

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 19, 2024

Volume 17 Issue 54

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The Fed Day edge on Wednesday will be greatly influenced by action on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence continues to point higher, and even with the move higher on Monday, SPX remains short-term oversold. I continue to like the long side.

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 18, 2024	Opex in Mar, Apr, Oct, or Dec closes down	1-5 days	Bullish			
March 18, 2024	SPX down 3 days 1st time in > 2 months	1-5 days	Bullish			
March 18, 2024	SPX down 3 from 50-high. < 10ma > 10Lo	1-4 days	Bullish			
Active - Long Term						
March 13, 2024	Russell 2000 down 3 days. SPX 3-day high	1-10 days	Bullish	3.30%	-1.20%	-2.60%
March 11, 2024	SPX 20-day intraday high and btm 10% cls	1-10 days	Bullish	2.00%	-1.50%	-2.80%
March 4, 2024	Jan & Feb both close positive	1-10 months	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			
December 27, 2023	%SPX > 50 moves frm 15% > 90% in 50 dys	1-6 months	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

Monday saw the market gap higher and then close near its intraday lows. But most indices still posted gains. SPX closed up 0.6%, the NASDAQ rose 0.8%, and the Russell 2000 declined 0.7%. Breadth was slightly positive with the NYSE Up Issues % coming in at 50% and the Up Volume % at 55%. NYSE total volume declined substantially from Friday's opex level.

Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. [I have documented this tendency](#) in great detail over the years, including the 2011 book, [The Quantifiable Edges Guide to Fed Days](#). One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. Below are updated stats for the 4 quartiles from highest to lowest in the daily range.

Tomorrow is a Fed Day.
 SPY closes in the top 25% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$9,898.29
Gross Profit	\$38,368.45
Gross Loss	(\$28,470.16)
Profit Factor	1.35
Total Number of Trades	95
Percent Profitable	49.47%
Winning Trades	47
Losing Trades	46
Even Trades	2
Avg. Trade Net Profit	\$104.19
Avg. Winning Trade	\$816.35
Avg. Losing Trade	(\$618.92)
Ratio Avg. Win:Avg. Loss	1.32
Largest Winning Trade	\$2,238.25
Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day.
 SPY closes > 50% and <= 75% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present

TradeStation Performance Summary

	All Trades
Total Net Profit	\$15,445.46
Gross Profit	\$34,876.26
Gross Loss	(\$19,430.80)
Profit Factor	1.79
Total Number of Trades	58
Percent Profitable	51.72%
Winning Trades	30
Losing Trades	27
Even Trades	1
Avg. Trade Net Profit	\$266.30
Avg. Winning Trade	\$1,162.54
Avg. Losing Trade	(\$719.66)
Ratio Avg. Win:Avg. Loss	1.62
Largest Winning Trade	\$4,704.07
Largest Losing Trade	(\$2,246.40)

Tomorrow is a Fed Day.
 SPY closes > 25% and <= 50% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$13,122.59
Gross Profit	\$26,498.43
Gross Loss	(\$13,375.84)
Profit Factor	1.98
Total Number of Trades	49
Percent Profitable	63.27%
Winning Trades	31
Losing Trades	18
Even Trades	0
Avg. Trade Net Profit	\$267.81
Avg. Winning Trade	\$854.79
Avg. Losing Trade	(\$743.10)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

Tomorrow is a Fed Day.
 SPY closes in the BOTTOM 25% of its intraday range.
 Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$25,798.46
Gross Profit	\$37,727.36
Gross Loss	(\$11,928.90)
Profit Factor	3.16
Total Number of Trades	45
Percent Profitable	73.33%
Winning Trades	33
Losing Trades	12
Even Trades	0
Avg. Trade Net Profit	\$573.30
Avg. Winning Trade	\$1,143.25
Avg. Losing Trade	(\$994.07)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$4,645.80
Largest Losing Trade	(\$2,945.28)

So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

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



Without anything new making the cut tonight, 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 also remained 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 stayed long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. With a fair amount of evidence pointing higher over the next few days, this is unlikely to change. Meanwhile, the Differential Pivot will be 5185.86 on Tuesday. That is 0.7% above Monday's close. Therefore, SPX will need to close up 0.7% or more in order to flip from oversold to overbought versus expectations on Tuesday.

So the Aggregator is still bullish. And there is still some room to the upside before SPX will turn overbought. As we discussed, Wednesday is a Fed Day, and those odds could be heavily influenced by Tuesday's action. It was disappointing that SPY gapped up so much on Monday so we did not get a fill on either entry. I will try again tomorrow. I will likely look to exit at least half my position on Wednesday ahead of the Fed announcement. I may exit the entire amount before the announcement depending on how things line up. This is my way of saying that a Tuesday entry will likely be very short-term.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 3/18 – **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MRK – 1/3 @ \$124.05 (bought @ limit)

MRK – 1/3 @ \$122.83 (bought @ limit)

Broad Market Large Cap CBI – 2(MRK-2)

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 @ \$512.75 LIMIT ON OPEN. If not filled on open, cancel order and look to buy @ 512.75 LIMIT ON CLOSE IF SPY ALSO CLOSSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will look to take on some long exposure if I can get small discount at the open or on a weak close on Tuesday.

SPY – Buy ¼ index position @ \$507.50 LIMIT ON CLOSE IF SPY ALSO CLOSSES IN THE BOTTOM 25% OF ITS INTRADAY RANGE. Give me a real scare before the Fed Day and I will be looking to add a 2nd lot.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MRK(1/3)	3/5/2024	\$124.05	\$121.44	-2.10%	Catapult
MRK(1/3)	3/6/2024	\$122.83	\$121.44	-1.13%	Catapult

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.