

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 1, 2024

Volume 17 Issue 22

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- Down 2+ days on a Fed Day has often been followed by a rally.
- The turn of the month setup is suggesting a rise on Monday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. That is where 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
<b>Active - Short Term</b>						
January 30, 2024	VIX up SPX 50-high on Monday	1-2 days	Bearish			
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%
<b>Active - Long Term</b>						
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			

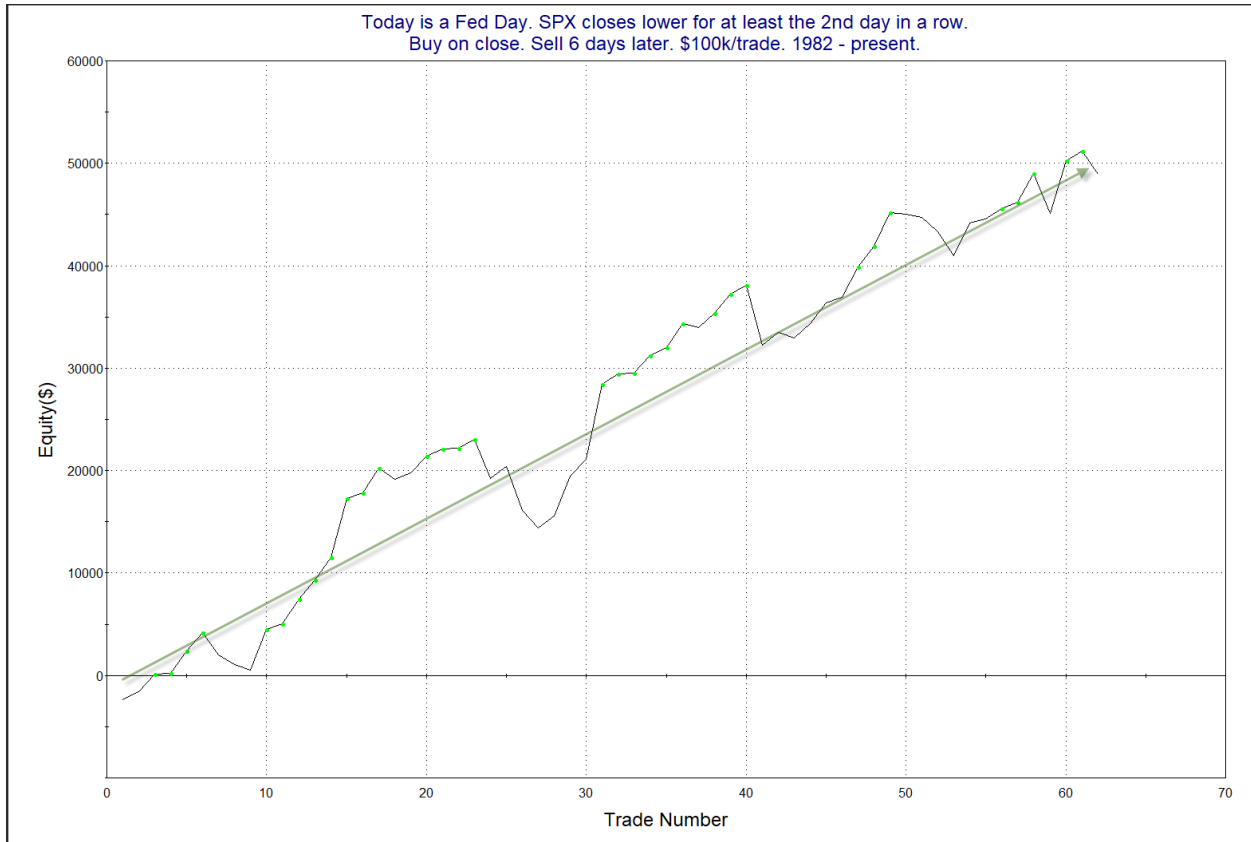
**The Evidence**

Wednesday got off to a shaky start. After the Fed announcement, the market started to recover some. But when Chairman Powell said that rate cuts in March appeared unlikely, selling really kicked in. The SPX closed down 1.6%, the NASDAQ lost 2.2%, and the Russell 2000 fell 2.45%. Breadth was weak with the NYSE Up Issues % coming in at 22% and the Up Volume % at 18%. NYSE total volume came in heavy.

Not a big surprise based on the Fed studies I discussed last night, but the Fed Day flopped. It is unusual that a Fed Day would continue a string of down days. I looked at this in the study below, which was last seen in the 9/21/23 letter. Results have been updated.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row. Buy on close. Sell X days later. \$100k/trade. 1982 - 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	52,322.59	62	40	22	64.52	9,012.33	-5,334.70	2,635.99	-2,414.41	1.09	1.99	843.91
9	50,932.18	62	43	19	69.35	8,967.96	-5,671.36	2,304.66	-2,535.17	0.91	2.06	821.49
8	38,263.11	62	44	18	70.97	8,456.40	-6,514.96	2,062.28	-2,915.41	0.71	1.73	617.15
7	44,276.29	62	46	16	74.19	8,869.37	-6,757.80	1,903.27	-2,704.63	0.70	2.02	714.13
6	48,931.80	62	45	17	72.58	7,361.95	-5,884.97	1,843.45	-2,001.38	0.92	2.44	789.22
5	34,826.66	62	42	20	67.74	6,013.86	-5,581.03	1,636.88	-1,696.12	0.97	2.03	561.72
4	22,593.56	62	38	24	61.29	7,513.37	-4,622.80	1,554.06	-1,519.20	1.02	1.62	364.41
3	8,865.02	62	37	25	59.68	5,035.28	-4,476.12	1,127.93	-1,314.73	0.86	1.27	142.98
2	5,533.78	62	34	28	54.84	5,202.52	-4,613.73	1,095.47	-1,132.58	0.97	1.17	89.25
1	2,077.53	62	36	26	58.06	4,001.33	-5,829.24	865.47	-1,118.44	0.77	1.07	33.51

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.

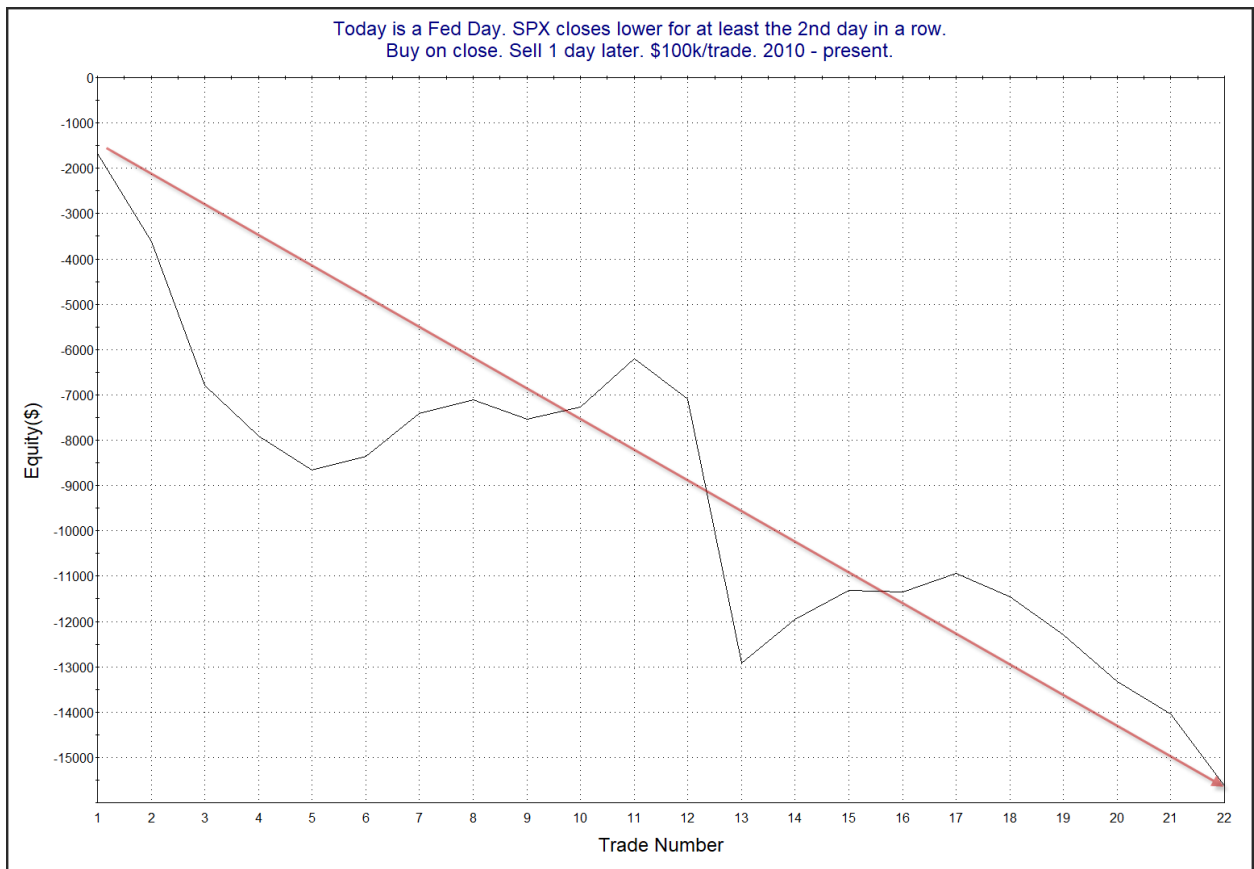


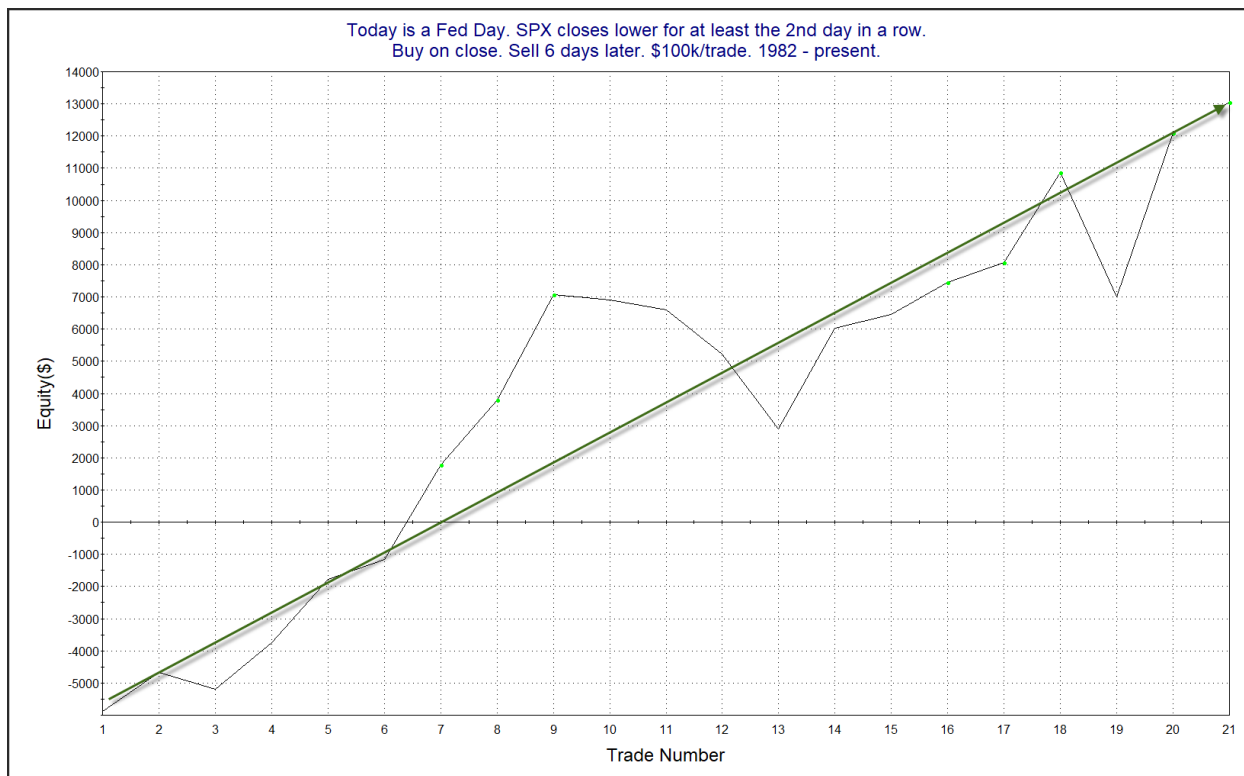
That is an impressive looking curve. And this would seem worthy of inclusion on the active list. But one thing I noted was that while the 6-day curve has remained strong, the 1-day and 2-day curves have done quite poorly over the last 14 years or so. Below is a look at the results table, but only looking at instances since 2010.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row.  
Buy on close. Sell X days later. \$100k/trade. 2010 - 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	9,635.67	22	12	10	54.55	5,219.50	-4,612.74	2,885.54	-2,499.09	1.15	1.39	437.98
9	13,535.40	22	13	9	59.09	6,033.04	-3,800.50	2,534.38	-2,156.83	1.18	1.70	615.25
8	2,863.48	22	13	9	59.09	5,136.56	-5,822.18	2,337.83	-3,058.71	0.76	1.10	130.16
7	6,693.13	22	14	8	63.64	6,064.24	-6,320.86	2,219.85	-3,048.10	0.73	1.27	304.23
6	10,805.71	22	14	8	63.64	5,113.68	-5,884.97	1,967.32	-2,092.10	0.94	1.65	491.17
5	1,326.15	22	13	9	59.09	5,267.90	-5,581.03	1,519.93	-2,048.11	0.74	1.07	60.28
4	1,988.94	22	14	8	63.64	4,325.42	-4,622.80	1,479.38	-2,340.30	0.63	1.11	90.41
3	-4,912.61	22	12	10	54.55	3,643.64	-4,476.12	1,011.68	-1,705.28	0.59	0.71	-223.30
2	-15,360.84	22	6	16	27.27	1,802.24	-4,613.73	800.08	-1,260.08	0.63	0.24	-698.22
1	-15,623.35	22	8	14	36.36	1,072.75	-5,829.24	612.23	-1,465.80	0.42	0.24	-710.15

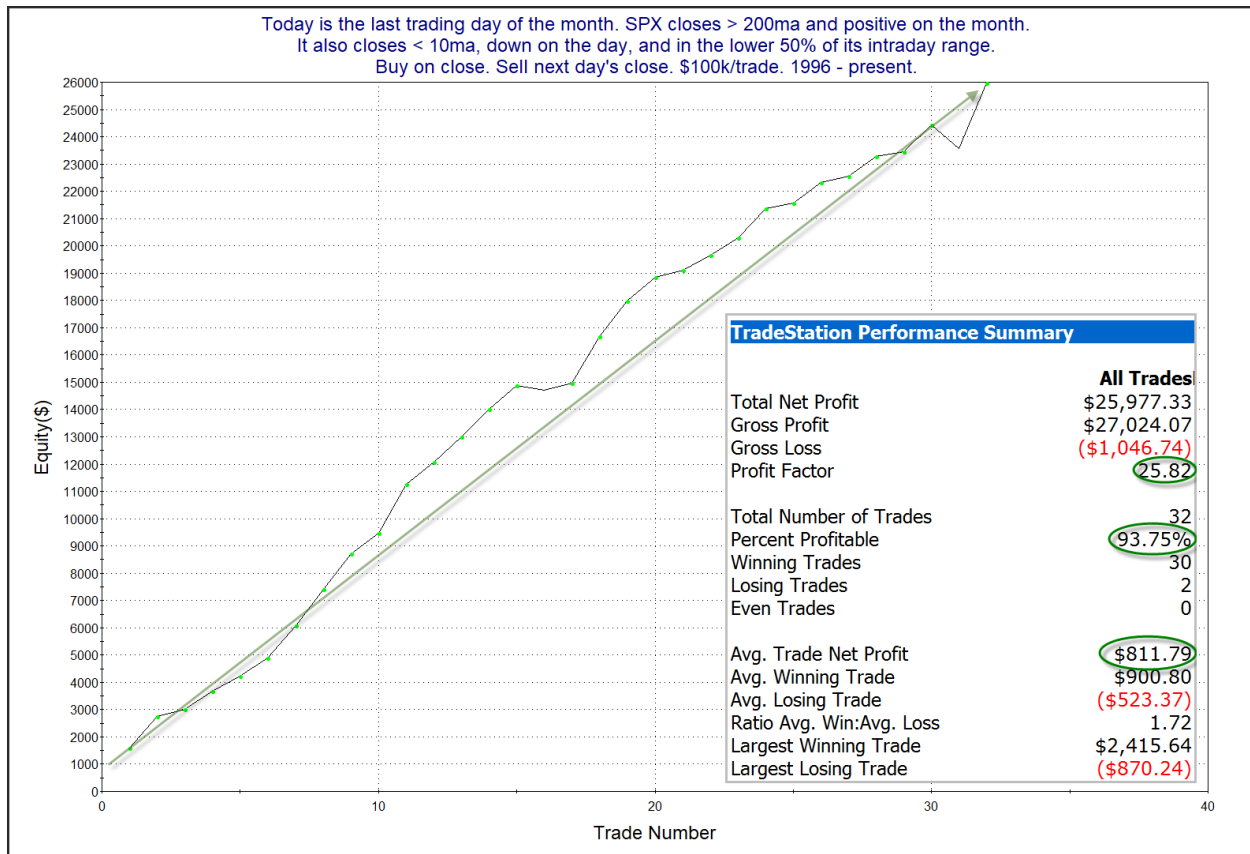
The 22 instances we see here do perform fairly well over the 6-day period. But the 1-2 day numbers look really poor. Here are the 1-day and 6-day profit curves.





Striking difference. It appears there may be a decent chance of additional selling before the rebound arrives. I have added this study to the active list using the 2010 – present numbers for estimations.

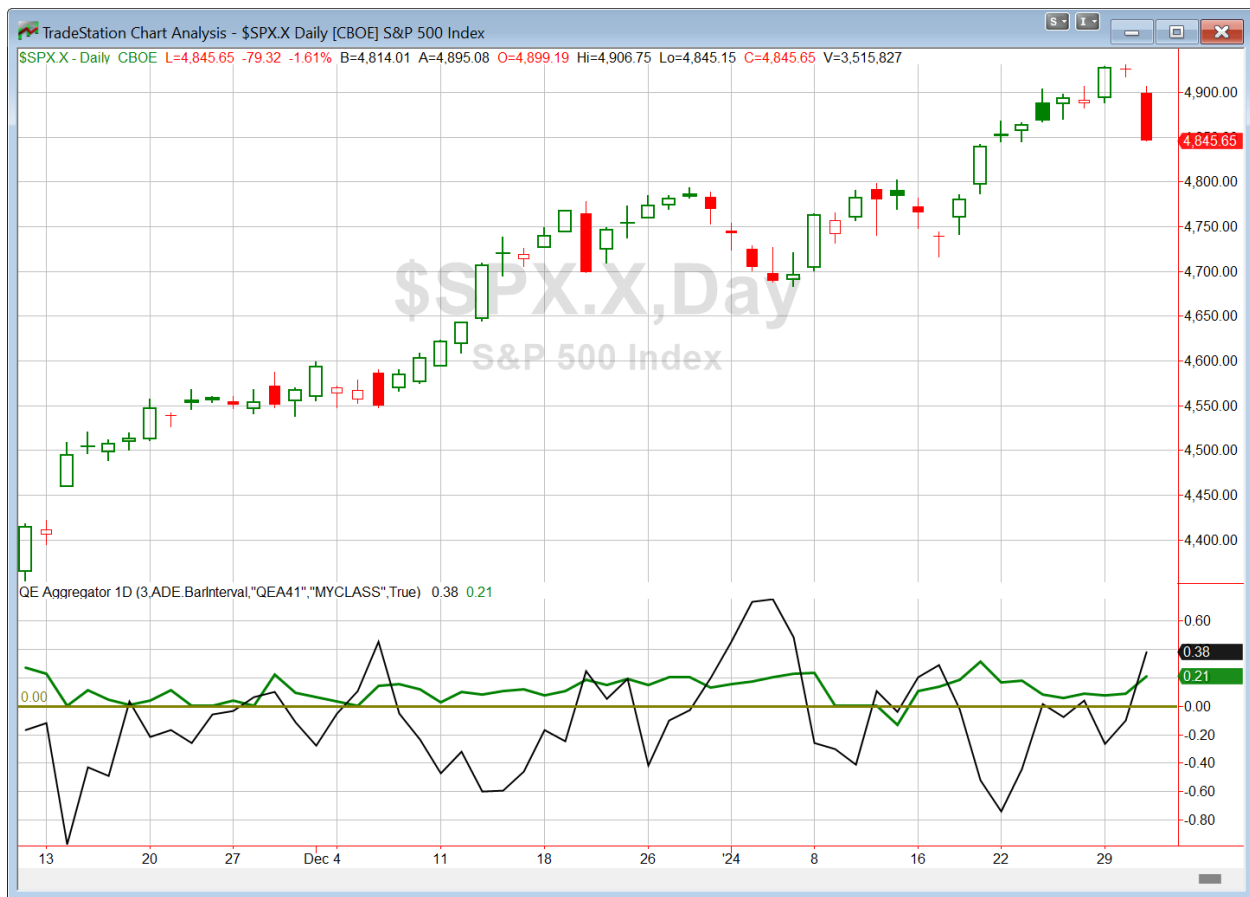
There were several studies that triggered on Wednesday that considered the fact that Thursday is the 1<sup>st</sup> day of a new month. Turn of the month is often a bullish day. Over the years we have found that it tends to be more bullish under certain circumstances. These include 1) being in an intermediate-term uptrend, 2) closing low in the day’s range, and 3) being in a short-term pullback. The study below encapsulates all these themes. It is updated from the 3/1/21 letter.



The stats and curve are both about as strong as you will see for any study. I have added this to the Active List for Thursday.

I will also note that there were a couple of intermediate-term studies that triggered in the Quantifinder with bullish implications. One (from 7/6/20) looked at 3-month periods in which SPX gained 15% or more. Additionally, the 2/4/19 letter examined the January Barometer, that suggests a positive January often means a positive rest of the year. I do not have time to update these tonight, but I will in the next day or two.

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



With tonight'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 shot 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 Thursday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4937.74 on Thursday. That is 1.9% above Wednesday's close. Therefore, SPX will need rally almost 2% on Thursday in order to flip from oversold to overbought vs recent expectations.

Evidence while mixed, is suggesting a bounce. And with SPX substantially oversold, there appears to be a solid upside edge. Hence the bullish Aggregator. I intend to take some long exposure on Thursday if I can get a decent fill.

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

## **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.*

**SPY – Buy ¼ index position @ \$482.88 LIMIT.** Based on the short-term section above, I will look to start building a long position on Thursday if I can get a decent fill.

## **Current Open Trade Ideas**

**None**

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