

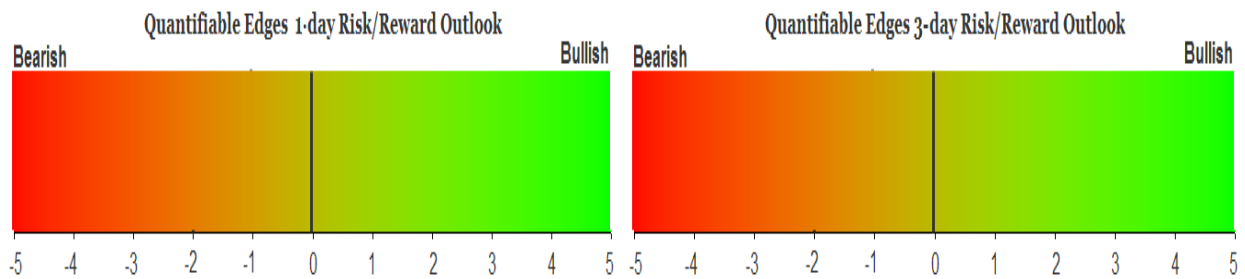
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 1, 2024

Volume 17 Issue 42

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The tight consolidation near a 50-day high suggests an upside edge.
- The strong close on Thursday reduced the bullish potential for Friday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I'm looking to flatten out on Friday.

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						
March 1, 2024	50-high then inside for 5 days	1-3 days	Bullish			
February 29, 2024	NR7 then inside day > 200ma	1-2 days	Bullish			
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 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

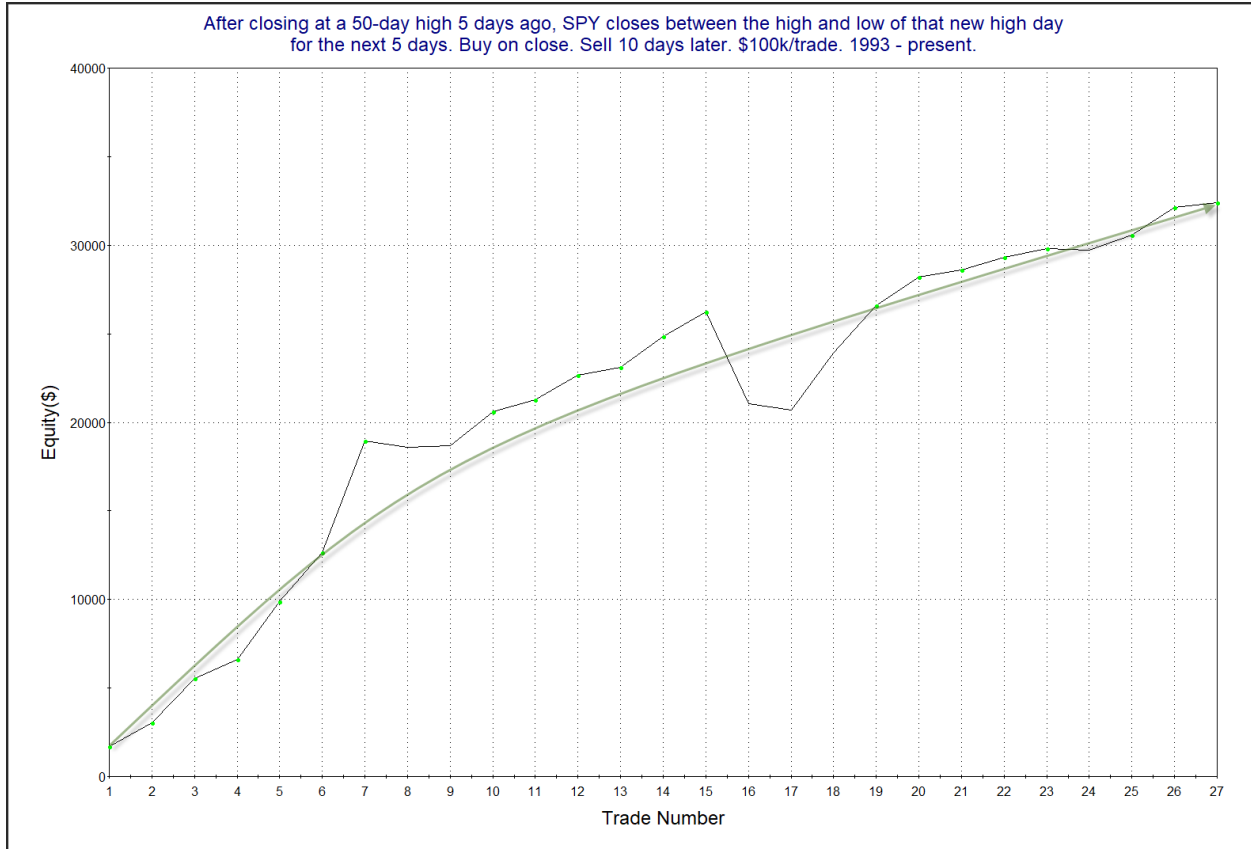
The market finished February on an up note. SPX rose 0.5%, the NASDAQ rallied 0.9%, and the Russell 2000 gained 0.7%. Breadth was strong with the NYSE Up Issues % coming in at 69% and the Up Volume % at 71%. NYSE total volume spiked higher.

The range over the last week has been extremely tight. Every SPY close in the 5 days since 2/22 has been within the intraday range of that 2/22/24 bar. It is said that consolidations are often resolved in the direction of the trend. This guideline suggests that we're more likely to see another leg up from here than a breakdown. The study below tests this concept. It was last seen in the 11/24/21 letter and has been updated.

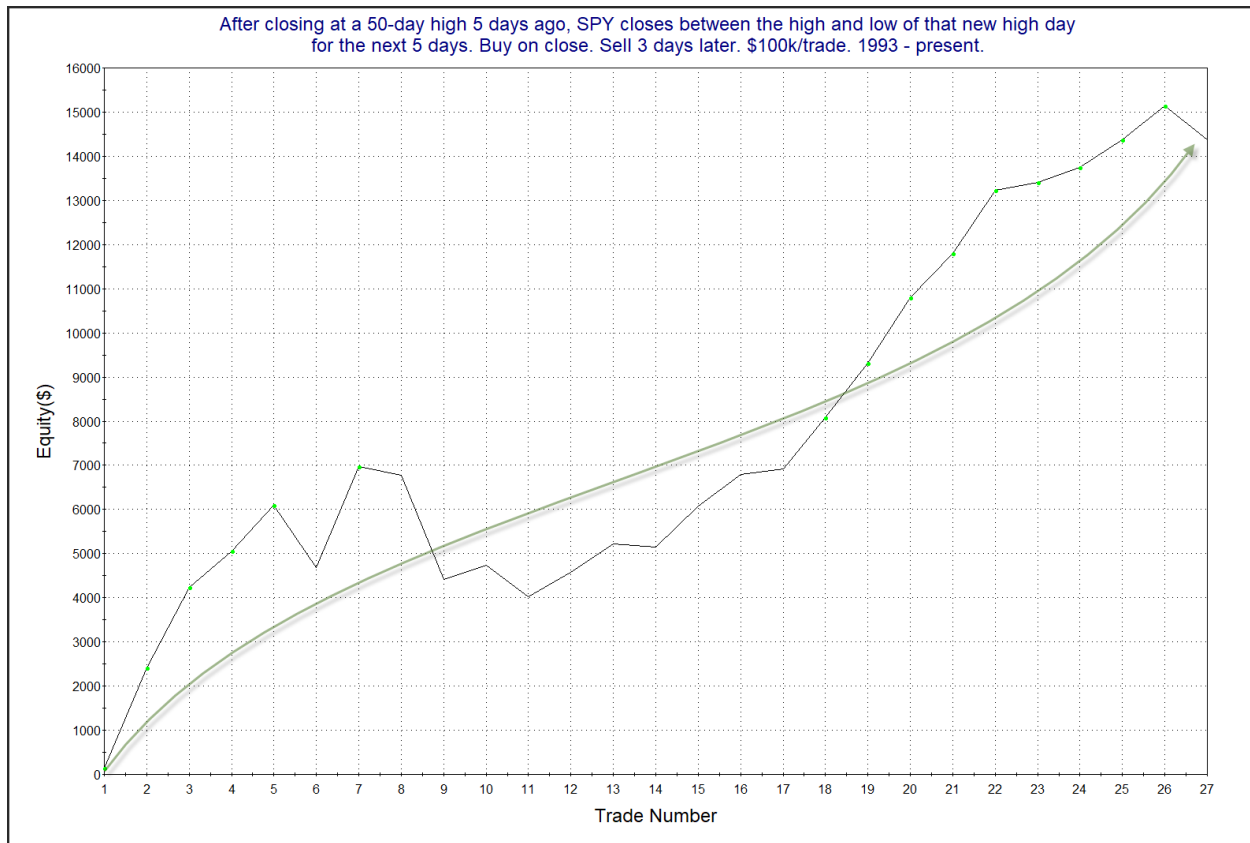
After closing at a 50-day high 5 days ago, SPY closes between the high and low of that new high day for the next 5 days. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	32,401.84	27	23	4	85.19	6,287.04	-5,182.56	1,670.03	-1,502.23	1.11	6.39	1,200.07
9	29,184.15	27	24	3	88.89	6,322.56	-2,251.44	1,345.82	-1,038.54	1.30	10.37	1,080.89
8	25,365.87	27	22	5	81.48	6,287.04	-2,060.28	1,454.42	-1,326.29	1.10	4.83	939.48
7	15,406.67	27	19	8	70.37	5,339.84	-3,472.29	1,387.07	-1,368.47	1.01	2.41	570.62
6	9,359.36	27	18	9	66.67	3,362.56	-2,992.38	1,172.09	-1,304.25	0.90	1.80	346.64
5	9,332.73	27	15	12	55.56	3,031.04	-3,767.97	1,359.18	-921.25	1.48	1.84	345.66
4	12,418.05	27	18	9	66.67	2,806.08	-2,690.19	1,110.42	-841.05	1.32	2.64	459.93
3	14,370.67	27	21	6	77.78	2,296.96	-2,368.80	949.48	-928.05	1.02	3.58	532.25
2	6,046.95	28	19	9	67.86	1,817.10	-1,963.86	750.22	-911.92	0.82	1.74	215.96
1	2,329.46	28	17	11	60.71	1,433.49	-1,100.97	475.40	-522.94	0.91	1.40	83.19

*** 25 of 28 instances (89%) closed above the entry price within 3 days**
*** All instances closed above the entry price at some point in the next 2 weeks**

It certainly appears to confirm the old technical adage. Results favor the long side over the immediate 3-day period and they are even more impressive when looking out 8 to 10 days. Below are some equity curves to see how the edge has played out over time. First, the 10-day.

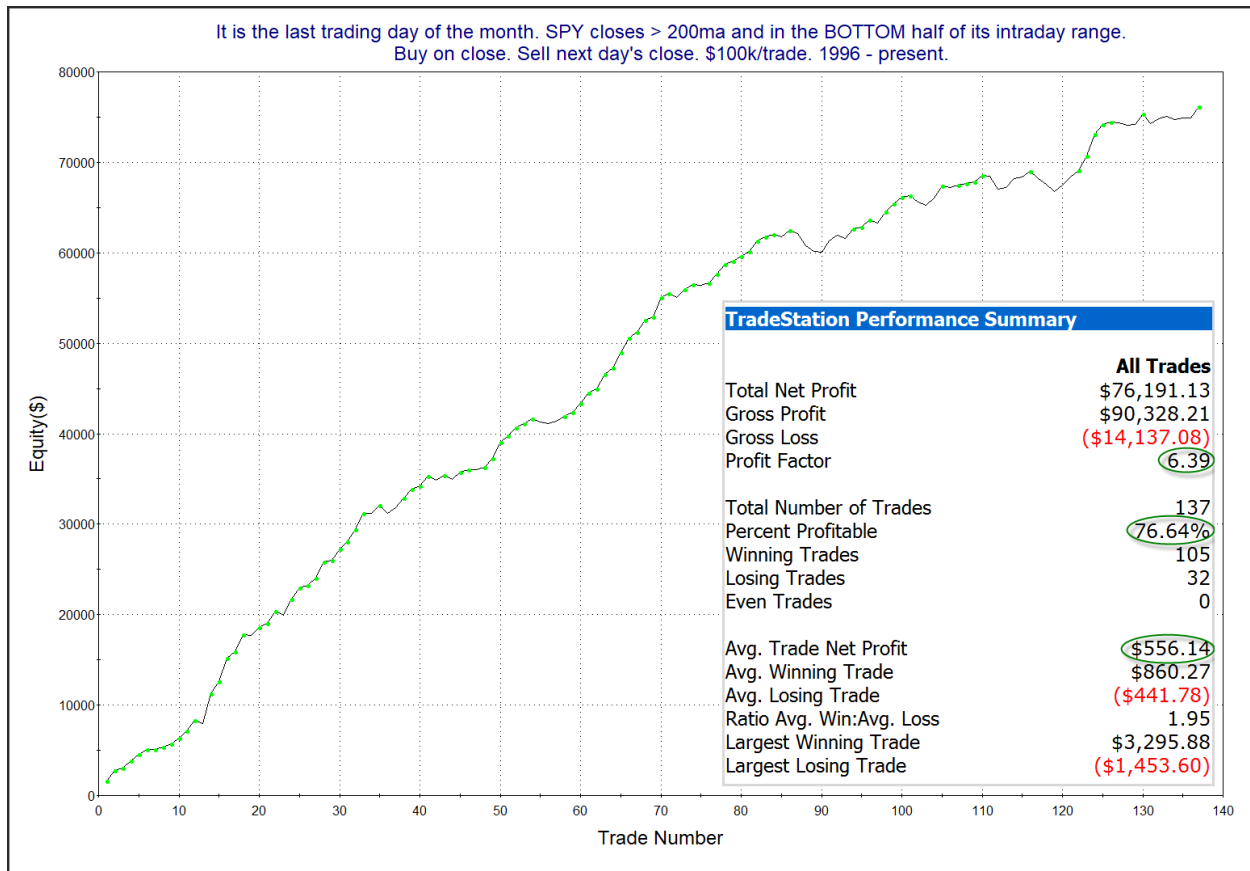


The persistent move from lower left to upper right serves as some confirmation of the upside edge. Next is the 3-day curve.



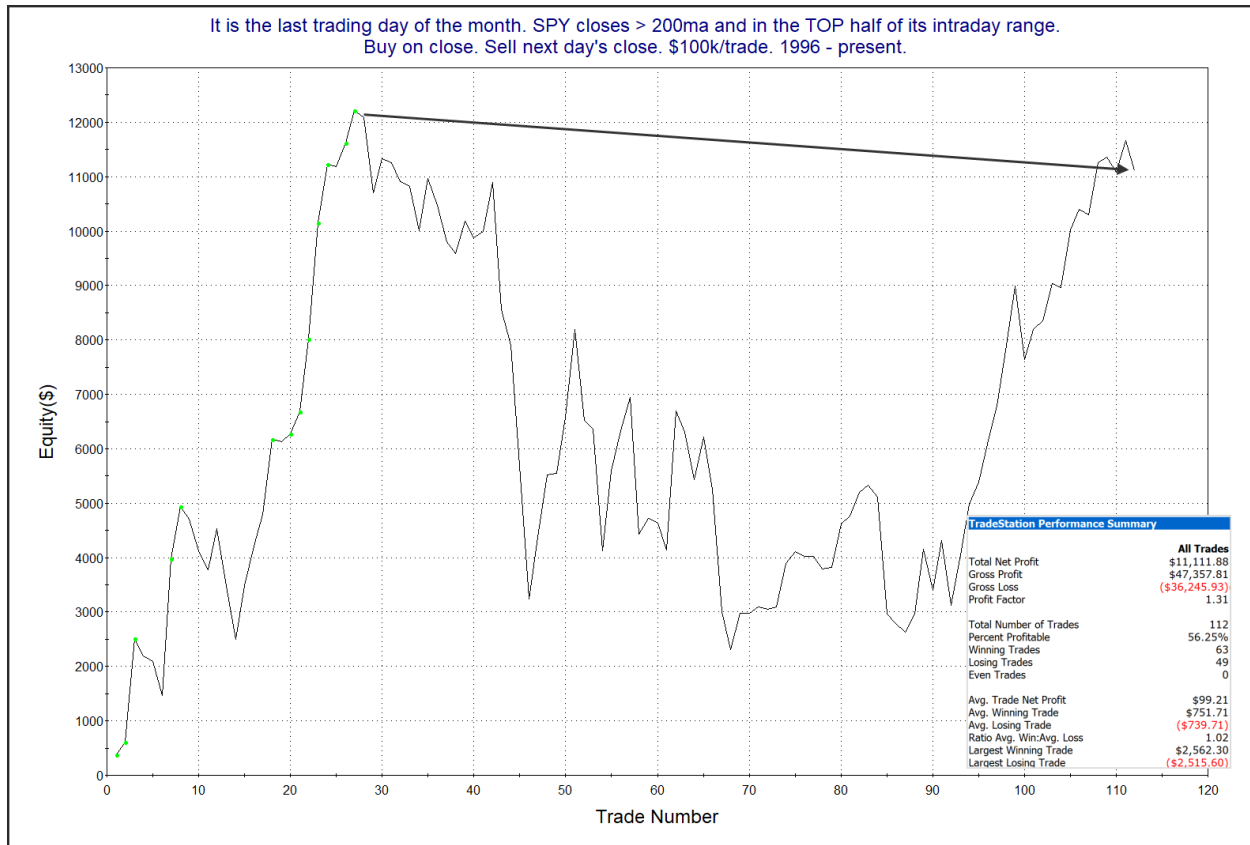
While mostly up the curve is a bit choppy. Of the 6 losses, two of them were fairly large. This suggests perhaps a little more risk in this setup than in some others we examine. Over the 3-day period the average run-up was 1.1% and the average drawdown was 0.7%. That is a comparatively large drawdown. It isn't very surprising though. Risks tend to be higher when you are trading near the upper end of a range. And a tight consolidation near a 50-day high seems to qualify. All considered, I find this study appealing and believe it is worth considering over both very short and intermediate-term timeframes.

There were several studies that triggered that noted Thursday was the last trading day of the month. The 1st day of a new month is often a bullish day. But over the years we have found the bullish tendency to be more consistent and powerful when SPY closed poorly on the last trade day of the month. The two studies below delineate between times SPY closed in the top half of its intraday range (like Thursday), and the bottom half. First, let's look at times SPY closed in the bottom half.



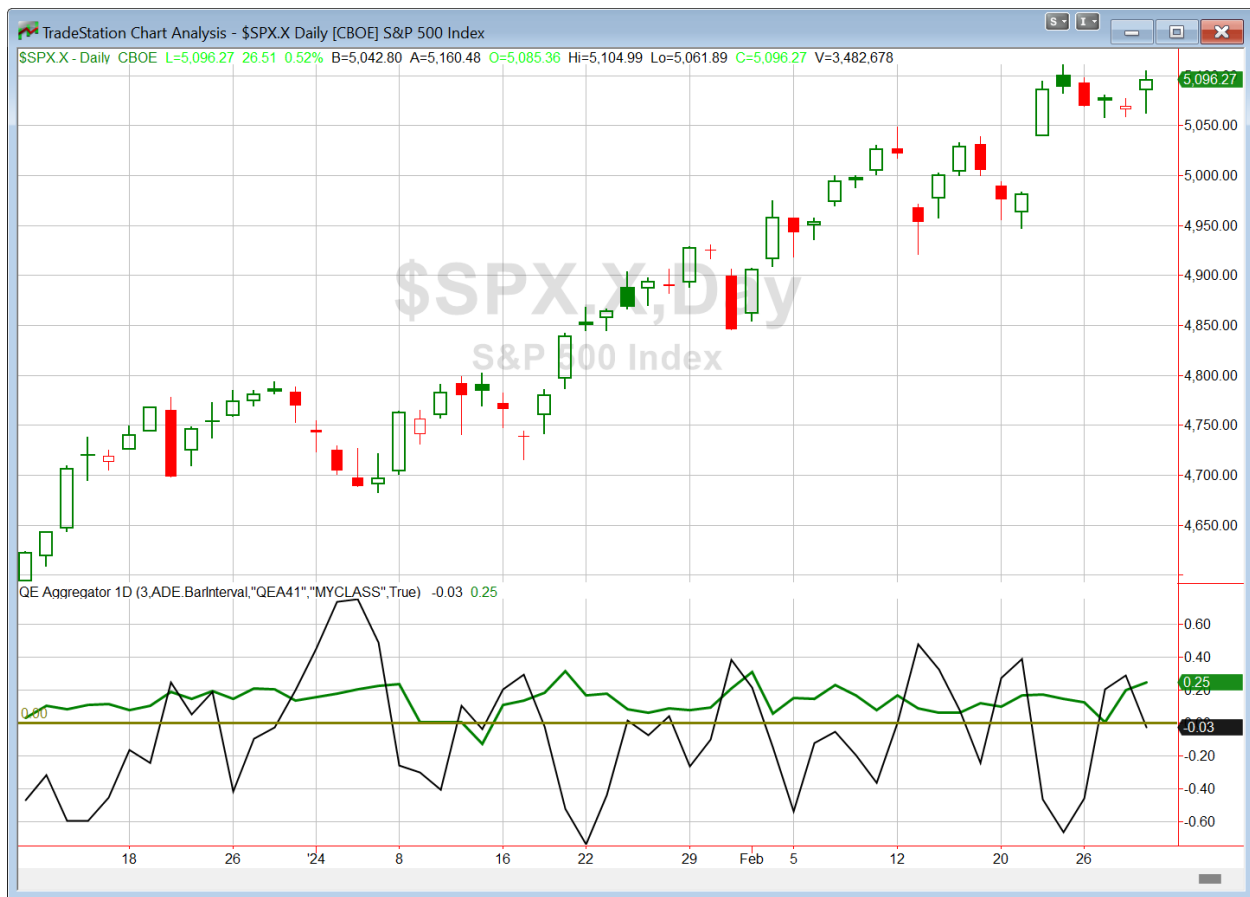
The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 6.4x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 137 instances. And despite a few recent failures, the curve has shown progress over a long period of time and is back at new highs. This setup certainly appears to provide a 1-day bullish edge.

But what about times like now where SPY closed in the top half of its intraday range?



We see here huge inconsistency. And since 2004 there has been a net loss. The 1st day of the month has performed much better with some afternoon selling leading up to the day. So it does not seem that we have much of a “turn of month” bullish influence working for us tomorrow.

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 dropped 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 turned flat at the close.

Based on the current Active List, expectations are set to remain positive on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5092.10 on Friday. That is 0.1% below Thursday's close. Therefore, SPX will only need to close down about 0.1% on Friday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. But it could easily turn bullish again with just a small amount of selling on Friday. I have some long exposure. I will look to exit, but I won't just sell at any price, since a large unfilled gap down would likely keep the Aggregator in a bullish formation. So I'll look to flatten out my position, but only if I can get a decent price.

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

None

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	2/29/2024	\$506.00	\$508.08	0.41%	sell @ \$507.50 LIMIT

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