

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 29, 2024

Volume 17 Issue 19

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- This upcoming week looks strong on the SPX Seasonality Calendar.
- The SOMA declined moderately this past week. The current week should see a much larger decline.
- Intermediate-term evidence continues to emerge supporting the bullish case.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But with the SPX teetering on the line of overbought/oversold, I am more neutral.

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						
January 29, 2024	5 up to 50 high. Down 1.	1-4 days	Bullish	0.70%	-0.50%	-1.10%
January 25, 2024	Up Vol % < 40%. SPX up.	1-7 days	Bullish	1.70%	-1.30%	-2.50%
Active - Long Term						
January 29, 2024	5 up to 50 high. Down 1.	1-4 days	Bullish	1.80%	-1.10%	-2.30%
January 25, 2024	Up Vol % < 40%. SPX up.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
January 25, 2024	SPX 20-day intra high. Close btm 10% rng.	1-10 days	Bullish	2.00%	-1.50%	-2.80%
January 17, 2024	CBI 11+	1-20 days	Bullish	5.90%	-4.30%	-9.65%
January 16, 2024	NASDAQ Leading	int term	Bullish			
January 16, 2024	RUT btm 25% 20-day rng. SPX top 25%	1-40 days	Bullish	5.20%	-3.40%	-6.70%
December 27, 2023	%SPX > 50 moves frm 15% > 90% in 50 dys	1-6 months	Bullish			
December 21, 2023	SPX 20-day intra high. NDX worst dn in 20	1-50 days	Bullish			
November 21, 2023	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
November 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
November 6, 2023	Best 6 Months	6 months	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

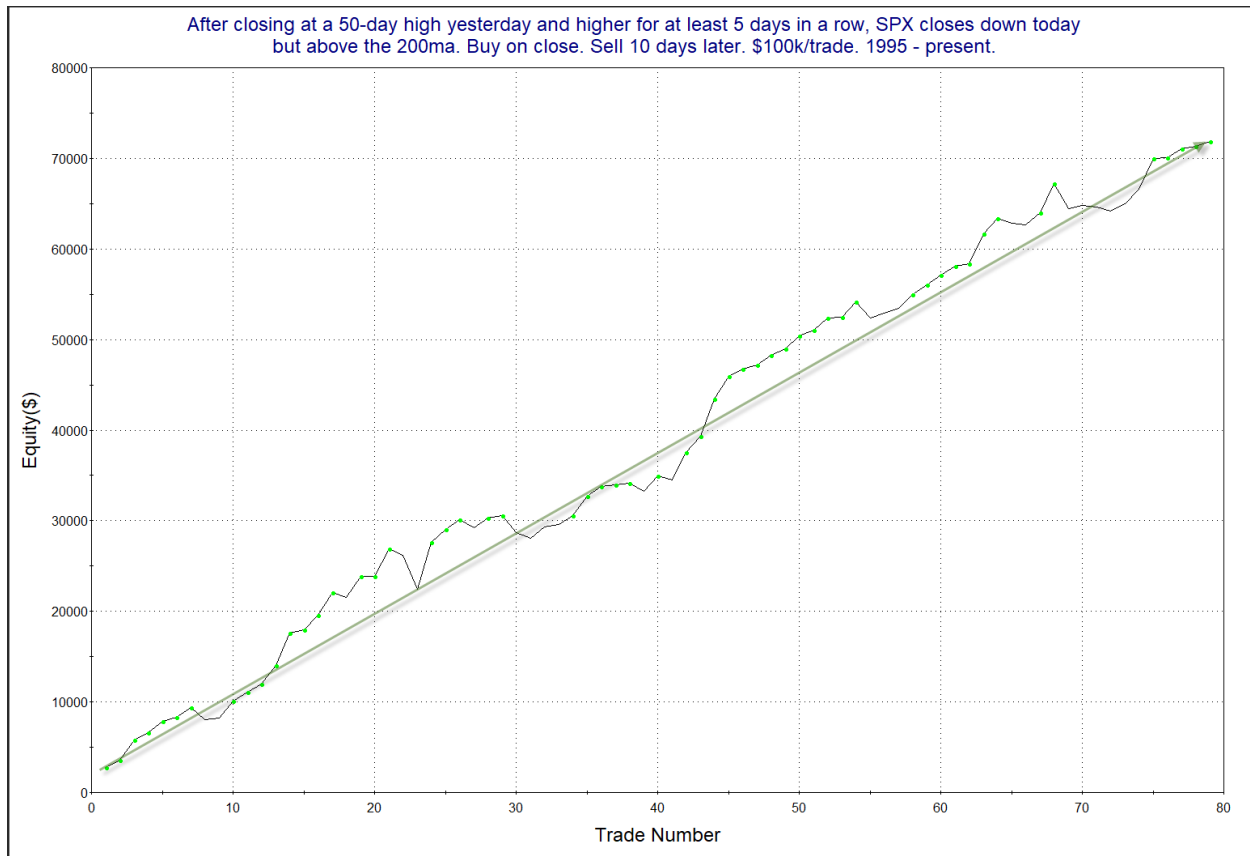
Friday was mixed and mild. The SPX closed down 0.1%, the NASDAQ fell 0.4%, and the Russell 2000 rose 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 58% and the Up Volume % at 63%. NYSE total volume came in at the lowest level so far in 2024.

There was one compelling study that triggered Friday that suggested the recent persistent upmove is unlikely to abruptly end. 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 recently in the 12/18/23 Letter. I have updated the stats in the table below.

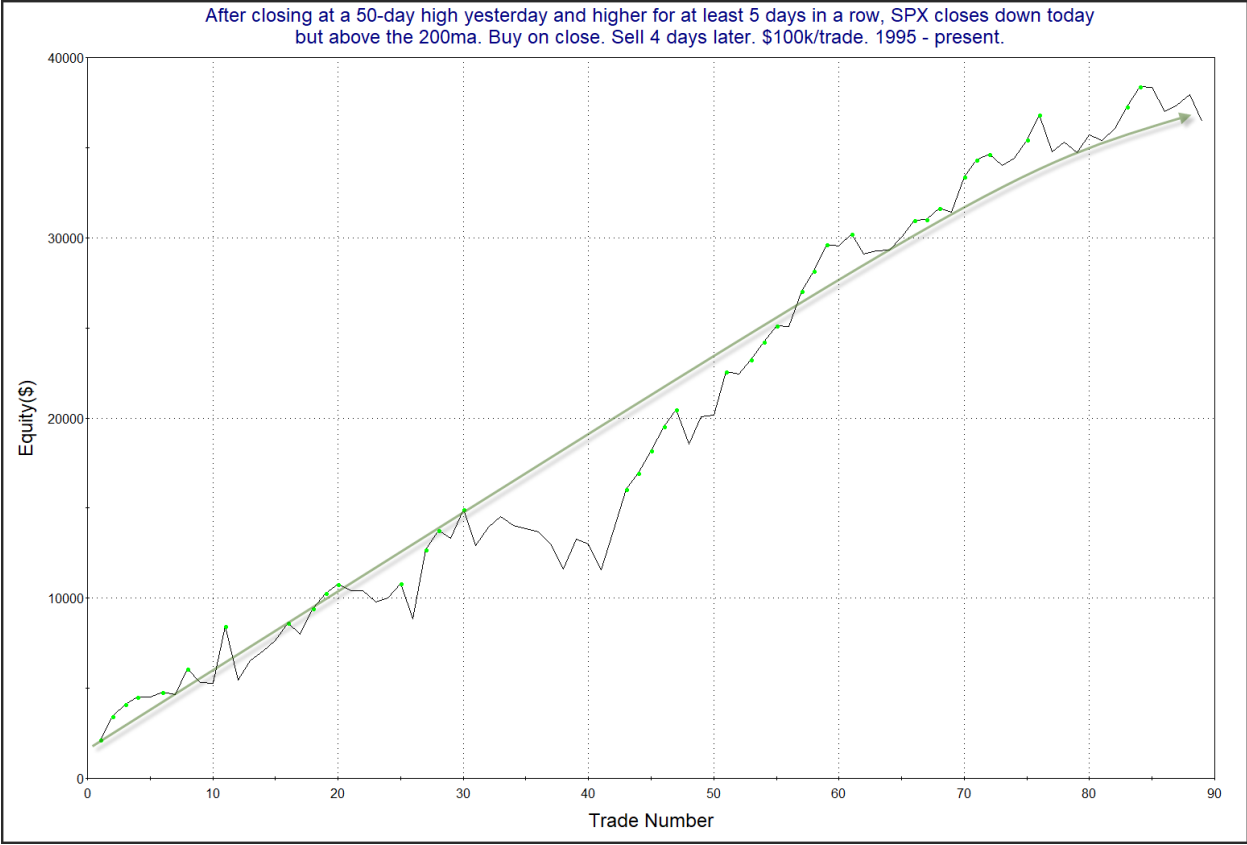
After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes down today but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: 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	71,834.81	79	64	15	81.01	5,131.35	-3,672.90	1,387.56	-1,131.26	1.23	5.23	909.30
9	68,750.78	83	66	17	79.52	5,023.20	-4,151.40	1,380.87	-1,316.87	1.05	4.07	828.32
8	57,927.27	84	59	25	70.24	4,878.08	-4,874.10	1,476.66	-1,167.82	1.26	2.98	689.61
7	46,414.14	87	61	26	70.11	3,874.76	-4,511.36	1,289.88	-1,241.09	1.04	2.44	533.50
6	46,552.22	89	64	25	71.91	4,307.20	-3,637.71	1,180.25	-1,159.35	1.02	2.61	523.06
5	35,209.10	89	60	29	67.42	4,252.50	-4,717.16	1,044.57	-947.08	1.10	2.28	395.61
4	36,489.15	89	57	32	64.04	3,843.00	-3,003.39	1,072.13	-769.45	1.39	2.48	409.99
3	19,930.10	89	54	35	60.67	2,472.85	-1,992.34	832.66	-715.24	1.16	1.80	223.93
2	21,366.01	89	58	31	65.17	2,437.50	-2,614.95	762.46	-737.31	1.03	1.93	240.07
1	12,745.37	89	56	32	62.92	1,751.19	-1,744.10	511.81	-497.38	1.03	1.80	143.21

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. Next let's look at the 4-day curve.



Results are a little choppy. But even with more whipsaws this curve has worked its way from lower left to upper right and is not far off new highs. The study appears worthy of consideration. I have included it on both the short-term and intermediate-term active lists.

Let's take a look at the QE Seasonality Calendar for SPX. Here is January:

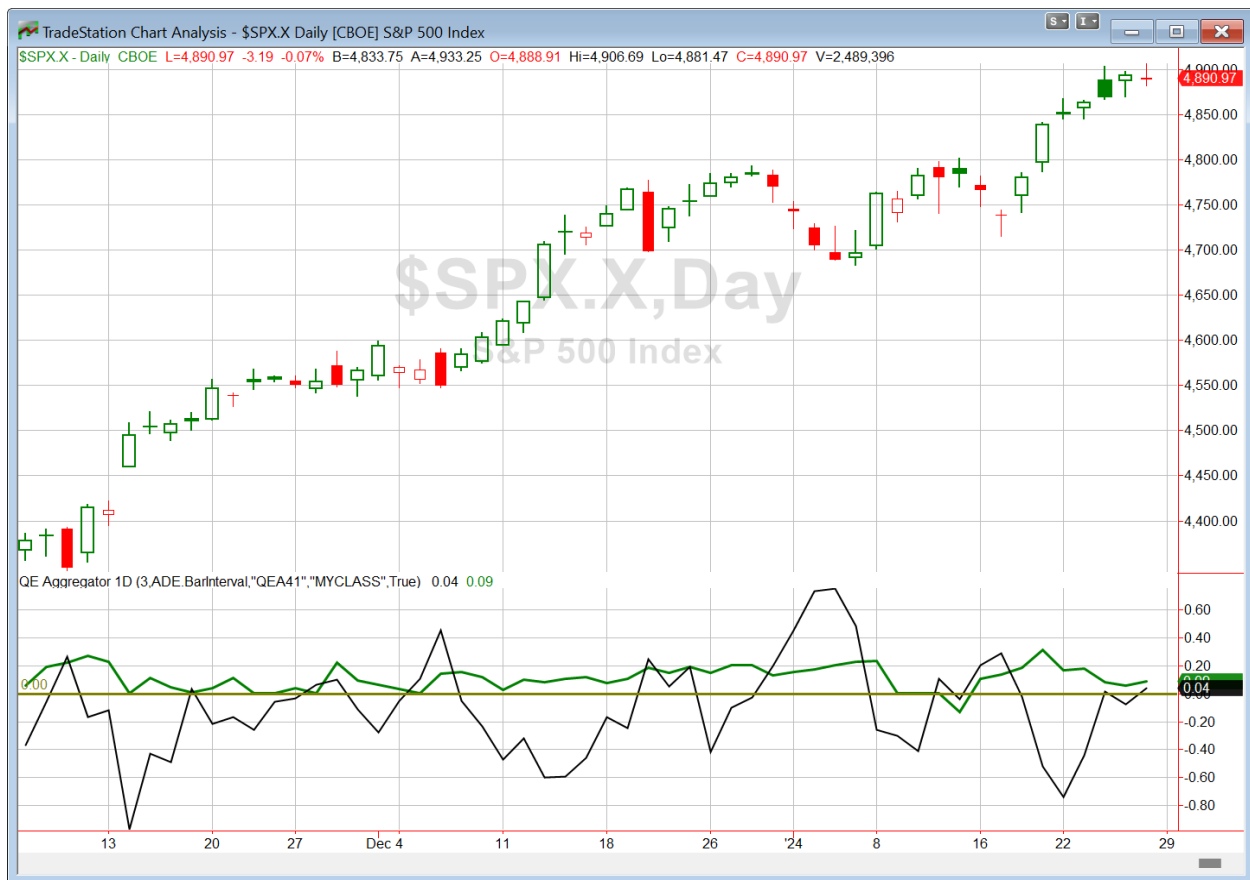
Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
1/2/2024	52.62	1.286	0.057
1/3/2024	51.76	1.205	0.056
1/4/2024	49.15	0.998	0.000
1/5/2024	52.46	1.110	0.036
1/8/2024	55.88	1.063	0.005
1/9/2024	54.45	1.215	0.060
1/10/2024	57.68	1.257	0.058
1/11/2024	58.51	1.222	0.041
1/12/2024	60.89	1.569	0.126
1/16/2024	50.71	1.342	0.084
1/17/2024	49.60	1.010	0.004
1/18/2024	48.48	0.966	-0.012
1/19/2024	48.39	0.916	-0.030
1/22/2024	54.17	1.114	0.035
1/23/2024	53.12	1.101	0.032
1/24/2024	54.14	1.179	0.056
1/25/2024	56.13	1.233	0.071
1/26/2024	53.90	1.004	0.000
1/29/2024	54.30	1.108	0.037
1/30/2024	53.25	1.095	0.034
1/31/2024	51.78	1.172	0.057
Baseline	53.73	1.130	0.044

The last 3 days in January are all squarely positive. Now Let's look at the preliminary numbers for February.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
2/1/2024	57.52	1.382	0.093
2/2/2024	55.53	1.172	0.061
2/5/2024	57.22	1.267	0.082
2/6/2024	51.45	0.992	-0.007
2/7/2024	57.16	1.189	0.051
2/8/2024	55.38	0.941	-0.027
2/9/2024	55.63	1.171	0.047
2/12/2024	54.09	1.283	0.049
2/13/2024	51.84	1.388	0.088
2/14/2024	56.00	1.454	0.094
2/15/2024	55.17	1.423	0.082
2/16/2024	53.93	1.492	0.075
2/20/2024	48.98	1.147	-0.015
2/21/2024	47.87	0.818	-0.097
2/22/2024	49.01	1.006	-0.041
2/23/2024	50.61	0.796	-0.106
2/26/2024	51.71	1.120	0.043
2/27/2024	50.17	1.087	0.035
2/28/2024	51.45	1.172	0.060
2/29/2024	53.29	1.227	0.076
Baseline	53.77	1.132	0.045

The last two days of the upcoming week look quite strong. The following week's numbers are a little weaker. But a real chance for the bears might appear in the 4-day week following President's Day.

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



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

Based on the current list of active studies, expectations are slated to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 4889.97 on Friday. That is less than 0.1% *below* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down about 1.5 points in order to remain oversold. Anything less than that and it will flip to overbought vs expectations as of Monday's close.

So the Aggregator is bullish. But I don't typically view inverted pivots as opportune times to enter new positions. This is because upside potential is limited to 1 day. Any flat or positive close on Monday will be the end of the signal. Downside isn't limited. So even with evidence pointing higher, reward/risk is not great. I'll continue to wait for a more compelling setup before taking on my next short-term index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/29 – *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. 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.*

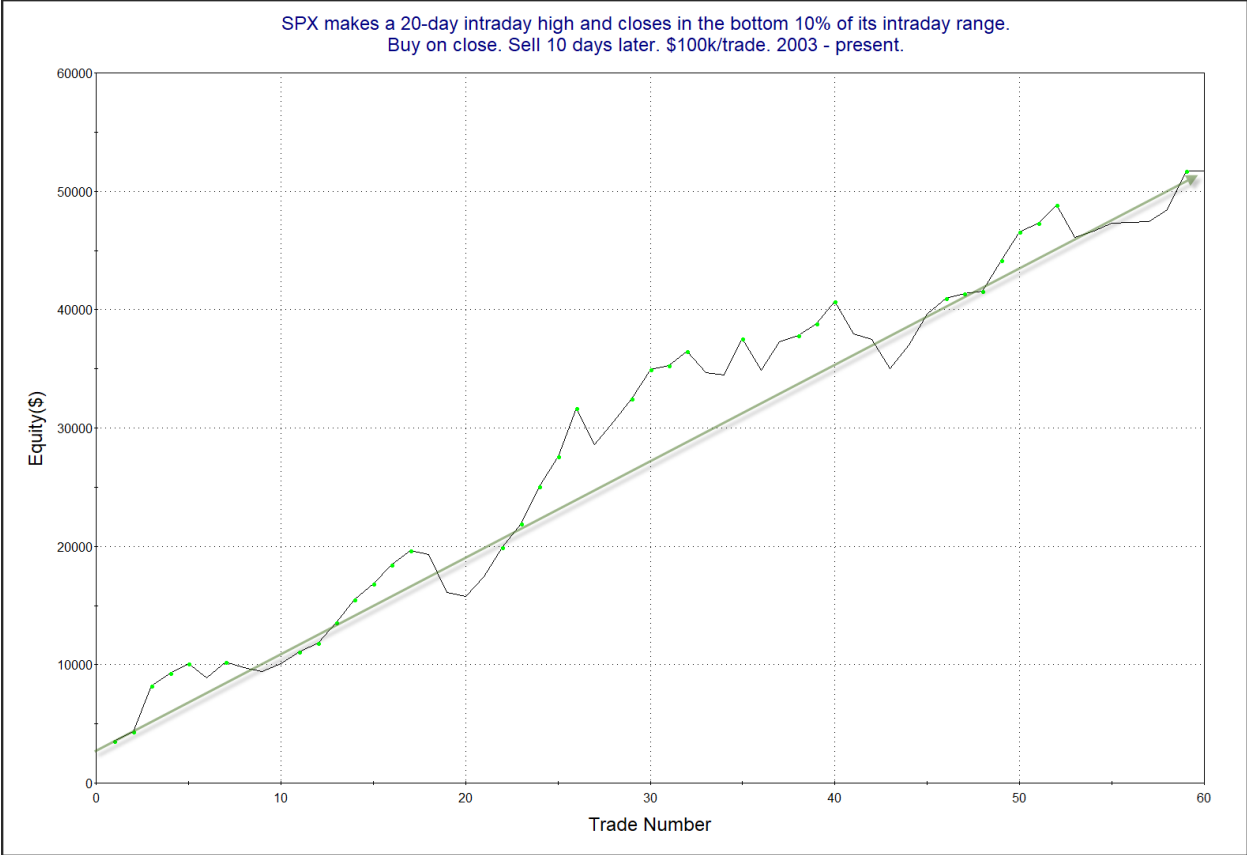
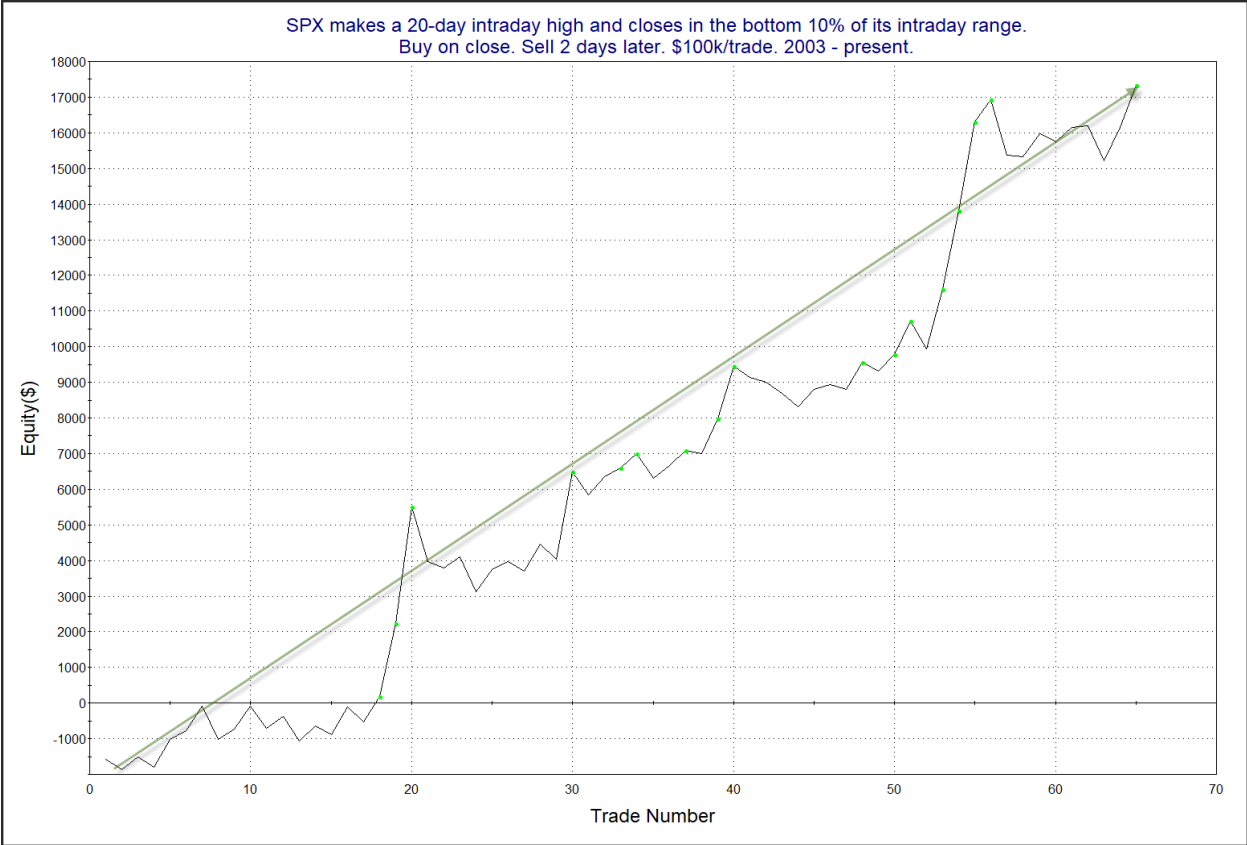
This week saw solid gains for the indices. The SPX rose 1.1%, the NASDAQ climbed 0.9%, and the Russell 2000 rallied 1.75%. Bonds were mixed. The US Aggregate Bond ETF (AGG) posted a gain of 0.05%. TLT, the 20-year Treasury Bond ETF, declined 0.3%. The continued new all-time highs for the SPX remove any doubt that it is currently in an uptrend.

In Wednesday night’s letter there were a couple of studies with intermediate-term bullish implications. I have copied them below.

Early in the day the SPX managed to make a new intraday high. The new high followed by a poor and close triggered the study below, which was last seen in the 6/20/23 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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	51,683.69	60	45	15	75.00	4,119.18	-3,210.80	1,638.15	-1,468.86	1.12	3.35	861.39
9	48,231.00	60	44	16	73.33	3,613.36	-3,775.10	1,610.23	-1,413.69	1.14	3.13	803.85
8	45,650.75	61	46	15	75.41	4,483.84	-3,803.24	1,563.31	-1,750.76	0.89	2.74	748.37
7	37,221.32	62	45	17	72.58	3,761.94	-4,159.32	1,447.20	-1,641.33	0.88	2.33	600.34
6	35,260.72	63	45	18	71.43	3,703.30	-3,567.90	1,308.26	-1,311.72	1.00	2.49	559.69
5	21,593.85	63	40	23	63.49	4,377.84	-3,566.84	1,099.80	-973.83	1.13	1.96	342.76
4	15,580.54	65	41	24	63.08	5,024.25	-2,435.84	1,002.94	-1,064.16	0.94	1.61	239.70
3	13,332.72	65	39	26	60.00	3,368.93	-3,384.50	900.97	-838.66	1.07	1.61	205.12
2	17,328.73	65	38	27	58.46	3,288.48	-1,575.22	848.90	-552.95	1.54	2.16	266.60
1	12,595.51	66	44	22	66.67	2,588.08	-2,471.25	563.89	-555.25	1.02	2.03	190.84

Results here seem to suggest an upside edge. Below are looks at both the 2-day and 10-day curves.

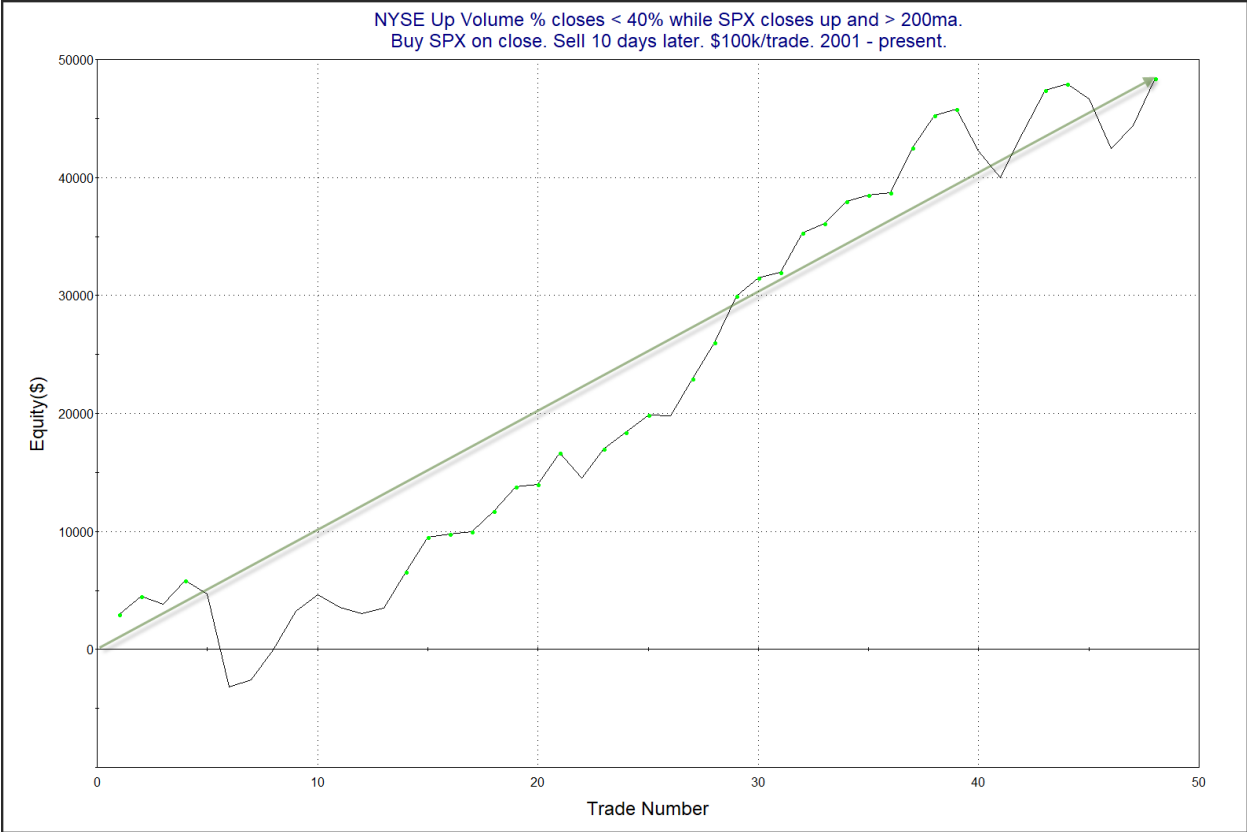


The persistent upslopes appear to confirm the upside edge suggested by the statistics. I have included this study on the short and intermediate-term active lists.

The overly weak breath on a day where SPX was moving higher triggered the study below. It is updated from the 6/23/23 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	47,407.74	43	34	9	79.07	3,969.23	-7,891.63	1,962.95	-2,148.06	0.91	3.45	1,102.51
9	43,915.57	44	34	10	77.27	3,793.00	-7,594.37	1,832.29	-1,838.22	1.00	3.39	998.08
8	44,200.05	45	36	9	80.00	4,666.56	-6,657.20	1,620.20	-1,569.69	1.03	4.13	982.22
7	39,665.67	47	38	9	80.85	5,211.84	-3,755.76	1,449.09	-1,711.10	0.85	3.58	843.95
6	37,399.04	47	35	12	74.47	6,018.56	-3,495.92	1,506.40	-1,277.08	1.18	3.44	795.72
5	28,251.16	51	39	12	76.47	4,787.84	-4,623.84	1,211.42	-1,582.84	0.77	2.49	553.94
4	14,030.93	52	33	19	63.46	2,689.05	-4,483.92	1,087.50	-1,150.34	0.95	1.64	269.83
3	15,391.54	54	36	18	66.67	2,513.92	-3,122.40	883.43	-911.78	0.97	1.94	285.03
2	16,108.97	58	40	18	68.97	2,661.75	-2,848.17	748.58	-768.57	0.97	2.16	277.74
1	8,605.74	63	39	24	61.90	1,790.64	-1,489.20	541.81	-521.88	1.04	1.69	136.60

Results have been surprisingly strong over the last 23 years...And here is the 10-day curve.



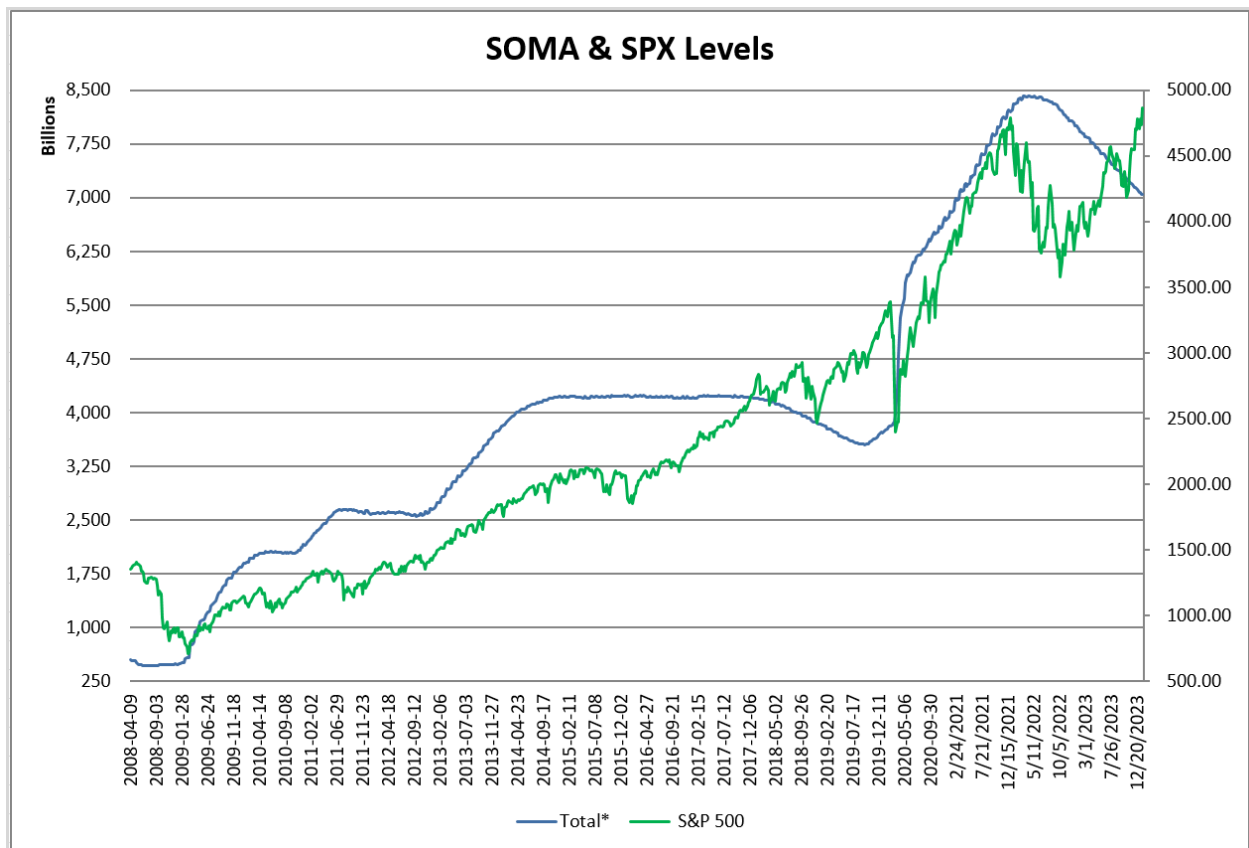
The curves have shown strong upside persistence. I find these results intriguing and have included this study on the short-term and the intermediate-term Active Lists.

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 **January 24, 2024** 📅
 Posted January 25, 2024 at 4:30 PM

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	212,241,686.2
US Treasury Notes and Bonds (Notes/Bonds)	4,026,708,799.8
US Treasury Floating Rate Notes (FRNs)	11,663,111.3
US Treasury Inflation-Protected Securities (TIPS)*	360,222,223.7
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,420,419,288.9
Agency Commercial Mortgage-Backed Securities***	8,224,762.3
Total SOMA Holdings	7,041,826,872.2
Change From Prior Week	-4,573,373.3

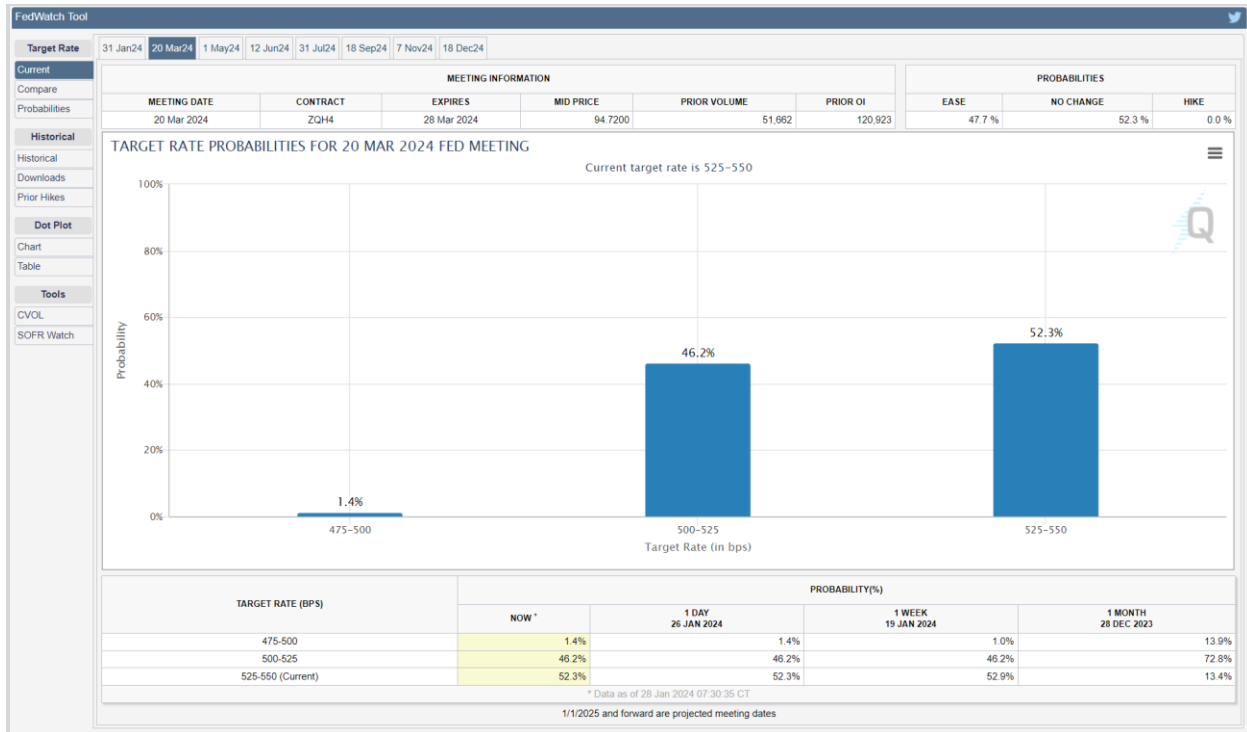
The SOMA declined a moderate \$4.6 billion this past week. This upcoming I anticipate a much large decline. Below is an updated SOMA/SPX chart looking back to 2008.



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 still given no indication yet that it is planning to dial back Quantitative Tightening (QT) anytime soon. Despite the strong rally over the last couple of months, SPX is only up moderately 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.

But the Fed has taken a more dovish tone recently. Indications are that the rate hike cycle has likely peaked. The next move, whenever it comes, will likely be lower. The Fed and the market have been suggesting the worst of the inflation issue is behind us. So overall, the Fed outlook is more dovish than it has been in about 2 years. But there will still be a QT headwind to deal with for the time being.

With regards to rates, odds are now showing a 97% chance that the Fed holds rates steady in January and a 3% chance that there is a cut. There seems to be a strong consensus that the upcoming meeting will see rates remain as they are. The more interesting (and volatile) odds appear when looking at the March Fed meeting. So those are the ones I decided to post below, courtesy of the CME Fedwatch Tool:



Here we see a 48% chance that rates will be lower in March. Of course these odds will change as new economic data is released. Just 2 weeks ago it was showing an 81% of rates being cut by either 0.25% or 0.50%. Changes for the odds above could cause market swings over the next several weeks. And Wednesday’s policy announcement and statement could provide clues for March and beyond. I’ll be paying close attention there.

I’ve had a bullish bias for a while now. And with all the bullish evidence on the Active List along with the new all-time highs for SPX, I am not about to change that. We have seen 3 new studies with bullish intermediate-term implications trigger in just the last 3 days. The leading NASDAQ is a positive. The trend is clearly up, and we are in a favorable seasonal period. The one substantial detractor is the Fed, though the Fed is beginning to back off some hawkish policy. Things can change quickly. But I am again 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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