensions with Russia/China. This could all matter greatly to stocks at some point. But it does not seem to be hurting the large-caps yet. I'll remain slightly bullish. This means I will be more inclined to look for long trades than short ones, although I'm open to either if reward/risk appears favorable.

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

**None**

### ***Broad Market Large Cap CBI – 0***

## **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.**

## **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Notes</b>
SPY(1/4)	4/6/2023	\$406.77	\$409.19	0.59%	<b>sold 1/2 @ \$409.19</b>

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