

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 17, 2023

Volume 16 Issue 72

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- April opex week has often been bullish, especially the 1st two days.
- The day taxes are due and the day after have also shown bullish tendencies.
- The SOMA barely changed this past week, but the current week should see a fairly sizable decline.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am also.

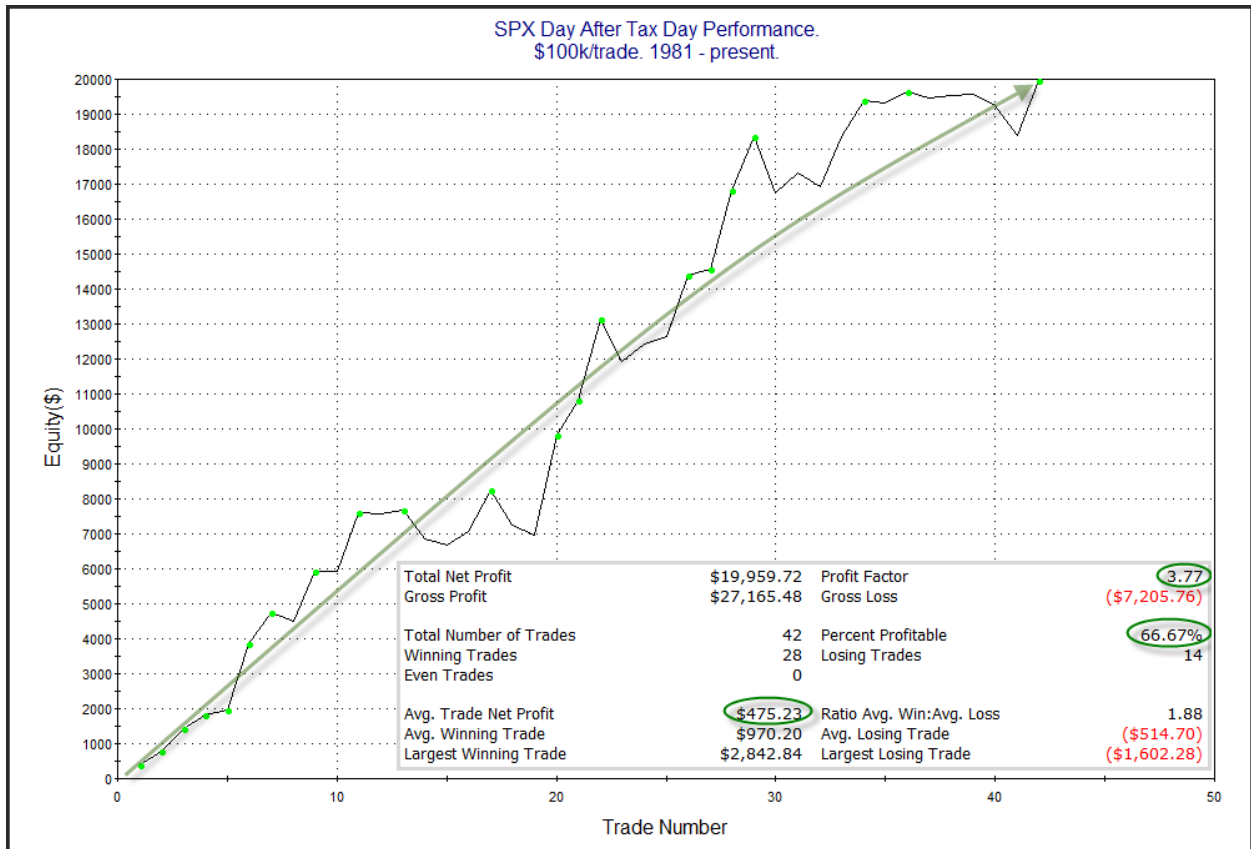
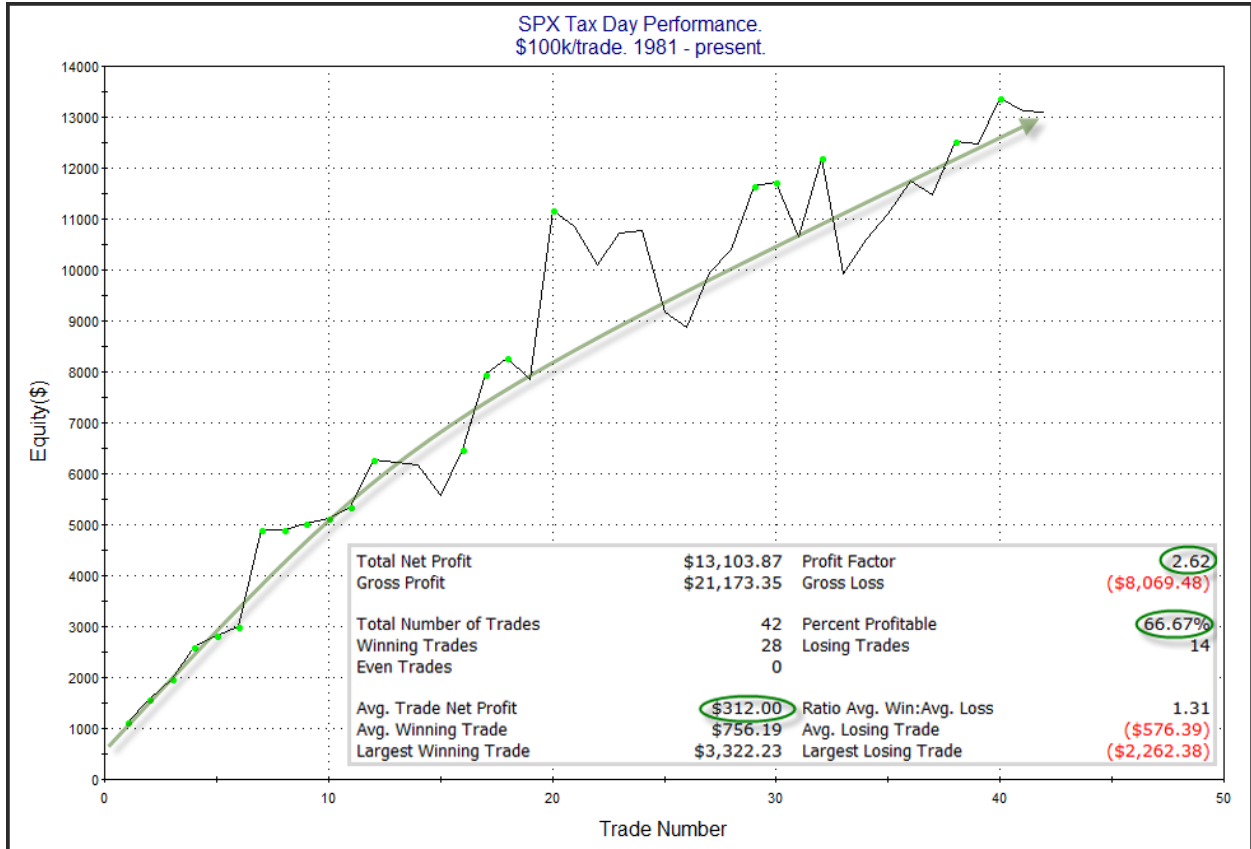
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
April 17, 2023	April opex Mon-Tues strong	1-2 days	Bullish			
April 14, 2023	5 higher highs and fresh 20-high close	1-3 days	Bullish			
Active - Long Term						
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			

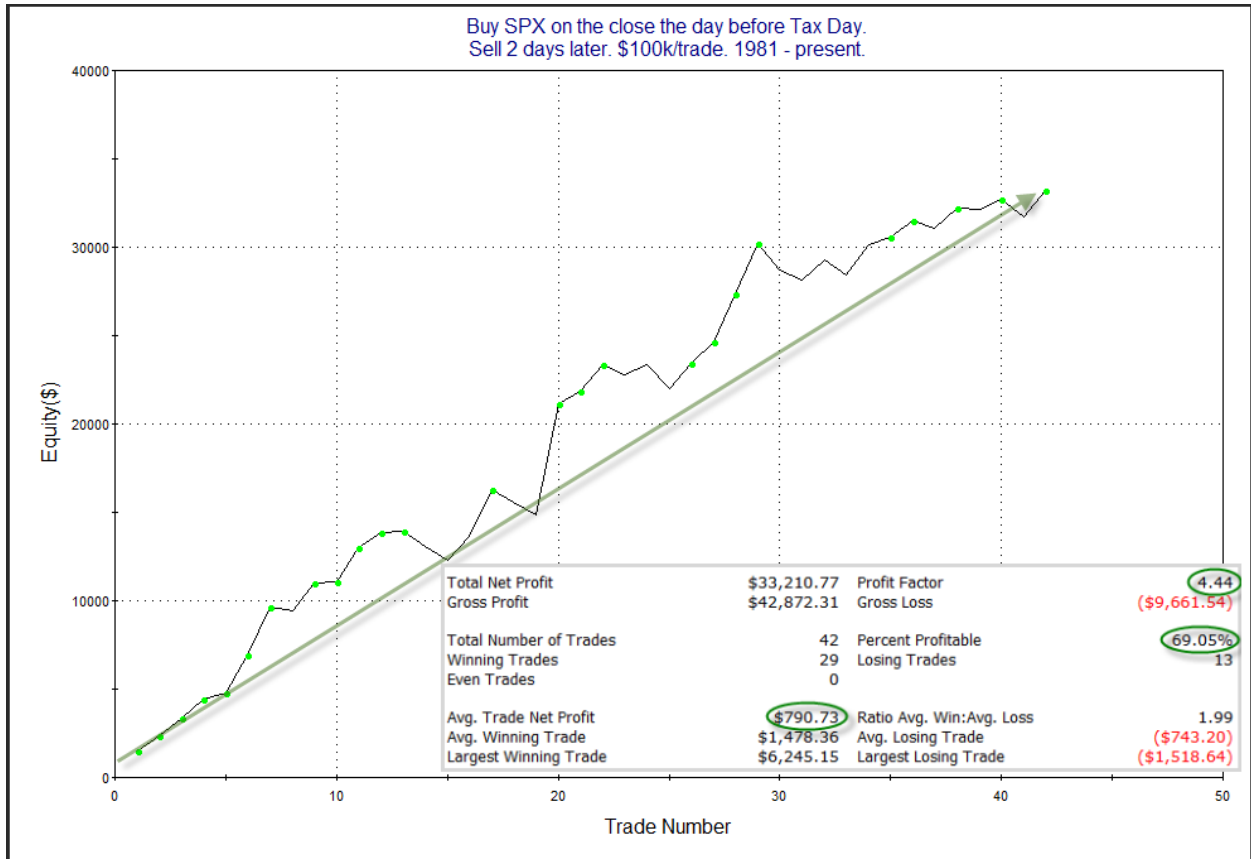
The Evidence

Friday was a mild pullback day. The SPX dipped 0.2%, the NASDAQ declined 0.35%, and the Russell 2000 sank 0.9%. Breadth was negative with the NYSE Up Issues % coming in at 34% and the Up Volume % at 40%. NYSE total volume rose some from Thursday's level.

In the 5/17/21 letter (and many times over the years) I showed that there has been a strong historical tendency on tax day (normally April 15th, but Tuesday April 18th this year) and the day immediately after. The reason tax day may be important is that it is the last day that people can make IRA contributions to count for the previous tax year. This can create a last-minute rush and you will often have an inflow of funds heading into the market right around and on April 15th. Fund managers will often put this money to work immediately and it creates a positive bias for the market. Below are some updated studies that demonstrate this.



As you can see, both of these days seem to contain very solid upside edges. The study below looks at what happens if you hold for both days instead of just one.

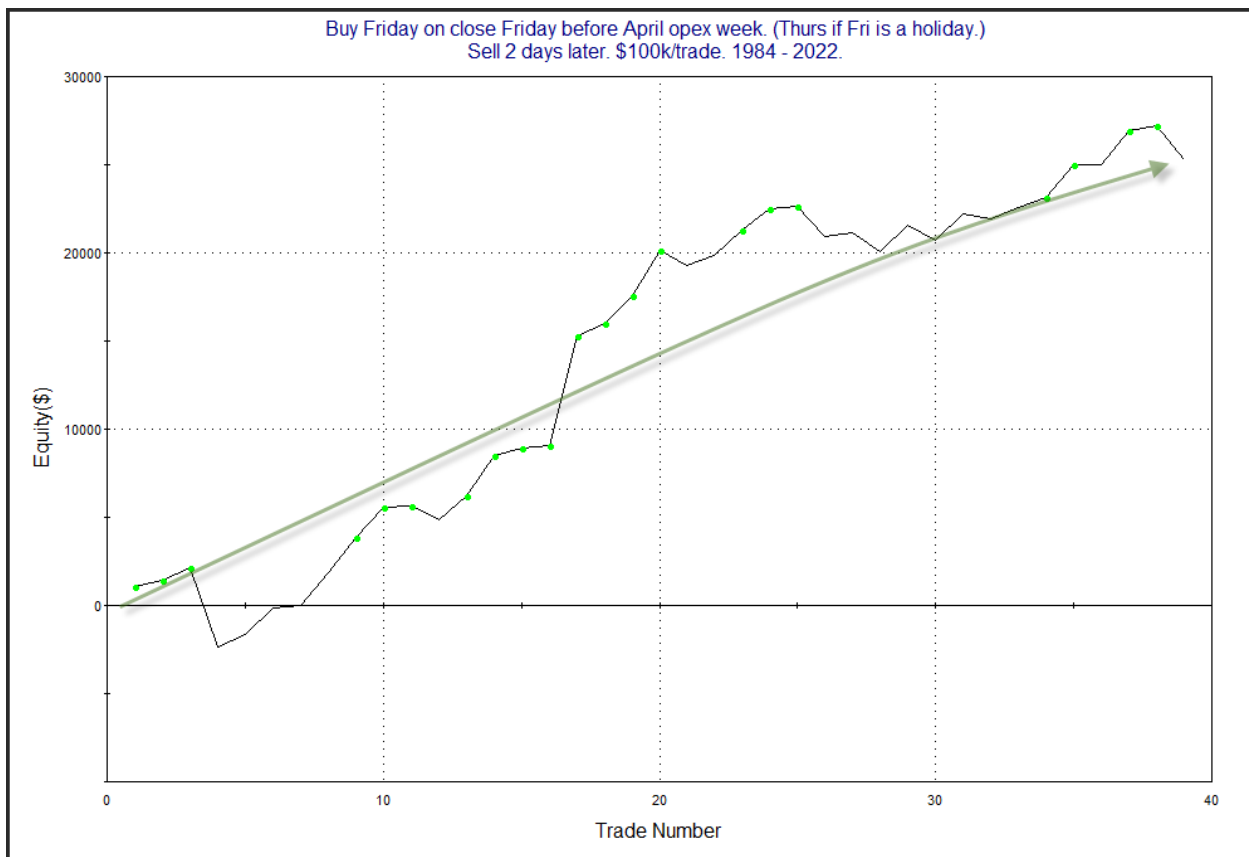


As you would expect, the numbers and the profit curve are impressive. This study will be added to the active list on Monday night for Tuesday and Wednesday.

It is also notable that April expirations week is here, and it has historically been very bullish. The study below, from the 4/12/21 letter shows this. Results are updated.

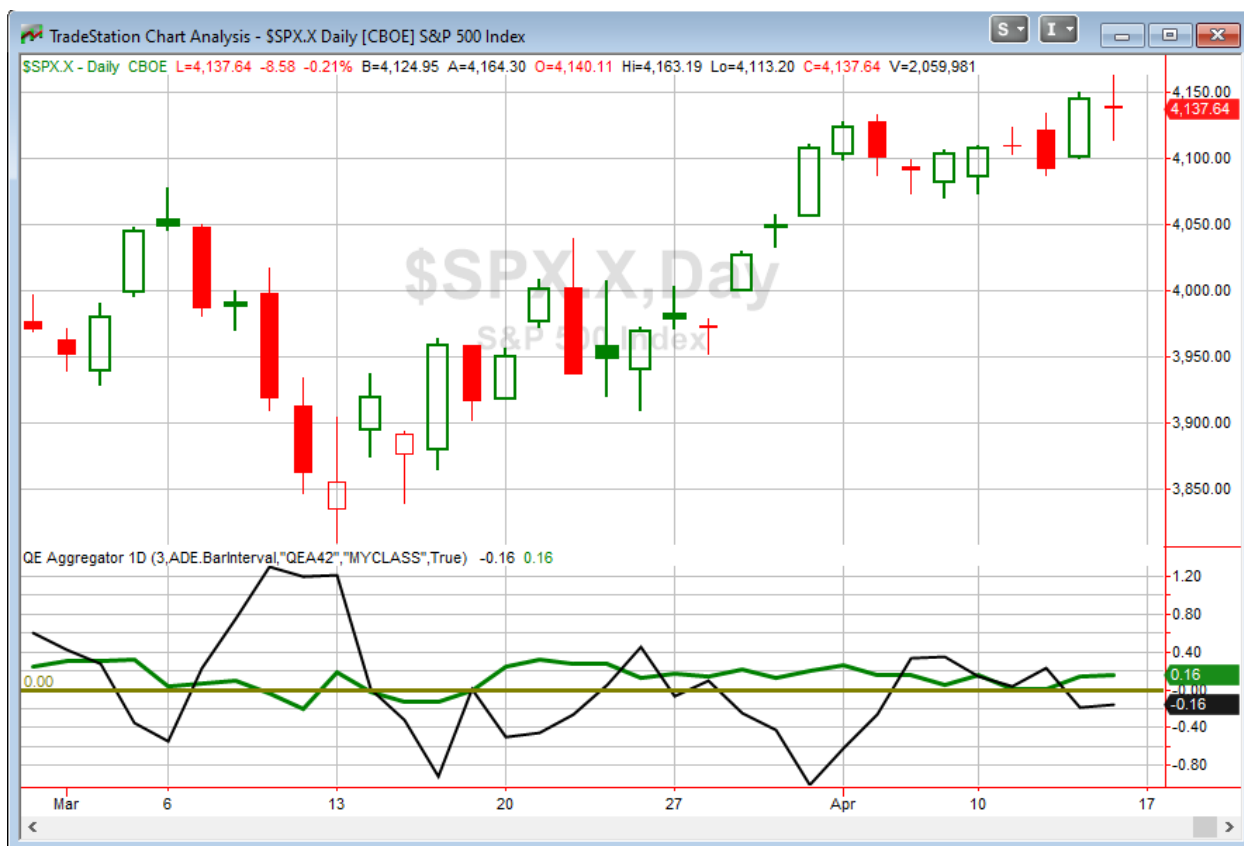
Buy Friday on close Friday before April opex week. (Thurs if Fri is a holiday.) Sell X days later. \$100k/trade. 1984 - 2022.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	30,224.96	39	25	14	64.10	5,393.97	-3,580.15	2,043.99	-1,491.06	1.37	2.45	775.00
4	29,453.04	39	26	13	66.67	5,895.12	-3,587.57	1,863.72	-1,461.82	1.27	2.55	755.21
3	32,340.54	39	25	14	64.10	5,215.85	-2,745.05	1,822.02	-943.57	1.93	3.45	829.24
2	25,250.82	39	30	9	76.92	6,245.15	-4,545.53	1,246.56	-1,349.55	0.92	3.08	647.46
1	6,068.59	39	23	16	58.97	3,322.23	-2,339.26	733.19	-674.68	1.09	1.56	155.60

The consistency has been very impressive. It suggests an upside edge the first few days of the week. Below is a profit curve that assumes a 2-day holding period.



The strong, steady upslope is encouraging, and serves as some confirmation of the upside edge.

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 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 Monday. Of course, expectations could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4098.59. That is 0.9% below Friday's close. Therefore, SPX will need to close down over 0.9% on Monday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. We have some evidence pointing higher, and the next few days look quite favorable from a seasonal standpoint. But SPX remains short-term overbought. If Monday and/or Tuesday see the market sell off, that could generate a favorable entry point. But reward/risk is not terribly compelling here. So I am neutral and waiting.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/17 – slightly bullish

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

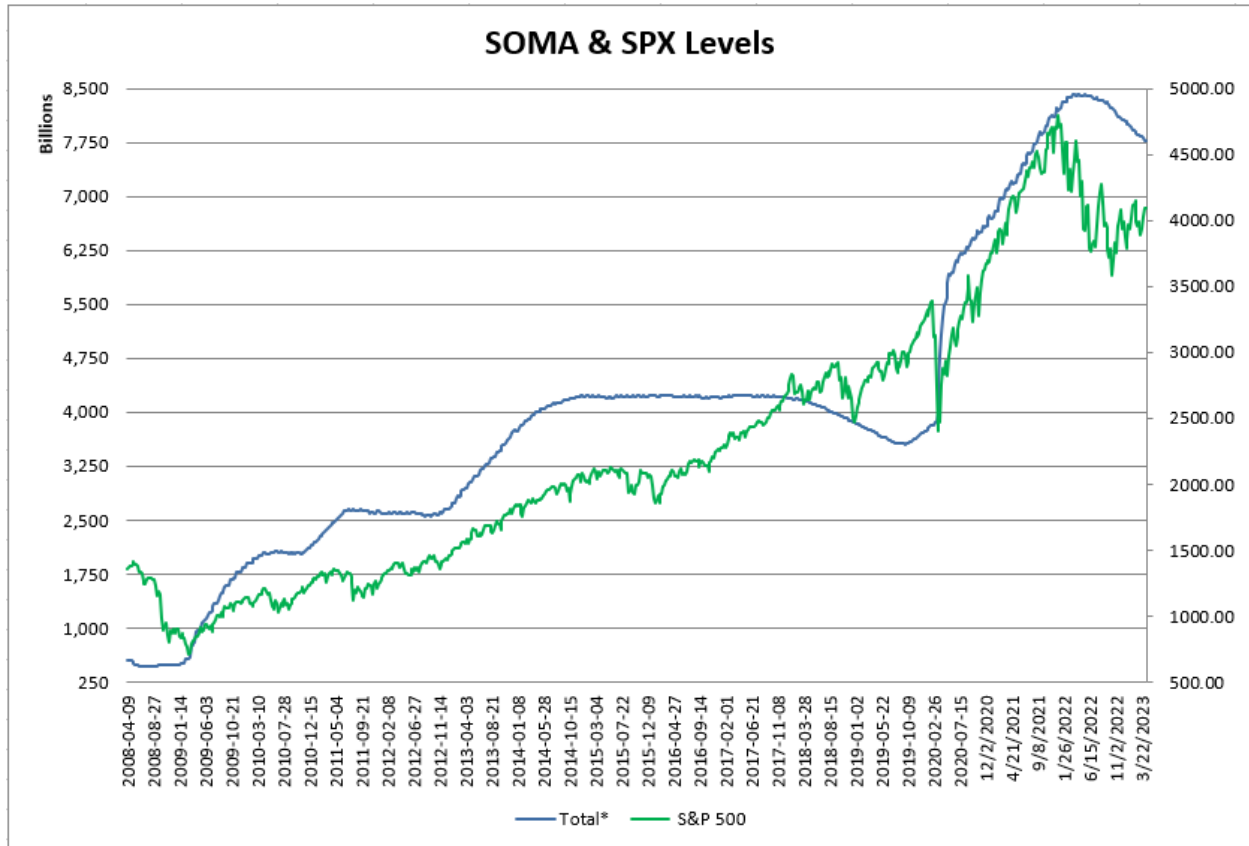
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), 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 Friday’s decline, the major averages posted net gains this past week. The SPX rose 0.8%, the NASDAQ climbed 0.3%, and the Russell 2000 jumped 1.5%. Bonds did NOT do well. The US Aggregate Bond ETF (AGG) posted a loss of 1.0%. TLT, the 20-year Treasury Bond ETF, closed the week down 3.2%. Most long-term trend indicators are classifying this as an uptrend for stocks. There were no studies that emerged in the last few days with intermediate-term implications.

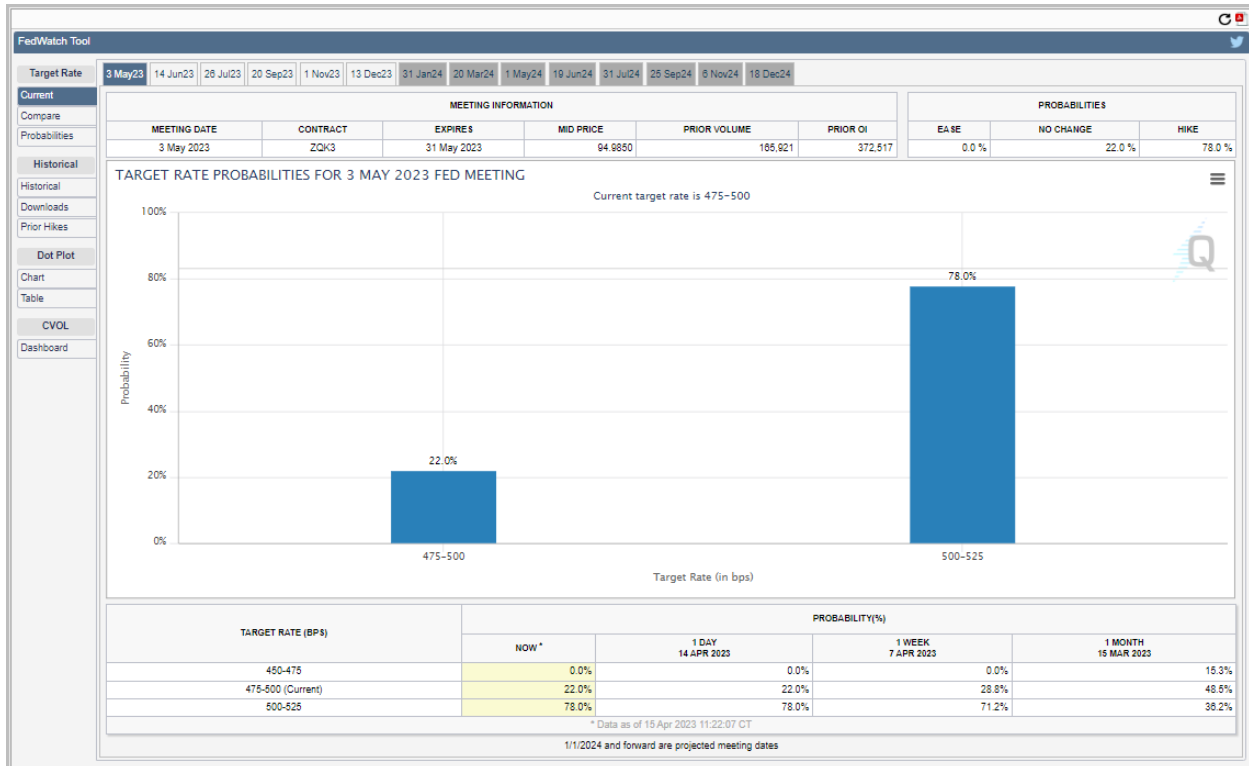
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of	
◀ Previous	April 12, 2023 📅 <small>Posted April 13, 2023 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; border-bottom: 1px solid black; padding-bottom: 5px;"> SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS </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	-0

Last week the SOMA did not change. There simply were not any securities expiring and rolling off the books. I expect we will see a fairly sizable decline this week. 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. 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 a 71% chance of the Fed raising rates at the May meeting. A few weeks before showed only a 12% chance. This week the chance of another increase has moved up to 78%. There is still important data to be released between now and May, but odds are certainly trending in a direction suggesting another hike.

Evidence again appears to be leaning towards the bulls. And my outlook is nearly identical to last week. 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

None

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