

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 20, 2023

Volume 16 Issue 222

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Thanksgiving week has shown some sizable seasonal tendencies over the years.
- The rest of November looks solid on the Seasonality Calendar, but the 1st half of December appears weak.
- The SOMA declined substantially this past week. Fed policy remains hawkish.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but I am not enthusiastic. Reward/risk still seems dicey.

Summary of Current 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						
November 16, 2023	Unfilled gap up. 20-intraday high. Cls < open	1-2 days	Bullish			
Active - Long Term						
November 17, 2023	SPX up & > 200. Up Vol % < 40%.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
November 9, 2023	RSI(2) crosses over 99	1-15 days	Bullish			
November 8, 2023	SPX up 7 in a row and close > 200ma	1-20 days	Bullish	3.10%	-1.90%	-4.05%
November 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	5 higher closes. Up 3%. < 50-high.	1-15 days	Bullish	3.30%	-1.70%	-3.05%
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
November 6, 2023	Best 6 Months	6 months	Bullish			
November 6, 2023	NASDAQ Leading	int term	Bullish			
October 2, 2023	SPX down 4 weeks but above 40-week ma	1-10 weeks	Bullish			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

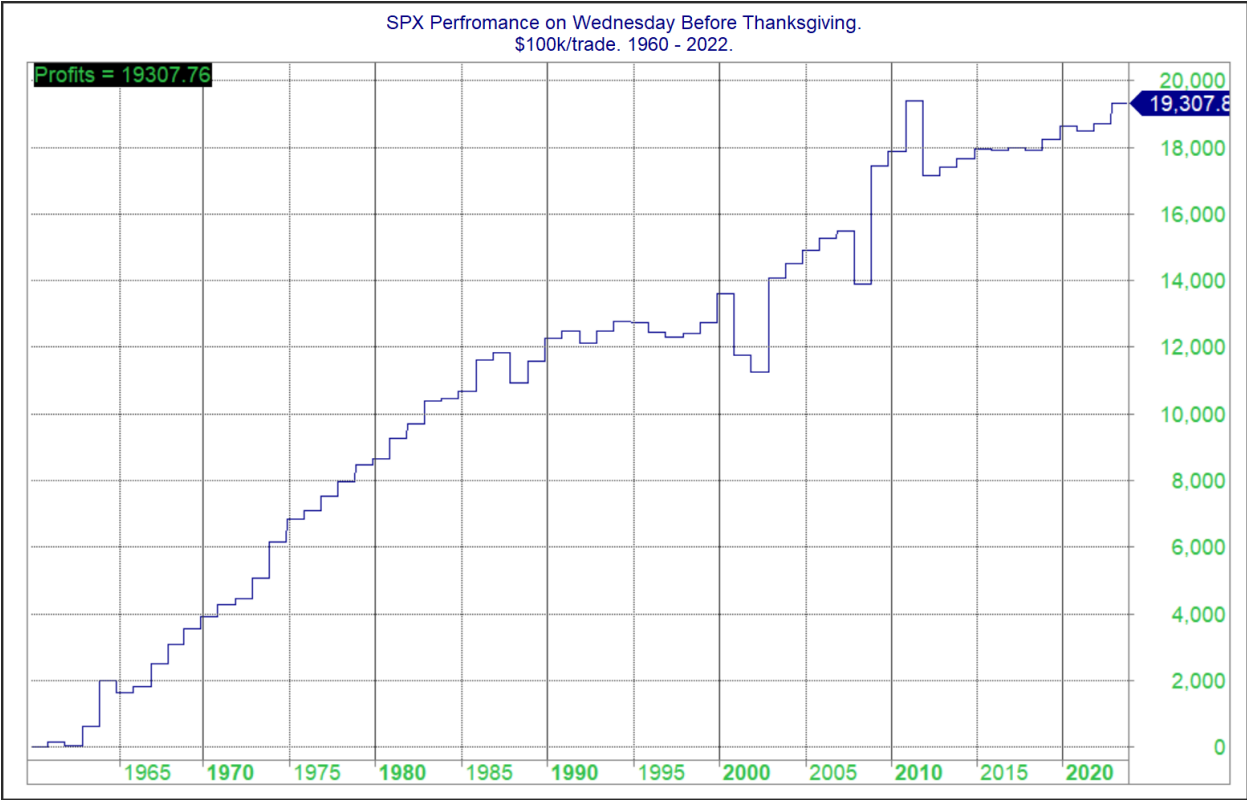
Friday was a mild up day for the indices. The SPX gained 0.13%, the NASDAQ climbed 0.08%, and the Russell 2000 rose 1.35%. Breadth was positive with the NYSE Up Issues % coming in at 70% and the Up Volume % at 74%. NYSE total volume rose some from Friday's level.

Thanksgiving week has shown some strong seasonal tendencies over the years. This is something I last showed in the 11/23/22 subscriber letter. I have re-run those studies and updated them below.

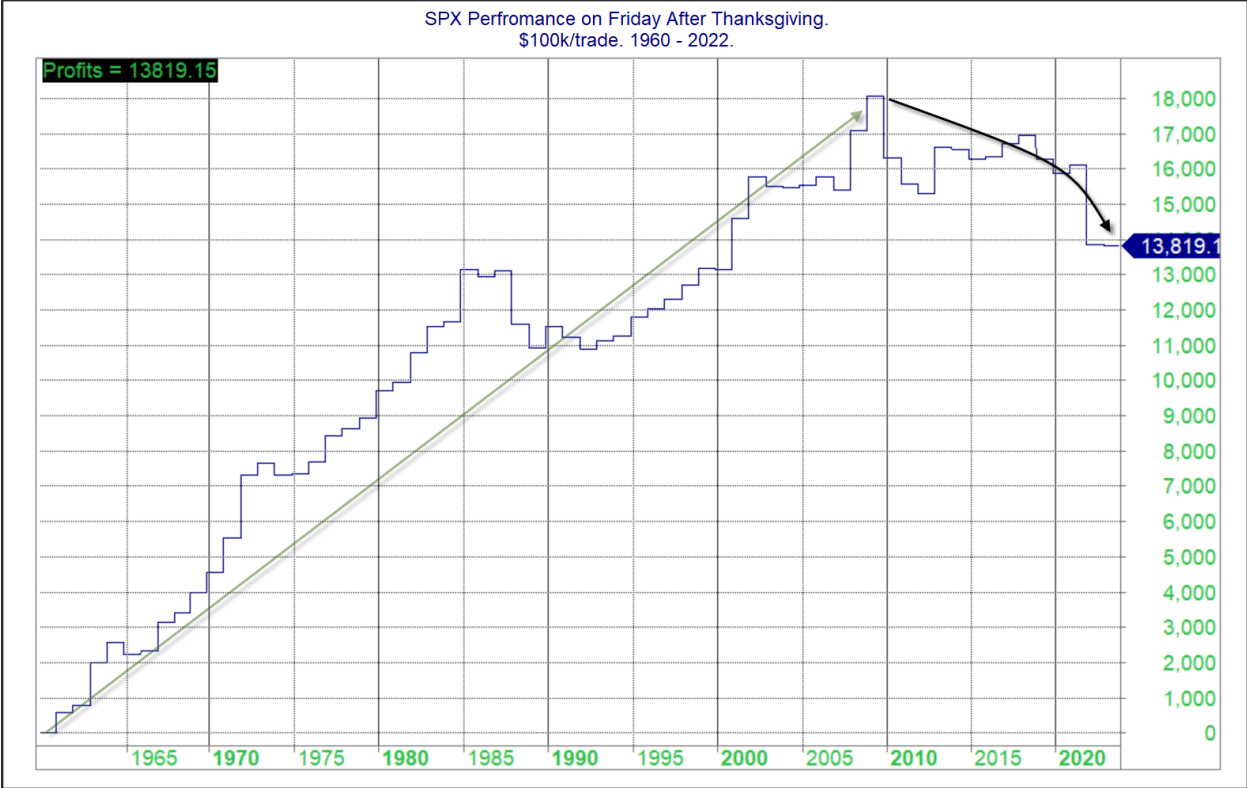
This first one breaks down performance during Thanksgiving week by day.

Thanksgiving Day Performance Broken Down by Day of Week. \$100k/trade in SPX. 1960 - 2022.							
Day	Net Profit	# Trades	Wins	Losses	% Wins	Profit Factor	Avg Profit/Loss
Monday	\$2,040.06	63	29	34	46.0	1.08	\$32.38
Tuesday	\$4,696.48	63	39	24	61.9	1.26	\$74.55
Wednesday	\$19,307.76	63	49	14	77.8	3.24	\$306.47
Friday	\$13,819.15	63	43	20	68.3	2.28	\$219.35
Monday After	-\$19,836.81	63	22	41	34.9	0.49	-\$314.87

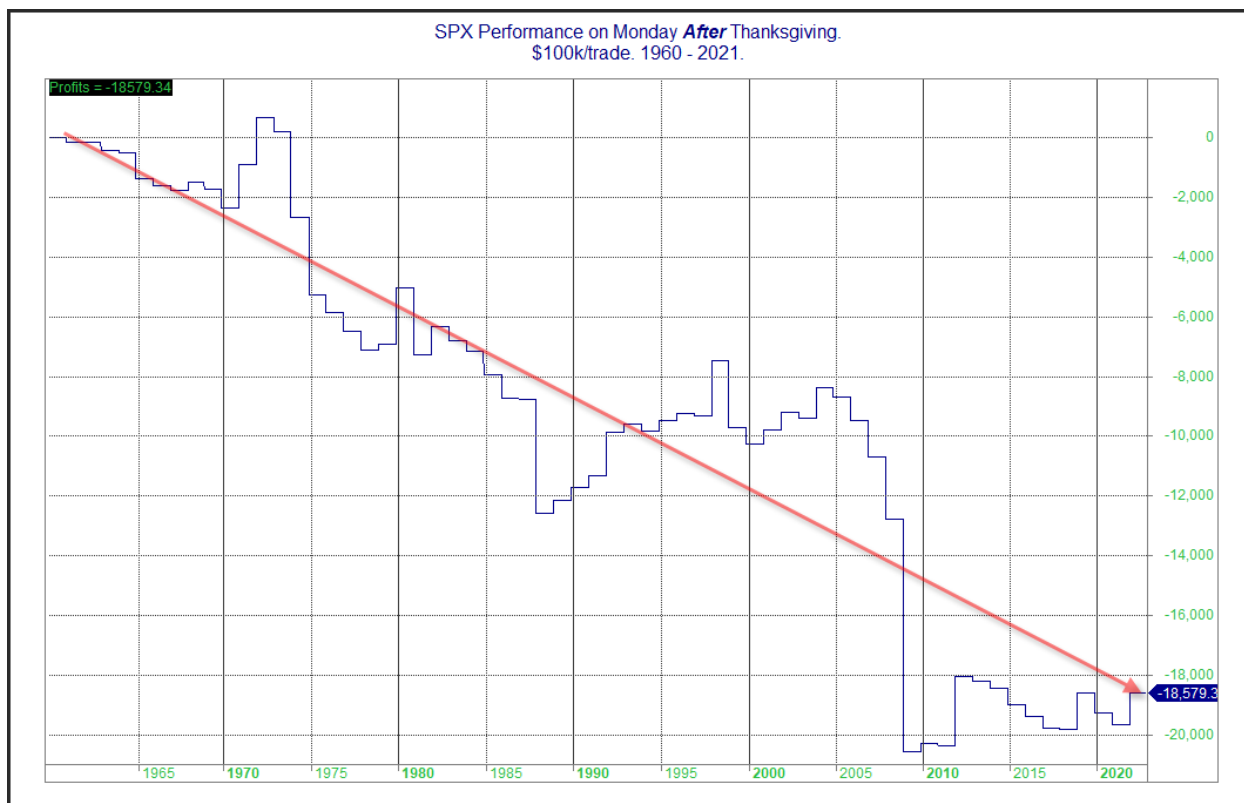
Monday and Tuesday don't show anything suggesting an edge. Wednesday and Friday, on the other hand, appear to be strongly bullish. And the Monday after Thanksgiving appears to exhibit a possible bearish edge. But before we jump to conclusions, let's examine the profit curves for Wednesday, Friday, and the following Monday. First below is Wednesday.



This curve looks to be strong. While there were a few bad Wednesdays, they were overwhelmed by the good ones. The next chart looks at Fridays after Thanksgiving.



This curve doesn't appear as strong as the Wednesday curve. It has turned lower in recent years, and 2021 kinda sucked. There still may be a bit of a seasonal upside edge, but it does not appear obvious as it once did. Now let's look at what has happened on the Monday after Thanksgiving.



The numbers from the results table were extremely negative, but as you can see the downside edge has not been steady at all. While the trend has been down pretty much the entire time, a large portion of the downside move is thanks to a 9% drop in 2008. And it has been a lot of sideways chop since then. So perhaps a seasonal downside edge does exist, but it is likely not as strong as the raw numbers would suggest.

I will also note that there has been a vast difference in performance during recent times depending on how the market moved leading up to Wednesday. To examine this, I used SPY instead of SPX, because SPY has better intraday data. Since 1993, I found that years in which SPY closed in the bottom half of its intraday range on Thanksgiving Tuesday posted a 10-2 record with an average gain of 0.7% from Tuesday's close to Friday's close. When SPY closed in the top half of its range on Tuesday the performance over Wednesday to Friday was 12-6 with an average result of just a 0.04% gain. So Tuesday's action appears worth watching as to anticipate Wednesday or Wed-Fri odds.

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

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
11/1/2023	59.89	1.949	0.337
11/2/2023	52.49	1.160	0.043
11/3/2023	56.38	1.454	0.169
11/6/2023	56.63	1.397	0.027
11/7/2023	51.74	1.505	0.170
11/8/2023	53.22	1.332	0.087
11/9/2023	56.20	1.288	0.062
11/10/2023	59.42	1.665	0.212
11/13/2023	51.91	0.932	-0.121
11/14/2023	50.08	1.421	0.151
11/15/2023	51.11	1.212	0.058
11/16/2023	51.59	1.117	0.019
11/17/2023	52.08	1.225	0.081
11/20/2023	56.01	1.197	0.075
11/21/2023	53.53	1.470	0.137
11/22/2023	59.15	1.550	0.182
11/24/2023	54.60	1.078	0.031
11/27/2023	50.78	1.149	0.058
11/28/2023	50.76	1.161	0.062
11/29/2023	48.01	1.216	0.078
11/30/2023	51.12	1.239	0.076
Baseline	53.37	1.119	0.041

As you can see, this upcoming week looks quite strong based on the Calendar algorithms. The Monday after is not shown as weak, but most of the numbers the week after Thanksgiving appear weaker than the week of Thanksgiving.

I also produced the preliminary calendars for December. I have posted the SPX version below.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
12/1/2023	51.60	1.182	0.049
12/4/2023	49.97	0.951	-0.091
12/5/2023	45.86	1.086	0.058
12/6/2023	50.43	1.139	0.037
12/7/2023	48.95	0.899	-0.034
12/8/2023	53.33	1.244	0.099
12/11/2023	50.31	0.741	-0.163
12/12/2023	49.52	1.272	0.120
12/13/2023	56.11	1.556	0.214
12/14/2023	52.28	0.939	-0.024
12/15/2023	51.48	1.057	0.046
12/18/2023	58.44	1.357	-0.014
12/19/2023	55.73	1.988	0.270
12/20/2023	55.50	1.614	0.148
12/21/2023	54.13	1.545	0.124
12/22/2023	62.79	1.851	0.220
12/26/2023	50.76	1.083	0.036
12/27/2023	49.54	1.255	0.091
12/28/2023	50.80	1.304	0.105
12/29/2023	57.54	1.388	0.131
Baseline	53.49	1.126	0.043

The 2nd half of December looks strong, as you might expect. The 1st half of the month does not look good at all.

It is also worth noting that the 3/10 Offset HV indicator for SPX is at an incredibly low 0.02. The 3/10 Offset HV measures historical volatility over the last 3 days and compares it to the 10-day HV three days ago. When it is extremely low, we often see a volatility expansion in the following days. I consider readings of 0.25 or lower to be very low. The current 0.02 is very extreme. So this tight trading range over the last 3 days could see a big move (either up or down) in the next few days.

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



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line rose above zero. The negative 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 turned long at the close.

Based on the current active studies, expectations are set to remain positive on Monday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4518.66 on Monday. That is 0.1% above Friday's close. Therefore, SPX will only need to close up about 0.1% in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is now bullish. But I am not really any more enthusiastic about taking on long exposure than I was. The market has run up a substantial amount recently. I would like to see a bit of a dip to help skew reward/risk more favorably. The extremely low 3/10 HV also suggests elevated risk. If we see a dip Monday-Tuesday that could set up a nice buying opportunity heading into a bullish "Wednesday before Thanksgiving". We'll see. Nothing for now.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/13– *bullish*

Combo #1	Combo #2	Combo #3	Combo #4
Long QQQ	Long QQQ	Long QQQ	Long QQQ

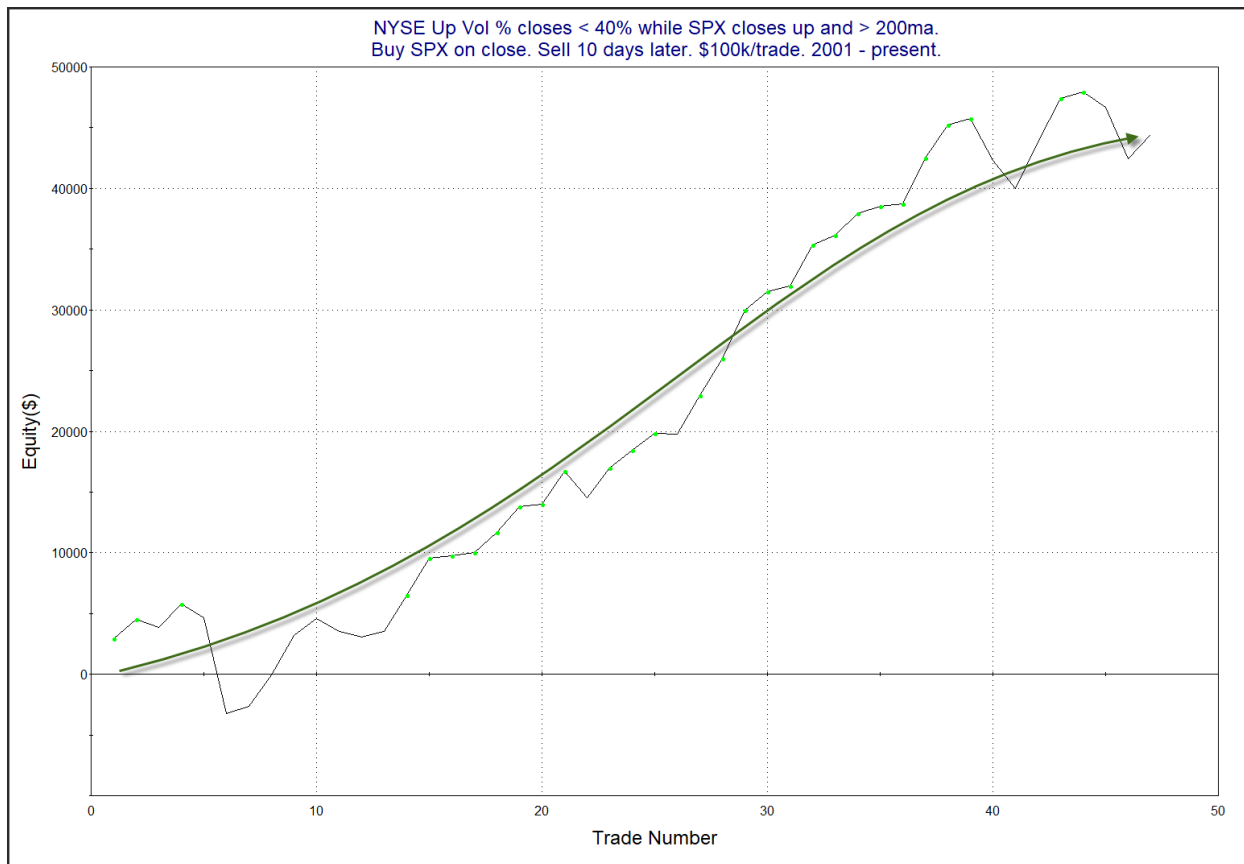
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course – *Updated and Expanded for 2023!* Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. *The Combo Systems all remained long QQQ this week.*

The market was very strong this past week. The SPX gained 2.2%, the NASDAQ rose 2.4%, and the Russell 2000 shot up 5.4%. Bonds were also strong. The US Aggregate Bond ETF (AGG) posted a gain of 1.4%. TLT, the 20-year Treasury Bond ETF, rose 2.3%. The long-term market trend looks up for the SPX and NASDAQ. The Russell 2000 is clearly lagging. There was one study that appeared Thursday night with intermediate-term implications.

But the next study viewed weak breadth as an “oversold” type condition suggesting a short-term upside edge. It simply focused on Up Volume % coming in under 40% while SPX closed higher during a long-term uptrend. It is also updated from the 11/7/23 letter.

NYSE Up Vol % closes < 40% while SPX closes up and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - 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	44,407.49	47	36	11	76.60	3,969.23	-7,891.63	1,922.93	-2,256.18	0.85	2.79	944.84
9	38,801.24	48	36	12	75.00	3,793.00	-7,594.37	1,758.27	-2,041.37	0.86	2.58	808.36
8	43,510.85	50	39	11	78.00	4,666.56	-6,657.20	1,615.21	-1,771.11	0.91	3.23	870.22
7	39,327.43	52	40	12	76.92	5,211.84	-3,755.76	1,502.86	-1,732.24	0.87	2.89	756.30
6	36,054.29	52	37	15	71.15	6,018.56	-3,495.92	1,545.52	-1,408.67	1.10	2.71	693.35
5	27,246.83	56	42	14	75.00	4,787.84	-4,623.84	1,182.27	-1,600.59	0.74	2.22	486.55
4	12,309.52	57	35	22	61.40	2,689.05	-4,483.92	1,069.53	-1,142.00	0.94	1.49	215.96
3	8,560.92	60	36	24	60.00	2,513.92	-3,122.40	883.43	-968.44	0.91	1.37	142.68
2	12,073.95	65	42	23	64.62	2,661.75	-2,848.17	738.74	-824.04	0.90	1.64	185.75
1	5,578.78	71	42	29	59.15	1,790.64	-1,489.20	531.64	-577.59	0.92	1.33	78.57

Results have been surprisingly strong over the last 22 years...And here is the 10-day curve.

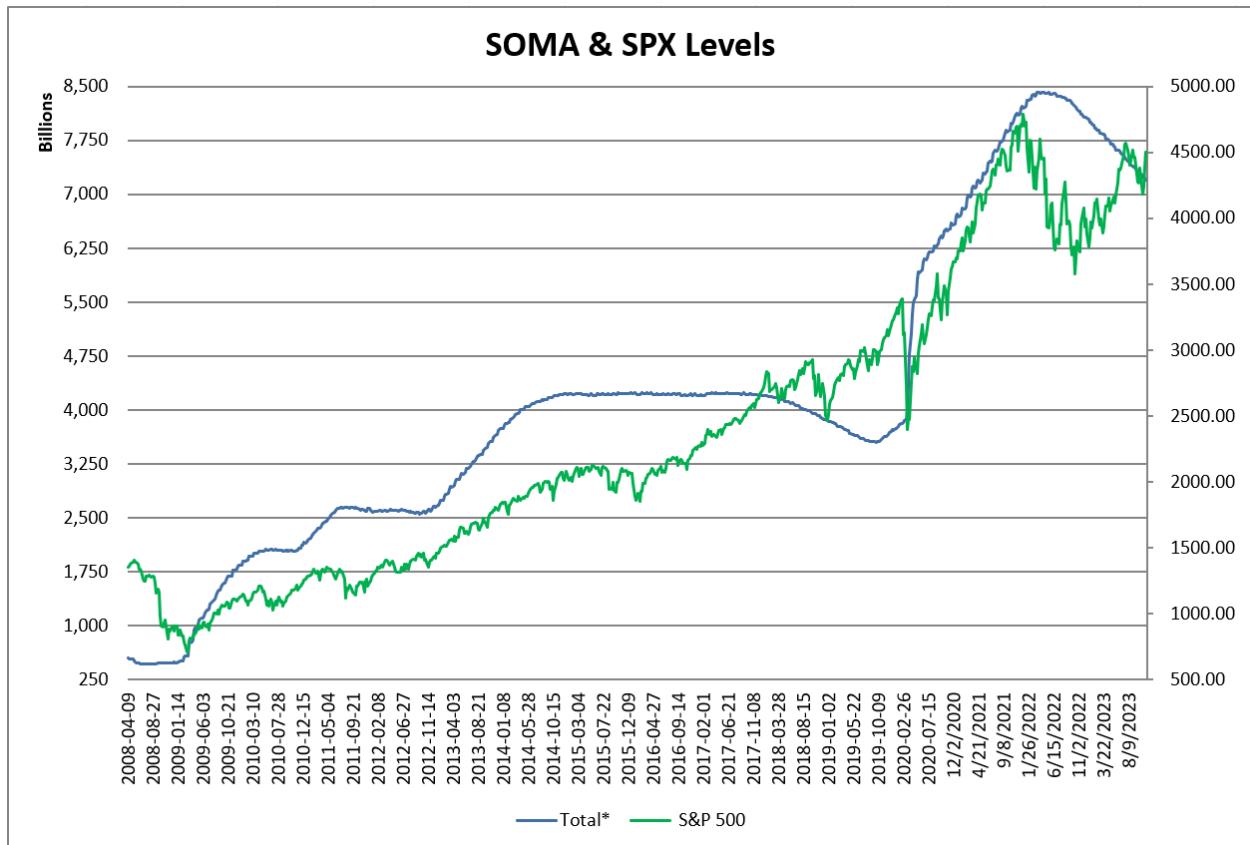


The curves have shown strong upside persistence. I find these results intriguing and have included this study on the short-term and the intermediate-term Active Lists.

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

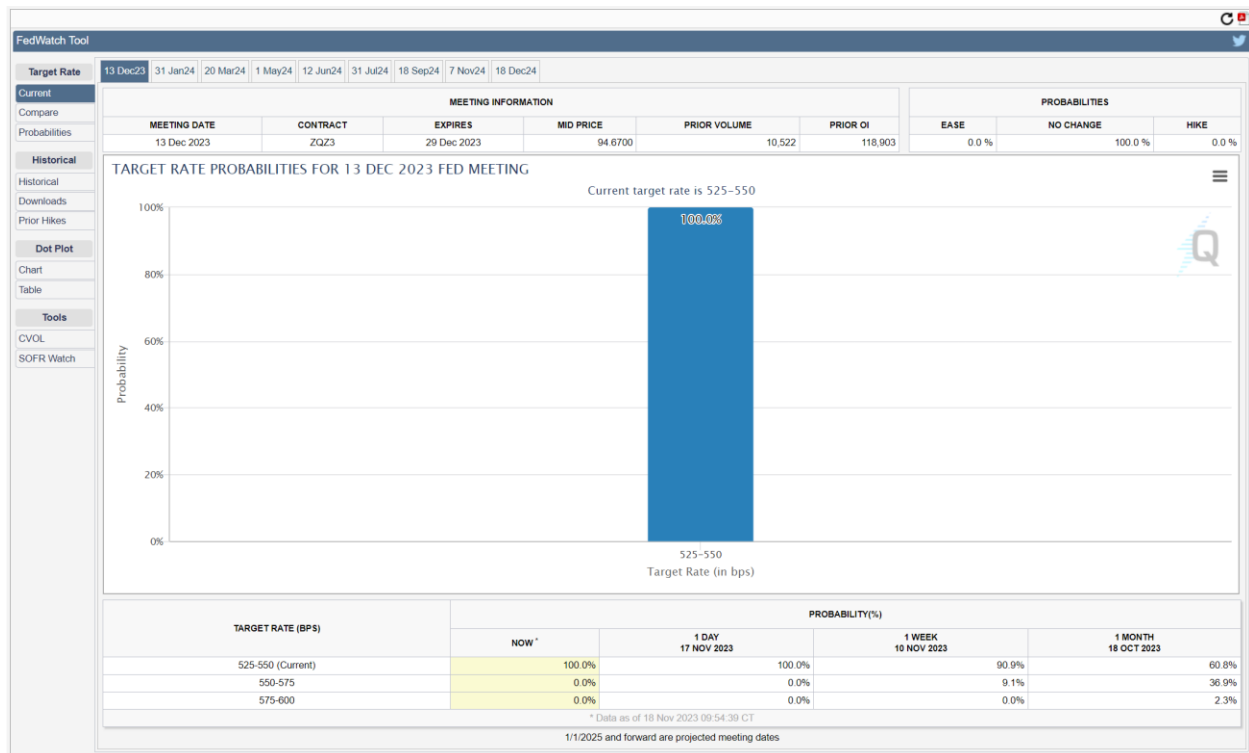
Domestic Security Holdings as of	
◀ Previous	November 15, 2023 📅 <i>Posted November 16, 2023 at 4:30 PM</i>
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	231,265,518.2
US Treasury Notes and Bonds (Notes/Bonds)	4,120,788,223.3
US Treasury Floating Rate Notes (FRNs)	11,663,111.3
US Treasury Inflation-Protected Securities (TIPS)*	365,405,447.5
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,454,641,775.8
Agency Commercial Mortgage-Backed Securities***	8,289,151.3
Total SOMA Holdings	7,194,400,227.4
Change From Prior Week	-30,548,376.8

As expected, the SOMA declined a very steep \$30.5 billion this past week. The current week I expect to see a much more muted decline. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is in the midst of what is now 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 Quantitative Tightening (QT) anytime soon. SPX is little changed since QT began in early 2022. Looking back to 2003, the market has posted net mild losses during times that the SOMA was shrinking. The gains have all come during periods that the SOMA was growing. The shrinking SOMA remains a headwind for the market.

With regards to rates, odds are now showing a 100% chance that the Fed holds rates steady in December. That is up some from the 91% chance we were looking at last week. Odds can be seen in the screenshot below of the CME Fedwatch Tool:



Odds could easily fluctuate in the coming weeks as new data comes out. I'll continue to monitor Fed action going forward. For now, policy is hawkish and is exerting a bearish influence on the market.

I was bullish coming into the week, and we see more bullish evidence this week. Both recent breadth and price thrust studies have suggested more intermediate-term strength. The trend is pointing higher and we are in a favorable seasonal period by several measures. The NASDAQ continues to lead SPX, which is also a bullish state. All 4 of the original Market Timing Course indicators are now bullish. The only sizable detractor is the Fed. Things can change quickly. But for now, it is hard not to see recent action as anything but bullish. I am keeping my intermediate-term bias "bullish". I will be more aggressive with long entries, and will be especially conservative when considering short trades.

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 tonight.

Current Open Trade Ideas

None

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