

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 26, 2024

Volume 17 Issue 38

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- This upcoming week looks strong on the Seasonality Calendar.
- SPX and TNX hitting new highs at the same time could suggest bearish implications over the next few weeks.
- The NASDAQ has fallen into a lagging position, which has often led to market struggles in the past.
- The SOMA saw a sizable decline this past week.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That is where I am at 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						
February 15, 2024	1-yr Up Issue % Rank > 90% 2x. SPX 50-hi	1-7 days	Bullish	2.00%	-1.30%	-2.90%
Active - Long Term						
February 26, 2024	SPX 50-day high. TNX 50-day high > 4%.	1-15 days	Bearish			
February 12, 2024	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.40%	-9.00%
February 2, 2024	SPX up > 15% last 3 months	1-6 months	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 7, 2023	Whaley ADT ₅ > 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			
Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)						
January 16, 2024	NASDAQ Leading	int term	Bullish			

The Evidence

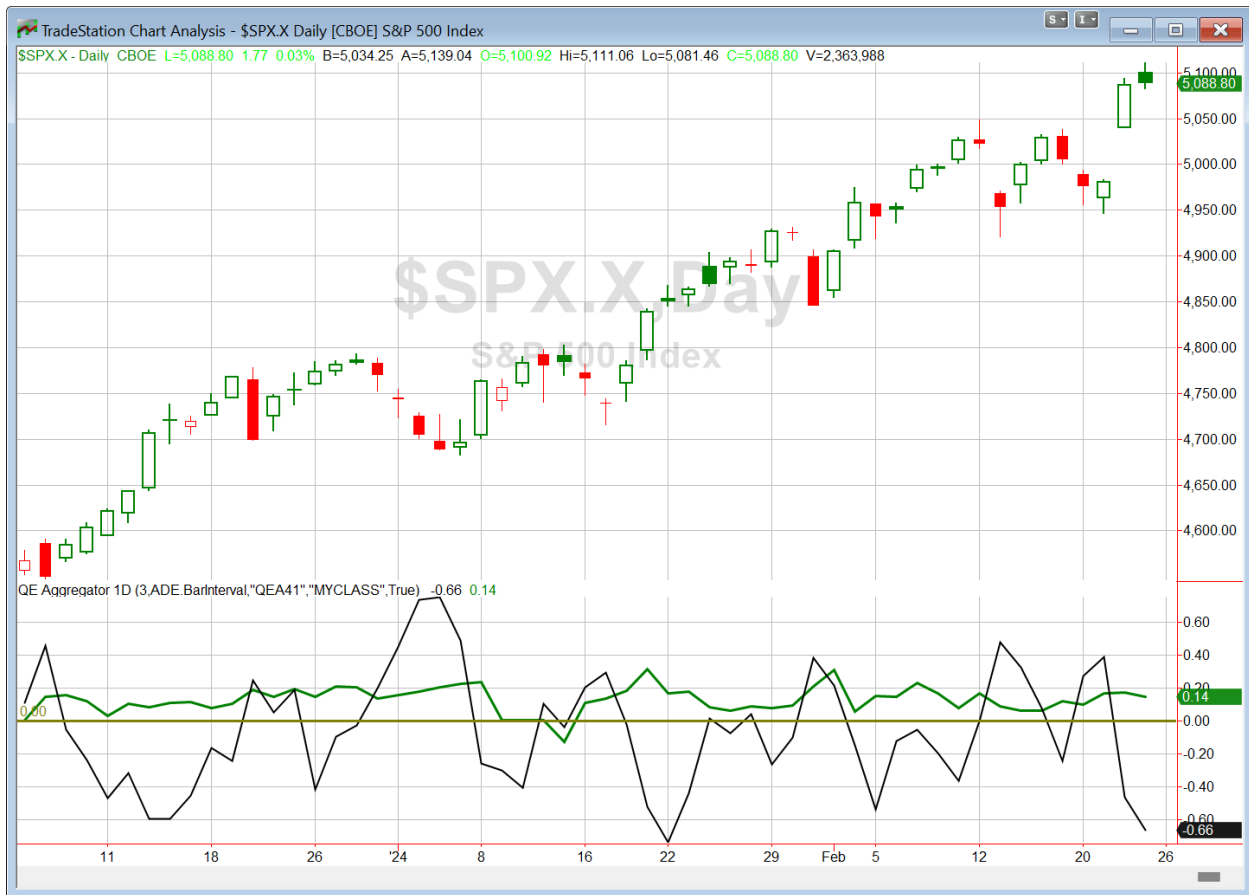
Friday saw mixed results. SPX closed up 0.03%, the NASDAQ declined 0.3%, and the Russell 2000 gained 0.1%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 61%. NYSE total volume declined some from Thursday's level.

The mild action did not trigger anything of short-term significance in the Quantifinder. So I will be keeping the short-term section brief. Intermediate-term we have had some interesting developments the past couple of days. So I'll have some studies to share there. But let's take a look at the Seasonality Calendar for this upcoming week.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
2/1/2024	57.45	1.375	0.090
2/2/2024	55.51	1.170	0.060
2/5/2024	57.33	1.272	0.083
2/6/2024	51.40	0.991	-0.007
2/7/2024	57.16	1.189	0.051
2/8/2024	55.38	0.941	-0.027
2/9/2024	55.68	1.177	0.049
2/12/2024	54.20	1.288	0.050
2/13/2024	51.79	1.387	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	49.06	1.152	-0.014
2/21/2024	47.95	0.823	-0.095
2/22/2024	49.21	1.021	-0.037
2/23/2024	50.78	0.812	-0.100
2/26/2024	52.04	1.133	0.047
2/27/2024	50.01	1.086	0.035
2/28/2024	51.34	1.157	0.057
2/29/2024	53.42	1.238	0.078
Baseline	53.81	1.135	0.046

Numbers are all green, but they are still mostly below baseline numbers. So this week seems to just have a very mild bullish seasonal tilt. Friday March 1st does look strong. I'll show that in the preliminary March calendar in the intermediate-term section.

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



With this weekend'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 remained 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 slated to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4999.48 on Monday. That is 1.8% below Friday's close. Therefore, SPX will need to close down 1.8% on Monday in order to flip from overbought to oversold versus recent expectations. A more likely way to work off the overbought condition would be a multi-day pullback or consolidation.

So the Aggregator is neutral. Evidence remains underwhelming and the market is strongly overbought. This is not a setup that is appealing when considering taking on new short-term index positions. I'll remain sidelined, exercise patience, and stay alert for clues over the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/26 – moderately bullish

Combo #1	Combo #2	Combo #3	Combo #4
Long SPY	Long SPY	Long SPY	Long SPY

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 switched to long SPY this week (from QQQ).*

This past week saw mixed and mild returns among the indices. The SPX gained 1.7%, the NASDAQ rose 1.4%, and the Russell 2000 lost 0.8%. Bonds rallied. The US Aggregate Bond ETF (AGG) posted a gain of 0.25%. TLT, the 20-year Treasury Bond ETF, rose 1.2%. SPX and NASDAQ made new highs, and SPX closed at a new all-time high on Friday, leaving no doubt that the long-term trend is currently “up”.

Since early January the NASDAQ has led the SPX according to our NASDAQ/SPX Relative Leadership indicator. But this week it flipped to SPX leading and NASDAQ lagging. This can be seen in the chart below.



The movement of the green line (which is about to turn red) below the blue dotted line is our indication that the NASDAQ is in a lagging position. Since 12/31/1971, the market has performed substantially better when the NASDAQ has been leading. This can be seen in the table below.

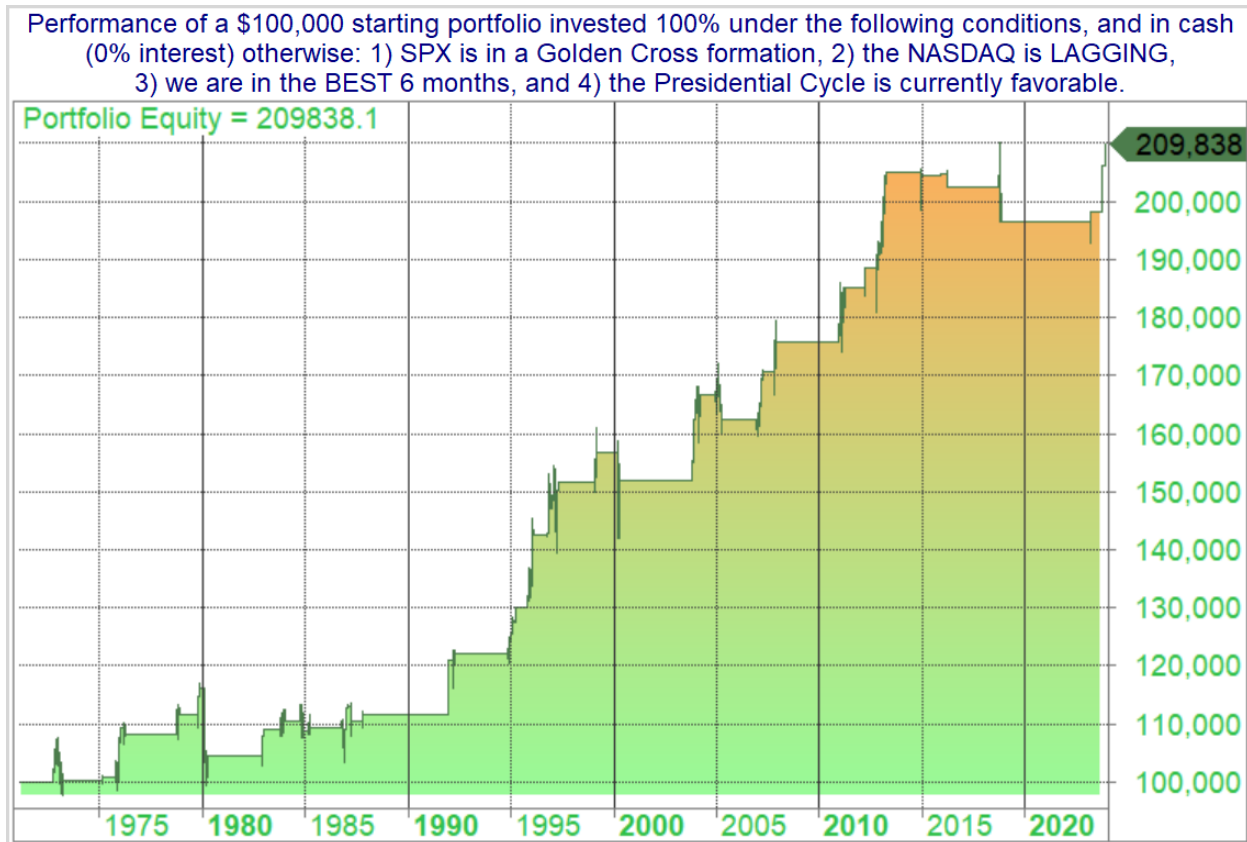
Historical Compound Returns of \$100,000 Starting Portfolio Using the NASDAQ/SPX Relative Leadership Indicator as a Filter. 12/31/71 - 2/23/2024.

	Compound Annual Growth Rate	Max Drawdown	End Value of \$100,000
S&P 500 Index	7.78%	-56.78%	\$4,984,621.54
SPX when NASDAQ lags	-0.03%	-67.21%	\$98,254.21
SPX when NASDAQ leads	7.81%	-33.92%	\$5,073,188.57
NASDAQ Composite	9.93%	-77.93%	\$14,017,542.56
NASDAQ when lagging	-1.46%	-85.53%	\$46,303.95
NASDAQ when leading	11.57%	-40.62%	\$30,272,886.78
NASDAQ when leading (with interest when in cash)*	14.07%	-37.64%	\$96,204,038.43

*interest on cash calculated at historical 30-day Fed Funds rate

More on this indicator can be found in the Market Timing Course. (Free for all annual subscribers.)

I decided also to take a look at how the market has done when all original 4 Market Timing Course indicators have been aligned as they are now. That means: 1) SPX “Golden Cross” in effect, 2) the NASDAQ is lagging, 3) favorable Presidential Cycle, and 4) “Best” 6 months in effect. Below is a chart showing SPX performance during this alignment.



This curve is encouraging. It has basically been headed up or sideways nearly the entire time, and it is back at new highs. There have not been any sizable drawdowns. So it seems to suggest that the current configuration is still bullish. While we would rather see the NASDAQ leading, all 4 of the Market Timing Course Combo Systems remain “long”. They have just switched from QQQ to SPY.

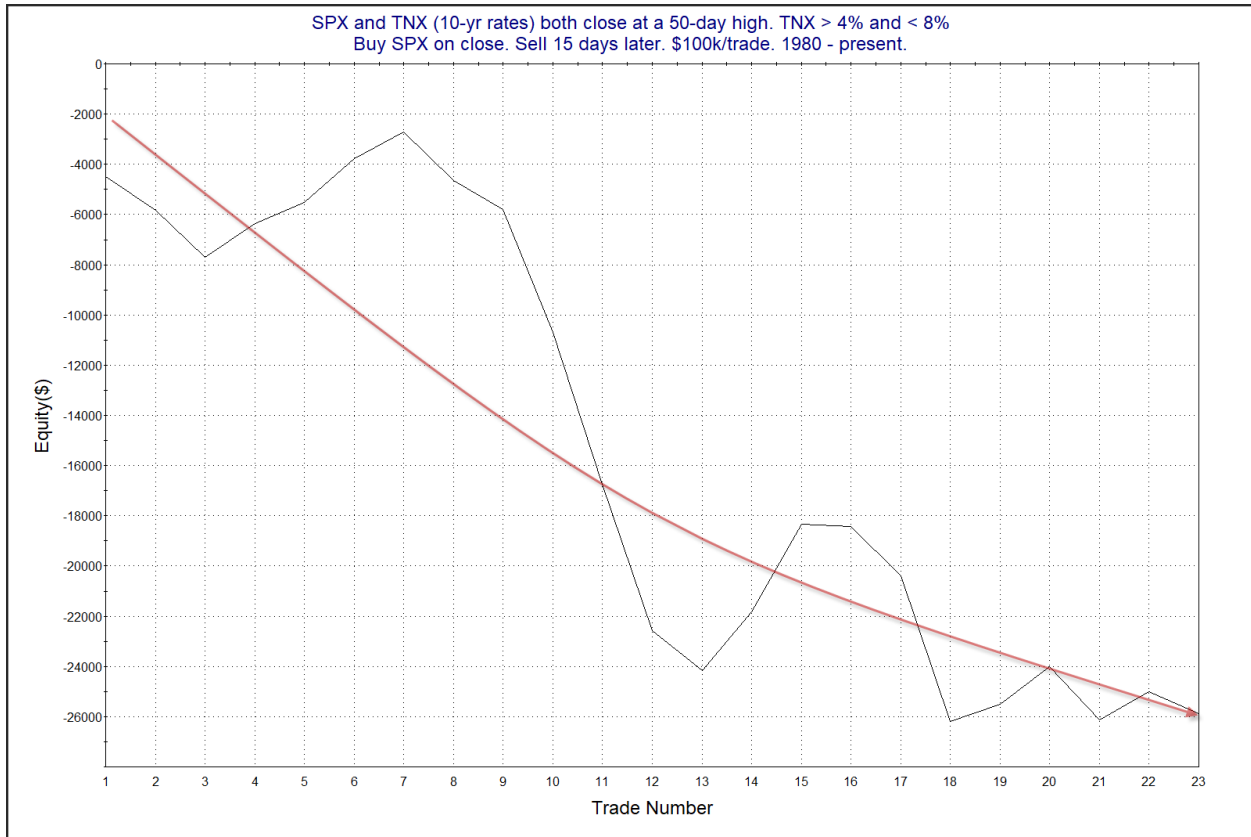
On Thursday, 10-year treasury yields closed at the highest level since November. This along with the new high in SPX triggered an interesting study. I have copied my commentary and charts from the Thursday night study below.

Way back in the 8/5/13 letter I did some studies that looked at times SPX made a 50-day high at the same time that 10-yr treasury rates also made a 50-day high. I found that the relatively high interest rates seemed to slow the SPX advance over the intermediate-term. But it also seemed that TNX making new 50-day highs when rates were low (below 4%) did not have the same negative

market impact. Thursday TNX and SPX both made a 50-day high. And for the 1st time since 2007 they did this when TNX was above 4%. So I looked again at times this occurred with TNX rates between 4% and 8%. I found that much of the SPX downside occurred in the 1st 15 days. So below is a table showing 1-15 day SPX performance based on the setup I just described.

SPX and TNX (10-yr rates) both close at a 50-day high. TNX > 4% and < 8% Buy SPX on close. Sell X days later. \$100k/trade. 1980 - 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
15	-25,884.77	23	9	14	39.13	3,500.32	-6,046.56	1,571.12	-2,858.92	0.55	0.35	-1,125.42
14	-26,003.41	23	10	13	43.48	3,238.32	-6,576.92	1,348.34	-3,037.45	0.44	0.34	-1,130.58
13	-22,050.26	23	10	13	43.48	3,259.83	-5,961.06	1,414.65	-2,784.37	0.51	0.39	-958.71
12	-19,301.03	23	9	14	39.13	3,295.93	-5,229.00	1,226.58	-2,167.16	0.57	0.36	-839.18
11	-22,954.34	23	9	14	39.13	3,238.17	-5,235.34	1,085.97	-2,337.72	0.46	0.30	-998.01
10	-20,987.58	23	9	14	39.13	3,263.44	-3,951.68	1,335.62	-2,357.73	0.57	0.36	-912.50
9	-18,956.13	24	9	15	37.50	2,373.72	-3,594.46	1,109.35	-1,929.35	0.57	0.34	-789.84
8	-12,757.66	25	10	15	40.00	3,508.18	-3,648.52	1,191.50	-1,644.84	0.72	0.48	-510.31
7	-11,323.00	28	13	15	46.43	3,053.61	-4,968.22	1,059.09	-1,672.75	0.63	0.55	-404.39
6	-12,586.93	28	8	20	28.57	2,261.06	-4,589.90	1,088.91	-1,064.91	1.02	0.41	-449.53
5	-16,271.61	29	11	18	37.93	2,191.63	-5,333.58	949.57	-1,484.27	0.64	0.39	-561.09
4	-15,511.60	30	11	19	36.67	1,671.87	-4,474.40	946.41	-1,364.32	0.69	0.40	-517.05
3	-14,837.88	31	12	19	38.71	1,700.31	-4,565.52	663.78	-1,200.17	0.55	0.35	-478.64
2	-9,975.78	35	15	20	42.86	1,718.79	-4,748.44	637.08	-976.60	0.65	0.49	-285.02
1	-2,737.70	45	23	22	51.11	1,542.15	-1,119.87	325.18	-464.40	0.70	0.73	-60.84

Numbers are generally weak from Day 1. Below is a look at the 15-day profit curve.



So high rates could make bonds more attractive and serve as a drag on stock returns. The curve and the stats suggest a downside edge. But this is the first instance in nearly 17 years. So I am not inclined to give this study any real weight. I have added it to the intermediate-term active list as a potential negative and something to keep an eye on.

Over the weekend, I ran the preliminary numbers for the March Seasonality Calendars. I have pasted the SPX Calendar below.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
3/1/2024	56.73	1.615	0.150
3/4/2024	53.16	1.208	0.005
3/5/2024	47.24	0.879	-0.096
3/6/2024	53.59	1.111	-0.028
3/7/2024	51.07	0.903	-0.086
3/8/2024	51.83	1.086	-0.034
3/11/2024	53.31	0.988	-0.016
3/12/2024	50.91	1.053	0.012
3/13/2024	53.79	0.989	-0.007
3/14/2024	53.99	0.931	-0.033
3/15/2024	49.41	0.904	-0.037
3/18/2024	54.47	1.174	0.062
3/19/2024	49.81	1.363	0.103
3/20/2024	47.69	1.028	0.018
3/21/2024	49.97	1.007	0.010
3/22/2024	49.86	1.020	0.015
3/25/2024	56.08	1.229	0.071
3/26/2024	57.43	1.343	0.093
3/27/2024	58.05	1.456	0.126
3/28/2024	59.67	1.582	0.142
Baseline	53.85	1.138	0.047

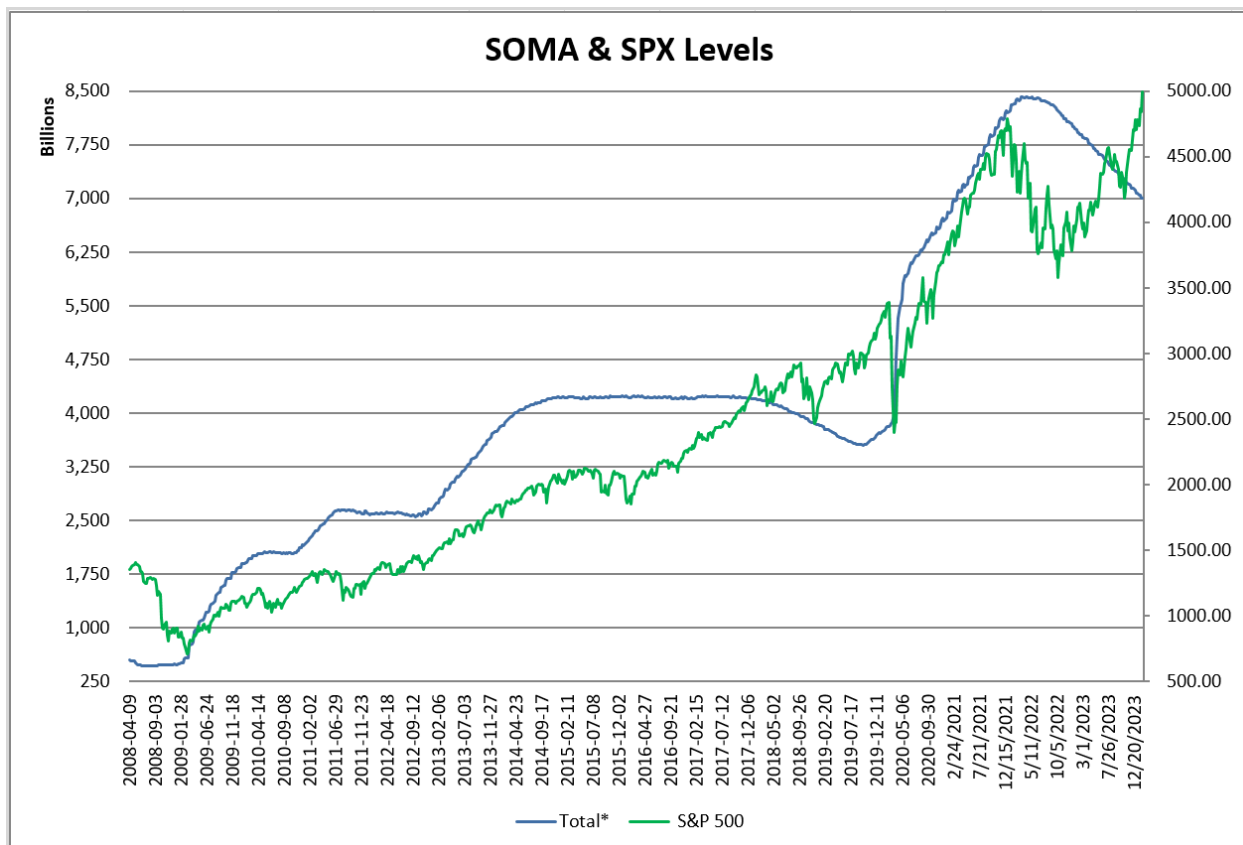
The first couple of days and the last 4 days of March look strong. Other than that, numbers are mostly neutral to weak. March 2020 has a negative impact on the numbers. But there are 3 different models at work in the Calendar, and only one of them looks at “month of year”. I also find it

interesting that the 19th – 22nd show a Win % below 50%. That is not due to just one model and one year. March could offer some opportunity for the bears to generate a pullback.

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

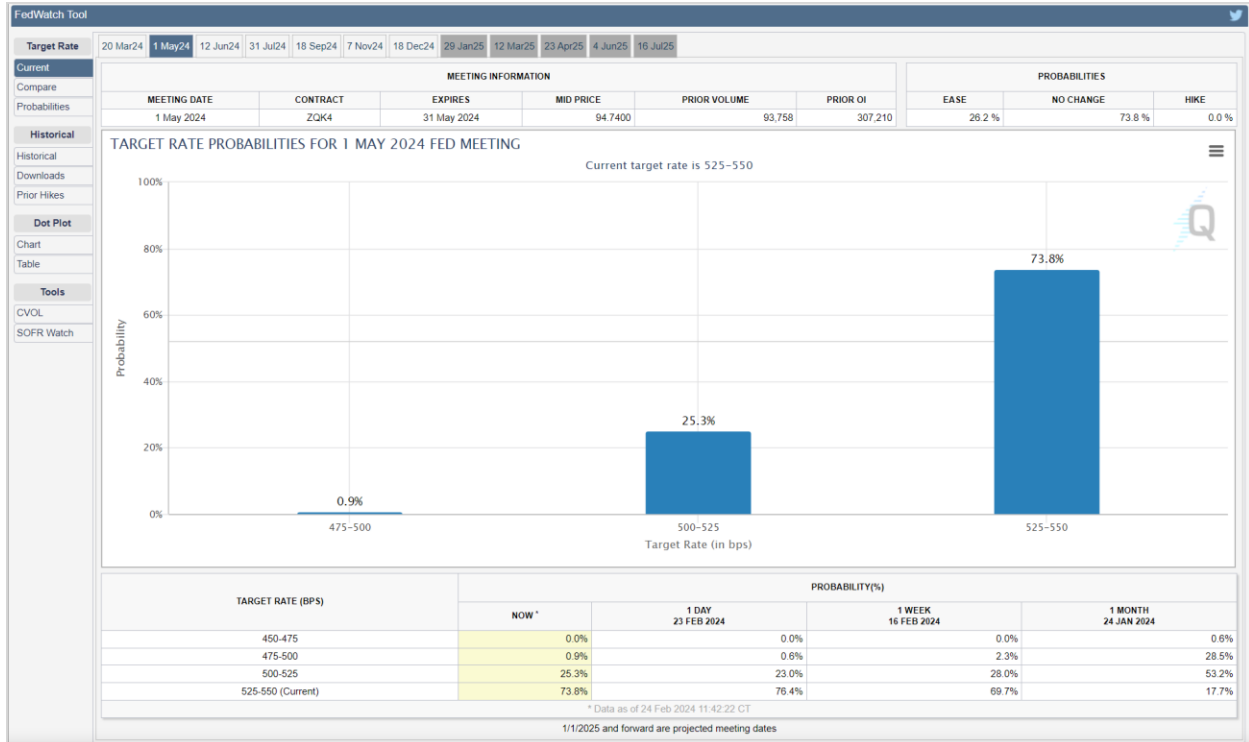
Domestic Security Holdings as of	
◀ Previous	February 21, 2024 📅 <i>Posted February 22, 2024 at 4:30 PM</i>
<div style="display: flex; justify-content: space-between; border-bottom: 1px solid black; padding-bottom: 5px;"> SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	210,353,374.1
US Treasury Notes and Bonds (Notes/Bonds)	3,972,155,885.3
US Treasury Floating Rate Notes (FRNs)	7,777,080.8
US Treasury Inflation-Protected Securities (TIPS)*	360,222,223.7
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,406,005,100.4
Agency Commercial Mortgage-Backed Securities***	8,215,019.4
Total SOMA Holdings	6,967,075,683.8
Change From Prior Week	-33,968,669.2

The SOMA saw a sizable decline this past week, dropping \$33 billion, with size expiring on 2/15. The current week should see a more moderate decline, and then the week ending Wednesday the 6th should again be quite large. 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. Despite the strong rally we have seen, SPX is only up moderately since Quantitative Tightening (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. Notable with regards to QT is that we may be nearing a point where the Fed will begin winding it down. Powell indicated recently that there would be discussion about possible QT changes at the March meeting. I suspect they will taper the amount of QT over time, rather than simply halting it.

With regards to rates, odds are now showing just a 4% chance that the Fed cuts rates in March. The May meeting is still a possibility. But odds there are now leaning towards holding rates at their current level. This can be seen in the graphic below, courtesy of the CME Fedwatch tool.



A month ago, odds of the Fed keeping rates at the current level through the May meeting were only 17.7%. Now they are at 74%. That is quite a change. There are still expectations that the next move, when it eventually comes, will be a cut. But it is looking less and less likely that it will be at either of the next 2 meetings. Of course, as we have seen, odds change. So while high rates and QT may be nearing an end, they still remain. I am still viewing the Fed as a bearish market force.

I've had a bullish overall bias for a while now. And most of what we see on the intermediate-term active list remains bullish. Momentum is strong, seasonality is favorable, breadth thrusts we saw a few months ago have seen great follow through to this point. The trend is clearly up and the market is posting new all-time highs. So most things still favor the bull case. We did get a couple of warnings this past week, though. The new high in 10-year rates could slow the market down. The NASDAQ falling into a lagging position is also not a great sign. The March Seasonality Calendar is a weaker than we have seen the last few months. The Fed also remains a potential detractor. So I will dial back my bullishness just a bit. Rather than an outright "bullish" bias, I am now "moderately bullish". I will still favor the long side, but will be more open to potential short positions.

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
AMGN(1/3)	2/12/2024	\$289.97	\$291.43	0.50%	<i>*div adjusted - sell on open</i>

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser in the States of Washington, California, Colorado, Texas, Massachusetts, and Louisiana, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360.

ECA may not transact business in states where it is not appropriately registered, excluded or exempted from registration. Individualized responses to persons that involve either the effecting of transaction in securities, or the rendering of personalized investment advice for compensation, will not be made without registration or exemption. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter from QE at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2024 Quantifiable Edges, LLC.