

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 27, 2023

Volume 16 Issue 226

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Seasonality for Monday appears bearish.
- More intermediate-term bullish studies triggered this past week.
- QT was mild last week and likely will be this week as well. It is next week we should see a pop.

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. I am as well.

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 24, 2023	Thanksgiving Wednesday 50-high / low vol	1-2 days	Bearish			
November 22, 2023	5 up to 50-high then down 1	1-4 days	Bullish	1.10%	-1.10%	-1.60%
November 17, 2023	SPX up. Up Vol < 40%. SPX > 200ma	1-7 days	Bullish			
Active - Long Term						
November 22, 2023	5 up to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
November 21, 2023	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
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 ADT ₅ > 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

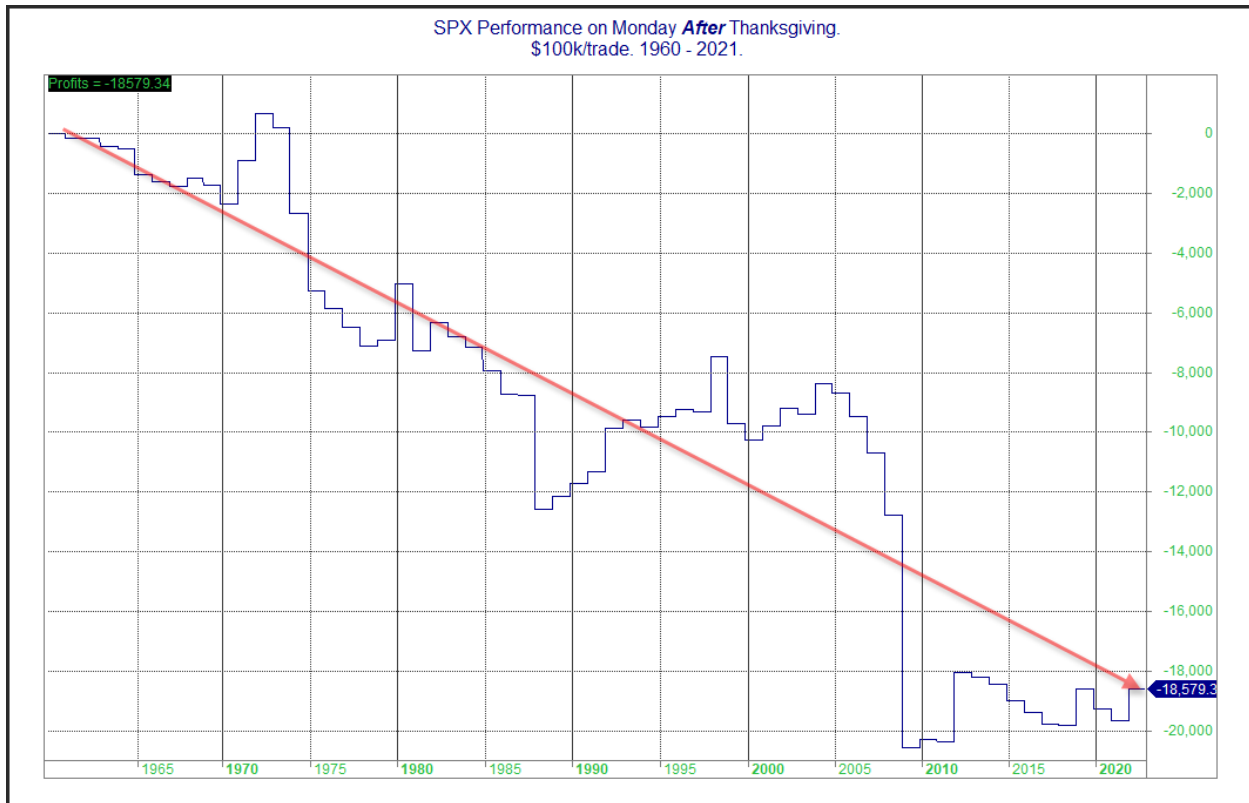
Not much happened on Friday. The SPX closed up 0.1%, the NASDAQ declined 0.1%, and the Russell 2000 rallied 0.7%. Breadth was positive with the NYSE Up Issues % coming in at 73% and the Up Volume % at 76%. NYSE total volume came in light with the early closing.

There were a number of studies that triggered in the Quantifinder, but really nothing worth discussing. Any suggesting an edge noted the low volume. Volume the Friday after Thanksgiving is almost always low. It is not due to complacency, and it is not a sign of anything other than many traders were taking the day off.

Below is a look at the SPX Seasonality Calendar for this upcoming week.

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

Odds look moderately bullish most of the week. And Friday the 1st looks solid on the preliminary calendar as well. But the Calendar algorithm does not take into account that Monday is the Monday after Thanksgiving. And we saw last week that has not been a good thing. From last Sunday's letter...



Additionally, studies we saw Thursday night suggested the Friday-Monday period could be rough. And Friday avoided a selloff. So perhaps it is coming Monday or Tuesday. The study below I also [posted to the blog](#) on Thursday evening.

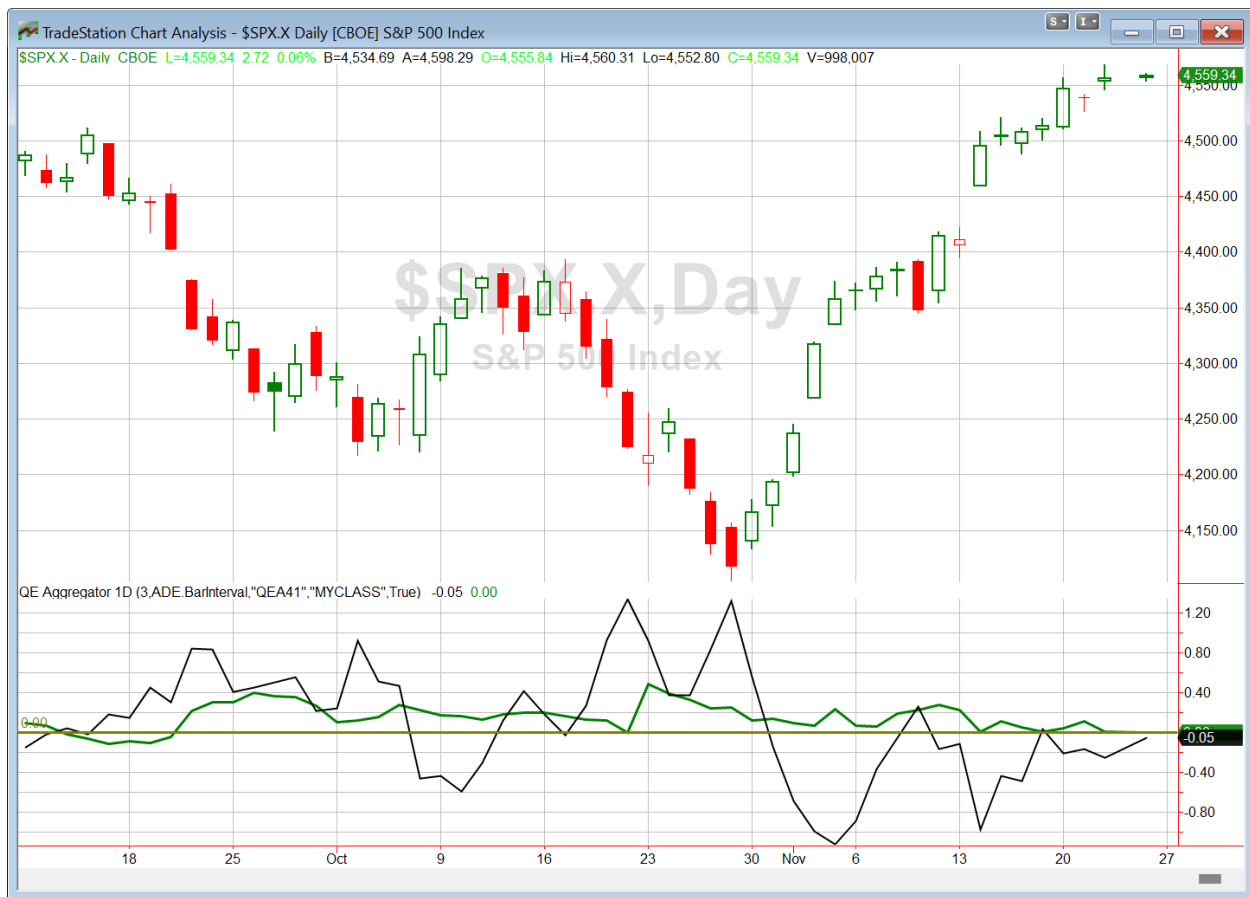
Wednesday before Thanksgiving SPX closes at a 50-day high.
Buy on close. Sell X days later. \$100k/trade. 1993 - 2022.

QuantifiableEdges.com

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	-6,667.56	9	1	8	11.11	1,183.44	-3,425.92	1,183.44	-981.38	1.21	0.15	-740.84
4	-5,112.10	9	2	7	22.22	1,268.40	-2,257.80	670.20	-921.79	0.73	0.21	-568.01
3	-8,610.55	9	0	9	0.00	0.00	-1,920.72	0.00	-956.73	0.00	0.00	-956.73
2	-8,332.44	9	0	9	0.00	0.00	-1,713.23	0.00	-925.83	0.00	0.00	-925.83
1	-2,511.66	9	2	7	22.22	388.35	-1,721.70	298.45	-444.08	0.67	0.19	-279.07

It is already included on the Active List. So there is nothing more to add today.

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



Without any new evidence making the cut, the green Aggregator Line held just barely above zero. Positive readings mean net expectations are for upside over the next few days. Though in this case, it is more “flat” than “up”. Meanwhile the black Differential Line remained below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are (very slightly) positive but SPX is (a little bit) 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 active studies, expectations are set to remain positive on Monday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4545.61 on Monday. That is 0.3% below Friday’s close. Therefore, SPX will need to close down about 0.3% in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again flat. There is not a consensus of evidence, and the market is only mildly overbought. Still not a strongly favorable reward/risk setup. I’ll continue to wait for a better entry opportunity before looking to take on my next short-term index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/27– *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 pushed forward again this week. The SPX gained 1.0%, the NASDAQ rose 0.9%, and the Russell 2000 climbed 0.5%. Bonds dipped slightly. The US Aggregate Bond ETF (AGG) posted a loss of 0.1%. TLT, the 20-year Treasury Bond ETF, lost 0.3%. The long-term market trend looks up for the SPX and NASDAQ. The Russell 2000 is clearly lagging. Monday and Tuesday night both saw studies with intermediate-term implications. I have copied those studies below.

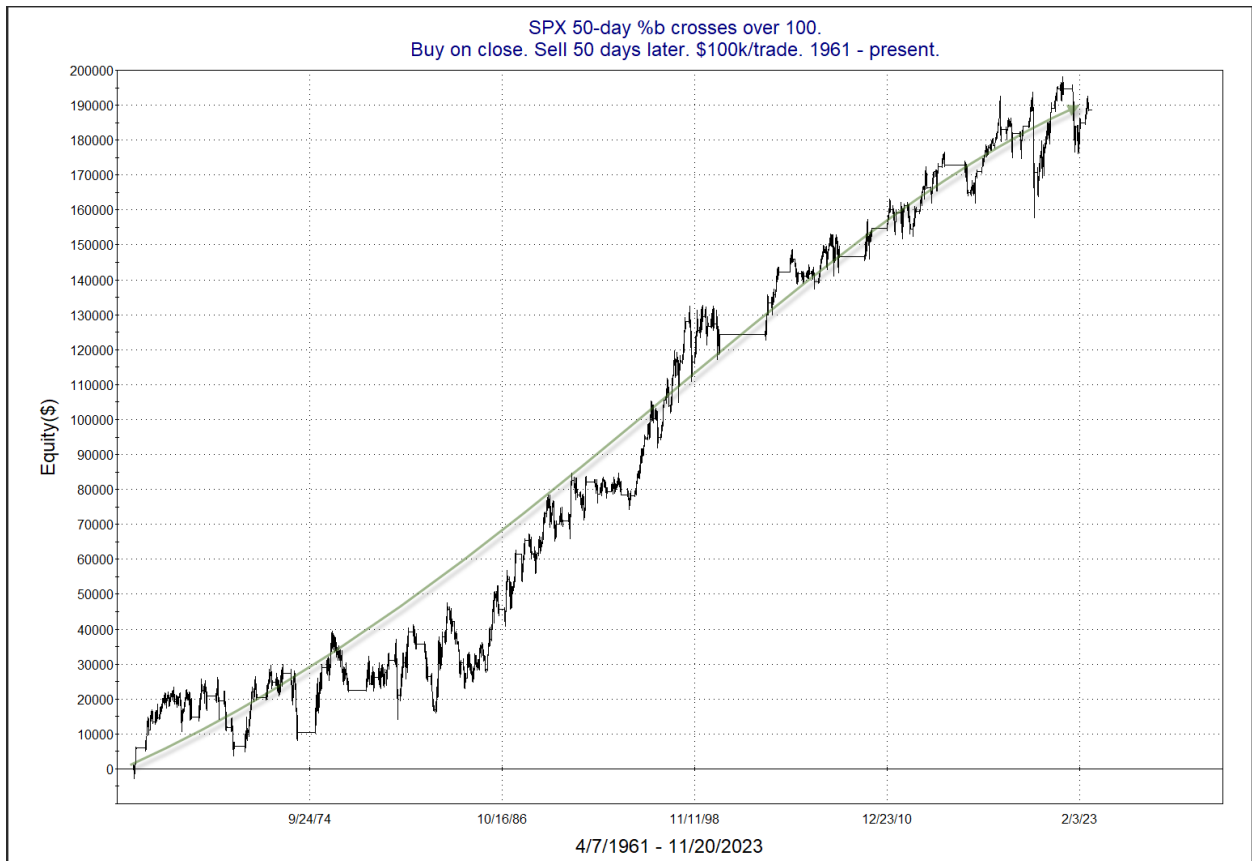
From Monday night...

One interesting study that triggered in the Quantifinder looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 6/5/23 letter. Updated results are below.

SPX 50-day %b crosses over 100. Buy on close. Sell X days later. \$100k/trade. 1960 - 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
50	188,603.94	149	93	56	62.42	18,408.18	-20,704.80	4,692.90	-4,425.63	1.06	1.76	1,265.80
45	143,521.78	154	90	64	58.44	15,816.57	-32,382.30	4,943.28	-4,708.96	1.05	1.48	931.96
40	149,597.53	161	97	64	60.25	17,624.67	-27,920.40	4,436.12	-4,386.04	1.01	1.53	929.18
35	142,001.34	170	102	68	60.00	15,782.13	-13,839.56	3,979.22	-3,880.58	1.03	1.54	835.30
30	85,377.59	177	105	72	59.32	11,920.74	-14,377.53	3,267.72	-3,579.63	0.91	1.33	482.36
25	51,498.20	185	105	80	56.76	10,859.94	-8,745.98	2,936.29	-3,210.15	0.91	1.20	278.37
20	51,596.91	198	112	86	56.57	9,501.30	-10,205.38	2,623.39	-2,816.55	0.93	1.21	260.59
15	35,745.17	218	125	93	57.34	7,843.46	-9,763.44	2,300.80	-2,708.11	0.85	1.14	163.97
10	35,693.33	242	146	96	60.33	8,239.16	-9,133.53	1,682.64	-2,187.20	0.77	1.17	147.49
5	6,204.81	294	162	132	55.10	5,030.81	-6,524.55	1,132.52	-1,342.91	0.84	1.04	21.10

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside

rather than a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That’s a pretty steady upslope for a study without a very high “% Profitable”. Overall, I like this study enough to add it to the intermediate-term active list.

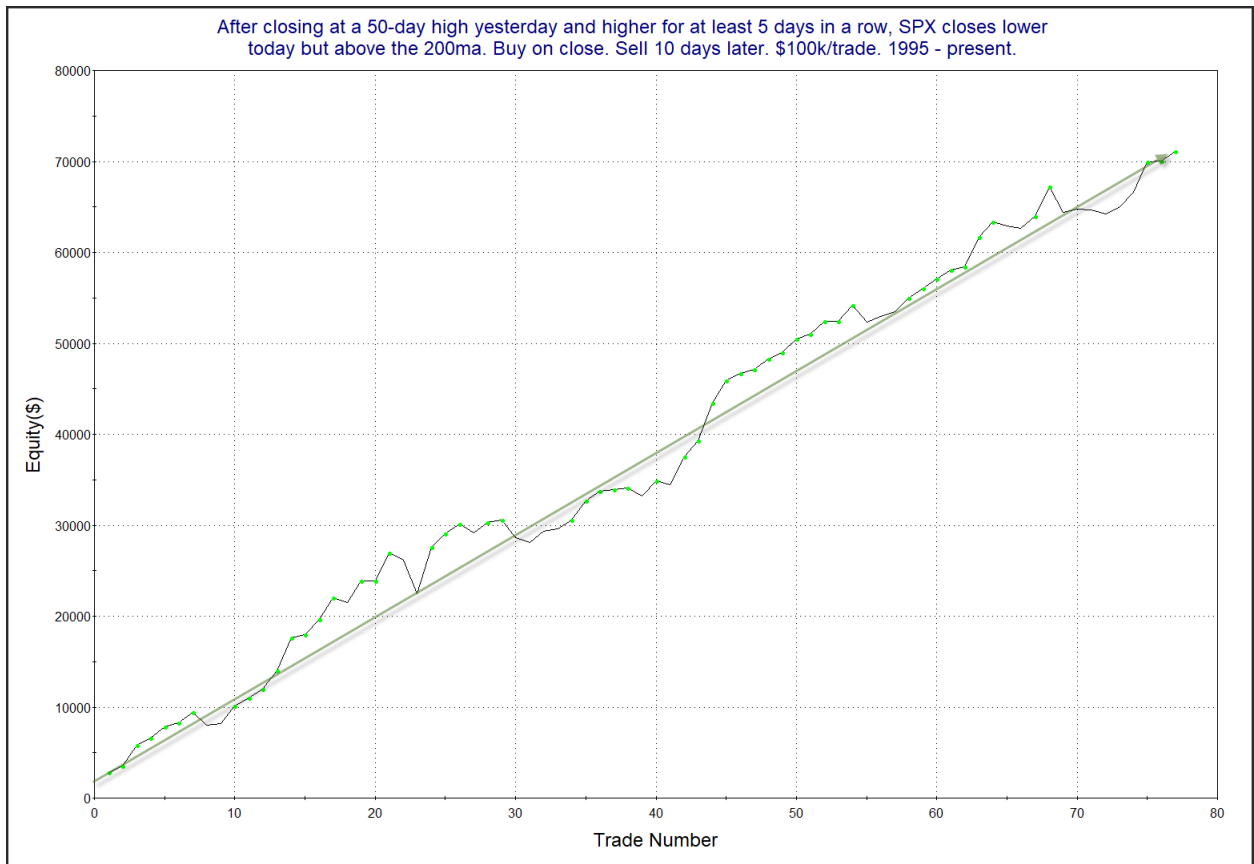
From Tuesday night...

Another compelling study that triggered Tuesday suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 6/20/23 Letter. I have updated the stats in the table below.

After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes lower today but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	71,093.08	77	62	15	80.52	5,131.35	-3,672.90	1,420.35	-1,131.26	1.26	5.19	923.29
9	66,769.56	80	63	17	78.75	5,023.20	-4,151.40	1,415.18	-1,316.87	1.07	3.98	834.62
8	55,676.73	81	56	25	69.14	4,878.08	-4,874.10	1,515.58	-1,167.82	1.30	2.91	687.37
7	43,589.87	84	58	26	69.05	3,874.76	-4,511.36	1,307.90	-1,241.09	1.05	2.35	518.93
6	45,000.64	86	62	24	72.09	4,307.20	-3,637.71	1,189.00	-1,196.55	0.99	2.57	523.26
5	34,318.09	86	58	28	67.44	4,252.50	-4,717.16	1,063.06	-976.41	1.09	2.26	399.05
4	36,994.79	86	55	31	63.95	3,843.00	-3,003.39	1,093.91	-747.43	1.46	2.60	430.17
3	21,721.46	86	53	33	61.63	2,472.85	-1,992.34	843.29	-696.14	1.21	1.95	252.58
2	21,168.33	86	56	30	65.12	2,437.50	-2,614.95	762.94	-718.55	1.06	1.98	246.14
1	12,431.14	86	54	31	62.79	1,751.19	-1,744.10	514.95	-496.00	1.04	1.81	144.55

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.

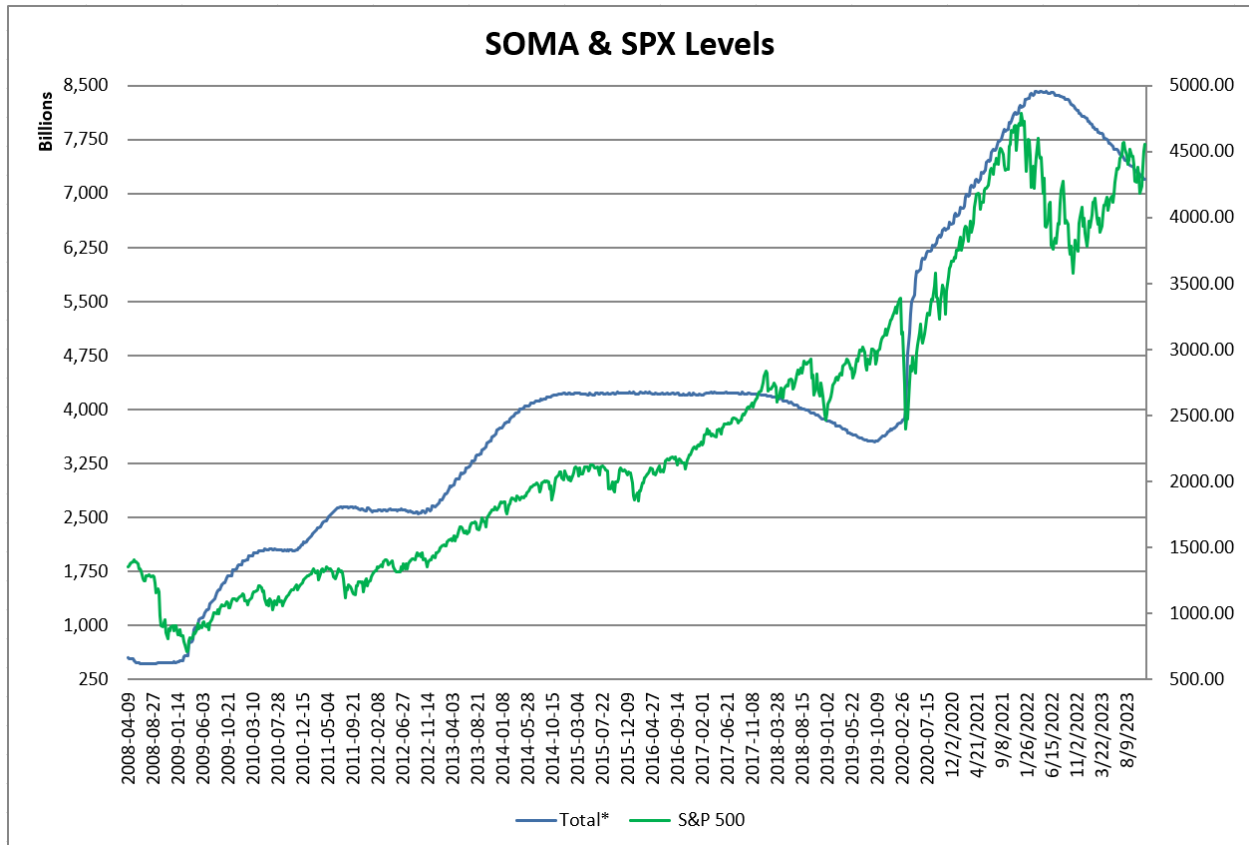


The strong upslope appears to confirm the bullish edge...

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

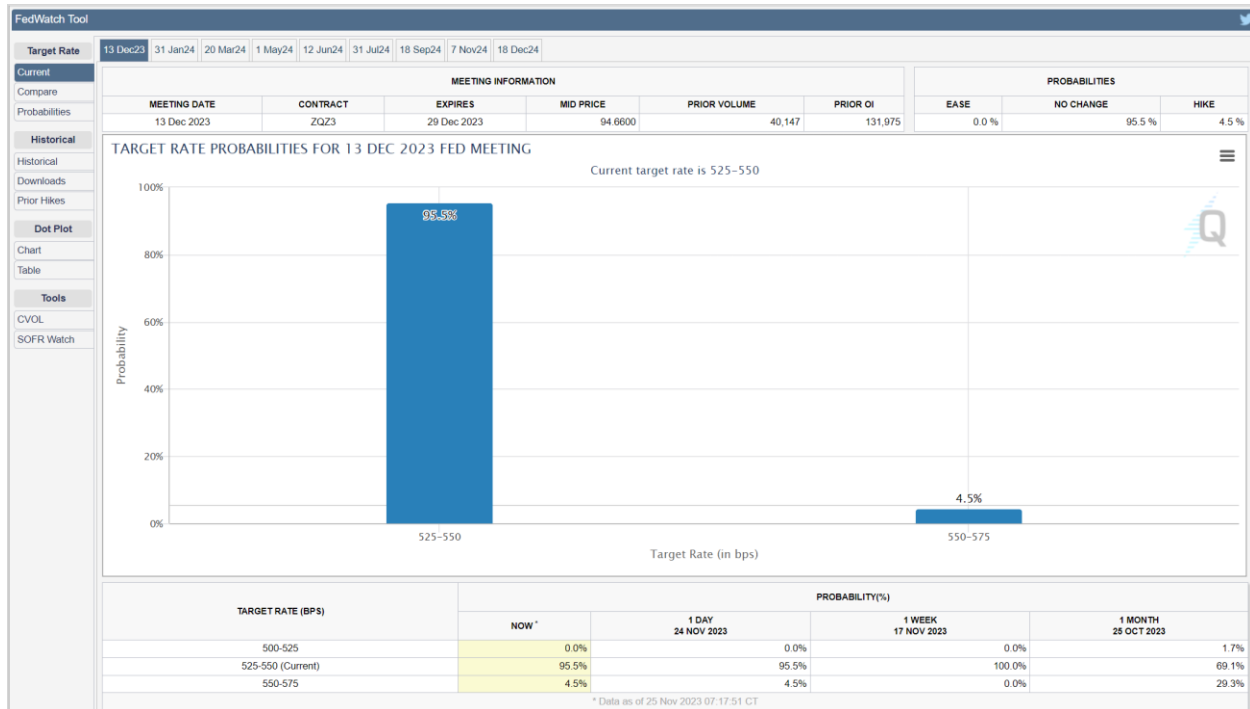
Domestic Security Holdings as of	
◀ Previous	November 22, 2023 📅
<i>Posted November 24, 2023 at 4:30 PM</i>	
SUMMARY	T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	231,265,518.2
US Treasury Notes and Bonds (Notes/Bonds)	4,120,788,223.3
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***	2,451,309,459.0
Agency Commercial Mortgage-Backed Securities***	8,285,623.1
Total SOMA Holdings	7,191,064,382.5
Change From Prior Week	-3,335,845.0

As expected, the SOMA mild \$3 billion this past week. The current reporting week I expect to see another light decline. But the following week, which begins this upcoming Thursday, should see a very sizable 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 95.5% chance that the Fed holds rates steady in December. That is down slightly from the 100% chance we were looking at last week. Odds can be seen in the screenshot below of the CME Fedwatch Tool:



Odds could 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 trigger again 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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