

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 4, 2024

Volume 17 Issue 43

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- After Monday we see a few weeks of choppy seasonality readings.
- The positive Jan and Feb appear to be a good sign for the rest of the year.
- The NASDAQ retook a leading position vs the SPX, which is a bullish condition.
- The SOMA continues to decline and the Fed is a potential market negative.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. With moderate bullish evidence and an overbought SPX, I am neutral 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						
March 1, 2024	50-high then inside for 5 days	1-3 days	Bullish			
Active - Long Term						
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
March 4, 2024	NASDAQ Leading	int term	Bullish			
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			
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)						
February 29, 2024	NR7 then inside day > 200ma	1-2 days	Bullish			

The Evidence

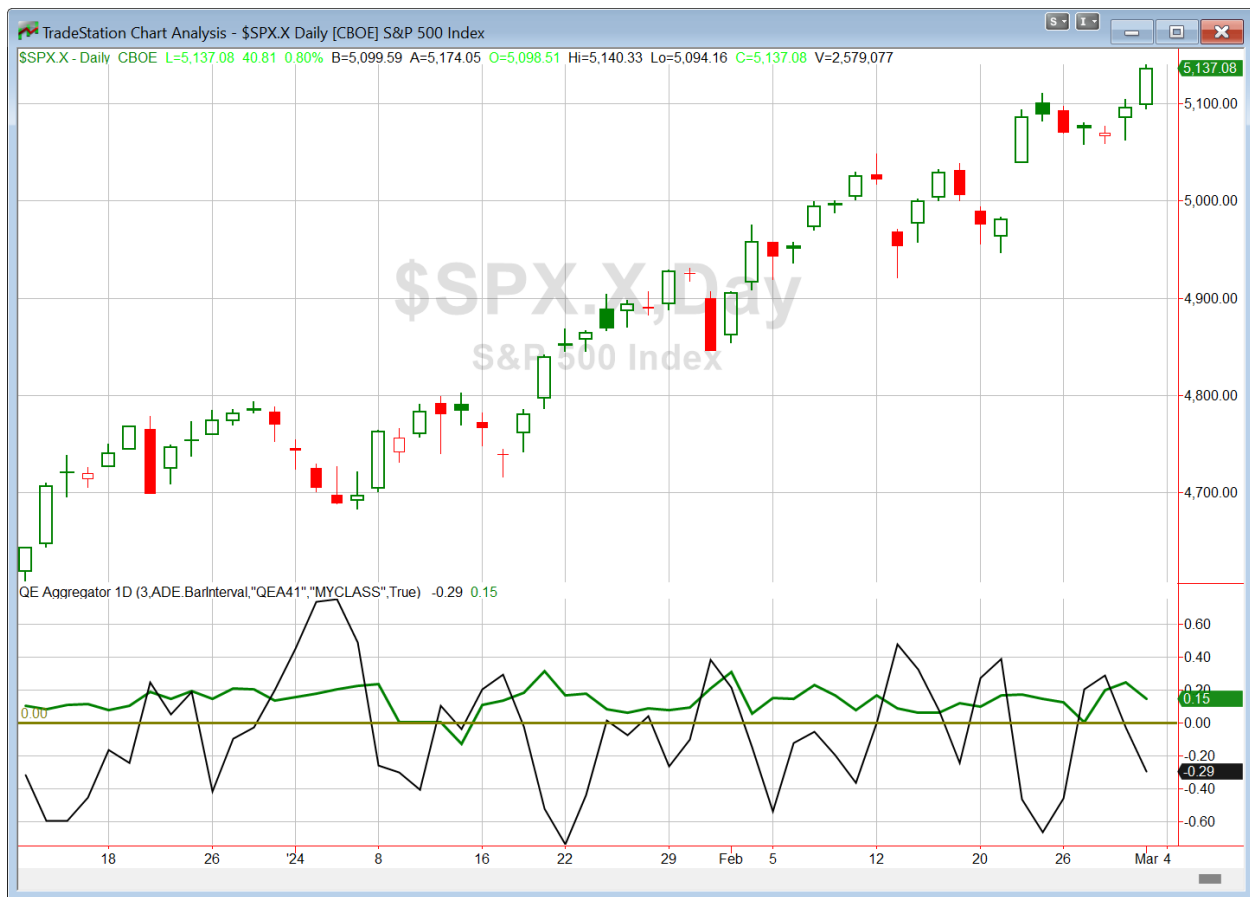
Friday was a strong finish to the week. SPX rose 0.8%, the NASDAQ rallied 1.1%, and the Russell 2000 gained 1.05%. Breadth was strong with the NYSE Up Issues % coming in at 62% and the Up Volume % at 65%. NYSE total volume came in light.

In addition to closing higher, the major indices also closed at new highs. But this was not a new breakout from a consolidation. We have had many new highs so far this year. It was just the next one in a string of them. The action did not generate any new evidence suggesting a substantial short-term edge. But we do have some evidence to discuss in the intermediate-term section of the letter. Before I get to that, let's take a look at the updated Seasonality Calendar.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
3/1/2024	56.78	1.616	0.149
3/4/2024	53.06	1.204	0.004
3/5/2024	47.35	0.880	-0.096
3/6/2024	53.51	1.111	-0.029
3/7/2024	51.12	0.905	-0.085
3/8/2024	51.88	1.087	-0.034
3/11/2024	53.21	0.984	-0.017
3/12/2024	51.02	1.054	0.013
3/13/2024	53.72	0.989	-0.007
3/14/2024	54.04	0.933	-0.032
3/15/2024	49.59	0.905	-0.037
3/18/2024	54.36	1.170	0.061
3/19/2024	49.91	1.365	0.104
3/20/2024	47.69	1.028	0.018
3/21/2024	49.88	1.004	0.009
3/22/2024	49.91	1.021	0.015
3/25/2024	55.74	1.219	0.068
3/26/2024	57.64	1.345	0.093
3/27/2024	57.95	1.455	0.126
3/28/2024	59.76	1.586	0.143
Baseline	53.85	1.137	0.047

While Monday's numbers are good, the rest of the week looks a bit choppy. And we really do not have a strong of bullish numbers again until the last week of the month. So if the bears are going to generate some downside movement, the next few weeks could provide a decent opportunity from a seasonal standpoint.

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 Active List, expectations are set to remain positive on Monday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5086.05 on Monday. That is 1.0% below Friday's close. Therefore, SPX will need to close down about 1.0% on Monday in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is neutral. Evidence is leaning bullish, but SPX is already quite overbought. This has been a theme lately with the persistent push higher. Pullbacks have been quick, and the letter has only managed small positions. The positive about the persistently bullish studies as of late is that they have kept me from trying to short the market. Still, we are not looking at a great setup at the moment. I'll wait for a more compelling reward/risk opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/4 – *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 switched to long QQQ this week (from SPY).*

This past week saw strong returns for stocks. The SPX gained 0.95%, the NASDAQ rose 1.7%, and the Russell 2000 rallied 3.0%. Bonds also did well. The US Aggregate Bond ETF (AGG) posted a gain of 0.5%. TLT, the 20-year Treasury Bond ETF, rose 1.0%. SPX and NASDAQ closed at new all-time highs on Friday, while the Russell 2000 closed at the highest level since 2022. There is no doubt that the long-term trend is currently “up”.

Last week I discussed how the NASDAQ had fallen into a lagging position. That did not last long. This week the indicator flipped right back. This can be seen in the chart below.



The movement of the red line (which is about to turn green) above the blue dotted line is our indication that the NASDAQ is in a leading 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. (I did not bother updating this for just the past week.)

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.)

This means all four of the original Market Timing Course indicators are now bullish. Only the Fed Liquidity Indicator from the 2023 version of the Market Timing Course is not bullish. That is a strongly favorable situation, as evidenced by all 4 combo models now long QQQ.

Also notable is that a positive January and a positive February have typically meant a favorable setup for the rest of the year. A few people on X had pointed this out this past week, including @SJD10304 and @WayneWhaley1136. I ran the numbers and kept the setup simple. What has happened after an up January and an up February?

SPX posts a positive January and a positive February.
Forward returns shown, 1940 - 2023.

Ticker	Date/Time	1-Mth %Chg	2-Mth %Chg	3-Mth %Chg	4-Mth %Chg	5-Mth %Chg	6-Mth %Chg	7-Mth %Chg	8-Mth %Chg	9-Mth %Chg	10-Mth %Chg	11-Mth %Chg	12-Mth %Chg	10-Mth Max Ddn	10-Mth Max Run-Up
SSPX	2/26/1943	5.56	5.65	9.85	12.58	8.02	7.57	10.12	8.57	0.46	6.38	8.02	7.75	0.00	12.58
SSPX	2/28/1945	-4.83	3.78	4.97	3.99	2.52	5.94	12.24	16.43	20.21	21.4	29.86	20.84	(4.83)	21.40
SSPX	2/28/1950	0.41	4.3	9.06	2.73	3.6	6.97	12.95	13.41	13.3	18.64	25.78	26.6	0.00	18.64
SSPX	2/28/1951	-1.47	2.89	-1.28	-3.85	2.75	6.79	6.7	5.23	4.95	9.04	10.73	6.7	(3.85)	9.04
SSPX	2/26/1954	3.02	8.07	11.63	11.7	18.09	14.07	23.56	21.15	30.94	37.59	40.08	40.57	0.00	37.59
SSPX	2/28/1955	-0.49	3.26	3.13	11.62	18.39	17.46	18.8	15.18	23.8	23.72	19.21	23.34	(0.49)	23.80
SSPX	2/28/1961	2.55	2.95	4.92	1.89	5.23	7.3	5.19	8.17	12.42	12.78	8.51	10.28	0.00	12.78
SSPX	2/28/1964	1.52	2.13	3.3	5	6.92	5.18	8.2	9.07	8.51	8.93	12.54	12.38	0.00	9.07
SSPX	2/28/1967	3.94	8.33	2.65	4.45	9.18	7.91	11.44	7.51	8.32	11.17	6.29	2.97	0.00	11.44
SSPX	2/26/1971	3.68	7.44	2.98	2.02	-1.21	2.36	1.64	-2.6	-2.85	5.52	7.43	10.15	(2.85)	7.44
SSPX	2/29/1972	0.59	1.03	2.78	0.53	0.77	4.24	3.73	4.7	9.48	10.77	8.88	4.79	0.00	10.77
SSPX	2/28/1975	2.17	7	11.72	16.67	8.78	6.48	2.79	9.13	11.83	10.54	23.62	22.21	0.00	16.67
SSPX	2/28/1983	3.31	11.06	9.68	13.22	9.79	11.04	12.16	10.46	12.39	11.39	10.37	6.08	0.00	13.22
SSPX	2/28/1985	-0.29	-0.75	4.62	5.89	5.38	4.11	0.5	4.77	11.59	16.61	16.89	25.25	(0.75)	16.61
SSPX	2/28/1986	5.28	3.79	9	10.54	4.05	11.46	1.94	7.52	9.83	6.72	20.78	25.24	0.00	11.46
SSPX	2/27/1987	2.64	1.46	2.08	6.97	12.13	16.05	13.24	-11.4	-18.97	-13.06	-9.55	-5.76	(18.97)	16.05
SSPX	2/29/1988	-3.33	-2.42	-2.11	2.12	1.57	-2.35	1.53	4.16	2.2	3.7	11.07	7.86	(3.33)	4.16
SSPX	2/28/1991	2.22	2.26	6.2	1.11	5.65	7.73	5.66	6.92	2.22	13.63	11.37	12.43	0.00	13.63
SSPX	2/26/1993	1.87	-0.72	1.54	1.61	1.07	4.55	3.51	5.51	4.15	5.2	8.62	5.36	(0.72)	5.51
SSPX	2/28/1995	2.73	5.61	9.44	11.77	15.32	15.28	19.91	19.31	24.21	26.37	30.5	31.4	0.00	26.37
SSPX	2/29/1996	0.79	2.15	4.48	4.72	-0.07	1.81	7.32	10.12	18.2	15.66	22.76	23.48	(0.07)	18.20
SSPX	2/28/1997	-4.26	1.33	7.27	11.93	20.67	13.74	19.78	15.65	20.81	22.71	23.96	32.69	(4.26)	22.71
SSPX	2/27/1998	4.99	5.95	3.95	8.05	6.8	-8.75	-3.08	4.7	10.89	17.14	21.95	18.01	(8.75)	17.14
SSPX	2/27/2004	-1.64	-3.29	-2.12	-0.36	-3.77	-3.55	-2.65	-1.29	2.52	5.85	3.17	5.12	(3.77)	5.85
SSPX	2/28/2006	1.11	2.34	-0.83	-0.82	-0.31	1.81	4.31	7.6	9.37	10.75	12.3	9.85	(0.83)	10.75
SSPX	2/28/2011	-0.1	2.74	1.35	-0.5	-2.63	-8.16	-14.75	-5.57	-6.05	-5.25	-1.12	2.9	(14.75)	2.74
SSPX	2/29/2012	3.13	2.36	-4.05	-0.26	1	2.99	5.49	3.4	3.7	4.43	9.7	10.91	(4.05)	5.49
SSPX	2/28/2013	3.6	5.47	7.66	6.05	11.29	7.81	11.02	15.97	19.22	22.03	17.69	22.76	0.00	22.03
SSPX	2/28/2017	-0.04	0.87	2.04	2.53	4.51	4.57	6.59	8.95	12.01	13.11	19.47	14.82	(0.04)	13.11
SSPX	2/28/2019	1.79	5.79	-1.16	5.65	7.04	5.1	6.9	9.09	12.8	16.03	15.84	6.1	(1.16)	16.03
SSPX	2/29/2024	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.00	0.80
Average		1.33	3.34	4.05	5.17	5.91	5.75	7.02	7.50	9.46	11.95	14.44	14.32	(2.37)	13.97
Median		1.79	2.89	3.30	4.45	5.23	5.94	6.59	7.60	9.83	11.17	12.30	10.91	(0.07)	13.11
% Wins		71.0%	87.1%	80.6%	83.9%	83.9%	87.1%	90.3%	87.1%	90.3%	93.5%	93.5%	96.8%		

Those are some impressive returns. 29 of 31 instances saw gains from the end of Feb through the end of December. And looking out 12 months, 30 of 31 instances were positive, with 1987 being the lone loser. The monthly drawdown numbers were exceptional as well. There were only 3 instances (1987, 1998, and 2011) that saw a drawdown greater than 5% for the rest of the year. I should also note though that the lookback period here is cherry-picked. The 1930s were lousy. 1930, 1931, and 1937 all got off to hot starts and then suffered horrific selloffs. They declined 34%, 55%, and 42% over the remaining 10 months of the year. Still, the setup has worked well for the last 84 years, so I am inclined to give it some consideration. I have added it to the intermediate-term active list.

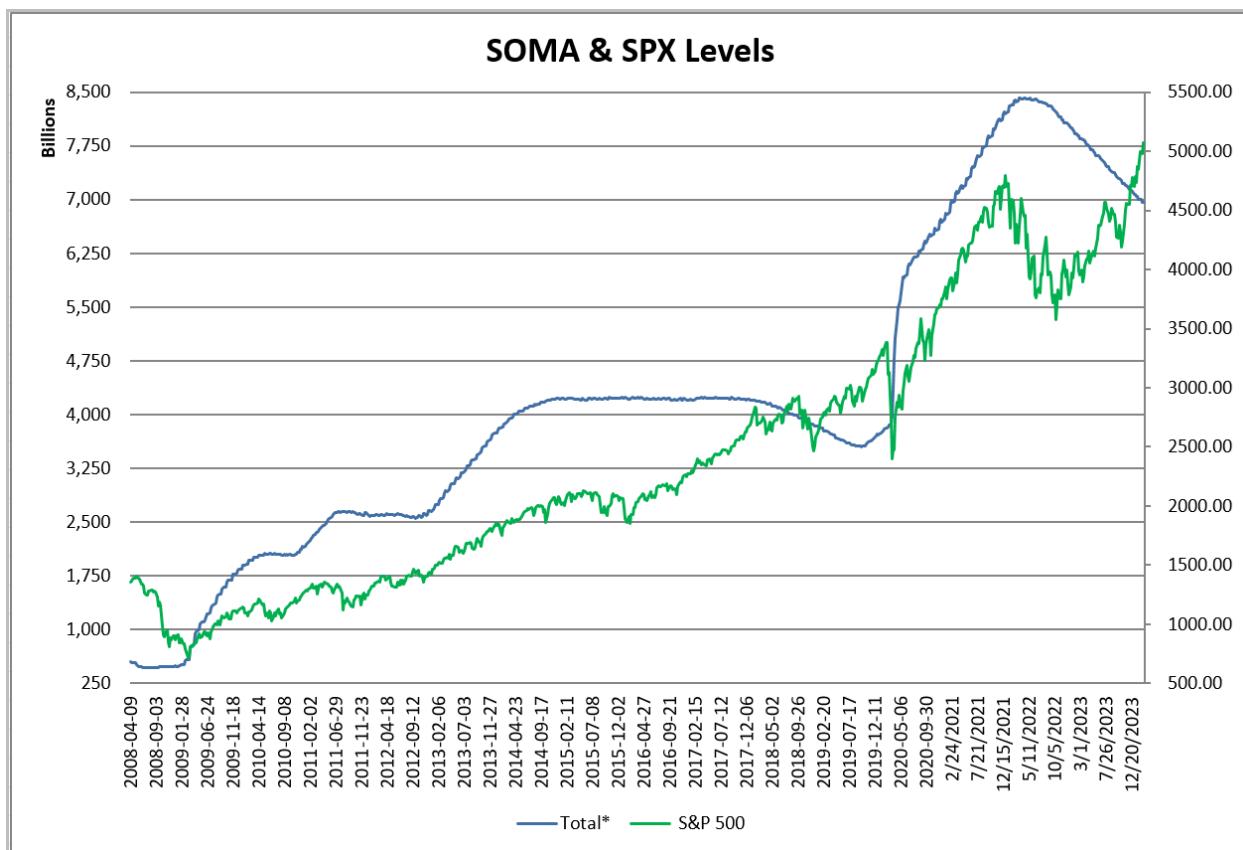
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of
 ◀ Previous **February 28, 2024** 📅
 Posted February 29, 2024 at 4:30 PM

SUMMARY
T-BILLS
T-NOTES AND T-BONDS
FRNS
TIPS
AGENCY DEBTS
MBS
CMBS

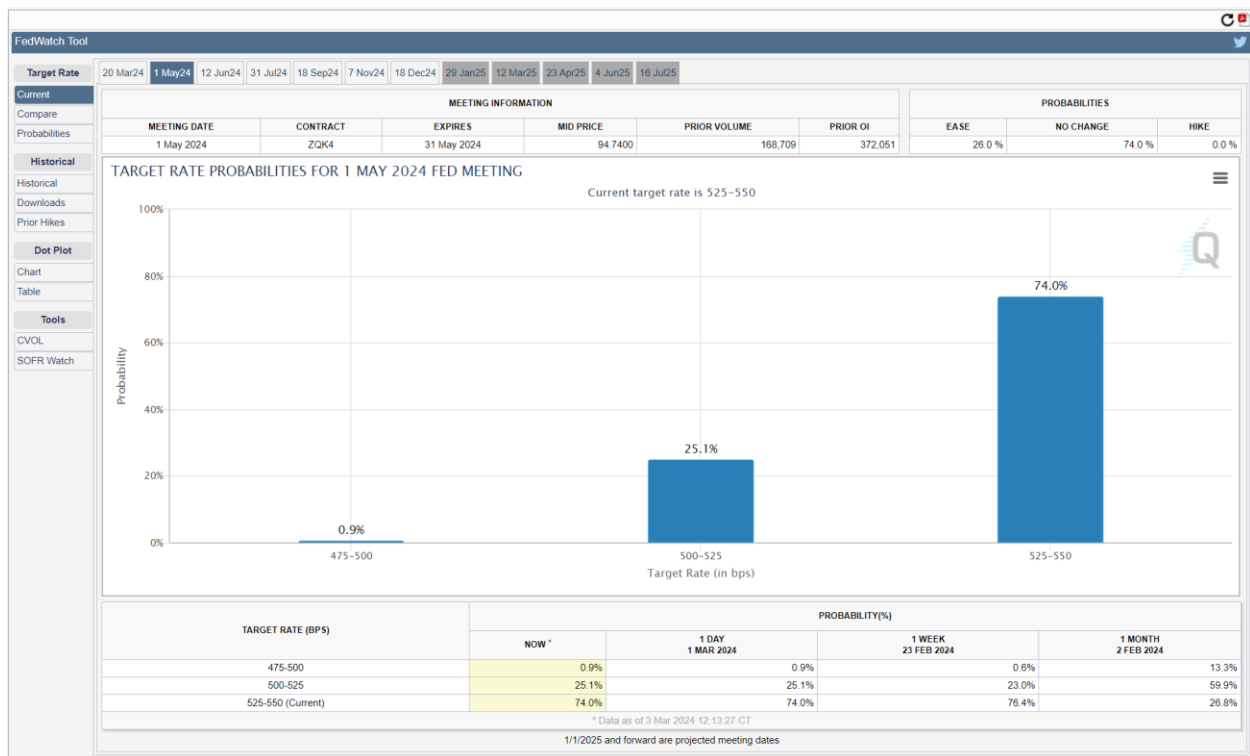
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	210,353,374.1
US Treasury Notes and Bonds (Notes/Bonds)	3,972,105,885.3
US Treasury Floating Rate Notes (FRNs)	7,777,080.8
US Treasury Inflation-Protected Securities (TIPS)*	360,222,223.7
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,395,024,334.4
Agency Commercial Mortgage-Backed Securities***	8,210,688.2
Total SOMA Holdings	6,956,040,586.5
Change From Prior Week	-11,035,097.3

The SOMA saw a decline this past week of \$11 billion. The current week should see a more substantial 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. 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 now posted very net mild gains during times that the SOMA was shrinking. The vast majority of 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 still showing just a 4% chance that the Fed cuts rates in March. The May meeting is still a possibility. But odds there are also there 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 27%. 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 generally 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. Now this week we can add the leading NASDAQ and the positive Jan & Feb returns to the list of bullish indications. There are still some negatives, including the 10-year rate study from last week, and the potentially bearish Fed policies. But there is enough pointing higher at this point that I will move my outlook from "somewhat bullish" back to outright "bullish". I will look to be more aggressive with long-side trades, and will be conservative when considering 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
<i>SPY(1/4)</i>	<i>2/29/2024</i>	<i>\$506.00</i>	<i>\$508.98</i>	<i>0.59%</i>	<i>sold 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.