

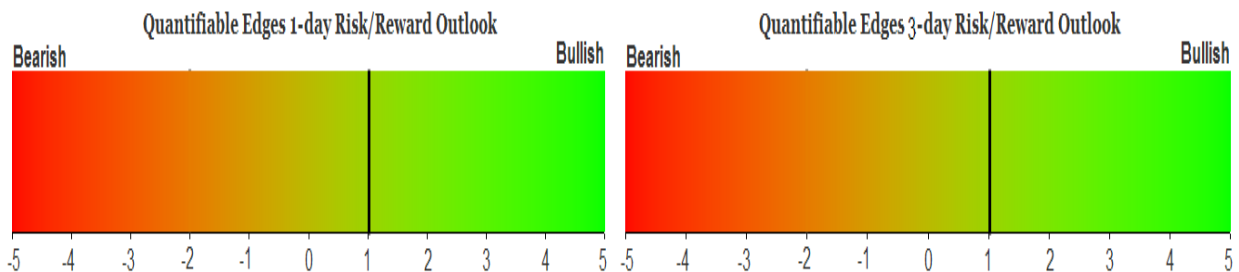
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 20, 2024

Volume 17 Issue 55

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Wednesday's Fed Day odds are not as strong as usual.
- We examine Fed Day performance and find that the gains have historically all been made prior to 2pm EST announcement time.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But the Differential Line is inverted, which tends to limit upside. Therefore, I find myself between neutral and bullish.

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 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 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			

The Evidence

Tuesday gapped lower but rallied throughout the day and all the major indices closed higher. SPX gained 0.6%, the NASDAQ rose 0.4%, and the Russell 2000 climbed 0.5%. Breadth was positive with the NYSE Up Issues % coming in at 69% and the Up Volume % at 65%. NYSE total volume declined some from Monday's level.

Last night I discussed how the Fed Day edge has been influenced by how the market has closed the day before. I showed that closes near the top of the intraday range for SPY were undesirable. So the strong close on Tuesday left us with the below setup.

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.

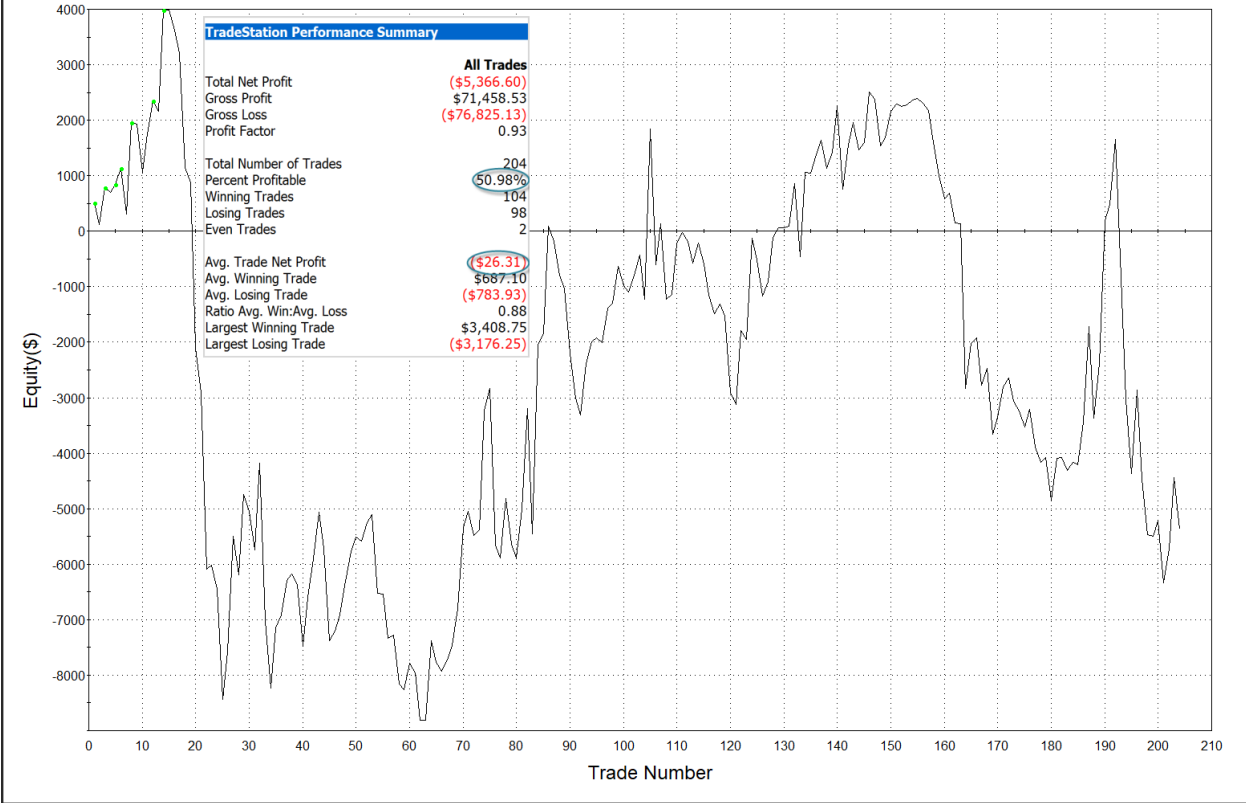
TradeStation Performance Summary

	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)

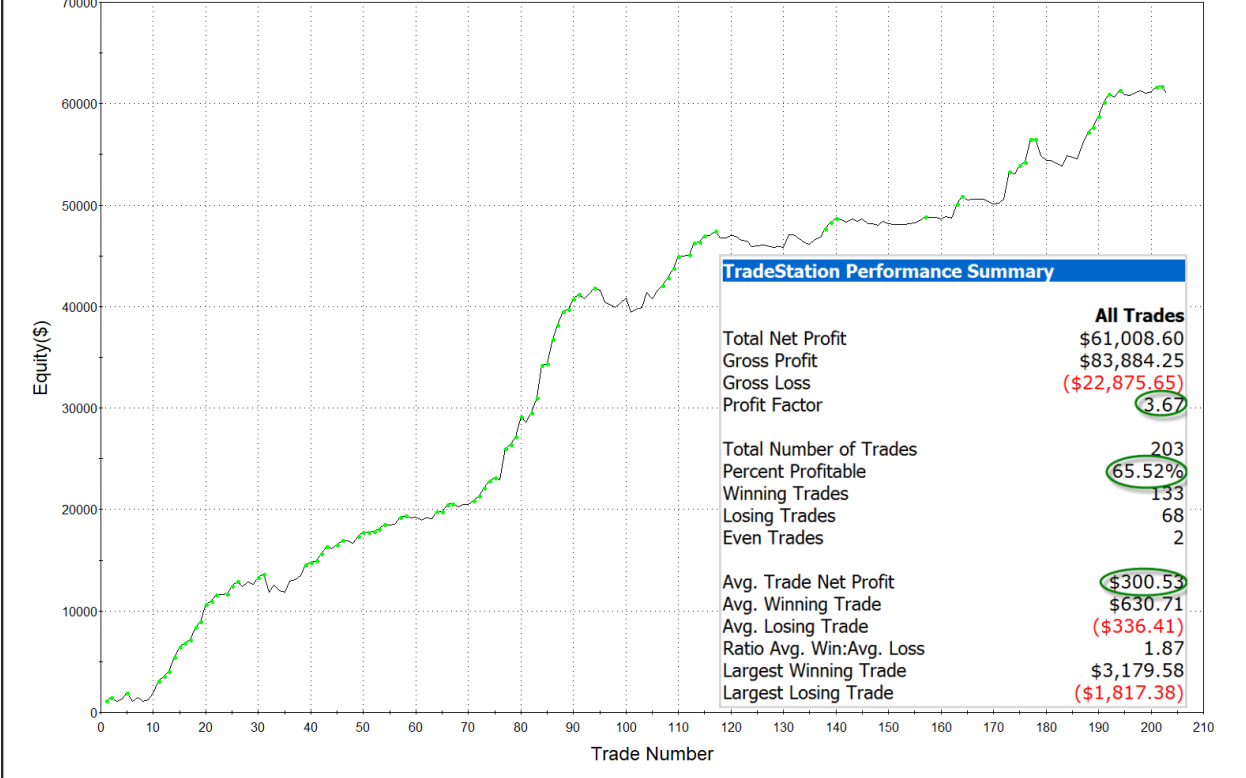
Not great. I don't see a big Fed Day edge for tomorrow.

I mentioned last night that I would likely be taking the SPY trade idea off before the Fed announcement on Wednesday. I indicated this because one interesting aspect of Fed Days is that the bullish inclinations have historically all played out prior to the actual Fed announcement. Sharp moves often occur after the announcement, but they have not been consistently bullish or bearish historically. This can be seen in the two studies below.

Buy SPY at 2pm EST on the Fed Day.
 Sell at 4pm EST of the Fed Day. \$100k/trade. \$0 commissions. 8/1998 - 2/2024.



Buy SPY at 4pm EST NYSE close on the day before a Fed Day.
 Sell at 2pm EST of the Fed Day. \$100k/trade. \$0 commissions. 8/1998 - 2/2024.



A couple of notes:

1) The 2nd test is showing 1 less instance, because Tradestation was missing intraday data for 1/30/2007, which was the day before the Fed Day. So no purchase was triggered. But in looking at ES futures data that day, it closed up a mere 1 tick (0.25 points). So that trade had very little impact on results.

2) There were a few days where the Fed announcement came out before 2pm. (Between 2010 and 2012 they had some early announcements at 12:30.) Additionally, the formal announcement for a long time was 2:15pm. In any case, making minor adjustments for the actual release time would make very little difference, and the point would remain exactly the same. The bullish edge has all been realized prior to the actual announcement. After the announcement, returns have been very inconsistent.

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 Wednesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 5149.67 on Wednesday. That is 0.6% *below* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down 0.6% in order to remain oversold. Anything other than that and it will flip to overbought versus recent expectations as of Wednesday's close.

So the Aggregator is still bullish. But the Differential Pivot means potential upside reward is limited to just one day. I often view inverted pivots as opportune times to take profits. And with the Fed Day edge typically playing out prior to 2pm, and the announcement increasing afternoon risk potential, I will be looking to flatten out the SPY trade idea on Wednesday prior to 2pm. No clue what the reaction to the Fed will be at this point, but it could generate some interesting evidence if the reaction is sizable. So I will exit my SPY and take a fresh look tomorrow night.

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

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MRK(1/3)	3/5/2024	\$124.05	\$122.20	-1.49%	<i>sell on open</i>
MRK(1/3)	3/6/2024	\$122.83	\$122.20	-0.51%	<i>sell on open</i>
SPY(1/4)	3/19/2024	\$512.15	\$515.71	0.70%	<i>see note below</i>

I will be looking to exit my SPY position. I will place a \$515.71 LIMIT order. If not filled by 1:45pm EST, sell at MARKET at 1:45pm.

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